

## Offering Memorandum

**\$235,000,000**

**Education Loan Asset-Backed Trust I  
Student Loan Asset-Backed Notes  
Senior Series 2012-1**

**EDUCATION LOAN ASSET-BACKED TRUST I**  
*Issuer*

**HIGHER EDUCATION FINANCE, LLC**  
*Depositor*

**GOAL FINANCIAL, LLC**  
*Sponsor*

**GOAL STRUCTURED SOLUTIONS, INC.**  
*Issuer Administrator*

Education Loan Asset-Backed Trust I, a Delaware statutory trust (the “*Issuer*”), is issuing the following notes (the “*Series 2012-1 Senior Notes*”).

<u>Series</u>	<u>Original Principal Amount</u>	<u>Interest Rate</u>	<u>Stated Maturity Date</u>	<u>Price to Public</u>
Series 2012-1 Senior Notes	<b>\$235,000,000</b>	One-Month LIBOR plus 0.45%	June 27, 2022	100%

Prospective investors in the Series 2012-1 Senior Notes should consider the discussion of certain material factors set forth under “Risk Factors” on page 11 of this Offering Memorandum. It is a condition of the issuance of the Series 2012-1 Senior Notes that they be rated as set forth in “Summary of Terms—Ratings.”

**THE SERIES 2012-1 SENIOR NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY SECURITIES LAWS OF ANY STATE OR TERRITORY OF THE UNITED STATES (“BLUE SKY 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 BLUE SKY LAWS. ACCORDINGLY, THE SERIES 2012-1 SENIOR NOTES ARE BEING OFFERED AND SOLD ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A AND TO INSTITUTIONAL ACCREDITED INVESTORS AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT.**

The Series 2012-1 Senior Notes, together with all other Indenture Obligations issued pursuant to the Indenture, will represent limited obligations of the Issuer, payable solely from the Trust Estate created under the Indenture and described herein. The Series 2012-1 Senior Notes are being issued as Additional Notes pursuant to the Indenture and are secured in parity with certain previously issued Senior Notes and Other Senior Obligations, as described herein. The Series 2012-1 Senior 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 2012-1 Senior Notes, together with all other Indenture Obligations issued pursuant to the Indenture, will have recourse to the Trust Estate pursuant to the Indenture, but will not have recourse to any other assets of the Issuer.

**THE SERIES 2012-1 SENIOR NOTES HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

We are offering the Series 2012-1 Senior Notes through Barclays Capital Inc., Merrill Lynch, Pierce, Fenner and Smith Incorporated and RBC Capital Markets, LLC (each an “*Initial Purchaser*” and collectively, the “*Initial Purchasers*”), when and if issued. Merrill Lynch, Pierce, Fenner and Smith Incorporated, one of the Initial Purchasers, will also be a seller in the ARS Purchase Transaction described herein. The Series 2012-1 Senior Notes will be delivered in book-entry form on or about September 27, 2012.

### Lead Managers

**Barclays**

**BofA Merrill Lynch**

### Co-Manager

**RBC Capital Markets**

September 25, 2012

This Offering Memorandum and the information contained herein are subject to completion and amendment.

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Initial Purchasers to subscribe for or purchase, any of the Series 2012-1 Senior Notes in any circumstances or in any state or other jurisdiction where such offer or invitation is unlawful. No action has been taken or will be taken to register or qualify the Series 2012-1 Senior Notes or otherwise to permit a public offering of the notes in any jurisdiction where actions for that purpose would be required. The distribution of this Offering Memorandum and the offering of the Series 2012-1 Senior Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Series 2012-1 Senior Notes and distribution of this Offering Memorandum, see “Notice to Investors: Transfer Restrictions.”

This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of the Series 2012-1 Senior Notes described herein. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire the Series 2012-1 Senior Notes. Any distribution of this Offering Memorandum in whole or in part to any person other than the offeree or such offeree’s advisers is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein.

No dealer, broker, salesman or other person has been authorized by the Issuer or the Initial Purchasers 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 the Issuer or the Initial Purchasers. 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 2012-1 Senior 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 2012-1 Senior Notes are being issued pursuant to the Indenture of Trust, dated as of February 1, 2003 (the “*Base Indenture*”), among the Issuer, U.S. Bank National Association (as successor to The Bank of New York Mellon), as eligible lender trustee for the Issuer (the “*Eligible Lender Trustee*”), and The Bank of New York Mellon (as successor to The Bank of New York), as trustee (together with any successor and any other corporation which may be substituted in its place pursuant to the Indenture, the “*Trustee*”), as supplemented by (i) the First Supplemental Indenture of Trust, dated as of February 1, 2003 (the “*First Supplemental Indenture*”), between the Issuer and the Trustee, (ii) the Second Supplemental Indenture of Trust, dated as of August 1, 2003 (the “*Second Supplemental Indenture*”), between the Issuer and the Trustee, (iii) the Third Supplemental Indenture of Trust, dated as of November 19, 2007 (the “*Third Supplemental Indenture*”), between the Issuer and the Trustee, (iv) the Fourth Supplemental Indenture of Trust, dated as of January 7, 2008 (the “*Fourth Supplemental Indenture*”), between the Issuer and the Trustee, (v) the Fifth Supplemental Indenture of Trust, dated as of August 11, 2009 (the “*Fifth Supplemental Indenture*”), between the Issuer and the Trustee, (vi) the Sixth Supplemental Indenture of Trust, dated as of October 2, 2009 (the “*Sixth Supplemental Indenture*”), between the Issuer and the Trustee, (vii) the Seventh Supplemental Indenture of Trust, dated as of April 13, 2012 (the “*Seventh Supplemental Indenture*”), and (viii) the Eighth Supplemental Indenture of Trust, dated as of September 27, 2012 (the “*Eighth Supplemental Indenture*” and, collectively with the Base Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, and the Seventh Supplemental Indenture, the “*Indenture*”), between the Issuer and the Trustee. It is anticipated that after the Closing Date, U.S. Bank National Association will replace The Bank of New York Mellon as Trustee under the Indenture. The Series 2012-1 Senior Notes, together with all other Indenture Obligations issued pursuant to the Indenture, will be payable from and secured by: (i) Financed Student Loans acquired with the proceeds of this issuance and previous issuances and cash on hand; (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 any Servicing Agreement, the Eligible Lender Trust Agreement and the FFELP Guarantee Agreements, as the same relate to Financed Student 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” herein. At the time of acquisition from moneys held under the Indenture, the Student Loans are required to meet certain eligibility criteria described herein. Such Student Loans are referred to as “Financed Eligible Loans.” See “Glossary of Certain Defined Terms” attached hereto as Appendix A.

**The Series 2012-1 Senior Notes will receive monthly principal distributions, until they are paid in full, as more fully described herein. See “Description of the Series 2012-1 Senior Notes” herein.**

The Series 2012-1 Senior Notes will bear interest at an annual rate equal to, for the Initial Interest Period, 0.67% per annum and thereafter LIBOR, plus 0.45%. The Trustee will determine LIBOR for the Series 2012-1 Senior Notes on each LIBOR Determination Date as specified herein. Interest on the Series 2012-1 Senior Notes will be calculated on the basis of the actual number of days elapsed during the Interest Period on the basis of a year consisting of 360 days.

The Issuer has previously issued its Series 2003-1 Notes in February of 2003, and its Series 2003-2 Notes in August of 2003. The Series 2003-1 Notes and the Series 2003-2 Notes are collectively referred to herein as the “Previous Notes.” See “Previous Issuances” herein. The Issuer will be purchasing (a) at a price determined as specified by the Issuer in the ARS Purchase Transaction certain Previous Senior Notes and (b) certain Eligible Loans from time to time from FIN (as defined herein), each with the proceeds from the sale of the Series 2012-1 Senior Notes, together with Additional Funds (as defined herein), pursuant to the ARS Purchase Transaction and the Loan Purchase Transaction, as applicable. See “ARS Purchase Transaction” and “Loan Purchase Transaction” herein.

The Indenture authorizes the issuance of other Notes (“Additional Notes”) under certain circumstances, in the future. No principal will be paid in respect of any such Additional Notes which would reduce the scheduled Principal Distribution Amount on the Series 2012-1 Senior Notes, unless an Event of Default occurs, in which case any Senior Notes will be paid in parity. Except for any principal distribution amounts on such Additional Notes, there shall be no mandatory redemptions, optional redemptions, prepayments, open market purchases or tender offers by Issuer or its affiliates or defeasance of any Additional Notes while the Series 2012-1 Senior Notes are Outstanding. In addition, such Additional Notes will be issued with the same or later maturities than the Series 2012-1 Senior Notes. Notwithstanding such authorization of the Indenture, the Issuer has covenanted that while the Series 2012-1 Senior Notes are Outstanding, such Additional Notes may be issued as Senior Notes so long as (i) they are issued on a date that the Senior Asset Requirement is satisfied (both immediately before and after giving effect to the issuance) and (ii) the Holders thereof shall not have the right to demand or require the Issuer to purchase such Notes. Upon receipt of a Rating Agency Confirmation, 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 Previous 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. See “Source of Payment and Security for the Notes—Priorities” and “Description of the Indenture—Notes and Other Senior Obligations” herein. The Series 2012-1 Senior Notes, the Previous 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 2012-1 Senior Notes, including over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. See “Plan of Distribution” herein.**

There is currently no secondary market for the Series 2012-1 Senior Notes, and there is no assurance that one will develop. The Initial Purchasers expect, but will not be obligated, to make a market in the Series 2012-1 Senior 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 2012-1 Senior Notes will not be listed on any national securities exchange or quoted on any inter-dealer quotation system.

It is a condition to the issuance and sale of the Series 2012-1 Senior Notes that the Series 2012-1 Senior Notes be rated “Aaa (sf)” by Moody’s Investors Service, Inc. (“Moody’s”) and “AA+ (sf)” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), and that Moody’s and S&P confirm their

existing ratings on the Previous Notes. The inclusion of an “sf” or “(sf)” in the ratings is an identifier recently implemented for structured finance product ratings by the applicable Rating Agency. Other credit rating agencies that we have not engaged to rate the Series 2012-1 Senior Notes may nevertheless issue unsolicited credit ratings on any series of Series 2012-1 Senior Notes or Previous Notes. If any such unsolicited ratings are issued, we cannot assure you that they will not be different from those ratings assigned by S&P or Moody’s. See “Ratings” herein.

**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 INSTITUTIONAL “ACCREDITED INVESTORS” AS THAT TERM IS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT WHO ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS INVOLVED WITH OWNERSHIP OF THE SERIES 2012-1 SENIOR NOTES.**

In making an investment decision, prospective investors must rely on their own independent investigation of the terms of the offering and weigh the merits and the risks involved with ownership of the notes. We will furnish any additional information (to the extent we have such information or can acquire such information without unreasonable effort or expense and to the extent we may lawfully do so under the Securities Act or applicable local laws or regulations) necessary to verify the information furnished in this Offering Memorandum. Representatives of the Issuer, the Sponsor, the Issuer Administrator and the Initial Purchasers will be available to answer questions from investors interested in purchasing the Series 2012-1 Senior Notes concerning the Series 2012-1 Senior Notes, the Issuer and the Financed Student Loans.

Prospective investors are not to construe the contents of this Offering Memorandum or any prior or subsequent communications from the Issuer, the Issuer Administrator, the Sponsor or the Initial Purchasers or any of their officers, employees or agents as investment, legal, accounting, regulatory or tax advice. Prior to any investment in the Series 2012-1 Senior Notes, a prospective investor should consult with its own advisors to determine the appropriateness and consequences of such an investment in relation to that investor’s specific circumstances.

**Each initial and subsequent purchaser of the Series 2012-1 Senior Notes will be deemed by its acceptance of such notes to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of the Series 2012-1 Senior Notes as described in this Offering Memorandum and, in connection therewith, may be required to provide confirmation of its compliance with such resale and other transfer restrictions in certain cases. The Series 2012-1 Senior Notes will bear a legend referring to such restrictions and investors must be prepared to bear the risks of their acquisition of the Series 2012-1 Senior Notes for an indefinite period of time. See “Notice to Investors: Transfer Restrictions” herein.**

The Initial Purchasers make no representations or warranties as to the accuracy or completeness of the information described in this Offering Memorandum, and nothing herein shall be deemed to constitute such a representation or warranty by the Initial Purchasers nor a promise or representation as to our future performance or the future performance of the Student Loans or the Series 2012-1 Senior Notes.

The Series 2012-1 Senior Notes are being offered subject to prior sale or withdrawal, cancellation or modification of the offer without notice and subject to the approval of certain legal matters by counsel and certain other conditions. No Series 2012-1 Senior Notes may be sold without delivery of this Offering Memorandum.

**IN CONNECTION WITH THE OFFERING, THE INITIAL PURCHASERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012-1 SENIOR 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 2012-1 Senior Notes will be available to investors that are Qualified Institutional Buyers or institutional Accredited Investors only in book-entry form. The Issuer expects that the Series 2012-1 Senior Notes sold pursuant hereto to Qualified Institutional Buyers or institutional Accredited Investors will be issued in the form of one fully registered note certificate totaling the aggregate principal amount of each series of Series 2012-1 Senior Notes,

which will be deposited with, or on behalf of, The Depository Trust Corporation (“DTC”) and registered in its name or in the name of its nominee. Beneficial interests in the Series 2012-1 Senior Notes will be shown on, and transfers thereof to Qualified Institutional Buyers and institutional Accredited Investors only will be effected through, records maintained by DTC and its participants.

#### **FOR NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER NEW HAMPSHIRE REVISED STATUTES ANNOTATED, CHAPTER 421-B (“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 OF NEW HAMPSHIRE 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 INVESTOR OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### **AVAILABLE INFORMATION**

To permit compliance with Rule 144A under the Securities Act in connection with the sales of the Notes, the Issuer Administrator will be required, for so long as any Series 2012-1 Senior 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 2012-1 Senior 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.

#### **IRS CIRCULAR 230 NOTICE**

**THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL, STATE OR LOCAL TAX PENALTIES. THIS OFFERING MEMORANDUM HAS BEEN WRITTEN AND PROVIDED BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE ISSUER AND/OR THE INITIAL PURCHASERS OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS OFFERING MEMORANDUM. PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

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## SUMMARY OF TERMS

*This Summary of Terms is a very general overview of the terms of the Series 2012-1 Senior Notes and does not contain all of the information you need to consider in making your investment decisions and is subject in all respects to more complete information contained in this Offering Memorandum and the final Offering Memorandum. The offering of the Series 2012-1 Senior 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. Before deciding to purchase the Series 2012-1 Senior Notes, you should consider the more detailed information appearing elsewhere in this Offering Memorandum. We will not issue the Series 2012-1 Senior Notes until this Offering Memorandum is delivered in final form. 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" attached hereto as Appendix A.*

*This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. See "Special Note Regarding Forward-Looking Statements" herein.*

### **Principal Parties and Dates**

#### ***Issuer***

- Education Loan Asset-Backed Trust I

#### ***Issuer Administrator***

- Goal Structured Solutions, Inc.

#### ***Sponsor***

- Goal Financial, LLC

#### ***Depositors***

- With respect to the Series 2012-1 Senior Notes, Higher Education Finance LLC ("*FIN*" and a "*Depositor*")
- With respect to the Previous Notes, Consolidation Loan Funding, LLC ("*CLF*", the "*Initial Depositor*" and a "*Depositor*")

#### ***Servicers***

- Pennsylvania Higher Education Assistance Agency ("*PHEAA*")
- Great Lakes Educational Loan Services, Inc. ("*Great Lakes*")
- Xerox Education Services, Inc. (as successor to ACS Education Services, Inc.) ("*Xerox*")

#### ***Backup Administrator***

- Lord Securities Corporation

### ***Eligible Lender Trustee***

- U.S. Bank National Association (as successor to The Bank of New York Mellon)

### ***Trustee***

- The Bank of New York Mellon (as successor to The Bank of New York)

### ***Delaware Trustee***

- Wilmington Trust Company (as successor to The Bank of New York (Delaware))

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

The Monthly Distribution Dates for the Series 2012-1 Senior Notes will be the 25th day of each calendar month, beginning on October 25, 2012. The Monthly Calculation Date for each Monthly Distribution Date will be the 25th day of each calendar month. If any Monthly Distribution Date and Monthly Calculation Date is not a business day, the Monthly Distribution Date and Monthly Calculation Date will be on the next succeeding business day.

### ***Interest Periods***

The Initial Interest Period for the Series 2012-1 Senior Notes begins on the Closing Date and ends on October 24, 2012. For all other Monthly Distribution Dates, the Interest Period will begin on the prior Monthly Distribution Date and end on the day before such Monthly Distribution Date.

### ***Closing Date***

The closing date for this offering is expected to be on or about September 27, 2012.

### ***Description of the Series 2012-1 Senior Notes***

#### ***General***

The Series 2012-1 Senior Notes are to be issued in a series of Floating Rate Notes designated as the Student Loan Asset-Backed Notes, Senior Series 2012-1. The Issuer is offering the Series 2012-1 Senior Notes in an aggregate original Principal Amount of \$235,000,000. The Series 2012-1 Senior Notes are being issued as Additional Notes pursuant to the Indenture and are secured by the Trust Estate in parity with certain previously issued Previous Senior Notes. The Issuer has previously issued Subordinate Notes, the payment on which is subordinated in certain respects to the Series 2012-1 Senior Notes and the Previous Senior Notes, as more fully described herein.

The Series 2012-1 Senior Notes are debt obligations of the Issuer and will be issued pursuant to the Indenture, as supplemented by the Eighth Supplemental Indenture. The Series 2012-1 Senior Notes and the Previous Notes issued pursuant to the Indenture are payable primarily from collections on a pool of Financed Student Loans held by the Issuer. The Issuer may, under certain conditions, issue additional series of Notes in the future which also will be secured by the funds and assets held under the Indenture. See "Description of the Series 2012-1 Senior Notes" herein.

The Series 2012-1 Senior Notes will be offered in denominations of \$100,000 and additional increments of \$1,000 in excess thereof.

#### ***Interest on the Series 2012-1 Senior Notes***

During the Initial Interest Period, the Series 2012-1 Senior Notes will bear interest at 0.67% per annum. For each subsequent Interest Period, the Series 2012-1 Senior Notes will bear interest at an annual rate equal to LIBOR, plus 0.45% after giving effect to any principal distribution made on the first Business Day for such Interest Period.

The Trustee will determine LIBOR for the Series 2012-1 Senior Notes on each LIBOR Determination Date as specified herein. Interest on the Series 2012-1 Senior Notes will be calculated on

the basis of the actual number of days elapsed during the Interest Period on the basis of a year consisting of 360 days.

Interest accrued on the Outstanding Principal Amount of the Series 2012-1 Senior Notes during each Interest Period will be paid to the record owners of the Series 2012-1 Senior Notes on the following Interest Payment Date.

#### ***Principal Payments on the Series 2012-1 Senior Notes***

The Issuer shall make monthly payments of principal through principal distribution amounts as described below.

On each Monthly Calculation Date, to the extent that such funds are available, the Issuer will transfer an amount equal to the Principal Distribution Amount from the Collection Fund to the Retirement Account of the Debt Service Fund pursuant to priority "eighth" as described under "—Flow of Funds" below. The payment of the Principal Distribution Amount is a required payment of Debt Service on each Monthly Distribution Date. The amounts on deposit in the Retirement Account will then be paid to the Holders of the Series 2012-1 Senior Notes on the applicable Monthly Distribution Date.

The Principal Distribution Amount will be allocated to the Series 2012-1 Senior Notes until they are fully retired and is equal to (I) on each Monthly Distribution Date prior to the Stated Maturity of the Series 2012-1 Senior Notes, the difference, if any, between (i) the aggregate Principal Amount of all Senior Notes Outstanding assuming the Previous Senior Notes have a closing balance of \$921,350,000 and any Additional Notes are deemed to have such balance as of their respective closing date and (ii) the quotient of (a) the Pool Balance and (b) 110.0%; or (II) on the Stated Maturity of the Series 2012-1 Senior Notes, the amount necessary to reduce the aggregate Principal Amount of the Series 2012-1 Senior Notes to zero; provided, however, that while the Series 2012-1 Senior Notes are Outstanding, the Previous Senior Notes Outstanding, after giving effect to the purchases of the Previous Senior Notes pursuant to the ARS Purchase Transaction, will be assumed to have the same Principal Amounts as on the settlement of the ARS Purchase Transaction.

The Principal Distribution Amount will be paid from the Collection Fund, by transfer to the Retirement Account, as described in "—Flow of Funds" below. To the extent that insufficient funds

exist in the Collection Fund to pay the Principal Distribution Amount on any Monthly Distribution Date, such failure will not constitute an Event of Default under the Indenture.

To the extent that any proceeds from the sale of the Series 2012-1 Senior Notes remain in the ARS Purchase Transaction Account of the Surplus Fund after the purchase of Previous Senior Notes, such amounts will be transferred to the Retirement Account of the Debt Service Fund and will constitute additional Principal Distribution Amount to be paid to the Holders of the Series 2012-1 Senior Notes on the Monthly Distribution Date immediately succeeding the ARS Purchase Transaction.

To the extent that any proceeds from the sale of the Series 2012-1 Senior Notes remain in the Acquisition Fund after the final Loan Purchase Settlement Date, such amounts will be transferred to the Retirement Account of the Debt Service Fund and will constitute additional Principal Distribution Amount to be paid to the Holders of the Series 2012-1 Senior Notes on the Monthly Distribution Date immediately succeeding the final Loan Purchase Settlement Date.

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

The stated maturity date of the Series 2012-1 Senior Notes is June 27, 2022. It is expected that the actual maturity of the Series 2012-1 Senior Notes will occur earlier because the Series 2012-1 Senior Notes will receive principal distributions on a monthly basis (see “—Principal Payments on the Series 2012-1 Senior Notes” above) based on the amortization of the principal of the Issuer’s Financed Student Loans over time. Additionally, the Trustee or the Holders could accelerate the maturity of the Notes, including the Series 2012-1 Senior Notes, upon the occurrence of an Event of Default.

#### ***Parity Obligations***

The Series 2012-1 Senior Notes will be issued as Additional Notes under the Indenture, as supplemented by the Eighth Supplemental Indenture. The Series 2012-1 Senior Notes constitute “Senior Obligations” under the Indenture, secured by the Trust Estate on a basis which is in parity with any other Senior Obligations and which is superior to the Subordinate Notes. Additional Notes and Other Senior Obligations may be issued, under certain circumstances, under the Indenture which have the same right to payment, or subordinated right to payment, from the Trust Estate as the Series 2012-1

Senior Notes and the other Senior Notes and Senior Obligations issued pursuant to the Indenture. While the Series 2012-1 Senior Notes are Outstanding, Additional Notes may be issued to the extent that (i) they are issued on a date that the Senior Asset Requirement is satisfied (both immediately before and after giving effect to such issuance) and (ii) the Holders thereof shall not have the right to demand or require the Issuer to purchase such Notes. No principal will be paid in respect of any such Additional Notes which would reduce the scheduled Principal Distribution Amount on the Series 2012-1 Senior Notes, unless an Event of Default occurs, in which case any Senior Notes will be paid in parity. Except for any principal distribution amounts on such Additional Notes, there shall be no mandatory redemptions, optional redemptions, prepayments, open market purchases or tender offers by Issuer or its affiliates or defeasance of any Additional Notes while the Series 2012-1 Senior Notes are Outstanding. Upon receipt of a Rating Agency Confirmation, Additional Notes may be issued under the Indenture for the purposes of (a) providing funds for the acquisition of Eligible Loans (other than in connection with the purchase of Eligible Student Loans during the Acquisition Period), (b) refunding at or before their stated maturity any or all Previous 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. Other than the Previous Senior Notes and the Executed Swap Agreement (as hereinafter defined), there are no other Senior Obligations Outstanding under the Indenture.

#### ***ARS Purchase Transaction***

The Issuer has entered into a purchase agreement for the purchase of Previous Senior Notes from Merrill Lynch, Pierce, Fenner and Smith Incorporated (the “ARS Purchase Transaction”) in an amount up to \$87,200,000 of which \$50,600,000 has already been purchased.

To the extent that any cash previously deposited into the ARS Purchase Account is remaining in the ARS Purchase Account after the Closing Date, then any such excess cash will be transferred to the Retirement Account and added to the Principal Distribution Amount for the Series 2012-1 Senior Notes on the subsequent Monthly Distribution Date.

### ***Loan Purchase Transaction***

The Issuer has entered into a purchase and sale agreement with FIN for the purchase of Eligible Loans in an amount up to \$231,124,680.

FIN has entered into a purchase and sale agreement with Higher Education Funding IV, LLC for the purchase of Eligible Loans in an amount up to \$171,124,680 on the Closing Date and the Forward Flow Loan Purchase Agreement for the purchase of Eligible Loans which we anticipate will equal an amount up to \$60,000,000 during the Acquisition Period.

To the extent that any cash previously deposited into the Acquisition Fund is remaining by the final Loan Purchase Settlement Date, which is expected to occur on or before February 28, 2013, then any such excess cash will be transferred to the Retirement Account and added to the Principal Distribution Amount for the Series 2012-1 Senior Notes on the subsequent Monthly Distribution Date.

### ***Executed Swap Agreement***

On August 11, 2009, the Issuer entered into an interest rate swap (the “*Executed Swap Agreement*”) with SunTrust Bank (the “*Bank*”). The effective period for the Executed Swap Agreement is August 25, 2010 through August 25, 2019, unless terminated earlier according to its terms. The Issuer entered into the Executed Swap Agreement to hedge against potential volatility in floor income. See “Description of Executed Swap Agreement and Swap Counterparty” herein.

Under the terms of the Executed Swap Agreement, the Issuer is obligated to pay the Bank each month 1.479% per annum of a specified notional amount. The notional amount declines every three months over the life of the Executed Swap Agreement according to a predetermined schedule. For the Bank’s payment obligations, the notional amount of the Executed Swap Agreement is divided into nineteen portions. Each month the Bank is obligated to pay the Issuer one-month LIBOR on the notional amount, subject to a maximum rate specified in the Executed Swap Agreement for each of the nineteen portions. Payment obligations of the Issuer and the Bank are netted each month, so that the party with the higher payment obligation pays the other party the net difference between the two obligations. See “Description of Executed Swap Agreement and Swap Counterparty” herein.

### ***Description of the Trust***

#### ***General***

Education Loan Asset-Backed Trust I is a Delaware Statutory Trust. The Issuer was formed in Delaware pursuant to the Initial Trust Agreement. On September 19, 2012, the Initial Trust Agreement was amended to provide that FIN is the owner of all the equity interests in the Issuer. FIN is the Depositor with respect to the Series 2012-1 Senior Notes and CLF is the Depositor with respect to the Previous Notes. The operations of the Issuer are limited to acquiring, holding and managing Student Loans originated as FFELP Loans and other assets of the Issuer, issuing and making payments on the Notes and any other incidental or related activities.

The Issuer has previously issued its Series 2003-1 Notes in February of 2003, and its Series 2003-2 Notes in August of 2003. The Notes, including the Series 2012-1 Senior Notes, are limited obligations of the Issuer payable solely from the Trust Estate created under the Indenture and described herein. See “Source of Payment and Security for the Notes” herein.

The only sources of funds for payment of all of the Notes issued under the Indenture are the Student Loans and investments pledged to the Trustee, the payments the Trustee receives on those Student Loans and investments and payments the Issuer receives under any Swap Agreements. The Issuer has entered into the Executed Swap Agreement. The Issuer may enter into additional Swap Agreements in the future if a Rating Agency Confirmation is obtained. See “Source of Payment and Security for the Notes—Additional Indenture Obligations” herein.

#### ***The Trust’s Assets***

The assets of the Trust Estate consist primarily of:

- a portfolio of FFELP Loans (all of which are Consolidation Loans) previously acquired by the Issuer and FFELP Loans (including Consolidation Loans, PLUS Loans and Stafford Loans) to be acquired by the Issuer with the proceeds of the issuance of the Series 2012-1 Senior Notes and Additional Funds. (the “*Financed Student Loans*”);

- collections and other payments received on account of the Financed Student Loans;
- the moneys and investment securities held in the Acquisition Fund, Reserve Fund and the other funds and accounts under the Indenture; and
- its rights under the Executed Swap Agreement and any Future Swap Agreement that may be provided for the benefit of the Issuer.

### ***Characteristics of the Student Loan Portfolio***

The Student Loans previously acquired by the Issuer and the proceeds received from such Student Loans are a type of FFELP Loan known as Consolidation Loans. On the Closing Date the Issuer will acquire Eligible Loans with the proceeds of the issuance of the Series 2012-1 Senior Notes and Additional Funds. The additional Eligible Loans will be Consolidation Loans, PLUS Loans and Stafford Loans, some of which will be Rehabilitation Loans. As of July 31, 2012 (the “*Statistical Cut-off Date*”), the Eligible Loans to be acquired had an aggregate outstanding principal balance of \$161,125,086. In addition, as of the Statistical Cut-off Date, \$1,021,947 of aggregate principal balance of the Eligible Loans to be acquired are a type of FFELP Loan known as PLUS Loans, \$9,869,913 of aggregate principal balance of the Eligible Loans to be acquired are a type of FFELP Loan known as Stafford Loans, \$150,233,227 of aggregate principal balance of the Eligible Loans to be acquired are a type of FFELP Loan known as Consolidation Loans and the weighted average annual interest rate of the Eligible Loans to be acquired was approximately 4.15% and their weighted average remaining term to scheduled maturity was approximately 227 months. On the Closing Date, it is expected that Rehabilitation Loans acquired by the Issuer will have an aggregate outstanding principal balance of \$56,848,871 and will represent 4.83% of aggregate principal balance of Financed Student Loans and Eligible Loans to be acquired on the Closing Date. See “Student Loan Guarantees and Federal Reinsurance – Federal insurance and reimbursement of Guarantee Agencies – Rehabilitation of defaulted loans” herein.

Third party guarantee agencies (each a “*Guarantee Agency*”) guarantee the payment of either 97%, 98% or 100% of the principal amount of and accrued interest on all of the current Financed Eligible Loans in the Trust Estate, as described more fully

below under “Characteristics of the Student Loans.” The Financed Eligible Loans in the Trust Estate are partially reinsured by the federal government. The Indenture permits the Financed Student Loans to be guaranteed by any Guarantee Agency under the Higher Education Act. See “Description of the FFELP Program” and “Guarantee Agencies” herein. The characteristics of the portfolio of FFELP Loans are described more fully below under “Characteristics of the Student Loans.”

The Issuer may occasionally be required by a Guarantee Agreement, the Higher Education Act or the Department of Education to repurchase Financed Student Loans. Other than the Loan Purchase Transaction, the Issuer will be permitted to acquire more Eligible Loans, and issue Additional Notes for the acquisition of such loans, each upon receipt of a Rating Agency Confirmation with respect thereto subject to other requirements set forth in the Indenture. See “Student Loan Guarantees and Federal Reinsurance – Loans subject to repurchase” herein.

### ***Acquisition Fund***

The Indenture establishes an Acquisition Fund for the purpose of acquiring Eligible Loans. At closing, the Acquisition Fund will be credited with \$56,550,000 for the purpose of acquiring Eligible Loans during the period commencing at closing and ending on or before February 28, 2013 (such period the “*Acquisition Period*”). The Issuer may occasionally be required to repurchase FFELP Loans by a Guarantee Agreement, the Higher Education Act or the Department of Education. See “Description of the Indenture—Funds and Accounts—Acquisition Fund” herein.

### ***Collection Fund***

The Trustee will credit to the Collection Fund: (1) all amounts received as interest, including federal interest subsidy payments, late fees and principal payments with respect to Financed Eligible Loans, including all guarantee payments, and all Special Allowance Payments with respect to Financed Eligible Loans (excluding, unless otherwise provided in a Supplemental Indenture, any federal 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 Eligible Loans held in the Acquisition Fund, (3) any amounts transferred from the Acquisition Fund, the Administration Fund and the Reserve 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 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 order of priority described in “—Priority of Payments” above. See “Description of the Indenture—Funds and Accounts—Collection Fund” herein.

#### ***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, the Surplus Fund and the Acquisition Fund. Amounts in the Administration Fund will be used to pay costs of issuance (to the extent provided by a Supplemental Indenture), Excess Interest Payment Amounts, Servicing Fees, Administration Fees, Backup Administration Fees and Note Fees. See “Description of the Indenture—Funds and Accounts—Administration Fund” herein.

#### ***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 Senior Obligations and Carry-Over Amounts (including any accrued interest thereon). See “Description of the Indenture—Funds and Accounts—Debt Service Fund” herein.

#### ***Reserve Fund***

The Indenture establishes a Reserve Fund to hold the required reserve balance equal to the greater of (a) 0.75% of the aggregate Principal Amount of the Notes then Outstanding and (b) \$1,250,000. The amount on deposit in the Reserve Fund may be supplemented monthly, if necessary, to increase the amount therein to the required balance. See

“Description of the Indenture—Funds and Accounts—Reserve Fund” herein.

#### ***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. Amounts in the Surplus Fund may be transferred to any of the other Funds or Accounts to remedy any deficiency therein. 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, so long as the Trustee has first certified that no deficiencies exist in the Administration Fund, the Debt Service Fund and the Reserve Fund: (1) transfer to the Retirement Account for the redemption or purchase of, or distribution of principal with respect to, Notes; (2) the purchase of Notes as permitted under the Indenture (3) the acquisition of Eligible Loans, or transfer to the Acquisition Fund for such purpose or (4) to be released upon Issuer Order so long as (i) the Senior Asset Percentage will not be less than 107.0% and the Subordinate Asset Percentage will not be less than 101.5% after such release and (ii) the Aggregate Value of the Trust Estate less the aggregate principal balance of Notes will exceed \$6,000,000 after such release. Additionally, the Eighth Supplemental Indenture creates the ARS Purchase Transaction Account within the Surplus Fund to be used to purchase Previous Senior Notes pursuant to the ARS Purchase Transaction. Amounts in the Surplus Fund are released to the Issuer if, after taking into account such release, the Asset Release Requirement will be met. See “Description of the Indenture—Funds and Accounts—Surplus Fund” herein.

If, on any Monthly Calculation Date, the Subordinate Asset percentage is less than 100.5% or, beginning on the Monthly Calculation Date in August 2023, amounts on deposit in the Surplus Fund exceed \$8,500,000, the Issuer shall be obligated to use all amounts on deposit in the Surplus Fund on the Monthly Distribution Date in the immediately following month (i) to purchase Previous Notes (through future tender offers, open market purchases or otherwise) or for the optional redemption or prepayment of Previous Notes as permitted by the Indenture; (ii) to purchase additional Eligible Loans at the discretion of the Issuer and if a Rating Agency Confirmation is obtained with respect to such acquisition; or (iii) for release to the Issuer as permitted by the Indenture. These requirements may change in the future if a Rating Agency Confirmation is obtained.

### ***Swap Collateral Fund***

The Indenture establishes a Swap Collateral Fund which is currently comprised of one Swap Agreement Collateral Account. Each Swap Agreement will have a corresponding Swap Agreement Collateral Account and each Swap Agreement Collateral Account will be used to secure a Swap Counterparty's obligations. See "Description of the Indenture – Funds and Accounts – Swap Collateral Fund" herein.

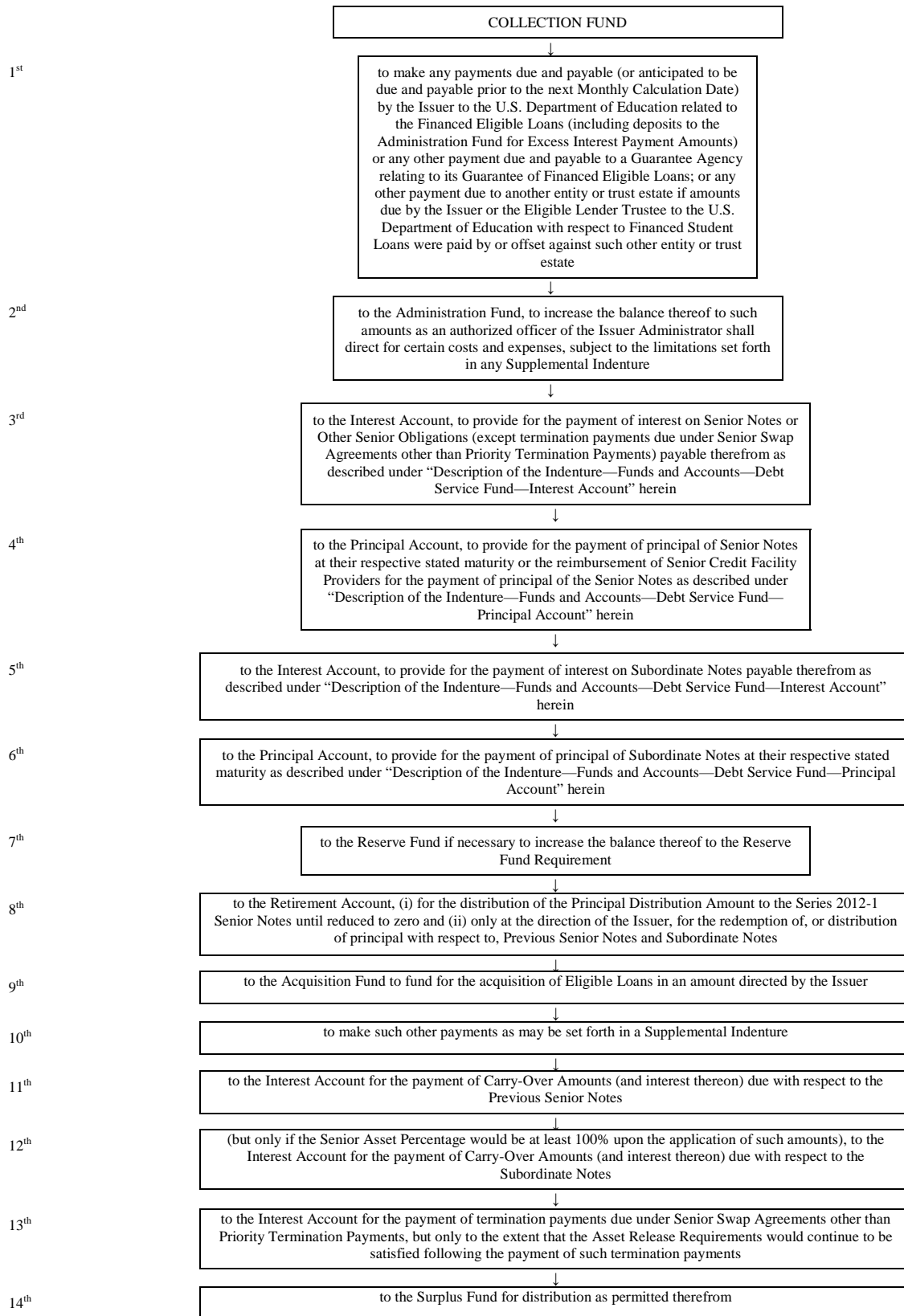
### ***Fees and Expenses***

The fees and expenses payable by the Issuer, including servicing, administration and backup administration fees, are set forth in "Fees and Expenses" in this Offering Memorandum. The priority of payment of such fees and expenses is described below in "—Flow of Funds" and in "Description of the Indenture—Funds and Accounts—Collection Fund" herein.

### ***Flow of Funds***

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 order of priority. For more detail, see "Description of the Indenture—Funds and Accounts" herein.

While the Indenture permits the Issuer to enter into a variety of transactions that are reflected in the following priority of payments, many of these will not be applicable with respect to the issuance of the Series 2012-1 Senior Notes:



### ***Suspension of Payment on Subordinate Notes***

As long as any Senior Notes or any 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);
- the Subordinate Asset Percentage would be less than 100% (in which event no Carry-Over Amount will be paid with respect to 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). See “Description of the Indenture—Application of Proceeds” herein.

Any such deferral of payments on any Subordinate Notes or Senior Notes will not constitute an Event of Default under the Indenture.

### ***Priority and Timing of Payments***

The Principal Distribution Amount on the Series 2012-1 Senior Notes will be paid before principal on the Previous Senior Notes. The subordination of Subordinate Notes and any Other Senior Obligations subordinate to 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 Indenture Obligations or that the circumstances described above under “Suspension of Payments on Subordinate Notes” have occurred. Principal and interest payments on 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, revenues available to prepay Senior 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 a series of Notes may be applied first to Subordinate Notes and then to Senior Notes, unless redemption of such Subordinate Notes would be prohibited under the

Indenture as described under “Description of the Notes—Senior Asset Requirement” herein. See “Source of Payment and Security for the Notes—Priorities” and “Description of the Indenture—Funds and Accounts” herein.

### ***Events of Default***

Generally, as long as the Senior Notes are Outstanding, an Event of Default will occur, without limitation, if (i) the Issuer defaults in the due and punctual payment of interest on any Senior Note, including any Series 2012-1 Senior Note, (ii) the Issuer defaults in the due and punctual payment of the principal of, or premium, if any, on, any Senior Note, including any Series 2012-1 Senior Note, upon maturity thereof, (iii) the Issuer fails to perform any of its other obligations under the Indenture or the Notes, including the Series 2012-1 Senior Notes, and fails to remedy such failure for 30 days after receiving notice of such failure from the Trustee or (iv) upon certain events of bankruptcy or insolvency with respect to the Issuer. To the extent that insufficient funds exist in the Collection Fund to pay the Principal Distribution Amount on any Monthly Distribution Date, such failure shall not constitute an Event of Default under the Indenture.

If an Event of Default occurs and is continuing, the Trustee or the Holders may accelerate the maturity of the Outstanding Senior Notes, including the Series 2012-1 Senior Notes. See “Description of the Indenture—Events of Default” and “—Remedies” herein.

### ***Optional Purchase***

Although the Indenture provides the Issuer the option to at any time authorize and direct the Trustee to purchase Notes in the open market out of any funds available for such purchase, such option will not be applicable with respect to the Series 2012-1 Senior Notes.

### ***Book-entry Registration***

The Series 2012-1 Senior Notes will be delivered in book-entry form and interests in the Series 2012-1 Senior Notes will be held through The Depository Trust Company. Holders of the Series 2012-1 Senior Notes will not be entitled to receive definitive certificates representing your interests in the Series 2012-1 Senior Notes, except in certain limited circumstances. See “Description of the Series 2012-1 Senior Notes—Book-Entry-Only System” herein.

### ***Federal Income Tax Consequences***

Alston & Bird LLP will deliver an opinion that for federal income tax purposes, the Series 2012-1 Senior Notes will be treated as indebtedness. See “Certain U.S. Federal Income Tax Considerations” herein.

### ***ERISA Considerations***

Fiduciaries of employee benefit plans, retirement arrangements and other entities in which such plans or arrangements are invested (“Plans”), persons acting on behalf of Plans or persons using the assets of Plans should review carefully with their legal advisors whether the purchase and holding of the Series 2012-1 Senior Notes could give rise to a transaction prohibited under ERISA or Section 4975 of the Code. See “Certain ERISA Considerations” herein.

### ***Rating of the Series 2012-1 Senior Notes***

It is a condition to the issuance and sale of the Series 2012-1 Senior Notes that the Series 2012-1 Senior Notes be rated “Aaa (sf)” by Moody’s and “AA+ (sf)” by S&P, and that Moody’s and S&P confirm their existing ratings on the Previous Notes. The inclusion of an “sf” or “(sf)” in the ratings is an identifier recently implemented for structured finance product ratings by the applicable Rating Agency. Other credit rating agencies that we have not engaged to rate the Series 2012-1 Senior Notes may nevertheless issue unsolicited credit ratings on the Series 2012-1 Senior Notes or Previous Notes. If any such unsolicited ratings are issued, we cannot assure you that they will not be different from those ratings assigned by S&P or Moody’s. See “Risk Factors—Ratings of the Series 2012-1 Senior Notes are not a recommendation to purchase and may change and may be issued by credit rating agencies not engaged by the Issuer” and “Ratings” herein.

### ***Transfer Restrictions***

The Series 2012-1 Senior 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 institutional 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 2012-1 Senior Notes for an indefinite period of

time. See “Notice to Investors: Transfer Restrictions” herein.

### ***RULE 144A CUSIP Number***

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## RISK FACTORS

You should consider the following risk factors associated with your investment in the Series 2012-1 Senior Notes.

### **Current illiquid market conditions may continue in the future and you may have difficulty selling your Series 2012-1 Senior Notes**

Despite federal market interventions and programs, the current period of general market illiquidity may continue or even worsen and may adversely affect the secondary market for your Series 2012-1 Senior Notes. Accordingly under current market conditions, you may not be able to sell your Series 2012-1 Senior Notes when you want to do so or you may be unable to obtain the price that you wish to receive for your Series 2012-1 Senior Notes and, as a result, you may suffer a loss on your investment. We do not intend to apply for inclusion of the Series 2012-1 Senior Notes on any exchange or automated quotation system. This offering of the Series 2012-1 Senior Notes will not be registered or qualified under the Securities Act, any United States state securities laws or “Blue Sky” laws, or the securities laws of any other jurisdiction. Consequently, the Series 2012-1 Senior Notes may not be reoffered, resold, pledged or otherwise transferred other than in accordance with an exemption from the registration or qualification provisions of the Securities Act and applicable United States state securities laws and upon satisfaction of certain other provisions of the indenture pursuant to which the Series 2012-1 Senior Notes are issued. There currently is no secondary market for the Series 2012-1 Senior Notes. We cannot assure you that any market will develop or, if it does develop, how long it will last. If a secondary market for the Series 2012-1 Senior Notes does develop, the spread between the bid price and the asked price for the Series 2012-1 Senior Notes may widen, thereby reducing the net proceeds to you from the sale of your Series 2012-1 Senior Notes. The market values of the Series 2012-1 Senior Notes may fluctuate and movements in price may be significant. The Initial Purchasers may assist in resales of the Series 2012-1 Senior Notes, but they are not required to do so.

### **Ratings of student loan asset-backed notes issued by affiliates of the Sponsor may be reviewed or downgraded**

Disruptions in the credit markets, the widening of interest rate spreads, the collapse of the auction rate securities market and changes in rating agency criteria in response to such developments have caused the rating agencies to announce that they are reviewing or intend to review the ratings assigned to certain securities, including student loan asset-backed securities. These events led to a number of ratings actions on student loan asset-backed notes, resulting in adverse changes to ratings. Ratings actions may take place at any time, including between the pricing date and the Closing Date of the Series 2012-1 Senior Notes offered by this Offering Memorandum and the final Offering Memorandum. We cannot predict the timing or magnitude of any ratings actions.

Adverse action by the rating agencies regarding securities issued previously by Goal Financial-sponsored trusts may adversely affect the market value of the Series 2012-1 Senior Notes or any secondary market for the Series 2012-1 Senior Notes that may develop. Notes issued by a Goal Financial-sponsored trust were downgraded by S&P due to a change in counterparty criteria with respect to cross-currency interest rate hedging agreements.

### **Lowering of the credit rating of the United States of America may adversely affect the market value of the Series 2012-1 Senior Notes**

In July 2011, the credit rating of the United States was downgraded by a nationally recognized statistical rating organization (an “NRSRO”) and may potentially be downgraded by other NRSRO’s in the future. The impact of this downgrade and any future downgrade is not yet clear, and depending on the ratings assigned, the stated reasons for a lower rating and other factors, the liquidity, market value and regulatory characteristics of your notes could be materially and adversely affected.

### **The rate of payments on the Issuer’s Student Loans may affect the maturity and yield of the Series 2012-1 Senior Notes; some of the Student Loans to be acquired by the Issuer will be Rehabilitation Loans**

Student Loans may be prepaid at any time without penalty. If the Issuer receives prepayments on its Student Loans, those amounts will be used to make principal payments which could shorten the average life of the Series 2012-1

Senior Notes. Factors affecting prepayment of Student Loans include general economic conditions, prevailing interest rates and changes in the borrower's job, including transfers and unemployment. Refinancing opportunities that may provide more favorable repayment terms, including those offered under consolidation loan programs and borrower incentive programs, also affect prepayment rates. In addition, the Issuer may receive unscheduled payments due to defaults and purchases by a Servicer or a Depositor. Because a pool may include thousands of Student Loans, it is impossible to predict the amount and timing of payments that will be received and paid to noteholders in any period. Consequently, the length of time that your notes are outstanding and accruing interest may be different from what you expect.

The Issuer will acquire Student Loans that are Rehabilitation Loans which are Student Loans that have previously defaulted, but for which the borrower thereunder has made a specified number of on-time payments. Although Rehabilitation Loans benefit from the same guarantees as other FFELP Loans, Rehabilitation Loans have generally experienced re-default rates that are higher than default rates for FFELP Loans that have not previously defaulted. See "Student Loan Guaranties and Federal Reinsurance – Federal insurance and reimbursement of Guarantee Agencies – Rehabilitation of defaulted loans" herein.

Scheduled payments with respect to, and the maturities of, Student Loans may be extended as authorized by the Higher Education Act. Also, periods of deferment and forbearance may lengthen the remaining term of the Issuer's Student Loans and the average life of the Series 2012-1 Senior Notes.

The rate of principal payments to you on the Series 2012-1 Senior Notes will be directly related to the rate of payments on the Issuer's Student Loans. Changes in the rate of prepayments may significantly affect your actual yield to maturity, even if the average rate of prepayments is consistent with your expectations. In general, the earlier a prepayment of a Student Loan, the greater the effect may be on your yield to maturity. The effect on your yield as a result of payments occurring at a rate higher or lower than the rate anticipated by you during the period immediately following the issuance of the Series 2012-1 Senior Notes may not be offset by a subsequent like reduction, or increase, in the rate of principal payments on the Series 2012-1 Senior Notes. You will bear entirely any reinvestment risks resulting from a faster or slower incidence of prepayment of the Issuer's Student Loans.

#### **The loan conversion program included in the President's recently announced student loan reforms could affect the future estimated cash flows and profitability on the Financed Student Loans**

In July 2011, President Obama proposed a number of reforms to the federal student loan programs to be effected by executive order. Some of these reforms expired in July 2012 but if such proposals were to be renewed they may incrementally increase the rate at which borrowers might otherwise have moved certain FFELP Loans to the Department of Education and future estimated cash flows on such Financed Student Loans and profitability from the Financed Student Loans could be significantly affected.

#### **Changes to the Higher Education Act or other laws may affect your Series 2012-1 Senior Notes**

On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (the "*Reconciliation Act*") was enacted into law. As of July 1, 2010, the Reconciliation Act eliminated the future origination of FFELP Loans. The terms of existing FFELP Loans are not materially affected by the Reconciliation Act; however, due to the elimination of the future origination of FFELP Loans, no additional FFELP Loans will be added to the portfolios serviced by the Servicers and no additional FFELP Loans will be guaranteed by any of the Guarantee Agencies. If a Servicer is not able to add additional loans to its serviced portfolios, the amount of loans serviced by such Servicer will decrease over time as its existing FFELP Loans are repaid, and the overall costs per loan of servicing such FFELP Loans may rise, potentially causing that Servicer to raise its servicing fees or terminate its servicing business. In addition, the reduction in guarantee and related fees to the Guarantee Agencies due to the elimination of the future origination of FFELP Loans may adversely affect the financial conditions of those Guarantee Agencies. If any of these were to occur, it could reduce the amount of principal or interest paid to you as the owner of the Series 2012-1 Senior Notes or delay those payments past their due dates.

Amendments to the Higher Education Act or other relevant federal or state laws, and rules and regulations promulgated by the Secretary of Education, may adversely impact the Sponsor, other lenders, servicers and the Guarantee Agencies. For example, changes might be made to the rate of interest or Special Allowance Payments

paid on FFELP Loans, to the level of insurance provided by Guarantee Agencies, or to the servicing requirements for FFELP Loans. Such changes could have a material adverse effect on the Issuer's Student Loan operations, the Financed Student Loans pledged as collateral for the Notes, including the Series 2012-1 Senior Notes, or on the ability of the Sponsor or its affiliates to act as Issuer Administrator, or otherwise to comply with their obligations under the transaction documents.

We cannot predict whether any other changes will be made to the Higher Education Act in future legislation, or the effect of such legislation on the Issuer, the Issuer Administrator, the Servicers, the Guarantee Agencies or the Student Loans pledged as collateral for the Notes, including the Series 2012-1 Senior Notes.

**The United States military build-up may result in delayed payments from borrowers called to active military service**

The ongoing deployment of the United States military has increased the number of citizens who are in active military service. The Servicemembers Civil Relief Act limits the ability of a lender under the FFEL Program 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.

We do not know how many Financed Student Loans have been or may be affected by the application of the Servicemembers Civil Relief Act. Payments on the Financed Student Loans may be delayed as a result of these requirements, which may reduce the funds available to the Issuer to pay principal and interest on the Series 2012-1 Senior Notes.

**The City of New York could impose certain penalties that may affect your Series 2012-1 Senior Notes**

With respect to any Financed Student Loan as to which the related borrower is determined to be a resident of the City of New York, New York, for which all monthly payments due under such Financed Student Loan, up to and as of the transfer date to the Issuer have not been made in full, Title 20 of New York City's Administrative Code could impose certain penalties upon the Issuer for violations by the Issuer, a Servicer or any collection agency of certain debt collection practices proscribed by the statute. If such violations were to occur, penalties could be as high as \$1,000 per Financed Student Loan plus \$100 per instance of contact with a Financed Student Loan borrower. In such instances, all penalties assessed would be required to be paid by the Issuer. As of the Statistical Cut-off Date less than 2.57% of the Financed Student Loans to be transferred to the Issuer on the Closing Date have related borrowers who are residents of the City of New York, New York and approximately \$1,398,202 Financed Student Loans to be transferred to the Issuer on the Closing Date have related borrowers who are residents of the City of New York, New York for which all monthly payments due under such Financed Student Loan have not been paid on time. Financed Eligible Loans transferred to the Issuer after the Closing Date will be transferred shortly after being rehabilitated and are unlikely to have any delinquent payments.

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

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

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

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

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

The number and aggregate principal balance of student loans that may be affected by the application of the HEROES Act of 2003 is not known at this time. Accordingly, payments we receive on student loans made to a borrower who qualifies for such relief may be subject to certain limitations, including delay of payment by the student loan borrower. If a substantial number of borrowers become eligible for the relief provided under the HEROES Act of 2003, there could be an adverse effect on the total collections on the Financed Student Loans and our ability to pay principal and interest on the Notes, including the Series 2012-1 Senior Notes.

**The Notes, including the Series 2012-1 Senior Notes, may have basis risk which could affect payment of principal and interest on the Notes, including the Series 2012-1 Senior Notes**

There is a degree of basis risk associated with the Notes, including the Series 2012-1 Senior Notes. Basis risk is the risk that shortfalls might occur because the interest rates of the Financed Student Loans and those of the Notes, including the Series 2012-1 Senior Notes, adjust on the basis of different indexes or maturities. If a shortfall were to occur, payment of principal or interest on the Notes, including the Series 2012-1 Senior Notes, could be adversely affected.

**Different rates of change in interest rate indexes may affect the Issuer's cash flow**

The interest rate on the Series 2012-1 Senior Notes is set based on LIBOR and the interest rate on the Previous Notes is set in auctions held for the Previous Notes or based on maximum interest rates equal to, among other things, the bond-equivalent yield on most recent auction of 91-day United States Treasury bills, while the Special Allowance Payments on the underlying loans are based on the quarterly average of one-month LIBOR. See "Description of the FFEL Program" attached hereto as [Appendix B](#). In the event of a disparity between the interest rate applicable to the Series 2012-1 Senior Notes or the Previous Notes and the Financed Student Loans, the Issuer may not have sufficient funds to pay interest when due on the applicable series of Notes, including the Series 2012-1 Senior Notes, and funds may not be available in future periods to make up for any shortfall in the current payments of interest or expenses. Even if there is a similar reduction in the rates applicable to the Notes, there may not necessarily be a reduction in the other amounts required to be paid out of the Trust Estate, such as administrative expenses, causing interest payments to be unpaid or deferred to future periods.

**An increase in interest rates in the future may reduce the Issuer's earnings**

An increase in interest rates could reduce floor income earned by the Issuer. Floor income represents the increase in the Issuer's earnings that tends to occur in low interest rate environments. Pursuant to terms of the Higher Education Act, the interest rate on most Financed Student Loans is effectively a floating rate in high interest rate environments and a fixed rate in low-rate environments, while Issuer debt is generally a floating rate across market environments. Accordingly, when market interest rates are high, the Issuer typically generates stable spread income,

reflecting an approximate match between floating-rate debt and effectively floating-rate assets. In contrast, the Issuer's earnings typically increase as market rates decline, because asset interest rates become fixed while floating-rate debt coupons decline. The Executed Swap Agreement hedges against a reduction in floor income that would occur if market interest rates were to increase. However, there is no guarantee that this hedge will be effective, and consequently increases in interest rates could reduce the ability of the Issuer to repay your obligations..

### **Recent investigations and litigation related to LIBOR may affect your Series 2012-1 Senior Notes**

The interest rates payable on the Series 2012-1 Senior Notes are based on a spread over one-month LIBOR, as set forth on the cover page of this Offering Memorandum. LIBOR, serves as a global benchmark for home mortgages, student loans and what various other issuers pay to borrow money. Certain financial institutions have announced settlements with or have announced that they are being investigated by certain regulatory authorities with respect to, among other things, allegations of manipulating LIBOR. In addition to the ongoing investigations, several plaintiffs have filed lawsuits against various financial institutions in federal court seeking damages arising from alleged LIBOR manipulation. We cannot predict what effect, if any, these investigations or any related litigation will have on the use of LIBOR as a global benchmark going forward, or on the Series 2012-1 Senior Notes.

### **Higher Education Finance, LLC, the equity owner of the Issuer, may have interests which conflict with those of the Holders**

The Issuer expects that, in addition to any amount currently available for distribution, an amount approximately equal to the discount to the principal amount at which the Previous Senior Notes are purchased pursuant to the ARS Purchase Transaction, less accrued interest on such Previous Senior Notes, the cost of the ARS Purchase Transaction and the issuance of the Series 2012-1 Senior Notes, and less credit enhancement, if any, required by the Rating Agencies in connection with the issuance of the Series 2012-1 Senior Notes, will be available for distribution to FIN following consummation of the ARS Purchase Transaction.

### **The Series 2012-1 Senior Notes are not a suitable investment for all investors**

The Series 2012-1 Senior Notes are not a suitable investment if you require a regular or predictable schedule of payments or payment on any specific date. The Series 2012-1 Senior 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 risks, the tax consequences of an investment, and the interaction of these factors.

### **The Notes, including the Series 2012-1 Senior Notes, are payable solely from the Trust Estate and you will have no other recourse against any other party**

Interest and principal on the Notes, including the Series 2012-1 Senior Notes, will be paid solely from the funds and assets held in the Trust Estate created under the Indenture. No insurance or guarantee of the Notes, including the Series 2012-1 Senior Notes, will be provided by any government agency or instrumentality, by any affiliate of the Issuer, by any insurance company or by any other person or entity. Therefore, your receipt of payments on the Notes, including the Series 2012-1 Senior Notes, will depend solely on:

- the amount and timing of payments and collections on the Student Loans held in the Trust Estate and interest paid or earnings on the amounts on deposit in the Funds and Accounts established pursuant to the Indenture; and
- amounts on deposit in the Collection Fund, Reserve Fund, Surplus Fund, any Swap Collateral Fund and other Funds and Accounts held in the Trust Estate.

You will have no additional recourse against any other party if those sources of funds for repayment of the Series 2012-1 Senior Notes are insufficient. See "Source of Payment and Security for the Notes" herein.

**Merrill Lynch, Pierce, Fenner and Smith Incorporated as an Initial Purchaser may have interests which conflict with those of the Holders**

Merrill Lynch, Pierce, Fenner and Smith Incorporated (“MLPFS”), an Initial Purchaser, is also the seller under the ARS Purchase Transaction whereby Previous Senior Notes owned by MLPFS will be purchased by the Issuer in the ARS Purchase Transaction and MLPFS will receive certain fees in connection with the issuance of the Series 2012-1 Senior Notes. The size of the issuance of the Series 2012-1 Senior Notes will depend upon the principal amount of the Previous Senior Notes purchased in the ARS Purchase Transaction. As a result, MLPFS has a material economic interest in the ARS Purchase Transaction as well as the issuance of the Series 2012-1 Senior Notes. Further, MLPFS provides and has provided other services to the Issuer and its affiliates including lending and investment banking services.

**The inability of the Depositors, the Sponsor, sellers of Student Loans or a Servicer to meet its repurchase obligations may result in losses on your investment**

Upon the occurrence of a breach of representations and warranties by a Depositor with respect to a Financed Student Loan held by us, we may (subject to the terms of the loan purchase agreement) require the applicable Depositor to repurchase the related Financed Student Loan. Upon the breach of a covenant in a Servicing Agreement, we may, subject to the terms of the Servicing Agreement, be able to require the applicable Servicer to purchase from us, or otherwise make a payment to us with respect to, the related Financed Student Loan. If CLF is required to repurchase a Financed Student Loan from us and fails to do so, and such Financed Student Loan is not required to be purchased by a Servicer pursuant to its Servicing Agreement, then we may be able to require the Sponsor to purchase such Financed Student Loan from us pursuant to a Student Loan Repurchase Agreement. The Sponsor’s repurchase obligations under the Student Loan Repurchase Agreement do not include Financed Student Loans sold by FIN to the Issuer. The Forward Flow Loan Purchase Agreement requires the seller thereunder to repurchase its loans if the representations and warranties made by such seller prove not to be true or if a claim for a loan is denied because of events occurring before the sale. Pursuant to the Issuer Loan Purchase Agreement, FIN is required to exercise any remedies it has against such seller under the Forward Flow Loan Purchase Agreement and use such amounts to satisfy its obligations to the Issuer under the Issuer Loan Purchase Agreement. However, the seller may not be financially able to repurchase loans if called upon to do so. If either Depositor or a Servicer or the Sponsor or such seller were to become insolvent or otherwise be unable to repurchase, purchase or make payments in respect of the applicable Student Loans, the failure of a Depositor or Servicer or the Sponsor or such seller to repurchase, purchase or make a payment with respect to the applicable Financed Student Loans would constitute a breach of the related loan purchase agreement, Servicing Agreement or Student Loan Repurchase Agreement. However, the breach would not constitute an Event of Default under the Indenture or permit the exercise of remedies thereunder. We cannot assure you that a Depositor, any Servicer, the Sponsor or such seller will be able to fulfill any repurchase, purchase or payment obligation.

**Bankruptcy or insolvency of a Depositor, Higher Education Funding, IV, LLC, the Sponsor or the sellers of Student Loans could result in payment delays to you**

FIN is the Depositor during the Acquisition Period and CLF is the Depositor that previously sold to us all of the Student Loans acquired by the Trust Estate. The limited liability company agreement for CLF contains certain limitations, including restrictions on the nature of CLF’s business and restrictions on CLF’s ability to commence a voluntary case or proceeding under any insolvency law without the prior unanimous affirmative vote of all of its managers, which includes at least two independent managers. If either Depositor or the Sponsor should become a debtor in a bankruptcy action, the bankruptcy court could attempt to consolidate the assets and liabilities of the Issuer with the bankruptcy estate of a Depositor and/or the Sponsor. If that occurs, you can expect delays in receiving payments on your Series 2012-1 Senior Notes and even a reduction in payments on your Series 2012-1 Senior Notes.

We also have taken steps to structure each loan purchase by FIN from Higher Education Funding, IV, LLC (“HEF IV”) or other sellers and by us from FIN, such that such transfers would be treated as true sales and not as pledges and the loans purchased should not be included in the bankruptcy estate of HEF IV, the Sponsor, a Depositor or other sellers if any of them should become a debtor under the Bankruptcy Code. However, if the bankruptcy court were to determine that some or all of the Financed Student Loans constitute property of the estate of HEF IV, the

Sponsor, a Depositor or other sellers, as the case may be, we could experience delays in receiving payments on the Financed Student Loans and you could then expect delays in receiving payments on your Series 2012-1 Senior Notes, or even a reduction in payments on your Series 2012-1 Senior Notes. Even if a request to recharacterize these transfers were to be denied, delays in payments on the Student Loans and resulting delays or losses on the Series 2012-1 Senior Notes could result.

**Bankruptcy or insolvency of PHEAA, GLELSI, Xerox or any other Servicer could result in payment delays to you**

PHEAA acts as a Servicer with respect to substantially all of the Financed Student Loans acquired by the Issuer. GLELSI and Xerox are also Servicers of the Financial Student Loans and previously serviced 75% and 25% of the Financed Student Loans, respectively. Notwithstanding that PHEAA services substantially all of the Financial Student Loans, to the extent such prior Servicer breached its obligations under its respective Servicing Agreement, liability for such breach would reside with the prior Servicer. A Servicer may be eligible to become a debtor under the Bankruptcy Code. A rejection of the Servicing Agreement by the Servicer in a bankruptcy proceeding would be treated as a breach of the Servicing Agreement and give the Issuer or the Trustee a claim for damages and the ability to appoint a successor Servicer. An assumption of the Servicing Agreement under the Bankruptcy Code would require the Servicer to cure its pre-bankruptcy defaults, if any, and demonstrate that it is able to perform following assumption. The bankruptcy court may permit the Servicer to assume the Servicing Agreement and assign it to a third party. An insolvency by an entity governed by state insolvency law would vary depending on the laws of the particular state. We cannot assure you that a bankruptcy or receivership of a Servicer would not adversely impact the servicing of the Financed Student Loans or the Issuer or the Trustee would be entitled to terminate that Servicer in a timely manner or at all.

If any Servicer becomes the subject of bankruptcy or similar proceedings, the Issuer's or the Trustee's claim to collections in that Servicer's possession at the time of the bankruptcy filing or other similar filing may not be perfected. In this event, funds available to pay principal and interest on the Notes, including the Series 2012-1 Senior Notes, may be delayed or reduced.

**Recent changes in federal law could have an adverse impact on the Sponsor, the Depositors, any Guarantor any Servicer or the Issuer which could result in losses or delays in payments on your notes**

The U.S. Congress enacted the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the "*Dodd-Frank Act*") which contains comprehensive revisions to U.S. financial services law. Among other things, it creates a federal Consumer Financial Protection Bureau (the "*CFPB*") and grants to the CFPB extensive rulemaking and enforcement authority. The CFPB has rulemaking and interpretive authority under a wide range of designated federal consumer financial services laws. It also has supervisory, examination and enforcement authority over certain institutions that offer or provide consumer financial products or services. Furthermore, the Dodd-Frank Act limits the federal preemption of state consumer financial law with respect to national banks and federal saving institutions and empowers state officials to enforce federal consumer protection laws and regulations. The Dodd-Frank Act requires hundreds of new regulations, addressing a wide range of areas affecting the financial services industry. The Dodd-Frank Act will result in significant new regulation in key areas of the business of the Sponsor and its affiliates and the markets in which such parties operate. We are unable to predict the final form of any future regulations or guidelines, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future and their possible impact on the Sponsor, the Depositors, any Guarantor, any Servicer or the Issuer.

The Dodd-Frank Act, among other things, gives the Federal Deposit Insurance Corporation (the "*FDIC*") authority to implement an orderly liquidation framework (the "*OLF*") for the resolution of financial companies, including bank holding companies, the failure of which has been determined to present systemic risk and that satisfy other criteria (a "*Covered Entity*"). No assurances can be given that the liquidation framework for the resolution of a Covered Entity would not apply to the Sponsor, the Depositors, a Servicer, a Guarantor or the Issuer or any of its affiliates. If the FDIC were appointed receiver of the Sponsor, the Depositors or the Issuer or any of their affiliates under the OLF, the FDIC could repudiate contracts deemed burdensome to the estate, including secured debt. The Sponsor has structured the transfers of the Student Loans to the Depositors and the Issuer as a valid and perfected sale under applicable state law and under the United States Bankruptcy Code to mitigate the risk of the re-

characterization of the sale as a security interest to secure debt of the Sponsor. Any attempt by the FDIC to re-characterize the securitization transaction as a secured loan (which the FDIC could then repudiate) could cause delays in payments or losses on the Series 2012-1 Senior Notes. In addition, if the Issuer were to become subject to the OLF, the FDIC could repudiate the debt of the Issuer with the result that the noteholders would have a secured claim in the receivership of the Issuer. Also, if the Issuer were subject to OLF, noteholders would not be permitted to accelerate the debt, exercise remedies against the collateral or replace a Servicer without the FDIC's consent for 90 days after the receiver is appointed. As a result of any of these events, delays in payments on the Series 2012-1 Senior Notes and reductions in the amount of those payments could occur.

The Dodd-Frank Act, and the regulations issued thereunder, including by the CFPB, and any further legislation affecting the financial services industry may have an adverse impact on the finances and operations of any Servicer, any Guarantor, the Sponsor, or the Depositors, the performance of the Notes, including the Series 2012-1 Senior Notes, and the ability of the Issuer to issue additional notes in the future. Compliance with new laws and regulations may be costly and may affect the operating results of any Servicer, any Guarantor, the Depositors, or the Sponsor. Compliance by each Servicer with new local, state and federal laws and regulations regarding debt collection may impact such Servicer's ability to collect on the Student Loans, may require such Servicer to modify its collection policies and procedures, and may require such Servicer to obtain licenses in additional jurisdictions. Additionally, compliance with new laws and regulations may create certain limitations on the operations of any Servicer, any Guarantor, the Depositors, or the Sponsor.

The failure to comply with such laws and regulations could result in significant statutory civil and criminal penalties, monetary damages, attorneys' fees and costs, possible revocation of licenses and damage to reputation, brand and valued customer relationships. Any of these factors could have a material adverse effect on any Servicer's, any Guarantor's, either Depositor's, or the Sponsor's business and operating results, which may affect the collections available to pay the Notes, including the Series 2012-1 Senior Notes. Additionally, certain provisions of the Dodd-Frank Act require new regulations related to asset-backed securities which may have an impact on the Notes, including the Series 2012-1 Senior Notes, and any future issuance of asset-backed securities by the Issuer.

#### **A default by a Servicer could adversely affect the Notes, including the Series 2012-1 Senior Notes**

If a Servicer defaults on its obligations under its related Servicing Agreement, the Issuer may remove such Servicer. In the event of the removal of such Servicer and the appointment of a successor Servicer, there may be additional costs associated with the transfer of servicing to the successor Servicer, including but not limited to, an increase in the servicing fees the successor Servicer charges. In addition, we cannot predict the ability of the successor Servicer to perform the obligations and duties under the Servicing Agreement.

#### **If we do not receive timely payments on the Financed Student Loans, we may not be able to pay the Notes, including the Series 2012-1 Senior Notes. You may also incur losses or delays in payment on your Series 2012-1 Senior Notes if borrowers default on their Student Loans**

Collections on the Financed Student Loans may vary greatly in both timing and amount from the payments actually due on the Financed Student Loans for a variety of economic, social, demographic and other factors. As a result, we may not receive all the payments that are actually due on the Financed Student Loans. Failures by borrowers to make timely payments of the principal and interest due on the Financed Student Loans or an increase in deferments or forbearances could affect the revenues of the Trust Estate, which may reduce the amounts available to pay principal and interest due on the Notes, including the Series 2012-1 Senior Notes. We cannot predict with accuracy the effect of these factors, including the effect on the timing and amount of funds available and the ability to pay principal and interest on the Notes, including the Series 2012-1 Senior Notes.

Our cash flow, and our ability to make payments due on the Notes, including the Series 2012-1 Senior Notes, will be reduced to the extent interest is not currently payable on the Financed Student Loans. The borrowers on most Financed Student Loans are not required to make payments during the period in which they are in school and for certain authorized periods thereafter as described in the Higher Education Act. The Department of Education will make all interest payments while payments are deferred under the Higher Education Act on certain of the Financed Student Loans. For most other Financed Student Loans, interest generally will be capitalized and added to the

Principal Balance of the Financed Student Loans. The Trust Estate includes Student Loans for which payments are deferred as well as Student Loans for which the borrower is currently required to make payments of principal and interest. The proportions of the Financed Student Loans in our portfolio for which payments are deferred and currently in repayment will vary during the period that the Series 2012-1 Senior Notes are Outstanding.

In general, a Guarantee Agency reinsured by the Department of Education will guarantee 98% of the principal amount of and accrued interest on substantially all of the Financed Student Loans since substantially all of the Financed Student Loans were disbursed on or before June 30, 2006. With respect to Financed Student Loans with an aggregate outstanding principal balance of approximately \$22,112,598.46, 97% of the outstanding principal amount of and accrued interest on such Financed Student Loans is guaranteed. As a result, if a borrower of a student loan defaults and credit enhancement is not otherwise available, the Issuer will experience a loss of 2% or 3%, as applicable, of the outstanding principal of and accrued interest on each of the defaulted loans. We do not have any right to pursue the borrower for the remaining unguaranteed portion. If defaults occur on the Financed Student Loans and credit enhancement is not otherwise available, you may suffer a delay in payment or a loss on your investment.

**If the Issuer cannot purchase a sufficient amount of Previous Senior Notes pursuant to the ARS Purchase Transaction, it will pay principal on the Series 2012-1 Senior Notes**

We will use a certain amount of proceeds from the issuance of the Series 2012-1 Senior Notes to acquire certain Previous Senior Notes pursuant to the ARS Purchase Transaction. If the ARS Purchase Transaction is not completed, or if any cash is remaining in the ARS Purchase Account, the Issuer will pay principal on your Series 2012-1 Senior Notes earlier than you may have anticipated.

**The inability of the Issuer to acquire additional Student Loans may cause you to receive an accelerated principal distribution**

The Issuer intends to purchase Eligible Loans from FIN during the Acquisition Period. FIN will acquire these Eligible Loans pursuant to the Forward Flow Loan Purchase Agreement. While the seller under the Forward Flow Loan Purchase Agreement intends to use its best efforts to sell Eligible Loans to FIN, no assurance can be given that such seller will have sufficient Eligible Loans available to enable the Issuer to use all amounts on deposit in the Acquisition Fund. If any such funds are not used by the Issuer to purchase Eligible Loans by the end of the Acquisition Period, such remaining amounts will become part of available funds on the next distribution date and may result in a partial principal payment to the notes. This could shorten the weighted average life of the Notes. If the Notes are prepaid, you will bear the risk that you may be unable to reinvest any principal prepayment at yields at least equal to the yield on the Notes.

**If the Trustee is forced to sell Financed Student Loans after an Event of Default, you could realize losses on your Series 2012-1 Senior Notes**

If an Event of Default occurs under the Indenture, the Trustee may sell the Financed Student Loans, without the consent of the noteholders (but only in the event that there has been a payment default on a class of Senior Notes, and in all other cases, if the purchase price received from the sale of the Financed Student Loans is sufficient to repay all related noteholders in full). However, the Trustee may not find a purchaser for the Financed Student Loans. Also, the market value of the Financed Student Loans plus other assets in the Trust Estate might not equal the Principal Amount of the Notes, including the Series 2012-1 Senior Notes, plus accrued interest. The competition currently existing in the secondary market for Student Loans made under the FFEL Program also could be reduced, resulting in fewer potential buyers of the Financed Student Loans and lower prices available in the secondary market for the Financed Student Loans. There may be even fewer potential buyers for the Financed Student Loans, and therefore lower prices available in the secondary market. You may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the Financed Student Loans sufficient to pay the Principal Amount of the Notes, including the Series 2012-1 Senior Notes, plus accrued interest.

**Some liens could be given priority over the Notes, including the Series 2012-1 Senior Notes, which could cause a loss in your investment or delayed payments**

A tax or governmental lien (or other liens imposed under applicable state or federal law, including, without limitation, a lien in favor of the Internal Revenue Service or Pension Benefit Guaranty Corporation) on the property of the Issuer, the Depositors or another seller or an originator may arise before the origination or acquisition of Student Loans, or before the Issuer pledged the Financed Student Loans under the Indenture or could arise at any time later and nonetheless have priority over a security interest previously granted. Such a lien would have priority over your interest in the Financed Student Loans and as a result, payments to you could be delayed or reduced.

**Less than all of the Holders can approve certain amendments to the Indenture or waive defaults under the Indenture without your approval and the Issuer and the Trustee may take various actions based upon Rating Agencies confirming the ratings on the Notes based upon such amendments, waivers or actions**

Under the Indenture, Holders of specified percentages of the aggregate Principal Amount of the Notes, including the Series 2012-1 Senior Notes, and Other Senior Obligations (including Swap Counterparties under Swap Agreements) may approve amendments or supplements to the provisions of the Indenture and waive Events of Defaults and compliance provisions without the consent of the other Holders. You have no recourse if such other Holders vote in a manner with which you do not agree. The other Holders may vote in a manner which impairs the ability to pay principal and interest on the Series 2012-1 Senior Notes. The Indenture also provides that the Issuer and the Trustee may undertake various actions based upon receipt by the Trustee of Rating Agency Confirmation that the outstanding ratings assigned by such Rating Agencies to the Notes, including the Series 2012-1 Senior 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 any Swap Agreement.

**The inability to receive a Rating Agency Confirmation could result in losses**

Historically, many actions by issuers of collateralized debt obligation vehicles (including, but not limited to, issuing additional securities and amending relevant agreements) have been conditioned on receipt of confirmation from the applicable rating agencies that such action would not cause the ratings on the applicable securities to be reduced or withdrawn. Recently, certain rating agencies have changed the manner and the circumstances under which they are willing to provide such confirmation and have indicated reluctance to provide confirmation in the future, regardless of the requirements of the Indenture and other Material Documents. If the Indenture and other Material Documents relating to the Series 2012-1 Senior Notes require a Rating Agency Confirmation be obtained before certain action may be taken and the Rating Agency is unwilling to deliver a Rating Agency Confirmation, it may be impossible to effect such action, which could result in losses being realized by the Issuer and, indirectly, by holders of the Series 2012-1 Senior Notes.

If a Rating Agency (a) makes a public announcement or informs the Issuer or the Trustee that (i) it believes that a Rating Agency Confirmation is not required with respect to an action or (ii) its practice is to not give a Rating Agency Confirmation, or (b) no longer constitutes a Rating Agency under this Indenture, the requirement for a Rating Agency Confirmation will not apply, and the Issuer may take the related action without first obtaining a Rating Agency Confirmation that such action will not affect the rating of the Series 2012-1 Senior Notes. There can be no assurance that a Rating Agency will not subsequently refuse to rate, withdraw or downgrade its ratings on the Series 2012-1 Senior Notes as a result of such actions, and any such withdrawal or downgrade could adversely affect the value or liquidity of the Series 2012-1 Senior Notes.

**Requirements imposed on Rating Agencies could result in withdrawal of ratings if certain actions are not taken by the arranger**

On June 2, 2010, certain amendments to Rule 17g-5 under the Exchange Act promulgated by the SEC became effective. Amended Rule 17g-5 requires each Rating Agency providing a rating of a structured finance product such as this transaction paid for by the “arranger” (defined as the issuer, the underwriter or the sponsor) to obtain an undertaking from the arranger to (i) create a password protected website, (ii) post on that website all information provided to the Rating Agency in connection with the initial rating of any class of secured notes and all information provided to the Rating Agency in connection with the surveillance of such rating, in each case, contemporaneous

with the provision of such information to the applicable rating agency and (iii) provide access to such website to other Rating Agencies that have made certain certifications to the arranger regarding their use of the information. In this transaction, the “arranger” is the Issuer.

Each Rating Agency must be able to reasonably rely on the arranger’s certifications. If the arranger does not comply with its undertakings to any Rating Agency with respect to this transaction, such Rating Agency may withdraw its ratings of the Series 2012-1 Senior Notes. In such case, the withdrawal of ratings by any Rating Agency may adversely affect the price or transferability of the Series 2012-1 Senior Notes and may adversely affect any beneficial owner that relies on ratings of securities for regulatory or other compliance purposes.

Under Rule 17g-5, rating agencies providing the requisite certifications described above may issue unsolicited ratings of the Series 2012-1 Senior Notes which may be lower and, in some cases, significantly lower than the ratings provided by the Rating Agencies. The unsolicited ratings may be issued prior to, on or after the Closing Date and will not be reflected herein. Issuance of any unsolicited rating will not affect the issuance of the Series 2012-1 Senior Notes. Such unsolicited ratings could have a material adverse effect on the price and liquidity of the Series 2012-1 Senior Notes and, for regulated entities, could adversely affect the value of the Series 2012-1 Senior Notes as a legal investment or the capital treatment of the Series 2012-1 Senior Notes.

The SEC may determine that a Rating Agency no longer qualifies as a NRSRO for purposes of the federal securities laws and that determination may also have an adverse effect on the market prices and liquidity of the Series 2012-1 Senior Notes.

**Commingling of payments on Student Loans by the Servicers could prevent the Issuer from paying you the full amount of the principal and interest due on your Series 2012-1 Senior Notes**

Payments received on the Financed Student Loans generally are deposited into an account in the name of the applicable Servicer each business day. However, payments received on the Issuer’s Student Loans will not be segregated from payments each Servicer receives on other Student Loans it services. Such amounts are transferred to the Trustee for deposit into the Collection Fund every two days. Prior to the transfer of such funds, a Servicer may invest those funds for its own account and at its own risk. If a Servicer is unable to transfer such funds to the Trustee, Holders, including a Holder of the Series 2012-1 Senior Notes, may suffer a loss.

**We expect to issue the Series 2012-1 Senior Notes only in book-entry form**

We expect that the Series 2012-1 Senior Notes will be initially represented by a certificate registered in the name of Cede & Co., the nominee for DTC, and will not be registered in your name or the name of your nominee. Unless and until definitive securities are issued, beneficial owners of the Series 2012-1 Senior Notes will not be recognized by the Trustee as Holders and such beneficial owners of the Series 2012-1 Senior Notes will only be able to exercise the rights of registered holders indirectly through DTC and its participating organizations. See “Description of the Series 2012-1 Senior Notes—Book-Entry-Only System” herein.

**Ratings of the Series 2012-1 Senior Notes are not a recommendation to purchase and may change and may be issued by credit rating agencies not engaged by the Issuer**

It is a condition to issuance of the Series 2012-1 Senior Notes that they be rated as described in “Summary of Terms—Ratings” and “Ratings” herein. Ratings are based primarily on the creditworthiness of the underlying Student Loans, the amount of credit enhancement and the legal structure of the transaction. The ratings are not a recommendation to you to purchase, hold or sell the Series 2012-1 Senior Notes inasmuch as the ratings do not comment as to the market price or suitability for you as an investor. Ratings may be increased, lowered or withdrawn by any Rating Agency if in the Rating Agency’s judgment circumstances so warrant. A downgrade in the rating of the Notes, including the Series 2012-1 Senior Notes, is likely to decrease the price a subsequent purchaser will be willing to pay for your Series 2012-1 Senior Notes. There may be a conflict of interest because the Sponsor has hired Moody’s and S&P and will pay them a fee to assign ratings on the Series 2012-1 Senior Notes.

The Issuer has not hired any other NRSRO to assign ratings to the Series 2012-1 Senior Notes and is not aware that any other NRSRO has assigned ratings on the Series 2012-1 Senior Notes. However, under newly effective rules adopted by the Securities and Exchange Commission, information provided to hired Rating Agencies for the purpose of assigning or monitoring the ratings on the Series 2012-1 Senior Notes is required to be made available to each qualified NRSRO in order to make it possible for such non-hired NRSROs to assign an unsolicited rating on the Series 2012-1 Senior Notes. An unsolicited rating could be assigned prior to the Closing Date, and none of the Issuer, the Depositors, the Sponsor, the Initial Purchasers or any of their affiliates will have any obligation to inform you of any unsolicited ratings assigned after the Closing Date. NRSROs, including the hired Rating Agencies, have different methodologies, criteria, models and requirements. If any non-hired NRSRO assigns an unsolicited rating on the Series 2012-1 Senior Notes, there can be no assurance that such ratings will not be lower than the ratings provided by the hired Rating Agencies, which could adversely affect the market value of the Series 2012-1 Senior Notes and/or limit your ability to resell the Series 2012-1 Senior Notes.

Purchasers of the Series 2012-1 Senior Notes should consult with their legal counsel and investment advisors regarding the effect of the issuance of a rating by a non-hired NRSRO that is lower than the ratings disclosed in this Offering Memorandum. In addition, if the Issuer fails to make available to the non-hired NRSROs any information provided to any hired Rating Agency for the purpose of assigning and/or monitoring the ratings of the Series 2012-1 Senior Notes, a hired Rating Agency could withdraw its ratings on the Series 2012-1 Senior Notes, which could adversely affect the market value of the Series 2012-1 Senior Notes.

None of the Issuer, the Sponsor, the Depositors, the Servicers, the Issuer Administrator, the Trustee, the Delaware Trustee, the Initial Purchasers or any of their affiliates will be required to monitor any changes to the ratings on the Series 2012-1 Senior Notes.

**The Issuer has entered into the Executed Swap Agreement and may enter into additional Swap Agreements which could result in delays in payment or losses on the Notes, including the Series 2012-1 Senior Notes, if the counterparty fails to make its payments**

The Issuer has entered into the Executed Swap Agreement described under “Description of Executed Swap Agreement and Swap Counterparty”. The Issuer may enter into additional interest rate Swap Agreements if a Rating Agency Confirmation is obtained. Interest rate Swap Agreements carry risks relating to the credit quality of the counterparty, the movement of interest rates and the enforceability of the Swap Agreement. See “Source of Payment and Security for the Notes—Additional Obligations” herein.

**In the event of an early termination of a Swap Agreement due to certain termination events, the Issuer may be required to make a large termination payment to the Swap Counterparty**

The Issuer has entered into the Executed Swap Agreement and it may enter into additional Swap Agreements in the future upon receipt of a Rating Agency Confirmation. If a termination event occurs under any of these Swap Agreements and the Issuer owes a Swap Counterparty a termination payment that is required to be paid pro rata with interest due on the Senior Obligations, including the Series 2012-1 Senior Notes, the Issuer may not have sufficient funds on that or future distribution dates to make required payments of interest or principal, and the Holders of the Notes, including the Series 2012-1 Senior Notes, may suffer a loss.

**Our ability to pay principal and interest on the Notes, including the Series 2012-1 Senior Notes, may be compromised if a Swap Counterparty defaults under the Existing Swap Agreement or an additional Swap Agreement**

We have entered into the Executed Swap Agreement and may, upon receipt of a Rating Agency Confirmation, in the future enter into additional Swap Agreements that are intended to mitigate the interest rate risk and credit risk associated with the Notes, including the Series 2012-1 Senior Notes. See “Description of Existing Swap Agreement and Swap Counterparty” herein. If a payment is due to us under a Swap Agreement, a default by the Swap Counterparty may reduce the amount of funds available to us and thus our ability to pay the principal and interest on the Notes, including the Series 2012-1 Senior Notes.

In addition, an early termination of a Swap Agreement may occur in the event that either:

- the Swap Counterparty fails to make a required payment within any specified grace period of the date that payment was due; or
- the Swap Counterparty fails, within a specified number of days of the date on which the credit ratings of the Swap Counterparty or its credit support provider are below the required ratings specified in the Swap Agreement, to establish collateral arrangements satisfactory to the Issuer.

If an early termination occurs, we may no longer have the benefit of that Swap Agreement and we may not be able to enter into substitute Swap Agreements.

### **Provisions subordinating rights of a Swap Counterparty to rights of Holders upon the bankruptcy of the Swap Counterparty may be unenforceable**

On January 25, 2010, the United States Bankruptcy Court for the Southern District of New York ruled that certain provisions in a CDO indenture subordinating payments owed to Lehman Brothers Special Financing Inc. (“*Lehman*”), as swap provider, constituted unenforceable modifications of Lehman’s contractual rights based solely on the commencement of its bankruptcy case. The Bankruptcy Code provides an exception to this rule with respect to various derivative product agreements, including swap agreements. In the Lehman case, Lehman created a special purpose entity (“*Saphir*”) that issued certain notes backed by collateral. Saphir also entered into a swap agreement with Lehman. Under the indenture, Lehman’s rights in the collateral had priority over the rights of the noteholders. However, upon the commencement of a bankruptcy case with respect to Lehman, the priorities would be reversed. Lehman filed for bankruptcy on October 3, 2008, and Saphir terminated the swap agreement by notice to Lehman citing Lehman’s bankruptcy filing as the event of default. The Court concluded that the provisions subordinating Lehman’s right to payment, upon its bankruptcy, to the rights of the noteholders were unenforceable. The Court ruled that a safe harbor in the Bankruptcy Code allowing swap provisions to operate as written did not apply. While the ruling was limited to the facts of that particular case, in the case of any Swap Agreement entered into, we cannot assure you that in the event of a bankruptcy, insolvency or receivership of any Swap Counterparty, a court would uphold any similar subordination in similar circumstances. In the event that a Swap Counterparty is owed a swap termination payment with priority over the Holders, the Holders could incur significant losses.

### **Student Loans are unsecured and the ability of the Guarantee Agencies to honor their guarantees may become impaired**

All of the Financed Student Loans pledged to the Trust Estate are unsecured. As a result, the only security for payment of a Financed Student Loan is the guarantee provided by the Guarantee Agency. Payments of principal and interest are guaranteed by Guarantee Agencies to the extent described herein.

A deterioration in the financial condition of a Guarantee Agency and its ability to honor guarantee claims on defaulted Student Loans could result in a failure of that Guarantee Agency to make its guarantee payments to the Issuer in a timely manner. See “Changes to the Higher Education Act or other laws may affect your Series 2012-1 Senior Notes” above. The financial condition of a Guarantee Agency can be adversely affected if it submits a large number of reimbursement claims to the Department of Education, which results in a reduction of the amount of reimbursement that the Department of Education is obligated to pay the Guarantee Agency. The Department of Education may also require a Guarantee Agency to return its reserve funds to the Department of Education upon a finding that the reserves are unnecessary for the Guarantee Agency to pay its program expenses or to serve the best interests of the federal student loan program. The inability of any Guarantee Agency to meet its guarantee obligations could reduce the amount of principal and interest paid to you as the owner of Series 2012-1 Senior Notes or delay those payments past their due date.

If the Department of Education has determined that a Guarantee Agency is unable to meet its guarantee obligations, the loan holder may submit claims directly to the Department of Education and the Department of Education is required to pay the full guaranty claim amount due with respect thereto. See “Student Loan Guarantees and Federal Reinsurance” herein. However, the Department of Education’s obligation to pay guarantee claims directly in this

fashion is contingent upon the Department of Education making the determination that a Guarantee Agency is unable to meet its guarantee obligations. If the Department of Education determines that the Guarantee Agency is able to meet its guarantee obligations, the Department of Education will not make guarantee payments to the Issuer. The Department of Education may not ever make this determination with respect to a Guarantee Agency and, even if the Department of Education does make this determination, payment of the guarantee claims may not be made in a timely manner, any of which could adversely affect payments on the Notes, including the Series 2012-1 Senior Notes.

**Failure to comply with loan origination and servicing procedures for Financed Student Loans may result in loss of guarantee and other benefits**

The Issuer must meet various requirements in order to maintain the federal guarantee on the Financed Student Loans. These requirements establish servicing requirements and procedural guidelines and specify school and borrower eligibility criteria.

The Department of Education regulates each lender and servicer of FFELP Loans. Under these regulations, a third-party servicer is jointly and severally liable with its client lenders for liabilities to the Department of Education arising from its violation of applicable requirements. In addition, if any lender or servicer fails to meet standards of financial responsibility or administrative capability included in the regulations, or violates other requirements, the Department of Education may impose penalties or fines and limit, suspend, or terminate the lender's eligibility to participate in or the servicer's eligibility to contract to service loans originated under the FFEL Program. In addition, the Department of Education may refuse to make reinsurance payments to the applicable Guarantee Agency or to make interest subsidy payments and Special Allowance Payments on the Financed Student Loans pursuant to the Higher Education Act. The loss of any loan program payments could adversely affect the amount of available funds and the Issuer's ability to pay principal and interest on your notes.

If the Issuer or any of its affiliates were so fined, or their FFEL Program eligibility were limited, suspended or terminated, payment on the Notes, including the Series 2012-1 Senior Notes, could be adversely affected. If any Servicer were so fined or held liable, or its eligibility were limited, suspended, or terminated, its ability to properly service the Financed Student Loans and to satisfy its obligation to purchase student loans with respect to which it has breached its representations, warranties or covenants could be adversely affected. In addition, if the Department of Education terminates any servicer's eligibility, a servicing transfer will take place and there may be delays in collections and temporary disruptions in servicing. Any servicing transfer may temporarily adversely affect payments to you.

A Guarantee Agency may reject a FFELP Loan for claim payment due to a violation of the FFEL Program due diligence collection and servicing requirements. In addition, a Guarantee Agency may reject claims under other circumstances, including, for example, if a claim is not timely filed or adequate documentation is not maintained. Once a FFELP Loan ceases to be guaranteed, it is ineligible for federal Interest Subsidies Payments and Special Allowance Payments. If a FFELP Loan is rejected for claim payment by a Guarantee Agency, we will continue to pursue the borrower for payment or institute a process to reinstate the guarantee. Guarantee Agencies may reject claims as to portions of interest for certain violations of the due diligence collection and servicing requirements even though the remainder of a claim may be paid.

Examples of errors that cause claim rejections include isolated missed collection calls, or failures to send collection letters as required. Violations of due diligence collection and servicing requirements can result from human error. Violations can also result from computer processing system errors, or from problems arising in connection with the implementation of a new computer platform or the conversion of additional FFELP Loans to a servicing system.

The Issuer Loan Purchase Agreement requires FIN to repurchase its loans if the representations and warranties made by FIN prove not to be true or if a claim for a loan is denied because of events occurring before the sale. However, FIN may not be financially able to repurchase loans if called upon to do so.

The Forward Flow Loan Purchase Agreement requires the seller thereunder to repurchase its loans if the representations and warranties made by such seller prove not to be true, if such seller fails to observe its covenants or agreements or if a claim for a loan is denied because of events occurring before the sale. Pursuant to the Issuer

Loan Purchase Agreement, FIN is required to exercise any remedies it has against the seller under the Forward Flow Loan Purchase Agreement and use such amounts to satisfy its obligations to the Issuer under the Issuer Loan Purchase Agreement. However, such seller may not be financially able to repurchase loans if called upon to do so.

**Offset by Guarantee Agencies or the Department of Education could reduce the amounts available for payment of the Notes, including the Series 2012-1 Senior Notes**

The Eligible Lender Trustee may use the Department of Education lender identification number used for Student Loans held by the Eligible Lender Trustee on behalf of the Issuer for other trusts created by the Depositors or the Sponsor. 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 on behalf of the Issuer and such other trusts created by the Depositors, and payments on the billings would be made by the Department of Education or the Guarantee Agency to the Eligible Lender Trustee in lump sum form. These payments would be allocated by the Eligible Lender Trustee among the various student loans held under the same lender identification number. If the Department of Education lender identification number is used for any other trusts, the Issuer, the Eligible Lender Trustee and such other trusts will enter into a joint sharing agreement to provide for the proper allocation of such amounts.

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. 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, including the Series 2012-1 Senior Notes. See "Student Loan Guarantees and Federal Reinsurance" herein.

**Additional Notes may be issued without your consent, which could affect the composition of the outstanding Notes**

The Issuer may, from time to time, under certain circumstances, issue Additional Notes or incur Other Senior Obligations secured by the Trust Estate without the consent or approval of any existing Holders. These Additional Notes or Other Senior Obligations may be subordinate to, the Series 2012-1 Senior Notes in right of payment, with the same or later maturities than the Series 2012-1 Senior Notes. Principal payments on the Series 2012-1 Senior Notes will be paid prior to principal payments on any other Additional Notes issued. Except for any principal distribution amounts on such Additional Notes, there shall be no mandatory redemptions, optional redemptions, prepayments, open market purchases or tender offers by Issuer or its affiliates or defeasance of any Additional Notes while the Series 2012-1 Senior Notes are Outstanding. While the Series 2012-1 Senior Notes are Outstanding, Additional Notes may be issued to the extent a Rating Agency Confirmation is obtained and they are issued on a date that the Senior Asset Requirement is satisfied (both immediately before and after giving effect to the issuance).

## INTRODUCTION

This Offering Memorandum sets forth information concerning the issuance by the Issuer of \$235,000,000 aggregate Principal Amount of its Student Loan Asset-Backed Notes, Senior Series 2012-1 (the "*Series 2012-1 Senior Notes*"). 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 in "Glossary of Certain Defined Terms" attached hereto as Appendix A.

*The Notes, including the Series 2012-1 Senior 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 Notes, including the Series 2012-1 Senior Notes, do not represent general obligations of the Issuer. See "Source of Payment and Security for the Notes" herein.*

This Offering Memorandum contains brief descriptions of the Series 2012-1 Senior Notes, the Previous Notes, the Indenture, the Eighth Supplemental Indenture authorizing the Series 2012-1 Senior Notes, the ARS Purchase

Transaction to be financed and the Eligible Loans to be purchased through the issuance of the Series 2012-1 Senior Notes and other transaction documents and applicable laws. The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to such transaction documents and applicable laws for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such transaction document or applicable law. Copies of the Indenture and the Eighth Supplemental Indenture may be obtained during the offering period upon request directed to the Trustee at 10161 Centurion Parkway, Jacksonville, Florida 32256, Attn: Corporate Trust Manager.

## PREVIOUS ISSUANCES

Information concerning each Outstanding series of Previous Notes that the Issuer has previously issued under the Indenture is provided below. The Financed Student Loans and other assets pledged to the Trustee serve as collateral for each Outstanding series of Previous Notes, the Series 2012-1 Senior Notes and any Additional Notes that the Issuer may issue under the Indenture in the future.

Series	Original Principal Amount	Outstanding Principal Amount (as of July 1, 2012) (in millions)	Closing Date	Interest Method	Stated Maturity Date
Series 2003-1A-1 Senior Notes	\$75,000,000	\$0	March 5, 2003	Auction Rate	February 1, 2043
Series 2003-1A-2 Senior Notes	\$75,000,000	\$68.5	March 5, 2003	Auction Rate	February 1, 2043
Series 2003-1A-3 Senior Notes	\$75,000,000	\$75.0	April 3, 2003	Auction Rate	February 1, 2043
Series 2003-1A-4 Senior Notes	\$75,000,000	\$75.0	April 3, 2003	Auction Rate	February 1, 2043
Series 2003-1A-5 Senior Notes	\$75,000,000	\$50.0	April 3, 2003	Auction Rate	February 1, 2043
Series 2003-1A-6 Senior Notes	\$75,000,000	\$34.4	April 3, 2003	Auction Rate	February 1, 2043
Series 2003-1A-7 Senior Notes	\$50,000,000	\$49.5	April 3, 2003	Auction Rate	February 1, 2043
Series 2003-1A-8 Senior Notes	\$50,000,000	\$35.0	April 3, 2003	Auction Rate	February 1, 2043
Series 2003-1A-9 Senior Notes	\$75,000,000	\$73.0	June 5, 2003	Auction Rate	February 1, 2043
Series 2003-1A-10 Senior Notes	\$75,000,000	\$67.45	June 5, 2003	Auction Rate	February 1, 2043
Series 2003-1A-11 Senior Notes	\$75,000,000	\$74.5	June 5, 2003	Auction Rate	February 1, 2043
Series 2003-1A-12 Senior Notes	\$75,000,000	\$74.9	June 5, 2003	Auction Rate	February 1, 2043
Series 2003-1B-1 Subordinate Notes	\$50,000,000	\$50.0	March 5, 2003	Auction Rate	February 1, 2043
<b>Total for Series 2003-1</b>	<b>\$900,000,000</b>	<b>\$727.25</b>			
Series 2003-2A-1 Senior Notes	\$75,000,000	\$51.9	August 19, 2003	Auction Rate	August 1, 2043
Series 2003-2A-2 Senior Notes	\$50,000,000	\$17.4	September 9, 2003	Auction Rate	August 1, 2043
Series 2003-2A-3 Senior Notes	\$75,000,000	\$62.45	September 9, 2003	Auction Rate	August 1, 2043
Series 2003-2A-4 Senior Notes	\$75,000,000	\$0	October 7, 2003	Auction Rate	August 1, 2043
Series 2003-2A-5 Senior Notes	\$50,000,000	\$35.0	October 7, 2003	Auction Rate	August 1, 2043
Series 2003-2A-6 Senior Notes	\$50,000,000	\$0	November 4, 2003	Auction Rate	August 1, 2043
Series 2003-2A-7 Senior Notes	\$50,000,000	\$0	November 4, 2003	Auction Rate	August 1, 2043
Series 2003-2A-8 Senior Notes	\$75,000,000	\$62.25	November 4, 2003	Auction Rate	August 1, 2043
Series 2003-2A-9 Senior Notes	\$50,000,000	\$0	December 9,	Auction Rate	August 1, 2043

			2003		
Series 2003-2A-10 Senior Notes	\$75,000,000	\$63.9	December 9, 2003	Auction Rate	August 1, 2043
Series 2003-2A-11 Senior Notes	\$50,000,000	\$29.0	January 6, 2004	Auction Rate	August 1, 2043
Series 2003-2A-12 Senior Notes	\$75,000,000	\$0	January 6, 2004	Auction Rate	August 1, 2043
Series 2003-2A-13 Senior Notes	\$75,000,000	\$10.3	January 6, 2004	Auction Rate	August 1, 2043
Series 2003-2B-1 Subordinate Notes	\$50,000,000	\$50.0	August 19, 2003	Auction Rate	August 1, 2043
Series 2003-2B-2 Subordinate Notes	\$50,000,000	\$0	December 9, 2003	Auction Rate	August 1, 2043
<b>Total for Series 2003-2</b>	<b>\$925,000,000</b>	<b>\$381.30</b>			

Since February 2008, substantially all of the auctions for the Previous Notes have failed and each series of the Previous Notes presently bears interest at the maximum rate for such series set forth in the corresponding supplemental indenture. No assurance can be given that any auctions for the Previous Notes will be successful in the future, and the Previous Notes may continue to bear interest at their respective maximum rate.

### ARS PURCHASE TRANSACTION

The Issuer has entered into a cash purchase transaction with Merrill Lynch, Pierce, Fenner and Smith Incorporated (“MLPFS”), an Initial Purchaser, (the “ARS Purchase Transaction”) to purchase up to \$87,200,000 aggregate principal amount of its outstanding Previous Senior Notes plus accrued interest from the prior interest payment date through but excluding the Closing Date. The terms and conditions of the ARS Purchase Transaction are set forth in the ARS Purchase Agreement. See “Relationships Among Financing Participants” herein.

### LOAN PURCHASE TRANSACTION

The Issuer has entered into the Issuer Loan Purchase Agreement with FIN to purchase up to \$231,124,680 aggregate principal balance of Eligible Loans on or prior to the final Loan Purchase Settlement Date. Following the initial purchase of Eligible Loans on the Closing Date, the Issuer will only be permitted to use amounts deposited in the Acquisition Fund in connection with the issuance of the Series 2012-1 Senior Notes to acquire Eligible Loans that FIN acquires pursuant to the Forward Flow Loan Purchase Agreement.

FIN has entered into the FIN Loan Purchase Agreement with Higher Education Funding, IV (“HEF IV”) to purchase up to \$171,124,680 aggregate principal balance of Eligible Loans on or prior to the final Loan Purchase Settlement Date.

FIN has entered into the Forward Flow Loan Purchase Agreement with respect to which we expect to purchase up to \$60,000,000 aggregate principal balance of Eligible Loans on or prior to the Loan Purchase Settlement Date.

### USE OF ISSUANCE PROCEEDS

The proceeds from the issuance of the Series 2012-1 Senior Notes, in the amount of \$235,000,000 (net of a discount of \$1,235,241) will be deposited with the Trustee and are expected to be used as follows:

- approximately \$6,663,600 will be deposited in the ARS Purchase Account in connection with the ARS Purchase Transaction and approximately \$12,891,633 and \$14,299,768 will be transferred from the Reserve Fund and the Surplus Fund, respectively, and deposited into the ARS Purchase Account;
- approximately \$226,320,210 will be deposited in the Acquisition Fund and approximately \$169,770,210 will be used to purchase Eligible Loans on the Closing Date and approximately \$56,550,000 will be used to acquire Eligible Loans during the Acquisition Period;

- approximately \$780,950 will be deposited into the Administration Fund to be used to pay the costs of issuing the Series 2012-1 Senior Notes and of conducting the ARS Purchase Transaction and Loan Purchase Transaction (each as more particularly described in the Indenture);
- approximately \$663,420 shall be released from the Surplus Fund to Certificateholders.

Upon the issuance of all of the Series 2012-1 Senior Notes and after giving effect to the purchase of any Previous Senior Notes and any Eligible Loans the Senior Asset Percentage is expected to be approximately 110.3% and the Subordinate Asset Percentage is expected to be approximately 101.5%. The Indenture does not require maintenance of any such asset percentages.

To the extent that any cash previously deposited into the ARS Purchase Account is remaining in the ARS Purchase Account after the Closing Date, then any such excess cash will be transferred to the Retirement Account and added to the Principal Distribution Amount for the Series 2012-1 Senior Notes on the subsequent Monthly Distribution Date.

To the extent that any cash previously deposited into the Acquisition Fund is remaining in the Acquisition Fund by the final Loan Purchase Settlement Date, which is expected to occur on February 28, 2013, then any such excess cash will be transferred to the Retirement Account and added to the Principal Distribution Amount for the Series 2012-1 Senior Notes on the subsequent Monthly Distribution Date.

## **SOURCE OF PAYMENT AND SECURITY FOR THE NOTES**

### **General**

The Notes, including the Series 2012-1 Senior Notes, are limited obligations of the Issuer payable solely from the Trust Estate created under the Indenture, consisting of the Financed Eligible Loans and 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, (4) income from investment of moneys in the pledged Funds and Accounts, (5) payments from a Swap Counterparty under the Executed Swap Agreement and any additional Swap Agreements, (6) proceeds of any sale or assignment by the Issuer of any Financed Eligible Loans, and (7) available Note proceeds.

The principal of and interest on the Notes, including the Series 2012-1 Senior 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 Surplus Fund and any Swap Collateral Fund, in the manner and subject to the prior applications provided in the Indenture; (4) in, to and under 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, if applicable; 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, Backup Administration Fees and Note Fees, and to certain other applications as described under “Description of the Indenture—Funds and Accounts” herein.

## **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 so long as (i) they are issued on a date that the Senior Asset Requirement is satisfied (both immediately before and after giving effect to the issuance) and (ii) the Holders thereof shall not have the right to demand or require the Issuer to purchase such Notes. Upon receipt of a Rating Agency Confirmation, 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 Previous 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. Such Additional Notes may be issued in parity with any other Senior Obligations (including the Series 2012-1 Senior Notes) or as Subordinate Notes, with the same or later maturities than existing classes of Notes. No principal will be paid in respect of any such Additional Notes which would reduce the scheduled Principal Distribution Amounts on the Series 2012-1 Senior Notes, unless an Event of Default occurs, in which case any Senior Notes will be paid in parity. Except for any principal distribution amounts on such Additional Notes, there shall be no mandatory redemptions, optional redemptions, prepayments, open market purchases or tender offers by Issuer or its affiliates or defeasance of any Additional Notes while the Series 2012-1 Senior Notes are Outstanding. In addition, the Issuer may enter into Swap Agreements. The Issuer's obligations under the Swap Agreements will be parity obligations with the Senior Notes (such Other Senior Obligations, together with the Senior Notes, being referred to herein as "*Senior Obligations*"). Payments on the Existing Swap Agreement (except termination payments other than Priority Termination Payments) are secured on a parity with interest payments on the Senior Notes. The Senior Obligations and the Subordinate Notes are referred to herein as "*Indenture Obligations*." See "Description of the Indenture—Notes and Other Senior Obligations" herein.

Under the Indenture, the Issuer may not enter into a Swap Agreement unless the Trustee shall have received a Rating Agency Confirmation that entering into the Swap Agreement will not cause the reduction or withdrawal of any rating or ratings then applicable to any Outstanding Notes, including the Series 2012-1 Senior Notes.

## **Priorities**

The Senior Notes, including the Series 2012-1 Senior Notes (and any Other Senior Obligations) are entitled to payment and certain other priorities over the Subordinate Notes. Current payments of interest and principal due on Subordinate Notes on any interest or principal payment date will be made 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 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 will be paid 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" herein.

## **Reserve Fund**

The Notes, including the Series 2012-1 Senior Notes, are additionally secured by the Reserve Fund in an amount equal to the Reserve Fund Requirement. The Reserve Fund Requirement with respect to the Notes shall be, at any time, an amount equal to the greater of (a) 0.75% of the aggregate Principal Amount of the Notes then Outstanding and (b) \$1,250,000.

The Reserve Fund secures all Notes issued under the Indenture. Consequently, the establishment of a Reserve Fund Requirement with respect to Additional Notes at a level less than an amount equal to the greater of (a) 0.75% of the aggregate Principal Amount of the Notes then Outstanding and (b) \$1,250,000 will dilute the security of the Reserve Fund with respect to the Series 2012-1 Senior Notes. However, Additional Notes may only be issued upon receipt by the Issuer and the Trustee of a Rating Agency Confirmation.

## **Subordination of the Subordinate Notes**

The rights of the Holders of the Subordinate Notes to receive principal and interest payments are subordinated to such rights of the Holders of the Series 2012-1 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 2012-1 Senior Notes, any other series of Senior Notes and any Other Senior Obligations. See “—Priorities” and “Description of the Indenture—Funds and Accounts” herein.

## **THE ISSUER**

Education Loan Asset-Backed Trust 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 the Initial Trust Agreement between CLF and Wilmington Trust Company (as successor to The Bank of New York (Delaware)), as Delaware Trustee. Higher Education Finance, LLC, owns all of the equity interests of the Issuer, and it acquired the trust certificate from an affiliate, Atlas Operations Cayman Ltd, a Cayman exempted company incorporated with limited liability, pursuant to an assignment through Goal Financial, LLC.

## **THE DEPOSITORS**

Higher Education Finance, LLC (“*FIN*” and a “*Depositor*”), a Delaware limited liability company, is the Depositor with respect to the Series 2012-1 Senior Notes. Goal Financial, LLC (“*Goal Financial*” and the “*Sponsor*”) owns one hundred percent (100%) of the membership interests of FIN. Management of FIN is entrusted to the Sponsor which is a limited liability company organized under the laws of the State of Delaware.

Consolidation Loan Funding, LLC (“*CLF*”, the “*Initial Depositor*” and a “*Depositor*”), a Delaware limited liability company, is the Depositor with respect to the Previous Notes and previously owned all the equity interests of the Issuer. CLF has two members: one is the Sponsor which owns a ninety-nine percent (99%) membership interest and the other is CLF Management Corp. (a Delaware corporation) which owns a one percent (1%) membership interest. The management of CLF is vested in the Sponsor except as contemplated in certain transaction documents and as set forth in its organizational documents. CLF’s limited liability company agreement contains certain limitations, including a restriction on CLF’s ability to commence a voluntary case or proceeding under any insolvency law.

## **THE SPONSOR**

Goal Financial is the sponsor for the transaction described in this Offering Memorandum. Headquartered in Alexandria, Virginia, historically Goal Financial originated, consolidated, securitized and continues to hold, directly or indirectly, student loans originated under the FFEL Program.

The Sponsor has two owners, one of which is the Issuer Administrator which holds a 99% ownership interest in the Sponsor.

In 2008, the Sponsor ceased all future loan originations through the FFEL Program, having stopped accepting applications for new FFELP Loans in 2007. As of July 31, 2012, the Sponsor, through its affiliates, manages approximately \$6.2 billion of education loan receivables. Although the Sponsor no longer markets or originates education loans, management of its student loan portfolios remains central to the company’s mission.

The Sponsor’s principal offices are located at 118 King Street, Second Floor, Alexandria, Virginia 22314 and its telephone number is (703) 837-1630.

## THE ISSUER ADMINISTRATOR

Goal Structured Solutions, Inc. serves as Issuer Administrator pursuant to the Administration Agreement (in such capacity, the “*Issuer Administrator*”). The Issuer Administrator is a Delaware corporation that commenced business on January 1, 2008 as a limited liability company and converted to a corporation on March 12, 2010. The company changed its name from Route 66 Ventures, Inc. to Goal Structured Solutions, Inc. on June 1, 2012. On June 1, 2010, the Sponsor and the Issuer Administrator underwent a restructuring, following which all of the common stock in the Issuer Administrator is owned by the Goal Structured Solutions, Inc. Employee Stock Ownership Plan, which is an Employee Stock Ownership Plan for the benefit of the Sponsor and certain of its affiliate employees who live in the United States.

The Issuer Administrator is to perform 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.

The principal business of the Issuer Administrator is performing professional services associated with (i) serving as master servicer, sub-servicer or administrator for securitizations of consumer loans and other financing arrangements for pools of consumer loans, (ii) valuation and related advisory services, (iii) consumer loan portfolio performance analytics and other loan management services, and (iv) transaction advisory and management services. The Issuer Administrator (i) acts as administrator for a \$12 billion portfolio of private student loans, (ii) acts in a stand by backup administrator role for clients including a large bank in connection with certain student loan asset-backed securitizations and (iii) acts as master servicer for a large private equity fund in connection with pools of private student loans. The Issuer Administrator also acts as a sub-administrator to certain Goal Financial student loan securitization trusts. The primary management and operations team of the Issuer Administrator has been managing all of Goal Financial’s student loan securitization trusts since 2004. The Issuer Administrator manages over \$19.1 billion in federal and private student loans across more than 51 trust structures.

The Issuer Administrator and its affiliates currently have a staff of approximately 46 full time employees or equivalents (such as independent contractors) and the headquarters are at 401 West A Street, Suite 1300 in San Diego, California. The Issuer Administrator and its affiliates also have employees in Florida, Minnesota, Massachusetts and Virginia.

## THE BACKUP ADMINISTRATOR

Lord Securities Corporation (“*Lord*”) is a financial services and securitization administration firm that has served the structured finance market since 1971. Lord provides transaction sponsors and their financial and legal advisors with seamless, multi-jurisdictional service and support through its world-wide network of affiliates and by way of its experienced personnel. Professional staff at Lord includes certified public accountants, MBAs, attorneys, in-house paralegals and others with extensive experience in structured finance. Lord provides domestic and off-shore special purpose entities with equity capital and independent directors and officers, as well as full-service, third-party special purpose entity administration, ownership, transaction management, accounting, commercial paper issuance and treasury services.

Lord is part of the TMF Structured Finance Services Group (“*TMF SFS*”), a leading global independent provider of structured finance services in all major financial centers and key emerging markets. TMF SFS acts for premier global financial institutions on some of the most complex and innovative cross-border transactions in the industry. TMF SFS was one of the first players in the European market and it has been providing structured finance services since 1994. TMF SFS is currently managing over 1,100 special purpose vehicles in connection with a broad range of structures and asset classes across the globe.

Except as otherwise indicated, the foregoing information regarding Lord has been obtained from Lord and has not been independently verified.

Pursuant to the terms of the Backup Administration Agreement, in the event that Goal Structured Solutions, Inc. resigns or is removed as Issuer Administrator, Lord will step in and continue such duties as Issuer Administrator within approximately 45 days of notice under a new administration agreement with terms substantially similar to those of the Administration Agreement. The Administration Agreement will be amended and restated to permit for the appointment of the Backup Administrator and the Delaware Trustee, the Eligible Lender Trustee and the Trustee will have consented to such appointment.

### **THE TRUSTEE**

The Trustee is The Bank of New York Mellon, a banking corporation organized under the laws of the State of New York. It maintains a corporate trust office at 10161 Centurion Parkway, Jacksonville, Florida 32256. The Bank of New York Mellon has been, and currently is, serving as trustee for numerous securitization transactions and programs involving pools of student loan receivables.

The Bank of New York Mellon has provided the above information. Other than the above paragraph, The Bank of New York Mellon has not participated in the preparation of, and is not responsible for, any other information contained in this Offering Memorandum.

The Issuer will issue the Series 2012-1 Senior Notes under the Eighth Supplemental Indenture. Under the Indenture and the Eighth Supplemental Indenture, The Bank of New York Mellon will act as Trustee for the benefit of and to protect the interests of the Holders and will act as paying agent for the Series 2012-1 Senior Notes. The Trustee will act on behalf of the Holders and represent their interests in the exercise of their rights under the Indenture and the Eighth Supplemental Indenture.

Following the Closing Date, it is anticipated that U.S. Bank National Association will replace The Bank of New York Mellon as Trustee. U.S. Bank National Association, a national banking association organized under the laws of the United States of America, maintains a corporate trust office at 425 Walnut Street, 6<sup>th</sup> Floor, Cincinnati, Ohio 45202. U.S. Bank National Association has been, and currently is, serving as trustee for numerous securitization transactions and programs involving pools of student loan receivables that are unrelated to this transaction. Other than the previous two sentences, U.S. Bank National Association has not participated in the preparation of, and is not responsible for, any other information contained in this Offering Memorandum.

### **THE ELIGIBLE LENDER TRUSTEE**

U.S. Bank National Association is the Eligible Lender Trustee solely for purposes of holding legal title to all FFELP Loans. The office of the Eligible Lender Trustee is located at 425 Walnut Street, 6<sup>th</sup> Floor, Cincinnati, Ohio 45202.

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 Eligible Lender Trustee holds title to all Financed FFELP Loans in trust on behalf of the Issuer. The Eligible Lender Trustee has agreed 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 has entered into a Guarantee Agreement with each of the Guarantee Agencies that have guaranteed Financed FFELP Loans. Failure of the Financed FFELP 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” attached hereto as [Appendix B](#) and “Risk Factors—Offset by Guarantee Agencies or the Department of Education could reduce the amounts available for payment of the Series 2012-1 Senior Notes” herein.

The duties of the Eligible Lender Trustee in connection with the issuance and sale of the Series 2012-1 Senior Notes will consist of discharging the obligations set forth in the agreements to which it is a party, including the Eligible Lender Trust Agreement, dated February 1, 2012 (as amended from time to time, the “*Eligible Lender Trust Agreement*”), between the Issuer and the Eligible Lender Trustee. The Eligible Lender Trustee will not be liable in its individual capacity for any action or inaction under the Eligible Lender Trust Agreement that was not the result of its own negligence or willful misconduct. The Eligible Lender Trustee will be entitled to be indemnified by the

Issuer for any loss, liability or expense (including the costs and expenses of defending itself against any claim related to its performance under the Eligible Lender Trust Agreement) incurred by it in connection with the performance of its duties under the Eligible Lender Trust Agreement except for any loss, liability or expense caused by the Eligible Lender Trustee's negligence or willful misconduct.

The Eligible Lender Trustee may resign at any time by giving written notice to the Issuer. The Issuer may also remove the Eligible Lender Trustee at any time upon payment to the Eligible Lender Trustee of all moneys, fees and expenses then due it under the Eligible Lender Trust Agreement. Such resignation or removal of the Eligible Lender Trustee and appointment of a successor will generally become effective only when a successor accepts its appointment.

The Eligible Lender Trustee is acting as "eligible lender" with respect to the Financed FFELP Loans as an accommodation to the Issuer and not for the benefit of any other party. Notwithstanding any responsibility that the Eligible Lender Trustee may have to the Secretary of Education or any Guarantee Agency under the Higher Education Act, the Eligible Lender Trustee will not have any responsibility for the Issuer's action or inaction, or any action or inaction of the Trustee or any other party in connection with the Financed FFELP Loans and the documents, agreements, understandings and arrangements relating to the Financed FFELP Loans.

### **THE DELAWARE TRUSTEE**

Wilmington Trust Company—also referred to herein as the Delaware Trustee is a Delaware trust company incorporated in 1903. On July 1, 2011, Wilmington Trust Company filed an amended charter which changed its status from a Delaware banking corporation to a Delaware trust company. The Delaware Trustee's principal place of business is located at 1100 North Market Street, Wilmington, Delaware 19890. Since 1998, Wilmington Trust Company has served as Delaware trustee in numerous asset-backed securities transactions involving student loan receivables.

On May 16, 2011, after receiving all required shareholder and regulatory approvals, Wilmington Trust Corporation, the parent of Wilmington Trust Company, through a merger, became a wholly-owned subsidiary of M&T Bank Corporation ("*M&T*"), a New York corporation.

Wilmington Trust Company is subject to various legal proceedings that arise from time to time in the ordinary course of business. Wilmington Trust Company does not believe that the ultimate resolution of any of these proceedings will have a materially adverse effect on its services as Delaware Trustee.

Other than the above three paragraphs, Wilmington Trust Company has not participated in the preparation of, and is not responsible for, any other information contained in this Offering Memorandum.

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 investment grade from S&P and 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 shall 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 owed to the outgoing Delaware Trustee in its individual capacity.

Except as specifically delegated to the Issuer Administrator in the Administration Agreement, Wilmington Trust Company will also execute and deliver all agreements required to be entered into on behalf of the Issuer; provided, however, Wilmington Trust Company will not incur any personal responsibility or liability for the duties and obligations of the Issuer thereunder.

## **THE FINANCED ELIGIBLE LOANS**

### **Description of Financed Eligible Loans to be Acquired**

The Financed Eligible Loans to be acquired with proceeds of the Series 2012-1 Senior Notes will be acquired by the Issuer on or prior to February 28, 2013 (the "*Loan Purchase Settlement Date*").

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."

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 Eligible Loans with the proceeds thereof may cause the aggregate characteristics of the pool of Financed Eligible Loans to vary still further. Each of the Financed Eligible Loans is expected to be acquired at a discounted purchase price.

The Financed Eligible Loans may have "graduated repayment characteristics." 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.

The Issuer will acquire the Financed Eligible Loans from FIN pursuant to the terms of the Issuer Loan Purchase Agreement between the Issuer and FIN covering Eligible Loans purchased by FIN, via its eligible lender trustee.

The Issuer will purchase Eligible Loans from FIN. If FIN has acquired those loans after they were originated by other entities, the Issuer expects that, other than with respect to the FIN Loan Purchase Agreement, FIN will have entered into agreements with those persons by which they make warranties and representations to FIN conforming to those it makes to the Issuer. However, even though FIN will have made the aforesaid representations and warranties to the Issuer, FIN is not expected to have assets other than its interest in the Issuer and its claims, if any against persons that sold FIN the loans with which to back the warranties and representations in the Issuer Loan Purchase Agreement. The sale of Eligible Loans by FIN into the Trust Estate will be made at fair market value.

## **Description of Financed Eligible Loans Previously Acquired**

All of the Financed Eligible Loans previously acquired by the Issuer consist of FFELP Loans and are a type of FFELP Loan known as Consolidation Loans. As of the Statistical Cut-off Date, the Financed Eligible Loans acquired had an aggregate outstanding principal balance of \$1,016,287,121, the weighted average annual interest rate of the Financed Eligible Loans was approximately 4.39% and their weighted average remaining term to scheduled maturity was approximately 207 months. Each FFELP 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. Depending on the disbursement date, Guarantee Agencies guarantee the payment of 100%, 98% or 97% of the principal of and interest on the Financed Eligible Loans. FFELP 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” attached hereto as Appendix B.

The Issuer may acquire new Financed Eligible Loans through the issuance of any Additional Notes or through the use of funds from the Surplus Account. The Issuer will occasionally repurchase Financed Eligible Loans as may be required by any Guarantee Agreements, the Higher Education Act and the Department of Education.

Approximately 4.83% of the principal amount of the Financed Student Loans will be Rehabilitation Loans as of the Closing Date. See “Student Loan Guarantees and Federal Reinsurance – Federal insurance and reimbursement of Guarantee Agencies – Rehabilitation of defaulted loans” herein.

## **Servicing and Due Diligence**

The Issuer has covenanted in the Indenture to cause one or more Servicers 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 any agents (including the Servicer) exercise due diligence in the making, servicing and collection of FFELP 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 FFELP Loans, that Guarantee Agency’s ability to realize the benefits of federal reinsurance payments may be adversely affected.

However, each Servicing Agreement generally provides that a Servicer will indemnify the Issuer for certain amounts if, as a result of the activities of such Servicer a Financed Eligible Loan is denied guarantee payments by a Guarantee Agency or Interest Subsidy Payments or Special Allowance Payments subject to certain limitations and caps on payments.

Under the Servicing Agreement with GLELSI (the “*GLELSI Servicing Agreement*”), GLELSI generally may cure a deficiency in its performance in servicing a student loan; provided, however, that, if any such deficiency results in the denial by a guarantee agency of the benefit of any guarantee applicable to such student loan and GLELSI is unable to cause the reinstatement of the guarantee within twelve months of such denial, GLELSI will be obligated to purchase such student loans from the Issuer for an amount equal to the outstanding principal balance of the student loan plus all accrued interest, fees and other amounts due in respect of the student loan as of the date of purchase. Upon such payment, the student loan will be transferred to GLELSI. GLELSI will agree to indemnify the Issuer for

losses relating to GLELSI's negligence or misconduct in servicing the student loans for which it is servicer, but will not be liable for related consequential damages.

Pursuant to the Servicing Agreement with Xerox (the "*Xerox Servicing Agreement*"), Xerox is entitled to cure any errors or omissions in the performance of its duties under the Xerox Servicing Agreement by reperformance of such duties to the extent such reperformance will reasonably eliminate or mitigate losses to the Issuer. The Xerox Servicing Agreement further provides that Xerox shall not be liable in the performance of services except for willful misconduct or negligence and then only to the extent of principal and interest on rejected claims. Xerox's liability for loans that entered repayment status prior to the date Xerox assumed servicing responsibility for such student loan or Student loans or which have previously been cured following a non- Xerox servicing error is limited to general money damages in an aggregate amount not to exceed compensation theretofore paid with respect to such serviced loan.

Under the Xerox Servicing Agreement, Xerox is not liable for its failure to comply with any law, rule, regulation or other requirement applicable to any trust student loans which was not articulated in writing and actually made known to Xerox, which is inconsistent with industry practice or prior guarantor conduct or during any period in which the Department of Education and/or any guarantor shall have indicated that it will not enforce such requirement. Xerox is not liable for any incidental, indirect, special, punitive or consequential damages, for failure to provide services because of reasons beyond its control, for any violation of applicable law, regulation or other requirement under the Xerox Servicing Agreement where Xerox's action or inaction was not negligent, for any losses, liabilities or expenses arising from or relating to guarantor error, for any losses, liabilities or expenses arising from electronic data interchange failure not directly related to Xerox's negligence, or for the uncollectibility or non-payment with respect to accounts serviced under the Xerox Servicing Agreement or the failure of a guarantor to pay any claim except where such uncollectibility or failure is a result of Xerox's negligence or willful misconduct.

For a description of the indemnity provisions of the PHEAA Servicing Agreement (as defined below) see "Servicing of Financed Eligible Loans – The Servicer – The PHEAA Servicing Agreement" herein.

Substantially all of the Financed Student Loans are serviced by PHEAA. GLELSI and Xerox service less than one percent of the Financed Student Loans combined. However, prior to engaging PHEAA as a Servicer, GLELSI and Xerox previously serviced approximately 75% and 25% of the Financed Student Loans, respectively.

## **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 and the Eligible Lender Trustee have entered into a FFELP Servicing Agreement (the "*PHEAA Servicing Agreement*") with PHEAA with respect to other Financed Eligible Loans. The Issuer may enter into servicing agreements with other servicers for the servicing of the Financed Student Loans.

### **The Servicers**

The following description has been provided by PHEAA (defined below). The Issuer has not independently verified this information.

### **PHEAA**

The Pennsylvania Higher Education Assistance Agency ("*PHEAA*") is a body corporate and politic constituting a public corporation and government instrumentality created pursuant to an act of the Pennsylvania Legislature. Under its enabling legislation, PHEAA is authorized to issue bonds or notes, with the approval of the Governor of the Commonwealth of Pennsylvania for the purpose of purchasing, making, or guaranteeing loans. Its enabling legislation also authorizes PHEAA to undertake the origination and servicing of loans made by PHEAA and others. PHEAA's headquarters are located in Harrisburg, Pennsylvania with regional offices located throughout Pennsylvania.

As of May 31, 2012, PHEAA had approximately 2,700 employees. PHEAA's two principal servicing products are its full servicing operation (in which it performs all student loan servicing functions on behalf of its customers) and its remote servicing operation (in which it provides only data processing services to its customers that have their own servicing operations). As of May 31, 2012, PHEAA services approximately 7.1 million student loan accounts representing an aggregate of approximately \$134.8 billion outstanding principal amount for its full servicing customers which consist of national and regional banks and credit unions, secondary markets, and government entities, including \$73.5 billion serviced for the Department of Education. Under PHEAA's remote servicing operation, the remote clients service approximately 2.0 million student borrowers representing approximately \$31.4 billion outstanding principal amount, including \$12.7 billion owned by the Department of Education. One remote client has provided notice of the termination of their remote servicing agreement. This client has approximately \$7.2 billion in outstanding principal and 526,000 student borrowers as of May 31, 2012. This volume will be deconverted from the PHEAA system over a period of time between July and December 2012.

As a servicer, PHEAA works to minimize the net reject rate, which is the amount of claims submitted for payment that are rejected by the guarantor and are subsequently unable to be cured. The net reject rate for both the number and dollar value of loans for the last three calendar years is listed below.

Year	<u>FFELP Net Reject Rate</u>	
	Loans	Dollars
2011	0.027%	0.016%
2010	0.005%	0.002%
2009	0.000%	0.000%

The net reject rate is calculated based on claims submitted three years prior which were unable to be cured during the three year cure period which ended during the calendar years noted above. The number and dollar value of rejected claims not cured is divided by the total claims filed during that same period three years prior.

PHEAA's most recent audited financial reports are available at [www.pheaa.org](http://www.pheaa.org).

### **The PHEAA Servicing Agreement**

Pursuant to the PHEAA Servicing Agreement, PHEAA generally agrees to provide services and duties customary to the servicing of student loans in accordance with generally established procedures and industry standards and practices. Such services generally include maintaining custody of promissory notes and related documentation, preparing and submitting reports to governmental authorities and credit bureaus, billing for and processing payments from borrowers, undertaking certain required collection activities with respect to delinquent loans, submitting guarantee claims with respect to defaulted loans and providing certain reports of its activities and the student loan portfolios serviced by them. PHEAA is required to service the Financed Student Loans in accordance with the Higher Education Act. The PHEAA Servicing Agreement is for the life of the Students Loans serviced thereunder subject to certain termination rights of the Issuer and PHEAA. However, no termination of the PHEAA Servicing Agreement by PHEAA will be effective unless and until a successor servicer has been appointed and the Issuer has obtained a Rating Agency Confirmation with respect to such successor servicer. The PHEAA Servicing Agreement may be terminated at the option of Issuer or the Eligible Lender Trustee without charge to either upon (a) any of PHEAA's representations or warranties made in or pursuant to the PHEAA Servicing Agreement are not true or are erroneous in any material respect (subject to cure rights); (b) PHEAA's failure to perform or observe any of the provisions or covenants of the PHEAA Servicing Agreement (subject to cure rights); (c) PHEAA: (i) discontinuing its business, (ii) generally not paying its debts as such debts become due, or (iii) taking or omitting any action in order thereby to affect any of the foregoing; (d) PHEAA not having a net worth of \$5,000,000 or greater; or (e) any note issued by Issuer being downgraded by a rating agency then rating such notes, as a result of an action or inaction of PHEAA (subject to cure rights). In the event the PHEAA Servicing Agreement is terminated prior to the end of the term for any reason other than stated above, the Issuer is required to pay early termination fees and other applicable fees set forth in the PHEAA Servicing Agreement. The PHEAA Servicing Agreement may be terminated

at the option of PHEAA upon (a) the Issuer's or the Eligible Lender Trustee's failure to perform or observe any of the material provisions or covenants of the PHEAA Servicing Agreement which affect PHEAA's ability to perform (subject to cure rights); (b) the Issuer or the Eligible Lender Trustee: (i) discontinuing its business, (ii) generally not paying its debts as such debts become due, (iii) making a general assignment for the benefit of creditors, (iv) admitting by answer, default or otherwise the material allegations of petitions filed against it in any bankruptcy, reorganization, insolvency or other proceeding (whether federal or state) relating to relief of debtors, (v) suffering or permitting to continue unstayed and in effect for thirty (30) consecutive days, any judgment, decree or order, entered by a court of competent jurisdiction, which approves a petition seeking its reorganization or appoints a receiver, custodian, trustee, interim trustee or liquidator for itself or all or a substantial part of its assets, or (vi) taking or omitting any action in order thereby to affect any of the foregoing; or (c) the Issuer's failure to pay the fees and expenses due under the PHEAA Servicing Agreement. In the event the PHEAA Servicing Agreement is terminated by PHEAA pursuant to clause (a), (b) or (c), the Issuer shall be responsible for payment of deconversion, record return, and early termination fees and other applicable fees set forth in the PHEAA Servicing Agreement.

The monthly fees and expenses paid to PHEAA are set forth in a schedule to the PHEAA Servicing Agreement on a per account basis based upon the repayment status of the student loan. The additional services which PHEAA has agreed to perform, and the fees and expenses for such additional services, are also set forth in schedules to the PHEAA Servicing Agreement. Commencing on August 30, 2014, PHEAA may increase its fees by 2% annually upon the prior written consent of the Issuer.

Pursuant to the PHEAA Servicing Agreement, PHEAA agrees to pay the Issuer or the Eligible Lender Trustee for any claim, loss, liability or expense, including reasonable attorneys' fees, and costs, incurred by Issuer or the Eligible Lender Trustee which arises out of or relates to PHEAA's failure to perform its obligations under the PHEAA Servicing Agreement; provided however, that for Student Loans that were first disbursed on or after October 1, 1993, PHEAA's liability for the principal Student Loan amount shall be limited to the percentage no greater than the amount that would have been paid by the Guarantor had the Student Loan been submitted through the claim process.

PHEAA agrees to hold all promissory notes and related documents provided to PHEAA under the PHEAA Servicing Agreement in trust for the benefit of the Issuer, and to maintain all original promissory notes in a fire resistant vault equipped with a security locking system.

Prior to PHEAA being engaged as a Servicer, GLELSI and Xerox serviced approximately 75% and 25% of the Financed Student Loans, respectively.

## **LOAN PURCHASE AGREEMENTS**

FIN will sell and transfer Eligible Student Loans to the Issuer pursuant to the Issuer Loan Purchase Agreement. The Issuer previously acquired certain other Student Loans originated and funded under the FFEL Program by the Initial Depositor or its affiliates pursuant to an agreement which identified the portfolio of Student Loans purchased thereunder. The Depositors have delivered or will deliver, as applicable, each Student Loan note and related documentation to the applicable Servicer as custodial agent for the Trustee, and have delivered or will deliver, as applicable, the instruments of transfer for the Student Loans for a valid transfer of the Student Loans.

FIN, in selling and transferring the Student Loans to the Issuer under the Issuer Loan Purchase Agreement, will make representations, warranties and covenants with respect to the Student Loans, including the following:

- each Student Loan has been duly executed and delivered and constitutes the legal, valid and binding obligation of the maker and the endorser, if any, thereof, enforceable in accordance with its terms;
- the Depositor is the sole owner and holder of each Student Loan and has full right and authority to sell and assign the same free and clear of all liens, pledges or encumbrances;
- each Student Loan to be sold under the Issuer Loan Purchase Agreement is either insured or guaranteed; and

- the Depositor and any Servicer have each exercised and will continue until the scheduled sale date to exercise due diligence and reasonable care in making, administering, servicing and collecting the loans.

At the request of the Issuer or the Eligible Lender Trustee, FIN will be obligated to repurchase any Student Loan purchased from FIN if:

- any representation or warranty made or furnished by FIN in or pursuant to the Issuer Loan Purchase Agreement proves to have been materially incorrect as to the loan, unless resulting from an act or omission of the Issuer;
- the Secretary of Education or a Guarantee Agency, as the case may be, refuses to honor all or part of a claim filed with respect to a Student Loan, including any claim for interest subsidy, special allowance payments, insurance, reinsurance or guarantee payments on account of any circumstance or event that occurred prior to the sale of the Student Loan to the Issuer, unless resulting from an act or omission of the Issuer; or
- on account of any wrongful or negligent act or omission of FIN or its servicing agent that occurred prior to the sale of a Student Loan, a defense that makes the Student Loan unenforceable is asserted by a maker or endorser, if any, of the Student Loan with respect to his or her obligation to pay all or any part of the Student Loan, if the Issuer or the Eligible Lender Trustee believe in good faith that the facts, if true, raise a reasonable doubt as to the enforceability of the loan.

Upon the occurrence of any of the conditions set forth above and upon request by the Issuer or the Eligible Lender Trustee, FIN will be required to pay to the Eligible Lender Trustee an amount equal to the then-outstanding principal balance of the Student Loan, plus any premium in excess of par paid with respect to such Student Loan, plus interest and Special Allowance Payments accrued and unpaid with respect to the Student Loan, plus any attorneys' fees, legal expenses, court costs, servicing fees or other expenses incurred by the Issuer, the Eligible Lender Trustee or the appropriate successors or assigns in connection with the Student Loan.

Each transfer of Student Loans to the Issuer has been structured to be consistent with a "true sale" of such Student Loans. In addition, FIN, the Trustee, the Eligible Lender Trustee and the Issuer will treat the conveyance of the Student Loans as a sale. FIN and each seller will take all actions that are required so the Eligible Lender Trustee will be treated as the legal owner of the Student Loans.

In prior loan purchase agreements, the Initial Depositor and other sellers of the Financed Eligible Loans made certain representations and warranties concerning each Student Loan sold to the Issuer. The Initial Depositor and any other sellers are required to repurchase any Financed Eligible Loan sold to the Issuer if, among other reasons (i) any representation or warranty made by the Initial Depositor or such 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. To the extent the Initial Depositor is unable to repurchase any Financed Eligible Loan it is obligated to repurchase, Goal Financial must repurchase such Financed Eligible Loan at the request of the Issuer pursuant to the terms of the Student Loan Repurchase Agreement and provided the Initial Depositor's obligation to repurchase arises under its student loan purchase agreement and neither GLELSI nor Xerox is required to repurchase such student loan pursuant to the applicable Servicing Agreement. Goal Financial's obligation to repurchase such Financed Eligible Loan does not apply to Financed Eligible Loans sold by FIN to the Issuer.

Certain of the Student Loans to be sold to the Issuer on the Closing Date were acquired by FIN from the seller pursuant to the Forward Flow Loan Purchase Agreement. Pursuant to the Forward Flow Loan Purchase Agreement, at the request of FIN, the seller thereunder will be obligated to repurchase any Student Loan purchased from seller if:

- any of seller's representations or warranties in or pursuant to the Forward Flow Loan Purchase Agreement are incorrect as to any Student Loan sold thereunder in any material respect as a result of circumstances arising from or related to the period before the date of the sale of such Student Loan to FIN and seller fails to correct such deficiency within thirty (30) calendar days after receiving written notice from FIN;

- seller fails to observe or perform any of its covenants, conditions or agreements under the Forward Flow Loan Purchase Agreement in any material respect; or
- based on circumstances or events that occurred prior to the sale of any Student Loan to FIN, a defense to payment is asserted by the obligor of such Student Loan.

The seller under the Forward Flow Loan Purchase Agreement shall repurchase such Student Loans within thirty (30) calendar days after written demand from FIN to seller describing the Student Loans to be repurchased, the price thereof, and the reason that repurchase is required; provided that FIN can make certain representations and warranties with respect to the Student Loans being repurchased, relating to, among others, ownership and liens of such Student Loans and proper compliance with the Higher Education Act. Pursuant to the Issuer Loan Purchase Agreement, FIN is required to exercise any remedies it has against the seller under the Forward Flow Loan Purchase Agreement and use such amounts to satisfy its obligations under the Issuer Loan Purchase Agreement.

### FEES AND EXPENSES

The fees and expenses payable by the Issuer are set forth in the table below. The priority of payment of such fees and expenses is described in “Summary of Terms—Priority of Payments” and “Description of the Indenture—Funds and Accounts—Collection Fund” herein.

<u>Fee and Expense</u>	<u>Recipient</u>	<u>Amount</u>
Broker-Dealer <sup>(1)</sup> / Auction Agent Fees <sup>(2)</sup>	Broker-Dealers and Auction Agents	0.00875%
Ancillary Trust Fees <sup>(2)</sup>	Service providers	0.03%
Delaware Trustee Fee	Wilmington Trust Company	\$3,000 per annum <sup>(3)</sup>
UCC Filing Costs	Secretary of State and service providers	\$2,000 per annum <sup>(3)</sup>
Trustee	The Bank of New York Mellon	0.0055% of the Outstanding Principal Amount of the Series 2012-1 Notes; 0.0075% of the Outstanding Principal Amount of the Previous Notes; minimum of \$1,000 per month
Eligible Lender Trustee	U.S. Bank National Association	0.0005% of the Outstanding Principal Amount of the Notes plus \$2,300 per annum
Servicing Fee	Servicers	Great Lakes \$2.88/account/month ACS \$4.02/account/month PHEAA \$2.25/account/month <sup>(4)</sup>
Administration Fee	Issuer Administrator	The greater of (i) a monthly fee of 1/12 of 0.05% of the ending principal balance of the Financed Student Loans, plus accrued interest thereon or (ii) a monthly minimum fee of \$20,833
Backup Administration Fee	Lord Securities Corporation	\$10,000 per annum
Rating Agency Surveillance Fee	S&P and Moody's	S&P \$20,000 annually Moody's \$15,000 annually

<sup>(1)</sup> Broker-Dealer Fees may increase pursuant to the terms of the applicable Broker-Dealer Agreement without the requirement to obtain a Rating Agency Confirmation.

<sup>(2)</sup> Amount is equal to the specified percentage multiplied by the Outstanding Principal Amount of the Notes to which such fees apply.

<sup>(3)</sup> Amount is the maximum amount for such fee.

<sup>(4)</sup> Servicing Fees may increase pursuant to the terms of the applicable Servicing Agreement without the requirement to obtain a Rating Agency Confirmation.

The Issuer covenants and agrees in the Indenture that the aggregate amount of Note Fees, Servicing Fees, Administration Fees and the Backup Administration Fees paid from the Administration Fund shall not, in any Fiscal Year, exceed the sum of such fees described above and in the cash flows provided to each Rating Agency on the closing date for the Series 2012-1 Senior Notes, unless a Rating Agency Confirmation is obtained with respect to any such excess amount; provided, however, Servicing Fees may increase pursuant to the terms of the applicable Servicing Agreement without the requirement to obtain a Rating Agency Confirmation. Pursuant to the PHEAA Servicing, PHEAA may increase its servicing fees by 2% per annum commencing August 30, 2014.

## **STUDENT LOAN GUARANTEES AND FEDERAL REINSURANCE**

### **Guarantee Agencies**

A Guarantee Agency guarantees loans made to students or parents of students by eligible lenders. A Guarantee Agency generally purchases defaulted student loans which it has guaranteed with its reserve fund. A lender may submit a default claim to the Guarantee Agency after the student loan has been delinquent for at least 270 days. The default claim package must include all information and documentation required under the FFEL Program regulations and the Guarantee Agency's policies and procedures.

In general, a Guarantee Agency's reserve fund is funded principally by federal default fees, claim reinsurance payments from the Secretary of Education, investment income on moneys in the reserve fund, and a portion of the moneys collected from borrowers on guaranteed loans that have been reimbursed by the Secretary of Education to cover the Guarantee Agency's administrative expenses.

The Higher Education Act gives the Secretary of Education various oversight powers over Guarantee Agencies. These include requiring a Guarantee Agency to maintain its reserve fund at a certain required level and taking various actions relating to a Guarantee Agency if its administrative and financial condition jeopardizes its ability to meet its obligations. The Higher Education Act provides that a Guarantee Agency's reserve fund shall be considered to be the property of the United States to be used in the operation of the FFEL Program, and under certain circumstances, the Secretary of Education may demand payment of amounts in the reserve fund.

Under the Higher Education Act, if the Department of Education has determined that a Guarantee Agency is unable to meet its insurance obligations, the holders of loans guaranteed by such Guarantee Agency must submit claims directly to the Department of Education, and the Department of Education is required to pay the full guarantee payment due with respect thereto in accordance with guarantee claims processing standards no more stringent than those applied by the Guarantee Agency.

There are no assurances as to the Secretary of Education's actions if a Guarantee Agency encounters administrative or financial difficulties or that the Secretary of Education will not demand that a Guarantee Agency transfer additional portions or all of its reserve fund to the Secretary of Education.

### **Federal agreements**

A Guarantee Agency's right to receive federal reimbursements for various guarantee claims paid by such Guarantee Agency is governed by the Higher Education Act and various contracts entered into between the Guarantee Agency and the Secretary of Education. Each Guarantee Agency and the Secretary of Education have entered into Federal Reimbursement Contracts pursuant to the Higher Education Act, which provide for the Guarantee Agency to receive reimbursement of a percentage of insurance payments that the Guarantee Agency makes to eligible lenders with

respect to loans guaranteed by the Guarantee Agency prior to the termination of the Federal Reimbursement Contracts or the expiration of the authority of the Higher Education Act. The Federal Reimbursement Contracts provide for termination under certain circumstances and also provide for certain actions short of termination by the Secretary of Education to protect the federal interest.

In addition to guarantee benefits, qualified student loans acquired under the FFEL Program benefit from certain federal subsidies. Each Guarantee Agency and the Secretary of Education have entered into an Interest Subsidy Agreement under the Higher Education Act which entitles the holders of eligible loans guaranteed by the Guarantee Agency to receive interest subsidy payments from the Secretary of Education on behalf of certain students while the student is in school, during a six to twelve month grace period after the student ceases to be enrolled on at least a half-time basis, and during certain deferment periods, subject to the holders' compliance with all requirements of the Higher Education Act.

## **Federal insurance and reimbursement of Guarantee Agencies**

### *Eligibility for federal reimbursement*

To be eligible for federal reimbursement payments, guaranteed loans must be made by an eligible lender under the applicable Guarantee Agency's guarantee program, which must meet requirements prescribed by the rules and regulations promulgated under the Higher Education Act, including the borrower eligibility, loan amount, disbursement, interest rate, repayment period and federal default fee provisions described herein and the other requirements set forth in the Higher Education Act.

The delinquency period required for a student loan to be declared in default is 270 days for loans payable in monthly installments and 330 days for a loan payable less frequently than monthly. The Guarantee Agency must pay the lender for the defaulted loan prior to submitting a claim to the Secretary of Education for reimbursement. The Guarantee Agency must submit a reimbursement claim to the Secretary of Education within 30 days after it has paid the lender's default claim. As a prerequisite to entitlement to payment on the guarantee by the Guarantee Agency, and in turn payment of reimbursement by the Secretary of Education, the lender must have exercised reasonable care and diligence in making, servicing and collecting the guaranteed loan.

In making the loan, the lender must ensure the loan is being made to an eligible borrower attending an eligible institution under the Higher Education Act. The lender must obtain a valid promissory note executed by the borrower and must also disclose the terms and conditions of the loan as well as the borrower's rights and responsibilities before making the loan. The loan proceeds must then be disbursed in a specified manner.

After the loan is made, the lender must establish repayment terms with the borrower, properly administer deferments and forbearances, and credit the loan for payments made. If a borrower becomes delinquent in repaying a loan, the lender must perform certain collection procedures, primarily telephone calls, demand letters, skip tracing procedures and requesting assistance from the applicable Guarantee Agency, that vary depending upon the length of time a loan is delinquent.

### *Effect of annual claims rate*

The Secretary of Education currently agrees to reimburse the Guarantee Agency for the amounts paid on default claims made by lenders as described in the table below, so long as the eligible lender has properly serviced such loans. The Secretary of Education also agrees to repay 100% of the unpaid principal plus applicable accrued interest expended by a Guarantee Agency in discharging its guarantee obligation as a result of the borrower's ineligibility for the loan, bankruptcy, death, total and permanent disability, attendance at a closed school, or loan being falsely certified. In the case of a PLUS Loan obtained by the parent of a dependent student, the Secretary of Education agrees to repay 100% of the unpaid principal plus applicable accrued interest as a result of the dependent student's death or attendance at a closed school, or the loan being falsely certified. Also, the Secretary of Education agrees to reimburse the Guarantee Agency for an amount equal to a refund to which the borrower was entitled but did not receive from the school plus any accrued interest and other costs associated with the unpaid refund that should have been made by the school.

The reimbursement formula for default claims varies depending on when the loan was initially disbursed, as summarized below:

<u>Claims Rate</u>	<u>Federal Payment on loans disbursed prior to 10/1/93</u>	<u>Federal Payment on loans disbursed on or after 10/01/93</u>	<u>Federal Payment on loans disbursed on or after 10/01/98</u>
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; 90% of claims 5% and over	98% of claims up to 5%; 88% of claims 5% and over	95% of claims up to 5%; 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% and over, up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% and over, up to 9%; 78% of claims 9% and over	95% of claims up to 5%; 85% of claims 5% and over, up to 9%; 75% of claims 9% and over

The claims rate is not accumulated from year to year, but is determined solely on the basis of reinsurance claims paid by the Secretary of Education to the Guarantee Agency in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year. The original principal amount of loans in repayment means the original principal amount of all loans guaranteed by a Guarantee Agency less:

- the original principal amount of loans for which the guarantee was canceled;
- the original principal amount of loans for which the first principal installment payment has not become due;
- the original principal amount of loans that have been fully repaid; and
- the original principal amount of loans for which reinsurance has been lost and cannot be regained.

The reduced reinsurance for federal Guarantee Agencies increases the risk that resources available to Guarantee Agencies to meet their guarantee obligation will be significantly reduced.

The Secretary of Education may withhold reimbursement payments if a Guarantee Agency makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary of Education or applicable federal law.

Under the FFELP Guarantee Agreements, if a payment on a FFELP Loan guaranteed by a Guarantee Agency is received after reimbursement by the Secretary of Education, the Guarantee Agency is entitled to receive an equitable share of the payment. Under present practice, after the Secretary of Education reimburses a Guarantee Agency for a default claim paid on a guaranteed loan, the Guarantee Agency continues to seek repayment from the borrower. The Guarantee Agency returns to the Secretary of Education payments that it receives from a borrower after deducting and retaining: a percentage amount equal to the complement of the reimbursement percentage in effect at the time the default claim was paid to the lender and an amount currently equal to 16% of such payments for certain administrative costs. The Secretary of Education may, however, require the assignment of defaulted loans to the Secretary of Education, in which event no further collection activities need be undertaken by the Guarantee Agency, and no amount of any recoveries shall be paid to the Guarantee Agency.

*Rehabilitation of defaulted loans*

Under the Higher Education Act, the Secretary of Education is authorized to enter into an agreement with a Guarantee Agency pursuant to which the Guarantee Agency sells defaulted loans that are eligible for rehabilitation to an eligible lender. For a defaulted loan to be rehabilitated, the borrower must request rehabilitation and the Guarantee Agency must receive 9 payments made within 20 days of the due date during 10 consecutive months. Upon rehabilitation, a loan is eligible for all the benefits under the Higher Education Act for which it would have been eligible had no default occurred.

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

The Guarantee Agency may charge the borrower and retain collection costs in an amount not to exceed 18.5% of the outstanding principal and interest balance at the time of sale of the rehabilitated loan.

### **Loans subject to repurchase**

The Higher Education Act requires a lender to repurchase loans from a Guarantee Agency, under certain circumstances, after the Guarantee Agency has paid for the loan through the claim process. A lender is required to repurchase:

- a loan found to be legally unenforceable against the borrower;
- a loan for which a bankruptcy claim has been paid if the borrower's bankruptcy is subsequently dismissed by the court or, as a result of the bankruptcy hearing, the loan is considered non-dischargeable and the borrower remains responsible for repayment of the loan;
- a loan which is subsequently determined not to be in default; or
- a loan for which the Guarantee Agency inadvertently paid the claim.

## **GUARANTEE AGENCIES**

### **Information Relating to the Guarantee Agencies**

The payment of principal and interest on all of the FFELP Loans are guaranteed by designated Guarantee Agencies and are 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" attached hereto as Appendix B and "Insurance and Guarantees" herein.

4.83% of the Financed Eligible Loans are guaranteed by PHEAA, a nonprofit corporation organized under the laws of the State of Pennsylvania. PHEAA has been a designated guarantor for FFELP Loans since 1964.

74.30% of the Financed Eligible Loans are guaranteed by Great Lakes Higher Education Guaranty Corporation, a nonprofit corporation organized under the laws of the State of Wisconsin ("*GLHEGC*"). *GLHEGC* has been a designated guarantor for FFELP Loans since 1967.

19.70% of the Financed Eligible Loans are guaranteed by American Student Assistance ("*ASA*"), a nonprofit corporation organized under the laws of the State of Massachusetts. *ASA* has been a designated guarantor for FFELP Loans since 1966.

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

## Information Relating to PHEAA

Pennsylvania Higher Education Assistance Agency (“PHEAA”) is a body corporate and politic constituting a public corporation and government instrumentality created pursuant to the Pennsylvania Act of August 7, 1963, P.L. 549, as amended (the “Pennsylvania Act”).

PHEAA has been guaranteeing student loans since 1964. As of May 31, 2012, PHEAA has guaranteed a total of approximately \$48.8 billion principal amount of Stafford Loans, \$7.9 billion principal amount of PLUS Loans and SLS Loans, and \$52.1 billion principal amount of Consolidation Loans under the Higher Education Act. PHEAA initially guaranteed loans only to residents of the Commonwealth of Pennsylvania (the “Commonwealth”) or persons who planned to attend or were attending eligible education institutions in the Commonwealth. In May 1986, PHEAA began guaranteeing loans to borrowers who did not meet these residency requirements pursuant to its national guarantee program. Under the Pennsylvania Act, guarantee payments on loans under PHEAA’s national guarantee program may not be paid from funds appropriated by the Commonwealth.

PHEAA has adopted a default prevention program consisting of (i) informing new borrowers of the serious financial obligations incurred by them and stressing the financial and legal consequences of failure to meet all terms of the loan, (ii) working with institutions to make certain that student borrowers are enrolled in sound education programs and that the proper individual enrollment records are being maintained, (iii) assisting lenders with operational programs to ensure sound lending policies and procedures, (iv) maintaining up-to-date student status and address records of all borrowers in the guaranty program, (v) initiating prompt collection actions with borrowers who become delinquent on their loans, do not establish repayment schedules or “skip,” (vi) taking prompt action, including legal action and garnishment of wages, to collect on all defaulted loans, and (vii) adopting a general policy that no loan will be automatically “written off.” Since the loan servicing program was initiated in 1974, PHEAA has never exceeded an annual default claims percentage of 5 percent and, as a result, federal reimbursement for default claims has thus far been at the maximum federal reimbursement level.

For the last five federal fiscal years (ending September 30), the annual default claims percentages have been as follows:

<u>Fiscal Year</u>	<u>Annual Default Claims</u>
2007	1.96%
2008	1.98
2009	1.95
2010	1.75
2011	1.54

As of May 31, 2012, PHEAA had total federal reserve-fund assets of approximately \$70.8 million. Through May 31, 2012, the outstanding amount of original principal on loans that had been directly guaranteed by PHEAA under the Federal Family Education Loan Program was approximately \$41.9 billion. In addition, as of May 31, 2012, PHEAA had total assets of \$8.9 billion, which does not include Federal Reserve Fund assets.

*Guarantee Volume.* PHEAA’s guaranty volume (the approximate aggregate principal amount of federally reinsured education loans, including PLUS Loans but excluding federal Consolidation Loans) was as follows for the last five federal fiscal years (ending September 30):

<u>Fiscal Year</u>	<u>Guaranty Volume (Millions)</u>
2007	\$ 4,121
2008	3,948
2009	4,086
2010	913
2011	0

Reserve Ratio. Under current law, PHEAA is required to manage the Federal Fund so net assets are greater than 0.25% of the original principal balance of outstanding guarantees.

<u>Fiscal Year</u>	<u>Reserve Ratio</u>
2007	0.25%
2008	0.25
2009	0.25
2010	0.44
2011	0.40

Recovery Rates. A guarantor'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 for each year by dividing the current year collections by the total outstanding claim portfolio for the prior fiscal year. The table displays PHEAA's calculation of the ratio on a regulatory basis of accounting. In addition to gain contingencies not recognized under generally accepted accounting principles, the FY 2010 reserve ratio includes an adjustment related to foregoing the transfer of default aversion fees from the Federal Reserve Fund to the Agency Operating Fund as agreed to in our management plan approved by the Department of Education on May 22, 2007. The table below shows the cumulative recovery rates for PHEAA for the five federal fiscal years (ending September 30) for which information is available:

<u>Fiscal Year</u>	<u>Recovery Rates</u>
2007	37.76%
2008	32.81
2009	29.32
2010	32.28
2011	31.50

### **Information Relating to ASA**

Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance (“ASA”), a not-for-profit corporation organized in 1956, 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 provider of higher education financing products and services to students, parents, schools and lenders across the country. ASA guarantees more than \$38 billion in outstanding (non-ASA held) loans as of June 30, 2011. Originally created by the General Court of the Commonwealth of Massachusetts as 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 has its principal offices located at 100 Cambridge Street, Boston, MA 02114.

Guaranty Volume. The following table sets forth the original principal amount of FFEL Program Loans (excluding Consolidation Loans) guaranteed by ASA in each of its last five fiscal years:

<u>ASA Fiscal Year (Ending June 30)</u>	<u>Net FFEL Program Loans Guaranteed by ASA (Dollars in Millions)</u>
2007	\$2,367
2008	2,711
2009	1,956
2010	1,601
2011	21

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 U.S. Department of Education. In the event a loan defaulted, ASA received funding from the U.S. Department of Education to act as a disbursing agent. The guarantee was, therefore, not limited by the funds on deposit in a federal reserve fund. Because ASA held no federal reserve fund for 2007, the concept of a Reserve Ratio was inapplicable for that timeframe. The VFA established a “fee for service” model under which ASA was rewarded through the payment of a portfolio maintenance fee for maintaining a healthy portfolio of loans in good standing. The agency was further incented to keep the loans in good standing and to work with borrowers to prevent default because the portfolio maintenance fee increased as ASA’s trigger default rate improved 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 repayment.

The U.S. Department of Education cancelled ASA’s VFA effective January 1, 2008. Because ASA is currently operating under the traditional guarantee agency funding model, ASA does not believe that the cancellation will materially adversely affect its business.

The information in the following tables has been provided by ASA from reports provided by or to the U.S. Department of Education. No representation is made by ASA as to the accuracy or completeness of the information.

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 U.S. Department of Education Guarantee Agency Financial Report form 2000, for each of the last five federal fiscal years:

<b><u>Federal Fiscal Year (Ending September 30)</u></b>	<b><u>Cumulative Recovery Rate</u></b>
2007	70.2%
2008	60.3
2009	55.3
2010	56.1
2011	63.1

Claims Rate. ASA’s claims rate represents the percentage of loans in repayment at the beginning of a federal fiscal year which defaulted during the ensuing federal fiscal year, net of repurchases, refunds and rehabilitations. For the federal fiscal years 2007-2011, ASA’s claims rate has not exceeded 5%, and as a result, all claims of ASA have been fully reimbursed at the maximum allowable level by the U.S. Department of Education. See the description or summary of the FFEL Program herein for more detailed information concerning the FFEL Program. Nevertheless, there can be no assurance ASA will continue to receive full reimbursement for such claims. The following table sets forth the claims rate of ASA for the last five federal fiscal years:

<b><u>Federal Fiscal Year (Ending September 30)</u></b>	<b><u>Claims Rate</u></b>
2007	1.1%
2008	2.1
2009	2.0
2010	2.0
2011	1.7

Net Loan Default Claims. The following table sets forth the dollar value of default claims paid, net of repurchases, refunds and rehabilitations for the last five ASA fiscal years.

<b>ASA Fiscal Year (Ending June 30)</b>	<b>Default Claims (Dollars in Millions)</b>
2007	\$320
2008	672
2009	830
2010	764
2011	683

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

<b>ASA Fiscal Year (Ending June 30)</b>	<b>Default Recoveries (Dollars in Millions)</b>
2007	\$128
2008	171
2009	184
2010	344
2011	459

### **Information Relating to GLHEGC**

As of July 31, 2012, GLHEGC guaranteed 74.30% or more of the Financed Eligible Loans. Information regarding GLHEGC is provided below. Except as otherwise indicated, the information regarding GLHEGC has been obtained from GLHEGC and has not been independently verified.

GLHEGC is a Wisconsin nonstock, nonprofit corporation the sole member of which is 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, South Dakota, Puerto Rico and the Virgin Islands. On January 1, 2002, GLHEC (and GLHEGC directly and through its support services agreement with GLHEC), outsourced certain aspects of its student loan program guaranty support operations to GLELSI. 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 direct and outsourced student loan program operations. 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 offices in St. Paul, Minnesota, Aberdeen, South Dakota and Boscobel and Eau Claire, Wisconsin 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.

Except as otherwise indicated, the foregoing information regarding GLHEGC has been obtained from GLHEGC and has not been independently verified.

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 sites <http://www2.ed.gov/finaid/prof/resources/data/opeloanvol.html> and <http://www.fp.ed.gov/pubs.html> for further information concerning GLHEGC or any other guarantee agency.

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

<u>Federal Fiscal Year</u>	<u>Guaranty Volume (Millions)</u>
2007	\$11,797.3
2008	7,399.9
2009	7,010.8
2010	*
2011	*

\* As of May 1, 2012, the Department of Education has not published the guaranty volume information for federal fiscal years 2010 and 2011.

Reserve Ratio. The 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:

<u>Federal Fiscal Year</u>	<u>Federal Guaranty Reserve Fund Level <sup>1/</sup></u>
2007	0.69%
2008	0.76
2009	0.77
2010	0.93
2011	0.96

The Department of Education's website at <http://www.fp.ed.gov/pubs.html> has posted reserve ratios for GLHEGC for federal fiscal years 2007, 2008, 2009, 2010 and 2011 of .550%, .613%, .610%, .744% and .744% respectively. GLHEGC believes the Department of Education has not calculated the reserve ratio in accordance with the Act and the correct ratio should be .69%, .76%, .77%, .93% and .96% respectively, as shown above and as explained in the following footnote. On November 17, 2006, the Department of Education advised GLHEGC that beginning in Federal Fiscal Year 2006 it will publish reserve ratios that include loan loss provision and deferred revenues. GLHEGC believes this change more closely approximates the statutory calculation. According to the Department of Education, available cash reserves may not always be an accurate barometer of a guarantor's financial health.

1/ 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. (The minimum reserve fund ratio under the Higher Education Act is .25%.)

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

<u>Fiscal Year</u>	<u>Claims Rate</u>
2007	0.77%
2008	0.98
2009	1.34
2010	2.05
2011	1.59

As a result of various statutory and regulatory changes over the past several years, historical rates may not be an accurate indicator of current delinquency or default trends or future claims rates.

## CHARACTERISTICS OF THE STUDENT LOANS

### Characteristics of the Student Loans (As of the Statistical Cut-off Date)

As of July 31, 2012 (the “*Statistical Cut-off Date*”), the characteristics of the pool of Student Loans held in the Trust Estate including previously acquired Financed Eligible Loans and Eligible Loans to be acquired on the Closing Date pursuant to the Issuer Loan Purchase Agreement are described below. Since the Closing Date for the Series 2012-1 Senior Notes is other than the Statistical Cut-off Date, the characteristics of those Student Loans will vary from the information presented below. The aggregate Outstanding Principal Balance of the Financed Student Loans in each of the following tables includes the Principal Balance due from borrowers. The percentages set forth in the tables below may not always add to 100% and the balances may not always add to \$1,177,412,207 due to rounding.

Certain borrower incentive programs apply to Financed Student Loans originated or purchased by us and our affiliates that, among other things, provide (i) for an interest rate reduction for borrowers that make payments on their Student Loans electronically such as via the Automated Clearing House (“ACH”) which is a secure payment transfer system and (ii) an interest rate reduction for borrowers that make a specified number of on-time payments. The borrower benefit incentive programs which are applicable to the Financed Student Loans are summarized in Appendix D hereto.

### Composition of the Student Loan Portfolio (As of the Statistical Cut-off Date)

Aggregate Outstanding Principal Balance	<b>\$1,177,412,207</b>
Interest to be capitalized	<b>\$6,856,906</b>
Total Interest Accrued	<b>\$7,451,898</b>
Number of loans	<b>74,426</b>
Number of borrowers	<b>35,075</b>
Average Outstanding Principal Balance per loan	<b>\$15,820</b>
Average Outstanding Principal Balance per borrower	<b>\$33,568</b>
Weighted average annual interest rate	<b>4.36%<sup>1</sup></b>
Weighted average remaining term (months)	<b>210</b>

<sup>1</sup> The weighted average annual borrower interest rate shown above excludes Special Allowance Payments. The weighted average spread, including Special Allowance Payments, to one-month LIBOR was 2.64% and to the 91-day T-Bill rate was 3.08%, each as of the Statistical Cut-off Date.

### Distribution of the Student Loans by Loan Type (As of the Statistical Cut-off Date)

Loan Type	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
Consolidation	70,879	\$ 1,166,520,348	99.07%
Plus	105	1,021,947	0.09
Stafford	3,442	9,869,913	0.84
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

**Distribution of the Student Loans by Effective Interest Rate (As of the Statistical Cut-off Date)**

Effective Interest Rate	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
Less than 3.00%	13,260	\$ 170,409,304	14.47%
3.00% to 3.49%	8,292	146,901,094	12.48
3.50% to 3.99%	19,496	284,951,421	24.20
4.00% to 4.49%	14,453	206,130,002	17.51
4.50% to 4.99%	5,554	93,131,182	7.91
5.00% to 5.49%	2,998	37,173,495	3.16
5.50% to 5.99%	1,189	28,333,256	2.41
6.00% to 6.49%	1,613	37,880,369	3.22
6.50% to 6.99%	2,709	42,351,957	3.60
7.00% to 7.49%	1,401	30,911,975	2.63
7.50% to 7.99%	1,461	36,116,660	3.07
8.00% to 8.49%	1,912	61,678,653	5.24
Greater than or equal to 8.5%	88	1,442,840	0.12
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

**Distribution of the Student Loans by SAP Interest Rate Index (As of the Statistical Cut-off Date)**

SAP Interest Rate Index	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
One-Month LIBOR <sup>(1)</sup>	73,792	\$ 1,174,271,940	99.73%
91-day T-Bill	634	3,140,267	0.27
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

<sup>(1)</sup> Reflects the effect of the affirmative election made by Issuer under Public Law 112-74 (described under “Appendix B – Description of the FFEL Program – Special Allowance Payments”), whereby the Issuer permanently changed the index for special allowance payment calculations on substantially all FFELP Loans in its portfolio disbursed after January 1, 2000 from the three-month commercial paper rate to the one-month LIBOR index, commencing with the special allowance payment calculations for the calendar quarter beginning on April 1, 2012.

**Distribution of the Student Loans by Borrower Payment Status (As of the Statistical Cut-off Date)**

Borrower Payment Status	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
Deferment	6,149	\$ 102,896,737	8.74%
Repayment	61,668	943,215,235	80.11
Forbearance	6,240	123,133,044	10.46
Claims	369	8,167,191	0.69
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

**Distribution of Student Loans by Payment Schedule (As of the Statistical Cut-off Date)**

Payment Schedule Type	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
Fixed	36,870	\$ 527,682,845	44.82%
Graduated	37,460	647,565,168	55.00
Unknown	96	2,164,195	0.18
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

**Scheduled Weighted Average Remaining Months in Status of the Trust Student Loans (As of the Statistical Cut-off Date)**

Current Status	Remaining School Term	Remaining Grace Term	Remaining Deferment Term	Remaining Forbearance Term	Remaining Repayment Term
Deferment	0	0	13	0	235
Forbearance	0	0	0	3	236
Repayment	0	0	0	0	201
Claims	0	0	0	0	26
<b>Total</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>3</b>	<b>207</b>

**Distribution of the Student Loans by Number of Days Delinquent for Student Loans in Repayment (As of the Statistical Cut-off Date)**

Days Delinquent	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
0 – 30	54,598	\$ 814,856,630	86.39%
31 – 60	2,398	39,784,632	4.22
61 – 90	1,334	24,702,309	2.62
91 – 120	1,179	19,068,773	2.02
121 – 150	579	12,311,863	1.31
151 – 180	360	7,251,700	0.77
181 – 210	311	6,210,657	0.66
211 – 240	290	6,343,447	0.67
241 – 270	251	5,275,473	0.56
Greater than 270	368	7,409,751	0.79
<b>Total</b>	<b>61,668</b>	<b>\$ 943,215,235</b>	<b>100.00%</b>

**Distribution of the Student Loans by Date of Disbursement (As of the Statistical Cut-off Date)**

Disbursement Date	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
Prior to October 1, 1993 (100% Guaranteed)	102	\$ 270,253	0.02%
October 1, 1993 - June 30, 2006 (98% Guaranteed)	72,093	1,155,029,356	98.10
July 1, 2006 - September 30, 2007 (97% Guaranteed)	1,604	18,149,898	1.54
On or after October 1, 2007 (97% Guaranteed)	627	3,962,701	0.34
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

**Distribution of the Student Loans by Range of Outstanding Principal Balance (As of the Statistical Cut-off Date)**

Outstanding Principal Balance	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
Less than \$500.00	1,620	\$ 358,103	0.03%
\$500.00 - \$999.99	1,760	1,330,750	0.11
\$1,000.00 - \$1,999.99	3,846	5,790,012	0.49
\$2,000.00 - \$2,999.99	3,983	9,954,467	0.85
\$3,000.00 - \$3,999.99	3,660	12,745,651	1.08
\$4,000.00 - \$5,999.99	6,406	31,963,871	2.71
\$6,000.00 - \$7,999.99	5,810	40,608,457	3.45
\$8,000.00 - \$9,999.99	5,650	50,809,708	4.32
\$10,000.00 - \$14,999.99	12,660	157,236,913	13.35
\$15,000.00 - \$19,999.99	9,768	169,504,300	14.40
\$20,000.00 - \$24,999.99	6,187	138,150,265	11.73
\$25,000.00 - \$29,999.99	3,977	108,351,950	9.20
\$30,000.00 - \$34,999.99	2,647	85,786,716	7.29
\$35,000.00 - \$39,999.99	1,656	61,736,347	5.24
\$40,000.00 - \$44,999.99	1,170	49,597,852	4.21
\$45,000.00 - \$49,999.99	844	40,032,656	3.40
\$50,000.00 or greater	2,782	213,454,189	18.13
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

### Distribution of the Student Loans by Months to Scheduled Maturity (As of the Statistical Cut-off Date)

Number of Months	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
Less than 60	1,397	\$ 9,725,565	0.83%
60 - 119	10,507	58,157,833	4.94
120 - 179	33,749	391,989,303	33.29
180 - 239	16,825	292,876,688	24.87
240 - 299	9,474	306,873,242	26.06
300 - 360	2,447	116,412,754	9.89
Greater than 360	27	1,376,824	0.12
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

### Distribution of the Student Loans by Geographic Location (As of the Statistical Cut-off Date)

The following chart shows the geographic distribution of the student loans based on the permanent billing addresses of the borrowers as shown on the servicer's records:

Geographic Location	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
Alabama	1,176	\$ 17,998,436	1.53%
Alaska	143	2,925,424	0.25
Arizona	1,376	24,124,131	2.05
Arkansas	367	7,678,540	0.65
California	6,571	113,414,420	9.63
Colorado	1,580	26,627,187	2.26
Connecticut	772	12,503,216	1.06
Delaware	262	3,400,450	0.29
District of Columbia	298	5,527,449	0.47
Florida	3,286	61,611,612	5.23
Georgia	2,707	48,885,111	4.15
Hawaii	214	3,647,004	0.31
Idaho	671	10,848,212	0.92
Illinois	3,054	49,633,203	4.22
Indiana	1,288	18,785,455	1.60
Iowa	1,424	19,035,547	1.62
Kansas	723	11,337,018	0.96
Kentucky	800	12,801,790	1.09
Louisiana	475	9,465,086	0.80
Maine	399	5,576,252	0.47
Maryland	1,803	29,821,640	2.53
Massachusetts	1,881	26,377,237	2.24
Michigan	3,018	45,246,301	3.84
Minnesota	2,023	29,735,243	2.53
Mississippi	388	6,892,171	0.59
Missouri	1,453	25,071,104	2.13
Montana	304	4,671,292	0.40
Nebraska	467	8,000,767	0.68
Nevada	485	10,273,165	0.87
New Hampshire	372	5,614,374	0.48
New Jersey	2,370	34,359,189	2.92

Geographic Location	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
New Mexico	348	5,913,485	0.50
New York	5,573	86,436,654	7.34
North Carolina	2,010	33,319,431	2.83
North Dakota	214	2,815,654	0.24
Ohio	3,448	50,434,836	4.28
Oklahoma	531	9,988,632	0.85
Oregon	1,516	21,914,015	1.86
Pennsylvania	5,161	53,651,556	4.56
Rhode Island	207	3,160,937	0.27
South Carolina	897	14,465,939	1.23
South Dakota	237	3,806,820	0.32
Tennessee	882	15,280,419	1.30
Texas	3,259	61,725,706	5.24
Utah	442	8,556,112	0.73
Vermont	177	2,236,579	0.19
Virginia	2,425	40,959,263	3.48
Washington	1,875	28,937,966	2.46
West Virginia	784	9,513,891	0.81
Wisconsin	1,689	24,576,264	2.09
Wyoming	109	1,634,723	0.14
Armed Forces – Americas (except Canada)	2	26,241	0.00 <sup>1</sup>
Armed Forces – Europe, Canada, Middle East, Africa	56	630,943	0.05
Armed Forces - Pacific	23	319,005	0.03
Federated States of Micronesia	4	107,111	0.01
Foreign	128	2,282,358	0.19
Guam	18	224,319	0.02
Northern Mariana Islands	4	75,194	0.01
Puerto Rico	244	2,203,773	0.19
Virgin Islands	13	326,353	0.03
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

<sup>1</sup> Percentage is greater than 0.00% but less than 0.005%

#### Distribution of the Student Loans by Servicer (As of the Statistical Cut-off Date)

Servicer	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
PHEAA	74,223	\$ 1,172,100,666	99.55%
Xerox	165	4,481,488	0.38
Great Lakes	38	830,053	0.07
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

**Distribution of the Student Loans by Guarantee Agency (As of the Statistical Cut-off Date)**

Guarantee Agency*	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
ASA	10,113	\$ 231,976,495	19.70%
Educational Credit Management Corporation	624	13,769,846	1.17
GLHEGC	57,679	874,816,995	74.30
PHEAA	6,010	56,848,871	4.83
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

\*See “Information Relating to the Guarantee Agencies” for the full name of the guarantee agencies.

**Distribution of the Student Loans by Eligibility to Earn Floor Income (As of the Statistical Cut-off Date)**

Floor Income Eligibility	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
Prior to April 1, 2006	71,932	\$ 1,151,570,244	97.81 %
April 1, 2006 and thereafter	2,494	25,841,963	2.19
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

The Higher Education Act requires holders of Student Loans first disbursed on or after April 1, 2006 to rebate to the Department of Education interest received from borrowers on such Student Loans that exceeds the applicable Special Allowance support levels. See “Description of the FFEL Program—Special Allowance Payments—Recapture of excess interest” attached hereto as [Appendix B](#).

**Distribution of the Student Loans by Months in Repayment (As of the Statistical Cut-off Date)**

Months in Repayment	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Loans by Aggregate Outstanding Principal Balance
25-36	8	\$ 29,208	0.00% <sup>1</sup>
37-48	171	541,675	0.05
49-60	713	5,886,835	0.50
61-72	1,231	14,322,653	1.22
73-84	1,599	24,944,033	2.12
85-96	3,548	60,308,581	5.12
97-108	37,672	621,873,151	52.82
109 or Greater	29,484	449,506,072	38.18
<b>Total</b>	<b>74,426</b>	<b>\$ 1,177,412,207</b>	<b>100.00%</b>

<sup>1</sup> Percentage is greater than 0.00% but less than 0.005%

## DESCRIPTION OF THE SERIES 2012-1 SENIOR NOTES

### General Terms of the Series 2012-1 Senior Notes

The Series 2012-1 Senior Notes will be issued as Additional Notes pursuant to the Indenture and the Eighth Supplemental Indenture. The issuance of the Series 2012-1 Senior Notes is subject to the satisfaction of certain conditions precedent as set forth in the Eighth Supplemental Indenture. The Series 2012-1 Senior Notes will be dated as of the date of their initial issuance and, subject to principal distributions pursuant to the provisions referred to below, will mature on June 27, 2022. The Series 2012-1 Senior 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 2012-1 Senior Notes. Individual purchases of the Series 2012-1 Senior Notes will be made in book-entry form only in the principal amount of \$100,000 and additional increments of \$1,000. Purchasers of the Series 2012-1 Senior Notes will not receive certificates representing their interest in the Series 2012-1 Senior Notes purchased. See “—Book-Entry-Only System” below.

While the Series 2012-1 Senior Notes are Outstanding, Additional Notes may be issued as Senior Notes so long as (i) they are issued on a date that the Senior Asset Requirement is satisfied (both immediately before and after giving effect to the issuance) and (ii) the Holders thereof shall not have the right to demand or require the Issuer to purchase such Notes. Furthermore, so long as the Series 2012-1 Senior Notes are outstanding, no principal will be paid in respect of any such Additional Notes which would reduce the scheduled Principal Distribution Amount on the Series 2012-1 Senior Notes, unless an Event of Default occurs, in which case any Senior Notes will be paid in parity. Except for any principal distribution amounts on such Additional Notes, there shall be no mandatory redemptions, optional redemptions, prepayments, open market purchases or tender offers by Issuer or its affiliates or defeasance of any Additional Notes while the Series 2012-1 Senior Notes are Outstanding. Upon receipt of a Rating Agency Confirmation, 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 Previous 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. Additional Notes may be issued as Subordinate Notes, with the same or later maturities than existing classes of Notes.

### Interest on the Series 2012-1 Senior Notes

During the Initial Interest Period, the Series 2012-1 Senior Notes will bear interest at 0.67% per annum and thereafter at an annual rate equal to LIBOR, plus 0.45% on the Outstanding Principal Amount of the Series 2012-1 Senior Notes as of the beginning of each Interest Period, after giving effect to any principal distributions on the Series 2012-1 Senior Notes.

The Trustee will determine LIBOR for the Series 2012-1 Senior Notes on each LIBOR Determination Date in accordance with the definition of LIBOR described in “Glossary of Certain Defined Terms.” Interest on each series of the Series 2012-1 Senior Notes will be calculated on the basis of the actual number of days elapsed during the Interest Period on the basis of a year consisting of 360 days.

### 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 2012-1 Senior 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 2012-1 Senior Notes of a series or related documents or otherwise contracted for, charged, reserved, taken or received in connection with the Series 2012-1 Senior Notes of such series, or if the payment or acceleration of the maturity of the Series 2012-1 Senior Notes of such series results in payment to or receipt by the Holder or any former Holder of the Series 2012-1 Senior Notes of such series of any interest in excess of that permitted by applicable law, then, notwithstanding any provision of the Series 2012-1 Senior Notes of such series or related documents to the contrary, all excess amounts theretofore paid or received with respect to the Series 2012-1 Senior Notes of such series shall be credited on the principal balance of the Series 2012-1 Senior Notes of such series (or, if the Series 2012-1 Senior Notes have been paid or would thereby be paid in full, refunded by the recipient thereof), and the provisions of the Series 2012-1 Senior 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 2012-1 Senior Notes of such series and under the related documents.

### **Principal Payments**

On each Monthly Calculation Date, to the extent that such funds are available, the Issuer will transfer an amount equal to the Principal Distribution Amount from the Collection Fund to the Retirement Account of the Debt Service Fund pursuant to priority “eighth” as described under “Description of the Indenture—Funds and Accounts—Collection Fund” herein. The amounts on deposit in the Retirement Account will then be paid to the Holders of the Series 2012-1 Senior Notes on the applicable Monthly Distribution Date.

The Principal Distribution Amount will be entirely allocated to the Series 2012-1 Senior Notes, until they are fully retired and is equal to (I) on each Monthly Distribution Date prior to the Stated Maturity of the Series 2012-1 Senior Notes, the difference, if any, between (i) the aggregate Principal Amount of all Senior Notes Outstanding assuming the Previous Senior Notes have a closing balance of \$921,350,000 and any Additional Notes are deemed to have such balance as of their respective closing date and (ii) the quotient of (a) the Pool Balance and (b) 110.0%; provided, however, that while the Series 2012-1 Senior Notes are Outstanding, the Previous Senior Notes Outstanding, after giving effect to the purchases of the Previous Senior Notes pursuant to the ARS Purchase Transaction, will be assumed to have the same Principal Amounts as on the settlement of the ARS Purchase Transaction.

The Principal Distribution Amount shall be paid from the Collection Fund as described in “Description of the Indenture—Funds and Accounts—Collection Fund” herein. To the extent that insufficient funds exist in the Collection Fund to pay the Principal Distribution Amount on any Monthly Distribution Date, such failure will not constitute an Event of Default under the Indenture. The payment of the Principal Distribution Amount is a required payment of Debt Service on each Monthly Distribution Date.

To the extent that any cash is remaining in the ARS Purchase Account on the Closing Date, then any such excess cash will be remitted to the Retirement Account and added to the Principal Distribution Amount for the Series 2012-1 Senior Notes on the subsequent Monthly Distribution Date.

To the extent that any cash is remaining in the Acquisition Fund at the end of the Acquisition Period, which is expected to be February 28, 2013, then any such excess cash will be remitted to the Retirement Account and added to the Principal Distribution Amount for the Series 2012-1 Senior Notes on the subsequent Monthly Distribution Date.

Except for Principal Distribution Amounts, there shall be no mandatory redemptions, optional redemptions, prepayments, open market purchases or tender offers by Issuer or its affiliates or defeasance of the Series 2012-1 Senior Notes.

### **Stated Maturity Date**

The stated maturity date of the Series 2012-1 Senior Notes is June 27, 2022. It is expected that the actual maturity of the Series 2012-1 Senior Notes will occur earlier because the Series 2012-1 Senior Notes will receive principal payments on a monthly basis (see “—Principal Payments” above) based on the amortization of the principal of the Issuer’s Financed Student Loans over time. Additionally, the Trustee or the Holders could accelerate the maturity of the Notes, including the Series 2012-1 Senior Notes, upon the occurrence of an Event of Default.

### **Senior Asset Requirement**

No redemption of any Subordinate Note 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 Notes to be prepaid or redeemed, and any failure to meet the

Senior Asset Requirement as of the redemption date will not affect such determination. Currently, the “Senior Asset Requirement” requires that the Senior Asset Percentage is at least 107.0% and the Subordinate Asset Percentage is at least 101.5%. See “Glossary of Certain Defined Terms” attached hereto as [Appendix A](#).

### **Optional Purchase**

Although the Indenture provides the Issuer the option to at any time authorize and direct the Trustee to purchase Notes in the open market out of any funds available for such purchase, such option will not be applicable with respect to the Series 2012-1 Senior Notes.

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

Generally, all of the Student Loans held in the Trust Estate are prepayable in whole or in part, without penalty, by the borrowers at any time, or as a result of a borrower’s default, death, disability or bankruptcy and subsequent liquidation or collection of guarantee payments with respect to such loans. The rates of payment of principal on the Series 2012-1 Senior Notes and the yield on the Series 2012-1 Senior Notes may be affected by prepayments of the Student Loans held in the Trust Estate. Because prepayments generally will be paid through to Series 2012-1 Senior Note holders as distributions of principal, it is likely that the actual final payments on the Series 2012-1 Senior Notes will occur prior to the Series 2012-1 Senior Notes’ stated maturity date. Accordingly, in the event that the Student Loans held in the Trust Estate experience significant prepayments, the actual final payments on the Series 2012-1 Senior Notes may occur substantially before their stated maturity dates, causing a shortening of the Series 2012-1 Senior Notes’ weighted average lives. Weighted average life refers to the average amount of time that will elapse from the date of issuance of the notes until each dollar of principal of the Series 2012-1 Senior Notes will be repaid to the investor.

The rate of prepayments on the Student Loans held in the Trust Estate cannot be predicted and may be influenced by a variety of economic, social and other factors. Generally, the rate of prepayments may tend to increase to the extent that alternative financing becomes available on more favorable terms or at interest rates significantly below the interest rates payable on the Student Loans held in the Trust Estate. In addition, each Depositor is obligated to repurchase any Student Loan as a result of a breach of any of its representations and warranties or the occurrence of certain other circumstances or events relating to the Student Loans held in the Trust Estate. Goal Financial, solely with respect to Student Loans sold to the Issuer by the Initial Purchaser, is required under its student loan repurchase agreement to purchase loans that the Initial Depositor fails to repurchase and the Servicer is not obligated to purchase any Student Loan as a result of a breach of certain covenants with respect to such Student Loan, in the event such breach materially adversely affects the interests of the Trust Estate in that Student Loan and is not cured within the applicable cure period.

However, scheduled payments with respect to, and maturities of, the Student Loans held in the Trust Estate may be extended, including pursuant to grace periods, deferral periods and forbearance periods. The rate of payment of principal on the Series 2012-1 Senior Notes and the yield on the Series 2012-1 Senior Notes may also be affected by the rate of defaults resulting in losses on the Student Loans held in the Trust Estate that may have been liquidated, by the severity of those losses and by the timing of those losses, which may affect the ability of the Guarantee Agencies to make guarantee payments on such Student Loans. In addition, the maturity of certain of the Student Loans held in the Trust Estate may extend beyond the stated maturity date for the Series 2012-1 Senior Notes.

See “Weighted Average Lives, Expected Maturities and Percentages of Original Principal Remaining at Each Monthly Distribution Date for the Series 2012-1 Senior Notes” attached hereto as Appendix C.

### **Denomination and Payment**

The Series 2012-1 Senior Notes are being issued in denominations of \$100,000 and additional increments of \$1,000.

The unpaid Principal Amount of the Series 2012-1 Senior Notes, together with interest payable on the Series 2012-1 Senior Notes at the Maturity thereof if the date of such Maturity is not a regularly scheduled Monthly Distribution 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 2012-1 Senior Notes at the Principal Office of the Trustee, as paying agent with respect to the Series 2012-1 Senior Notes, or a duly appointed successor paying agent. Interest on the Series 2012-1 Senior Notes shall be payable on each regularly scheduled Monthly Distribution 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 Monthly Distribution Date at the address of such Holder as it appears on the Note Register, or, in the case of any Series 2012-1 Senior Note the Holder of which is the Holder of Series 2012-1 Senior Notes in the aggregate Principal Amount of \$1,000,000 or more (or, if less than \$1,000,000 in Principal Amount of Notes is Outstanding, the Holders of all Outstanding Series 2012-1 Senior 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 Monthly Distribution Date for the Series 2012-1 Senior Notes is the last Business Day preceding such Monthly Distribution Date. All payments of principal of and interest on the Series 2012-1 Senior Notes shall be made in lawful money of the United States of America.

### **Book-Entry-Only System**

*The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2012-1 Senior Notes, payment of principal of and interest on the Series 2012-1 Senior Notes to Direct Participants, or to purchasers of the Series 2012-1 Senior Notes, confirmation and transfer of beneficial ownership interests in the Series 2012-1 Senior Notes, and other securities-related transactions by and between DTC, Direct 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 2012-1 Senior Notes. The Series 2012-1 Senior 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 2012-1 Senior Notes, in the aggregate principal amount of each series of Series 2012-1 Senior 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. So long as Cede & Co. is the Holder of the Series 2012-1 Senior Notes, as nominee of DTC, references herein to the owners or Holders of the Series 2012-1 Senior Notes shall mean DTC or its nominee, Cede & Co., and shall not mean the Beneficial Owners of the Series 2012-1 Senior Notes. Holders may hold their certificates through DTC if they are Direct Participants, or indirectly through organizations that are Direct Participants.

DTC, the world's largest securities 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 "banking organization" 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 corporation" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market investments (from over 100 countries) that DTC participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P's rating of: 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2012-1 Senior Notes under the DTC system must be made by or through Direct Participants which will receive a credit for Series 2012-1 Senior Notes on DTC's records. The ownership interest of the actual purchaser of each Series 2012-1 Senior Note (a "*Beneficial Owner*") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests of the Series 2012-1 Senior Notes are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2012-1 Senior Notes, except in the event that use of the book-entry system for the Series 2012-1 Senior Notes is discontinued.

To facilitate subsequent transfers, all Series 2012-1 Senior Notes deposited 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 2012-1 Senior Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012-1 Senior Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012-1 Senior Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory 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 2012-1 Senior Notes such as redemptions, tenders, defaults, and proposed amendments to the Series 2012-1 Senior Note documents. Beneficial Owners may wish to ascertain that the nominee holding the Series 2012-1 Senior Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or 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 Direct 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 2012-1 Senior Notes unless authorized by a Direct Participant in accordance with DTC's MMI 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 2012-1 Senior Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the Series 2012-1 Senior Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct 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 Direct Participant or Indirect Participant and not of DTC, or Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer. 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 Participants and Indirect Participants.

By purchasing the Series 2012-1 Senior Notes, each prospective purchaser of the Series 2012-1 Senior Notes or its broker-dealer must agree and will be deemed to have agreed: (i) to have its beneficial ownership of the Series 2012-1 Senior Notes maintained at all times in Book-Entry Form for the account of its Direct Participant, which in turn will maintain records of such beneficial ownership; and (ii) so long as the beneficial ownership of the Series 2012-1

Senior Notes is maintained in Book-Entry Form, to sell, transfer or otherwise dispose of the Series 2012-1 Senior Notes only through a broker-dealer.

For every transfer of the Series 2012-1 Senior 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 2012-1 Senior 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 2012-1 Senior Notes.*

DTC may discontinue providing its services as securities depository with respect to the Series 2012-1 Senior 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 2012-1 Senior 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 2012-1 Senior Notes certificates will be printed and delivered to DTC.

If (i) the Series 2012-1 Senior Notes are not eligible for the services of DTC, (ii) DTC determines to discontinue providing its services with respect to the Series 2012-1 Senior Notes of any series or (iii) the Issuer determines that a system of book-entry transfers for Series 2012-1 Senior 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 2012-1 Senior 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 2012-1 Senior Notes of such series in Authorized Denominations and registration thereof in the Beneficial Owners' or nominees' names, shall become the Holders of such Series 2012-1 Senior Notes for all purposes. In any such event, the Trustee is to mail an appropriate notice to the securities depository for notification to Direct Participants and Beneficial Owners of the substitute securities depository or the issuance of Series 2012-1 Senior 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 no responsibility for the accuracy thereof.

## **DESCRIPTION OF THE INDENTURE**

### **General**

The Issuer, the Eligible Lender Trustee and the Trustee entered into an Indenture of Trust, dated as of February 1, 2003 (as amended or supplemented from time to time, 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 will enter into an Eighth Supplemental Indenture of Trust, dated as of September 27, 2012 (the "*Eighth Supplemental Indenture*") which will authorize the particular terms of the Series 2012-1 Senior Notes. See "Description of the Series 2012-1 Senior Notes" herein. The following is a summary of the material terms of the Indenture and certain terms of the Eighth 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 Eighth 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 Senior Obligations when due, (d) following the Acquisition Period, the deposit of amounts into the Surplus Fund, (e) the deposit of amounts into the Administration Fund to pay Administration Fees, Excess Interest Payment Amounts, 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).

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 Senior 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.”

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 a Depositor or other seller if such party is required to repurchase such Financed Student Loan pursuant to a Student Loan Purchase Agreement; (b) upon the written consent of the Acting Beneficiaries Upon Default, in order to rescind or annul an Event of Default under the Indenture; (c) to a Guarantee Agency pursuant to a Guarantee Agreement; or (d) if all of the Financed Student Loans are sold at a price sufficient to defease all Indenture 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 Senior 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 a Depositor pursuant to clause (a) of this paragraph (unless the applicable 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 federal interest subsidy payments, late fees and principal payments with respect to Financed Eligible Loans, including all guarantee payments, and all Special Allowance Payments with respect to Financed Eligible Loans (excluding, unless otherwise provided in a Supplemental Indenture, any federal 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 Eligible Loans held in the Acquisition Fund, (3) any amounts transferred from the Acquisition Fund, the Administration Fund and the Reserve 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 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, amounts available in the Collection Fund as of the end of the prior month will be applied generally in the following order of priority.

While the Indenture permits the Issuer to enter into a variety of transactions that are reflected in the following priority of payments, many of these will not be applicable with respect to the issuance of the Series 2012-1 Senior Notes:

- first, to make any payments due and payable (or anticipated to be due and payable prior to the next Monthly Calculation Date) 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 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 the 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 other than Priority Termination Payments) payable therefrom as described under “Description of the Indenture—Funds and Accounts—Debt Service Fund—Interest Account” herein;
- fourth, to the Principal Account, to provide for the payment of principal of Senior Notes at their respective stated maturity or the reimbursement of Senior Credit Facility Providers for the payment of principal of the Senior Notes as described under “Description of the Indenture—Funds and Accounts—Debt Service Fund—Principal Account” herein;
- fifth, to the Interest Account, to provide for the payment of interest on Subordinate Notes payable therefrom as described under “Description of the Indenture—Funds and Accounts—Debt Service Fund—Interest Account” herein;

- sixth, to the Principal Account, to provide for the payment of principal of Subordinate Notes at their respective stated maturity as described under “Description of the Indenture—Funds and Accounts—Debt Service Fund—Principal Account” herein;
- seventh, to the Reserve Fund if necessary to increase the balance thereof to the Reserve Fund Requirement;
- eighth, to the Retirement Account, (i) for the distribution of the Principal Distribution Amount to the Series 2012-1 Senior Notes until reduced to zero and (ii) only at the direction of the Issuer, for the redemption of, or distribution of principal with respect to, Previous Senior Notes and Subordinate Notes;
- ninth, to the Acquisition Fund to fund for the acquisition of Eligible Loans in an amount directed by the Issuer;
- tenth, to make such other payments as may be set forth in a Supplemental Indenture;
- eleventh, to the Interest Account for the payment of Carry-Over Amounts (and interest thereon) due with respect to the Previous Senior Notes;
- twelfth, (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;
- thirteenth, to the Interest Account for the payment of termination payments due under Senior Swap Agreements other than Priority Termination Payments, but only to the extent that the Asset Release Requirements would continue to be satisfied following the payment of such termination payments; and
- fourteenth, to the Surplus Fund for distribution as permitted therefrom.

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, the Surplus Fund and the Acquisition Fund. Amounts in the Administration Fund will be used to pay costs of issuance (to the extent provided by a Supplemental Indenture), Excess Interest Payment Amounts, Servicing Fees, Administration Fees, Backup Administration Fees and Note Fees. For so long as any Series 2012-1 Senior Notes are Outstanding, the Issuer covenants and agrees that the Note Fees with respect to the Series 2012-1 Senior Notes to be paid, or reimbursed to the Issuer, from the Administration Fund will not, in any year, exceed the sum of (x) (1) the annual fees of the Trustee, the Eligible Lender Trustee, the Delaware Trustee and the Market Agents, (2) the applicable Broker-Dealer Fees payable at the applicable broker-dealer fee rate; (3) the applicable Auction Agent Fees payable at the Auction Agent Fee Rate and, (4) the costs of any opinions required by the Indenture or by any Rating Agency, unless the Issuer delivers to the Trustee a Rating Agency Confirmation with respect to the payment or reimbursement of such additional Note Fees, plus (y) expenses and indemnification expenses up to \$50,000 annually not to exceed \$400,000 in total for the term of the transaction, for the Trustee and Eligible Lender Trustee, combined.

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 Excess Interest Payment Amounts, Servicing Fees, Administration Fees, Backup 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.

On each Monthly Calculation Date, the Issuer Administrator shall instruct the Trustee in writing to deposit into the Administration Fund from the Collection Fund the amount necessary to set aside the expected Excess Interest Payment Amount for such date. Upon written instructions from the Issuer Administrator to the Trustee, the Trustee shall (a) pay to the Secretary of Education an amount equal to the Excess Interest Payment Amount due on each Excess Interest Payment Date, *first*, from amounts on deposit in the Administration Fund and, *second*, from the Collection Fund, (b) if the Secretary of Education has deducted the Excess Interest Payment Amount from interest subsidy payments or Special Allowance Payments due to the Issuer, transfer the amounts on deposit in the Administration Fund to the Collection Fund or (c) if the Secretary of Education has deducted the Excess Interest Payment Amount from interest subsidy payments or Special Allowance Payments due to an affiliate of the Issuer using the same eligible lender number, transfer the amounts on deposit in the Administration Fund pursuant to the Joint Sharing Agreement.

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 Senior Obligations and Carry-Over Amounts (including any accrued interest thereon).

*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, and (3) 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 for such series of Notes, to aggregate the full amount of such interest. With respect to Floating 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.

With respect to each Swap Agreement under which Issuer Swap Payments 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 that will become payable under such Swap Agreement during the following calendar month. With respect to each Swap Agreement under which Issuer Swap Payments are paid less frequently than every 30 days, the Trustee shall make equal monthly deposits to the credit of the Interest Account on each Monthly Calculation Date preceding each date on which such Issuer Swap Payments are due, to aggregate the full amount of such Issuer Swap Payments. 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, and (2) 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 (other than that portion of the balance thereof consisting of Financed Student Loans), 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 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 redemption price of Notes on a date other than the stated maturity thereof, and (3) the proceeds of sale or securitization of an Eligible Loan if any, after application to the Collection Fund as required pursuant to the Indenture, to be used to pay principal or the prepayment price for Notes on a date other than stated maturity thereof. All Notes which are to be redeemed, or with respect to which principal distributions are to be made, other than at stated maturity, will be redeemed or paid with moneys deposited to the Retirement Account. Pursuant to the Eighth Supplemental Indenture, the Issuer will be required, to the extent of the funds available in the Collection Fund pursuant to priority “eighth” as described under “—Collection Fund” above, to deposit an amount equal to the Principal Distribution Amount on the Series 2012-1 Senior Notes into the Retirement Account on each Monthly Calculation Date.

Subject to the provisions of the Indenture described under “—Notes and Other Senior Obligations—Call for Redemption or Purchase of Notes; Senior Asset Requirement” below, amounts deposited to the credit of the Retirement Account to provide for the payment of the redemption 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. Pursuant to the terms of the Eighth Supplemental Indenture, the Issuer has agreed not to purchase, redeem, tender or otherwise acquire the Series 2012-1 Senior Notes pursuant to any tender offer, open-market purchases, redemptions or refinancings.

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, 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 Senior 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 payable from the Interest Account and (d) to the payment of principal and the purchase price of the Subordinate Notes 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.

### *Swap Collateral Fund*

If required by the applicable Swap Agreement, a Swap Counterparty is required to deposit cash or securities to secure its obligations, the Trustee will establish one or more Swap Agreement Collateral Accounts upon written notice from the Issuer. All sums on deposit and securities held in any Swap Agreement Collateral Account shall be used only for the purposes set forth in the related audit support annex between Issuer and the related Swap Counterparty.

### *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 and certain amounts transferred from the Acquisition Fund.

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” above.

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 purchase of Notes as permitted under the Indenture; (3) as applicable, the acquisition of Eligible Loans, or transfer to the Acquisition Fund for such purpose or (4) release to the Certificate holder subject to the requirements of the Indenture.

Additionally, the Eighth Supplemental Indenture creates an ARS Purchase Transaction Account within the Surplus Fund to be used to purchase Previous Senior Notes pursuant to the ARS Purchase Transaction. The Trustee will credit to the ARS Purchase Transaction Account that portion of the proceeds from the sale of the Senior 2012-1 Senior Notes to be used to purchase Notes pursuant to the ARS Purchase Transaction.

Subject to the provisions of the Indenture described under “—Notes and Other Senior Obligations—Call for Redemption or Purchase of Notes; Senior Asset Requirement” below, balances in the ARS Purchase Transaction Account may be applied to the purchase of Notes at a purchase price (including any brokerage or other charges) not to exceed the Principal Amount thereof plus accrued interest, in accordance with the provisions of the Indenture, provided the Trustee shall have first certified that no deficiency exists at such time in the Administration Fund, the Debt Service Fund or the Reserve Fund.

All Notes retired by purchase in the ARS Purchase Transaction will be canceled and will not be reissued. The accrued interest to be paid on the purchase of such Notes in the ARS Purchase Transaction shall be paid from the Interest Account.

Amounts in the ARS Purchase Transaction Account required for the payment of the purchase price of Notes shall be applied by the Trustee to such payment when due without further authorization or direction.

Amounts remaining on deposit in the ARS Purchase Transaction Account following the ARS Purchase Transaction will be transferred to the Retirement Account of the Debt Service Fund to prepay principal on the Series 2012-1 Senior Notes. See “Description of the Series 2012-1 Senior Notes—Principal Payments Generally” herein.

If, on any Monthly Calculation Date, the Subordinate Asset percentage is less than 100.5% or, beginning on the Monthly Calculation Date in August 2023, amounts on deposit in the Surplus Fund exceed \$8,500,000, the Issuer shall be obligated to use all amounts on deposit in the Surplus Fund on the Monthly Distribution Date in the immediately following month (i) to purchase Previous Notes (through future tender offers, open market purchases or otherwise) or for the optional redemption or prepayment of Previous Notes as permitted by the Indenture; (ii) to purchase additional Eligible Loans at the discretion of the Issuer and if a Rating Agency Confirmation is obtained with respect to such acquisition; or (iii) for release to the Issuer as permitted by the Indenture. These requirements may change in the future if a Rating Agency Confirmation is obtained.

Pending transfers from the Surplus 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.

### **Notes and Other Senior 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 2012-1 Senior Notes” for a more complete description of the terms of the Series 2012-1 Senior 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 or Subordinate Notes.

The stated maturity dates, 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 Senior 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*

While the Series 2012-1 Senior Notes are Outstanding, Additional Notes may be issued as Senior Notes so long as (i) they are issued on a date that the Senior Asset Requirement is satisfied (both immediately before and after giving effect to the issuance) and (ii) the Holders thereof shall not have the right to demand or require the Issuer to purchase such Notes. Upon receipt of a Rating Agency Confirmation, Additional Notes may be issued under the Indenture for the purposes of (a) refunding at or before their stated maturity any or all Previous Notes, (b) paying Servicing Fees, Administration Fees, Backup Administration Fees, Note Fees, costs of issuance and capitalized interest on the Notes, (c) making deposits to the Reserve Fund, and (d) 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 a Rating Agency Confirmation will have been obtained) and any additional conditions specified in a Supplemental Indenture.

### *Comparative Security of Holders and Other Senior Beneficiaries*

The Senior Notes, including the Series 2012-1 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. See "Source of Payment and Security for the Notes—Priorities" herein.

The Issuer may at any time issue a series of Notes, as either Senior Notes or Subordinate Notes. Additional Notes may be issued subordinate to the Series 2012-1 Senior Notes, with the same or later maturities than the Series 2012-1 Senior Notes. In connection with any such Senior Notes or Subordinate Notes, the Issuer may enter into a Swap Agreement as it deems in its best interest, and the Swap Counterparty or the Credit Enhancement Provider may become a Senior Beneficiary or a Subordinate Beneficiary, as herein described. See "Source of Payment and Security for the Notes—Additional Indenture Obligations" herein.

### *Call for Redemption or Purchase of Notes; Senior Asset Requirement*

No 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.

Except for Principal Distribution Amounts, there shall be no mandatory redemptions, optional redemptions, prepayments, open market purchases or tender offers of the Series 2012-1 Senior Notes by Issuer or its affiliates or defeasance of the Series 2012-1 Senior Notes.

### *Swap Agreements.*

The Issuer may from time to time, pursuant to a Supplemental Indenture, enter into any Swap Agreements with respect to any Notes of any series. See "Description of Executed Swap Agreement and Swap Counterparty" herein. No Supplemental Indenture will authorize the Issuer to enter into a Swap Agreement unless the Trustee will have received a Rating Agency Confirmation.

Any Supplemental Indenture authorizing the execution by the Issuer of a Swap Agreement may include provisions with respect to the application and use of all amounts to be paid thereunder.

### **Pledge; Encumbrances**

The Notes and all Other Senior 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 Senior 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 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 Senior Beneficiaries contained in the Indenture are summarized as follows:

*Enforcement and Amendment of Guarantee Agreements.* So long as any Notes or Other Senior Obligations are Outstanding and Financed Eligible Loans are Guaranteed by a Guarantor, the Issuer agrees that it will (1) from and after the date on which the Eligible Lender Trustee on its behalf will have entered into, or succeeded to the rights and interests of the Lender under, any FFELP 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 will 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 Holders or Other Senior 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 a Rating Agency Confirmation with respect to such amendment.

*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, will 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 will 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 FFELP 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 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 Guarantor which relate to any Financed Student Loans. The Issuer will not permit the release of the obligations of any Servicer under any Servicing Agreement, the Eligible Lender Trustee under the Eligible Lender Trust Agreement, Goal Financial under the Student Loan Repurchase Agreement or any party to the Issuer Loan Purchase Agreement or FIN Loan Repurchase Agreement or the Issuer Administrator or any other administrator under the Administration Agreement, the Eligible Lender Trust Agreement, the Student Loan Repurchase Agreement, Issuer Loan Purchase Agreement, FIN Loan Purchase 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, 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 Eighth 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 Notes, including the Series 2012-1 Senior Notes, by its acceptance of its Notes, agrees, to treat the 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:

- (i) the surviving, resulting or transferee entity, as the case may be, will be a corporation, limited liability company or other legal entity organized under the laws of the United States or one of the states thereof;
- (ii) at least 30 days before any merger, consolidation or transfer of assets becomes effective, the Issuer will give the Trustee written notice of the proposed transaction;

(iii) immediately after giving effect to any merger, consolidation or transfer of assets, no Event of Default will have occurred and be continuing;

(iv) a Rating Agency Confirmation will have been obtained with respect to such merger, consolidation or transfer of assets; and

(v) 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 will have been taken, (b) the surviving, resulting or transferee entity, as the case may be, will 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 will have delivered to the Trustee and each Rating Agency a certificate and an opinion of counsel (which will 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:

(a) 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;

(b) 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 if such short term debt obligation has a maturity of less than one month, between one and three months, between three and six months, or greater than six months shall be rated "A2" and "P-1"; "A1" and "P-1", "Aa3" and "P-1", or "Aaa" and "P-1" or better, respectively, by Moody's;

(c) 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 "Aaa" and "P-1" or better by Moody's;

(d) 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;

(e) debt obligations rated "AAA" by S&P and "Aaa" and "P-1" 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);

(f) investments in money market funds (including those funds managed or advised by the Trustee or an affiliate thereof) rated "AAAm" by S&P or "Aaa" by Moody's the assets of which are invested solely in instruments described in clauses (a)-(e) above;

(g) 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:

- (i) 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;
  - (ii) 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;
- (h) a repurchase agreement that satisfies the following criteria:
- (i) Must be between the Trustee and a dealer bank or securities firm described in (A) or (B) below:
    - (A) Primary dealers on the Federal Reserve reporting dealer list which are rated “A” or better by S&P and if such repurchase agreement has a maturity of less than one month, between one and three months, between three and six months, or greater than six months shall be rated “A2” and “P-1”, “A1” and “P-1”, “Aa3” and “P-1”, or “Aaa” and “P-1” or better, respectively, by Moody’s, or
    - (B) Banks rated “A” or above by S&P and if such repurchase agreement has a maturity of less than one month, between one and three months, between three and six months, or greater than six months shall be rated “A2” and “P-1”, “A1” and “P-1”, “Aa3” and “P-1”, or “Aaa” and “P-1” or better, respectively, by Moody’s;
  - (ii) The written repurchase agreement must include the following:
 

Securities which are acceptable for the transfer are:

    - (A) Direct U.S. government securities, or
    - (B) Federal Agencies backed by the full faith and credit of the U.S. government (and Fannie Mae and Freddie Mac); and
  - (iii) The collateral must be delivered to the Trustee or third party custodian acting as agent for the Trustee by appropriate book entries and confirmation statements must have been delivered before or simultaneous with payment (perfection by possession of certificated securities); and
    - (i) Investments through the Certificate of Deposit Account Registry Service ® (CDARS®) network or similarly pooled FDIC-insured deposits, if 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:

- (i) default in the due and punctual payment of any interest on any Senior Note; or
- (ii) 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 or otherwise upon the maturity thereof; or
- (iii) 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

- (iv) if no Senior Obligations are Outstanding, default in the due and punctual payment of any interest on any Subordinate Note; or
- (v) 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 or otherwise upon the maturity thereof; or
- (vi) 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
- (vii) 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
- (viii) certain events of bankruptcy or insolvency of the Issuer.

## **Remedies**

Whenever any Event of Default has occurred and is continuing, the Trustee may (and, upon the written request of the Acting Beneficiaries Upon Default, the Trustee will), 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 will 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 Notes 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 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 (v) 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.

- (2) All Events of Default, other than the nonpayment of the principal of and interest on Notes or Other Senior 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 Senior 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 Senior Beneficiary, no Holder of any Note or Other Senior 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 Senior Beneficiary. No one or more Holders of the Notes or any Other Senior Beneficiary shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by his, her, it's 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 Senior 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 Senior 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 and, as a result, any Other Senior Beneficiary that is a party thereto is entitled to exercise one or more remedies thereunder, such Other Senior 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, note 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 Senior Swap Agreements other than Priority Termination Payments), 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 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, 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**, 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;
- **FOURTH** (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; and

- FIFTH, to the payment of termination payments then due and payable to Swap Counterparties under Senior Swap Agreements other than Priority Termination Payments, 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.

(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 other than Priority Termination Payments), 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, 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;
- THIRD, 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;
- FOURTH, 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; and
- FIFTH, to the payment of termination payments then due and unpaid to Swap Counterparties under Senior Swap Agreements other than Priority Termination Payments, ratably, according to the amounts due on such date, to the Senior 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 Senior Beneficiary, enter into an indenture or indentures supplemental to the Indenture to, among other things:

- (a) cure any ambiguity or formal defect or omission in the Indenture or in any Supplemental Indenture,
- (b) grant to the Trustee for the benefit of the Beneficiaries any additional rights, remedies, powers, authority or security,
- (c) 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,
- (d) evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee under the Indenture,
- (e) authorize the issuance of a series of Notes, subject to the requirements of the Indenture (see “—Notes and Other Senior Obligations—Issuance of Additional Notes” above),
- (f) 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,
- (g) modify the Indenture as required by any Swap Counterparty, or otherwise necessary to give effect to any Swap Agreement or Swap Counterparty Guaranty 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 Holders would be required therefor under the proviso described under “—Supplemental Indentures Requiring Consent of Holders” below and such consent has not been obtained or if the Trustee determines that such modifications are to the prejudice of any Other Senior Beneficiary,
- (h) create additional funds, accounts or sub-accounts under the Indenture,
- (i) 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
- (j) make any other change in the Indenture which is not materially adverse to the registered owners of the Notes.

### *Supplemental Indentures Requiring Consent of Holders*

In addition to Supplemental Indentures described under “Supplemental Indentures Not Requiring Consent of Beneficiaries” above, 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, and (3) 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 or otherwise, (b) a reduction in the Principal Amount, redemption 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 Note over any other Subordinate Note, (e) a privilege of any Senior Notes over any Subordinate Notes, other than as theretofore provided in the Indenture, (f) 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, (g) a reduction or an increase in the aggregate Principal Amount of the Notes required for consent to such Supplemental Indenture, (h) the creation of any lien ranking prior to or in parity with the lien of the Indenture on the Trust Estate or any part thereof, except as expressly permitted in the Indenture, (i) any Beneficiary to be deprived of the lien created on the rights, title, interest, privileges, revenues, moneys and securities pledged under the Indenture, (j) the modification of any of the provisions of the Indenture described in this paragraph, or (k) 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 Swap Agreement of such class.

In addition, the Issuer shall not without the consent of holders of at least two-thirds of the aggregate principal amount of all Senior Notes at any time outstanding, enter into any amendment, supplement or other modification to the Indenture (i) affecting the calculation of the Senior Asset Percentage; (ii) lowering or diluting the Reserve Fund Requirement; (iii) affecting the Senior Asset Requirement (notwithstanding receipt of a Rating Agency Confirmation), except to increase the percentages set forth therein; (iv) affecting the Asset Release Requirement (notwithstanding receipt of a Rating Agency Confirmation), except to increase the percentages set forth therein; (v) that increasing the rate of interest on any Note; (vi) that amends, supplements or otherwise modifies or expands the scope of supplements or other modifications that can be made to the Indenture without noteholder consent; (vii) that permits distributions under paragraph “tenth” under the caption “Funds and Accounts—Collection Fund” above or otherwise permits distributions prior to paragraph “eighth” under the caption “Funds and Accounts –Collection Fund” above; (viii) that amends, supplements or otherwise modifies or waives certain covenants set forth in the Indenture; or (ix) that amends, supplements or otherwise modifies any Event of Default.

#### *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 Senior Beneficiaries**

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

### **DESCRIPTION OF EXECUTED SWAP AGREEMENT AND SWAP COUNTERPARTY**

On August 11, 2009, the Issuer entered into an interest rate swap (the “*Executed Swap Agreement*”) with SunTrust Bank (the “*Bank*”). The Issuer entered into the Executed Swap Agreement to hedge against potential volatility in floor income. Floor income represents the increase in Issuer earnings that tends to occur in low interest rate environments. Pursuant to terms of the Higher Education Act, the interest rate on most Financed Student Loans is effectively a floating rate in high interest rate environments and a fixed rate in low-rate environments, while the Issuer debt is generally a floating rate across all market environments. Accordingly, when market interest rates are high, the Issuer typically generates stable spread income, reflecting an approximate match between floating-rate debt and effectively floating-rate assets. In contrast, the Issuer earnings typically increase as market rates decline, because asset interest rates become fixed while floating-rate debt coupons decline.

#### *Swap Term*

The effective period for the Executed Swap Agreement is August 25, 2010 through August 25, 2019, unless terminated earlier according to its terms.

#### *Swap Payments*

Under the terms of the Executed Swap Agreement, the Issuer is obligated to pay the Bank each month 1.479% per annum of a specified notional amount. The notional amount declines every three months over the life of the Executed Swap Agreement according to a predetermined schedule which corresponds to the Issuer’s expected Student Loan assets. For the Bank’s payment obligations, the notional amount of the Executed Swap Agreement is divided into nineteen portions, each representing a portion of the Issuer’s expected Student Loan assets segregated into 0.25% increments of loan coupon. Each month the Bank is obligated to pay the Issuer one month LIBOR on the notional amount, subject to a maximum rate specified in the Executed Swap Agreement for each of the nineteen portions. Payment obligations of the Issuer and the Bank are netted each month, so that the party with the higher payment obligation pays the other party the net difference between the two obligations.

#### *Collateral*

To support its obligations under the Executed Swap Agreement, the Bank is required to post collateral in the form of cash (US dollars) or US Treasuries. The collateral value of the US Treasuries is subject to a haircut depending upon the length of its original maturity. The collateral requirement is equal to the market value of the Executed Swap Agreement, to the extent it is in the Issuer’s favor, with a reduction in the amount of collateral required depending upon the credit rating of the Bank. For a rating at or above AA (S&P), Aa2 (Moody’s) and AA (Fitch), no collateral is required.

### *Termination*

The Executed Swap Agreement may be terminated early by the Bank in the following circumstances:

- The Issuer fails to make a required payment, subject to specified cure periods.
- The Issuer is dissolved or terminated.
- The Issuer initiates bankruptcy proceedings, makes a general assignment for the benefit of its creditors, <or has a resolution passed for its liquidation>.
- A creditor, other than the Bank, initiates bankruptcy proceedings against the Issuer, and the proceedings are not dismissed within 15 days.
- The Issuer is taken over by an administrator or receiver (other than under the documents for the Notes).
- The Indenture, any Supplemental Trust Indenture or the Trust Agreement are amended without the Bank's prior consent where Bank consent is (i.e. the modification has or will have a material adverse effect on the Bank).
- An event of default occurs under the Indenture, and specified actions are taken against the Issuer, the Notes or the Trust Estate as a result of the default.
- The Notes are redeemed (other than in connection with <certain> refinancings).
- At least 95% of the principal amount of the <outstanding senior notes> has been paid.

The Executed Swap Agreement may be terminated by the Issuer in the following circumstances.

- The Bank fails to make a required payment or fulfill its other obligations under the Executed Swap Agreement, subject to specified cure periods.
- The Bank fails to meet its obligations to deliver collateral required in connection with the Executed Swap Agreement, subject to specified cure periods, or the collateral arrangements are no longer valid.
- The Bank makes a misrepresentation in connection with the Executed Swap Agreement.
- The Bank incurs defaults under significant borrowing relationships.
- The Bank institutes insolvency proceedings or proceedings are instituted against the Bank, the Bank is taken over by a receiver or conservator, the Bank makes a general assignment for its creditors' benefit or takes other action towards insolvency or liquidation, a creditor of the Bank attaches substantially of the Bank's assets or the Bank is liquidated.
- At any time, (1) the Bank's credit rating is at or below BBB+ or A-3 (S&P), Baa1 or P-3 (Moody's) or BBB+ or F3 (Fitch) and (2) the market value of the Executed Swap Agreement is in the Issuer's favor.

The Issuer may reduce the notional amount of the Executed Swap Agreement if:

- The notional is more than 105% of the outstanding principal amount of all Notes and the market value of the Executed Swap Agreement is in the Issuer's favor. The Issuer may reduce the notional of the Executed Swap Agreement to the extent necessary so that the notional does not exceed the outstanding principal amount of all Notes. Reduction of the notional amount under the circumstances described in this paragraph is treated as a termination to the extent of the reduction in the notional amount of the Executed Swap Agreement.

If the Executed Swap Agreement is terminated before its stated maturity, one of the parties will be required to make a termination payment to the other party. Which party will make the payment and the size of the payment will depend upon the value of the transaction and a number of other factors. The Executed Swap Agreement specifies which of the parties is entitled to determine the amount and direction of the termination payment. The determination must be made in a commercially reasonable manner.

#### *Other Provisions*

Under the terms of the Executed Swap Agreement, the Bank may not institute bankruptcy proceedings against the Issuer until one year and one day after all the Notes have been paid in full.

The Bank's recourse in connection with the Executed Swap Agreement is limited to the assets of the Issuer.

#### *Swap Counterparty*

The Bank is chartered by the State of Georgia and is regulated by both the State of Georgia Department of Banking and Finance and the Board of Governors of the Federal Reserve. The Bank is the principal subsidiary of SunTrust Banks, Inc., which has total consolidated assets of \$178.3 billion as of June 30, 2012 and is one of the nation's leading financial services holding companies. The Bank provides deposit, credit, trust and investment services to a broad range of retail, business and institutional clients. Other subsidiaries provide mortgage banking, insurance, brokerage, investment management, equipment leasing and capital markets services.

The obligations of the Bank under the Executed Swap Agreement will not be guaranteed by SunTrust Banks, Inc. or insured by the FDIC.

The Bank's senior debt is rated A3 (Moody's) and BBB+ (S&P and Fitch) as of September 17, 2012. There is no assurance that the current rating of the Bank's debt obligations will be maintained.

Other than the information contained under the heading "Description of Executed Swap Agreement and Swap Counterparty – Swap Counterparty", the Bank has not participated in the preparation of, and is not responsible for, any information contained in this Offering Memorandum.

### **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

**IRS Circular 230 Notice - The discussion of tax issues set forth in this Offering Memorandum was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any U.S. federal, state or local tax penalties that may be imposed on such person. This discussion was written to support the promotion and marketing of the transactions described in this Offering Memorandum. Each investor should seek advice based on its particular circumstances from an independent tax advisor.**

The following discussion summarizes certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Series 2012-1 Senior Notes to a Holder who purchases a Series 2012-1 Senior Note for cash in this offering.

This discussion is general in nature and does not address issues that may be relevant to a particular Holder subject to special treatment under U.S. federal income tax laws (such as tax-exempt organizations, partnerships or pass-through entities, persons holding Series 2012-1 Senior Notes as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, financial institutions, brokers, dealers in Series 2012-1 Senior Notes or currencies and traders that elect to mark-to-market their Series 2012-1 Senior Notes). In addition, this discussion does not consider the effect of any alternative minimum taxes or foreign, state, local or other tax laws, or any U.S. tax considerations (e.g., estate and gift tax and Medicare contribution tax laws), other than U.S. federal income tax considerations, that may be applicable to particular Holders. Furthermore, this discussion assumes that Holders hold Series 2012-1 Senior 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").

This discussion is based on the Code and applicable Treasury regulations, rulings, administrative pronouncements and judicial decisions thereunder as of the date hereof, all of which are subject to change or differing interpretations at any time with possible retroactive effect. There can be no assurance that the U.S. federal income tax consequences of the Series 2012-1 Senior Notes described below will be sustained if the relevant transactions are examined by the Internal Revenue Service (the “IRS”) or if the IRS proposes to disallow such treatment, by a court, and the Issuer does not intend to request rulings with respect to the U.S. federal income tax treatment of the Series 2012-1 Senior Notes. The Issuer will be provided with an opinion of federal tax counsel regarding certain U.S. federal income tax matters discussed below. An opinion of federal tax counsel, however, is not binding on the IRS or the courts.

For purposes of this discussion of certain U.S. federal income tax considerations a “U.S. Holder” means a beneficial owner of Series 2012-1 Senior Notes that is for U.S. federal income tax purposes:

- An individual that is a citizen or resident of the United States;
- a corporation, including another type of entity treated as such for U.S. federal income tax purposes, organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes, regardless of its source; or
- a trust whose administration is subject to the primary supervision of a U.S. tax court and which has one or more U.S. tax persons who have the authority to control all substantial decisions of the trust or that is otherwise treated as a U.S. person by virtue of validly electing to be so treated.

The U.S. federal income tax treatment of a partner in a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) that holds a Series 2012-1 Senior Note will depend, among other things, upon whether or not the partner is a U.S. person. Partners and partnerships should consult their tax advisors as to the particular tax consequences applicable to them. A “Non-U.S. Holder” means a beneficial owner of Series 2012-1 Senior Notes that is an individual, corporation, estate, or trust that is not, in each case, a “U.S. Holder.”

#### **Treatment of the Series 2012-1 Senior Notes as Indebtedness**

Alston & Bird LLP, federal tax counsel to the Issuer and FIN, will deliver an opinion that the Series 2012-1 Senior Notes will qualify as debt for U.S. federal income tax purposes. FIN agrees, and the Holders of the Series 2012-1 Senior Notes will, by their purchase of the Series 2012-1 Senior Notes, agree to treat the Series 2012-1 Senior Notes as debt for U.S. federal income tax purposes. The consequences of the Series 2012-1 Senior Notes being treated as debt for U.S. federal income tax purposes are described below. Treatment of the Series 2012-1 Senior Notes as equity interests could have adverse tax consequences to certain Holders. For example, all or a portion of the income accrued by tax-exempt entities, including pension funds, might be “unrelated business taxable income,” income to Non-U.S. Holders might be subject to U.S. federal income tax and U.S. federal income tax return filing and withholding requirements, and individual U.S. Holders might be subject to limitations on their ability to deduct their shares of Issuer expenses, including losses. Holders of the Series 2012-1 Senior Notes are strongly encouraged to consult with their own tax advisors regarding the possibility that the Series 2012-1 Senior Notes could be treated as equity interests.

#### **Tax Consequences to Holders of Series 2012-1 Senior Notes in General**

*Stated Interest.* Stated interest on the Series 2012-1 Senior Notes will be taxable as ordinary income for federal income tax purposes when received or accrued (depending on the method of tax accounting of the U.S. Holder of the Series 2012-1 Senior Notes).

*Original Issue Discount.* A debt instrument generally has original issue discount (“OID”) if the excess of the “stated redemption price at maturity” over its issue price exceeds a *de minimis* amount equal to one-fourth of 1 percent of the stated redemption price at maturity of such class of Series 2012-1 Senior Notes multiplied by the number of

years to its maturity, based on the anticipated weighted average life of such class of Series 2012-1 Senior Notes, calculated using the “prepayment assumption” used in pricing such class of Series 2012-1 Senior Notes and weighting each payment by reference to the number of full years elapsed from the Closing Date prior to the anticipated date of such payment. Generally, the issue price of a class of Series 2012-1 Senior Notes should be the first price at which a substantial amount of such class is sold to persons other than placement agents, underwriters, brokers or wholesalers. The stated redemption price at maturity of the Series 2012-1 Senior Note is generally equal to all payments on such Series 2012-1 Senior Note other than payments of “qualified stated interest.” Because stated interest on the Series 2012-1 Senior Notes is qualified stated interest, the stated redemption price of the Series 2012-1 Senior Notes is generally expected to equal the Principal Amount of the Series 2012-1 Senior Notes. Any *de minimis* OID on a Series 2012-1 Senior Note must be included in income as capital gain as principal payments are received on the Series 2012-1 Senior Note in the proportion that each such payment bears to the original Principal Amount of the Series 2012-1 Senior Note. The treatment of the resulting gain is subject to the general rules discussed under “Sale or Other Disposition” below.

If a Series 2012-1 Senior Note is treated as issued with OID, a U.S. Holder will be required to include OID in income before the receipt of cash attributable to such income using a constant yield method. The amount of OID generally includible in income is the sum of the daily portions of OID with respect to the Series 2012-1 Senior Note for each day during the taxable year or portion of the taxable year in which the U.S. Holder holds the Series 2012-1 Senior Note. Special rules apply to debt instruments on which payments may be accelerated due to prepayments of other obligations securing those debt instruments. Under these rules, the computation of OID on such debt instruments must be determined by taking into account both the prepayment assumption, if any, used in pricing the debt instrument and the actual prepayment experience. As a result of these special provisions, the amount of OID on a Series 2012-1 Senior Note that will accrue in any given accrual period may either increase or decrease depending upon the actual prepayment rate. U.S. Holders of the Series 2012-1 Senior Notes are strongly encouraged to consult with their own tax advisors regarding the impact of the OID rules in the event that any Series 2012-1 Senior Notes are issued with OID.

*Market Discount.* The Series 2012-1 Senior Notes, whether or not issued with OID, may be subject to the “market discount rules” of Section 1276 of the Code. In general, these rules apply if the U.S. Holder purchases a Series 2012-1 Senior Note at a market discount—that is, a discount from its stated redemption price at maturity or, if the Series 2012-1 Senior Note was issued with OID, from its adjusted issue price—that exceeds a *de minimis* amount specified in the Code. If the U.S. Holder acquires a Series 2012-1 Senior Note at a market discount and (a) recognizes gain upon a disposition, or (b) receives payments that do not constitute qualified stated interest, the lesser of (1) such gain or payment or (2) the accrued market discount that has not previously been included in income, will be taxed as ordinary interest income.

Generally, market discount accrues in the ratio of stated interest allocable to the relevant period to the sum of the interest for such period plus the remaining interest as of the end of such period, computed taking into account the prepayment assumption, if any, or in the case of a Series 2012-1 Senior Note issued with OID, in the ratio of OID accrued for the relevant period to the sum of the OID accrued for that period plus the remaining OID as of the end of such period. A U.S. Holder may elect, however, to determine accrued market discount under the constant yield method, computed taking into account the prepayment assumption, if any. The treatment of the resulting gain is subject to the general rules discussed under “Sale or Other Disposition” below.

Limitations imposed by the Code which are intended to match deductions with the taxation of income may defer deductions for interest on indebtedness incurred or continued to purchase or carry a Series 2012-1 Senior Note with accrued market discount. A U.S. Holder may elect to include market discount in gross income as it accrues. If it makes this election, the U.S. Holder will not be required to defer such deductions. Any such election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies. The adjusted basis of a Series 2012-1 Senior Note subject to such election will be increased to reflect market discount included in gross income, thereby reducing any gain or increasing any loss on a sale or other taxable disposition.

*Acquisition Premium.* A U.S. Holder who purchases a Series 2012-1 Senior Note at a price greater than its adjusted issue price and less than its remaining stated redemption price at maturity will be required to include in gross income the daily portions of the OID on the Series 2012-1 Senior Note reduced *pro rata* by a fraction, the numerator of

which is the excess of its purchase price over such adjusted issue price and the denominator of which is the excess of the remaining stated redemption price at maturity over the adjusted issue price. Alternatively, such a purchaser may elect to treat all such acquisition premium under the constant yield method, as described below under “Election to Treat All Interest as OID.”

*Amortizable Bond Premium.* In general, if a U.S. Holder purchases a Series 2012-1 Senior Note at a premium—that is, an amount in excess of the principal amount payable at maturity—the Holder will be considered to have purchased the Series 2012-1 Senior Note with “amortizable bond premium” equal to the amount of such excess. A U.S. Holder may elect to amortize such bond premium as an offset to interest income and not as a separate deduction item as it accrues under a constant yield method, or one of the other methods described above under “Market Discount” over the remaining term of the Series 2012-1 Senior Note, using the prepayment assumption, if any. A U.S. Holder’s tax basis in the Series 2012-1 Senior Note will be reduced by the amount of the amortized bond premium. Any such election shall apply to all debt instruments, other than instruments the interest on which is excludible from gross income, held by the U.S. Holder at the beginning of the first taxable year for which the election applies or thereafter acquired and is irrevocable without the consent of the IRS. Bond premium on a Series 2012-1 Senior Note held by a U.S. Holder who does not elect to amortize the premium will decrease the gain or increase the loss otherwise recognized on the disposition of the Series 2012-1 Senior Note.

*Election to Treat all Interest as OID.* A U.S. Holder may elect to include in gross income all interest with respect to the Series 2012-1 Senior Notes, including stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium, using the constant yield method described under “Original Issue Discount” (the “*accrual method election*”). This election will generally apply only to the specific note for which it was made. The accrual method election, however, could trigger other deemed elections as described below. An accrual method election for a Series 2012-1 Senior Note with market discount held by a U.S. Holder that has not made an election under Section 1278(b) of the Code to include market discount in income on a current basis will result in a deemed election under Section 1278(b) of the Code. Such a deemed election will apply to all debt instruments with market discount acquired by the U.S. Holder during the current taxable year and all subsequent years. Similarly, if a U.S. Holder has not made an election under Section 171(c)(2) of the Code to amortize bond premium, and the Series 2012-1 Senior Note held by the U.S. Holder was determined to have amortizable bond premium, an accrual method election will result in a deemed election under Section 171(c)(2) of the Code for all of the U.S. Holder’s debt instruments with amortizable bond premium held at the beginning of the taxable year and acquired thereafter. Neither the market discount election under Section 1278(b) of the Code nor the bond premium election under Section 171(c)(2) of the Code may be revoked (including where either such election is deemed made as a result of the accrual method election) without the permission of the IRS. U.S. Holders are strongly encouraged to consult with their own tax advisors before making this election.

*Sale or Other Disposition.* If a U.S. Holder of a Series 2012-1 Senior Note sells the Series 2012-1 Senior Note, the U.S. Holder will recognize gain or loss in an amount equal to the difference between the amount realized on the sale and the U.S. Holder’s adjusted tax basis in the Series 2012-1 Senior Note. The adjusted tax basis generally will equal the U.S. Holder’s cost for the Series 2012-1 Senior Note, increased by any market discount, OID and gain previously included by the U.S. Holder in income with respect to the Series 2012-1 Senior Note, and decreased by the amount of any bond premium previously amortized and by the amount of principal payments previously received by the U.S. Holder of the Series 2012-1 Senior Note with respect to the Series 2012-1 Senior Note. Any such gain or loss will be capital gain or loss if the Series 2012-1 Senior Note was held as a capital asset, except for gain representing accrued interest and accrued market discount not previously included in income. Capital gains or losses will be long-term capital gains or losses if the Series 2012-1 Senior Note was held for more than one year. Capital losses generally may be used only to offset capital gains.

### **Tax Consequences to Foreign Investors**

The IRS has issued regulations that set forth procedures to be followed by a foreign person in establishing foreign status for certain purposes. Prospective investors are strongly encouraged to consult with their tax advisors concerning the requirements imposed by the regulations and their effect on the holding of the Series 2012-1 Senior Notes.

Interest (including OID) paid or accrued to a Non-U.S. Holder that is not effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder will generally be considered “portfolio interest” and generally will not be subject to U.S. federal income tax and withholding tax, as long as the Non-U.S. Holder provides an appropriate statement, signed under penalties of perjury, certifying that the Non-U.S. Holder is a foreign person and providing that foreign person’s name and address. For beneficial owners that are individuals or entities treated as corporations, this certification may be made on IRS Form W-8BEN. If the information provided in this statement changes, the Non-U.S. Holder must report that change within 30 days of such change. The statement generally must be provided in the year a payment occurs or in any of the three preceding years.

If this interest were not portfolio interest, then it would be subject to U.S. federal income and withholding tax at a current rate of 30% unless reduced or eliminated pursuant to an applicable income tax treaty.

Any capital gain realized on the sale or other taxable disposition of a Series 2012-1 Senior Note by a Non-U.S. Holder will be exempt from U.S. federal income and withholding tax, provided that:

- the gain is not effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Holder, and
- in the case of an individual foreign person, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year and certain other requirements are met.

If the interest, gain or income on a Series 2012-1 Senior Note held by a Non-U.S. Holder is effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Holder, the Non-U.S. Holder — although exempt from the withholding tax previously discussed if a duly executed IRS Form W-8ECI is furnished— generally will be subject to U.S. federal income tax on the interest, gain or income at regular federal income tax rates. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% of its “effectively connected earnings and profits” within the meaning of the Code for the taxable year, as adjusted for certain items, unless it qualifies for a lower rate under an applicable tax treaty.

### **Foreign Account Tax Compliance Act**

As initially enacted, legislation imposing an additional U.S. federal withholding tax regime under the Foreign Tax Compliance Act (“*FATCA*”) applied to withholdable payments made on obligations (which term would include the Series 2012-1 Senior Notes) issued after March 18, 2012; however, recently issued proposed Treasury regulations extended, or “grandfathered”, this date of potential application of FATCA to outstanding obligations to January 1, 2013 (although Holders cannot rely on these proposed Treasury regulations until they are finalized (i.e., issued as final Treasury regulations). If FATCA were to apply to the Series 2012-1 Senior Notes, the FATCA regime generally would impose a U.S. federal withholding tax of 30% on interest amounts paid on a Series 2012-1 Senior Note beginning on or after January 1, 2014, and on the gross proceeds from the disposition of such Note paid on or after January 1, 2015 to (1) Non-U.S. Holders that are foreign financial institutions (as defined under FATCA, an ‘FFI’), whether as intermediaries or beneficial owners, if any such FFI fails to enter into an agreement with the U.S. Internal Revenue Service agreeing to collect and provide information to U.S. taxing authorities relating to U.S. account holders of such FFI (which may include both its debt and equity holders), as well as with respect to certain of its account holders that are foreign entities having U.S. owners, and (2) certain Non-U.S. Holders that are not FFIs, whether as intermediaries or beneficial owners, if such a Non-U.S. Holder fails to provide the U.S. withholding agent with a certification identifying its substantial U.S. owners (which term generally includes any U.S. person who directly or indirectly owns more than 10 percent of such Non-U.S. Holder, unless an exception applies). Prospective investors are strongly encouraged to consult with their tax advisors concerning the requirements imposed by FATCA and its potential application on amounts expected to be received by such investors from the Series 2012-1 Senior Notes.

### **Information Reporting and Backup Withholding**

Under certain circumstances, the Code requires “information reporting” annually to the IRS and to each Holder, and “backup withholding” with respect to certain payments made on or with respect to the Series 2012-1 Senior Notes.

Backup withholding generally does not apply with respect to certain U.S. Holders, including tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. Backup withholding will apply to a U.S. Holder that if such U.S. Holder (i) fails to furnish its Taxpayer Identification Number (“*TIN*”) which, for an individual, would be his or her Social Security Number, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that it has failed to properly report payments of interest and dividends, or (iv) under certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. The application for exemption is available by providing a properly completed IRS Form W-9.

A Non-U.S. Holder that provides the applicable IRS Form W-8BEN, Form W-8ECI or Form W-8IMY, together with all appropriate attachments, signed under penalties of perjury, identifying such Non-U.S. Holder and stating that the Non-U.S. Holder is not a United States person will not be subject to IRS reporting requirements and U.S. backup withholding.

The payment of the proceeds on the disposition of a Series 2012-1 Senior Note by a Non-U.S. Holder to or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the Non-U.S. Holder either certifies its status as a foreign person under penalties of perjury on the applicable IRS Form W-8BEN or Form W-8IMY (as described above) or otherwise establishes an exemption. The payment of the proceeds on the disposition of a Series 2012-1 Senior Note by a Non-U.S. Holder through a non-U.S. office of a non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker is a “U.S. Related Person” (as defined below). The payment of proceeds on the disposition of a Series 2012-1 Senior Note by a Non-U.S. Holder to or through a Non-U.S. office of a U.S. broker or a U.S. Related Person generally will not be subject to backup withholding but will be subject to information reporting unless the Non-U.S. Holder certifies its status as a foreign person under penalties of perjury or the broker has certain documentary evidence in its files as to the Non-U.S. Holder’s foreign status and the broker has no actual knowledge to the contrary.

For this purpose, a “*U.S. Related Person*” is (i) a “controlled foreign corporation” for U.S. federal income tax purposes, (ii) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the broker has been in existence) is derived from activities that are effectively connected with the conduct of a U.S. trade or business, or (iii) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a U.S. trade or business.

Backup withholding is not an additional tax and may be refunded (or credited against the Holder’s U.S. federal income tax liability, if any), *provided* that certain required information is timely furnished to the IRS. The information reporting requirements may apply regardless of whether withholding is required. Copies of the information returns reporting such interest and withholding also may be made available to the tax authorities in the country in which a Non-U.S. Holder is a resident under the provisions of an applicable income tax treaty or agreement.

## STATE AND LOCAL TAX CONSEQUENCES

This Offering Memorandum does not address the tax treatment of the Issuer, the Series 2012-1 Senior Notes, or the Holders of the Series 2012-1 Senior Notes under any state or local tax laws. Prospective investors are urged to consult with their own tax advisors regarding the state and local tax treatment of the Issuer as well as any state and local tax consequences to them of purchasing, owning and disposing of the Series 2012-1 Senior Notes.

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***The federal and state tax discussions described above may not be applicable depending upon each Holder’s particular tax situation. Prospective purchasers are strongly encouraged to consult with their own tax advisors as to the tax consequences to them of purchasing, owning or disposing of notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in federal or other tax laws.***

## CERTAIN 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” and, 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) and foreign plans (“Non-ERISA Plans”), are not subject to the requirements set forth in ERISA or the prohibited transaction restrictions under Section 4975 of the Code. However, such Non-ERISA Plans may be subject to the provisions of other applicable federal, state, local or foreign law (“Similar Law”). 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, moreover, 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 (each a “Plan” and 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, class 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, class 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 may 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 the Series 2012-1 Senior 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 Asset Regulation

The DOL has promulgated a regulation set forth at 29 CFR § 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” in such entity. The Plan Asset Regulation, as modified by Section 3(42) of ERISA, defines the term “plan assets.” 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. For purposes of this section, the terms “plan assets” (“Plan Assets”) and the “assets of a Plan” have the meaning specified in the Plan Assets Regulation and ERISA Section 3(42) 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 2012-1 Senior Notes are treated as having substantial equity features, a Plan or a Plan Asset Entity that purchases Series 2012-1 Senior 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 2012-1 Senior 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 2012-1 Senior Notes as described herein, it appears that the Series 2012-1 Senior Notes should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation.

In the event that the Series 2012-1 Senior 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, as modified by Section 3(42) of ERISA. Because the availability of this exception depends upon the identity of the Holders at any time, there can be no assurance that the Series 2012-1 Senior 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 2012-1 Senior Notes in reliance upon the availability of this exception under the Plan Assets Regulation.

### **Prohibited Transactions**

The acquisition or holding of Series 2012-1 Senior Notes by or on behalf of a Plan, whether or not the underlying assets are treated as Plan Assets, could give rise to a prohibited transaction if the Issuer or any of its affiliates is or becomes a Party in Interest or Disqualified Person with respect to such Plan, or in the event that a Series 2012-1 Senior 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 affiliates will not be or become a Party in Interest or a Disqualified Person with respect to a Plan that acquires Series 2012-1 Senior Notes. Any such prohibited transaction could be treated as exempt under ERISA and the Code if the Series 2012-1 Senior Notes 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”) 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). In addition to class exemptions listed above, there is also a statutory exemption that may be available under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for prohibited transactions between a Plan and a person or entity that is a Party in Interest or Disqualified Person to such Plan solely by reason of providing services to a Plan (other than a Party in Interest or Disqualified Person that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in such transaction), provided that there is adequate consideration for the transaction. Even if the conditions described in one or more of these exemptions are met, the scope of relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Series 2012-1 Senior Notes and prospective purchasers that are Plans should consult with their advisors regarding the applicability of any such exemption.

The Initial Purchasers, the Trustee, the Eligible Lender Trustee, the Servicers, the Issuer Administrator or their affiliates may be the sponsor of, or investment advisor with respect to, one or more Plans. Because these parties may receive certain benefits in connection with the sale or holding of the Series 2012-1 Senior Notes, the purchase of the Series 2012-1 Senior Notes using plan assets over which any of these parties or their affiliates has investment authority might be deemed to be a violation of a provision of Title I of ERISA or Section 4975 of the Code. Accordingly, the Series 2012-1 Senior Notes may not be purchased using the assets of any Plan if any of the Initial Purchasers, the Trustee, the Eligible Lender Trustee, the Servicers, the Issuer Administrator or their affiliates has

investment authority for those assets, or is an employer maintaining or contributing to the plan, unless an applicable prohibited transaction exemption is available and such prohibited transaction exemption covers such purchase.

### **Purchaser's/Transferee's Representations and Warranties**

Each purchaser and each transferee of a Series 2012-1 Senior Note (including a Plan's fiduciary, as applicable) shall be deemed to represent and warrant that (1)(a) it is not a Plan and is not acquiring the Series 2012-1 Senior Note directly or indirectly for, or on behalf of, or with Plan Assets of, a Plan, 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 2012-1 Senior Notes by or on behalf of, any Non-ERISA Plan, 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 or Initial Purchasers to any obligation not affirmatively undertaken in writing.

### **Consultation with Counsel**

Any Plan fiduciary or other investor of Plan Assets considering whether to acquire or hold Series 2012-1 Senior 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 2012-1 Senior 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 that proposes to acquire or hold Series 2012-1 Senior Notes should consult with counsel with respect to the applicable Similar Law.

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

This Offering Memorandum contains forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "intend," "potential," and the negative of such terms or other similar expressions.

The forward-looking statements reflect our current expectations and views about future events. The forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, general economic and business conditions, regulatory initiatives and compliance with such regulations, customer preferences and various other matters, many of which are beyond our control. Given these risks and uncertainties, you should not place undue reliance on the forward-looking statements.

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

- changes in terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations that may reduce the volume, average term, costs and yields on education loans under the FFEL Program;
- changes in the demand for educational financing or in financing preferences of educational institutions, students and their families, which could affect an Issuer's ability to purchase eligible student loans;
- changes in the general interest rate environment and in the securitization market for student loans, which may increase the costs or limit the marketability of financings;
- losses from loan defaults; and

- changes in prepayment rates and credit spreads.

We discuss many of these risks and uncertainties in greater detail under the heading “Risk Factors” herein.

You should read this Offering Memorandum and the documents that we reference in this Offering Memorandum, completely and with the understanding that our actual future results may be materially different from what we expect. We may not update the forward-looking statements, even though our situation may change in the future, unless we have obligations under the federal securities laws to update and disclose material developments related to previously disclosed information. We qualify all of the forward-looking statements by these cautionary statements.

### **INVESTOR SUITABILITY**

The Series 2012-1 Senior Notes may be purchased only by investors who are institutional “accredited investors” as defined in Rule 501(a)(1), (2), (3) or (7) 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*”). In addition, the Series 2012-1 Senior 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 2012-1 Senior Notes in whole or in part, or to allot less than the principal amount of Series 2012-1 Senior Notes for which subscriptions are received for any reason. See “Plan of Distribution” herein.

**THE FOREGOING SUITABILITY STANDARDS ARE MINIMUM REQUIREMENTS FOR PROSPECTIVE PURCHASERS OF THE SERIES 2012-1 SENIOR NOTES. THE SATISFACTION OF SUCH STANDARDS DOES NOT NECESSARILY MEAN THAT THE SERIES 2012-1 SENIOR 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 2012-1 SENIOR NOTES IS APPROPRIATE IN LIGHT OF ITS INDIVIDUAL TAX AND FINANCIAL SITUATION. SEE “RISK FACTORS” AND “CERTAIN FEDERAL INCOME TAX CONSIDERATIONS” HEREIN.**

### **NOTICE TO INVESTORS: TRANSFER RESTRICTIONS**

Each purchaser of Series 2012-1 Senior Notes from the Initial Purchasers, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

- It understands and acknowledges that the Series 2012-1 Senior 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 2012-1 Senior 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 or an institutional Accredited Investor and is aware that any sale of the Series 2012-1 Senior 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 institutional 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 Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to it with respect to the Issuer or the offering or sale of any Series 2012-1 Senior Notes, other than the information contained herein, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Series 2012-1 Senior Notes.

- It is purchasing the Series 2012-1 Senior 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, 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 2012-1 Senior 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 2012-1 Senior Notes and each subsequent Holder of the Series 2012-1 Senior Notes by its acceptance thereof will agree to offer, sell or otherwise transfer such Series 2012-1 Senior 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 institutional 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 2012-1 Senior 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 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 INSTITUTIONAL "ACCREDITED INVESTOR" (WITHIN THE MEANING OF RULE 501(a)(1)-(3) OR (7) 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 (A) is not itself, and is not acquiring the Series 2012-1 Senior Notes with "plan assets" of an employee benefit or other plan subject to Title I of ERISA, or Section 4975 of the Code (each, 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 (B)(1) is itself, or is acquiring the Series 2012-1 Senior 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 2012-1 Senior Notes, under circumstances such that PTCE 84-14 is applicable to the purchase and holding of such 2012-1 Senior Notes, (2) is itself, or is acquiring Series 2012-1 Senior 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 2012-1 Senior Notes, under circumstances such that PTCE 96-23 is applicable to the purchase and holding of such Series 2012-1 Senior Notes, (3) is an insurance company pooled separate account purchasing Series 2012-1 Senior Notes pursuant to Part I of PTCE 90-1 or a bank collective investment fund purchasing Series 2012-1 Senior 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 (4) is an insurance company using the assets of its general account to purchase the Series 2012-1 Senior Notes pursuant to Part 1 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.

- It acknowledges that the Issuer, the Initial Purchasers 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 2012-1 Senior Notes are no longer accurate, it will promptly notify the Initial Purchasers and the Issuer. If it is acquiring any Series 2012-1 Senior 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 to the extent required to deliver an Investment Letter 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.

### **RELATIONSHIPS AMONG FINANCING PARTICIPANTS**

The Depositors, the Sponsor and the Issuer Administrator are under common control.

MLPFS, an Initial Purchaser, will receive customary fees and be reimbursed for customary expenses and will be a seller in the ARS Purchase Transaction. See “ARS Purchase Transaction” herein. Additionally, in the ordinary course of their respective businesses the Initial Purchasers and their affiliates are engaged in various business activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve auction rate notes and other securities and instruments of the Issuer. The Initial Purchasers and their affiliates have performed and in the future may continue to perform various investment banking, commercial banking and advisory services for the Issuer and its affiliates from time to time for which they have received or may receive customary fees and expenses.

### **PLAN OF DISTRIBUTION**

Subject to the terms and conditions set forth in a Note Purchase Agreement (the “*Note Purchase Agreement*”), between the Sponsor and the Initial Purchasers, the Sponsor, will cause the Issuer to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the principal amount of the Series 2012-1 Senior Notes set forth opposite its name.

<b>Name of Initial Purchaser</b>	<b>Amount of Series 2012-1 Senior Notes</b>
Barclays Capital Inc.	\$190,247,000
Merrill Lynch, Pierce, Fenner and Smith Incorporated	35,241,000
RBC Capital Markets, LLC	9,512,000

In the Note Purchase Agreement, the Initial Purchasers have agreed, subject to the terms and conditions set forth therein, to purchase all of the Series 2012-1 Senior Notes offered hereby, if any Series 2012-1 Senior Notes are purchased, for an aggregate price equal to \$235,000,000 less the Initial Purchasers' discount of \$1,235,241. The Issuer has been advised by the Initial Purchasers that the Initial Purchasers propose initially to offer the Series 2012-1 Senior Notes at an offering price equal to 100% of the aggregate principal amount of the Series 2012-1 Senior Notes being purchased. After the Offering, the offering price may be changed.

The Series 2012-1 Senior Notes are a new class of securities with no established trading market. The Initial Purchasers have advised that they presently intend to make a market in the Series 2012-1 Senior Notes. However, the Initial Purchasers are not obligated to do so and may discontinue any market-making activities with respect to the Series 2012-1 Senior Notes at any time without notice. We cannot assure you that the prices at which the Series 2012-1 Senior Notes will sell in the market after this offering will not be lower or higher than the initial offering

price or that an active trading market for the Series 2012-1 Senior Notes will develop and continue after this offering.

The Note Purchase Agreement provides that the Sponsor will indemnify the Initial Purchasers against certain liabilities, including liabilities under applicable securities laws, or contribute to payments the Initial Purchasers 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 Alston & Bird LLP. Certain legal matters relating to the Issuer will be passed upon by Richards, Layton & Finger, P.A. Certain legal matters will be passed upon for the Initial Purchasers by Kutak Rock LLP.

## **RATINGS**

It is a condition to the issuance and sale of the Series 2012-1 Senior Notes that the Series 2012-1 Senior Notes be rated “Aaa (sf)” by Moody’s and “AA+ (sf)” by S&P, and that Moody’s and S&P confirm their existing ratings on the Previous Notes. The inclusion of an “sf” or “(sf)” in the ratings is an identifier recently implemented for structured finance product ratings by the applicable Rating Agency. Other credit rating agencies that we have not engaged to rate the Series 2012-1 Senior Notes may nevertheless issue unsolicited credit ratings on any series of Series 2012-1 Senior Notes or Previous Notes. If any such unsolicited ratings are issued, we cannot assure you that they will not be different from those ratings assigned by S&P or Moody’s.

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 2012-1 Senior Notes address the likelihood of the ultimate payment of principal of and interest on the Series 2012-1 Senior Notes pursuant to their terms. The Rating Agencies do not evaluate, and the ratings on the Series 2012-1 Senior Notes do not address, the likelihood of principal distributions on the Series 2012-1 Senior Notes.

**GLOSSARY OF CERTAIN DEFINED TERMS**

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

“*Account*” means any of the accounts created within the Funds established by the Indenture.

“*Acquisition Fund*” means the Acquisition Fund created and established pursuant to the Indenture and further described in the Offering Memorandum under the caption “Description of the Indenture—Funds and Accounts—Acquisition Fund.”

“*Acquisition Period*” means with respect to the use of proceeds of any of the Series 2012-1 Senior Notes in the Acquisition Fund, the period beginning on the Closing Date and ending on February 28, 2013.

“*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 Notes are Outstanding: (a) with respect to directing the Trustee to accelerate the Outstanding Notes (x) upon an Event of Default described in clauses (v) through (viii) 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: 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.

“*Administration Agreement*” means the Administration Agreement, dated September 27, 2012, among the Issuer, the Delaware Trustee, the Trustee, the Eligible Lender Trustee and the Issuer Administrator, as amended, supplemented or otherwise modified from time to time.

“*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 or (ii) a minimum of \$20,833 per month (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 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 Administration Fund created and established pursuant to the Indenture and further described in the Offering Memorandum 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.

*“Asset Release Requirement”* means that, as of the date of determination, (A)(i) the Senior Asset Percentage is at least equal to 107.0% and (ii) the Subordinate Asset Percentage is at least equal to 101.5% and (B) the Aggregate Value of assets held under the Indenture, less the principal amount of all Notes Outstanding will exceed \$6,000,000 after release or payment.

*“ARS Purchase Agreement”* means that certain Purchase Agreement, dated as of July 25, 2012 among the Issuer, the Sponsor and MLPFS.

*“ARS Purchase Transaction”* means the cash purchase agreed upon by the Trustee on behalf of the Issuer to purchase certain outstanding Previous Senior Notes pursuant to the ARS Purchase Agreement, as further described in the Offering Memorandum under the caption “The ARS Purchase Transaction.”

*“ARS Purchase Transaction Account”* means the account created pursuant to the Eighth Supplemental Indenture.

*“Auction Rate Notes”* means the Previous Notes.

*“Authorized Denominations”* means, with respect to the Series 2012-1 Senior Notes, \$100,000 and additional increments of \$1,000 in excess thereof.

*“Authorized Officer”* means, when used with reference to the Issuer, the 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.

*“Backup Administration Agreement”* means the Amended and Restated Backup Administration Agreement dated as of September 27, 2012, among the Backup Administrator, the Issuer Administrator, the Issuer and the Trustee.

*“Backup Administration Fee”* means any fees payable to the Backup Administrator pursuant to the Backup Administration Agreement.

*“Backup Administrator”* means Lord Securities Corporation, in its capacity as the backup administrator under the Backup Administration Agreement.

*“Bankruptcy Code”* means the United States Bankruptcy Code, 11 U.S.C. § 101 *et seq.*, as amended.

*“Beneficial Owner”* means the Person in whose name a Note is recorded as beneficial owner of such Note by a securities depository under a book-entry system or by a Participant or Indirect Participant in such Securities Depository, as the case may be.

*“Beneficiaries”* means, collectively, all Senior Beneficiaries and all Subordinate Beneficiaries.

*“Business Day”* means any day other than a Saturday, a Sunday, a holiday or any other day on which banks located in New York, New York or the city in which the principal office of the Trustee is located, are authorized or permitted by law, regulation or executive order to close.

*“Carry-Over Amount”* means the excess, if any, of (a) the amount of interest on an Auction Rate Note that would have accrued with respect to the related Interest Period at the applicable rate for such note over (b) the amount of

interest on such Auction Rate Note actually accrued with respect to such Auction Rate Note, with respect to such Interest Period based on the Maximum Rate under the Indenture, together with the unpaid portion of any such excess from prior Interest 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 on or about September 27, 2012, the date of initial issuance and delivery of the Series 2012-1 Senior Notes.

“*Collection Fund*” means the Collection Fund created and established pursuant to the Indenture and further described in the Offering Memorandum under the caption “Description of the Indenture—Funds and Accounts—Collection Fund.”

“*Consolidation Loan*” means a Student Loan made 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.

“*Debt Service Fund*” means the Debt Service Fund created and established pursuant to the Indenture and further described in the Offering Memorandum under the caption “Description of the Indenture—Funds and Accounts—Debt Service Fund.”

“*Department of Education*” means the United States Department of Education.

“*Direct Participant*” means any broker-dealer, bank or other financial institution for whom the nominee of the Securities Depository holds an interest in any Note.

“*DTC*” means The Depository Trust Company.

“*Eighth Supplemental Indenture*” means the Eighth Supplemental Indenture of Trust, dated as of September 27, 2012, between the Issuer and the Trustee, as amended or supplemented in accordance with the terms hereof and the Indenture.

“*Eligible Lender Trust Agreement*” means the Eligible Lender Trust Agreement dated as of February 1, 2012 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 FFELP Loans as legal owner in trust for the Issuer, in each case as supplemented or amended from time to time.

“*Eligible Lender Trustee*” means U.S. Bank National Association, as eligible lender 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 in the Offering Memorandum under “Description of the Indenture—Events of Default.”

*“Excess Interest Payment Amount”* means with respect to any date of determination, the greater of (a) (i) the amount of interest paid by borrowers on the Financed Eligible Loans first disbursed on or after April 1, 2006 that exceeds the Special Allowance Payment support levels applicable to such Financed Eligible Loans under the Higher Education Act since the prior Excess Interest Payment Date less (ii) the amount of the accrued interest subsidy payments or Special Allowance Payments due to the Issuer since the prior Excess Interest Payment Date and (b) \$0.00.

*“Excess Interest Payment Date”* means the quarterly date that (a) the Excess Interest Payment Amount is due and payable to the Secretary of Education or (b) the Secretary of Education offsets the Excess Interest Payment Amount from interest subsidy payments or Special Allowance Payments due to the Issuer.

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

*“Executed Swap Agreement”* means the interest rate swap agreement, dated as of August 11, 2009 between the Issuer and SunTrust Bank.

*“FDIC”* means the Federal Deposit Insurance Corporation.

*“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 FFELP 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.

*“FFEL Program”* means the Federal Family Education Loan Program established by the Higher Education Act pursuant to which loans are made to borrowers pursuant to certain guidelines, and the repayment of such loans is guaranteed by a Guarantee Agency and any predecessor or successor program.

*“FFELP 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 FFELP Loans to be Financed under the Indenture, and any amendment of any of the foregoing entered into in accordance with the provisions thereof.

*“FFELP Loan”* means a Student Loan made pursuant to the Higher Education Act.

*“FIN Loan Purchase Agreement”* means that certain purchase and sale agreement, dated as of September 27, 2012 among HEF IV, FIN and the Eligible Lender Trustee, as amended or supplemented from time to time.

*“Financed”* means, when used with respect to Student Loans, Eligible Loans or FFELP Loans, such Student Loans, Eligible Loans or FFELP 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.

*“Floating 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.

*“Forward Flow Purchase Agreement”* means that certain Federal Loan Purchase Agreement, dated as of February 22, 2012, as amended or supplemented from time to time.

*“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.

“*Guarantee*” or “*Guaranteed*” means, with respect to a FFELP 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 FFELP Loan and the coverage of such FFELP 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 FFELP Guarantee Agreement with the Eligible Lender Trustee, and any such guarantor’s successors and assigns.

“*Guarantee Agreement*” means any FFELP Guarantee Agreement.

“*Guarantor*” means any Guarantee Agency.

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

“*Holder*” means, when used with respect to any Note, the Person in whose name such Note is registered in the Note Register.

“*Indenture*” means the Indenture of Trust, dated as of February 1, 2003, 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 and the Subordinate Notes.

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

“*Initial Interest Period*” means for the Series 2012-1 Senior Notes, the period commencing on the Closing Date and continuing through and including the day immediately preceding October 25, 2012.

“*Initial Interest Rate*” means 0.67% per annum for the Series 2012-1 Senior Notes.

“*Initial Trust Agreement*” means the Trust Agreement, dated as of February 1, 2003, as amended from time to time, between the Delaware Trustee and CLF as the Depositor.

“*Interest Payment Date*” means, with respect to the Series 2012-1 Senior Notes, (a) each Monthly Distribution Date; or (b) with respect to the payment of interest upon acceleration of the Series 2012-1 Senior Notes, the date on which such interest is payable under the Indenture.

“*Interest Period*” means, with respect to the Series 2012-1 Senior Notes, the period from an Interest Payment Date to but including the day immediately preceding the next Interest Payment Date (except that the initial Interest Period will commence on the Closing Date).

“*Issuer Administrator*” means Goal Structured Solutions, Inc., 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 Loan Purchase Agreement*” means that certain purchase and sale agreement, dated as of September 27, 2012 among the Issuer, FIN and the Eligible Lender Trustee, as amended or supplemented from time to time.

“*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).

“*Investment Letter*” means an investment letter substantially in the form of Exhibit B to the Eighth Supplemental Indenture.

“*Lender*” means any party from which the Issuer or the Depositors (or the Eligible Lender Trustee on behalf of the Issuer or the Depositors) acquires Financed Student Loans, which, in the case of FFELP Loans, must be an “eligible lender” (as defined in the Higher Education Act).

“*LIBOR*” means, with respect to any Interest Period, the London interbank offered rate for United States dollar deposits having a maturity of one month which appears on the Reuters LIBOR01 Page (or such other page as may replace the Reuters LIBOR01 Page for the purpose of displaying comparable rates) as of approximately 11:00 a.m., London time, on the related LIBOR Determination Date; provided, that if on any calculation date, no rate appears on the Reuters LIBOR01 Page as specified above, the Trustee 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 rate shall be the arithmetic mean of the offered quotations that leading banks in New York City selected by the Trustee are quoting on the relevant LIBOR Determination Date for loans in U.S. dollars to leading European banks in a principal amount of not less than \$1,000,000 for a one-month period that is representative of a single transaction in such market at such time; provided that for the Initial Interest Period, LIBOR will be determined by the following formula:

$$x + [ [a/b] * (y-x) ]$$

where a = the number of days in the Interest Period following the first month of such Interest Period;

b = the number of days in the month following the first month, of such Interest Period;

x = one-month LIBOR; and

y = two-month LIBOR.

“*LIBOR Determination Date*” means the second LIBOR Business Day immediately preceding the first day of each Interest Period.

“*Loan Purchase Transaction*” means the cash purchase agreed upon by the Eligible Lender Trustee on behalf of the Issuer to purchase Eligible Loans, as further described in this Offering Memorandum under the caption “The Loan Purchase Transaction”.

“*London Business Day*” means any day on dealings in deposits in United States dollars are transacted in the London interbank market.

“*Material Documents*” means the Trust Agreement, the Indenture and any Supplemental Indenture.

“*Maturity*” means, when used with respect to any Note, the date on which the entire outstanding Principal Amount of such Note becomes due and payable as provided therein or in the Indenture, whether at the Stated Maturity thereof or by declaration of acceleration, redemption, distribution of principal or otherwise.

“*Monthly Calculation Date*” means the 25<sup>th</sup> day of each calendar month or, if such 25<sup>th</sup> day is not a Business Day, the next succeeding Business Day.

“*Monthly Distribution Date*” means the 25<sup>th</sup> day of each calendar month or, if such 25<sup>th</sup> day is not a Business Day, the next succeeding Business Day. The first Monthly Distribution Date for the Series 2012-1 Senior Notes will be October 25, 2012.

“*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.

“*Note Fees*” means the fees, costs and expenses (excluding costs of issuance) of the Trustee, the Delaware Trustee and any Eligible Lender Trustee, paying agents, authenticating agent, remarketing agents, tender agent, auction agents, broker-dealers, counsel, note registrar, market agents, the Rating Agencies or accountants and other consultants and professionals incurred by the Issuer in carrying out and administering its powers, duties and functions under (1) 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 with respect to the FFEL Program, as such powers, duties and functions relate to Financed Student Loans, (2) any Swap Agreements (other than any amounts payable thereunder which constitute Other Senior Obligations), (3) any remarketing agreement, tender agent agreement, auction agent agreement, market agent agreement or broker-dealer agreement and (4) the Indenture.

“*Note Registrar*” means with respect to the Series 2012-1 Senior Notes, the Trustee.

“*Notes*” means all notes, bonds or other obligations issued by the Issuer under the Indenture.

“*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.

“*Outstanding*,” (1) 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 (2) when used with respect to any Other Senior Obligation, means all Other Senior 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.

“*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.

“*PLUS Loan*” means, a Student Loan made pursuant to Section 428b of the Higher Education Act.

“*Pool Balance*” means, for any date, the Aggregate Value as of the last day of the preceding calendar month, less any amounts on deposit in any of the Accounts or Funds other than the Reserve Fund and, with respect to amounts deposited in connection with the issuance of the Series 2012-1 Senior Notes and any Additional Notes, the Acquisition Fund.

“*Previous Notes*” means, collectively, the Series 2003-1 Notes and the Series 2003-2 Notes.

“*Previous Senior Notes*” means, collectively, the Series 2003-1 Senior Notes and the Series 2003-2 Senior Notes.

“*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*” means, when used with respect to a Student Loan, the unpaid principal amount thereof as of a given date.

“*Principal Distribution Amount*” means, with respect to the Series 2012-1 Senior Notes while such Series 2012-1 Senior Notes are Outstanding, an amount determined by the Issuer Administrator equal to (I) on each Monthly Distribution Date prior to the Stated Maturity of the Series 2012-1 Senior Notes, the difference, if any, between (i) the aggregate Principal Amount of all Senior Notes Outstanding assuming the Previous Senior Notes have a closing balance of \$921,350,000 and any Additional Notes are deemed to have such balance as of their respective closing date and (ii) the quotient of (a) the Pool Balance and (b) 110.0%; or (II) on the Stated Maturity of the Series 2012-1 Senior Notes, the amount necessary to reduce the aggregate Principal Amount of the Series 2012-1 Senior Notes to zero.

“*Priority Termination Payment*” means, with respect to a Swap Agreement, any termination payment payable by the Issuer under such Swap Agreement relating to an early termination of such Swap Agreement (i) by the applicable Swap Counterparty, as the non-defaulting party, following a payment default (following any applicable grace period) which constitutes a scheduled payment other than a termination payment that would not otherwise constitute a Priority Termination Payment, by the Issuer under the applicable Swap Agreement or (ii) by either party where the applicable Swap Counterparty is the nondefaulting party or the non-affected party following the Trustee’s taking any action hereunder to liquidate the Trust Estate following an Event of Default and acceleration of the Notes (other than as a result of an Event of Default pursuant to either clauses (n) or (m) of the definition thereof, neither of which shall, absent any other Event of Default, trigger a Priority Termination Payment) or (iii) by either party where the applicable Swap Counterparty is the non-defaulting party or the non-affected party, following the occurrence of an Event of Default specified in clauses (o) or (p) of the definition thereof or (iv) by either party as a result of the occurrence of an Illegality (as defined in the related Swap Agreement).

“*Rating Agency*” means: (1) with respect to the Notes, any rating agency having an outstanding rating on any of the Notes that was specifically engaged by the Issuer to provide such rating and (2) 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.

“*Regular Record Date*” means the last Business Day immediately preceding each Interest Payment Date.

“*Rehabilitation Loan*” means a FFELP Loan that previously defaulted and is no longer in default as a result of the borrower (i) adhering to specific repayment requirements as set forth in the Act (including, without limitation, the borrower making nine (9), on-time full monthly payments during a period of ten (10) consecutive months) and (ii) entering into an agreement with the applicable Guarantor.

“*Reserve Fund*” means the Reserve Fund created and established pursuant to the Indenture and further described in the Offering Memorandum under the caption “Description of the Indenture—Funds and Accounts—Reserve Fund.”

“*Reserve Fund Requirement*” means, with respect to the Notes at any time, an amount equal to the greater of (a) 0.75% of the aggregate Principal Amount of the Notes then Outstanding and (b) \$1,250,000.

“*Reuters LIBOR01 Page*” means the display page so designated on the Reuters Monitor Money Rates Service, or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor for the purposes of displaying comparable rates or prices.

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services, LLC business, 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 and its successors and assigns or, if (i) the then-existing Securities Depository resigns from its functions as depository of the Series 2012-1 Senior 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 2012-1 Senior 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 (A) the Aggregate Value less the sum of (1) all accrued interest on Outstanding Senior Notes, (2) all accrued Issuer Swap Payments with respect to Senior Swap Agreements, and (3) all accrued fees and expenses to be paid out of the Administration Fund, by (B) 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 107.0% and the Subordinate Asset Percentage is at least equal to 101.5%.

“*Senior Beneficiaries*” means (1) the Holders of any Outstanding Senior Notes, and (2) any other Senior Beneficiary holding any Other Senior Obligation that is Outstanding.

“*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 Notes (as such seniority is described in the Indenture), and in 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 2003-1 Notes*” means the Series 2003-1 Notes created and issued under the First Supplemental Indenture, dated February 1, 2003, between the Issuer and the Trustee, as amended or supplemented from time to time, in the aggregate original Principal Amount of \$900,000,000.

“*Series 2003-2 Notes*” means the Series 2003-2 Notes created and issued under the Second Supplemental Indenture, dated August 1, 2003, between the Issuer and the Trustee, as amended or supplemented from time to time, in the aggregate original Principal Amount of \$925,000,000.

“*Series 2012-1 Senior Notes*” means, the Series 2012-1 Senior Notes created and issued under the Eighth Supplemental Indenture in the original Principal Amount of \$235,000,000 and designated as the “Student Loan Asset-Backed Notes, Senior Series 2012-1.”

“*Servicer*” means the Pennsylvania Higher Education Assistance Agency, Great Lakes Educational Loan Services, Inc., Xerox Education Services, Inc. and 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 each of: (i) the FFELP Servicing Agreement, dated as of August 30, 2011 among PHEAA, the Issuer and the Eligible Lender Trustee, as amended or supplemented from time to time; (ii) the Student Loan Servicing Agreement, dated as of February 1, 2003 between Great Lakes Educational Loan Services, Inc. and the Issuer, as amended or supplemented from time to time; (iii) the federal FFEL Servicing Agreement, dated as of February 1, 2003 between Xerox Education Services, Inc. (f/k/a ACS Education Services, Inc.), as amended or supplemented from time to time or (iv) 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 (1) a Servicer in respect of Financed Student Loans pursuant to the provisions of a Servicing Agreement and (2) 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.

“*Sponsor*” means Goal Financial, LLC, in its capacity as sponsor of the transactions described in this Offering Memorandum.

“*Stafford Loan*” means, a Student Loan made pursuant to Section 428H of the Higher Education Act.

“*Student Loan*” means a loan to a borrower for or in connection with post-secondary education, bar preparation expenses or medical residency expenses.

“*Student Loan Repurchase Agreement*” means with respect to Financed Student Loans in which Consolidation Loan Funding, LLC was Depositor, the Student Loan Repurchase Agreement, dated as of February 1, 2003, between the Issuer and Goal Financial, LLC (f/k/a 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 (A) the Aggregate Value less the sum of (1) all accrued interest on Outstanding Senior Notes and Outstanding Subordinate Notes, (2) all accrued Issuer Swap Payments, and (3) all accrued fees and expenses to be paid out of the Administration Fund by (B) the aggregate Principal Amount of Outstanding Senior Notes and Outstanding Subordinate Notes.

“*Subordinate Beneficiaries*” means the Holders of any Outstanding Subordinate Notes.

“*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.

“*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” herein.

“*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 Collateral Fund*” means the Swap Collateral Fund created and established pursuant to the Indenture and further described in the Offering Memorandum under the caption “Description of the Indenture – Funds and Accounts – Swap Collateral Fund”.

“*Swap Counterparty*” means any person or entity with whom the Issuer shall, from time to time, enter into a Swap Agreement.

“*Taxes*” means 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 Depositors.

“*Trust Agreement*” means the Trust Agreement, dated as of February 1, 2003, as amended from time to time, between the Delaware Trustee and FIN as Depositor.

“*Trust Estate*” means the Trust Estate as described in the Granting Clauses of the Indenture.

“*Trust Related Agreement*” means the Administration Agreement, the Indenture, the Trust Agreement and the Eligible Lender Trust Agreement

“*Trustee*” means The Bank of New York Mellon (as successor to 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.

“*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 (1) and (6) below and the Trustee with respect to clauses (2) through (5) below, in accordance with the following:

1. 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);
2. 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;
3. 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;
4. 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;
5. 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
6. any accrued but unpaid Counterparty Swap Payment, unless the Swap Counterparty is in default of its obligations under the Swap Agreement.

**DESCRIPTION OF THE FFEL PROGRAM**

**The Federal Family Education Loan Program**

The Higher Education Act provides for a program of federal insurance for student loans as well as reinsurance of student loans guaranteed or insured by state agencies or private non-profit corporations.

The Higher Education Act authorizes certain student loans to be covered under the Federal Family Education Loan Program (“*FFEL Program*”). On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (the “*Reconciliation Act*”) was enacted into law. Included in the Reconciliation Act were provisions that eliminated the FFEL Program. As of July 1, 2010, no new FFELP Loans will be originated. However, FFELP Loans originated under the Higher Education Act prior to July 1, 2010 which have been acquired by the Issuer (including the loans described in the Offering Memorandum under the caption “Characteristics of the Student Loans”) continue to be subject to the provisions of the FFEL Program. The following description of the FFEL Program has been provided solely to explain certain of the provisions of the FFEL Program applicable to FFELP Loans made on or after July 1, 1998 and prior to July 1, 2010. Notwithstanding anything herein to the contrary, after June 30, 2010, no new FFELP Loans (including Consolidation Loans) may be made or insured under the FFEL Program and no funds are authorized to be appropriated, or may be expended, under the Higher Education Act to make or insure loans under the FFEL Program (including Consolidation Loans) for which the first disbursement is after June 30, 2010, except as expressly authorized by an Act of Congress enacted after the date of enactment of The Student Aid and Fiscal Responsibility Act of 2009. The following summary of the FFEL Program, as established by the Higher Education Act, does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the text of the Higher Education Act and the regulations thereunder.

Generally, a student was eligible for loans made under the FFEL Program only if he or she:

- had been accepted for enrollment or is enrolled in good standing at an eligible institution of higher education;
- was carrying or planning to carry at least one-half the normal full-time workload, as determined by the institution, for the course of study the student is pursuing;
- was not in default on any federal education loans;
- had not committed a crime involving fraud in obtaining funds under the Higher Education Act which funds have not been fully repaid; and
- met other applicable eligibility requirements.

Eligible institutions include higher educational institutions and vocational schools that comply with specific federal regulations. Each loan is evidenced by an unsecured note.

The Higher Education Act also establishes maximum interest rates for each of the various types of loans. These rates vary not only among loan types, but also within loan types depending upon when the loan was made or when the borrower first obtained a loan under the FFEL Program. The Higher Education Act allows lesser rates of interest to be charged.

**Types of loans**

There are four types of loans under the FFEL Program:

- Subsidized Stafford Loans

- Unsubsidized Stafford Loans
- PLUS Loans
- Consolidation Loans

These loan types varied as to eligibility requirements, interest rates, repayment periods, loan limits, and eligibility for interest subsidies and Special Allowance Payments. Some of these loan types have had other names in the past. References to these various loan types include, where appropriate, their predecessors.

The primary loan under the FFEL Program was the Subsidized Stafford Loan. Students who were not eligible for Subsidized Stafford Loans based on their economic circumstances may have been able to obtain Unsubsidized Stafford Loans. Graduate or professional students and parents of dependent undergraduate students may have been able to obtain PLUS Loans. Consolidation Loans were available to borrowers with existing loans made under the FFEL Program and other federal programs to consolidate repayment of the borrower's existing loans. Prior to July 1, 1994, the FFEL Program also offered Supplemental Loans for Students ("*SLS Loans*") to graduate and professional students and independent undergraduate students and, under certain circumstances, dependent undergraduate students, to supplement their Stafford Loans.

### **Subsidized Stafford Loans**

**General.** Subsidized Stafford Loans are eligible for insurance and reinsurance under the Higher Education Act if the eligible student to whom the loan was made had been accepted or was 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. Subsidized Stafford Loans had limits as to the maximum amount which may be borrowed for an academic year and in the aggregate for both undergraduate and graduate or professional study. Both annual and aggregate limitations exclude loans made under the PLUS Loan Program. The Secretary of Education had discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subsidized Stafford Loans were made only to student borrowers who met the needs tests provided in the Higher Education Act. Provisions addressing the implementation of needs analysis and the relationship between unmet need for financing and the availability of Subsidized Stafford Loan Program funding were the subject of frequent and extensive amendment.

**Interest rates for Subsidized Stafford Loans.** For Stafford Loans first disbursed to a "new" borrower (a "new" borrower is defined for purposes of this section as one who has no outstanding balance on a FFELP Loan on the date the new promissory note is signed) for a period of enrollment beginning before January 1, 1981, the applicable interest rate is fixed at 7%.

For Stafford Loans first disbursed to a "new" borrower, for a period of enrollment beginning on or after January 1, 1981, but before September 13, 1983, the applicable interest rate is fixed at 9%.

For Stafford Loans first disbursed to a "new" borrower, for a period of enrollment beginning on or after September 13, 1983, but before July 1, 1988, the applicable interest rate is fixed at 8%.

For Stafford Loans first disbursed to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, where the new loan is intended for a period of enrollment beginning before July 1, 1988, the applicable interest rate is fixed at 8%.

For Stafford Loans first disbursed before October 1, 1992, to a "new" borrower or to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not a Stafford Loan, where the new loan is intended for a period of enrollment beginning on or after July 1, 1988, the applicable interest rate is as follows:

- Original fixed interest rate of 8% for the first 48 months of repayment. Beginning on the first day of the 49<sup>th</sup> month of repayment, the interest rate increased to a fixed rate of 10% thereafter. Loans in this category were subject to Excess Interest Payment Amounts and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.25%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for loans in this category is 10%.

For Stafford Loans first disbursed on or after July 23, 1992, but before July 1, 1994, to a borrower with an outstanding Stafford Loan made with a 7%, 8%, 9%, or 8%/10% fixed interest rate, the original, applicable interest rate is the same as the rate provided on the borrower's previous Stafford Loan (i.e., a fixed rate of 7%, 8%, 9%, or 8%/10%). Loans in this category were subject to Excess Interest Payment Amounts and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is equal to the loan's previous fixed rate (i.e., 7%, 8%, 9%, or 10%).

For Stafford Loans first disbursed on or after October 1, 1992, but before December 20, 1993, to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, the original, applicable interest rate is fixed at 8%. Loans in this category were subject to Excess Interest Payment Amounts and have been converted to a variable interest rate based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 8%.

For Stafford Loans first disbursed on or after October 1, 1992, but before July 1, 1994, to a "new" borrower, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 9%.

For Stafford Loans first disbursed on or after December 20, 1993, but before July 1, 1994, to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation Loan, but not on a Stafford Loan, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 9%.

For Stafford Loans first disbursed on or after July 1, 1994, but before July 1, 1995, where the loan was intended for a period of enrollment that included or began on or after July 1, 1994, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate for a loan in this category is 8.25%.

For Stafford Loans first disbursed on or after July 1, 1995, but before July 1, 1998, the applicable interest rate is as follows:

- When the borrower is in school, in grace, or in an authorized period of deferment, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 2.5%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.
- When the borrower is in repayment or in a period of forbearance, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

For Stafford Loans first disbursed on or after July 1, 1998, but before July 1, 2006, the applicable interest rate is as follows:

- When the borrower is in school, in grace, or in an authorized period of deferment, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 1.7%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.
- When the borrower is in repayment or in a period of forbearance, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1, plus 2.3%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 8.25%.

For Stafford Loans first disbursed on or after July 1, 2006, the applicable interest rate is fixed at 6.80%. However, for Stafford Loans for undergraduates, the applicable interest rate is reduced in phases for which the first disbursement is made on or after:

- July 1, 2008 and before July 1, 2009, the applicable interest rate is fixed at 6.00%,
- July 1, 2009 and before July 1, 2010, the applicable interest rate is fixed at 5.60%,

### **Unsubsidized Stafford Loans**

**General.** The Unsubsidized Stafford Loan program was created by Congress in 1992 for students who did not qualify for Subsidized Stafford Loans due to parental and/or student income and assets in excess of permitted amounts. These students are entitled to borrow the difference between the Stafford Loan maximum for their status (dependent or independent) and their Subsidized Stafford Loan eligibility through the Unsubsidized Stafford Loan Program. The general requirements for Unsubsidized Stafford Loans, including Special Allowance Payments, were essentially the same as those for Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the federal government does not make interest subsidy payments and the loan limitations are determined without respect to the expected family contribution. The borrower is required to either pay interest from the time the loan is disbursed or the accruing interest is capitalized when repayment begins and during periods of deferment and forbearance. Unsubsidized Stafford Loans were not available before October 1, 1992. A student meeting the general eligibility requirements for a loan under the FFEL Program was eligible for an Unsubsidized Stafford Loan without regard to need.

**Interest rates for Unsubsidized Stafford Loans.** Unsubsidized Stafford Loans are subject to the same interest rate provisions as Subsidized Stafford Loans, with the exception of Unsubsidized Stafford Loans first disbursed on or after July 1, 2008, which retain a fixed interest rate of 6.80%.

### **PLUS Loans**

**General.** PLUS Loans were made to parents, and under certain circumstances spouses of remarried parents, of dependent undergraduate students. Effective July 1, 2006, graduate and professional students were eligible borrowers under the PLUS Loan program. For PLUS Loans made on or after July 1, 1993, the borrower must not have had an adverse credit history as determined by criteria established by the Secretary of Education. The basic provisions applicable to PLUS Loans were similar to those of Stafford Loans with respect to the involvement of Guarantee Agencies and the Secretary of Education in providing federal insurance and reinsurance on the loans. However, PLUS Loans differ significantly, particularly from the Subsidized Stafford Loans, in that federal interest subsidy payments are not available under the PLUS Loan Program and Special Allowance Payments are more restricted.

**Interest rates for PLUS Loans.** For PLUS Loans first disbursed on or after January 1, 1981, but before October 1, 1981, the applicable interest rate is fixed at 9%.

For PLUS Loans first disbursed on or after October 1, 1981, but before November 1, 1982, the applicable interest rate is fixed at 14%.

For PLUS Loans first disbursed on or after November 1, 1982, but before July 1, 1987, the applicable interest rate is fixed at 12%.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after July 1, 1987, but before October 1, 1992, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury bill yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.25%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 12%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.25%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 12%. PLUS Loans originally made at a fixed interest rate, which have been refinanced for purposes of securing a variable interest rate, are subject to the variable interest rate calculation described in this paragraph.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after October 1, 1992, but before July 1, 1994, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 10%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 10%.

Beginning July 1, 2001, for PLUS Loans first disbursed on or after July 1, 1994, but before July 1, 1998, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 9%. Prior to July 1, 2001, PLUS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 9%.

For PLUS Loans first disbursed on or after July 1, 1998, but before July 1, 2006, the applicable interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 9%.

For PLUS Loans first disbursed on or after July 1, 2006, the applicable interest rate is fixed at 8.5%.

## **SLS Loans**

**General.** SLS Loans were limited to graduate or professional students, independent undergraduate students, and dependent undergraduate students, if the students' parents were unable to obtain a PLUS Loan. Except for dependent undergraduate students, eligibility for SLS Loans was determined without regard to need. SLS Loans were similar to Stafford Loans with respect to the involvement of Guarantee Agencies and the Secretary of Education in providing federal insurance and reinsurance on the loans. However, SLS Loans differed significantly, particularly from Subsidized Stafford Loans, because federal interest subsidy payments were not available under the SLS Loan Program and Special Allowance Payments were more restricted. The SLS Loan Program was discontinued on July 1, 1994.

**Interest rates for SLS Loans.** The applicable interest rates on SLS Loans made before October 1, 1992, and on SLS Loans originally made at a fixed interest rate, which have been refinanced for purposes of securing a variable interest rate, are identical to the applicable interest rates described for PLUS Loans made before October 1, 1992.

For SLS Loans first disbursed on or after October 1, 1992, but before July 1, 1994, the applicable interest rate is as follows:

- Beginning July 1, 2001, the applicable interest rate is variable and is based on the weekly average one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 preceding July 1 of each year, plus 3.1%. The variable interest rate is adjusted annually on July 1. The maximum interest rate is 11%. Prior to July 1, 2001, SLS Loans in this category had interest rates which were based on the 52-week Treasury bill auctioned at the final auction held prior to the preceding June 1, plus 3.1%. The annual (July 1) variable interest rate adjustment was applicable prior to July 1, 2001, as was the maximum interest rate of 11%.

### **Consolidation Loans**

**General.** The Higher Education Act authorized a program under which certain borrowers could consolidate their various federally insured education loans into a single loan insured and reinsured on a basis similar to Stafford Loans. Consolidation Loans could be obtained in an amount sufficient to pay outstanding principal, unpaid interest, late charges, and collection costs on federally insured or reinsured student loans incurred under the Federal Family Education Loan and Direct Loan Programs, including PLUS Loans made to the consolidating borrower, as well as loans made under the Perkins Loan (formally National Direct Student Loan Program), FISL, Nursing Student Loan (NSL), Health Education Assistance Loan (HEAL), and Health Professions Student Loan (HPSL) Programs. To be eligible for a FFELP Consolidation Loan, a borrower must:

- have had outstanding indebtedness on student loans made under the FFEL Program and/or certain other federal student loan programs; and
- have been in repayment status or in a grace period on loans that are to be consolidated.

Borrowers who were in default on loans that were to be consolidated must first have made satisfactory arrangements to repay the loans to the respective holder(s) or must have agreed to repay the consolidating lender under an income-sensitive repayment arrangement in order to include the defaulted loans in the Consolidation Loan. For applications received on or after January 1, 1993, borrowers were permitted to add additional loans to a Consolidation Loan during the 180-day period following the origination of the Consolidation Loan.

A married couple who agreed to be jointly liable on a Consolidation Loan for which the application was received on or after January 1, 1993, but before July 1, 2006, were treated as an individual for purposes of obtaining a Consolidation Loan.

**Interest rates for Consolidation Loans.** For Consolidation Loans disbursed before July 1, 1994, the applicable interest rate is fixed at the greater of:

- 9%, or
- The weighted average of the interest rates on the loans being consolidated, rounded to the nearest whole percent.

For Consolidation Loans disbursed on or after July 1, 1994, based on applications received by the lender before November 13, 1997, the applicable interest rate is fixed and is based on the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest whole percent.

For Consolidation Loans on which the application is received by the lender between November 13, 1997, and September 30, 1998, inclusive, the applicable interest rate is variable according to the following:

- For the portion of the Consolidation Loan which is comprised of FFELP, Direct, FISL, Perkins, HPSL, or NSL loans, the variable interest rate is based on the bond equivalent rate of the 91-day Treasury bills auctioned at the final auction before the preceding June 1, plus 3.1%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. The maximum interest rate for this portion of the Consolidation Loan is 8.25%.

- For the portion of the Consolidation Loan which is attributable to HEAL Loans (if applicable), the variable interest rate is based on the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending June 30, plus 3.0%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. There is no maximum interest rate for the portion of a Consolidation Loan that is represented by HEAL Loans.

For Consolidation Loans on which the application is received by the lender on or after October 1, 1998, the applicable interest rate is determined according to the following:

- For the portion of the Consolidation Loan which is comprised of FFELP, Direct, FISL, Perkins, HPSL, or NSL loans, the applicable interest rate is fixed and is based on the weighted average of the interest rates on the non-HEAL loans being consolidated, rounded up to the nearest one-eighth of one percent. The maximum interest rate for this portion of the Consolidation Loan is 8.25%.
- For the portion of the Consolidation Loan which is attributable to HEAL Loans (if applicable), the applicable interest rate is variable and is based on the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending June 30, plus 3.0%. The variable interest rate for this portion of the Consolidation Loan is adjusted annually on July 1. There is no maximum interest rate for the portion of the Consolidation Loan that is represented by HEAL Loans.

For a discussion of required payments that reduce the return on Consolidation Loans, see “—Fees—Rebate fee on Consolidation Loans” below.

### **Interest rate during active duty**

The Higher Education Opportunity Act of 2008 revised the Servicemembers Civil Relief Act to include FFEL Program loans. Interest charges on FFEL Program loans are capped at 6% during a period of time on or after August 14, 2008, in which a borrower has served or is serving on active duty in the Armed Forces, National Oceanic and Atmospheric Administration, Public Health Services, or National Guard. The interest charge cap includes the interest rate in addition to any fees, service charges, and other charges related to the loan. The cap is applicable to loans made prior to the date the borrower was called to active duty.

### **Maximum loan amounts**

Each type of loan is subject to certain limits on the maximum principal amount, with respect to a given academic year and in the aggregate. Consolidation Loans were limited only by the amount of eligible loans to be consolidated. PLUS Loans are limited to the difference between the cost of attendance and the other aid available to the student. Stafford Loans, subsidized and unsubsidized, are subject to both annual and aggregate limits according to the provisions of the Higher Education Act.

***Loan limits for Subsidized Stafford and Unsubsidized Stafford Loans.*** Dependent and independent undergraduate students were subject to the same annual loan limits on Subsidized Stafford Loans; independent students were allowed greater annual loan limits on Unsubsidized Stafford Loans. A student who had not successfully completed the first year of a program of undergraduate education was permitted to borrow up to \$3,500 in Subsidized Stafford Loans in an academic year. A student who had successfully completed the first year, but who had not successfully completed the second year, was permitted to borrow up to \$4,500 in Subsidized Stafford Loans per academic year. An undergraduate student who had successfully completed the first and second years, but who had not successfully completed the remainder of a program of undergraduate education, was permitted to borrow up to \$5,500 in Subsidized Stafford Loans per academic year.

Dependent students were permitted to borrow an additional \$2,000 in Unsubsidized Stafford Loans for each year of undergraduate study. Independent students were permitted to borrow an additional \$6,000 of Unsubsidized Stafford Loans for each of the first two years and an additional \$7,000 for the third, fourth, and fifth year of undergraduate study. For students enrolled in programs of less than an academic year in length, the limits were generally reduced in proportion to the amount by which the programs were less than one year in length. A graduate or professional

student was permitted to borrow up to \$20,500 in an academic year where no more than \$8,500 was representative of Subsidized Stafford Loan amounts.

The maximum aggregate amount of Subsidized Stafford and Unsubsidized Stafford Loans, including that portion of a Consolidation Loan used to repay such loans, which a dependent undergraduate student was permitted to have outstanding was \$31,000 (of which only \$23,000 may have been Subsidized Stafford Loans). An independent undergraduate student was permitted to have an aggregate maximum of \$57,500 (of which only \$23,000 may have been Subsidized Stafford Loans). The maximum aggregate amount of Subsidized Stafford and Unsubsidized Stafford Loans, including the portion of a Consolidation Loan used to repay such loans, for a graduate or professional student, including loans for undergraduate education, is \$138,000, of which only \$65,000 may have been Subsidized Stafford Loans. In some instances, schools were permitted to certify loan amounts in excess of the limits, such as for certain health profession students.

***Loan limits for PLUS Loans.*** For PLUS Loans made on or after July 1, 1993, the annual amounts of PLUS Loans were limited only by the student's unmet need. There was no aggregate limit for PLUS Loans.

### **Disbursement requirements**

The Higher Education Act required that Stafford Loans and PLUS Loans be disbursed by eligible lenders in at least two separate installments. The proceeds of a loan made to any first-year undergraduate student borrowing for the first time under the program must have been delivered to the student no earlier than 30 days after the enrollment period begins, with a few exceptions.

Effective February 8, 2006, the date of enactment of the Higher Education Reconciliation Act of 2005, schools with a cohort default rate of less than 10% for the three most recent fiscal years for which data is available (with the exception of foreign schools, beginning July 1, 2006) were permitted to request disbursement in single installments and were excused from the 30-day delayed delivery requirement applicable to first-time, first-year borrowers.

### **Repayment**

***Repayment periods.*** Loans made under the FFEL Program, other than Consolidation Loans and loans being repaid under an income-based or extended repayment schedule, must provide for repayment of principal in periodic installments over a period of not less than five nor more than ten years. A borrower may request, with concurrence of the lender, to repay the loan in less than five years with the right to subsequently extend the minimum repayment period to five years. Since the 1998 amendments, lenders were required to offer extended repayment schedules to new borrowers who accumulate outstanding FFELP Loans of more than \$30,000, in which case the repayment period may extend up to 25 years, subject to certain minimum repayment amounts. Consolidation Loans must be repaid within maximum repayment periods which vary depending upon the principal amount of the borrower's outstanding student loans, but may not exceed 30 years. For Consolidation Loans for which the application was received prior to January 1, 1993, the repayment period cannot exceed 25 years. Periods of authorized deferment and forbearance are excluded from the maximum repayment period. In addition, if the repayment schedule on a loan with a variable interest rate does not provide for adjustments to the amount of the monthly installment payment, the maximum repayment period may be extended for up to three years.

Repayment of principal on a Stafford Loan does not begin until a student drops below at least a half-time course of study. For Stafford Loans for which the applicable rate of interest is fixed at 7%, the repayment period begins between nine and twelve months after the borrower ceases to pursue at least a half-time course of study, as indicated in the promissory note. For other Stafford Loans, the repayment period begins six months after the borrower ceases to pursue at least a half-time course of study. These periods during which payments of principal are not due are the "grace periods."

In the case of SLS, PLUS, and Consolidation Loans, the repayment period begins on the date of final disbursement of the loan, except that the borrower of a SLS Loan who also has a Stafford Loan may postpone repayment of the SLS Loan to coincide with the commencement of repayment of the Stafford Loan.

During periods in which repayment of principal is required, unless the borrower is repaying under an income-based repayment schedule, payments of principal and interest must in general be made at a rate of at least \$600 per year, except that a borrower and lender may agree to a lesser rate at any time before or during the repayment period. However, at a minimum, the payments must satisfy the interest that accrues during the year. Borrowers may make accelerated payments at any time without penalty.

***Income-sensitive repayment schedule.*** Since 1993, lenders have been required to offer income-sensitive repayment schedules, in addition to standard and graduated repayment schedules, for Stafford, SLS, and Consolidation Loans. Beginning in 2000, lenders have been required to offer income-sensitive repayment schedules to PLUS borrowers as well. Use of income-sensitive repayment schedules may extend the maximum repayment period for up to five years if the payment amount established from the borrower's income will not repay the loan within the maximum applicable repayment period.

***Income-based repayment schedule.*** Effective July 1, 2009, a borrower in the FFEL Program or Federal Direct Loan Program, other than a PLUS Loan made to a parent borrower or any Consolidation Loan that repaid one or more parent PLUS loans, was able to qualify for an income-based repayment schedule regardless of the disbursement dates of the loans if he or she has a partial financial hardship. A borrower has a financial hardship if the annual loan payment amount based on a 10-year repayment schedule exceeds 15% of the borrower's adjusted gross income, minus 150% of the poverty line for the borrower's actual family size. Interest will be paid by the Secretary of Education for subsidized loans for the first three years for any borrower whose scheduled monthly payment is not sufficient to cover the accrued interest. Interest will capitalize at the end of the partial financial hardship period, or when the borrower begins making payments under a standard repayment schedule. The Secretary of Education will cancel any outstanding balance after 25 years if a borrower who has made payments under this schedule meets certain criteria.

***Deferment periods.*** No principal payments need be made during certain periods of deferment prescribed by the Higher Education Act. For a borrower who first obtained a Stafford or SLS loan which was disbursed before July 1, 1993, deferments are available:

- during a period not exceeding three years while the borrower is a member of the Armed Forces, an officer in the Commissioned Corps of the Public Health Service or, with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, an active duty member of the National Oceanic and Atmospheric Administration Corps;
- during a period not exceeding three years while the borrower is a volunteer under the Peace Corps Act;
- during a period not exceeding three years while the borrower is a full-time paid volunteer under the Domestic Volunteer Act of 1973;
- during a period not exceeding three years while the borrower is a full-time volunteer in service which the Secretary of Education has determined is comparable to service in the Peace Corp or under the Domestic Volunteer Act of 1970 with an organization which is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code;
- during a period not exceeding two years while the borrower is serving an internship necessary to receive professional recognition required to begin professional practice or service, or a qualified internship or residency program;
- during a period not exceeding three years while the borrower is temporarily totally disabled, as established by sworn affidavit of a qualified physician, or while the borrower is unable to secure employment because of caring for a dependent who is so disabled;
- during a period not exceeding two years while the borrower is seeking and unable to find full-time employment;

- during any period that the borrower is pursuing a full-time course of study at an eligible institution (or, with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, is pursuing at least a half-time course of study);
- during any period that the borrower is pursuing a course of study in a graduate fellowship program;
- during any period the borrower is receiving rehabilitation training services for qualified individuals, as defined by the Secretary of Education;
- during a period not exceeding six months while the borrower is on parental leave; and
- only with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan for a period of enrollment beginning on or after July 1, 1987, during a period not exceeding three years while the borrower is a full-time teacher in a public or nonprofit private elementary or secondary school in a “teacher shortage area” (as prescribed by the Secretary of Education), and during a period not exceeding one year for mothers, with preschool age children, who are entering or re-entering the work force and who are paid at a rate of no more than \$1 per hour more than the federal minimum wage.

For a borrower who first obtains a loan on or after July 1, 1993, deferments are available:

- during any period that the borrower is pursuing at least a half-time course of study at an eligible institution;
- during any period that the borrower is pursuing a course of study in a graduate fellowship program;
- during any period the borrower is receiving rehabilitation training services for qualified individuals, as defined by the Secretary of Education;
- during a period not exceeding three years while the borrower is seeking and unable to find full-time employment; and
- during a period not exceeding three years for any reason which has caused or will cause the borrower economic hardship. Economic hardship includes working full time and earning an amount that does not exceed the greater of the federal minimum wage or 150% of the poverty line applicable to a borrower’s family size and state of residence. Additional categories of economic hardship are based on the receipt of payments from a state or federal public assistance program, service in the Peace Corps, or until July 1, 2009, the relationship between a borrower’s educational debt burden and his or her income.

A borrower serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency may obtain a military deferment. Eligible borrowers may receive the deferment for all outstanding Title IV loans in repayment effective October 1, 2007, for all periods of active duty service that include that date or begin on or after that date. The deferment period includes the borrower’s service period and 180 days following the demobilization date.

A borrower serving on or after October 1, 2007, may receive up to 13 months of active duty student deferment after the completion of military service if he or she meets the following conditions:

- is a National Guard member, Armed Forces reserves member, or retired member of the Armed Forces;
- is called or ordered to active duty; and
- is enrolled at the time of, or was enrolled within six months prior to, the activation in a program at an eligible institution.

The active duty student deferment ends the earlier of when the borrower returns to an enrolled status, or at the end of 13 months.

PLUS Loans first disbursed on or after July 1, 2008, are eligible for the following deferment options:

- A parent PLUS borrower, upon request, may defer the repayment of the loan during any period during which the student for whom the loan was borrowed is enrolled at least half time. Also upon request, the borrower can defer the loan for the six-month period immediately following the date on which the student for whom the loan was borrowed ceases to be enrolled at least half time, or if the parent borrower is also a student, the date after he or she ceases to be enrolled at least half time.
- A graduate or professional student PLUS borrower may defer the loan for the six-month period immediately following the date on which he or she ceases to be enrolled at least half time. This option does not require a request and may be granted each time the borrower ceases to be enrolled at least half time.

Prior to the 1992 amendments, only certain of the deferments described above were available to PLUS and Consolidation Loan borrowers. Prior to the 1986 amendments, PLUS Loan borrowers were not entitled to certain deferments.

***Forbearance periods.*** The Higher Education Act also provides for periods of forbearance during which the lender, in case of a borrower's temporary financial hardship, may postpone any payments. A borrower is entitled to forbearance for a period not exceeding three years while the borrower's debt burden under Title IV of the Higher Education Act (which includes the FFEL Program) equals or exceeds 20% of the borrower's gross income. A borrower is also entitled to forbearance while he or she is serving in a qualifying internship or residency program, a "national service position" under the National and Community Service Trust Act of 1993, a qualifying position for loan forgiveness under the Teacher Loan Forgiveness Program, or a position that qualifies him or her for loan repayment under the Student Loan Repayment Program administered by the Department of Defense. In addition, mandatory administrative forbearances are provided in exceptional circumstances such as a local or national emergency, a military mobilization, or when the geographical area in which the borrower or endorser resides has been designated a disaster area by the President of the United States or Mexico, the Prime Minister of Canada, or by the governor of a state.

Interest payments during grace, deferment, and forbearance periods. The Secretary of Education makes interest payments on behalf of the borrower for certain eligible loans while the borrower is in school and during grace and deferment periods. Interest that accrues during forbearance periods and, if the loan is not eligible for interest subsidy payments, during in-school, grace, and deferment periods, may be paid monthly or quarterly by the borrower. Any unpaid accrued interest may be capitalized by the lender.

## **Fees**

***Guarantee fee and Federal default fee.*** For loans for which the date of guarantee of principal is on or after July 1, 2006, a Guarantee Agency was required to collect and deposit into the Federal Student Loan Reserve Fund a Federal default fee in an amount equal to 1% of the principal amount of the loan. The fee was collected either by deduction from the proceeds of the loan or by payment from other non-Federal sources. Federal default fees could not be charged to borrowers of Consolidation Loans.

***Origination fee.*** Beginning with loans first disbursed on or after July 1, 2006, the maximum origination fee which could be charged to a Stafford Loan borrower decreased according to the following schedule:

- 1.5% with respect to loans for which the first disbursement was made on or after July 1, 2007, and before July 1, 2008;
- 1.0% with respect to loans for which the first disbursement was made on or after July 1, 2008, and before July 1, 2009; and

- 0.5% with respect to loans for which the first disbursement was made on or after July 1, 2009, and before July 1, 2010.

A lender was permitted to charge a lesser origination fee to Stafford Loan borrowers as long as the lender does so consistently with respect to all borrowers who reside in or attend school in a particular state. Regardless of whether the lender passed all or a portion of the origination fee on to the borrower, the lender was required to pay the origination fee owed on each loan it made to the Secretary of Education.

An eligible lender was required to charge the borrower of a PLUS Loan an origination fee equal to 3% of the principal amount of the loan. This fee was deducted proportionately from each disbursement of the PLUS Loan and was required to be remitted to the Secretary of Education.

**Lender fee.** The lender of any loan made under the FFEL Program was required to pay a fee to the Secretary of Education. For loans made on or after October 1, 2007, the fee was equal to 1.0% of the principal amount of such loan. This fee could not be charged to the borrower.

**Rebate fee on Consolidation Loans.** The holder of any Consolidation Loan made on or after October 1, 1993, is required to pay to the Secretary of Education a monthly rebate fee. For loans made on or after October 1, 1993, from applications received prior to October 1, 1998, and after January 31, 1999, the fee is equal to 0.0875% (1.05% per annum) of the principal and accrued interest on the Consolidation Loan. For loans made from applications received during the period beginning on or after October 1, 1998, through January 31, 1999, the fee is 0.0517% (0.62% per annum).

**Interest subsidy payments**

Interest subsidy payments are interest payments paid on the outstanding principal balance of an eligible loan before the time that the loan enters repayment and during deferment periods. The Secretary of Education and the Guarantee Agencies entered into interest subsidy agreements whereby the Secretary of Education agrees to pay interest subsidy payments on a quarterly basis to the holders of eligible guaranteed loans for the benefit of students meeting certain requirements, subject to the holders’ compliance with all requirements of the Higher Education Act. Subsidized Stafford Loans are eligible for interest payments. Consolidation Loans for which the application was received on or after January 1, 1993, are eligible for interest subsidy payments. Consolidation Loans made from applications received on or after August 10, 1993, are eligible for interest subsidy payments only if all underlying loans consolidated are Subsidized Stafford Loans. Consolidation Loans for which the application was received by an eligible lender on or after November 13, 1997, are eligible for interest subsidy payments on that portion of the Consolidation Loan that repays subsidized FFELP Loans or similar subsidized loans made under the Direct Loan Program. The portion of the Consolidation Loan that repays HEAL Loans is not eligible for interest subsidy, regardless of the date the Consolidation Loan was made.

**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 formulas that differ according to the type of loan, the date the loan was originally made or insured, and the type of funds used to finance the loan (taxable or tax-exempt).

The effective formulas for Special Allowance Payment rates for Subsidized Stafford and Unsubsidized Stafford Loans are summarized in the following chart. The T-Bill Rate mentioned in the chart refers to the average of the bond equivalent yield of the 91-day Treasury bills auctioned during the preceding quarter.

<u>Date of Loans</u>	<u>Annualized Special Allowance Payment Rate</u>
On or after October 1, 1981	T-Bill Rate less Applicable Interest Rate + 3.5%
On or after November 16, 1986	T-Bill Rate less Applicable Interest Rate + 3.25%
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%

Date of LoansAnnualized Special Allowance Payment Rate

On or after July 1, 1995

T-Bill Rate less Applicable Interest Rate + 3.1%<sup>(1)</sup>

On or after July 1, 1998

T-Bill Rate less Applicable Interest Rate + 2.8%<sup>(2)</sup>

On or after January 1, 2000

one-month LIBOR less Applicable Interest Rate + 2.34%<sup>(3)</sup>

On or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity

one-month LIBOR less Applicable Interest Rate + 1.94%<sup>(4)</sup>

All other loans on or after October 1, 2007

one-month LIBOR less Applicable Interest Rate + 1.79%<sup>(5)</sup><sup>(1)</sup> Substitute 2.5% in this formula while such loans are in-school, grace, or deferment status<sup>(2)</sup> Substitute 2.2% in this formula while such loans are in-school, grace, or deferment status.<sup>(3)</sup> Substitute 1.74% in this formula while such loans are in-school, grace, or deferment status; lender made the affirmative election to substitute "1 Month LIBOR Rate" for "3 Month Commercial Paper Rate" pursuant to Public Law 112-74, dated December 23, 2011, to permanently change the index for special allowance payment calculations for all loans in the lender's portfolio.<sup>(4)</sup> Substitute 1.34% in this formula while such loans are in-school, grace, or deferment status; lender made the affirmative election to substitute "1 Month LIBOR Rate" for "3 Month Commercial Paper Rate" pursuant to Public Law 112-74, dated December 23, 2011, to permanently change the index for special allowance payment calculations for all loans in the lender's portfolio.<sup>(5)</sup> Substitute 1.19% in this formula while such loans are in-school, grace, or deferment status; lender made the affirmative election to substitute "1 Month LIBOR Rate" for "3 Month Commercial Paper Rate" pursuant to Public Law 112-74, dated December 23, 2011, to permanently change the index for special allowance payment calculations for all loans in the lender's portfolio.

**PLUS, SLS, and Consolidation Loans.** The formula for Special Allowance Payments on PLUS, SLS, and Consolidation Loans are as follows:

<u>Date of Loans</u>	<u>Annualized Special Allowance Payment Rate</u>
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after January 1, 2000	one-month LIBOR less Applicable Interest Rate + 2.64%
PLUS loans on or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	one-month LIBOR less Applicable Interest Rate + 1.94%*
All other PLUS loans on or after October 1, 2007	one-month LIBOR less Applicable Interest Rate + 1.79%*
Consolidation loans on or after October 1, 2007 and held by a Department of Education certified not-for-profit holder or Eligible Lender Trustee holding on behalf of a Department of Education certified not-for-profit entity	one-month LIBOR less Applicable Interest Rate + 2.24%*
All other Consolidation loans on or after October 1, 2007	one-month LIBOR less Applicable Interest Rate + 2.09%*

\* Lender made the affirmative election to substitute "1 Month LIBOR Rate" for "3 Month Commercial Paper Rate" pursuant to Public Law 112-74, dated December 23, 2011, to permanently change the index for special allowance payment calculations for all loans in the lender's portfolio.

For PLUS and SLS Loans made prior to July 1, 1994, and PLUS loans made on or after July 1, 1998, which bear interest at rates adjusted annually, Special Allowance Payments are made only in quarters during which the interest rate ceiling on such loans operates to reduce the rate that would otherwise apply based upon the applicable formula. See "Interest Rates for PLUS Loans" and "Interest Rates for SLS Loans." Special Allowance Payments are available on variable rate PLUS Loans and SLS Loans made on or after July 1, 1987, and before July 1, 1994, and on any PLUS Loans made on or after July 1, 1998, and before January 1, 2000, only if the variable rate, which is

reset annually, based on the weekly average one-year constant maturity Treasury yield for loans made before July 1, 1998, and based on the 91-day or 52-week Treasury bill, as applicable for loans made on or after July 1, 1998, exceeds the applicable maximum borrower rate. The maximum borrower rate is between 9% and 12% per annum. The portion, if any, of a Consolidation Loan that repaid a HEAL Loan is ineligible for Special Allowance Payments.

**Recapture of excess interest.** The Higher Education Reconciliation Act of 2005 provides that, with respect to a loan for which the first disbursement of principal was made on or after April 1, 2006, if the applicable interest rate for any three-month period exceeds the special allowance support level applicable to the loan for that period, an adjustment must be made by calculating the excess interest and crediting such amounts to the Secretary of Education not less often than annually. The amount of any adjustment of interest for any quarter will be equal to:

- the applicable interest rate minus the special allowance support level for the loan, multiplied by
- the average daily principal balance of the loan during the quarter, divided by
- four.

**Special Allowance Payments for loans financed by tax-exempt bonds.** The effective formulas for special allowance payment rates for Stafford Loans and Unsubsidized Stafford Loans differ depending on whether loans to borrowers were acquired or originated with the proceeds of tax-exempt obligations. The formula for Special Allowance Payments for loans financed with the proceeds of tax-exempt obligations originally issued prior to October 1, 1993 is:

$$\frac{\text{T-Bill Rate less Applicable Interest Rate} + 3.5\%}{2}$$

2

*provided* that the special allowance applicable to the loans may not be less than 9.5% less the Applicable Interest Rate. Special rules apply with respect to Special Allowance Payments made on loans

- originated or acquired with funds obtained from the refunding of tax-exempt obligations issued prior to October 1, 1993, or
- originated or acquired with funds obtained from collections on other loans made or purchased with funds obtained from tax-exempt obligations initially issued prior to October 1, 1993.

Amounts derived from recoveries of principal on loans eligible to receive a minimum 9.5% Special Allowance Payment may only be used to originate or acquire additional loans by a unit of a state or local government, or non-profit entity not owned or controlled by or under common ownership of a for-profit entity and held directly or through any subsidiary, affiliate or trustee, which entity has a total unpaid balance of principal equal to or less than \$100,000,000 on loans for which special allowances were paid in the most recent quarterly payment prior to September 30, 2005. Such entities may originate or acquire additional loans with amounts derived from recoveries of principal until June 30, 2010. Loans acquired with the proceeds of tax-exempt obligations originally issued after October 1, 1993, receive Special Allowance Payments made on other loans. Beginning October 1, 2006, in order to receive 9.5% Special Allowance Payments, a lender must undergo an audit arranged by the Secretary of Education attesting to proper billing for 9.5% payments on only eligible “first generation” and “second generation” loans. First generation loans include those loans acquired using funds directly from the issuance of the tax-exempt obligation. Second-generation loans include only those loans acquired using funds obtained directly from first-generation loans. Furthermore, the lender must certify compliance of its 9.5% billing on such loans with each request for payment.

**Adjustments to Special Allowance Payments.** Special Allowance Payments and interest subsidy payments are reduced by the amount which the lender is authorized or required to charge as an origination fee. In addition, the amount of the lender origination fee is collected by offset to Special Allowance Payments and interest subsidy payments. The Higher Education Act provides that if Special Allowance Payments or interest subsidy payments have not been made within 30 days after the Secretary of Education receives an accurate, timely, and complete request, the special allowance payable to the lender must be increased by an amount equal to the daily interest accruing on the special allowance and interest subsidy payments due the lender.

**Weighted Average Lives, Expected Maturities  
and Percentages of Original Principal Remaining at Each  
Monthly Distribution Date for the Series 2012-1 Senior Notes**

Prepayments on pools of student loans can be calculated based on a variety of prepayment models. The model used to calculate prepayments in this Offering Memorandum is based on a constant percentage rate (“CPR”).

CPR is stated as an annualized rate and is calculated as the percentage of the loan amount outstanding at the beginning of a period (including accrued interest to be capitalized), after applying scheduled payments, that prepays during that period. The CPR model assumes that student loans will prepay in each month according to the following formula:

$$\text{Monthly Prepayments} = (\text{Balance (including accrued interest to be capitalized)} \\ \text{after scheduled payments}) \times (1 - (1 - \text{CPR})^{1/12})$$

The CPR model does not purport to describe historical prepayment experience or predict the prepayment rate of any actual student loan pool. The student loans will not prepay according to the CPR, nor will all of the student loans prepay at the same rate. You must make an independent decision regarding the appropriate principal prepayment scenarios to use in making any investment decision.

The tables below show the weighted average remaining lives, expected maturity dates and percentages of original principal remaining of the notes at certain monthly distribution dates under various CPR scenarios.

For purposes of calculating the information presented in the tables, it is assumed, among other things, that:

- the statistical cut-off date for the trust student loans is as of July 31, 2012;
- the closing date is expected to be on or about September 27, 2012;
- all trust student loans (as grouped within the “replines” described below) remain in their current status until their status end date and then move to repayment, and no trust student loan moves from repayment to any other status;
- there are government payment delays of 60 days for interest subsidy and Special Allowance Payments and Excess Interest Payment Amount delays of 60 days;
- if (i) the Subordinate Asset Percentage is below 100.5% or (ii) beginning on the August 2023 Monthly Calculation Date, the Surplus Fund balance is greater than \$8,500,000, then on the Monthly Distribution Date in the immediately following month, the Issuer will use all of the amounts on deposit in the Surplus Account to redeem senior Auction Rate Notes first, then subordinate Auction Rate Notes second;
- no delinquencies or defaults occur on any of the trust student loans, no repurchases for breaches of representations, warranties or covenants occur, and all borrower payments are collected in full;
- index levels for calculation of borrower and government payments are:
  - One-month LIBOR of 0.24%;
  - Three-month LIBOR of 0.44%;
  - 91-day Treasury bill rate of 0.09%;

- o One-year Treasury bill rate of 0.19%; and
- o Three-month CP rate of 0.21%
- monthly distributions begin on September 25, 2012 with respect to the Previous Notes and on October 25, 2012 with respect to the Series 2012-1 Senior Notes, and payments are made monthly on the 25th day of every month thereafter, whether or not the 25th is a business day;
- the interest rate for the outstanding notes at all times will be equal to 0.74%;
- all payments are assumed to be made at the end of the month and amounts on deposit in the Collection Fund, Acquisition Fund, Surplus Fund, Reserve Fund and Excess Interest Payment Amounts in the Administration Fund, including reinvestment income earned in the previous month, net of servicing fees, are reinvested in eligible investments at the assumed reinvestment rate of 0.09% per annum through the end of the collection period; reinvestment earnings are available for distribution from the prior collection period;
- there are no borrower benefits on the Student Loans;
- the pool of trust student loans were grouped into 3,454 representative loans (“replines”), which have been created, for modeling purposes, from individual trust student loans based on combinations of similar individual student loan characteristics, which include, but are not limited to, interest rate, loan type, index, rate cap and remaining term;
- the pool of trust student loans were grouped into 91 replines representing \$10,000,000 of Student Loans purchased pursuant to the Forward Flow Purchase Agreement as of July 31, 2012 and an additional \$10,000,000 of Student Loans purchased per month, for the first 6 months, with the proceeds from the Acquisition Fund at a price of 94.25%
- the Auction Rate Notes are accruing interest at the maximum rate under the indenture;
- the initial balances of the Reserve Fund (as of the Closing Date), the Surplus Fund (as of August 25, 2012) and the Collection Fund (as of the Closing Date) are equal to \$9,422,625, \$4,684 and \$3,631,613, respectively;
- Servicing Fees for Student Loans serviced by the Servicers are \$2.25 per borrower;
- Indenture Trustee fees are equal to 0.0055% per annum with respect to the Series 2012-1 Senior Notes and 0.0075% with respect to the Previous Notes and a minimum of \$1,000 per month, paid on a monthly basis;
- Eligible Lender Trustee fees are equal to 0.0005% of the Outstanding Principal Amount of the Notes plus \$2,300 per annum, paid on a monthly basis;
- Delaware Trustee fees are equal to \$3,000 per annum, paid on a monthly basis;
- Administration Fees are equal to 0.05% per annum with a minimum of \$20,833, paid on a monthly basis;
- Backup Administration Fees are equal to \$10,000 per annum, paid on a monthly basis;
- UCC fees are equal to \$2,000 per annum, paid on a monthly basis;
- Rating Agency surveillance fees are equal to \$35,000 per annum, paid on a monthly basis;

**WEIGHTED AVERAGE LIVES AND EXPECTED MATURITY DATES  
OF THE NOTES AT VARIOUS PERCENTAGES OF CPR**

<b>Series</b>	<b>Weighted Average Life (years)<sup>(1)</sup></b>				
	<b>0% CPR</b>	<b>2% CPR</b>	<b>4% CPR</b>	<b>6% CPR</b>	<b>8% CPR</b>
2012-1 Senior Notes	4.04	2.62	1.83	1.39	1.12

<b>Series</b>	<b>Expected Maturity Date</b>				
	2012-1 Senior Notes	April 25, 2019	September 25, 2017	May 25, 2016	July 25, 2015

<sup>(1)</sup> The weighted average life of the notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (i) multiplying the amount of each principal payment on the notes by the number of years from the closing date to the related quarterly distribution date, (ii) adding the results, and (iii) dividing that sum by the aggregate principal amount of the notes as of the closing date.

**PERCENTAGES OF ORIGINAL PRINCIPAL OF THE NOTES  
REMAINING AT CERTAIN MONTHLY DISTRIBUTION DATES AT  
VARIOUS PERCENTAGES OF CPR**

<b>Monthly Distribution Dates</b>	<b>0% CPR</b>	<b>2% CPR</b>	<b>4% CPR</b>	<b>6% CPR</b>	<b>8% CPR</b>
September 27, 2012	100%	100%	100%	100%	100%
September 25, 2013	90%	81%	72%	63%	53%
September 25, 2014	80%	62%	44%	27%	10%
September 25, 2015	69%	43%	17%	0%	0%
September 25, 2016	57%	23%	0%	0%	0%
September 25, 2017	40%	0%	0%	0%	0%
September 25, 2018	15%	0%	0%	0%	0%
September 25, 2019	0%	0%	0%	0%	0%

The above table has been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the replines, which will differ from the characteristics and performance of the actual pool of Financed Student Loans) and should be read in conjunction therewith. In addition, the diverse characteristics, remaining terms and loan ages of the Financed Student Loans could produce slower or faster principal payments than implied by the information in this table, even if the dispersions of weighted average characteristics, remaining terms and loan ages are the same as the characteristics, remaining terms and loan ages assumed.

**DESCRIPTION OF BORROWER BENEFITS**

<b><u>Rate Reduction</u></b>	<b><u>Qualifier</u></b>	<b><u>Disqualifying Event</u></b>	<b><u>Duration of Benefit Once Earned</u></b>
0.25%	Payments made by ACH.	Termination of ACH payments.	Benefit lost upon disqualifying event.
1.00%	36 months of consecutive on-time payments.	Any delinquency greater than 14 days.	Benefit lost upon disqualifying event.
1.25%	36 months of consecutive on-time payments.	Any delinquency greater than 14 days.	Benefit lost upon disqualifying event.

The borrower benefit incentive program applicable for a specific Student Loan is dependent upon the application date for the Student Loan. Only one program is available for a single Student Loan, except in the case of an interest rate reduction for payments made by ACH, which may be obtained in addition to a benefit for making consecutive or other on-time payments.

In addition to rate reduction borrower benefit programs, a payment waiver borrower benefit incentive program is available to a small number of borrowers under Student Loans originated or purchased by us. Under this program and under certain circumstances, the requirement for borrowers to pay their last six (6) monthly payments of their loan is waived. Borrowers must have made all prior scheduled payments and must not be participating in other borrower incentive programs, including those for payments to ACH.

Borrower benefit incentives are governed by specific terms and conditions, and if such requirements are met by the borrower, the benefit may not be cancelled or changed by the Issuer or the Servicers.