#### OFFERING MEMORANDUM DATED JUNE 25, 2008



## \$600,000,000 Student Loan Backed Notes, 2008-1 Series

## South Carolina Student Loan Corporation Issuer and Servicer

We are offering the Notes in the following Tranches:

	Original Principal		Price to	Underwriting Fees and	Proceeds to the	Stated Maturity
<b>Tranche</b>	Amount	Interest Rate	<b>Public</b>	<b>Commissions</b>	Corporation*	Date
A-1 Notes	\$ 99,000,000	3-month LIBOR plus 0.50%	100%	0.3%	\$ 99,000,000	September 2, 2014
A-2 Notes	\$267,000,000	3-month LIBOR plus 0.55%	100%	0.3%	\$267,000,000	March 1, 2018
A-3 Notes	\$116,000,000	3-month LIBOR plus 0.75%	100%	0.3%	\$116,000,000	March 2, 2020
A-4 Notes	\$ <u>118,000,000</u>	3-month LIBOR plus 1.00%	100%	0.3%	\$ <u>118,000,000</u>	September 3, 2024
Total	\$ <u>600,000,000</u>				\$ <u>600,000,000</u>	

<sup>\*</sup> The Corporation will pay underwriting fees and commissions and the costs of issuing the Notes from its own funds and not from the proceeds of the Notes.

You should consider carefully the "Risk Factors" in this Offering Memorandum.

The Notes are limited obligations of the Corporation payable solely from the pledged collateral described in this Offering Memorandum. The Corporation has no taxing power.

The Notes do not constitute a debt, liability or obligation, or a pledge of the full faith and credit or the taxing power, of the State of South Carolina or any of its agencies or political subdivisions.

Credit enhancement for the Notes will include overcollateralization and cash on deposit in a Debt Service Reserve Fund, as described in this Offering Memorandum. The Notes are not insured or guaranteed by any government agency or instrumentality, by any insurance company, or by any other person or entity. The holders of the Notes will have recourse to the Trust Estate pursuant to the General Resolution, but will not have recourse to any of our other assets.

Receipts of principal and certain other payments received on the Financed Student Loans and other assets held in the Trust Estate will be allocated on Distribution Dates for payment of the principal of and interest on the Notes. Funds will be allocated to provide for sequential payment of principal on the A-1 Notes through the A-4 Notes, in that order, until paid in full.

The Notes will receive distributions on the first business day of each March, June, September, and December, as described in this Offering Memorandum, beginning the first business day of September, 2008.

This Offering Memorandum constitutes a prospectus for the purpose of Article 5.4 of the European Union's Prospectus Directive (2003/71/EC) (the "*Prospectus Directive*"). Application has been made to the Irish Financial Services Regulatory Authority, as a competent authority under the Prospectus Directive, for the prospectus to be approved. Application has been made to the Irish Stock Exchange Limited (the "*Irish Stock Exchange*") for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on the regulated market of the Irish Stock Exchange.

The Notes are exempt from the registration requirements of the Securities Act of 1933, as amended, and are "exempt securities" within the meaning of the Securities Exchange Act of 1934, as amended. Pursuant to an exemption contained in the Trust Indenture Act of 1939, as amended, and to the extent provided in such Act, it is not necessary to qualify the General Resolution thereunder.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

We are offering the Notes through the underwriters when and if issued. The Notes will be delivered in book-entry only form on or about June 25, 2008.

**Joint Lead Managers** 

**RBC Capital Markets** 

Goldman, Sachs & Co.

**Co-Managers** 

**BB&T Capital Markets** 

**Stifel Nicolaus** 

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#### ADDITIONAL INFORMATION

No dealer, broker, salesman, or other person has been authorized by the Corporation or the Underwriters to give any material information or to make any material representations, other than those contained in this Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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 Corporation since the date hereof.

THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

NOTWITHSTANDING ANY INVESTIGATION THAT THE UNDERWRITERS MAY HAVE CONDUCTED WITH RESPECT TO THE INFORMATION CONTAINED HEREIN, THE UNDERWRITERS MAKE NO REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION, AND NOTHING HEREIN SHALL BE DEEMED TO CONSTITUTE SUCH A REPRESENTATION OR WARRANTY BY THE UNDERWRITERS.

THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE NOTES IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREON. NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION, THE JURISDICTIONS REFERENCED ABOVE NOR ANY OF THEIR AGENCIES HAVE APPROVED, DISAPPROVED, GUARANTEED, OR PASSED UPON THE SAFETY OF THE NOTES AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON, OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Offering Memorandum contains certain statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on beliefs of Corporation management as well as assumptions and estimates based on information currently available to the Corporation, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, depending on a variety of factors, including economic and market instability, the financial health of the Corporation and the Guaranty Agency, changes in federal and state laws applicable to the Corporation and the Notes and interest rate fluctuations. Should one or more of these risks or uncertainties materialize adversely, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described. See "RISK FACTORS."

Within this Offering Memorandum are cross-references to captions found elsewhere in this Offering Memorandum, under which you can find further related discussions. The table of contents found on the previous page indicates where such captions and discussions are located.

## IRISH STOCK EXCHANGE INFORMATION

We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge and belief the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

References in this Offering Memorandum to any website addresses set forth in this Offering Memorandum will not be deemed to constitute a part of the offering memorandum filed with the Irish Stock Exchange in connection with the listing of the Notes. Goodbody Stockbrokers will act as the listing agent and AIB International Financial Services Limited will act as the paying agent in Ireland for the Notes.

#### IRS CIRCULAR 230 NOTICE

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, NOTEHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY NOTEHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON NOTEHOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCLOSURE IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) NOTEHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

#### COMPLIANCE WITH APPLICABLE SECURITIES LAWS

THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS OFFERING MEMORANDUM NOR ANY CIRCULAR, PROSPECTUS, FORM OF APPLICATION, ADVERTISEMENT OR OTHER MATERIAL MAY BE DISTRIBUTED IN OR FROM OR PUBLISHED IN ANY COUNTRY OR JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE HANDS THIS OFFERING MEMORANDUM COMES ARE REQUIRED BY THE CORPORATION AND THE UNDERWRITERS TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN EACH COUNTRY OR JURISDICTION IN WHICH THEY PURCHASE, SELL OR DELIVER THE NOTES OR HAVE IN THEIR POSSESSION OR DISTRIBUTE SUCH OFFERING MEMORANDUM, IN ALL CASES AT THEIR OWN EXPENSE.

#### **SUMMARY OF TERMS**

The following summary is a general overview of the terms of the Notes and does not contain all of the information that you need to consider in making your investment decision.

Before deciding to purchase the Notes, you should consider the more detailed information appearing elsewhere in this Offering Memorandum.

The words "we," "us," "our," and similar terms, as well as references to the "issuer" and the "corporation" refer to the South Carolina Student Loan Corporation. This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. See "Special Note Regarding Forward Looking Statements" herein.

All capitalized terms used in this Offering Memorandum and not otherwise defined herein have the same meanings as assigned to them in the Resolution. See Exhibit II – "Glossary of Certain Defined Terms From the General and Series Resolutions."

### **Principal Parties and Dates**

#### Issuer and Servicer

South Carolina Student Loan Corporation

#### **Guaranty Agency**

South Carolina State Education Assistance Authority

#### Trustee, Paying Agent and Registrar

Wells Fargo Bank, National Association

#### **Distribution Dates**

Distribution dates for the Notes will be the first business day of each March, June, September, and December, beginning on the first business day of September, 2008. We sometimes refer to these dates as "*Distribution Dates*."

## Collection Periods

The collection periods will be three-month periods ending on the twentieth day of the month preceding the Distribution Date. However, the initial collection period will begin on the Issue Date and end on August 20, 2008.

## **Interest Periods**

The Initial Period for the Notes begins on the Issue Date and ends on the day immediately preceding the first business day of September, 2008. For any other Distribution Date, the Interest Period will begin on the prior Distribution Date and end on the day before such Distribution Date.

### Cut-off Dates

The cut-off date for the Student Loan portfolio that will be transferred to the Trust Estate on the Issue Date will be on or about June 19, 2008. All loan revenues received with respect to such Financed Student Loan portfolio after such date will be deposited in the Collection Fund other than Special Allowance Payments attributable to the period ending on such date.

For the definition of "Student Loan," see EXHIBIT II - "GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND SERIES RESOLUTIONS."

"Financed" when used with respect to Student Loans, means (i) Student Loans financed with proceeds from the Loan Account of the Program Fund, (ii) Student Loans substituted or exchanged for Student Loans described in the General Resolution adopted by the Board of Directors of the Corporation, which we refer to as the "General Resolution," and (iii) Student Loans that become part of the Trust Estate as a result of a refunding of other bonds of the Corporation, but, in any event, shall not include Student Loans released as security under the General Resolution.

The information presented in this Offering Memorandum relating to the Student Loans we expect to transfer to the Trust Estate on the Issue Date is as of April 30, 2008, which we refer to as the "Statistical Cut-off Date." We believe that the information set forth in this Offering Memorandum with respect to the Student Loans as of the statistical cut-off date is representative of the characteristics of the Student Loans as they will exist on the Issue Date

for the Notes, although certain characteristics on any Student Loans originated after the Statistical Cut-off Date will vary.

#### Issue Date

The Issue Date for this offering is expected to be on or about June 25, 2008.

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

#### General

We are offering the following Student Loan Backed Notes:

- A-1 Notes in the aggregate principal amount of \$99,000,000;
- A-2 Notes in the aggregate principal amount of \$267,000,000;
- A-3 Notes in the aggregate principal amount of \$116,000,000; and
- A-4 Notes in the aggregate principal amount of \$118,000,000.

The Notes are special, limited debt obligations of the Corporation and will be issued pursuant to the General Resolution and a Series Resolution adopted by the Board of Directors of the Corporation. We sometimes refer to these resolutions collectively as the "Resolution." The Notes will receive payments primarily from collections on a pool of Student Loans held in the Trust Estate. The Notes do not constitute a debt, liability, or obligation of the State of South Carolina or of any agency or political subdivision thereof, or a pledge of the full faith and credit of the State of South Carolina or of any agency or political subdivision thereof. The Corporation has no taxing power.

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

#### Additional Notes

The Resolution will not permit the issuance of any additional bonds, notes, or other evidences of indebtedness secured by the Trust Estate.

#### Interest on the Notes

The Notes will bear interest at the following rates:

- the A-1 Notes will bear interest at an annual rate equal to three-month LIBOR, except for the Initial Period, plus 0.50%;
- the A-2 Notes will bear interest at an annual rate equal to three-month LIBOR, except for the Initial Period, plus 0.55%;
- the A-3 Notes will bear interest at an annual rate equal to three-month LIBOR, except for the Initial Period, plus 0.75%; and
- the A-4 Notes will bear interest at an annual rate equal to three-month LIBOR, except for the Initial Period, plus 1.00%.

The Trustee will determine the rate of interest on the Notes on the second business day prior to the start of the applicable Interest Period. Interest on the Notes will be calculated on the basis of the actual number of days elapsed during the Interest Period divided by 360. For the Initial Period, the Trustee will determine the LIBOR rate according to a formula described below in "DESCRIPTION OF THE NOTES - Interest Payments."

Interest accrued on the outstanding principal balance of the Notes during each Interest Period will be paid on the following Distribution Date.

#### Principal Distributions

Principal distributions will be allocated to the Notes on each Distribution Date as described below in "THE TRUST ESTATE - Flow of Funds"

Principal will be paid first on the A-1 Notes until paid in full, second on the A-2 Notes until paid in full, third on the A-3 Notes until paid in full, and fourth on the A-4 Notes until paid in full.

See "DESCRIPTION OF THE NOTES – Principal Distributions" in this Offering Memorandum.

#### Stated Maturity

The Distribution Dates on which the Notes are due and payable in full are as follows:

<b>Tranche</b>	Stated Maturity Date
A-1	September 2, 2014
A-2	March 1, 2018
A-3	March 2, 2020
A-4	September 3, 2024

We expect that the principal of each Tranche of Notes will be paid prior to its Stated Maturity Date as a result of either

- payments and prepayments on the Financed Student Loans; or
- the exercise by us of our option to redeem the Notes in whole on the next Distribution Date occurring when the Pool Balance is 10% or less of the initial Pool Balance.

"Pool Balance" means for any date the aggregate principal balance on the Student Loans that comprise a portion of the Trust Estate on that date, including money on deposit in the Loan Account.

The expected weighted average lives and expected maturity dates for each Tranche of the Notes are set forth in Exhibit VII hereto. Exhibit VII also contains the assumptions utilized for calculating these expected weighted average lives and expected maturity dates, together with the projected remaining principal balance of each Tranche of the Notes as a percentage of the initial principal balance under various assumed prepayment scenarios. See EXHIBIT VII — "PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES, AND EXPECTED MATURITIES OF THE NOTES."

## **Description of the Corporation**

South Carolina Student Loan Corporation is a nonprofit, public benefit corporation incorporated on November 15, 1973, pursuant to the laws of the State of South Carolina, which received its final 501(c)(3) determination letter from the Internal Revenue Service on June 30, 1979. Under its Restated and Amended Articles of Incorporation, the Corporation has the power to receive, invest, administer and disburse funds for educational purposes so as to enable individuals to attend eligible educational institutions beyond the secondary school level and to make, handle, service and deal with student and parent loans as provided in the Higher Education Act of 1965, as amended. We refer to this act as the "Higher Education Act". The Corporation has been designated an "eligible lender" pursuant to Title IV of the Higher Education Act and, as agent of and an

independent contractor with the Authority, serves as the principal originator and servicer of Student Loans originated under the Federal Family Education Loan Program (the "*FFELP*") of the Higher Education Act and guaranteed by the Authority. See "THE CORPORATION" in this Offering Memorandum.

Our principal office is located at William M. Mackie, Jr. Interstate Center, Suite 210, 16 Berryhill Road, Columbia, South Carolina 29210, and our telephone number is +1 (803) 772-9480. We have a website on the world wide web at www.scstudentloan.org. Information found on the website is not part of this Offering Memorandum.

The Corporation will use the proceeds from the sale of the Notes and other funds of the Corporation to finance Student Loans; refund the Prior Bonds; fund the Debt Service Reserve Fund for the Notes, fund the Department Reserve Fund, fund the Operating Fund, and pay the costs of issuance relating to the Notes.

The only sources of funds for payment of all of the Notes are the Financed Student Loans and investments pledged to the Trustee, the payments we receive on those Financed Student Loans and investments

### **The Trust Estate**

The Trust Estate will include:

- Student Loans originated under the FFELP ("FFELP loans") transferred to the Trust Estate on the Issue Date and during the Acquisition Period:
- collections and other payments received on account of the Financed Student Loans;
- money and investments held in funds created under the Resolution, including the Program Fund (including the Loan Account and the Cost of Issuance Account therein), the Collection Fund, the Operating Fund, the Debt Service Fund (including the Principal Account and the Interest Account therein), and the Debt Service Reserve Fund, but excluding the Department Reserve Fund; and
- any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or

transferred as and for additional security under the Resolution.

We have originated and serviced the Student Loans to be transferred to the Trust Estate in the ordinary course of our student loan financing business. The South Carolina State Education Assistance Authority, as Guaranty Agency, guarantees, and the U.S. Department of Education reinsures such Student Loans, both to the maximum extent permitted by the Higher Education Act.

We will agree to purchase from the Trust Estate any Financed Student Loan that has ceased to be eligible as a Student Loan under the Resolution due to any action taken or failed to be taken by us with respect to servicing or origination that results in the loss of guarantee or federal reinsurance, Interest Subsidy Payments, or Special Allowance Payments, within 30 days of the date on which we become aware that such Student Loan becomes ineligible.

## **Joint Sharing Agreement**

Due to a U.S. Department of Education policy limiting the granting of eligible lender identification numbers, billings submitted to the U.S. Department of Education for origination fees, Interest Subsidy Payments, and Special Allowance Payments with respect to another of our trusts estate may be consolidated with billings for the payments for FFELP loans using the same lender identification number. U.S. Department of Education payments are made in lump sum form. The same may be applicable with respect to payments by a Guaranty Agency. In addition, if amounts are owed from our other unrelated trust estate to the U.S. Department of Education, U.S. Department of Education lump sum payments may be offset by these amounts and therefore may affect our other trust estate using the same eligible lender number. We have agreed, in a joint sharing agreement to allocate properly and to pay to or from the applicable trust estate amounts that should be reallocated to reflect payment on the FFELP loans of each such trust estate.

#### The Refunding

On the Issue Date, \$275,000,000 of the proceeds from the sale of the Notes will be transferred to the trustee under a different resolution of the Corporation to refund and defease certain bonds issued under that resolution. We refer to such trustee as the "*Prior Bonds Trustee*," such resolution as the "*Prior Bonds Resolution*," and such bonds as the "*Prior Bonds*." In connection with the refunding

of the Prior Bonds, Student Loans having an aggregate outstanding principal balance of approximately \$275,000,000 will be released from the lien created by the Prior Bonds Resolution and transferred to, and become part of, the Trust Estate.

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

#### The Program Fund

On the Issue Date, we will make a deposit to the Program Fund in the amount of approximately \$318,800,000.

Approximately \$2,800,000 of the amounts deposited into the Program Fund will be deposited into the Cost of Issuance Account therein. We will use such amounts to pay the costs of issuing the Notes (including underwriting fees).

Approximately \$316,000,000 of the amounts deposited into the Program Fund will be deposited into the Loan Account therein. Of this total amount, we will use approximately \$173,000,000 to refinance existing Student Loans on the Issue Date having a Value of approximately \$206,000,000 and will pledge and transfer such Student Loans to the Trust Estate.

We expect to use approximately \$143,000,000 of the deposit to the Loan Account, representing approximately 23.8% of the initial principal balance of the Notes and approximately 22.9% of the initial Pool Balance to originate additional Student Loans during the Acquisition Period.

The Acquisition Period will begin on the Issue Date and will end on March 1, 2009, or such later date as may be permitted by a Rating Confirmation. Any amounts remaining in the Loan Account at the end of the Acquisition Period will be transferred to the Collection Fund.

No recycling of revenues into additional Student Loans will be permitted under the Resolution.

#### The Collection Fund

The Trustee will establish the Collection Fund as part of the Trust Estate. The Trustee will deposit into the Collection Fund all moneys received by or on behalf of the Corporation as assets of, or with respect to, the Trust Estate.

Money on deposit in the Collection Fund will be used as described below under "THE TRUST ESTATE - Flow of Funds" in this Offering Memorandum.

## The Operating Fund

The Trustee will establish the Operating Fund as part of the Trust Estate. On the Issue Date, we will make a deposit to the Operating Fund in the amount of approximately \$250,000. Money on deposit in the Operating Fund will be used to pay all Operating Costs. Such Operating Costs will not be increased beyond the level reflected in the most recent cash flows provided to each Rating Agency prior to the issuance of the Notes (0.48% per annum) unless the Trustee shall first receive a Rating Confirmation. The Operating Fund will be funded as described below under "THE TRUST ESTATE - Flow of Funds" in this Offering Memorandum in an amount equal to the Operating Costs for the current month and such additional amount as we deem appropriate (not to exceed three months' of Operating Costs). We refer to this amount as the "Operating Fund Requirement." Amounts in the Operating Fund in excess of the Operating Fund Requirement will be transferred to the Collection Fund.

#### The Debt Service Fund

The Trustee will establish a Debt Service Fund as part of the Trust Estate and within the Debt Service Fund, a Principal Account and an Interest Account. Moneys in the Interest Account will be applied to pay interest on the Notes. Moneys in the Principal Account will be applied to pay the principal of the Notes.

Amounts deposited in all funds and accounts created and maintained under the Resolution (other than the Department Reserve Fund) will be used for the payment of principal of and interest on the Notes if there would otherwise be a default in payment. The order of funds and accounts from which moneys are to be transferred in the event that deposits of moneys in the Collection Fund to the Interest Account and Principal Account are insufficient to avoid a default in payment of principal of or interest on the Notes will be the Loan Account, the Debt Service Reserve Fund, and then the Operating Fund.

## The Debt Service Reserve Fund

The Trustee will establish the Debt Service Reserve Fund as part of the Trust Estate. On the Issue Date, we will make a deposit to the Debt

Service Reserve Fund in the amount of \$6,000,000. The Debt Service Reserve Fund is subject to a minimum amount equal to the greater of 1.0% of the principal balance of the Notes Outstanding or 0.10% of the initial principal balance of the Notes. We refer to such a minimum amount as the "Debt Service Reserve Requirement." Moneys in the Debt Service Reserve Fund will be used to pay principal of and interest on the Notes to the extent moneys in the Debt Service Account and the Loan Account are insufficient for such purposes. To the extent the amount in the Debt Service Reserve Fund falls below the Debt Service Reserve Requirement, the Debt Service Reserve Fund will be replenished on each Distribution Date from funds available in the Collection Fund as described below under "THE TRUST ESTATE - Flow of Funds" in this Offering Memorandum. Funds on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement will be transferred to the Collection Fund.

## The Department Reserve Fund

The Trustee will establish a Department Reserve Fund. The Department Reserve Fund will not be a part of the Trust Estate. On the Issue Date, we will make a deposit to the Department Reserve Fund in the amount of approximately \$3,200,000. Amounts in the Department Reserve Fund will be used to pay amounts due and payable by us to the U.S. Department of Education related to the Financed Student Loans or any other payment due and payable to a Guaranty Agency relating to its guarantee of Financed Student Loans, or any other payment due to the Corporation, another entity or trust estate if amounts due under the General Resolution to the U.S. Department of Education or a Guaranty Agency with respect to Financed Student Loans were paid by the Corporation, such other entity or trust estate pursuant to a joint sharing agreement, an intercreditor agreement, or otherwise. We refer to such amounts as the "Department Reserve Fund Amount." The Department Reserve Fund will be funded as described under "THE TRUST ESTATE -Flow of Funds" in this Offering Memorandum in an amount equal to the Department Reserve Fund Amount for the current month and such additional amount as we deem appropriate (not to exceed three months' of Department Reserve Fund Amounts). We refer to this amount as the "Department Reserve Fund Requirement." Amounts in the Department Reserve Fund in excess of the Department Reserve Fund Requirement will be transferred to the Collection Fund.

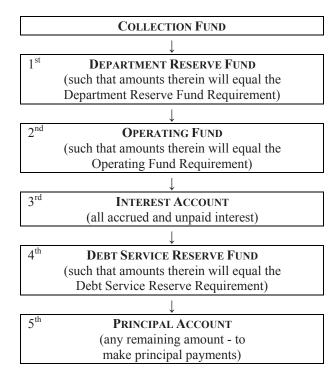
## Characteristics of the Financed Student Loan Portfolio

On the Issue Date, the Corporation will pledge to the Trust Estate a portfolio of Student Loans each having a first disbursement prior to October 1, 2007, which are described more fully below under "Characteristics of the Financed Student Loan Portfolio," having an aggregate outstanding principal balance of approximately \$471,187,168 as of April 30, 2008. As of April 30, 2008, the weighted average annual interest rate of the Student Loans was approximately 7.11% and their weighted average remaining term to scheduled maturity was approximately 115 months. We expect to use money in the Loan Account during the Acquisition Period to originate additional Student Loans.

The Financed Student Loans we expect to originate during the Acquisition Period will be Stafford loans, PLUS loans, and GradPLUS loans the first disbursement of which will occur after the Issue Date. The Resolution does not permit the funding of private student loans or Consolidation Loans with the proceeds of the Notes.

#### Flow of Funds

As of the 20<sup>th</sup> day of the month prior to each Distribution Date, prior to an event of default, money in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available, as set forth in the following chart:



See "THE TRUST ESTATE - Flow of Funds" in this Offering Memorandum.

## Flow of Funds After Events of Default

After the occurrence of an Event of Default under the General Resolution, payments of principal and interest on the Notes will be made in accordance with the provisions of the General Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Defaults and Remedies."

### No Cash Release

Cash not applied as described in items 1st through 4th above under "Flow of Funds" above will not be released from the Trust Estate but instead will be used to pay Principal Installments and make Principal Reduction Payments.

#### **Credit Enhancement**

Credit enhancement for the Notes will include overcollateralization and cash on deposit in the Debt Service Reserve Fund, as described below under "THE TRUST ESTATE – Parity Percentage" and "-The Debt Service Reserve Fund."

#### Parity Percentage

On the Issue Date, the Parity Percentage will be approximately 105%. "Parity Percentage" means

the ratio expressed as a percentage of (i) the Value of the Trust Estate, to (ii) the sum of the principal amount and accrued interest on all Notes then Outstanding under the Resolution, accrued but unpaid Operating Costs not funded in the Operating Fund on any given date, and any accrued but unpaid Department Reserve Fund Amounts not funded in the Department Reserve Fund on any given date.

Because excess cash will not be released from the Trust Estate as described above under "Flow of Funds - No Cash Release," we expect that the Parity Percentage will increase over time.

#### Servicing and Administration

The Corporation will act as servicer with respect to the Financed Student Loans and will be paid a monthly servicing fee equal to 1/12th of 0.45% of the outstanding Principal Balance of the Financed Student Loans or such greater amount as may be permitted by a Rating Confirmation.

#### **Optional Redemption**

The Notes are subject to optional redemption in whole at our option on the next Distribution Date occurring when the Pool Balance is 10% or less of the initial Pool Balance.

## **Book-Entry Registration**

The Notes will be delivered in book-entry form through The Depository Trust Company, and through Clearstream, Luxembourg and Euroclear as participants in The Depository Trust Company. You will not receive a certificate representing your Notes except in very limited circumstances. See EXHIBIT IV – "BOOK ENTRY SYSTEM" and EXHIBIT V -. "GLOBAL CLEARANCE, SETTLEMENT, AND TAX DOCUMENTATION PROCEDURES."

#### **Rating of the Notes**

The Notes will be rated by at least two Rating Agencies in their highest rating category.

#### Listing Information

Application will be made for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that such listing will be obtained. You may consult with the Irish listing agent to determine the status of the Notes.

#### **CUSIP Numbers**

A-1 Notes: 83715A AE9
A-2 Notes: 83715A AF6
A-3 Notes: 83715A AG4
A-4 Notes: 83715A AH2

## **International Securities Identification Numbers (ISIN)**

A-1 Notes: US83715AAE91
A-2 Notes: US83715AAF66
A-3 Notes: US83715AAG40
A-4 Notes: US83715AAH23

### **European Common Codes**

A-1 Notes: 036947012
A-2 Notes: 036947055
A-3 Notes: 036947110
A-4 Notes: 036947144

#### RISK FACTORS

You should consider the following risk factors in deciding whether to purchase the Notes.

#### **Experience May Vary from Assumptions**

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

#### **Interest Rates and Differentials**

There is a degree of basis risk associated with the Notes. Basis risk is the risk that shortfalls might occur because the interest rates of the Financed Student Loans and those of the Notes adjust on the basis of different indexes. As described above, the interest rates on the Notes from time to time will be based on LIBOR, thus the interest rates on the Notes are variable and will fluctuate from one Interest Period to another in response to changes in benchmark rates, general market conditions, national and international conditions, and numerous other factors, all of which are totally beyond our control or anticipation. We can make no representation as to what these rates may be in the future. The interest payments, and certain other interest related payments, received by us from the Financed Student Loans will also vary from time to time based on changes in the bond equivalent rate of U.S. Treasury Bills and Commercial Paper rates, as applicable. Because of the differences in the bases for the calculation of interest payable on the Notes and the determination of the interest and interest-related payments received by us from the Financed Student Loans, there could be times when payments received by the Trust Estate are not sufficient to cover principal and/or interest payments to be made on the Notes and other costs of the Corporation in administering our Student Loan Finance Program. Further, proceeds of the Notes and moneys in the funds and accounts under the Resolution may be invested from time to time in Investment Obligations that bear interest at rates that fluctuate and that differ from, and may be less than, the interest rates on the Notes.

#### **Changes in Federal Law**

Changes to the Higher Education Act may result in changes to the Financed Student Loan portfolio that may be adverse. The Higher Education Act and other relevant federal or state laws may be amended or modified in the future.

The President signed the College Cost Reduction and Access Act into law on September 27, 2007, which act institutes significant changes to the FFELP, including, but not limited to:

- reducing special allowance payments by between 0.40% and 0.70% per annum, depending on the loan type (with higher reductions for for-profit lenders), for loans for which the first disbursement is made on or after October 1, 2007;
- reducing student loan guarantees from 97% to 95% for student loans for which the first disbursement is made on or after October 1, 2012;
- eliminating the exceptional performance designation, and the resulting higher guarantee coverage, effective October 1, 2007, regardless of when the first disbursement on the student loan was made;
- increasing lender origination fees on student loans from 0.50% to 1.00% for student loans for which the first disbursement is made on or after October 1, 2007; and
- reducing during the four year period beginning on July 1, 2008 and ending on June 30, 2012, the fixed 6.8% interest rate for undergraduate subsidized Stafford loans to 3.4%, which rate reverts to 6.8% on subsidized Stafford Loans for which the first disbursement is made on or after July 1, 2012.

On November 1, 2007, the Secretary of Education (the "Secretary") released final regulations to amend the FFELP, which will go into effect on July 1, 2008. Among other things, the proposed regulations incorporate, with some modifications, current interpretive and clarifying guidance on prohibited inducements and activities provided to lenders and guaranty agencies. In addition, the regulations also specify the requirements that a school must meet if it chooses to provide a preferred lender list, including that the preferred lender list contain at least three lenders that are not affiliated with each other.

The changes effected by the College Cost Reduction and Access Act could have an adverse impact on our Student Loan Finance Program or on our ability to service the Financed Student Loans or otherwise comply with our obligations under the transaction documents. In addition, it could have an adverse impact on the financial condition of a Guaranty Agency. The Financed Student Loans funded after the Issue Date during the Acquisition Period will all have their initial disbursement on or after October 1, 2007. See "EXPECTED APPLICATION OF NOTE PROCEEDS" below.

In response to recent disruptions in the credit markets and the announcement by several lenders that they will no longer originate FFELP loans, the Ensuring Continued Access to Student Loans Act of 2008 was enacted and signed into law by the President on May 6, 2008. The Ensuring Continued Access to Student Loans Act amends the Higher Education Act to:

- increase annual loan limits and aggregate loan limits on federal unsubsidized loans;
- provide deferrals to parent borrowers to begin repayment of PLUS loans until up to six months after students leave school; and
- provide temporary authority to the U.S. Department of Education to purchase FFELP loans first disbursed after October 1, 2003 and before July 1, 2009 from any eligible lender.

We cannot predict whether further changes will be made to the Higher Education Act in future legislation or the effect of such legislation on the Guaranty Agency, the Financed Student Loans, or our Student Loan Finance Program.

Additional legislation has been proposed or passed by members of either the U.S. House of Representatives or the U.S. Senate. Among other things, some of such legislation increases lender disclosure requirements, restricts lender marketing practices, restricts the way lenders interact with educational institutions, and restricts the means by which educational institutions choose or allow lenders to originate loans at their institution. There can be no assurance that relevant federal laws, including the Higher Education Act, will not be changed in a manner that might adversely affect the Corporation and its Student Loan Finance Program. Recently enacted and proposed amendments to the Higher Education Act could alter the FFELP in ways that could restrict the ability of lenders and/or holders to originate or finance FFELP loans.

See "EXHIBIT I" under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

#### Noncompliance with the Higher Education Act

Noncompliance with the Higher Education Act with respect to Financed Student Loans may adversely affect payment of principal of and interest on the Notes when due. The Higher Education Act and the applicable regulations thereunder require the lenders making FFELP loans, guaranty agencies guaranteeing FFELP loans, and lenders or servicers servicing FFELP loans to follow certain due diligence procedures in an effort to ensure that FFELP loans are properly made and disbursed to, and timely repaid by, the borrowers. Such due diligence procedures include certain loan application procedures, certain loan origination procedures and, when a FFELP loan is delinquent, certain loan collection procedures. The procedures to make, guarantee, and service Higher Education Act loans are set forth in the Code of Federal Regulations and other documents of the U.S. Department of Education, and no attempt has been made in this Offering Memorandum to describe those procedures in their entirety. Failure to follow such procedures may result in the Secretary's refusal to make reinsurance payments to a guaranty agency on such loans or may result in the guaranty agency's refusal to honor its guarantee on such loans to

holders of FFELP loans, including the Corporation. Such action by the Secretary could adversely affect a Guaranty Agency's ability to honor guarantee claims, and loss of guarantee payments to us could adversely affect our ability to make payment of principal of and interest on the Notes from assets in the Trust Estate.

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

Amounts received with respect to the Trust Estate, including, but not limited to, Financed Student Loans, may vary materially in both timing of receipts and amounts received as a result of innumerable factors (by way of example only, collectibility of loans and guaranty or other payments with respect thereto, deferral or forbearance of a borrower's repayment obligation, timing of the quarterly filings for and receipt of interest subsidy payments and special allowance payments with respect to Student Loans, general economic conditions that can affect the ability of borrowers to pay principal of and interest on Student Loans, or default claims that can affect the solvency of a Guaranty Agency). For loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level. However, lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006, and are required to rebate any such "excess interest" to the federal government on a quarterly basis. This modification effectively limits lenders' returns to the special allowance support level and could require a lender to rebate excess interest accrued but not yet received. For fixed rate loans, the excess interest owed to the federal government will be greater when commercial paper rates are relatively low, causing the special allowance support level to fall below the loan rate. See EXHIBIT "I" under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM." There can be no assurance that such factors or other types of factors will not occur or that, if they occur, such occurrence will not materially adversely affect the sufficiency of the Trust Estate to pay the principal of and interest on the Notes, as and when due.

## **Uncertainty as to Available Remedies**

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

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

The Higher Education Act requires that all FFELP loans be unsecured. As a result, the only security for payment of the Financed Student Loans held in the Trust Estate are the guarantee provided by a Guaranty Agency.

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

If the U.S. Department of Education has determined that if a guaranty agency is unable to meet its guarantee obligations, the loan holder may submit claims directly to the U.S. Department of Education and the U.S. Department of Education is required to pay the full guarantee claim amount due with respect to such claims. However, the U.S. Department of Education's obligation to pay guarantee claims directly in this fashion is contingent upon the U.S. Department of Education's making the determination that a guaranty agency is unable to meet its guarantee obligations. The U.S. Department of Education may not ever make this determination with respect to a Guaranty Agency and, even if the U.S. Department of Education does make this determination, payment of the guarantee claims may not be made in a timely manner.

## Payment Offsets by a Guaranty Agency or the U.S. Department of Education Could Prevent the Corporation from Paying You the Full Amount of the Principal and Interest Due on Your Notes

The Corporation as eligible lender may use the same U.S. Department of Education lender identification number for Financed Student Loans as it uses for other FFELP loans it holds that are not part of the Trust Estate. If so, the billings submitted to the U.S. Department of Education and the claims submitted to a Guaranty Agency with respect to such Financed Student Loans will be consolidated with the billings and claims for payments for FFELP loans that are not part of the Trust Estate using the same lender identification number. Payments on those billings by the U.S. Department of Education as well as claim payments by the Guaranty Agency will be made to the Corporation as eligible lender in lump sum form. Those payments must be allocated by the Corporation as eligible lender among FFELP loans in various trust estates that reference the same lender identification number.

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

## The Servicing Function may be Transferred, Resulting in Additional Costs to Us, Increased Servicing Fees, or a Diminution in Servicing Performance, Which Could Cause Delays in Payment or Losses on the Notes

In the event of that our servicing functions with respect to FFELP loans are transferred to a successor Servicer, we cannot predict the cost of the transfer of servicing to the successor, the ability of the successor to perform the obligations and duties of the servicer under any servicing agreement, or the servicing fees charged by the successor. The occurrence of these events could adversely affect us or our ability to pay principal of and interest on the Notes from the assets in the Trust Estate.

#### **Repurchase of Financed Student Loans**

We will agree to purchase from the Trust Estate any Financed Student Loan that has ceased to be eligible as a Student Loan under the Resolution due to any action taken or failed to be taken by us with respect to servicing or origination that results in the loss of guarantee or federal reinsurance, Interest Subsidy Payments, or Special Allowance Payments, within 30 days of the date on which we become aware that such Student Loan becomes ineligible. We may not have the financial resources to meet this repurchase obligation, and our failure to repurchase a Financed Student Loan would be a breach of our repurchase obligation, but is not an Event of Default, and would not permit the exercise of remedies under the Resolution.

## The Ratings of the Notes are Not A Recommendation to Purchase and May Change, Affecting the Price of Your Notes

It is a condition to the issuance of the Notes that they be rated in the highest rating category of at least two Rating Agencies. Ratings are based primarily on the creditworthiness of the underlying student loans, the amount of credit enhancement, and the legal structure of the transaction. The ratings are not a recommendation to you to purchase, hold, or sell your Notes inasmuch as the ratings do not comment as to market price or suitability for you as an investor. An additional Rating Agency may rate the Notes, and that rating may not be equivalent to the initial ratings described in this Offering Memorandum. Ratings may be increased, lowered, or withdrawn by any Rating

Agency if, in the Rating Agency's judgment, circumstances so warrant. A downgrade in the rating of your Notes is likely to decrease the price a subsequent purchaser will be willing to pay for your Notes. The ratings of the Notes by the Rating Agencies will not address the market liquidity of the Notes.

## Ratings of Other Student Loan Backed Securities Issued by Us or the Authority May be Reviewed or Downgraded

Recent disruptions in the credit markets, along with concerns over the financial health of several monoline insurers, have caused certain of the rating agencies to announce that they are reviewing or intend to review the ratings assigned to certain securities, including student loan backed securities. Additionally, repeated failed auctions for many insured and uninsured auction rate securities, including student loan backed auction rate securities, may also cause the rating agencies to announce ratings actions. We and the Authority have previously issued student loan backed securities that are insured by monoline insurers and student loan backed auction rate securities. Ratings actions may take place at any time. We cannot predict the timing of any ratings actions, nor can we predict whether the ratings assigned to these notes will be downgraded.

The Notes are not auction rate securities, nor will they be insured by any monoline insurer. However, any further adverse action by the rating agencies regarding securities issued previously by us may adversely affect the market value of the Notes or any secondary market for the Notes that may develop.

## You May Have Difficulty Selling your Notes

There currently is no secondary market for the Notes. We cannot assure you that any market will develop or, if it does develop, how long it will last. If a secondary market for the Notes does develop, the spread between the bid price and the asked price for the Notes may widen, thereby reducing the net proceeds to you from the sale of your Notes. While it is anticipated that the Notes will be listed on The Irish Stock Exchange, investors should not view this as an active trading market. Under current market conditions, you may not be able to sell your Notes when you want to do so or you may not be able to obtain the price that you wish to receive. The market values of the Notes may fluctuate and movements in price may be significant.

## **Certain Actions May Be Taken without Noteholder Approval**

The Resolution provides that the Corporation and the Trustee may undertake various actions without Noteholder approval based upon receipt by the Trustee of a Rating Confirmation. Such actions include, but are not limited to, amending the Resolution via a Supplemental Resolution (which may be done without the consent of the holders of the Notes in certain circumstances), extending the Acquisition Period, increasing Operating Costs, increasing the Department Reserve Requirement, increasing our servicing fee, increasing borrower benefits, permitting the Corporation to enter into interest rate hedge agreements, and acquiring certain Investment Obligations.

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

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

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

## Military Service Obligations and Natural Disasters

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

Congress has enacted statutes and other guidelines that provide relief to borrowers who enter active military service, to borrowers in reserve status who are called to active duty after the origination of their student loan, and to individuals who live in a disaster area or suffer a direct economic hardship as a result of a national emergency.

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

## Congressional Actions May Affect the Student Loan Portfolio

The U.S. Department of Education's authority to provide interest subsidies, special allowance payments, and guarantees and federal reinsurance for loans originated under the Higher Education Act terminates on a date specified in the Higher Education Act. The provisions of the Higher Education Act governing the FFELP are periodically amended and the Higher Education Act must be reauthorized by Congress periodically in order to prevent sunset of the Higher Education Act. The Higher Education Reconciliation Act of 2005 extended the authorization for certain aspects of the FFELP through September 30, 2012. While Congress has consistently extended the effective date of the Higher Education Act and the FFELP, it may elect not to reauthorize the U.S. Department of Education's ability to provide interest subsidies and guarantees and federal reinsurance for loans. While this failure to reauthorize would not affect the Student Loans we then owned, it would reduce the number of Student Loans we would be able to originate in the future.

Funds for payment of interest subsidies and other payments under the FFELP are subject to annual budgetary appropriation by Congress. Federal budget legislation has in the past contained provisions that restricted payments made under the FFELP to achieve reductions in federal spending. Future federal budget legislation may adversely affect expenditures by the U.S. Department of Education, and the financial condition of a Guaranty Agency.

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

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

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

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

In general, a guaranty agency reinsured by the U.S. Department of Education will guarantee less than one hundred percent (100%) of each FFELP loan. As a result, if a borrower of a Financed Student Loan defaults, the Corporation may experience a loss of the difference between the guaranteed percentage of the Financed Student Loan and the outstanding principal of and accrued interest on each of the defaulted loans. We have no right to pursue the borrower for the remaining unguaranteed portion. If defaults occur on a Financed Student Loan, you may suffer a delay in payment or a loss on your Notes.

#### **Consumer Protection Laws**

Consumer protection laws impose requirements upon lenders and servicers. Some state laws impose finance charge restrictions on certain transactions and require certain disclosures of legal rights and obligations. Furthermore, to the extent applicable, these laws can impose specific statutory liabilities upon creditors who fail to comply with their provisions and may affect the enforceability of the loan. As they relate to FFELP loans, these state laws are generally preempted by the Higher Education Act.

#### Amendments of the Resolution and Waivers of Defaults

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

## **Composition and Character of Portfolio of Financed Student Loans**

The Student Loans that the Corporation intends to finance with the proceeds of the Notes are described in this Offering Memorandum. See "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein. The characteristics of the Financed Student Loan portfolio will change from time to time as new Student Loans are originated by us and may also change as a result of amendments to the Higher Education Act, changes in terms of our Student Loan Finance Program, and scheduled amortization, prepayments, delinquencies, and defaults on the Financed Student Loans. Any new Student Loan so originated may bear a lower rate of return and have a greater risk of loss from borrower defaults.

#### **Investment of Funds and Accounts**

The General Resolution requires or permits investments of moneys in each Fund and Account, consistent with the required uses of such moneys, in Investment Obligations. Investment Obligations means certain designated securities, if and to the extent the same are at the time legal for investment of moneys and funds held under the General Resolution. Investment Obligations are subject to the risks inherent in investment securities, such as fluctuating returns and loss of principal; accordingly, the value of each Fund and Account is subject to the risks inherent in investment securities. Furthermore, to the extent we enter into investment agreements and such investment agreements are terminated as a result of default by the counterparty thereto, it may not be possible to recover the full amount invested or to reinvest at a similar yield.

## The Notes are Limited Obligations

The Notes are ultimately backed by and will be payable solely from payments and other collections on or in respect of the Financed Student Loans, among other sources of revenue and security within the Trust Estate. See "The Trust Estate." The Notes are limited obligations of the Corporation and will not and do not represent obligations, or a pledge of the full faith and credit or the taxing power, of the State of South Carolina or any of its agencies or political subdivisions. Payments of interest and principal on the Notes will ultimately depend on the amount and timing of payments and other collections in respect of the Student Loans and other assets in the Trust Estate.

## Competition

We face competition from other lenders that could decrease the volume of Student Loans that could be originated. Additionally, the Higher Education Act provides for a Federal Direct Student Loan Program. This program could result in reductions in the volume of loans made under the FFELP. Reduced volume in our program in particular and in the FFELP in general may cause increased costs due to reduced economies of scale. These cost increases could reduce the ability to service the Student Loans. This could also reduce revenues received by the Guaranty Agency available to pay claims on defaulted Student Loans. See "EXHIBIT "I – SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

#### Sale of Financed Student Loans After Default

Upon the occurrence of an Event of Default under the General Resolution, Financed Student Loans may have to be sold. However, it may not be possible to find a purchaser for such Financed Student Loans. Also, the market value of such Financed Student Loans plus other assets in the Trust Estate available for the payment of the Notes may not equal the principal amount of the Notes Outstanding plus accrued interest. The secondary market for Student Loans also could be further diminished, resulting in fewer or no potential buyers of such Financed Student Loans and lower prices or no bids available in the secondary market for such Financed Student Loans. You may suffer a loss in circumstances such as these if purchaser(s) cannot be found who are willing to pay sufficient prices for such Financed Student Loans.

## **Differing Incentive and Repayment Terms**

Under some borrower payment incentive programs, a portion of the principal of Financed Student Loans may be forgiven and/or interest rates on Financed Student Loans may be reduced based upon the graduation and payment performance of the borrowers. We cannot predict which borrowers will qualify for or decide to participate in these programs. The effect of these incentive programs may be to reduce the yield on the Financed Student Loans. For a summary of our existing borrower benefit programs, see "The Corporation - Borrower Benefit Programs" below.

## **Superior Security Interest**

If, through inadvertence or fraud, Financed Student Loans were to be sold to a purchaser who purchases in good faith without knowledge of the Trustee's security interest, such purchaser may defeat the Trustee's security interest. We maintain custody of the loan documents for the Financed Student Loans. The loan documents may not be physically segregated or marked to evidence the Trustee's interest in those Financed Student Loans. A third party that obtained control of the loan documents might be able to assert rights that defeat the Trustee's security interest.

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

Loans made under the FFELP may be evidenced by a master promissory note. Once a borrower executes a master promissory note with a lender, additional loans made by the lender are evidenced by a confirmation sent to the borrower, and all loans are governed by the single master promissory note.

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

## Commingling of Payments on Student Loans Could Prevent Us from Paying you the Full Amount of the Principal and Interest Due on Your Notes

Payments received on our student loans generally are deposited into an account in our name each business day. However, payments received on the Financed Student Loans will not be segregated from payments we receive on other student loans. Such amounts are transferred to the related trust estates on a daily basis. If the commingled account becomes subject to a claim in litigation or is attached in a proceeding in bankruptcy or otherwise, the Servicer may be unable to transfer payments received on the Financed Student Loans to the Trustee, and we may be unable to pay principal and interest on the Notes from assets in the Trust Estate.

# The Corporation May or May Not Exercise its Option to Redeem Your Notes Prior to their Stated Maturity Date and Your Yield May Be Affected

The Notes may be repaid before you expect them to be in the event of an optional redemption. An optional redemption would result in the early retirement of the Notes Outstanding on that date. If this happens, the yield on your Notes may be affected and you will bear the risk that you cannot reinvest the money you receive in comparable notes at an equivalent yield. The Notes may also be repaid after you expect them to be in the event we do not exercise out option to redeem them. If this happens, the yield on your Notes may be affected and you will not recover the principal of your investment as soon as you may have expected.

## Our Inability to Originate Additional Student Loans Would Cause Investors in Certain Tranches of Notes to Receive an Accelerated Principal Distribution and Your Yield May Be Affected

We intend to originate additional Student Loans during the Acquisition Period. No assurance can be given that we will be able to originate sufficient Student Loans to enable us to use all amounts on deposit in the Loan Account. If any such funds are not used by us to originate additional Student Loans by the end of the Acquisition Period, such remaining amounts will become part of available funds on the next Distribution Date and will likely result in Principal Reduction Payments before you expect such payments to be made. Theses payments could shorten the weighted average life of your Tranche of Notes. If your Notes are prepaid, you will bear the risk that you may be unable to reinvest any principal prepayment at a yield at least equal to the yield on your Notes.

## Payment Priorities Among the Tranches of the Notes May Result in a Greater Risk of Loss

Except in the case of an Event of Default, some Notes will receive payments of principal after other Notes. For example, the A-1 Notes will receive principal payments before A-2 Notes, A-3 Notes, and A-4 Notes. Consequently, holders of certain Notes, particularly holders of Notes with longer maturities, may bear a greater risk of loss. Potential purchasers of the Notes should consider the priority of payment of each Tranche of Notes before making an investment decision.

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

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

## **Recent Developments in the Student Loan Industry**

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

There is no assurance that we will not be subject to future inquiries or investigations. While we cannot predict the ultimate outcome of any inquiry or investigation, it is possible that these inquiries or investigations and regulatory developments may materially affect the FFELP, the volume of Student Loans funded by moneys in the Loan Account, and our ability to perform our obligations under the Resolution and pay principal of and interest on the Notes Outstanding from assets in the Trust Estate.

#### **Corporation's Exempt Status**

The Corporation has been determined by the Internal Revenue Service to be exempt from taxation as a 501(c)(3) organization. The Internal Revenue Service has recently announced its intention to increase the frequency of audits of the 501(c)(3) tax-exempt status of organizations. The Corporation has not been notified that it will be the subject of such an audit, but believes that in the event the Internal Revenue Service conducted such an audit, it

would be successful in any audit proceeding. However, if we were to lose our tax-exempt status. it would have an adverse affect on our ability to pay principal of and interest on the Notes from assets in the Trust Estate.

## **Potential for Auction Rate Securities Litigation**

Over the last decade, a common structure in which student loan backed debt obligations have been issued has been as auction rate securities ("ARS"). Both the Corporation and the Authority have issued ARS and, at the present time have \$637 million and approximately \$1 billion, respectively, in principal amount of ARS outstanding. In February, 2008, the market for ARS encountered a serious disruption when all of the major investment banking firms that act as broker-dealers for ARS announced they would no longer purchase ARS for their own accounts to ensure that the auctions not fail. At such time and thereafter, a significant amount of auctions for ARS have failed. Beginning in March, 2008, several class action lawsuits have been filed against many of the investment banking firms who have acted as broker-dealers for ARS and also against issuers of ARS. Among the theories on which such litigation has been based are inadequate disclosure and misrepresentation. Some of the complaints have alleged that ARS were sold to investors as "cash equivalents," and that ARS are now illiquid.

Neither the Corporation nor the Authority has been party to any such lawsuit nor has any such lawsuit been threatened against the Corporation or the Authority. However, no assurance can be given that such a lawsuit will not be filed against either the Corporation or the Authority or that if such a lawsuit is filed against the Corporation or the Authority and is successful that the Corporation's ability to pay principal of and interest on your Notes from assets in the Trust Estate would not be materially impaired.

Tranche	Original Principal Amount	Interest Rate	Price to Public	Underwriting Fees and Commissions	Proceeds to the Corporation*	Stated Maturity Date
A-1 Notes	\$ 99,000,000	3-month LIBOR plus 0.50%	100%	0.3%	\$ 99,000,000	September 2, 2014
A-2 Notes	\$267,000,000	3-month LIBOR plus 0.55%	100%	0.3%	\$267,000,000	March 1, 2018
A-3 Notes	\$116,000,000	3-month LIBOR plus 0.75%	100%	0.3%	\$116,000,000	March 2, 2020
A-4 Notes	\$ <u>118,000,000</u>	3-month LIBOR plus 1.00%	100%	0.3%	\$ <u>118,000,000</u>	September 3, 2024
Total	\$ <u>600,000,000</u>	•			\$ <u>600,000,000</u>	

<sup>\*</sup> The Corporation will pay underwriting fees and commissions and the costs of issuing the Notes from its own funds and not from the proceeds of the Notes.

#### INTRODUCTION

This Offering Memorandum is being provided by the South Carolina Student Loan Corporation (the "Corporation") with respect to the offering and sale of its \$600,000,000 Student Loan Backed Notes (the "Notes"). The Notes are issued as LIBOR indexed notes pursuant to a General Resolution (the "General Resolution") and a Series Resolution (the "Series Resolution"), both effective as of June 18, 2008 (collectively, the "Resolution") approved by the Board of Directors of the Corporation.

The Corporation is a nonprofit, public benefit corporation organized and existing under the laws of the State of South Carolina and operates in accordance with Title IV, Part B of the Higher Education Act of 1965, as amended (together with any regulations promulgated thereunder, the "*Higher Education Act*").

THE NOTES ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION AND DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE STATE OF SOUTH CAROLINA OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OF SOUTH CAROLINA OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF. THE CORPORATION HAS NO TAXING POWER.

THE NOTES ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, AND ARE "EXEMPT SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. PURSUANT TO AN EXEMPTION CONTAINED IN THE TRUST INDENTURE ACT OF 1939, AS AMENDED, AND TO THE EXTENT PROVIDED IN SUCH ACT, IT IS NOT NECESSARY TO QUALIFY THE GENERAL RESOLUTION THEREUNDER.

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

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

- Refund and defease certain bonds (the "Prior Bonds") issued by the Corporation under an earlier, unrelated resolution (the "Prior Bonds Resolution"),
- finance Student Loans, guaranteed by the South Carolina State Education Assistance Authority (the "Authority") as to unpaid principal and accrued interest pursuant to the Higher Education Act,
- fund a deposit to the Debt Service Reserve Fund,
- fund a deposit to the Operating Fund;

- fund a deposit to the Department Reserve Fund, and
- pay costs and expenses associated with the issuance of the Notes. See "EXPECTED APPLICATION OF NOTE PROCEEDS."

All capitalized terms used in this Offering Memorandum and not otherwise defined herein have the same meanings as assigned to them in the Resolution. See EXHIBIT II – "GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND SERIES RESOLUTIONS."

Brief summaries and descriptions of the Notes, the Corporation, the Corporation's Student Loan Finance Program, the Authority, the Resolution, the Federal Family Education Loan Program (the "FFELP") of the Higher Education Act, and certain statutes, regulations and other documents and materials are included in this Offering Memorandum. These summaries and descriptions do not purport to be comprehensive or definitive. All references to the Notes, the Resolution and statutes, regulations and other documents and materials summarized, described or referred to herein are qualified in their entity by reference to such documents, statutes, regulations and other materials. Copies of the Resolution are available for inspection at the registered office of the Corporation (William M. Mackie, Jr. Interstate Center, Suite 210, 16 Berryhill Road, Columbia, South Carolina 29210) during usual business hours on any weekday (public holidays excepted) for the term of the Notes.

#### **DESCRIPTION OF THE NOTES**

#### General

The Notes will be issued pursuant to the terms of the Resolution. Under the Resolution, Wells Fargo Bank, National Association, Jacksonville, Florida (the "*Trustee*") has been named the initial trustee. The following summary describes the material terms of the Notes. However, it is not complete and is qualified in its entirety by the actual provisions of the Notes.

The Trustee did not participate in the preparation of this Offering Memorandum and makes no representations concerning the Notes, the collateral or any other matter stated in this Offering Memorandum. The Trustee has no duty or obligation to pay the Notes from its own funds, assets, or corporate capital or to make inquiry regarding, or investigate the use of, amounts disbursed from the Trust Estate.

#### **Interest Payments**

Interest will accrue on the Notes at their respective interest rates during each Interest Period. The Initial Period for the Notes begins on the Issue Date and ends on the day immediately preceding the first Business Day of September, 2008. For any other Distribution Date, the Interest Period will begin on the prior Distribution Date and end on the day before such Distribution Date.

Interest on the Notes will be payable to the Noteholders on each Distribution Date commencing on the first Business Day of September, 2008. Subsequent Distribution Dates for the Notes will be on the first Business Day of March, June, September, and December.

The interest rate on the A-1 Notes for each Interest Period will be equal to the Initial LIBOR Indexed Rate or the LIBOR Indexed Rate, as applicable, which is the sum of the applicable LIBOR rate plus 0.50%. The interest rate on the A-2 Notes for each Interest Period will be equal to the Initial LIBOR Indexed Rate or the LIBOR Indexed Rate, as applicable, which is the sum of the applicable LIBOR rate plus 0.55%. The interest rate on the A-3 Notes for each Interest Period will be equal to the Initial LIBOR Indexed Rate or the LIBOR Indexed Rate, as applicable, which is the sum of the applicable LIBOR rate plus 0.75%. The interest rate on the A-4 Notes for each Interest Period will be equal to the Initial LIBOR Indexed Rate or the LIBOR Indexed Rate, as applicable, which is the sum of the applicable LIBOR rate plus 1.00%.

For the respective Initial Periods relating to the Notes, each Tranche of the Notes will bear interest at the Initial LIBOR Indexed Rate for such Tranche. After the respective Initial Periods, the Notes will bear interest at the LIBOR Indexed Rate for such Tranche. With respect to a Tranche, the LIBOR Indexed Rate will be determined on

each Interest Rate Determination Date for each Interest Period. With respect to a Tranche, the LIBOR Indexed Rate will be determined and communicated by the Trustee as described below. Such LIBOR Indexed Rate will take effect on the Interest Rate Adjustment Date immediately succeeding such Interest Rate Determination Date for such Tranche.

The LIBOR Rate for the respective Initial Periods will be determined by the following formula:

x + [8/31 times (y-x)]

where: x = two-month LIBOR rate, and

y = three-month LIBOR rate, in each case, as of the second business day before the start of the Initial Period.

The amount of interest distributable to holders of the Notes for each \$1,000 in principal amount will be calculated by applying the applicable interest rate for the Interest Period to the principal amount of \$1,000, multiplying that product by the actual number of days in the Interest Period divided by 360.

"LIBOR Rate" means, for any given day, the rate per annum fixed by the British Bankers' Association at 11:00 a.m., London time (the "BBA Libor Rate"), on such day relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a three month period. If such a day is not a business day in London, then the rate most recently fixed as the BBA Libor Rate for a three-month period shall be used. Such rate may be available at Bloomberg US0003M<Index>HP. If the rate is no longer available from such source, the Trustee will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

The determination of the interest rate for the Notes by the Trustee will be conclusive and binding on the Beneficial Owners of the Notes and the Corporation absent manifest error. If the Trustee shall be unable to determine the applicable LIBOR Indexed Rate for a Tranche of the Notes on any Interest Rate Determination Date, the LIBOR Indexed Rate for a Tranche will be determined and communicated by the Corporation in accordance with the immediately succeeding paragraph. If the Corporation shall fail or refuse to determine the LIBOR Indexed Rate for a Tranche of the Notes within two Business Days after any Interest Rate Determination Date, the LIBOR Indexed Rate for a Tranche most recently determined for the Notes will remain in effect.

On each Interest Rate Determination Date the Trustee will (i) ascertain the LIBOR Rate for each Tranche and (ii) add the appropriate applicable Spread Factor to ascertain the applicable LIBOR Indexed Rate to be borne by such Tranche of the Notes as provided in the second preceding paragraph. Not later than 5:00 p.m., Eastern time on each Interest Rate Determination Date, the Trustee will notify via email (or such other method designated by the Corporation and Bloomberg LP) the Corporation and Bloomberg LP of: (i) the CUSIP number for each Tranche of the Notes; (ii) the date of the immediately following Distribution Date; (iii) the amount of interest to be paid with respect to such Tranche; (iv) the amount of the Principal Reduction Payment to be paid for such Tranche; (v) the Ending Balance Factor for such Tranche; and (vi) the LIBOR Indexed Rate utilized in the calculation of the amount of interest to be paid on such Distribution Date for such Tranche, as well as the LIBOR Indexed Rate ascertained by the Trustee on the Interest Rate Determination Date which will apply to the Interest Period beginning on such Interest Rate Adjustment Date for such Tranche.

## **Principal Distributions**

The aggregate outstanding principal balance will be due and payable in full for a given Tranche of Notes on the respective Distribution Date set out in the table below:

<u>Tranche</u>	<b>Stated Maturity Date</b>
A-1	September 2, 2014
A-2	March 1, 2018
A-3	March 2, 2020
A-4	September 3, 2024

The actual date on which the final distribution on each Tranche of Notes will be made may be earlier than the maturity dates set forth above as a result of a variety of factors.

The Notes are subject to *pro rata* reductions of principal pursuant to Principal Reduction Payments to be made on Distribution Dates from amounts deposited to the credit of the Principal Account for such purpose. No Principal Reduction Payments may be made on the A-2 Notes, the A-3 Notes, or the A-4 Notes until all principal has been paid in full on the A-1 Notes. No Principal Reduction Payments may be made on the A-3 Notes or the A-4 Notes until all principal has been paid in full on the A-1 Notes and the A-2 Notes. No Principal Reduction Payments may be made on the A-4 Notes until all principal has been paid in full on the A-1 Notes, the A-2 Notes, and the A-3 Notes. Preferably five, but not less than two Business Days prior to each Distribution Date, the Trustee will send the Securities Depository written notice with respect to the dollar amount per \$1,000 original principal amount thereof, that the Trustee will be paying to the Securities Depository on the Distribution Date. Such notices, which will clearly indicate that they relate to a *pro rata* reduction of principal, will contain the Ending Balance Factor and the Trustee contact's name and telephone number, and will be sent by telecopy (or such other method designated by the Securities Depository) to the Securities Depository's Dividend Department.

Amounts on deposit in the Debt Service Reserve Fund, other than amounts in excess of the Debt Service Reserve Requirement that are transferred to the Collection Fund, will not be available to make principal payments on the Notes except upon their stated maturity.

## **Optional Redemption**

The Notes are subject to optional redemption in whole at our option on the next Distribution Date occurring when the Pool Balance is 10% or less of the initial Pool Balance.

## **Book-Entry Registration**

The Notes will be delivered in book-entry form through The Depository Trust Company, and through Clearstream and Euroclear as participants in The Depository Trust Company. You will not receive a certificate representing your Notes except in very limited circumstances. See Exhibit IV – "BOOK Entry System" and Exhibit V - "GLOBAL CLEARANCE, SETTLEMENT, AND TAX DOCUMENTATION PROCEDURES."

### **EXPECTED APPLICATION OF NOTE PROCEEDS**

Proceeds of the Notes together with \$3,250,000 contributed by the Corporation are expected to be applied approximately as follows:

Transfer to the Prior Bonds Trustee to refund and defease	
the Prior Bonds	\$275,000,000
Deposit to the Loan Account of Program Fund, to be used	
to refinance Student Loans on the Issue Date	173,000,000
Deposit to the Loan Account of Program Fund, to be used	
to originate Student Loans during the Acquisition	
Period	143,000,000
Deposit to Debt Service Reserve Fund	6,000,000
Deposit to Department Reserve Fund	3,200,000
Deposit to Operating Fund	250,000
Deposit to the Program Fund to pay underwriting fees	2,800,000
and other Costs of Issuance	
Total	\$603,250,000

#### THE TRUST ESTATE

#### General

The Notes are limited obligations of the Corporation, secured by and payable from the Trust Estate. Under the General Resolution, the Trust Estate consists of:

- Student Loans acquired using funds made available and pledged pursuant to the General Resolution. See "EXPECTED APPLICATION OF NOTE PROCEEDS" above. Each such Financed Student Loan is to be insured or guaranteed and reinsured as described herein.
- Interest payments with respect to Financed Student Loans made by or on behalf of borrowers.
- All amounts received in respect of payment of principal of Financed Student Loans, including scheduled, delinquent and advance payments, payouts or prepayments, and proceeds from the guarantee, or from the sale, assignment or other disposition of Financed Student Loans.
- Any applicable "Special Allowance Payments" authorized to be made by the Secretary in respect of
  Financed Student Loans pursuant to Section 438 of the Higher Education Act, subject to recapture of
  excess interest on certain Financed Student Loans, or any similar allowances authorized from time to
  time by federal law or regulation.
- Any applicable "Interest Subsidy Payments" payable in respect of any Financed Student Loans by the Secretary under Section 428 of the Higher Education Act.
- Any moneys and securities from time to time held by the Trustee under the terms of the Resolution
  (excluding moneys and securities held, or required to be deposited, in the Department Reserve Fund)
  and any and all other real or personal property of every name and nature held from time to time by
  delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for
  additional security under the Resolution.

For a description of the Funds established by the Resolution, see EXHIBIT III - "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

#### **Parity Percentage**

On the Issue Date, after giving effect to the issuance of the Notes and the transfers to take place on the Issue Date, the Parity Percentage will be approximately 105% as estimated below.

Financed Student Loans (principal and accrued interest)  Amounts in the Loan Account  Amounts in the Debt Service Reserve Fund	\$481,000,000 143,000,000 <u>6,000,000</u>
Total	<u>\$630,000,000</u>
Principal amount of the Notes	<u>\$600,000,000</u>
\$630,000,000 ÷ \$600,000,000	<u>105%</u>

"Parity Percentage" means the ratio expressed as a percentage of (i) the Value of the Trust Estate, to (ii) the sum of the principal amount and accrued interest on all Notes then Outstanding under the Resolution, accrued but unpaid Operating Costs not funded in the Operating Fund on any given date, and any accrued but unpaid Department Reserve Fund Accounts not funded in the Department Reserve Fund on any given date. Because excess cash will not be released from the Trust Estate as described below under "Flow of Funds - No Cash Release," we expect that the Parity Percentage will increase over time.

#### **The Collection Fund**

The Trustee will establish the Collection Fund as part of the Trust Estate. The Trustee will deposit into the Collection Fund daily all moneys received by or on behalf of the Corporation as assets of, or with respect to, the Trust Estate.

Money on deposit in the Collection Fund will be used as described below under "Flow of Funds."

#### Flow of Funds

As of the 20<sup>th</sup> day of the month prior to each Distribution Date and performed not later than the 25<sup>th</sup> day of such month (unless an Authorized Officer of the Corporation directs the Trustee in a certificate to do so more frequently), the Trustee will withdraw from amounts then on deposit in the Collection Fund and, to the extent that there are amounts in the Collection Fund available therefor, make deposits to the credit of the Funds and Accounts, in the amounts and in order of priority as follows:

- (i) First, to the Department Reserve Fund, an amount that, when added to the amount therein will equal an amount equal to the Department Reserve Fund Amount for the current month and such additional amount as we deem appropriate (not to exceed three months' of Department Reserve Fund Amounts) (the "Department Reserve Fund Requirement").
- (ii) Second, to the Operating Fund, an amount that, when added to the amount therein will equal an amount equal to the Operating Costs for the current month and such additional amount as we deem appropriate (not to exceed three months' of Operating Costs) (the "*Operating Fund Requirement*").
- (iii) Third, to the Interest Account, an amount such that, when added to any amount on deposit in the Interest Account on the day of the calculation, would on such Distribution Date be equal to the interest due on all Outstanding Notes, on such Distribution Date.
- (iv) Fourth, to the Debt Service Reserve Fund, so much as may be required so that the amount therein shall equal the Debt Service Reserve Requirement.

(vi) Fifth, to the Principal Account, any remaining funds available for the payment of Principal Installments and Principal Reduction Payments.

#### No Cash Release

Cash not applied as described in items 1<sup>st</sup> through 4<sup>th</sup> above under "**Flow of Funds**" above will not be released from the Trust Estate but instead will be used to pay Principal Installments and make Principal Reduction Payments.

## The Operating Fund

The Trustee will establish the Operating Fund as part of the Trust Estate. Money on deposit in the Operating Fund will be used to pay all Operating Costs. Such Operating Costs will not be increased beyond the level reflected in the most recent cash flows provided to each Rating Agency prior to the issuance of the Notes (0.48% per annum) unless the Trustee shall first receive a Rating Confirmation. The Operating Fund will be funded as described above under "Flow of Funds" in an amount equal to the Operating Fund Requirement." Amounts in the Operating Fund in excess of the Operating Fund Requirement will be transferred to the Collection Fund.

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

<b>Operating Costs</b>	<u>Recipient</u>	<u>Amount</u>	
Servicing Fee	South Carolina Student Loan Corporation	$0.450\%^{(1)}$	
Other	Various	$0.030\%^{(2)}$	

<sup>(1)</sup> As a percentage of the Principal Balance of the Financed Student Loans.

#### The Debt Service Fund

The Trustee will establish a Debt Service Fund as part of the Trust Estate and within the Debt Service Fund, a Principal Account and an Interest Account. Moneys in the Interest Account will be applied to pay interest on the Notes. Moneys in the Principal Account will be applied to pay the principal amount of the Notes.

Amounts deposited in all funds and accounts created and maintained under the Resolution (other than the Department Reserve Fund) will be used for the payment of principal of and interest on the Notes if there would otherwise be a default in payment. The order of funds and accounts from which moneys are to be transferred in the event that deposits of moneys in the Collection Fund to the Interest Account and Principal Account are insufficient to avoid a default in payment of principal of or interest on the Notes will be the Loan Account, the Debt Service Reserve Fund, and then the Operating Fund.

## The Debt Service Reserve Fund

The Debt Service Reserve Fund is subject to a minimum amount equal to the greater of 1.0% of the principal balance of the Notes Outstanding or 0.10% of the initial principal balance of the Notes. We refer to such a minimum amount as the "*Debt Service Reserve Requirement*." Moneys in the Debt Service Reserve Fund will be used to pay principal of and interest on the Notes to the extent moneys in the Debt Service Account and the Loan Account are insufficient for such purposes. To the extent the amount in the Debt Service Reserve Fund falls below the Debt Service Reserve Requirement, the Debt Service Reserve Fund will be replenished on each Distribution Date from funds available in the Collection Fund as described above. Funds on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement will be transferred to the Collection Fund.

The Debt Service Reserve Fund is intended to enhance the likelihood of timely distributions of interest to the Noteholders and to decrease the likelihood that the Noteholders will experience losses. In some circumstances, however, the Debt Service Reserve Fund could be reduced to zero. On the Stated Maturity Date of a Tranche of

<sup>(2)</sup> As a percentage of the Notes Outstanding. Includes Trustee fees, Irish Paying Agent fees, Irish Listing Agent fees, and any surveillance fees.

Notes, any amounts on deposit in the Debt Service Reserve Fund will be available to pay principal on such Tranche of Notes and accrued interest.

## **Joint Sharing Agreement**

Due to a U.S. Department of Education policy limiting the granting of eligible lender identification numbers, billings submitted to the U.S. Department of Education for origination fees, Interest Subsidy Payments, and Special Allowance Payments with respect to another of our trusts estate may be consolidated with billings for the payments for FFELP loans using the same lender identification number. U.S. Department of Education payments are made in lump sum form. The same may be applicable with respect to payments by a Guaranty Agency. In addition, if amounts are owed from our other unrelated trust estate to the U.S. Department of Education, U.S. Department of Education lump sum payments may be offset by these amounts and therefore may affect our other trust estate using the same eligible lender number. We have agreed, in a joint sharing agreement to allocate properly and to pay to or from the applicable trust estate amounts that should be reallocated to reflect payment on the FFELP loans of each such trust estate.

#### **FUNDING OF STUDENT LOANS**

#### General

In connection with the refunding of the Prior Bonds, Student Loans having an aggregate outstanding principal balance of approximately \$275,000,000 will be released from the lien created by the Prior Bonds Resolution and transferred to, and become part of, the Trust Estate.

On the Issue Date, approximately \$316,000,000 will be deposited into the Loan Account of the Program Fund. Of this total amount, we will use approximately \$173,000,000 to refinance existing Student Loans on the Issue Date having a Value of approximately \$206,000,000 and will pledge and transfer such Student Loans to the Trust Estate.

We expect to use approximately \$143,000,000 of the deposit to the Loan Account, representing approximately 23.8% of the initial principal balance of the Notes and approximately 22.9% of the initial Pool Balance to originate additional Student Loans during the Acquisition Period.

The Acquisition Period will begin on the Issue Date and will end on March 1, 2009, or such later date as may be permitted by a Rating Confirmation. Any amounts remaining in the Loan Account at the end of the Acquisition Period will be transferred to the Collection Fund.

#### Student Loan Eligibility Criteria

The Student Loans we expect to refinance on the Issue Date and pledge and transfer to the Trust Estate and the Student Loans we expect to originate during the Acquisition Period were and will be selected and/or originated using several criteria, including requirements that as of the cut-off date or funding date, respectively, each such Student Loan:

- is guaranteed as to principal and interest by a guarantee agency under a guarantee agreement and the guarantee agency is reinsured by the U.S. Department of Education in accordance with the FFELP;
- contains terms in accordance with those required under the FFELP, the guarantee agreements and other applicable requirements;
- is not a private student loan or a Consolidation Loan;
- has special allowance payments, if any, based on the three-month commercial paper rate or the 91day treasury bill rate;
- is not more than 210 days past due; and
- is not in claim status.

#### CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO

The net proceeds of the Notes will be used initially to finance Student Loans. Such Student Loans to be financed with proceeds of the Notes (which includes the Student Loans financed with proceeds of the Prior Bonds and with respect to all of which the first disbursement occurred prior to October 1, 2007,) will be transferred to, and constitute a substantial portion of, the Trust Estate. The following charts provide summary information concerning certain characteristics of Student Loans financed by the Prior Bonds and Student Loans transferred to the Trust Estate on the Issue Date representing Student Loans that have been originated by us, in the ordinary course of our Student Loan Finance Program. The cut-off date for the Student Loan portfolio that will be transferred to the Trust Estate on the Issue Date will be on or about June 19, 2008. All loan revenues received with respect to such Financed Student Loan portfolio after such date will be deposited in the Collection Fund other than Special Allowance Payments attributable to the period ending on such date. This information, particularly specific dollar amounts that change as a result of payments received, may have changed since that date.

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

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

Aggregate outstanding principal balance	\$471,187,168
Number of borrowers	67,216
Average current outstanding principal balance per borrower	\$7,010
Number of loans	160,184
Average current outstanding principal balance per loan	\$2,942
Weighted average annual borrower interest rate <sup>(1)</sup>	7.11%
Weighted average remaining term (months)	115

The weighted average annual borrower interest rate shown above excludes special allowance payments or any interest rate reductions earned by borrowers. See "The Corporation - Borrower Benefit Programs" herein for a description of such possible reductions. The weighted average spread for Special Allowance Payments to the 91-day Treasury bill was 2.83% as of the Statistical Cut-off Date. The weighted average spread for Special Allowance Payments to the three-month commercial paper rate was 2.05% as of the Statistical Cut-off Date.

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

Loan Type	Current Principal Balance	Percent of Total	Number <u>of Loans</u>
Subsidized Stafford Loans	\$243,337,318	51.6%	95,563
Unsubsidized Stafford Loans	196,050,366	41.6%	58,785
GradPLUS	7,526,868	1.6%	643
PLUS Undergraduate	24,272,617	<u>5.2</u> %	5,193
Total	\$471,187,168	100.0%	160,184

# <u>Distribution of the Student Loans by Interest Rate</u> (As of the Statistical Cut-off Date)

Interest Rate	Current Principal <u>Balance</u>	Percent of Total	Number of Loans
6.50% to 6.99%	\$237,104,632	50.3%	65,062
7.00% to 7.99%	166,869,101	35.4%	68,845
8.00% to 8.99%	67,171,825	14.3%	26,252
9.00% and greater	41,610	0.0%	25
Total	\$471,187,168	100.0%	160,184

# <u>Distribution of the Student Loans by Borrower Interest Rate Type</u> (As of the Statistical Cut-off Date)

	Current Principal	Percent	Number
Rate Type	<b>Balance</b>	of Total	of Loans
Fixed Rate	\$149,735,733	31.8%	29,775
Variable Rate	<u>321,451,434</u>	<u>68.2</u> %	130,409
Total	\$471,187,168	100.0%	160,184

# <u>Distribution of the Student Loans by Number of Months Remaining Until Scheduled Maturity</u> (As of the Statistical Cut-off Date)<sup>(1)</sup>

Number of Months	Current Principal Balance	Percent of Total	Number of Loans
0 - 12	\$349,830	0.1%	1,075
13 - 24	1,816,595	0.4%	3,618
25 - 36	3,565,128	0.8%	4,950
37 - 48	7,309,349	1.6%	6,241
49 - 60	11,034,408	2.3%	6,877
61 - 72	13,714,891	2.9%	7,231
73 - 84	17,193,619	3.6%	8,005
85 - 96	22,174,356	4.7%	9,093
97 - 108	41,775,991	8.9%	14,844
109 - 120	145,557,880	30.9%	44,647
121 - 132	116,260,538	24.7%	31,310
133 - 144	47,871,261	10.2%	10,783
145 - 156	26,541,576	5.6%	6,693
157 - 168	10,044,509	2.1%	3,031
169 - 180	4,180,603	0.9%	1,303
181 or greater	1,796,634	<u>0.4</u> %	483
Total	\$471,187,168	100.0%	160,184

<sup>(1)</sup> Determined from the Statistical Cut-off Date of April 30, 2008, to the stated maturity date of the applicable loan, including any remaining school period, grace period, current deferment or forbearance periods and repayment period, but without giving effect to any deferment or forbearance periods that may be granted in the future.

# <u>Distribution of the Student Loans by Borrower Payment Status</u> (As of the Statistical Cut-off Date)

Borrower Payment Status	Current Principal Balance	Percent of Total	Number of Loans
School	\$98,146,945	20.8%	19,354
Grace	39,921,655	8.5%	12,145
Deferment	101,246,283	21.5%	34,541
Forbearance	53,998,073	11.5%	17,372
Repayment			
First year of repayment	81,877,736	17.4%	25,345
Second year of repayment	30,461,308	6.5%	10,618
Third year of repayment	17,612,483	3.7%	7,220
More than 3 years of repayment	47,922,687	10.2%	33,589
Total	\$471,187,168	100.0%	160,184

## <u>Distribution of the Student Loans by School Type</u> (As of the Statistical Cut-off Date)

School Type	Current Principal Balance	Percent of Total	Number of Loans
Four-Year Public & Private Nonprofit	\$381,414,442	80.9%	116,002
Two-Year Public & Private Nonprofit	82,110,305	17.4%	41,350
For Profit / Vocational	7,662,420	<u>1.6</u> %	2,832
Total	\$471,187,168	100.0%	160,184

# <u>Distribution of the Student Loans by Number of Days Delinquent</u> (As of the Statistical Cut-off Date)

Days Delinquent	Current Principal Balance	Percent of Total	Number of Loans
0 - 30	\$453,059,757	96.2%	153,557
31 - 60	16,921,327	3.6%	6,239
61 - 90	544,383	0.1%	189
91 - 120	255,473	0.1%	72
121 and above	406,227	<u>0.1</u> %	127
Total	\$471,187,168	100.0%	160,184

# <u>Distribution of the Student Loans by SAP Interest Rate Index</u> (As of the Statistical Cut-off Date)

SAP Interest Rate Index	Current Principal Balance	Percent of Total	Number of Loans
90 Day CP Index	\$399,791,210	84.8%	122,543
91 Day T-Bill Index	71,395,958	<u>15.2</u> %	37,641
Total	\$471,187,168	100.0%	160,184

## <u>Distribution of the Student Loans by Date of Disbursement</u> (As of the Statistical Cut-off Date)

Disbursement Date <sup>(1)</sup>	Current Principal Balance	Percent of Total	Number of Loans
July 1, 2006 - September 30, 2007	\$149,439,042	31.7%	29,560
October 1, 1993 - June 30, 2006	315,118,405	66.9%	126,631
Pre-October 1, 1993	6,629,721	<u>1.4</u> %	3,993
Total	\$471,187,168	100.0%	160,184

<sup>(1)</sup> Student Loans made prior to October 1, 1993, are 100% guaranteed by the Guaranty Agency. Student Loans made October 1, 1993, through June 30, 2006, are at least 98% guaranteed by the Guaranty Agency. Student Loans made July 1, 2006, through September 30, 2012, are at least 97% guaranteed by the Guaranty Agency. Student Loans made on or after October 1, 2012, are at least 95% guaranteed by the Guaranty Agency.

# <u>Distribution of the Student Loans by Range of Principal Balance</u> (As of the Statistical Cut-off Date)

Principal Balance	Current Principal Balance	Percent of Total	Number of Loans
Less than or equal to \$999	\$16,711,386	3.5%	31,973
\$1,000 to \$1,999	50,903,413	10.8%	34,679
\$2,000 to \$2,999	90,092,400	19.1%	35,758
\$3,000 to \$3,999	69,979,593	14.9%	20,267
\$4,000 to \$4,999	56,714,146	12.0%	12,875
\$5,000 to \$5,999	70,082,104	14.9%	12,848
\$6,000 to \$6,999	19,989,490	4.2%	3,111
\$7,000 to \$7,999	10,797,386	2.3%	1,447
\$8,000 to \$8,999	27,120,490	5.8%	3,195
\$9,000 to \$9,999	7,174,531	1.5%	756
\$10,000 to \$14,999	23,397,288	5.0%	2,091
\$15,000 to \$19,999	7,385,130	1.6%	425
\$20,000 to \$24,999	6,354,321	1.3%	286
\$25,000 to \$29,999	5,928,685	1.3%	218
\$30,000 to \$34,999	5,468,463	1.2%	173
\$35,000 to \$39,999	2,462,319	0.5%	67
\$40,000 to \$44,999	529,968	0.1%	13
\$45,000 to \$49,999	45,167	0.0%	1
\$50,000 to \$54,999	50,889	0.0%	1
Total	\$471,187,168	100.0%	160,184

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

Geographic Location	Current Principal Balance	Percent of Total	Number of Loans
Alabama	\$1,416,009	0.3%	515
Alaska	128,980	0.0%	55
Arizona	556,257	0.1%	247
Arkansas	271,780	0.1%	108
California	2,625,853	0.6%	1,005
Colorado	698,100	0.1%	311
Connecticut	1,309,761	0.3%	395
Delaware	558,357	0.1%	160
District of Columbia	498,675	0.1%	186
Florida	7,055,693	1.5%	2,659
Georgia	16,806,390	3.6%	6,021
Hawaii	353,127	0.1%	146
Idaho	146,383	0.0%	65
Illinois	1,576,241	0.3%	559
Indiana	781,405	0.2%	311
Iowa Vangas	398,675	0.1% 0.1%	93 106
Kansas Ventualar	321,006	0.1%	426
Kentucky Louisiana	989,347 752,650	0.2%	233
Maine	475,018	0.2%	145
Maryland	3,758,022	0.8%	1,223
Massachusetts	1,866,663	0.4%	562
Michigan	860,204	0.2%	308
Minnesota	280,806	0.1%	113
Mississippi	464,440	0.1%	192
Missouri	461,507	0.1%	212
Montana	110,215	0.0%	44
Nebraska	247,399	0.1%	59
Nevada	241,605	0.1%	135
New Hampshire	427,359	0.1%	132
New Jersey	2,942,598	0.6%	1,046
New Mexico	234,582	0.0%	75
New York	4,322,341	0.9%	1,375
North Carolina	18,269,681	3.9%	6,182
North Dakota	59,603	0.0%	20
Ohio	2,141,371	0.5%	809
Oklahoma	427,788	0.1%	159
Oregon	216,725	0.0%	89
Pennsylvania	3,312,472	0.7%	1,030
Rhode Island South Carolina	168,935 376,349,387	0.0% 79.9%	71 126,909
South Dakota	55,580	0.0%	20
Tennessee	3,123,797	0.7%	1,063
Texas	3,230,547	0.7%	1,166
Utah	217,386	0.0%	75
Vermont	290,619	0.1%	101
Virginia	6,214,441	1.3%	2,115
Washington	692,338	0.1%	271
West Virginia	648,580	0.1%	202
Wisconsin	544,565	0.1%	150
Wyoming	93,385	0.0%	27
Guam	27,718	0.0%	9
Puerto Rico	30,525	0.0%	12
Virgin Islands	13,204	0.0%	9
Other	1,121,073	0.2%	473
Total	\$471,187,168	100.0%	160,184

#### THE CORPORATION

The Corporation is a nonprofit, public benefit corporation incorporated on November 15, 1973 (federal tax ID # 57-0602805), pursuant to the laws of the State of South Carolina. The Corporation received its final 501(c)(3) determination letter from the Internal Revenue Service ("*IRS*") on June 30, 1979, which determination letter has not been amended, revoked, withdrawn or rescinded.

Under its Restated and Amended Articles of Incorporation, the Corporation has the power to receive, invest, administer, and disburse funds for educational purposes so as to enable persons to attend eligible educational institutions beyond the secondary school level and to make, handle, service and deal with student and parent loans as provided in the Higher Education Act. The Corporation has been designated by the Authority as an "Eligible Lender" pursuant to Title IV of the Higher Education Act and, as agent of and independent contractor with the Authority, the Corporation serves as the principal originator and servicer of FFELP loans guaranteed by the Authority. The Corporation has been established as a special purpose entity for the purpose of, *inter alia*, originating and servicing student loans and issuing student loan backed notes and bonds.

## **Management and Administration**

The Corporation is governed by its Board of Directors, which may officially act by a majority of its members. Effective May 1, 2008, the Corporation's Chairman and other Directors are as follows:

## **Board of Directors of the Corporation**

Name of Director	Principal Occupation	Term Ends June 30
Thomas A. Little, Jr., Chairman	Executive Director, Ellis, Lawhorne & Sims, P.A.	2008
William G. McMaster, (1) Vice Chairman	Vice President, Scott & Stringfellow, Inc.	2009
J. Edward Norris, III, Treasurer	Chairman, President and CEO, Plantation Federal Bank	2010
Charlie C. Sanders, Jr., Secretary	President and CEO, South Carolina Student Loan Corporation	2010
Dr. Julia Boyd	Executive Director of Community Relations, Richland School District Two	2008
Marvin G. Carmichael	Special Assistant to the President and Director of Financial Aid, Clemson University	2008
Robert R. Hill, Jr.	President and CEO, SCBT Financial Corporation	2009
Frederick T. Himmelein, Esq.	Self Employed, Legal and Financial Consultant	2010
Richard W. Kelly	Vice President and CFO, University of South Carolina	2009 <sup>(2)</sup>
William M. Mackie, Jr.	Retired President and CEO, South Carolina Student Loan Corporation	2010
Timothy E. Madden	Partner, Nelson Mullins Riley & Scarborough, LLP	2008

BB&T Capital Markets, one of the Underwriters of the Notes, is a division of Scott & Stringfellow, Inc.

Mr. Kelly has submitted his resignation from the Board to be effective as of June 30, 2008.

On and as of July 1, 2008, Mr. Little, Mr. Carmichael, Mr. Kelly, and Mr. Madden will be replaced as members of the Board of Directors by the following:

Dr. Boyd has been reappointed as a member of the Board of Directors effective as of July 1, 2008, for a term of three years to end on June 30, 2011.

## New Members of the Board of Directors of the Corporation

(to be effective as of July 1, 2008)

Name of Director	<b>Principal Occupation</b>	Term Ends June 30
J. Thornton Kirby, Esq.	President and CEO, South Carolina Hospital Association	2011
Neil E. Grayson, Esq.	Partner, Nelson Mullins Riley & Scarborough, LLP	2011
R. Jason Caskey, CPA	Shareholder, Elliott Davis, LLC	2011
Jeffrey Scott	Senior Vice President & Human Resources Director, Community Resource Bank	2009

On and as of July 1, 2008, the officers of the Board of Directors of the Corporation will be as follows:

William G. McMaster	Chairman
Robert R. Hill, Jr	Vice Chairman
J. Edward Norris, III	Treasurer
Charlie C. Sanders, Jr.	Secretary

The Corporation has several board committees, including the Financing Committee which is chaired by Mr. Mackie and which has as its other members, Mr. Himmelein, Mr. Kelly, and Mr. Carmichael.

The members of the Board of Directors of the Corporation may be contacted at the principal office of the Corporation.

The Corporation's principal office is located at William M. Mackie, Jr. Interstate Center, Suite 210, 16 Berryhill Road, Columbia, South Carolina 29210, and its telephone number is (803) 772-9480. The Corporation employs a staff of approximately 220 people. The Corporation's Senior Management is as follows:

#### **Senior Management**

Charlie C. Sanders, Jr., President and CEO
Tom Dunnigan, Chief Information Officer
Michael E. Fox, Vice President - Outreach
Anne Harvin Gavin, Vice President - Administrative Services

J. Wayne Landrith, Senior Vice President - External Relations and Business Development
Gerald I. Long, Vice President - Repayment Services
Robin T. Price, Vice President - Human Resources
David C. Roupe, Vice President - Guaranty Services
Laura J. Rowell, Vice President - Fiscal Operations

Charlie C. Sanders, Jr. serves as President and CEO of the Corporation and is responsible for the day-to-day management and coordination of all corporate business activities. Mr. Sanders served as Director of Investments and Debt Management for the South Carolina State Treasurer's Office from 1988 to 2001. He received his B.S. in Banking and Finance from the University of South Carolina. Mr. Sanders serves on the Board of Directors of the Student Loan Servicing Alliance, the Greater Columbia Educational Advancement Foundation, the Executive Board of the South Carolina Association of Student Financial Aid Administrators and as a Board Member and Treasurer of the Education Finance Council.

## **Program Administration**

In its administration of the Student Loan Finance Program for the Authority, the Corporation serves as a central, statewide lender and assists students and parents in obtaining funds to attend institutions of post secondary education within or beyond the boundaries of the State of South Carolina. Since its inception, the Corporation has originated more than 1,726,000 loans to more than 410,000 students and parents.

## **Servicing of FFELP Loans**

Since May 31, 1979, the Corporation has serviced all student loans originated under the FFELP ("FFELP loans") it has made.

The Corporation provides the personnel necessary to perform all servicing of FFELP loans, which services include, but are not limited to:

- verifying that all required documents for each Student Loan have been delivered and that each loan qualifies as a FFELP loan;
- maintaining and updating all loan records;
- performing due diligence necessary to collect loans according to standards set by the Secretary and the Authority, as applicable;
- taking any action necessary to collect delinquent loans; and
- performing any other functions associated with the servicing of FFELP loans.

As of April 30, 2008, the aggregate principal amount of FFELP loans being serviced by the Corporation was approximately \$2.8 billion. Since the inception of the Corporation, the cumulative aggregate principal amount of FFELP loans serviced by the Corporation totals approximately \$6.6 billion. Shown in the table below is information with respect to guarantee claims filed by the Corporation in recent years with regard to FFELP loans serviced by the Corporation. There can be no assurance that the Corporation's experience, as reflected in the table, will not be materially different in the future.

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#### Static Analysis of Guarantee Claims, Rejects & Cures

Federal <u>Fiscal Year</u>	Total Claims <u>Filed<sup>1</sup></u>	Gross Reject <u>Amount<sup>1</sup></u>	Gross Reject <u>Rate</u>	Cure <u>Amount<sup>2</sup></u>	Net Reject <u>Amount</u>	Net Reject <u>Rate</u>
2003	\$20,337,026	\$16,854	0.08%	\$ 16,854	\$ 0	0.00%
2004	20,224,909	0	0.00	0	0	0.00
2005	30,914,255	0	0.00	0	0	0.00
2006	32,934,792	18,809	0.06	4,655	14,154	0.04
2007	40,275,974	<u>31,404</u>	0.08	0	<u>31,404</u>	0.08
<b>Grand Total</b>	\$ <u>144,686,957</u>	\$ <u>67,067</u>	0.05%	\$ <u>21,509</u>	\$ <u>45,558</u>	0.03%

<sup>(1)</sup> Includes 100% of principal and interest, rather than only the guaranteed portion. Also includes lender-of-last-resort loan claims as well as claims for deaths, disabilities and bankruptcies. Loans which are subsequently rehabilitated or repurchased are not netted from the claims filed.

(2) Amount of the rejects which had been cured as of May 31, 2008.

## **Borrower Benefit Programs**

For FFELP loans, the Corporation offers certain borrower benefits in the form of interest rate reductions for prompt and regular payments or payments made by automatic bank draft, as well as partial loan forgiveness for borrowers who earn educational degrees. Please see www.scstudentloan.org for more information relating to repayment incentives and borrower benefits. Information found on the website is not part of this Offering Memorandum

Although such repayment incentives and borrower benefits may decrease the payments to be received from the Financed Student Loans, the Corporation does not expect these repayment incentives and borrower benefits to impair its ability to make payments of principal of and interest on the Notes as expected. The Corporation has no contractual obligations regarding the incentives described above, and the Corporation may discontinue or decrease these incentives at any time and, upon receipt of a Rating Confirmation, increase these incentives.

## **Other Programs**

The Corporation currently administers other loan programs in the State of South Carolina, including a Teachers Loan Program and a Palmetto Assistance Loan Program, a private student loan program. Loans made under these programs are not pledged as security for the benefit of the Notes.

#### **Financial Information**

Certain financial information with respect to the Corporation is provided in **EXHIBIT VI** hereto. Such financial information is furnished as of the date shown thereon; and, although the Corporation believes such information to be materially correct as of its date, there can be no assurance that the financial condition of the Corporation has not changed between the date of such information and the date of this Offering Memorandum. The Corporation makes no representation that such changes have not occurred.

As of March 31, 2008, the Corporation has total assets of approximately \$3.4 billion, total liabilities of approximately \$3.1 billion, and a fund balance of approximately \$357.5 million.

## **Corporation Debt Outstanding**

The Corporation has no outstanding or issued capital stock. Prior to the issuance of the Notes, the Corporation has \$1,837,000,000 of bonds and notes outstanding issued under other, unrelated resolutions securing separate trust estates (which include the Prior Bonds) of which \$637,000,000 constitute auction rate securities. The Prior Bonds to be refunded with proceeds of the Notes (in the outstanding principal of \$275,000,000) are auction rate securities.

The Corporation has an existing \$300,000,000 line of credit with the Royal Bank of Canada which is used to finance the origination of certain FFELP loans under a separate trust estate.

The Corporation is indebted to the Authority under loan agreements securing certain trust estates relating to the Authority and to the Authority's approximately \$1.1 billion of outstanding bonds. The obligations of the Corporation under such loan agreements are secured by, and payable only from, certain pools of FFELP loans that are not part of the Trust Estate.

#### **No Prior Defaults**

The Corporation has not previously experienced any defaults with respect to the payment of principal of or interest on any of its bonds, notes, or lines of credit.

#### SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY

The Authority is a body politic and corporate and a public instrumentality of the State of South Carolina. It was created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the Code of Laws of South Carolina, 1976, as amended (the "*Act*"). The constitutionality of the Act was sustained in <u>Durham v. McLeod</u>, 259 S.C. 409, 192 S.E.2d 202 (1972), appeal dismissed 413 U.S. 902 (1973).

The Authority was originally created in order to provide a means of making loans to students in order to enable them to attend institutions of higher learning, post-secondary business, trade or technical educational schools, and vocational and training schools that have been approved by the Authority. Such institutions may be located within or beyond the boundaries of the State of South Carolina.

The Authority is governed by its members who, under the Act, are the members of the State Budget and Control Board of South Carolina. The Authority's address is Office of State Treasurer, P.O. Box 11778, Columbia, South Carolina 29211. As of the date hereof the members of the Authority are as follows:

## **Members of the Authority**

## Name of Member

The Honorable Mark Sanford The Honorable Converse A. Chellis, III The Honorable Richard Eckstrom The Honorable Hugh K. Leatherman, Sr. The Honorable Daniel T. Cooper

## Office Held

Governor of South Carolina
State Treasurer of South Carolina
Comptroller General of South Carolina
Chairman, South Carolina Senate Finance Committee
Chairman, South Carolina House of
Representatives Ways and Means Committee

The program through which the Authority conducts its guarantee activities is herein referred to as the "Student Loan Insurance Program."

## **Student Loan Insurance Program**

In May of 1978, the Authority initiated its Student Loan Insurance Program and commenced guaranteeing FFELP loans as the guaranty agency for the State of South Carolina under Section 428(c) of the Higher Education Act. In order to effectively administer its Student Loan Insurance Program, the Authority processes loans submitted

for guarantee, issues loan guarantees, provides collection assistance for delinquent loans, pays claims for loans in default, collects loans on which default claims have been paid and makes appropriate responses to the Secretary. The Authority is also responsible for initiating policy and performing compliance reviews as required by the Higher Education Act with respect to certain schools participating in the Student Loan Insurance Program. As of April 30, 2008, the outstanding principal amount of FFELP loans guaranteed by the Authority, and originated and serviced by the Corporation, was \$2.8 billion, of which approximately \$1.6 billion was in repayment status.

For a further description of the terms and conditions of these types of loans, see EXHIBIT I – "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Pursuant to the Authority's Student Loan Insurance Program, any eligible holder of a FFELP loan guaranteed by the Authority, including the Corporation in its capacity as an eligible holder, is currently entitled to reimbursement from the Authority for 100% of any proven loss incurred resulting from the default, death, permanent and total disability, or discharge by false certification, closed school or in bankruptcy of the borrower for loans disbursed prior to October 1, 1993, 98% for loans made October 1, 1993 through June 30, 2006, 97% for loans made July 1, 2006 through September 30, 2012, and 95% for loans made on or after October 1, 2012, and during each period, 100% of any proven loss with respect to certain other claims. See EXHIBIT I – "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

The Authority must pay a lender for a defaulted loan prior to submitting a claim to the Secretary for reimbursement. The Authority's experience is that reimbursement from the Secretary occurs approximately 45 days from the time a request is submitted for reimbursement. The Higher Education Act requires the Authority to submit a request for reimbursement by the Secretary within 30 days from the date the claim is paid. Under present practice, after the Secretary reimburses the Authority for a default claim paid on a FFELP loan, the Authority must continue to seek repayment from the borrower. Following are the Authority's default and recovery rates for the federal fiscal years set forth below:

Federal Fiscal Year Ended September 30	Default <u>Claims</u>	Default Rate (Trigger Rate)*	Recoveries	Recovery Rate
2003	\$ 8,630,716	0.73%	\$12,412,212	27.30%
2004	7,916,040	0.60	11,485,910	22.93
2005	12,623,138	0.85	13,440,517	28.31
2006	13,320,889	0.80	17,624,344	31.52
2007	13,711,301	0.76	21,472,234	31.99

<sup>\*</sup> Trigger Rate indicates the loan balances defaulted during a federal fiscal year divided by the loan balances in repayment at the beginning of such fiscal year. Under the Higher Education Act, as currently in effect, if a guaranty agency's Trigger Rate exceeds 5% then the applicable percentage at which the Secretary reinsures loans guaranteed by that guaranty agency begins to decline below the otherwise applicable level.

If a payment on a FFELP loan is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the payment. An equitable share is deemed to be the balance remaining after the Authority deducts an amount equal to (i) the complement of the reimbursement percentage in effect at the time of reimbursement and (ii) certain administrative costs, to the extent such costs do not exceed 19.36% of the borrower's payment. Effective July 1, 2008, the administrative costs can not exceed 19.58%. Under this formula, the Authority retains 16% of the borrower's payment and remits the balance to the Secretary. See EXHIBIT I – "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

#### Federal Student Loan Reserve Fund

The 1998 reauthorization of the Higher Education Act required each guaranty agency to establish a Federal Student Loan Reserve Fund (the "Federal Fund") into which all federal reserves are to be deposited and, subject to some transitional exceptions, such amounts deposited in the Federal Fund can only be used to pay lender claims on defaulted loans and to disburse default aversion fees to an agency operating fund ("Agency Operating Fund"). All loan processing and issuance fees, account maintenance fees and default aversion fees paid by the Secretary as well

as the unreinsured portion of default collections (after payment of the Secretary's equitable share and excluding required deposits in the Federal Fund) are required to be deposited in the Agency Operating Fund. Except for funds transferred from the Federal Fund, the Agency Operating Fund is considered to be the property of the respective guaranty agency. As of March 31, 2008, the balance in the Authority's Agency Operating Fund was \$35,300,649.

The fund that the Authority established pursuant to the Act that satisfies such requirement is also referred to in the Act as the "State Education Assistance Authority Loan Guarantee Reserve Fund," which may be used by the Authority to remedy defaults on student or parent loans to the extent such defaulted loans are not covered by an existing or future program of federal guarantees or reinsurance. Sources of funds for the Federal Fund include premiums, if any, received by the Authority for guaranteeing student or parent loans and all moneys made available to the Authority for the guaranteeing of FFELP loans, including federal funds made available for such purpose. As of March 31, 2008, the balance in the Federal Fund established by the Authority was \$9,898,527.

The Higher Education Act requires that the Authority charge a federal default fee for certain FFELP loans made on or after July 1, 2006 and deposit to the Federal Fund. Moneys in the Federal Fund may not be pledged to the repayment of any bonds. The liability of the Authority to guarantee student and parent loans does not constitute a pledge of the full faith and credit of the State of South Carolina, but is payable solely from moneys in the Federal Fund.

See also the discussion of the Federal Student Loan Reserve Fund in Exhibit I – "Summary of Certain Provisions of the Federal Family Education Loan Program - Guarantee and Reinsurance for FFELP Loans."

#### **Recall of Guaranty Agency Reserves**

A guaranty agency's reserve ratio is determined by dividing its Federal Fund balance by the original principal amount of outstanding loans it has agreed to guarantee. The following table sets forth the Authority's reserve ratio over the past five (5) federal fiscal years:

Federal Fiscal Year	Original Principal Amount		
<b>Ended September 30</b>	of Outstanding Loans	Federal Fund Balance	Reserve Ratio
2003	\$2,110,225,270	\$12,037,564	0.57%
2004	2,388,747,296	10,011,005	0.42
2005	2,670,079,723	8,930,667	0.33
2006	2,851,392,708	6,988,735	0.25
2007	2,987,687,924	8,364,511	0.31

See also the discussion of the amendments to the Higher Education Act related to guaranty agency reserves in EXHIBIT I – "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

## THE TRUSTEE

Wells Fargo Bank, National Association is a national banking association organized under the laws of the United States, and is a subsidiary of Wells Fargo & Company, a diversified financial services company with \$595 billion in assets, providing banking, insurance, investments, mortgage and consumer finance. Wells Fargo Bank, National Association is the only bank in the U.S. to have the highest possible credit rating from both Moody's Investor Service, "Aaa," and Standard & Poor's Rating Services, "AAA." Wells Fargo Bank, National Association is one of the largest providers of corporate trust and related services to the student loan industry and currently serves as indenture trustee on over 500 student loan issues for 23 issuers with principal outstanding in excess of \$31 billion.

## REPORTS TO NOTEHOLDERS

In the Series Resolution, the Corporation has agreed to provide such continuing, secondary market disclosures and confirmations as are described by the Rule 15c2-12 (the "*Rule*") under the Securities Exchange Act (the Corporation's "*Continuing Disclosure Undertaking*"). In the event of a failure of the Corporation to comply with its Continuing Disclosure Undertaking, any Noteholder or Beneficial Owner of the Notes may take such actions

as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its continuing disclosure obligations under the Series Resolution. However, a default under the Continuing Disclosure Undertaking shall not be deemed a default under the Resolution, and the sole remedy under the Series Resolution in the event of any failure of the Corporation to comply with the Continuing Disclosure Undertaking is an action to compel performance. The Corporation's continuing obligation to provide annual financial information and notices of certain material events will terminate with respect to the Notes when the Notes are no longer Outstanding.

Pursuant to the Series Resolution, the Corporation has specifically undertaken, for the benefit of the Beneficial Owners of the Notes, to provide:

- (a) by not later than seven (7) months after the end of each Fiscal Year of the Corporation, to each nationally recognized municipal securities information repository ("NRMSIR") and to the state information depository for the State ("SID"), if any, audited financial statements of the Corporation for such Fiscal Year, if available, prepared in accordance with generally accepted accounting principles (or, if such audited financial statements of the Corporation are not available by seven (7) months from the end of such Fiscal Year, unaudited financial statements of the Corporation for such Fiscal Year to be replaced subsequently by audited financial statements of the Corporation delivered within fifteen (15) days after such audited financial statements become available for distribution with such financial statements to be posted on the website of the Corporation at the same time they are transmitted to the NRMSIR and SID, if any);
- (b) quarterly, not later than the Distribution Date, Quarterly Servicing Reports, to be posted on the website of the Corporation, containing, at a minimum, detail on the application of the flow of funds, certain characteristics of the Financed Student Loans, a listing of assets in the Trust Estate, interest rates on the Notes, amounts of principal and interest being paid on each Tranche of the Notes and the Parity Percentage;
- (c) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, if any, notice of any of the events set forth in subsection (b)(5)(i)(C) of the Rule (as such Rule exists on the date hereof) with respect to the Notes, if material (See description of "material events" below); and,
- (d) in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of a failure of the Corporation to provide required annual financial information described in clause (a) or (b) above on or before the date specified.

The "material events" referred to in clause (c) above are, as set forth in the Rule:

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves below the Debt Service Reserve Requirement reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the security:
- modifications to rights of security holders;
- redemption of bonds or notes;

- defeasances;
- release, substitution, or sale of property securing repayment of the securities; and
- rating changes.

Failure of the Corporation to comply with its Continuing Disclosure Undertaking will not constitute an Event of Default with respect to the Notes and will not result in any acceleration of payment of the Notes.

The Corporation has reserved the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Corporation, <u>provided</u>, that:

- any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Corporation;
- (2) the information to be provided, as modified, would have complied with the requirements of the Rule (as such Rule exists on the date hereof), after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and
- (3) any such modification does not materially impair the interests of the Beneficial Owners, as determined either by parties unaffiliated with the Corporation, or by the approving vote of the registered owners of a majority in principal amount of the Notes pursuant to the Series Resolution at the time of the amendment.

Any annual financial information containing modified operating data or financial information will be required to set forth, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The above described Continuing Disclosure Undertaking of the Corporation will terminate upon payment of, or the making of provision for, the payment in full of the principal of and interest on the Notes.

The Corporation may meet the continuing disclosure filing requirements described above either by providing the required information directly to the NRMSIRs or SID, if any, or, to the extent permitted by the United States Securities and Exchange Commission, by providing such information to the Municipal Advisory Council of Texas, its successors or assigns as provided at www.disclosureusa.org for subsequent transmission to the NRMSIRs and SID, if any, or to any other recipient as provided by the United States Securities and Exchange Commission without providing such information directly to the NRMSIRs or SID, if any.

Post issuance reports containing information set forth in (a), (b), (c), and (d) above in this section entitled "REPORTS TO NOTEHOLDERS" at such stated frequency will be reported to each NRMSIR and to the SID, if any, will also be available at the registered office of the Corporation, and will be posted on our website on the world wide web at www.scstudentloan.org. Information found on the website is not part of this Offering Memorandum.

#### **ERISA CONSIDERATIONS**

## General

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA ("ERISA Plans"). Section 4975 of the Code imposes substantially similar prohibited transaction restrictions on certain employee benefit plans, including tax-qualified retirement plans described in Section 401(a) of the Code ("Qualified Retirement Plans") and on individual retirement accounts and annuities described in Sections 408 (a) and (b) of the Code ("IRAs," collectively, with Qualified Retirement Plans, "Tax-Favored Plans"). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has

been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Non-ERISA Plans"), are not subject to the requirements set forth in ERISA or the prohibited transaction restrictions under Section 4975 of the Code. Accordingly, the assets of such Non-ERISA Plans may be invested in the Notes without regard to the ERISA or Code considerations described below, provided that such investment is not otherwise subject to the provisions of other applicable federal and state law ("Similar Laws"). Any governmental plan or church plan that is qualified under Section 401(a) and exempt from taxation under Section 501(a) of the Code is, nevertheless, subject to the prohibited transaction rules set forth in Section 503 of the Code.

In addition to the imposition of general fiduciary requirements, including those of investment prudence and diversification and the requirement that an ERISA Plan's investment of its assets be made in accordance with the documents governing such ERISA Plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans ("Plan" or collectively "Plans") and entities whose underlying assets include "plan assets" by reason of Plans investing in such entities with persons ("Parties in Interest" or "Disqualified Persons" as such terms are defined in ERISA and the Code, respectively) who have certain specified relationships to the Plans, unless a statutory, 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 will lose its tax-exempt status.

The investment in a security by a Plan may, in certain circumstances, be deemed to include an investment in the assets of the entity issuing such security, such as the Corporation. Certain transactions involving the purchase, holding or transfer of Notes may be deemed to constitute prohibited transactions if assets of the Corporation are deemed to be assets of a Plan. These concepts are discussed in greater detail below.

#### **Plan Assets Regulation**

The DOL has promulgated a regulation set forth at 29 C.F.R. § 2510.3-101 (the "Plan Assets Regulation") concerning whether or not the assets of an ERISA Plan would be deemed to include an interest in the underlying assets of an entity (such as the Corporation) for purposes of the general fiduciary responsibility provisions of ERISA and for the prohibited transaction provisions of ERISA and Section 4975 of the Code, when a Plan acquires an "equity interest" (such as a Note) in such entity. Depending upon a number of factors set forth in the Plan Assets Regulation, "plan assets" may be deemed to include either a Plan's interest in the assets of an entity (such as the Corporation) in which it holds an equity interest or merely to include its interest in the instrument evidencing such equity interest (such as a Note). For purposes of this section, the terms "plan assets" ("Plan Assets") and the "assets of a Plan" have the meaning specified in the Plan Asset Regulation and include an undivided interest in the underlying interest of an entity which holds Plan Assets by reason of a Plan's investment therein (a "Plan Asset Entity").

Under the Plan Assets Regulation, the assets of the Corporation would be treated as Plan Assets if a Plan acquires an equity interest in the Corporation and none of the exceptions contained in the Plan Assets Regulation are 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 Notes are treated as having substantial equity features, a Plan or a Plan Asset Entity that purchases Notes could be treated as having acquired a direct interest in the Corporation. In that event, the purchase, holding, transfer, or resale of the 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 Notes as described herein, it appears that the Notes should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation.

In the event that the 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 Section 3(42) of ERISA and the Plan Assets Regulation. Because the availability of this exception depends upon the identity of the holders of the Notes at any time, there can be no assurance that the Notes will qualify for this exception and that the Corporation'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 Notes in reliance upon the availability of any exception under the Plan Assets Regulation.

#### **Prohibited Transactions**

The acquisition or holding of Notes by or on behalf of a Plan could give rise to a prohibited transaction if the Corporation or any of its respective affiliates is or becomes a Party in Interest or Disqualified Person with respect to such Plan, or in the event that a 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 Corporation or any of its respective affiliates will not be or become a Party in Interest or a Disqualified Person with respect to a Plan that acquires Notes. Any such prohibited transaction could be treated as exempt under ERISA and the Code if the 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") 75-1 (an exemption for certain transactions involving employee benefit plans and broker dealers, reporting dealers and banks), PTCE 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (an exemption for certain transactions involving an insurance company's general account) and PTCE 96-23 (an exemption for certain transactions determined by a qualifying in-house asset manager).

The Underwriters, the Trustee, the Corporation, 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 Notes, the purchase of 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, Notes may not be purchased using the assets of any Plan if any of the Underwriters, the Trustee, the Corporation, or their affiliates have investment authority for those assets, or is an employer maintaining or contributing to the plan, unless an applicable prohibited transaction exemption is available to cover such purchase.

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

Each purchaser and each transferee of a Note (including a Plan's fiduciary, as applicable) shall be deemed to represent and warrant that (a) it is not a Plan and is not acquiring the Note directly or indirectly for, or on behalf of, a Plan or with Plan Assets, Plan Asset Entity or any entity whose underlying assets are deemed to be plan assets of such Plan or (b) the acquisition and holding of the Notes by or on behalf of, or with Plan Assets of, any Plan, Plan Asset Entity or any entity whose underlying assets are deemed to be Plan Assets of such Plan is permissible under applicable law, will not result in any non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar law, and will not subject the Corporation or Underwriters 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 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 Notes, should consult with its counsel with respect to the potential applicability of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code with respect to the proposed investment and the availability of any prohibited transaction exemption. A

fiduciary with respect to a Non-ERISA Plan which is a "qualified retirement plan" that proposes to acquire or hold Notes should consult with counsel with respect to the applicable federal, state, and local laws.

#### TAX MATTERS

## **Legal Opinion**

In the opinion of McNair Law Firm, P.A., Note Counsel, interest on the Notes will not be excluded from the gross income of the owners thereof for either federal or State of South Carolina income tax purposes.

## **Certain Federal Income Tax Consequences**

The following is a summary of the principal federal income tax consequences resulting from the ownership of Notes by certain persons. This summary does not consider all the possible Federal tax consequences of the purchase, ownership or disposition of Notes and is not intended to reflect the individual tax position of any owner. Moreover, except as expressly indicated, it addresses initial purchasers of Notes that (a) purchase at a price equal to the first price to the public at which a substantial amount of each series of the Notes are sold; and (b) who hold a Note as capital assets within the meaning of Section 1221 of the Code. This summary does not address owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Notes (or foreign currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Note and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. Except to the extent discussed under "Tax Considerations for Non-U.S. Beneficial Owners" below this summary is not applicable to non-United States persons not subject to federal income tax on their worldwide income. This summary is based upon the United States federal tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or its interpretations, any of which may be applied retroactively. It does not discuss the tax laws of any state, local or foreign governments.

Persons considering the purchase of Notes should consult their own tax advisors concerning the Federal income tax consequences to them in light of their particular situations as well as any consequences to them under the laws of any other taxing jurisdiction.

#### **Taxation of Stated Interest**

If the Beneficial Owner is a U.S. holder, such owner generally will be required to include in gross income, as ordinary interest income, the stated interest on the Notes at the time the interest accrues or is received, in accordance with the Beneficial Owner's regular method of accounting for U.S. federal income tax purposes. If a partnership holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult their tax advisors.

Although the matter is not free from doubt, it is anticipated that the Notes will be treated as providing for stated interest at "qualified floating rates," as this term is defined by applicable Treasury regulations, and accordingly as having been issued without original issue discount. If it were to be determined that the Notes do not provide for stated interest at qualified floating rates, the Notes would be treated as having been issued with original issue discount. In that event, the Beneficial Owner of a Note would be required to include original issue discount in gross income as it accrues on a constant yield to maturity basis in advance of the receipt of any cash attributable to the income, regardless of whether the Beneficial Owner is a cash or accrual basis taxpayer.

## Sale, Exchange, or Retirement of the Notes

A U.S. Beneficial Owner will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other taxable disposition of a Note in an amount equal to the difference between the amount of cash and the fair market value of any property received (excluding any amount received in respect of accrued stated interest, which will be recognized as ordinary interest income to the extent the holder has not previously included the accrued interest in income) and the Beneficial Owner's adjusted tax basis in the Note. The U.S. Beneficial Owner's tax basis in a Note generally will equal the amount the Beneficial Owner paid for the Note reduced by any

payments on the Note that are not payments of stated interest. Gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note generally will be capital gain or loss and will be long-term capital gain or loss if the Beneficial Owner held the Note for more than one year. Long-term capital gains of individuals, estates and trusts generally are taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to various limitations.

## **Information Reporting and Backup Withholding**

Information reporting will apply to payments of principal and interest made by the Corporation on, or the proceeds of the sale or other disposition of, the Notes to certain non-corporate U.S. holders, and backup withholding may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury (as well as certain other information), or otherwise establishes an exemption from backup withholding. Any amount withheld under backup withholding rules is allowable as a credit against the U.S. Beneficial Owner's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Beneficial Owner's actual U.S. federal income tax liability and the U.S. Beneficial Owner provides the required information or appropriate claim form to the IRS.

#### Tax Considerations for Non-U.S. Beneficial Owners

<u>Taxation of Interest</u>. Interest on the Notes may also be taxable to non-U.S. Beneficial Owners to the extent described below.

<u>Withholding on Interest and Portfolio Interest Exemption</u>. If a Beneficial Owner is a non-U.S. holder, payments of principal and interest on the Notes will generally be exempt from withholding of U.S. federal income tax under the "portfolio interest" exemption if such Beneficial Owner properly certifies as to such Beneficial Owner's foreign status, as described below, and:

- the Beneficial Owner does not own, actually or constructively, 10% or more of the capital or profits interests of the Corporation;
- the Beneficial Owner is not a "controlled foreign corporation" that is related to the Corporation;
   and
- the Beneficial Owner is not a bank that has acquired the Notes in consideration for an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business.

The portfolio interest exemption and several of the special rules for non-U.S. holders described herein generally apply only if the Beneficial Owner appropriately certifies as to such holder's foreign status. A Beneficial Owner generally can meet this certification requirement by providing a properly executed Form W-8BEN or appropriate substitute form to the Corporation or the Paying Agent. If the Beneficial Owner holds the Notes through a financial institution or other agent acting on the Beneficial Owner's behalf, the Beneficial Owner may be required to provide appropriate certifications to the agent. The agent will then generally be required to provide appropriate certifications to the Corporation or the Paying Agent, either directly or through other intermediaries. Special rules apply to foreign partnerships, estates and trusts, and in certain circumstances certifications as to the foreign status of partners, trust owners, or beneficiaries may have to be provided to the Corporation or the Paying Agent. In addition, special rules apply to qualified intermediaries that enter into withholding agreements with the IRS, and such intermediaries generally are not required to forward any certification forms received from non-U.S. holders.

If a Beneficial Owner cannot satisfy the requirements described above, payments of interest made to such Beneficial Owner will be subject to the 30% U.S. federal withholding tax, unless such Beneficial Owner provides the Corporation with a properly executed IRS Form W-8BEN (or successor form) claiming an exemption from (or a reduction of) withholding under the benefit of a tax treaty, or the payments of principal and interest are effectively connected with such Beneficial Owner's conduct of a trade or business in the United States and the Beneficial Owner meets the certification requirements described below. See "Income or Gain Effectively Connected with a Trade or Business."

Sale or Other Taxable Disposition of Notes. A Beneficial Owner generally will not be subject to U.S. federal income tax on any gain realized on the sale, exchange, retirement or other taxable disposition of a Note unless:

- the gain is effectively connected with the conduct by such Beneficial Owner of a U.S. trade or business:
- the Beneficial Owner is an individual who has been present in the United States for 183 days or more of the taxable year of disposition and certain other requirements are met; or
- the Beneficial Owner was a citizen or resident of the United States and subject to special rules that apply to certain expatriates.

Income or Gain Effectively Connected with a U.S. Trade or Business. The preceding discussion of the tax consequences of the purchase, ownership and disposition of the Notes by a Beneficial Owner generally assumes that such Beneficial Owner is not engaged in a U.S. trade or business. If any interest on the Notes or gain from the sale, exchange, retirement, redemption, or other taxable disposition of the Notes is effectively connected with a U.S. trade or business conducted by the Beneficial Owner, then the income or gain will be subject to U.S. federal income tax at regular graduated income tax rates, but will not be subject to withholding tax if certain certification requirements are satisfied. A Beneficial Owner can generally meet the certification requirements by providing a properly executed Form W-8ECI or appropriate substitute form to the Corporation or the Paying Agent. If the Beneficial Owner is eligible for the benefits of a tax treaty between the United States and such Beneficial Owner's country of residence, any "effectively connected" income or gain will generally be subject to U.S. federal tax only if it is also attributable to a permanent establishment maintained by such Beneficial Owner in the United States. If the Beneficial Owner is a corporation, that portion of the Beneficial Owner's earnings and profits that are effectively connected with such Beneficial Owner's U.S. trade or business also may be subject to a "branch profits tax" at a 30% rate, although an applicable tax treaty may provide for a lower rate.

<u>Information Reporting and Backup Withholding</u>. In general, information reporting and backup withholding will apply to payment of interest on the Notes unless the Beneficial Owner appropriately certifies as to such Beneficial Owner's foreign status or otherwise establishes an exemption.

Payment of the proceeds of a sale of a Note effected by a U.S. or foreign broker will be subject to information reporting requirements and backup withholding unless the Beneficial Owner properly certifies under penalties of perjury as to such Beneficial Owner's foreign status and certain other conditions are met, or the Beneficial Owner otherwise establishes an exemption. Information reporting requirements and backup withholding generally will not apply to any payment of the proceeds of a sale of a Note effected outside the United States by a foreign office of a broker. However, unless such a broker has documentary evidence in its records that such Beneficial Owner is a non-U.S. holder and certain other conditions are met, or the Beneficial Owner otherwise establishes an exemption, information reporting will apply to a payment of the proceeds of the sale of a Note effected outside the United States by such a broker if it:

- is a United States person;
- derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States;
- is a controlled foreign corporation for U.S. federal income tax purposes;
- is a foreign partnership that, at any time during the taxable year, has 50% or more of its income or capital interests owned by U.S. persons or is engaged in the conduct of a U.S. trade or business; or
- is a U.S. branch of a foreign bank or insurance company.

Any amount withheld under the backup withholding rules may be credited against the Beneficial Owner's U.S. federal income tax liability and any excess may be refundable if the proper information is provided to the IRS.

#### Tax Disclaimer

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATION IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE, NOR DOES IT PURPORT TO CONTAIN OR DISCUSS ALL OF THE TAX MATTERS THAT SHOULD BE CONSIDERED BY A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR FEDERAL, STATE, LOCAL, OR FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.

To the extent that this Offering Memorandum provides federal income tax advice, this Offering Memorandum is not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This Offering Memorandum is being used to support the promotion or marketing of the transaction described herein. The taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a note purchase agreement (the "*Note Purchase Agreement*") between the Corporation and RBC Capital Markets Corporation, Goldman, Sachs & Co., BB&T Capital Markets, A Division of Scott & Stringfellow, Inc., and Stifel, Nicolaus & Company, Incorporated (collectively, the "*Underwriters*"), the Corporation will agree to sell the Notes to the Underwriters, and the Underwriters will agree to purchase the Notes from the Corporation at a price of par. Collectively, the Underwriters will be paid underwriting fees and commissions in the aggregate amount of \$1,800,000.

## **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relative Member State"), each of the Underwriters has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or
- in any other circumstances which do not require the publication by the Corporation of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purpose of this provision, the expression an "offer of the Notes to the public" in relation to any of the Notes in any Relevant Member State means the communication in any form and by any means of sufficient

information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## **United Kingdom**

Each Underwriter has represented and agreed that:

- (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business;
- (b) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000 (the "FSMA")), received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Corporation; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements presented in this Offering Memorandum constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may vary materially from such expectations. Investors should not place undue reliance on those forward-looking statements. When used in this Offering Memorandum, the words "estimate," "intend," "expect," "assume," and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material. Please review the factors described in this Offering Memorandum under "RISK FACTORS - Experience May Vary from Assumptions" which could cause the actual results to differ from expectations.

#### LISTING AND GENERAL INFORMATION

This Offering Memorandum constitutes a prospectus for the purpose of Article 5.4 of the European Union's Prospectus Directive (2003/71/EC) (the "*Prospectus Directive*"). Application has been made to the Irish Financial Services Regulatory Authority (the "*Financial Regulator*"), as a competent authority under the Prospectus Directive, for the prospectus to be approved. Application has been made to the Irish Stock Exchange Limited (the "*Irish Stock Exchange*") for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on the regulated market of the Irish Stock Exchange Reference throughout this document to the offering memorandum shall be taken to read "Prospectus" for this purpose. Certain information has been included in this Offering Memorandum to comply with the Irish Stock Exchange listing and admission to trading Guidelines for Asset Backed Securities.

The Corporation has applied to the Financial Regulator, as competent authority under the Prospectus Directive, for approval of this Offering Memorandum. The approval from the Financial Regulator relates only to the Notes which are to be admitted to the Official List and for trading on the regulated market of the Irish Stock Exchange. There can be no assurance that such listing will be obtained.

The expenses related to the admission of the Notes on the trading on the Irish Stock Exchange are expected to amount to approximately  $\in$ 13,150 (Irish Stock Exchange Listing Fees,  $\in$ 5,150; Irish Listing Agent Fees,  $\in$ 5,000; and Irish Paying Agent Fees,  $\in$ 3,000).

Goodbody Stockbrokers will act as the listing agent (in such capacity, the "Listing Agent") and AIB International Financial Services Limited will act as the paying agent in Ireland (in such capacity, the "Irish Paying Agent") for the Notes.

The Corporation accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Corporation, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Physical or electronic copies of the following documents may be inspected at the registered office of the Corporation (William M. Mackie, Jr. Interstate Center, Suite 210, 16 Berryhill Road, Columbia, South Carolina 29210) during usual business hours on any weekday (public holidays excepted) for the term of the Notes:

- (a) the Offering Memorandum and the Restated and Amended Articles of Incorporation of the Corporation;
- (b) the transaction documents referred to herein, including the General Resolution, Series Resolution, and the Note Purchase Agreement;
- (c) audited historical financial information covering the latest two (2) financial years and the audit report with respect to each year; and
  - (d) all reports, letters, and other documents referred to herein.

The Corporation is not legally obligated in its country and state of incorporation to produce financial statements. However, it has included historical financial statements in **EXHIBIT VI** of this Offering Memorandum and has undertaken to make its future financial statements available as described under Reports to Noteholders for the use of investors.

The Corporation is not involved, and has not been involved, in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Corporation is aware) which may have or have had since the date of its incorporation a significant effect on the Corporation's financial position.

There has been no material adverse change in the financial position or prospects of the Corporation since June 30, 2007, the date of its last published financial statements included in the Offering Memorandum.

Reference in this Offering Memorandum to website addresses will not been deemed to constitute a part of this document.

All money that the Trustee shall have withdrawn from the Debt Service Fund or shall have received from any other source and set aside or delivered to any Paying Agent for the purpose of paying any of the Notes hereby secured, either at the Stated Maturity Date or by purchase or call for redemption, shall be held in trust for the respective Noteholders. All money that is so set aside and that remains unclaimed by the Noteholders for a period of five years after the date on which such Notes have become payable shall be treated as abandoned property and the Trustee or the Paying Agent shall report and remit this property as required by applicable South Carolina law at such time.

The General Resolution and the Series Resolution under which the Notes have been issued and the Trust Estate are governed by and shall be construed in accordance with the laws of the State of South Carolina, USA without giving effect to the conflicts-of-laws principles thereof.

## RATINGS

A condition to the purchase of the Notes by the Underwriters under the Note Purchase Agreement is that at least two of Moody's Investors Services ("Moody's"), Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("S&P"), and Fitch Ratings ("Fitch") assign ratings to the Notes in their highest

rating category. With respect to Moody's such highest rating category is "Aaa," and with respect to S&P and Fitch, such highest rating category is "AAA.". The Corporation has furnished Moody's, S&P, and Fitch with certain information and materials concerning the Notes and the Corporation some of which is not included in this Offering Memorandum. Generally, a Rating Agency bases its rating on such information and materials and also on such investigations, studies, and assumptions as each may undertake or establish independently.

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

#### LEGAL MATTERS

Certain legal matters, including certain income tax matters, will be passed upon for the South Carolina Student Loan Corporation by McNair Law Firm, P.A., and certain legal matters will be passed upon for the Underwriters by Haynsworth Sinkler Boyd, P.A.

#### LITIGATION

There is currently no litigation pending, or, to the knowledge of the Corporation, threatened, that would have the effect of prohibiting the issuance, sale, or delivery of the Notes or the pledge of the Trust Estate as provided by the Resolution.

#### DIRECTORY

## Underwriters

RBC Capital Markets Corporation 3 World Financial Center 200 Vesey Street New York, New York 10281 USA Goldman, Sachs & Co. 85 Broad Street New York, New York 10004-2434 USA

BB&T Capital Markets, A Division of Scott & Stringfellow, Inc. 2 South Ninth Street Richmond, Virginia 23219-3920 USA Stifel, Nicolaus & Company, Incorporated 1125 Seventeenth Street, Suite 1600 Denver, Colorado 80202 USA

#### **Trustee**

Wells Fargo Bank, National Association 7077 Bonneval Road, Suite 400 Jacksonville, Florida 32216 USA

## **Legal Advisors**

McNair Law Firm, P.A. 100 Calhoun Street Charleston, South Carolina 29401 USA Haynsworth Sinkler Boyd, P.A. 134 Meeting Street, Third Floor Charleston, South Carolina 29401 USA

## **Listing Agent**

**Irish Paying Agent** 

Goodbody Stockbrokers
Ballsbridge Park,
Ballsbridge,
Dublin 4,
Ireland

AIB International Financial Services Limited
AIB International Centre
International Financial Services Centre
Dublin 1
Ireland

#### **Auditors**

Derrick, Stubbs & Stith, L.L.P., Certified Public Accountants 508 Hampton Street, 1st Floor Columbia, South Carolina 29201 USA

## EXHIBIT I

SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

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

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#### INTRODUCTION

#### Generally

The Federal Family Education Loan Program (the "*FFELP*"), formerly known as the Guaranteed Student Loan Program, is part of a number of federal education programs contained in the Higher Education Act of 1965, as amended (the "*Higher Education Act*") and was originally enacted by the U.S. Congress and signed into law as Public Law 89-329. FFELP provisions are presently contained in Title IV, Part B of the Higher Education Act and are codified at 20 United States Code, Sections 1071 *et seq*.

## FFELP currently includes:

- the Federal Stafford Loan Program,
- the Federal Supplemental Loans for Students (SLS) Program, (repealed in 1994)
- the Federal PLUS Program, and
- the Federal Consolidation Loan Program.

FFELP attempts to assure access of students and their parents to loans for postsecondary educational endeavors by providing lenders with certain federal incentives to make what otherwise would be unsecured higher risk loans. Toward that end, qualifying loans under FFELP are either (i) guaranteed by a state guaranty agency or authorized private guaranty agency and reinsured by the U.S. Government or (ii) insured directly by the U.S. Secretary of Education (the "Secretary"). One type of FFELP loan made to need-qualified students is subject to special treatment under which the Secretary pays interest on the loan while the student is in school and prior to the time the student is scheduled to begin loan repayment. Several types of FFELP loans are subject to so-called "Special Allowance Payments" where the Secretary makes periodic payments to loan holders to make up the difference between the interest rate paid by the borrower and the calculated market interest rates or where the Secretary recaptures excess interest on certain FFELP loans.

A federal direct student loan program ("FDSLP") was created by the Student Loan Reform Act of 1993 and became operational for the 1994-1995 academic year. Unlike the FFELP, which relies on a national network of private for-profit and nonprofit lenders as well as state and local governmental and quasi-governmental lenders for the origination and funding of loans, the FDSLP utilizes direct federal funding of student loans through participating educational institutions.

Currently, interest rate information for FFELP loans can be found in §427A of the Higher Education Act (20 U.S.C. 1077a); insurance and guarantee/reinsurance information for FFELP loans can be found in §§429 through 432 of the Higher Education Act (20 U.S.C. 1079 through 1082); and, information on student borrower and parent borrower eligibility for FFELP loans can currently be found in §§427 and 428B of the Higher Education Act (20 U.S.C. 1077 and 1078-2).

The following summary of certain provisions of FFELP is not intended to be complete and is qualified in its entirety by reference to the complete provisions of the Higher Education Act and the regulations thereunder. This summary is intended as a general description of FFELP and speaks only as of the date on the front cover of this Official Memorandum. Neither the Corporation, the Underwriters, nor their respective counsel are under any obligation to update or supplement the information herein contained after the date hereof.

## **Legislative and Administrative Matters**

Since original enactment, both the Higher Education Act and the regulations promulgated thereunder have been the subject of extensive amendments, and there can be no assurance that further amendments or modifications will not adversely impact the programs described below and FFELP loans made thereunder. The Higher Education Act is currently subject to reauthorization. During that process, which is ongoing, proposed amendments to the Higher Education Act are more commonplace and a number of proposals have been introduced in Congress. No representation is made as to the effect, if any, of recent or future federal budgetary appropriation, legislation, or

regulatory actions upon expenditures by the U.S. Department of Education or upon the financial condition of the Corporation.

The College Cost Reduction and Access Act was signed into law on September 27, 2007, and made substantial changes to the FFELP. Among other things, it reduced the interest rates on certain types of new loans, reduced loan guaranty levels on new loans, reduced the special allowance support level on new loans, and increased up-front origination fees paid by lenders.

The College Cost Reduction and Access Act also converts the parent PLUS Loan program to an auction format beginning on July 1, 2009. In consultation with other federal agencies, the U.S. Department of Education is required to plan and implement the auction of all new parent PLUS Loans in the FFELP. A separate loan origination rights auction is to be held bi-annually for each state, with two winning bidders selected for each state for that two-year period.

The Ensuring Continued Access to Student Loans Act of 2008 was signed into law on May 7, 2008. This legislation increases annual loan limits applicable to undergraduate students for loans first disbursed on or after July 1, 2008, increases aggregate loan limits for undergraduate students effective July 1, 2008, and provides additional time for parent PLUS borrowers to begin repayment on their loans.

The Higher Education Extension Act of 2008 was signed into law to extend temporarily the authority for certain programs under the Higher Education Act to April 30, 2008.

#### THE FEDERAL STAFFORD LOAN PROGRAM

Generally. FFELP currently provides for (a) a Stafford Loan Program, which includes (i) federal insurance or separate guarantee and federal reinsurance (described below), (ii) interest subsidy payments ("Interest Subsidy Payments") to eligible lenders for certain eligible borrowers with "subsidized" loans, and (iii) in some circumstances, special allowance payments ("Special Allowance Payments") paid by the Secretary to holders of certain eligible loans or paid by holders to the Secretary; and (b) an unsubsidized Stafford Loan Program, which includes federal insurance or separate guarantee and federal reinsurance and Special Allowance Payments in some circumstances.

Both subsidized and unsubsidized Stafford Loans are eligible for federal insurance or separate guarantee and federal reinsurance if made to eligible students (see below). In connection with eligible Stafford Loans, there are limits as to the maximum amount which may be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. These aggregate limitations exclude loans made under the PLUS Program. The Secretary may authorize higher limits to accommodate students undertaking specialized training requiring exceptionally high costs of education. Subject to these limits, Stafford Loans are available to eligible students in amounts not exceeding their unmet need for financing determined in accordance with applicable FFELP need analysis. As used in this summary, a "new borrower" is an individual who, at the time of determination, has no outstanding principal or interest due on prior loans under FFELP.

**Eligible Student**. Generally, a loan may be made only to a United States citizen or national or otherwise eligible individual under federal regulations who:

- (a) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution,
- (b) is carrying at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution,
  - (c) has agreed to notify promptly the holder of the loan of any address change,
  - (d) meets the applicable "need" requirements,
- (e) if he or she is an undergraduate enrolled in an institution participating in the Pell Grant Program, then his or her eligibility or ineligibility for the Pell Grant Program has been determined,

- (f) is not in default on any other federal education loan nor owes an overpayment on any other Title IV program (or has made satisfactory arrangements with the holder to repay such debt), and
  - (g) is in compliance with Selective Service System registration requirements.

Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations.

**Promissory Notes.** Each loan, whether subsidized or unsubsidized, is to be evidenced by an unsecured unendorsed promissory note. Currently, all such loans are in the form of a "Master Promissory Note." A Master Promissory Note is designed to be used as both a single year and as a multi-year note. Under the Master Promissory Note process, most borrowers will sign a promissory note once, at the time they first borrow. They may obtain additional loans, based on that same note, during the same year or in subsequent years. Generally, a lender's ability to make subsequent loans to a borrower, based on the Master Promissory Note, expires upon the earliest of (i) twelve (12) months after the original Master Promissory Note is signed if no disbursements have been made using that Master Promissory Note, (ii) ten (10) years from the date the Master Promissory Note is signed, or (iii) the date the lender receives written notice from the borrower that the Master Promissory Note may no longer be used as the basis for making additional loans.

Maximum Loan Amounts. Currently, the annual Stafford Loan limit for an academic year is as follows:

- \$3,500 for the first year of undergraduate study,
- \$4,500 for the second year of undergraduate study,
- \$5,500 per year for the remainder of undergraduate study, and
- \$8,500 per year for graduate and professional students.

The current aggregate limit on total Stafford Loans is generally \$23,000 for undergraduates (excluding PLUS and SLS loans) and \$65,500 for graduate and professional students. Effective July 1, 2008, the aggregate limit increases to \$31,000 for undergraduate students (excluding PLUS and SLS loans) of which no more than \$23,000 can be subsidized. These loan limits may be increased substantially in some circumstances. See "SLS AND UNSUBSIDIZED STAFFORD LOAN PROGRAMS – Loan Amounts."

**Applicable Interest Rates**. The interest rates applicable to Stafford Loans vary significantly depending, among other things, on the time period during which the loan or its first disbursement was made and whether the loan was to a new borrower or an existing borrower.

Historical Fixed Rates. Prior to October of 1992, all Stafford Loans to new borrowers bore interest at fixed rates which varied depending on the period of instruction the loan was to cover. For example, Stafford Loans made prior to January 1, 1981 (and subsequent loans to the same borrowers) bore interest at a fixed rate not in excess of 7% per annum. On and after January 1, 1981, the fixed interest rate for new borrowers was 9% per annum unless the Secretary of the Treasury determined that the average of the bond equivalent rates of 91-day Treasury Bills auctioned for any twelve (12) month period beginning on or after January 1, 1981, was equal to or less than 9% in which case the fixed interest rate was 8% for any period of enrollment beginning on or after the date which was three (3) months after such determination. For loans first disbursed to new borrowers on or after July 1, 1988, the fixed interest rate was 8% from the date of loan disbursement through the fourth year of repayment and then converted in the fifth year of repayment to a fixed rate of 10% for the remainder of the repayment period.

<u>Required Conversion Of Older Fixed Rate Loans To Annual Variable Rates</u>. Pursuant to the Higher Education Technical Amendments of 1993, which was signed into law on December 20, 1993, lenders were required to convert all fixed rate loans disbursed on or after July 23, 1993, to an annual variable rate by January 1, 1995. The annual variable rate to which such loans were converted is adjusted each July 1 to a rate equal to the bond equivalent rate of the 91-day Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus a spread of 3.25% for loans first disbursed to new borrowers on or after July 1, 1988, for which the otherwise applicable fixed interest rate was 10%; or, in the case of a loan made on or after October 1, 1992, to a borrower with

outstanding loans under FFELP, the bond equivalent rate of the 91-day Treasury Bill, determined as described above, plus 3.10%.

<u>Variable Interest Rates</u>. Loans first disbursed to new borrowers on or after October 1, 1992, and before July 1, 1994, bear interest at an annual variable rate which is reset each July 1 and which is equal to the bond equivalent rate of the 91-day Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus a spread of 3.10% with a cap on the rate of 9%. For loans first disbursed (whether to a new or existing borrower) on or after July 1, 1994, the cap on the rate is reduced to 8.25%. For loans first disbursed on or after July 1, 1995, and before July 1, 1998, the permitted spread above the bond equivalent rate of the 91-day Treasury Bill is reduced to 2.50% during the period of the loan prior to the commencement of repayment and during the deferment of repayment and the rate is capped at 8.25%. For loans first disbursed on or after July 1, 1998, and before July 1, 2006, the permitted spread is 1.7% during the in-school period, the grace period and certain deferment periods and 2.3% during the repayment period and any periods of forbearance, in each case with the maximum rate capped at 8.25%. FFELP specifically provides that the foregoing interest rates are maximum rates only and that lenders may charge interest rates that are lower than the applicable FFELP rates.

<u>Fixed Interest Rates</u>. All Stafford Loans disbursed on or after July 1, 2006, bear a fixed interest rate of not greater than 6.8%, except that subsidized Stafford Loans to undergraduate students having first disbursement dates as follows will have the following permitted fixed interest rates:

<b>Date of First Disbursement</b>	Permitted Interest Rate
On or after July 1, 2008 and before July 1, 2009	6.0%
On or after July 1, 2009 and before July 1, 2010	5.6%
On or after July 1, 2010 and before July 1, 2011	4.5%
On or after July 1, 2011 and before July 1, 2012	3.4%

Interest Subsidy Payments. Interest Subsidy Payments are interest payments made by the Secretary on behalf of certain student borrowers during the period prior to the commencement of the obligation to begin repayment and also during deferment of repayment of their subsidized Stafford Loans. With respect to loans for which the eligible institution has completed its portion of the loan application after September 30, 1981, Interest Subsidy Payments are available only if certain income and need criteria are met by the borrower. Factors in this need analysis include the student's estimated cost of attendance, estimated financial assistance and expected family contribution. Interest Subsidy Payments will be paid:

- (a) during a period which the borrower is enrolled at least half-time in an eligible institution,
- (b) during a six (6) month grace period pending commencement of repayment of the loans,
- (c) during certain deferment periods, and
- (d) in the case of loans initially disbursed prior to October 1, 1981, during a six (6) month grace period following any authorized deferment period before repayment is required to resume.

The Secretary makes Interest Subsidy Payments quarterly on behalf of the borrower to the holder of the loan in an amount equal to the interest accruing on the unpaid principal amount of the loan during the applicable period. The Higher Education Act provides that the holder of a loan meeting the specified criteria has a contractual right, as against the United States, to receive Interest Subsidy Payments from the Secretary. Receipt of Interest Subsidy Payments is conditioned on compliance with the Higher Education Act, including continued eligibility of the loan for insurance or guarantee/reinsurance benefits. Such eligibility may be lost if the requirements of the Higher Education Act or applicable guarantee agreements relating to the servicing and collection of the loans are not met. If Interest Subsidy Payments have not been paid within thirty (30) days after the Secretary receives an accurate, timely, and complete request therefor, the Secretary must pay daily interest on the amounts due beginning on the 31<sup>st</sup> day at a rate equal to the sum of the daily equivalent loan interest rate and the daily equivalent Special Allowance rate, both as applicable to the affected loans.

FFELP limits the Secretary's authority to make Interest Subsidy Payments to the period ending at the close of business on September 30, 2012, for eligible loans to new borrowers and September 30, 2016, for eligible loans to existing borrowers.

Grace Period, Deferment Periods, Forbearance. Repayment of principal of a FFELP loan (other than a PLUS or Consolidation Loan) must generally commence following a period of (a) not less than nine (9) months or more than twelve (12) months with respect to loans for which the applicable interest rate is 7% per annum, and (b) not more than six (6) months with respect to loans for which the applicable interest rate is other than 7% after the student borrower ceases to pursue at least a half-time course of study (a "Grace Period"). However, during certain other periods and subject to certain conditions, no principal repayments need be made, including periods when the student has returned to an eligible educational institution on at least a half-time basis or is pursuing studies pursuant to an approved graduate fellowship program, or when the student is a member of the Armed Forces or a volunteer under the Peace Corps Act or the Domestic Volunteer Service Act of 1973, or when the borrower is temporarily totally disabled, or during which the borrower is unable to secure employment, or when the borrower is experiencing economic hardship (the "Deferment Periods"). The lender may also, and in some cases must, allow periods of forbearance during which the borrower may defer principal and/or interest payments because of temporary financial hardship. The 1992 Reauthorization Bill simplified the deferment categories for new loans and expanded the opportunities for students to obtain forbearance from lenders due to temporary financial hardship.

**Repayment**. Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student in school, but generally begins on the day following the sixth (6<sup>th</sup>) month after the qualified student ceases to carry the required course load at an eligible institution. In general, each such loan must be scheduled for repayment over a period of not more than ten (10) years after the commencement of repayment (excluding any Deferment Period or Forbearance Period as defined in the Higher Education Act).

FFELP currently requires that no more than six (6) months prior to the date on which a borrower's first payment is due, the lender must offer Stafford Loan borrowers the option of repaying the loan in accordance with

- (i) a standard repayment plan, with a fixed annual repayment amount paid over a fixed period of time, not to exceed ten (10) years, except that the borrower must repay annually a minimum amount equal to the lesser of \$600 or the borrower's loan balance;
  - (ii) a graduated repayment plan paid over a fixed period of time, not to exceed ten (10) years;
- (iii) an income-sensitive repayment plan, with income-sensitive repayment amounts paid over a fixed period of time, not to exceed ten (10) years, except that the borrower's scheduled payments cannot be less than the amount of interest due;
- (iv) for new borrowers on or after October 7, 1998, who accumulate (after such date) outstanding Stafford Loans (subsidized and unsubsidized) totaling more than \$30,000, an extended repayment plan, with a fixed annual or graduated repayment amount paid over an extended period of time, not to exceed twenty-five (25) years; and
  - (v) an income-based repayment plan, effective July 1, 2009,

except that with respect to plans described in (ii) through (iv) above, in no instance may the payment be less than the amount of interest due and payable, and with respect to the plan described in (v) above, the payment may be less than the amount of interest due and payable.

If a borrower fails to select from among the offered repayment plans, the lender is required to provide the borrower with the standard repayment plan.

**Loan Forgiveness**. Section 428J of the Higher Education Act authorizes the U.S. Department of Education to repay a maximum of \$5,000 (combined total for loans obtained under both the FFELP and the FDSLP of a qualified borrower's Stafford loan obligations, and Consolidation loan obligations to the extent that a Consolidation loan repaid a borrower's qualifying Stafford loan(s). No borrower may receive benefit for the same teaching service under both the Teacher Loan Forgiveness Program and subtitle D of Title I of the National and

Community Service Act of 1990 (AmeriCorps). The Taxpayer-Teacher Protection Act of 2004 increased the maximum repayment to \$17,500 for certain qualified borrowers.

To be eligible for loan forgiveness under this program, a borrower must be a "new borrower" and have had no outstanding balance on a FFELP or FDSLP loan on October 1, 1998, or had no outstanding balance on a FFELP or a FDSLP loan on the date he or she obtained a loan after October 1, 1998.

Effective July 1, 2008, a FFELP borrower may obtain a consolidation loan under the FDSLP to consolidate FFELP Loans and/or other FDSLP loans for the purposes of using the FDSLP Public Service Loan Forgiveness Program.

#### THE FEDERAL SLS AND UNSUBSIDIZED STAFFORD LOAN PROGRAMS

**History**. The 1981 amendments to the Higher Education Act included a new program to provide unsubsidized loans to graduate and professional students and independent undergraduate students similar to PLUS Loans (see "PLUS LOAN PROGRAM" below). Loans under this new program were designated "Auxiliary Loans for Students" or "ALAS" and subsequently renamed "Supplemental Loans to Students" or "SLS" by the October 1986 amendments. The 1992 amendments to the Higher Education Act added specific provisions for an unsubsidized Stafford Loan Program for independent undergraduate students and graduate/professional students which addressed most of the same financing needs of students as were addressed by the SLS Program. Hence, the Omnibus Budget Reconciliation Act of 1993 eliminated the SLS Program as a separate program and, effective for periods of enrollment beginning on or after July 1, 1994, the SLS Program was merged into the unsubsidized Stafford Loan Program. Therefore, unsubsidized Stafford Loans made for periods of enrollment before July 1, 1994, may have benefits and conditions different from unsubsidized Stafford Loans made after that date.

Loan Amounts. Both the SLS and unsubsidized Stafford Loan Programs were designed to facilitate borrowing for students who do not qualify for the full subsidized Stafford Loan after application of the required need analysis methodology. Such students are entitled to borrow the difference between the unsubsidized Stafford Loan maximum and their subsidized Stafford eligibility through the new program so long as the total loan does not exceed their cost of attendance. The amount of an unsubsidized Stafford Loan is determined by subtracting from the student's estimated cost of attendance any estimated financial assistance reasonably available to such student. Annual loan limits are those applicable to subsidized Stafford Loans but are increased for independent students or students whose parents are unable to borrow under the FFELP PLUS Program or the FDSLP PLUS Program by:

- (i) \$4,000 during the first and second years of undergraduate study,
- (ii) \$5,000 for undergraduate study after the first and second years,
- (iii) \$7,000 for those borrowers who either have a baccalaureate degree and must take preparatory courses prior to entering a graduate program, or who are in a teacher certification program; and
  - (iv) \$12,000 for graduate or professional study.

For loans disbursed on or after July 1, 2008, annual loan limits are those applicable to subsidized Stafford Loans but are increased for dependent undergraduate students and for independent undergraduate students or undergraduate students whose parents are unable to borrow under the FFELP PLUS Program or the FDSLP PLUS Program by \$2,000.

Aggregate loan limits are generally the same as for subsidized Stafford Loans but are increased to reflect any applicable increases in annual limits for the unsubsidized Stafford Loans and do not include any capitalized interest. Aggregate limits of \$46,000 for an undergraduate and \$138,500 for a graduate student include the total of outstanding loans under the Stafford Loan Program, SLS Loan Program and loans under the FDSLP. Effective July 1, 2008, the aggregate limit for undergraduate students increases to \$57,500 of which no more than \$23,000 can be subsidized.

**Insurance and Interest Subsidy**. The basic provisions for federal insurance and separate guarantee/federal reinsurance applicable to SLS are similar to those of unsubsidized Stafford Loans. Interest Subsidy Payments are not available for SLS and unsubsidized Stafford Loans.

#### Interest Rates.

<u>Unsubsidized Stafford Loans</u>. Interest rates on unsubsidized Stafford Loans, like subsidized Stafford Loans, vary significantly depending, among other things, on the time period during which the loan or its first disbursement was made. Interest accruing on an unsubsidized Stafford Loan while the borrower is in school or in grace or deferment is either capitalized and added to the principal amount of the loan when it enters repayment or paid monthly or quarterly by the student. Amortization of unsubsidized Stafford Loans is established by assuming an interest rate equal to the applicable rate at the time the repayment of the principal amount of the loan commences. At the option of the lender, the periodic payment amount may be adjusted annually or the period of repayment of principal may be lengthened or shortened in order to reflect adjustments in applicable interest rates.

<u>SLS Loans</u>. Interest rates on SLS Loans are higher than those on Stafford Loans. The applicable interest rate depends upon the date of the loan and the period of enrollment for which the loan is to apply. For SLS Loans issued on or after October 1, 1981, but for periods of educational enrollment beginning prior to July 1, 1987, the applicable rate of interest was either 12% or 14% per annum.

An annual variable interest rate applies to SLS Loans made and disbursed on or after July 1, 1987, or those made prior to such time that are reissued at a variable rate. The applicable annual variable rate is determined on the basis of any twelve (12) month period beginning on July 1 and ending on the following June 30, and is equal to the sum of the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction held prior to the June 1 immediately preceding the applicable twelve (12) month period, plus a permitted spread.

For SLS Loans made and disbursed on or after July 1, 1987, the permitted spread is 3.25% and the maximum rate is 12% per annum. For SLS Loans first disbursed on or after October 1, 1992, the permitted spread is 3.10% and the maximum rate is 11% per annum. Since the SLS Program was eliminated as a separate program in 1993, no new SLS Loans have been originated since June 30, 1994. On or after July 1, 2001, the interest rate on outstanding SLS Loans will be based on the weekly average one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, in substitution for the bond equivalent rate of auctioned 52-week Treasury Bills.

Repayment. See information above under "THE FEDERAL STAFFORD LOAN PROGRAM - Repayment."

**Refinancing of SLS Loans**. A lender may refinance multiple outstanding SLS Loans to the same borrower under a single repayment schedule for principal and interest, with a new repayment period calculated from the date of repayment of the most recent included loan. Unless the borrower elects a variable interest rate, the interest rate of such a consolidated SLS Loan is the weighted average of the rates of all loans being refinanced.

A lender may also refinance a SLS Loan which was initially originated at a fixed rate prior to July 1, 1987, in order to permit the borrower to obtain the variable interest rate available on SLS Loans on and after July 1, 1987. If a lender is unwilling to reissue the original SLS Loan, the borrower may obtain a loan from another lender for the purpose of discharging the loan and obtaining a variable interest rate.

A lender may not refinance SLS and PLUS Loans together to obtain a single repayment schedule.

## THE FEDERAL PLUS LOAN PROGRAM

**History**. Under the 1980 amendments to the Higher Education Act (which became effective, with respect to Part B of Title IV of the Higher Education Act, on January 1, 1981), the U.S. Congress established a program to provide educational loans to parents of eligible dependent undergraduate students, or for loans certified on or after July 1, 2006, eligible graduate and professional students. Loans under this program were designated Parent Loans for Undergraduate Students or "PLUS Loans." To be eligible for a PLUS Loan, borrowers or a loan endorser, as applicable, cannot have an adverse credit history. With Parent PLUS Loans, the student's parents may borrow jointly or separately for the student. If they borrow separately, the loan limits on behalf of dependent students apply to the total of both loans, not to each loan individually. If the parents borrow jointly, both are liable for repayment of the loan as co-makers.

**Loan Amounts.** Originally, loans under the Federal PLUS Loan Program were limited to the lesser of \$4,000 per academic year or the estimated cost of attendance less other financial aid for which the student was eligible, with a maximum aggregate amount of \$20,000. However, for PLUS Loans for which the first disbursement is made on or after July 1, 1993, annual and aggregate loan limits have been repealed. However, a PLUS Loan may not exceed the student's estimated cost of attendance minus other available financial assistance during the period of enrollment.

**Insurance and Interest Subsidy**. The basic provisions for federal insurance and separate guarantee/federal reinsurance applicable to PLUS Loans are similar to those of unsubsidized Stafford Loans. Like unsubsidized Stafford Loans, federal Interest Subsidy Payments are not available for PLUS Loans. Special Allowance Payments, however, are made for PLUS Loans under certain limited conditions.

**Interest Rates**. Interest rates on PLUS Loans are higher than those on Stafford Loans. The applicable interest rate depends upon the date of the loan and the period of enrollment for which the loan is to apply. For PLUS Loans issued on or after October 1, 1981, but for periods of educational enrollment beginning prior to July 1, 1987, the applicable rate of interest was either 12% or 14% per annum.

An annual variable interest rate applies to PLUS Loans made and disbursed on or after July 1, 1987. The annual variable interest rate also applies to PLUS Loans that are refinanced on or after July 1, 1987 (as discussed below). The applicable annual variable rate is determined on the basis of any twelve (12) month period beginning on July 1 and ending on the following June 30, and is equal to the sum of the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction held prior to the June 1 immediately preceding the applicable twelve (12) month period, plus a permitted spread.

For PLUS Loans made and disbursed on or after July 1, 1987, the permitted spread is 3.25% and the maximum rate is 12% per annum. For PLUS Loans first disbursed on or after October 1, 1992, the permitted spread is 3.10% and the maximum rate is 10%. For PLUS Loans first disbursed on or after July 1, 1994, the permitted spread is 3.10% and the maximum rate is 9%. For PLUS Loans first disbursed on or after July 1, 1998, but before July 1, 2006, the interest rate for any twelve (12) month period beginning on July 1 and ending on June 30 will be determined at the final auction held prior to the immediately preceding June 1 and will be equal to the lesser of (i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to June 1 plus 3.1% or (ii) 9%. On or after July 1, 2001, the interest rate on outstanding PLUS Loans disbursed on or after July 1, 1987, but before July 1, 1998, will be based on the weekly average one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, in substitution for the bond equivalent rate of auctioned 52-week Treasury Bills.

All new PLUS Loans disbursed on or after July 1, 2006, bear a fixed interest rate of not greater than 8.5%.

**Repayment**. Repayment of principal of PLUS Loans is required to commence no later than sixty (60) days after the date of the last disbursement of such loan, subject to certain deferral provisions. The deferral provisions which apply are more limited than those which apply to Stafford Loans. Interest on PLUS Loans for which principal payments are deferred may be paid monthly or quarterly if agreed by the borrower and the lender, or may be capitalized and added to the principal amount of the loan not more frequently than quarterly by the lender. PLUS Loan borrowers must be offered the same repayment options as Stafford borrowers, except that an income based repayment plan is not available to PLUS Loan borrowers who are parents or to Consolidation borrowers if their Consolidation Loans were used to pay off Parent PLUS Loans. See "THE STAFFORD LOAN PROGRAM — Repayment" above.

**Refinancing of PLUS Loans**. A lender may refinance multiple outstanding PLUS Loans to the same borrower under a single repayment schedule for principal and interest, with a new repayment period calculated from the date of repayment of the most recent included loan. Unless the borrower elects a variable interest rate, the interest rate of such a consolidated PLUS Loan is the weighted average of the rates of all loans being refinanced.

A lender may also refinance a PLUS Loan which was initially originated at a fixed rate prior to July 1, 1987, in order to permit the borrower to obtain the variable interest rate available on PLUS Loans on and after July 1, 1987. If a lender is unwilling to reissue the original PLUS Loan, the borrower may obtain a loan from another lender for the purpose of discharging the loan and obtaining a variable interest rate.

A lender may not refinance PLUS and SLS Loans together to obtain a single repayment schedule.

#### THE FEDERAL CONSOLIDATION LOAN PROGRAM

**History**. In 1986, the U.S. Congress established a program to provide loans to eligible borrowers for consolidating their FFELP loans. Amendments to the Consolidation Loan Program were made in 1992, 1993 and 1998.

Eligibility. Under the Consolidation Loan Program, an eligible borrower means a borrower with outstanding FFELP indebtedness who, at the time of application, is in repayment status or in a grace period preceding repayment, or is a delinquent or defaulted borrower who will reenter repayment through loan consolidation. An eligible borrower also cannot be subject to a judgment or a wage garnishment with respect to FFELP loans. Prior to July 1, 1994, a borrower also had to have an outstanding balance of at least \$7,500 in FFELP loans to be eligible for consolidation. This \$7,500 threshold was eliminated for loans consolidated on or after July 1, 1994. A lender may make a Consolidation Loan to an eligible borrower at the request of the borrower. An eligible borrower may also obtain a Consolidation Loan from the Secretary under the Federal Direct Student Loan Program if the borrower is unable to obtain a FFELP Consolidation Loan or is unable to obtain a FFELP Consolidation Loan having income-sensitive repayment terms acceptable to such borrower. Title IV loans (NDSL/Perkins) and loans made under Subpart I of Part A of Title VII of the Public Health Service Act may also be consolidated with FFELP Loans.

Interest Rates. Consolidation Loans made before July 1, 1994, bear interest at a rate equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent subject to a floor rate of 9% per annum. Consolidation Loans made on or after July 1, 1994, and before November 13, 1997, bear interest at the same weighted average rate but are not subject to a floor rate. Consolidation Loans made on or after November 13, 1997, and before October 1, 1998, bear interest at the annual variable rate applicable to Stafford Loans. Consolidation Loans for which the application is received on or after October 1, 1998, bear interest at a rate equal to the lesser of (i) the weighted average interest rate of the loans consolidated, rounded up to the nearest 1/8th of a percent, and (ii) 8.25 percent. For Consolidation Loans discharging HEAL Loans for which an application was received by an "eligible lender" on or after November 13, 1997, the interest rate is based on the average of bond equivalent rates on the 91-day Treasury Bills auctioned for the quarter ending June 30 of each year plus a spread. Such rate is variable and adjusted each July 1. There is no maximum rate of interest for a HEAL Loan portion of a Consolidation Loan.

Repayment. For Consolidation Loans made on or after July 1, 1994, lenders are required to offer borrowers graduated or income-sensitive repayment schedules providing for repayment over ten (10) years with a minimum payment of accrued and unpaid interest. Absent some other permissible arrangement with the lender, repayment periods for Consolidation Loans may vary from up to ten (10) years to not more than thirty (30) years, depending on the sum of the balance on the Consolidation Loan and any other FFELP and education loans of the borrower, but the outstanding balance of such other FFELP and education loans counted may not exceed the balance of the Consolidation Loan for purposes of determining the repayment term pursuant to §428C (2)(A) of the Higher Education Act. Currently, the different repayment periods required to be offered for Consolidation Loans, based on the sum of the principal balances of the Consolidation Loan and other student loans (up to but not in excess of the balance of the Consolidation Loan), are as follows:

Principal <u>Balance</u>	Repayment <u>Term</u>	Principal <u>Balance</u>	Repayment <u>Term</u>
Less than \$7,500	Not more than 10 years	\$20,000 to \$39,999	Not more than 20 years
\$7,500 to \$9,999	Not more than 12 years	\$40,000 to \$59,999	Not more than 25 years
\$10,000 to \$19,999	Not more than 15 years	\$60,000 or more	Not more than 30 years

New borrowers on or after October 7, 1998, who accumulate (after such date) outstanding Consolidation Loans (subsidized and unsubsidized) totaling more than \$30,000 qualify for an extended repayment plan, with a fixed annual or graduated repayment amount paid over an extended period of time, not to exceed twenty-five (25) years, except that in no instance may the payment be less than the amount of interest due and payable.

Repayment must commence within sixty (60) days after all holders have discharged the liability of the borrower on the loans selected for consolidation. The minimum repayment installment cannot be less than the accrued and unpaid interest.

**Insurance and Interest Subsidy**. For Consolidation Loan applications received by lenders on or after August 10, 1993, and before November 13, 1997, the Secretary will not make Interest Subsidy Payments on Consolidation Loans unless they consolidate only subsidized Stafford Loans. For Consolidation Loan applications received by lenders on or after November 13, 1997, the Secretary will make Interest Subsidy Payments on only the portion of the Consolidation Loan that repays subsidized Stafford Loans. No interest subsidy is payable with respect to the portion of a Consolidation Loan representing loans made under Subpart I of Part A of Title VII of the Public Health Service Act or Perkins Loans.

Further, no insurance premium may be charged to a borrower and no insurance premium may be charged to a lender in connection with a Consolidation Loan. However, a fee may be charged to the lender by the guaranty agency to cover the costs of increased or extended liability with respect to a Consolidation Loan.

**Holder Rebate to Federal Government**. Each holder of a Consolidation Loan first disbursed on or after October 1, 1993, is required to pay to the Secretary a rebate fee calculated on an annual basis and equal to 1.05% of the principal plus accrued and unpaid interest on the Consolidation Loan, such fee to be paid in monthly installments. The 1998 Reauthorization Bill made a temporary reduction in the Consolidation Loan Rebate Fee from 1.05% to 0.62% per annum for loans on which applications are received between October 1, 1998, and January 31, 1999.

**Direct Loans**. If a borrower is unable to obtain a Consolidation Loan with income-sensitive repayment terms acceptable to the borrower from the holders of the borrower's outstanding loans (which are selected for consolidation), or from any other lender, the Secretary is required to offer the borrower, if the borrower so requests, a direct Consolidation Loan under the FDSLP. Such direct Consolidation Loans shall be repaid either pursuant to income contingent repayment or any other repayment provisions under the Consolidation Loan provisions. If the Secretary determines that the U.S. Department of Education does not have the necessary origination and servicing arrangements in place for such loans, the Secretary shall not offer such loans.

## SPECIAL ALLOWANCE PAYMENTS

FFELP provides, subject to certain conditions, for Special Allowance Payments ("SAP") to be made for quarterly periods by the Secretary to holders of qualifying FFELP loans. In addition, loan revenue is subject to quarterly recapture by the U.S. Department of Education for any loan revenue in excess of the special allowance support level for loans disbursed on or after April 1, 2006.

The rate of Special Allowance Payments for a particular loan is dependent on a number of factors including when the loan was disbursed and for what period of enrollment the loan covers. Generally, on older loans, the sum of the stated interest on the loan and the applicable Special Allowance Payment is between 3.1 and 3.5 percentage points above the average of bond equivalent rates of 91-day Treasury Bills auctioned for that quarter (the "*T-Bill Basis*"). For loans made on or after October 1, 1992, the Special Allowance Payment is calculated based on the T-Bill Basis plus 3.1%, except that Stafford Loans made on or after July 1, 1995, and before July 1, 1998, qualify for Special Allowance Payments based on the T-Bill Basis plus 2.5% while the borrower is in school, grace or deferment status.

For Stafford Loans disbursed on or after July 1, 1998, and before January 1, 2000, Special Allowance Payments are based on the T-Bill Basis plus 2.2% while borrowers are in school, grace or deferment status, or 2.8% while borrowers are in repayment periods. For PLUS Loans disbursed on or after July 1, 1998, and before January 1, 2000, Special Allowance Payments are based on the T-Bill Basis plus 3.1% to the extent such computation exceeds 9%. The rate of Special Allowance Payments is subject to reduction by the amount of certain origination fees charged to borrowers and may be reduced as a result of certain federal budget deficit reduction measures.

Special Allowance Payments are made on Consolidation Loans whenever the rate charged the borrower is limited by the 9%/8.25% cap. However, for applications received on or after October 1, 1998, Special Allowance Payments are paid in order to afford the lender a yield equal to the 91-day Treasury Bill plus 3.1% whenever the

formula exceeds the borrower's interest rate. For Consolidation Loans based upon consolidation applications received on or after October 1, 1998, and before January 1, 2000, there would be no Special Allowance Payments for such loans during any three (3) month period ending March 31, June 30, September 30, or December 31 unless the T-Bill Basis for the applicable quarter plus 3.1% exceeds the interest determined for such loans. Notwithstanding the foregoing, no Special Allowance Payments are made with respect to the portion of a Consolidation Loan representing loans made under Subpart I of Part A of Title VII of the Public Health Service Act.

For eligible loans first disbursed on or after January 1, 2000 (or in the case of Consolidation Loans, applications received on or after January 1, 2000), the Special Allowance Payment is calculated based on the average of the bond equivalent rates of the quotes of the three (3) month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H-15 (or its successor) (the "CP Rate") plus the following rates:

Loan <u>Type</u>	Loans Made January 1, 2000, through September 30, 2007	Loans Made on or after October 1, 2007, and Held by For-Profit <u>Holder</u>	Loans Made on or after October 1, 2007 and Held by Eligible Not-For- <u>Profit Holder</u>
Stafford Loan*	1.74%/2.34%	1.19%/1.79%	1.34%/1.94%
PLUS Loan	2.64%	1.79%	1.94%
Consolidation Loan	2.64%	2.09%	2.24%

<sup>\*</sup> The lower figures listed in each category for Stafford Loans indicate the applicable spread to the CP Rate during the in-school period, the grace period, and deferment periods, while the higher figures indicate the applicable spread to the CP Rate during repayment and forbearance periods.

No Special Allowance Payment will be made on a loan for any quarterly period in which the applicable interest rate on the loan exceeds the CP Rate plus the applicable spread.

The foregoing table and the paragraph preceding it describe the "special allowance support level." For loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level. However, lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006, and are required to rebate any such "excess interest" to the federal government on a quarterly basis. This modification effectively limits lenders' returns to the special allowance support level.

The Higher Education Act provides that a holder of a qualifying loan who is entitled to receive Special Allowance Payments has a contractual right against the United States, during the life of the loan, to receive those Special Allowance Payments. Receipt of Special Allowance Payments, however, is conditioned on compliance with the Higher Education Act, including continued eligibility of the loan for federal insurance or reinsurance benefits. Such eligibility may be lost due to violations of the Higher Education Act or applicable guarantee agreements specifying servicing and collection of the loan in the event of delinquency. The Higher Education Act also provides that if Special Allowance Payments have not been made within thirty (30) days after the Secretary receives an accurate, timely and complete request therefor, the Secretary must pay interest on the amounts due beginning on the 31<sup>st</sup> day at a rate equal to the sum of the daily equivalent loan interest rate and the daily equivalent Special Allowance Payment rate, both as applicable to the affected loans.

#### **ORIGINATION FEES**

**Lender Origination Fees**. The lender is required to pay to the Secretary a fee based on the original principal balance of each loan made. This fee has been increased from 0.5% to 1% effective for loans disbursed on or after October 1, 2007.

**Borrower Origination Fees**. The lender is required to pay to the Secretary a fee equal to a specified percentage of the original principal balance of Stafford Loans made and may charge such fee to the borrower, typically by adding to the loan balance. The lender is required to pay to the Secretary a fee equal to a specified percentage of the original principal balance of PLUS Loans made and shall charge such fee to the borrower, typically by adding to the loan balance. Such fees are as follows:

Applicable Loans	<b>Borrower Origination Fee</b>
Stafford Loans made July 1, 2007 through June 30, 2008	1.5%
Stafford Loans made July 1, 2008 through June 30, 2009	1.0%
Stafford Loans made July 1, 2009 through June 30, 2010	0.5%
Stafford Loans made on or after July 1, 2011	0.0%
PLUS Loans	3.0%
Consolidation Loans	0.0%

Federal Default Fees. See "GUARANTEE AND REINSURANCE FOR FFELP LOANS – Federal Administrative Cost Allowances, Insurance Fees and Reinsurance Fees" below.

## GUARANTEE AND REINSURANCE FOR FFELP LOANS

**Guarantee Payments To Lenders**. The lender or holder is entitled to be reimbursed by the guaranty agency based on a specific guaranty percentage of the unpaid principal balance of the loan plus accrued unpaid interest on any loan defaulted so long as such loan has been properly serviced. Such guaranty percentages vary based on the date of the first disbursement on the loan and certain other factors, as detailed in the table below:

	<b>Guaranty Percentage</b>
Loans made (i) prior to October 1, 1993; (ii) pursuant to a lender of last resort program; or (iii) pursuant to any agreement resulting from a guaranty agency insolvency	100%
Any non-default claim as a result of the death, disability or bankruptcy of the borrower, false certification claim, or closed school claim	100%
Loans made October 1, 1993 through June 30, 2006	98%
Loans made July 1, 2006 through September 30, 2012	97%
Loans made on or after October 1, 2012	95%

#### Federalization and Recall of Guaranty Agency Reserves.

1993 Amendments to the Higher Education Act. §422 of the Higher Education Act (particularly the amendment by Public Law 103-66 effective on August 10, 1993), provides that the reserve funds of all guaranty agencies under the Higher Education Act shall be considered the property of the United States to be used in connection with the Federal Family Education Loan Programs and Consolidation Loan Programs under Parts B and C of Title IV of the Higher Education Act. (United States Code, Title 20, Section 1072(g)). The Higher Education Act further provides that the Secretary may direct a guaranty agency to return to the Secretary a portion of its reserve fund which the Secretary determines is unnecessary to pay the program expenses and contingent liabilities of the guaranty agency.

<u>Higher Education Act Amendments of 1998</u>. The Higher Education Act Amendments of 1998 add new §§422A and 422B to the Higher Education Act. §422A requires each guaranty agency to establish a Federal Student Loan Reserve Fund (the "Federal Fund") into which all federal reserves must be deposited. Additionally, all reinsurance payments from the Secretary and the reinsurance percentage of all default collections must be deposited in the Federal Fund. Subject to some transitional exceptions, amounts in the Federal Fund may only be used to pay lender claims on defaulted loans and to disburse default prevention fees to an Agency Operating Fund required to be established under new §422B. Earnings on the Federal Fund would be the sole property of the federal government.

§422B requires each guaranty agency to establish an Agency Operating Fund within forty-five (45) days of enactment of the proposed reauthorization legislation. All loan processing and issuance fees, portfolio maintenance fees and default prevention fees paid by the Secretary as well as the unreinsured portion of default collections (after payment of the Secretary's equitable share and excluding required deposits in the Federal Fund) must be deposited in the Agency Operating Fund. Funds in the Agency Operating Fund may only be used for application processing, loan disbursement, enrollment and repayment status management, permitted default prevention activities, default collection activities, school and lender training, compliance monitoring and other student financial aid related activities as determined by the Secretary and for voluntary irrevocable transfers to the Federal Fund. Except for funds transferred from the Federal Fund, the Agency Operating Fund may be considered to be the property of the guaranty agency.

<u>Payment by Secretary Upon Guaranty Agency Insolvency</u>. Under §432(o) of the Higher Education Act, in the event that the Secretary determines that a guaranty agency is unable to meet its insurance obligations with respect to payment of default claims, the holder of loans insured by the guaranty agency may submit insurance claims directly to the Secretary and the Secretary shall pay to the holder the full insurance obligation of the guaranty agency, in accordance with insurance requirements no more stringent than those of the guaranty agency. However, the Secretary's obligation to pay guarantee claims directly in this fashion is contingent upon the Secretary making the determination referred to above. There can be no assurance that the Secretary would ever make such a determination with respect to any specific guaranty agency or, if such a determination was made, whether such determination or the ultimate payment of such guarantee claims would be made in a timely manner.

## Federal Reinsurance Payments to Guaranty Agencies.

Generally. The Secretary enters into a guarantee agreement with each guaranty agency, which provides for federal reinsurance for amounts paid to eligible lenders by the guaranty agency with respect to defaulted loans. Pursuant to such agreements, the Secretary is to reimburse a guaranty agency for 100% of the amounts owed on a loan made prior to October 1, 1993, and 98% of the amounts owed on a loan made on or after October 1, 1993, and before October 1, 1998, and 95% of the amounts owed on a loan made on or after October 1, 1998, for losses upon notice and determination of such amounts subject to reduction based on the guaranty agency's claims rate (as described below). The Secretary is also authorized to acquire the loans of borrowers who are at high risk of default and who request an alternative repayment option from the Secretary.

Reductions in Reinsurance Payments Based on Claims Rate. The amount of such reinsurance payments is subject to reduction based upon the annual claims rate of the guaranty agency calculated to equal the amount of federal reinsurance received as a percentage of the original principal amount of FFELP loans in repayment on the last day of the prior fiscal year. The original principal amount of FFELP loans guaranteed by a guaranty agency that are in repayment for purposes of computing reimbursement payments to a guaranty agency means the original principal amount of all FFELP loans guaranteed by a guaranty agency less: (1) the original principal amount of such loans that have been fully repaid either by borrowers or by guarantee payments, and (2) the original amount of such loans for which the first principal installment payment has not become due. Claims resulting from the death, bankruptcy, total and permanent disability of a borrower, the death of a student whose parent is the borrower of a PLUS Loan, or claims by borrowers who received loans on or after January 1, 1986, and who are unable to complete the programs in which they are enrolled due to a school closure or borrowers whose borrowing eligibility was falsely certified by the eligible institution are not included in calculating a guaranty agency's claims rate experience for federal reinsurance purposes and are reimbursed at 100%. The first trigger for a reduction in reinsurance payments is when the amount of the defaulted loan reimbursements exceeds 5% of the amount of all FFELP loans guaranteed by the guaranty agency in repayment status at the beginning of the federal fiscal year. The second trigger is when the amount of defaults exceeds 9% of the loans in repayment. The claims experience is not accumulated from year to year, but is determined solely on the basis of claims paid in any one federal fiscal year

compared with the original principal amount of loans in repayment at the beginning of that year. Guarantee reinsurance rates are presented in the following table:

Claims Paid Date	<u>Maximum</u>	5% Trigger	9% Trigger
Before October 1, 1993	100%	90%	80%
October 1, 1993 – September 30, 1998*	98%	88%	78%
On or after October 1, 1998*	95%	85%	75%

<sup>\*</sup> Other than loans made pursuant to the lender-of-last resort program or student loans transferred by an insolvent guaranty agency both of which are reinsured at 100%

After a federal reinsurance claim is paid, the guaranty agency is, however, entitled to deduct from payments received from a borrower an amount equal to the amount of the borrower payment multiplied by the complement of the reinsurance percentage.

**Guaranty Agency Insolvency**. In addition, if a guaranty agency is unable to meet its guarantee obligations, holders of loans may submit insurance claims directly to the Secretary until such time as the obligations are transferred to a new guaranty agency capable of meeting such obligations or until a successor guaranty agency assumes such obligations. Federal reinsurance and insurance payments for defaulted loans are paid from the Student Loan Insurance Fund established under the Higher Education Act. The Secretary is authorized, to the extent provided in advance by appropriations acts, to issue obligations to the Secretary of the Treasury to provide funds to make such federal payments.

Timing of Default Claims and Payment. A Federal Family Education Loan is generally considered to be in default upon the borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the borrower no longer intends to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments. When a loan becomes sixty (60) or more days past due, the holder is required to request default aversion assistance from the applicable guaranty agency before the 120<sup>th</sup> day of delinquency in order to attempt to cure the delinquency. The holder is required to continue collection efforts until the loan is past due for the applicable time period. At the time of payment of the claim, the holder must assign to the applicable guaranty agency all rights accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a guaranty agency from filing a claim for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon or later than forty-five (45) days after the guaranty agency's discharge of its obligation on the loan.

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

The Secretary may withhold reimbursement payments if a guaranty agency makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. A supplemental guarantee agreement between a guaranty agency and the Secretary is subject to termination for cause by the Secretary. All guaranty agencies are required to comply with certain due diligence requirements established pursuant to the Secretary's regulations regarding collection procedures to be exercised on loans for which the guaranty agency pays a default claim. In particular, since March 1987, guaranty agencies have been required to institute civil litigation against certain borrowers within a specified time period, unless: (i) the cost of litigation would exceed the likelihood of recovery or (ii) the borrower has insufficient means to satisfy a substantial portion of a judgment on the debt. Noncompliance with this requirement may result in a guaranty agency being required to repay reinsurance payments received on such loans. In addition, the Secretary may, among other remedial actions available to it, elect to withhold payments to the guaranty agency and suspend or terminate all agreements with the guaranty agency.

**Federal Administrative Cost Allowances, Insurance Fees and Reinsurance Fees.** For loans originated during federal fiscal years beginning on or after October 1, 2003, the Secretary pays each guaranty agency a loan processing and issuance fee equal to 0.40% of the total principal amount of the loans on which insurance was issued during such fiscal year. A guaranty agency is also currently paid an account maintenance fee of 0.06% of the original principal amount of outstanding loans under the FFELP insured by such guaranty agency.

Under the guarantee agreements and the supplemental guarantee agreements, if a payment on an eligible loan guaranteed by a guaranty agency is received after reimbursement by the Secretary, the guaranty agency is entitled to receive a share of the payment. Guaranty agency retention on such collections was reduced to 16% for payments received on or after October 1, 2007.

For Federal Stafford and PLUS Loans guaranteed on or after July 1, 2006, the guaranty agency is required to charge a federal default fee equal to 1% of the principal amount of each loan. The federal default fee is to be deposited by the guaranty agency into the Federal Fund. The fee may be deducted from the proceeds of each loan or paid on the borrower's behalf from non-federal sources.

# EXHIBIT II

GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND SERIES RESOLUTIONS

# GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND SERIES RESOLUTIONS

The following are some of the terms defined in the Corporation's General Resolution and Series Resolution pursuant to which the Notes are issued. Where appropriate or necessary for a clearer indication of meaning for purposes of this Offering Memorandum, some of the following definitions have been slightly modified. For purposes of such definitions, unless the context otherwise requires:

- (i) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, or other legal entities including public bodies, as well as natural persons.
- (ii) The terms "hereby," "hereof," "hereto," "herein," "hereunder", and any similar terms, as used in this Resolution, refer to this Resolution or sections or subsections of this Resolution and the term "hereafter" means after the date of adoption of the General Resolution.

Some of these terms are used in this Offering Memorandum and, unless the context in which such terms are herein used clearly indicates some other meaning, such terms used herein shall have the same meanings ascribed to them in the General Resolution or the Series Resolution, as appropriate.

#### **Defined Terms**

- "A-1 Notes" means the \$99,000,000 2008-1 Series A-1 Student Loan Backed Notes.
- "A-2 Notes" means the \$267,000,000 2008-1 Series A-2 Student Loan Backed Notes.
- "A-3 Notes" means the \$116,000,000 2008-1 Series A-3 Student Loan Backed Notes.
- "A-4 Notes" means the \$118,000,000 2008-1 Series A-4 Student Loan Backed Notes.
- "Accepted Servicing Procedures" shall mean with respect to any Financed Student Loan serviced by the Servicer, procedures (including collection procedures) that comply with applicable federal, state and local law, that are in accordance with standards set by the Secretary and the accepted student loan servicing practices of prudent lending institutions which service student loans of the same type in the United States.
- "Account or Accounts" shall mean one or more of the separate accounts which are established within Funds created pursuant to General Resolution.
- "Act" shall mean Chapter 115 of Title 59 of the Code of Laws of South Carolina, 1976, as amended, as existing at the date of adoption of General Resolution, or as thereafter amended.
- "Acquisition Period" shall mean a period commencing on the Issue Date of the Notes and ending on March 1, 2009; except that such period may be extended upon receipt of a Rating Confirmation.

#### "Applicable Rating Criteria for Investment Obligations" shall mean:

- (a) for as long as Fitch is a Rating Agency, a rating by Fitch no lower than AA- and F-1+, as appropriate; or if not rated by Fitch, a rating by another Nationally Recognized Rating Service no lower than AA- (or the equivalent) or F-1+ (or the equivalent), as appropriate;
- (b) for as long as Moody's is a Rating Agency, a rating by Moody's no lower than (i) with respect to Investment Obligations with maturities less than 3 month, A-1 and P-1, (ii) with respect to Investment Obligations with maturities less than 6 months, Aa3 and P-1, or (iii) with respect to Investment

- Obligations with maturities of 6 months or more, Aaa and P-1, as appropriate (except with respect to paragraph (d) of the definition of Investment Obligations which must be Aa3 and P-1, as appropriate); provided that, if such Investment Obligations consist of money market funds as described herein, such Investment Obligations must bear a rating by Moody's of Aaa; and
- (c) for as long as S&P is a Rating Agency, a rating by S&P no lower than AA-, A-1+ or AAAm-G, as appropriate.
- "Authority" shall mean the South Carolina State Education Assistance Authority, a body politic and corporate and a public instrumentality of the State of South Carolina.
- "Authorized Denomination" means \$100,000 and available for purchase in multiples of \$1,000 above such amount.
- "Authorized Newspaper" shall mean a financial journal, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, of general circulation in the City and State of New York or a newspaper of general circulation in the State.
- "Authorized Officer" shall mean (i) in the case of the Authority, the Chairman or other designated officer, and (ii) in the case of the Corporation, the Chairman, its President or any other officer designated by the Chairman or the President.
- "Beneficial Owners" means a Person who has an ownership interest in the Notes Outstanding in bookentry form.
  - "Board" means the Board of Directors of the Corporation.
- "Book-Entry System" shall mean the system maintained by the Securities Depository described in the Series Resolution.
- "Business Day" means (i) for purposes of calculating the LIBOR Rate, any day on which banks in New York, New York and London England are open for the transaction of international business; and (ii) for all other purposes, any day other than a Saturday, Sunday, legal holiday or any other day on which banks located in New York, New York or the city in which the principal office of the Trustee is located, are authorized or permitted by law or executive order to close.
- "Certificate" shall mean a document signed by an Authorized Officer attesting to or acknowledging the circumstances or other matters therein stated.
  - "Chairman" shall mean the Chairman of the Board of Directors of the Corporation.
  - "Clearstream" means Clearstream International.
  - "Collection Fund" shall mean the fund so designated which is created by the General Resolution.
- "Consolidation Loan" shall mean a loan to a borrower under the applicable consolidation loan provisions of the Higher Education Act.
- "Continuing Disclosure Undertaking" shall mean the covenant of the Corporation described in the General Resolution and more fully set forth in each Series Resolution.
- "Corporation" shall mean the South Carolina Student Loan Corporation, a private, not-for-profit corporation established in 1973 under Title 33, Chapter 31, Code of Laws of South Carolina, 1976, as amended, acting in its capacity as an Eligible Lender under the Student Loan Finance Program or as agent of the Authority in administering certain components of the Student Loan Insurance Program, and its successors and assigns.

- "Costs of Issuance" shall mean the costs of issuing any Series of Notes.
- "Cost of Issuance Account" shall mean the account so designated which is established pursuant to the General Resolution.
- "Counsel's Opinion" shall mean an opinion in writing, including supplemental opinions thereto, signed by such attorney or firm of attorneys of recognized national standing as note counsel on student loan backed note transactions as may be selected by the Corporation.
  - "Debt Service Fund" shall mean the Fund so designated which is created by the General Resolution.
- "Debt Service Reserve Fund" shall mean the Fund so designated which is created by the General Resolution.
- "Debt Service Reserve Requirement" shall mean, as of any particular date of calculation, the greater of (i) 1% of the principal balance of the Notes Outstanding, or (ii) 0.10% of the initial principal balance of the Notes. The Debt Service Reserve Requirement may be composed of cash or Investment Obligations or any combination of the two, as the Corporation may determine.
- "Default Payment" shall mean moneys received, realized or recovered through proceedings taken by the Corporation in the event of default in respect of any Financed Student Loan or in respect of any insurance on or guarantee with respect to any Financed Student Loan, including moneys received pursuant to a contract of insurance in respect of any Financed Student Loan.
- "Department Reserve Fund" shall mean the Fund so designated which is created by the General Resolution.
- "Department Reserve Fund Amount" shall mean amounts on deposit for payments due and payable by the Corporation to the U.S. Department of Education related to the Financed Student Loans or any other payment due and payable to a Guaranty Agency relating to its guaranty of Financed Student Loans or any other payment due to the Corporation or another entity or trust estate if amounts due under the General Resolution to the U.S. Department of Education or a Guaranty Agency with respect to Financed Student Loans were paid by the Corporation or such other entity or trust estate pursuant to a joint sharing agreement, an intercreditor agreement or otherwise.
- "Department Reserve Fund Requirement" shall mean as of any date, an amount equal to the Department Reserve Fund Amount of the Corporation for the current month and such additional amount as the Corporation deems appropriate all as evidenced by a Certificate of the Corporation; provided, in no event shall the Department Reserve Fund Requirement exceed three months' of Department Reserve Fund Amounts.
- "Distribution Date" means the first Business Day of September 2008 and the first Business Day of each December, March, June and September thereafter.
- "Eligible Borrower" shall mean an authorized borrower under the Higher Education Act and the regulations thereunder.
- "*Eligible Institution*" shall mean any educational institution which is an eligible institution as described in the Higher Education Act and also so described in the Act.
- "Eligible Lender" shall mean the Corporation and all other entities which are eligible lenders as described in the Higher Education Act (including but not limited to "eligible lender trustees"), which have in force a contract with a Guaranty Agency providing for loan guarantees to be issued by such Guaranty Agency to such entity under the Higher Education Act and the Act.
- "Ending Balance Factor" means, for any given day, the number calculated by dividing the unpaid principal balance of each Tranche of the Outstanding Notes (after any Principal Reduction Payments are made) by the original principal balance of such Tranche of the Notes and rounding the result to nine decimal places.

- "Euroclear" means Euroclear System.
- "Event of Default" shall have the meaning specified in General Resolution.
- "Event of Insolvency" shall mean the occurrence of one or more of the following events:
- (a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of the Corporation;
- (b) the commencement by or against the Corporation of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the Corporation for its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for the Corporation or any substantial part of its property;
  - (c) the making by the Corporation of an assignment for the benefit of creditors;
- (d) the inability or failure of the Corporation to generally pay its debts as they become due or any admission by the Corporation in writing of its inability to pay its debts as they become due;
- (e) the declaration of a moratorium with respect to the payment of the debts of the Corporation; or
- (f) the initiation by the Corporation of any action in furtherance of or to authorize any of the foregoing.
- "Federal Family Education Loan Program" shall mean the program under the Higher Education Act for the origination of Student Loans.
- "Federal Reimbursement Contract" shall mean any agreement between a Guaranty Agency and the Secretary providing for the payment by the Secretary of amounts authorized to be paid pursuant to the Higher Education Act, including (but not limited to) partial reimbursement of amounts paid or payable upon defaulted Financed Student Loans and other student loans guaranteed or insured by the Guaranty Agency and Interest Subsidy Payments to holders of qualifying student loans guaranteed by the Guaranty Agency.
- "Fiduciary" or "Fiduciaries" shall mean the Trustee and any successor, the Registrar, any Paying Agent, or any of or all of them, as may be appropriate.
- "Financed" when used with respect to Student Loans, shall mean (i) Student Loans financed with proceeds from the Loan Account of the Program Fund, (ii) Student Loans substituted or exchanged for Student Loans described in the General Resolution, and (iii) Student Loans which become part of the Trust Estate as a result of a refunding of other bonds of the Corporation, but, in any event, shall not include Student Loans released as security under the General Resolution.
  - "Fitch" shall mean Fitch Ratings, its successors and their assigns.
  - "Fund" or "Funds" shall mean one or more of the special trust funds which are created hereby.
- "General Resolution" shall mean the General Resolution authorizing the issuance of the Notes in accordance with the terms and provisions thereof, adopted by the Corporation, as the same may be amended or supplemented from time to time in accordance with the terms thereof.
- "Guaranty Agency" shall mean the Authority acting in its capacity as a state guaranty agency under the Higher Education Act or other authorized guaranty agency under the Higher Education Act.

- "Guaranty Agency Event of Default" shall mean an event which causes a Guaranty Agency to not pay claims on Financed Student Loans.
- "Guaranty Agreements" shall mean the blanket guarantee or other guarantee agreements by or from any Guaranty Agency for the purpose of guaranteeing Financed Student Loans, and any amendment of any of the foregoing entered into in accordance with the provisions thereof and hereof.
- "Higher Education Act" shall mean the United States Higher Education Act of 1965 including any regulations thereto, as amended, or any successor legislation or regulation pursuant to which programs are established for the direct federal insurance of student loans, reinsurance of loans (including Student Loans) insured by a Guaranty Agency, and other purposes.
- "*Initial LIBOR Indexed Rate*" means, with respect to the A-1 Notes 3.207%; with respect to the A-2 Notes 3.257%; with respect to the A-3 Notes 3.457%; and with respect to the Notes 3.707%.
- "Initial Period" means the period beginning on the Issue Date and ending on the day before the first Interest Rate Adjustment Date for the respective Tranche of Notes.
- "Interest Account" shall mean the account so designated within the Debt Service Fund which is created by the General Resolution.
- "Interest Rate Adjustment Date" means the date on which a particular interest rate becomes effective, being each Distribution Date.
- "Interest Rate Determination Date" means the second Business Day immediately preceding each Interest Rate Adjustment Date.
- "Interest Subsidy Payments" shall mean interest subsidy payments payable in respect to any Financed Student Loans by the Secretary under Section 428 of the Higher Education Act.
- "Investment Obligations" shall mean any of the following securities, if and to the extent the same are at the time legal for investment of moneys and funds held under the General Resolution, provided that such investments meet the Applicable Rating Criteria for Investment Obligations:
  - (a) direct obligations of the United States or obligations guaranteed as to full and timely payment both as to principal and interest by the United States;
    - (b) general obligations of the State or other states of the United States;
    - (c) general obligations of cities, counties and special districts in the State;
  - (d) obligations, including guaranteed investment contracts, of any national banking association, any bank established under the laws of any state of the United States, any foreign bank having a branch in the United States or any other financial institution; provided that any such bank, financial institution or any guarantor of the preceding must have long-term and short-term ratings not less than the Applicable Rating Criteria for Investment Obligations at the time such obligations are initially funded or such lower ratings as may be allowed pursuant to a Rating Confirmation;
  - (e) a security, the full and timely payment of which is guaranteed by the United States, and obligations of the Federal Financing Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Federal Housing Administration;
  - (f) repurchase agreements with respect to securities issued or guaranteed by the United States government or its agencies, which repurchase agreements are executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank of New York, if: (i) the obligations

that are subject to such repurchase agreement are delivered (in physical or in book-entry form) to the Trustee, or any financial institution serving as custodian for the Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than 102% of the repurchase price, and, provided further, that the financial institution serving either as Trustee or as custodian shall not be the provider of the repurchase agreement; (ii) a valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the Trustee; and (iii) such securities are free and clear of any adverse third party claims. Notwithstanding the foregoing, the provider of any such repurchase agreement must have long-term and short-term ratings not less than the Applicable Rating Criteria for Investment Obligations at the time such repurchase agreements are initially funded or such lower ratings as may be allowed pursuant to a Rating Confirmation;

- (g) savings certificates issued by any savings and loan association organized under the laws of the State or by any federal savings and loan association having its principal office in the State; provided that any principal amount of such certificate in excess of the amount insured by the federal government or any agency thereof, or by a mutual deposit guaranty association authorized by the Administrator of the Savings Institutions Division of the Department of Commerce of the State are fully collateralized; provided that the rate of return or investment yield may not be less than that available in the market on United States government or agency obligations of comparable maturity;
- (h) certificates of deposit issued by banks organized under the laws of the State, or by any national bank; provided that any principal amount of such certificate in excess of the amount insured by the federal government or any agency thereof are fully collateralized; provided that the rate of return or investment yield may not be less than that available in the market on United States government or agency obligations of comparable maturity;
- (i) deposits in any savings and loan association organized under the laws of the State or any federal savings and loan association; provided that any moneys invested in such deposits in excess of the amount insured by the federal government or any agency thereof, or by a mutual deposit guaranty association authorized by the Administrator of the Savings Institutions Division of the Department of Commerce of the State, are fully secured by surety bonds, or be fully collateralized; and
  - (j) investments in a money market fund.

"Issue Date" shall mean, with respect to Notes of a particular Series, the date specified and determined by the Series Resolution authorizing such Notes as the date on which such Notes are issued.

"*LIBOR Indexed Rate*" means, with respect to each Tranche, the interest rate established by the Trustee on each Interest Rate Determination Date and equal to the LIBOR Rate plus the applicable Spread Factor.

"LIBOR Rate" means, for any given day, the rate per annum fixed by the British Bankers' Association at 11:00 a.m., London time (the "BBA Libor Rate"), on such day relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a three month period. If such a day is not a business day in London, then the rate most recently fixed as the BBA Libor Rate for a three-month period shall be used. Such rate may be available at Bloomberg US0003M<Index>HP. If the rate is no longer available from such source, the Trustee will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

"Loan Account" shall mean the account so designated within the Program Fund which is created by the General Resolution.

"Moody's" shall mean Moody's Investors Service, Inc., its successors and their assigns.

"Nationally Recognized Rating Service" shall mean any of S&P, Moody's or Fitch (or the successor to any) or other nationally recognized securities Rating Agency.

- "Note or Notes" means the Corporation's Student Loan Backed Notes bearing interest at the respective LIBOR Indexed Rates for the Tranches and in the original respective principal amounts set forth in the Series Resolution.
  - "Noteholder" shall mean the registered owner of a Note Outstanding, including the Securities Depository.
  - "Note Purchase Agreement" means the agreement under which the Notes shall be sold to the underwriters.
- "Operating Costs" shall mean all of the Corporation's expenses in carrying out and administering the Student Loan Finance Program under General Resolution and shall include, without limiting the generality of the foregoing, Paying Agent fees, listing agent fees, Servicing Fees, Rating Agency fees and expenses relating to any swap or interest rate exchange agreement, fees and expenses of the Fiduciaries and Costs of Issuance not otherwise paid or provided for from the proceeds of Notes, all to the extent properly allocable to a financing under General Resolution.
  - "Operating Fund" shall mean the fund so designated which is created by the General Resolution.
- "Operating Fund Requirement" shall mean as of any date, an amount equal to the Operating Costs of the Corporation for the current month and such additional amount as the Corporation deems appropriate all as evidences by a Certificate of the Corporation; provided, in no event shall the Operating Fund Requirement exceed three months' of Operating Costs.
- "Outstanding" when used with reference to any Notes, shall mean, as of any date, all Notes theretofore or then being authenticated and delivered under General Resolution except:
  - (a) any Notes canceled by the Trustee at or prior to such date;
  - (b) Notes (or portions thereof) for the payment of which (whether at or prior to the Stated Maturity Date) there shall be held in trust under General Resolution cash, equal to the principal amount or Redemption Price thereof, with interest to the Stated Maturity Date or earlier Redemption Date; and
  - (c) Notes in lieu of or in substitution for which other Notes shall have been authenticated and delivered pursuant to the General Resolution.
- "Parity Percentage" shall mean the ratio expressed as a percentage of (i) the Value of the Trust Estate, to (ii) the sum of the principal amount of and accrued interest on all Notes then Outstanding, accrued but unpaid Operating Costs not funded in the Operating Fund on any given date, and any accrued but unpaid Department Reserve Fund Amounts not funded in the Department Reserve Fund on any given date.
- "Participant" means a participant in the electronic, computerized book-entry system of transferring beneficial ownership interests in the Notes administered by the Securities Depository.
- "Paying Agent" shall mean any bank with trust powers, trust company, or other company or financial institution whether foreign or domestic so designated pursuant to the General Resolution, and its successor or successors hereafter appointed, as paying agent for any Series of Notes.
- "Perfected Interest" shall mean, with respect to each Financed Student Loan, a loan that is legally assigned and pledged by the Corporation to the Trustee pursuant to the terms and provisions of General Resolution free and clear of any adverse claim, judgment or lien other than the lien created hereby.
- "Pool Balance" means for any date the aggregate Principal Balance on the Student Loans which comprise a portion of the Trust Estate on that date and money on deposit in the Loan Account of the Program Fund.
- "*Principal Account*" shall mean the account so designated within the Debt Service Fund which is created by the General Resolution.

- "Principal Balance" when used with respect to a Financed Student Loan, shall mean the unpaid principal amount thereof as of a given date.
- "Principal Installment" shall mean, as of the date of calculation and with respect to any Series of Notes Outstanding, (i) the principal amount of Notes of such Series due on a Stated Maturity Date; (ii) if such future dates coincide as to different Notes of such Series, the sum of such principal amount of Notes, and (iii) the Redemption Price of Notes called for redemption on any Redemption Date as authorized in any Series Resolution.
- "*Principal Installment Date*" shall mean any date upon which any Principal Installment on Notes of any Series shall be due and payable pursuant to the applicable Series Resolution.
- "Principal Reduction Payment" means a payment of principal from funds available for such purpose on the respective Tranche of the Notes on the Distribution Dates prior to maturity thereof.
- "Prior Bonds" means collectively, the 2003 Series A-1 Bonds, the 2003 Series A-2 Bonds, the 2003 Series A-3 Bonds, and the 2003 Series A-4 Bonds issued and secured pursuant to "A GENERAL RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF SOUTH CAROLINA STUDENT LOAN CORPORATION EDUCATION LOAN REVENUE BONDS AND OTHER MATTERS RELATING THERETO" adopted June 7, 1996, as amended.
  - "Program Fund" shall mean the fund of that name so created by the General Resolution.
  - "Quarterly Servicing Report" means the form of report attached to the Series Resolution.
- "Rating Agency" or "Rating Agencies" shall mean any Nationally Recognized Rating Service to the extent any such rating service has been requested in writing by the Corporation to issue a rating on one or more Series of Notes and such rating service has issued and continues to maintain a rating on such Notes at the time in question.
- "Rating Confirmation" shall mean, as of any date, a letter from each Rating Agency addressed to the Trustee or the Corporation confirming that the action proposed to be taken by the Corporation as described in such letter will not, in and of itself, result in a downgrade of such Rating Agency's rating on any Notes Outstanding or cause such Rating Agency to suspend or withdraw its rating on any Notes Outstanding.
- "Record Date" means, with respect to any installment of interest or principal to be paid on a Distribution Date, the Business Day prior to the Distribution Date.
- "Recoveries of Principal" shall mean all amounts received in respect of payment of principal on Financed Student Loans, including Default Payments, scheduled, delinquent and advance payments, payouts or prepayments, and proceeds from the sale, assignment or other disposition of a Financed Student Loan.
- "Redemption Date" shall mean a date fixed for redemption of Notes subject to redemption pursuant to any applicable redemption provision of General Resolution and any Series Resolution.
- "Redemption Price" shall mean the total of principal, premium (if any) and accrued but unpaid interest on any Note redeemed on a Redemption Date.
- "Registrar" means the Trustee, as well as any Co-Registrar appointed by the Corporation and the Trustee under the General Resolution.
  - "Resolution" means, collectively, the General Resolution and the Series Resolution.
- "Secretary" shall mean the United States Secretary of Education, or any other officer, board, body, commissioner or agency succeeding to the functions thereof under the Higher Education Act.
- "Securities Depository" means The Depository Trust Company, New York, New York or any additional or successor securities depository for the Notes.

- "Series" shall mean all of the Notes authenticated and delivered pursuant to a Series Resolution and designated therein as a Series of Notes, and any Notes thereafter authenticated and delivered in lieu of or in substitution for such Notes pursuant thereto and hereto.
- "Series Resolution" shall means the resolution of the Corporation authorizing the issuance of the Notes in accordance with the terms and provisions of the General Resolution, adopted by the Corporation in accordance with the General Resolution.
- "Servicer" shall mean the Corporation and any other organization, upon receipt of a Rating Confirmation, with which the Corporation has entered into a servicing agreement; in any case, so long as such party acts as Servicer of the Financed Student Loans.
- "Servicing Fees" shall mean the fees payable by the Corporation to the Servicer to cover, inter alia, the Servicer's reasonable and necessary expenses for operation and administration of the Student Loan Finance Program. In the event that the Servicer is the Corporation, the fees shall cover, but are not limited to, the Corporation's reasonable and necessary expenses for operation and administration of the Student Loan Finance Program including those expenditures made for the purchase of furniture and equipment as well as those expenditures associated with the operation and maintenance of the Servicer's facilities but only to the extent that such Servicing Fees are properly allocable to the 2008 General Resolution.
- "Special Allowance Payments" shall mean special allowance payments authorized to be made by the Secretary in respect of the Student Loans pursuant to Section 438 of the Higher Education Act or similar allowances authorized from time to time by federal law or regulation.
- "Spread Factor" means with respect to the A-1 Notes 0.50% per annum; with respect to the A-2 Notes 0.55% per annum; with respect to the A-3 Notes 0.75% per annum; and with respect to the A-4 Notes 1.00% per annum
- "S&P" shall mean Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc., its successors and their assigns.
  - "State" shall mean the State of South Carolina.
- "Stated Maturity Date" means, with respect to A-1 Notes September 2, 2014; with respect to the A-2 Notes March 1, 2018; with respect to the A-3 Notes March 2, 2020; and with respect to the A-4 Notes September 3, 2024.
  - "Student Loan" shall mean a student loan having the following characteristics:
  - (a) such obligation constitutes an instrument, account or a general intangible as defined in the UCC as in effect in the jurisdiction that governs the perfection of the interests therein;
    - (b) the borrower thereunder is an Eligible Borrower;
  - (c) an obligation which represents advances of money made by an Eligible Lender to or on behalf of a student attending or enrolled at an Eligible Institution, evidenced by one or more promissory notes;
  - (d) the payment of principal of and interest on which is guaranteed by a Guaranty Agency and reinsured as to principal amount and interest by the Secretary to the maximum extent then authorized under the Higher Education Act and agreements entered into by a Guaranty Agency and the Secretary pursuant to the Higher Education Act; or such an obligation for which there is a commitment by the Secretary to so insure or by the Guaranty Agency and the Secretary to so guarantee and reinsure;
  - (e) that together with the related note that evidences the Student Loan represents the genuine, legal, valid and binding payment obligation of the related borrower, enforceable by or on behalf of the

holder thereof against such borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance and similar laws relating to creditors' rights generally and subject to general principles of equity; and that has not been satisfied, subordinated or rescinded and no right of rescission, setoff, counterclaim or defense has been asserted or, to the Corporation's knowledge, overtly threatened in writing with respect to such Student Loan;

- (f) that is originated or financed at Value less accrued but unpaid Special Allowance Payments, if any, if that portion of Value is not being financed unless a Rating Confirmation is obtained;
- (g) that provides or, when the payment schedule with respect thereto is determined, will provide for payments on a periodic basis that fully amortize the Principal Balance thereof by its original stated maturity date, as such stated maturity date may be modified in accordance with applicable laws or program requirements, including those of the Higher Education Act or any Guaranty Agreement;
  - (h) that is subject to a Perfected Interest;
- (i) for which the granting of a security interest does not contravene or conflict with any law or regulation or require the consent or approval of, or notice to, any Person;
- (j) (i) that is the subject of a valid Guaranty Agreement with an eligible Guaranty Agency under the Higher Education Act and as to which a Guaranty Agency Event of Default has not occurred, (ii) that qualifies the holder thereof to receive guarantee payments equal to the highest amount authorized under the Higher Education Act of principal and interest from the Guaranty Agency and qualifies the Guaranty Agency to receive payments thereon from the Secretary pursuant to a Federal Reimbursement Contract, (iii) with respect to which the Corporation is not in default in any material respect in the performance of any of its covenants and agreements made in the applicable Guaranty Agreement and/or Federal Reimbursement Contract, (iv) with respect to which all amounts due and payable to the Secretary or a Guaranty Agency, as the case may be, have been paid in full and (v) the payment terms of which have not been altered or amended other than in accordance with the Higher Education Act and the interest rate of which is the highest rate allowed by the Higher Education Act except as may be permitted as borrower benefits under the Student Loan Finance Program and General Resolution; and
  - (k) that is not a Consolidation Loan.

"Student Loan Finance Program" shall mean and include any acts or things done by the Authority or the Corporation pursuant to the Act and General Resolution for the purpose of making Student Loans available pursuant to the Act.

"Student Loan Insurance Program" shall mean the guarantee program of the Authority authorized by the Act related to Student Loans.

"Supplemental Resolution" shall mean any resolution supplemental to or amendatory of General Resolution or any Series Resolution adopted by the Corporation in accordance with the General Resolution.

"*Tranche*" means Notes having the same Stated Maturity Date, interest rate methodology and numerical or letter designation.

"Trust Estate" shall mean (i) the Student Loans; (ii) interest payments with respect to Financed Student Loans made by or on behalf of borrowers; (iii) Recoveries of Principal; (iv) any Special Allowance Payments; (v) all Interest Subsidy Payments; (vi) all moneys and securities from time to time held by the Trustee under the terms of General Resolution (excluding moneys and securities held in the Department Reserve Fund); and (vii) any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder.

"*Trustee*" shall mean Wells Fargo Bank, National Association and the successor or successors thereto and any other corporation which may at any time be substituted in its place pursuant to the General Resolution.

- "2003 Series A-1 Bonds" means the \$75,000,000 Education Loan Revenue Bonds of the Corporation maturing June 1, 2033.
- "2003 Series A-2 Bonds" means the \$67,000,000 Education Loan Revenue Bonds of the Corporation maturing June 1, 2033.
- "2003 Series A-3 Bonds" means the \$67,000,000 Education Loan Revenue Bonds of the Corporation maturing June 1, 2033.
- "2003 Series A-4 Bonds" means the \$66,000,000 Education Loan Revenue Bonds of the Corporation maturing June 1, 2043.
- "2008-1 Series Notes" means collectively, the A-1 Notes, the A-2 Notes, the A-3 Notes and the A-4 Notes issued and secured under the 2008 General Resolution.
  - "*UCC*" shall mean the Uniform Commercial Code as in effect in the State, as amended.
- "Value" on any calculation date when required under General Resolution shall mean the value of the Trust Estate calculated by the Corporation as to (a) below and by the Trustee as to (b) through (d), inclusive, below, as follows:
  - (a) with respect to any Financed Student Loan, the unpaid Principal Balance, accrued but unpaid interest, Interest Subsidy Payments and Special Allowance Payments, if applicable, less the unguaranteed portion of Financed Student Loans in claims status;
  - (b) with respect to any funds of the Corporation held under General Resolution and credited to any Fund or Account except the Department Reserve Fund, the Cost of Issuance Account, and the Operating Fund on deposit in any commercial bank or as to any banker's acceptance or repurchase agreement or investment contract, the amount thereof plus accrued but unpaid interest;
  - (c) with respect to any Investment Obligations of an investment company, the bid price of the shares as reported by the investment company plus accrued but unpaid interest; and
  - (d) subject to the General Resolution, as to other investments, the fair market value based on then current accepted industry standards and from then current accepted industry providers, as selected by the Trustee.

# EXHIBIT III

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

### SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

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#### SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The Notes are issued by the Corporation under the General Resolution and the Series Resolution adopted pursuant to the authority of the General Resolution which contains various covenants and security provisions, certain of which are summarized below. Reference should be made to the General Resolution for a full and complete statement of its provisions.

#### **Creation of Funds and Accounts**

The General Resolution creates the following Funds and Accounts:

- (1) Program Fund
  Loan Account
  Cost of Issuance Account
- (2) Collection Fund
- (3) Debt Service Fund Interest Account Principal Account
- (4) Operating Fund
- (5) Debt Service Reserve Fund
- (6) Department Reserve Fund

Each of the above Funds and Accounts (except for the Department Reserve Fund), and any other Accounts that may be established within such Funds from time to time, shall be held and maintained by the Trustee pursuant to the provisions of the General Resolution and are at all times pledged for the payment of the principal of and interest on the Notes.

#### **Application of Initial Proceeds of Notes**

The proceeds, exclusive of accrued and capitalized interest, if any, of the Notes after the deposit, if any, to meet the Debt Service Reserve Requirement, are required to be deposited in the Program Fund. Accrued and capitalized interest, if any, received upon delivery of the Notes must be deposited in the Interest Account within the Debt Service Fund

Under the General Resolution, the Trustee is required to establish within the Program Fund a Cost of Issuance Account and a Loan Account. From the proceeds of the Notes, there will be deposited in the Cost of Issuance Account such costs of issuing the Notes for the payment of which provision is not otherwise made. The Trustee will withdraw moneys from the Cost of Issuance Account from time to time for the purpose of paying such costs of issuance, and moneys so withdrawn and paid shall be free and clear of the pledge created by the General Resolution.

After deposits required with respect to the Debt Service Reserve Requirement and costs of issuance, the remainder of the proceeds of the Notes will be deposited in the Loan Account of the Program Fund. Moneys in the Loan Account will be applied for the financing of Student Loans under the Student Loan Finance Program.

#### **Distributions of Moneys from the Collection Fund**

The following provides a general description of the provisions of the General Resolution with respect to periodic determinations of the amounts required to be deposited in the various Funds and Accounts established by

the General Resolution or other uses of moneys constituting a portion of the Trust Estate in the order of priority as to which such moneys are to be applied. All moneys received by or on behalf of the Corporation as assets of, or with respect to, the Trust Estate will be deposited daily to the credit of the Collection Fund. There may also be paid into the Collection Fund, at the option of the Corporation, any moneys received by the Corporation with respect to the Trust Estate from any other source, unless required to be otherwise applied.

<u>Department Reserve Fund</u>. The first priority for the transfers of moneys from the Collection Fund is a deposit to the Department Reserve Fund. The deposit shall be in an amount such that when added to the amount therein will equal the Department Reserve Fund Requirement as directed by the Corporation. Notwithstanding the foregoing, such amounts on deposit shall not exceed three months of Department Reserve Fund Amounts as determined by the Corporation. If the Corporation determines that excess Department Reserve Fund Amounts are on deposit in the Department Reserve Fund, the Corporation may direct the Trustee in a Certificate to transfer such excess to the Collection Fund.

<u>Operating Fund</u>. The second priority for the transfers from the Collection Fund is a deposit to the Operating Fund, of an amount that, when added to the amount therein will equal the Operating Fund Requirement as directed by the Corporation. Notwithstanding the foregoing, such Operating Costs shall not be increased beyond the level reflected in the most recent cash flows provided to each Rating Agency prior to the issuance of the Notes (0.48% per annum) unless the Trustee shall first receive a Rating Confirmation. Such amounts on deposit shall not exceed three months of Operating Costs as determined by the Corporation. If the Corporation determines that excess Operating Costs are on deposit in the Operating Fund, the Corporation may direct the Trustee in a Certificate to transfer such excess to the Collection Fund.

<u>Interest Account</u>. The third priority for the transfers of moneys from the Collection Fund is a deposit to the Interest Account. The deposit shall be in an amount such that that, when added to any amount on deposit in the Interest Account on the day of the calculation, would on such Distribution Date be equal to the interest due on the Notes on such Distribution Date

<u>Debt Service Reserve Fund</u>. The fourth priority for the transfers from the Collection Fund is a deposit to the Debt Service Reserve Fund so much as may be required so that the amount therein shall equal the Debt Service Reserve Requirement.

<u>Principal Account</u>. The fifth priority for the transfers from the Collection Fund provides that the balance, if any, remaining after all of the preceding priority transfers have been made, shall be deposited in the Principal Account for the payment of Principal Installments and Principal Reduction Payments.

#### **Investment of Funds and Accounts**

The General Resolution requires or permits investments of moneys (including moneys comprising of temporary liquidity surpluses), at the direction of the Corporation, in each Fund and Account, consistent with the required uses of such moneys, in Investment Obligations. See EXHIBIT II – "GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND SERIES RESOLUTIONS," for the definition of the term "Investment Obligations."

#### **Conditions Precedent to Authentication and Delivery of a Series of Notes**

The Trustee may authenticate and deliver Notes under the General Resolution by or on behalf of the Corporation only upon the Trustee's receipt of:

- (i) a copy of the Series Resolution authorizing the Series, certified by an Authorized Officer of the Corporation;
  - (ii) a Certificate of an Authorized Officer of the Corporation as to the delivery of such Notes;
  - (iii) an approving Counsel's Opinion;

- (iv) a Certificate of an Authorized Officer of the Corporation, directing the deposit in the Debt Service Reserve Fund of so much (if any) of (a) the proceeds of the Notes to be issued, upon their issuance, sale and delivery or (b) such other funds of the Corporation, so that the aggregate amount then held by the Trustee in such Fund is equal to the Debt Service Reserve Requirement;
- (v) a Certificate of an Authorized Officer of the Corporation stating that the Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution or any Series Resolution;
- (vi) a Certificate of an Authorized Officer of the Corporation stating that the Corporation expects all amounts on deposit in the Loan Account of the Program Fund to be used for the financing of Student Loans prior to the end of the Acquisition Period;
- (vii) a Certificate of an Authorized Officer of the Corporation establishing that for the current and each future calendar year until all Notes to be Outstanding after the delivery of the Notes of such Series are no longer Outstanding, earnings and other amounts received with respect to the Trust Estate in each such calendar year are anticipated to be fully sufficient to pay when due principal of, premium, if any, and interest on all Notes Outstanding, as well as Department Reserve Amounts and Operating Costs for each such calendar year, which Certificate may rely upon data and computations made on behalf of the Corporation;
- (viii) the amount of the proceeds of the Series to be deposited in any Fund or Account and such further documents, moneys and securities as are required hereby or by the applicable Series Resolution;
- (ix) evidence of ratings, if any, by each Rating Agency on the Notes to be issued and a Rating Confirmation (as to any previously issued Notes that are and will remain Outstanding); and
- (x) UCC-1 financing statements and evidence that appropriate arrangements have been made for the filing of such UCC-1 financing statements.

No additional series of notes or bonds may be authenticated and issued under the General Resolution.

#### **Certain Covenants of the Corporation**

The Corporation has covenanted in the General Resolution, among other things, as follows:

<u>Administration</u>. The Corporation shall administer, operate and diligently perform all acts and things required to administer, operate and maintain the Student Loan Finance Program in strict compliance with the Act and in such manner as to assure that such program and the Financed Student Loans made thereunder will continue to benefit from the federal programs of insurance and reinsurance of Financed Student Loans, pursuant to the Higher Education Act, or from any other federal statute providing for any such federal program of insurance or reinsurance, and to assure continued entitlement to receive any applicable Interest Subsidy Payments and Special Allowance Payments, with respect to all Financed Student Loans. The Corporation shall administer, operate, and maintain the Student Loan Finance Program in such manner as to ensure that such program will benefit, in all material respects, from the Federal Family Education Loan Program, the Federal Reimbursement Contracts for Financed Student Loans pursuant to the Higher Education Act, or from any other federal statute providing for such federal program.

Expenditure and Collection. Only Student Loans eligible to be financed pursuant to the General Resolution and the Act shall be financed from Note proceeds, or from funds replaced by Note proceeds. The Corporation shall collect all principal and interest payments on all the Financed Student Loans and all grants, subsidies, donations, insurance payments, Special Allowance Payments and all Default Payments from the Secretary or the Guaranty Agency which relate to Financed Student Loans. The Corporation shall use due diligence in perfecting all claims for payment related to such Financed Student Loans from the Secretary and the Guaranty Agency as rapidly as possible. The Corporation will assign to the Guaranty Agency such Financed Student Loans for payment of guarantee or insurance benefits. The Corporation shall comply with all United States statutes, rules and regulations which apply to the Student Loan Finance Program and all servicing activities on the Financed Student Loans. The Corporation

will timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the Higher Education Act, the Financed Student Loans, the Guaranty Agreements, and other agreements to which the Corporation is a party relating to the Trust Estate.

<u>Enforcement</u>. The Corporation shall diligently, directly or through agents, enforce, defend, preserve, protect and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Financed Student Loans and all agreements and guarantee and insurance contracts in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due thereunder. Except as permitted or required by applicable law or as set forth in the General Resolution, the Corporation shall not release the obligations of any student borrower under any Financed Student Loan and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Noteholders under or with respect to each Financed Student Loan and all agreements in connection therewith. The Corporation shall 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 Noteholders under the General Resolution. Subject to any limitation set forth in a Supplemental Resolution, consistent with the provisions of this paragraph, the Corporation may settle a default or cure a delinquency on any Financed Student Loan on such terms as shall be determined by the Corporation to be prudent, or may grant forbearance or forgiveness of a Financed Student Loan or may provided a program of borrower benefits with respect to such Financed Student Loans.

<u>Accounts and Reports</u>. The Corporation shall keep proper books and accounts in which complete and accurate entries shall be made of all transactions relating to the Student Loan Finance Program, and all Funds and Accounts established by the General Resolution, which shall at all reasonable times be subject to the inspection of the Trustee and the Noteholders of an aggregate of not less than five percent (5%) in principal amount of Notes of any Series then Outstanding or their representatives duly authorized in writing.

<u>Personnel and Servicing of Student Loan Finance Program</u>. The Corporation shall at all times cause to be appointed, retained and utilized competent and qualified personnel for the purpose of carrying out origination and collection functions under the Student Loan Finance Program and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons so employed shall be qualified for their respective positions. The Corporation shall give notice to the Rating Agencies upon the engagement of third party independent contractor companies to perform such functions; provided, however, no such notice is required if the Corporation engages temporary personnel or consultants.

<u>Waiver of Laws</u>. The Corporation shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the General Resolution, any Supplemental Resolution, or the Notes, and all benefit or advantage of any such law or laws has been expressly waived by the Corporation in the General Resolution

#### **Defaults and Remedies**

Under the General Resolution, each of the following events is an "Event of Default":

- (1) default by the Corporation in the payment of any installment of interest on the Notes, when due:
- (2) default by the Corporation in the payment of Principal Installment or Redemption Price;
- (3) failure or refusal by the Corporation to comply with the provisions of the Act or default in the performance or observance of any other of the covenants, agreements or conditions contained in the General Resolution, any Supplemental Resolution or the Notes, and such failure, refusal or default shall continue for a period of sixty (60) days after written notice thereof by the Trustee or the Noteholders of not less than 5% in principal amount of the Outstanding Notes; or

(4) an Event of Insolvency shall have occurred.

Upon the happening and continuance of any Event of Default and subject to provisions of the General Resolution, the Trustee shall, but only upon written request of the Noteholders of 25% or more in principal amount of Outstanding Notes, and may (other than with respect to the fifth and sixth items below), proceed to protect and enforce the rights of the Noteholders by such of the following remedies as they deem most effectual:

- enforce, by mandamus or other suit, action or proceedings at law or in equity, all rights of the Noteholders, including the right to require the Corporation to receive and collect or cause to be received and collected the Trust Estate assets, adequate to carry out the covenants and agreements as to, and pledge of, such Trust Estate, and to require the Corporation to carry out or cause to be carried out any other covenant or agreement with Noteholders and to perform or cause to be performed duties under the Act:
- bring suit upon the Notes;
- require the Corporation by action or suit to account as if it were the trustee of an express trust for the Noteholders;
- enjoin by action or suit any acts or things which may be unlawful or in violation of the rights of the Noteholders:
- declare all Notes due and payable, and if all defaults shall be cured, then, with the written consent
  of not less than 25% in principal amount of the Noteholders of Outstanding Notes, to annul such
  declaration and its consequences; and
- in the event that all Notes are declared due and payable, to sell all Financed Student Loans, Investment Obligations and all other Trust Estate assets to the extent necessary to effect their payment.

Upon the happening and continuance of any Event of Default, the Trustee may, and upon the written direction of a majority of Noteholders in the case of the first, second, and third items below) do any of the following:

- sell Financed Student Loans and Trust Estate assets to the extent necessary if it is determined prior
  to such sale that the proceeds of such sale are sufficient to pay Noteholders the entire amount of
  principal of, premium, if any, and interest due; provided, however, that no acceleration of payment
  shall be declared until the Trustee shall hold sufficient funds to effect such payment;
- sell Financed Student Loans and Trust Estate assets without regard to the sufficiency of proceeds if 100% of the Noteholders in writing direct such sale;
- to the extent funds are from the Trust Estate assets are available therefor, continue to pay principal of and interest on the Notes in accordance with the terms of the General Resolution; or
- petition a court of competent jurisdiction if the applicable percentages of Noteholders do not provide direction to the Trustee.

No Noteholder shall have any right to institute any action except as authorized in the Resolution. Nothing herein contained shall impair the right of any Noteholder to enforce payment of principal of, Redemption Price and interest on such Noteholder's Notes.

In the event that, upon the happening and continuance of any Event of Default, the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal and interest then due on the Notes of all Series then Outstanding, such funds and any other moneys received or collected pursuant to the General Resolution,

shall be applied after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees of and expenses, liabilities and advances incurred or made by the Trustee, including, but not limited to, the fees and expenses of its counsel and other agents, as follows:

Unless the principal of all of the Notes shall have become or have been declared due and payable:

<u>First</u>: To the payment to the persons entitled thereto of all installments of interest then due on such Notes in the order of such installments and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

<u>Second</u>: To the payment to the persons entitled thereto of the unpaid principal of any such Notes, and, if the amounts available shall not be sufficient to pay in full all the Notes, then to the payment thereof ratably, without any discrimination or preference.

If the principal of all of the Notes shall have become or have been declared due and payable; then to the payment to the persons entitled thereto of all unpaid principal of any Notes and of installments of interest then due on such Notes and, if the amount available shall not be sufficient to pay in full such principal and interest, then to the payment of principal and interest, without any preference or priority, ratably according to the aggregate amounts due, to the persons entitled thereto.

In case any proceedings taken on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Corporation, the Trustee and the Noteholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties herein conferred shall continue as though no such proceeding had been taken.

No remedy conferred upon or reserved to the Trustee or the Noteholders of the Notes by the General Resolution is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given thereunder, now or hereafter existing at law or in equity or by statute.

No delay or omission of the Trustee or any Noteholder of the Notes to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the General Resolution to the Trustee or the Noteholders of the Notes, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee shall give to the Noteholders notice of each Event of Default hereunder known to the Trustee within ninety (90) days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice of an Event of Default shall be given by the Trustee by mailing written notice thereof: (1) to all registered Noteholders of Notes, as the names and addresses of such Noteholders appear upon the books for registration and transfer of Notes as kept by the Trustee; (2) to such Noteholders as have filed their names and addresses with the Trustee for that purpose; and (3) to such other persons as is required by law.

#### **Resignation of Trustee**

The Trustee may at any time resign and be discharged of the duties and obligations created by the General Resolution by giving not less than 60 days written notice to the Corporation and the Rating Agencies and publishing notice thereof, specifying the date when such resignation shall take effect, once in an Authorized Newspaper, and such resignation shall take effect only upon the appointment, acceptance and qualification of such successor trustee, which successor trustee must be an Eligible Lender.

#### Removal of Trustee; Appointment of Successor Trustee

The Trustee shall be removed by the Corporation if at any time so requested by an instrument or concurrent instructions in writing, filed with the Trustee, the Rating Agencies and the Corporation, and signed by the Noteholders of a majority in principal amount of the Notes then Outstanding or their attorneys-in-fact duly authorized, excluding any Notes held by or for the account of the Corporation. The Corporation may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the Corporation by filing with the Trustee an instrument signed by an Authorized Officer of the Corporation. Such removal shall take effect only upon the appointment, acceptance and qualification of such successor Trustee, which successor Trustee must be an Eligible Lender.

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Corporation covenants and agrees that it will thereupon appoint a successor Trustee which successor Trustee must be an Eligible Lender. The Corporation shall publish notice of any such appointment made by it in an Authorized Newspaper, such publication to be made once within twenty (20) days after such appointment. Such appointment shall take effect only upon the qualification of such successor Trustee.

If in a proper case no appointment of successor Trustee shall be made within forty-five (45) days after the Trustee shall have given to the Corporation written notice, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or Noteholder of any Note, at the expense of the Corporation, may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

#### **Modifications of the General Resolution and Outstanding Notes**

The Corporation may adopt at any time or from time to time Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Corporation:

- to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Notes, <u>provided</u> such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Resolution as may be set forth in a Rating Confirmation, and, in the opinion of the Trustee, who shall be entitled to receive and to rely exclusively upon a Counsel's Opinion, shall not materially and adversely affect the interest of the Noteholders;
- to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the General Resolution as may be set forth in a Rating Confirmation, <u>provided</u>, that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Resolution, and, in the opinion of the Trustee, who shall be entitled to receive and to rely exclusively upon a Counsel's Opinion, shall not materially and adversely affect the interest of the Noteholders;
- to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the General Resolution;
- to cure any ambiguity or defect or inconsistent provision in the General Resolution or to insert such provisions clarifying matters or questions arising under the General Resolution as are necessary or desirable as may be set forth in a Rating Confirmation; provided such cure or additional provisions and agreements shall not in the opinion of the Trustee, who shall be entitled to rely exclusively upon a Counsel's Opinion, materially and adversely affect the interest of the Noteholders;

- to take any action that may be required to maintain compliance with the Higher Education Act or other law applicable to the Student Loan Finance Program; or
- to add provisions allowing derivatives, interest rate swap agreements, interest rate caps, or other similar hedging contracts to the General Resolution upon receipt of a Rating Confirmation.

The provisions of the General Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Noteholders in accordance with and subject to the applicable provisions of the General Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Corporation.

The General Resolution shall not be modified or amended in any respect except in accordance with and subject to its applicable provisions. However, nothing contained in the General Resolution shall affect or limit the rights or obligations of the Corporation to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to applicable provisions of the General Resolution, or the right or obligation of the Corporation to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the General Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Supplemental Resolution approved by the Corporation, when filed with the Trustee, shall be accompanied by a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the General Resolution, is authorized or permitted thereby and is valid and binding upon the Corporation and enforceable in accordance with its terms. Each such Supplemental Resolution shall also be filed with each Rating Agency.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent may be adopted by the Corporation without the written consent of the Trustee or Paying Agent affected thereby.

Any modification or amendment of the General Resolution and of the rights and obligations of the Corporation and of the Noteholders of the Notes thereunder, may be made by a Supplemental Resolution, with the written consent, which may be given by electronic means, given as therein provided, of the Noteholders of at least a majority in principal amount of the Notes Outstanding at the time such consent is given. Unless with the unanimous written consent of all Noteholders, however, no such amendment shall:

- permit a change in the terms of redemption or Stated Maturity Date of the principal of any Outstanding Note or of any installment of interest thereon or a reduction in the principal amount thereof or the rate of interest thereon,
- reduce the percentage of Notes the consent of the Noteholders of which is required to effect such amendment, or
- change the existing preferences or priorities of Notes over any other Notes or create any new preferences or priorities.

A copy of such Supplemental Resolution (or brief summary thereof or reference thereto) together with a request to Noteholders for their consent thereto, shall promptly after adoption be mailed by the Corporation to Noteholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until:

- (A) there shall have been filed with the Trustee:
- (i) the written consents, which may be given by electronic means, of Noteholders of the required percentage of Outstanding Notes,

- (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Corporation in accordance with the provisions of the General Resolution, is authorized or permitted by the General Resolution and is valid and binding upon the Corporation and enforceable in accordance with its terms, and
- (B) a notice shall have been mailed as required by the General Resolution.

Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent of the Notes with respect to which such consent is given. A certificate or certificates filed with the Trustee that the Trustee has examined such proof and that such proof is sufficient in accordance the requirements of the General Resolution shall be conclusive that the consents have been given by the Noteholders of the Notes described in such certificate or certificates. Any such consent shall be binding upon the Noteholder of the Notes giving such consent and, anything in the General Resolution to the contrary notwithstanding, upon any subsequent Noteholder of such Notes and of any Notes issued in exchange therefor (whether or not such subsequent Noteholder thereof has notice thereof), unless such consent is revoked in writing by the Noteholder of such Notes giving such consent or a subsequent Noteholder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Noteholders of the required percentage of Notes shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Corporation a written statement that the Noteholders of such required percentage of Notes have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Corporation on a stated date, a copy of which is on file with the Trustee) has been consented to by the Noteholders of the required percentages of Notes and will be effective as provided in this Section shall be given to Noteholders by the Corporation by mailing such notice to Noteholders as provided in the General Resolution (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as this Section provides). The Corporation shall file with the Trustee proof of the mailing thereof.

Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Trustee, each Paying Agent and the Noteholders of all Notes at the expiration of thirty (30) days after the filing with the Trustee of the proof of the mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Corporation, the Trustee, and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Notwithstanding anything contained in the foregoing provisions, the rights and obligations of the Corporation and of the Noteholders of the Notes and the terms and provisions of the Notes or of the General Resolution may be modified or amended in any respect upon the adoption of a Supplemental Resolution by the Corporation and the consent of the Noteholders of all of the Notes then Outstanding; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto in addition to the consent of the Corporation and of the Noteholders.

Unless the Corporation owns all of the Notes Outstanding, Notes, if any, owned or held by or for the account of the Corporation shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Notes provided for in the General Resolution, and the Corporation shall not be entitled with respect to such Notes to give any consent or take any other action provided for in the General Resolution.



#### BOOK ENTRY SYSTEM

The information in this section concerning DTC, Clearstream and Euroclear and the Book-entry System has been obtained from DTC, Clearstream, and Euroclear. None of the Corporation and its counsel, the Underwriters and their counsel, or Note counsel take any responsibility for the accuracy thereof.

*General.* Investors acquiring beneficial ownership interests in the Notes issued in book-entry form may hold their Notes in the United States through DTC (as defined under the caption "Depositary Institutions" below) or in Europe through Clearstream or Euroclear (each as defined under the caption "Depositary Institutions" below) if they are participants of such systems, or indirectly through organizations which are participants in such systems.

Principal and interest payments on the Notes are to be made to Cede & Co. DTC's practice is to credit direct participant's accounts upon receipt of funds and corresponding detail information from the Corporation on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are 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 shall be the responsibility of the participant and not of DTC, the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. is the responsibility of the Corporation or the Trustee. Disbursement of such payments to direct participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants. Under a book-entry format, holders of the Notes may experience a delay in receipt of payments, since payments will be forwarded by the Trustee to Cede & Co., which will forward the payments to its participants who will then forward them to indirect participants or holders of the Notes.

Redemption notices shall be sent to DTC. If less than all of a series of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in such series to be redeemed.

DTC has advised that it will take any action permitted to be taken by a holder of Notes under the Resolution only at the direction of one or more participants to whose accounts with DTC the Notes are credited. Clearstream and Euroclear will take any action permitted to be taken by a holder of Notes under the Resolution on behalf of a participant only in accordance with their relevant rules and procedures and subject to the ability of the relevant depositary to effect these actions on its behalf through DTC.

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an omnibus proxy to the Corporation, or the Trustee, as appropriate, 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 Notes are credited on the record date.

None of the Corporation, the Trustee, or the Underwriters will have any responsibility or obligation to any DTC participants, Clearstream participants or Euroclear participants or the persons for whom they act as nominees with respect to the accuracy of any records maintained by DTC, Clearstream, or Euroclear or any participant, the payment by DTC, Clearstream, or Euroclear or any participant of any amount due to any beneficial owner in respect of the principal amount or interest on the Notes, the delivery by any DTC participant, Clearstream participant or Euroclear participant of any notice to any beneficial owner which is required or permitted under the terms of the Resolution to be given to holders of Notes or any other action taken by DTC.

In certain circumstances, the Corporation may discontinue use of the system of book-entry transfers through DTC or a successor securities depository. In that event, note forms are to be printed and delivered. DTC may discontinue providing its services as securities depository with respect to the Notes of any series at any time by giving reasonable notice to the Corporation or the Trustee. In the event that a successor securities depository is not obtained, note forms are required to be printed and delivered.

Form, Denomination and Trading. The Notes will be issued in minimum denominations and additional increments as set forth herein, and may be held and transferred, and will be offered and sold, in principal balances of not less than their applicable minimum denomination set forth herein.

Interests in the Notes denominated in U.S. Dollars will be represented by a global bond certificate held through DTC (each, a "*U.S. Global Bond Certificate*"). On or about the Date of Issuance of the Notes, the Corporation will deposit a U.S. Global Bond Certificate for each series of Notes with the applicable DTC custodian registered in the name of Cede & Co., as nominee of DTC. At all times the U.S. Global Bond Certificates will represent the outstanding principal balance, in the aggregate, of the related series of Notes. At all times, with respect to each series of Notes, there will be only one U.S. Global Bond Certificate.

DTC will record electronically the outstanding principal balance of each series of Notes represented by a U.S. Global Bond Certificate held within its system. DTC will hold interests in a U.S. Global Bond Certificate on behalf of its account holders through customers' securities accounts in DTC's name on the books of its depositary. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's name on the books of its respective depositary which in turn will hold positions in customers' securities accounts in such depositary's name on the books of DTC. Citibank N.A. will act as depositary for Clearstream and JP Morgan Chase will act as depositary for Euroclear. Except as described below, no person acquiring a book-entry bond will be entitled to receive a physical certificate representing the Notes. Unless and until definitive certificates are issued, it is anticipated that the only holder of Notes will be Cede & Co., as nominee of DTC.

Interests in the U.S. Global Bond Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear, and Clearstream as applicable, and their respective direct and indirect participants. Transfers between participants will occur in accordance with DTC Rules. Transfers between Clearstream participants and Euroclear participants will occur in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC Rules on behalf of the relevant European international clearing system by its depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions to the depositaries.

Because of time-zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a participant will be made during subsequent securities settlement processing and dated the business day following DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a participant will be received with value on DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

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

Identification Numbers and Payments to the Notes. The Corporation will apply to DTC for acceptance in its book-entry settlement systems of each series of Notes denominated in U.S. Dollars. Each series of Notes will have the CUSIP numbers, ISINs, and European Common Codes, as applicable, set forth herein. Payments of principal, interest and any other amounts payable under each U.S. Global Bond Certificate will be made to or to the order of the relevant clearing system's nominee as the registered holder of such U.S. Global Bond Certificate.

Because of time zone differences, payments to holders of Notes that hold their positions through a European clearing system will be made on the business day following the applicable payment date, in accordance with customary practices of the European clearing systems. No payment delay to holders of Notes holding U.S. Global Bond Certificates clearing through DTC will occur on any payment date, unless, as set forth above, those holders of Notes interests are held indirectly through participants in European clearing systems.

Depository Institutions. The Depository Trust Company, or DTC, is a limited-purpose trust company organized under the laws of the State of New York, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered under Section 17A of the Securities Exchange Act. DTC was created to hold securities for its participating organizations and to facilitate the clearance and settlement of securities transactions between those participants through electronic book-entries, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations, including Euroclear and Clearstream. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Some direct participants and/or their representatives, own part of the Depositary Trust Company Corporation, the parent of DTC.

In accordance with its normal procedures, DTC is expected to record the positions held by each of its participants in securities issued in book-entry form, whether held for its own account or as nominee for another person. In general, beneficial ownership of book-entry certificates will be subject to the rules, regulations and procedures governing DTC and its participants as in effect from time to time.

Purchases of the securities under the DTC system must be made by or through direct participants, which receive a credit for the securities on DTC records. The ownership interest of each actual purchaser of each series of securities, or beneficial owner, is in turn to be recorded on the direct and indirect participants' records. Beneficial owners shall not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the securities are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners shall not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the series of any Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of such Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of Notes; DTC's records reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the beneficial owners. The participants 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 are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Clearstream Banking, société anonyme, Luxembourg, formerly Cedelbank ("Clearstream"), has advised that it is incorporated under the laws of the Grand Duchy of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (the "CSSF"). Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream is also available to

others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Euroclear has advised that it was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book- entry delivery against payment, eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./NV (the "Euroclear operator"), under contract with Euroclear Clearance System plc., a United Kingdom corporation (the "Cooperative"). All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, central banks, securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator has advised that it is licensed by the Belgian Banking and Finance Commission to carry out banking activities on a global basis. As a Belgian Bank, it is regulated by the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear (the "*Terms and Conditions*") and the related Operating Procedures of the Euroclear System and applicable Belgian law. The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to securities held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depositary. Those distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a holder of Notes under the Resolution on behalf of a Clearstream participant or Euroclear participant only in accordance with the relevant rules and procedures and subject to the relevant Depositary's ability to effect such actions on its behalf through DTC.

NEITHER THE CORPORATION, THE TRUSTEE, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, (B) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, REDEMPTION PRICE OF OR INTEREST ON THE NOTES, (C) THE DELIVERY BY ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO THE REGISTERED OWNER, (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE NOTES, OR (E) ANY OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF THE NOTES.

In reading this Offering Memorandum, it should be understood that while the Notes are in the Book-entry System, references in other sections of this Offering Memorandum to holder, beneficial owner or Registered Owner should be read to include the Beneficial Owners of the Notes, but (a) all rights of ownership must be exercised through DTC and the Book-entry System and (b) notices that are to be given to registered owners by the Corporation or the Trustee will be given only to DTC.

#### **Discontinuation of Book-entry System**

If at any time, DTC notifies the Corporation that it is unwilling or unable to continue as Securities Depository with respect to the Notes; or, if at any time DTC is no longer registered or in good standing under the Securities Exchange Act and a successor Securities Depository is not approved by the Corporation within 90 days after the Corporation receives notice or becomes aware of such condition, the Book-entry System for the Notes shall be discontinued. In addition, the Corporation may discontinue the Book-entry System for Notes at any time, by giving reasonable notice to DTC (or any successor securities depository).

In the event that the Book-entry System for the Notes is discontinued, the following provisions would apply, subject in each case to further conditions set forth in the Resolution.

Delivery of Certificates; Registered Owners. Certificates for Notes in fully registered form would be delivered to, and registered in the names of, the Direct Participants, or such other persons as such Direct Participants may specify (which may be the Indirect Participants or Beneficial Owners), in authorized denominations. The ownership of the Notes so delivered (and any Notes thereafter delivered upon a transfer or exchange described below) would be registered in the registration books to be kept by the Trustee as the Bond Registrar of the Corporation. Except as provided in the Resolution, the Corporation and the Trustee would be entitled to treat the Registered Owners of such Notes, as their names appear in such registration books as of the appropriate dates, as the Owners thereof for all purposes described herein and in the Resolution.

Payment of Notes. The principal of the Notes would be payable upon surrender thereof at the principal corporate trust office of the Trustee, and interest would be payable by check or draft mailed by the Trustee to the registered owners of the Notes as shown on the registration books of the Corporation maintained at the office of the Trustee as Bond Registrar as of the close of business on the Record Date for such interest payment date. Upon receipt of a written request by the Trustee, the Trustee would pay interest to any registered owner of Notes in the aggregate principal amount of \$1,000,000 or more by wire transfer or by such other method as is acceptable to the Trustee and such registered owner of Notes.

Transfers and Exchanges. The Notes would be exchangeable at the principal office of the Trustee for a like aggregate principal amount of Notes of the same Series and of other authorized denominations, and the execution by the Corporation of any Note of any denomination would constitute full and due authorization of such denomination. The Trustee would thereby be authorized to authenticate and deliver such fully registered Note. Upon surrender for transfer of any fully registered Note at the principal office of the Trustee, the Corporation would execute and the Trustee would authenticate and deliver in the name of the transferee(s) a new fully registered Note of the same Series and for a like aggregate principal amount.

The Trustee will require the payment by the Beneficial Owner of any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer provided that the Trustee may not exchange or register the transfer of any Note being called for redemption after the Record Date with respect to the redemption of such Note.



# GLOBAL CLEARANCE, SETTLEMENT, AND TAX DOCUMENTATION PROCEDURES

Except in certain limited circumstances, the securities offered herein will be available only in book-entry form as "Global Securities." Investors in the Global Securities may hold such Global Securities through DTC through Clearstream or Euroclear. The Global Securities will be tradable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors holding Global Securities through Clearstream and Euroclear will be conducted in the ordinary way in accordance with their normal rules and operating procedures and in accordance with conventional eurobond practice (i.e., seven calendar day settlement).

Secondary market trading between investors holding Global Securities through DTC will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations.

Secondary, cross-market trading between Clearstream or Euroclear and DTC participants holding securities will be effected on a delivery-against-payment basis through the respective depositaries of Clearstream and Euroclear (in such capacity) and as DTC participants.

Non-U.S. holders (as described below) of Global Securities will be subject to U.S. withholding taxes unless such holders meet certain requirements and deliver appropriate U.S. tax documents to the securities clearing organizations or their participants.

#### **Initial Settlement**

All U.S. dollar denominated Global Securities will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors' interests in the U.S. dollar-denominated Global Securities will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Clearstream and Euroclear will hold their positions on behalf of their participants through their respective depositaries, which in turn will hold such positions in accounts as DTC participants.

Investors electing to hold their Global Securities through DTC will follow the settlement practices applicable to U.S. corporate debt obligations. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their Global Securities through Clearstream or Euroclear accounts will follow the settlement procedures applicable to conventional eurobonds, except that there will be no temporary global security and no "lock-up" or restricted period. Global Securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

#### **Secondary Market Trading**

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

*Trading between DTC participants.* Secondary market trading between DTC participants will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds.

Trading between Clearstream and/or Euroclear participants. Secondary market trading between Clearstream participants or Euroclear participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Trading between DTC seller and Clearstream or Euroclear purchaser. When Global Securities are to be transferred from the account of a DTC participant to the account of a Clearstream participant or a Euroclear participant, the purchaser will send instructions to Clearstream or Euroclear through a Clearstream participant or Euroclear participant at least one business day prior to settlement. Clearstream or Euroclear will instruct the respective depositary to receive the Global Securities against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment date to and excluding the settlement date, on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by the respective depositary to a DTC participant's account against delivery of the Global Securities.

After settlement has been completed, the Global Securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Clearstream or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the global securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York.) If settlement is not completed on the intended value date (i.e., the trade fails), the Clearstream or Euroclear cash debt will be valued instead as of the actual settlement date.

Clearstream participants and Euroclear participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Clearstream or Euroclear. Under this approach, they may take on credit exposure to Clearstream or Euroclear until the Global Securities are credited to their accounts one day later.

As an alternative, if Clearstream or Euroclear has extended a line of credit to them, Clearstream participants or Euroclear participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Clearstream participants or Euroclear participants purchasing Global Securities would incur overdraft charges for one day, assuming they cleared the overdraft when the Global Securities are credited to their accounts. However, interest on the Global Securities would accrue from the value date. Therefore, in many cases the investment income on the Global Securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each Clearstream participant's or Euroclear participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC participants can employ their usual procedures for sending Global Securities to the respective European depositary for the benefit of Clearstream participants or Euroclear participants. The sale proceeds will be available to DTC seller on the settlement date. Thus, to DTC participants a cross-market transaction will settle no differently than a trade between two DTC participants.

Trading between Clearstream or Euroclear seller and DTC purchaser. Due to time zone differences in their favor, Clearstream participants and Euroclear participants may employ their customary procedures for transactions in which Global Securities are to be transferred to the respective clearing system, through the respective depositary, to a Depository Trust Company participant. The seller will send instructions to Clearstream or Euroclear through a Clearstream participant or Euroclear participant at least one business day prior to settlement. In these cases Clearstream or Euroclear will instruct the depositary, as appropriate, to deliver the Global Securities to the DTC participant's account against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment to and excluding the settlement date, on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days. For transactions settling on the 31st of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream participant or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream participant's or Euroclear participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream participant or Euroclear participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Clearstream Participant's or Euroclear Participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream or Euroclear and that purchase Global Securities from DTC participants for delivery to Clearstream participants or Euroclear participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- (a) borrowing through Clearstream or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream or Euroclear accounts) in accordance with the clearing system's customary procedures;
- (b) borrowing the Global Securities in the U.S. from a DTC participant no later than one day prior to settlement, which would give the Global Securities sufficient time to be reflected in their Clearstream or Euroclear accounts in order to settle the sale side of the trade; or
- (c) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Clearstream participant or Euroclear participant.

#### **Certain U.S. Federal Income Tax Documentation Requirements**

A beneficial owner of Global Securities holding securities through Clearstream or Euroclear (or through DTC if the holder has an address outside the U.S.) will be subject to the 30% U.S. withholding tax that generally applies to payments of interest (including original issue discount) on registered debt issued by U.S. Persons, unless (i) each clearing system, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business in the chain of intermediaries between such beneficial owner and the U.S. entity required to withhold tax complies with applicable certification requirements and (ii) such beneficial owner takes one of the following steps to obtain an exemption or reduced tax rate.

Exemption for non-U.S. Persons (Form W-8BEN). Beneficial owners of Global Securities that are non-U.S. Persons can obtain a complete exemption from the withholding tax by filing a signed Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed within 30 days of such change.

Exemption for non-U.S. Persons with effectively connected income (Form W-8ECI). A non-U.S. Person including a non-U.S. corporation or bank with a U.S. branch, for which the interest income is effectively connected with its conduct of a trade or business in the United States, can obtain an exemption from the withholding tax by filing Form W-8ECI (Certificate of Foreign Person's Claim that Income is Effectively Connected with the Conduct of a Trade or Business in the United States).

Exemption or reduced rate for non-U.S.Persons resident in treaty countries. (Form W-8BEN). Non-U.S. Persons that are owners of securities residing in a country that has a tax treaty with the United States can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing Form W-8BEN.

Exemption for U.S. Persons (Form W-9). U.S. Persons can obtain a complete exemption from the withholding tax by filing Form W-9 (Request for Taxpayer Identification Number and Certification).

U.S. Federal Income Tax Reporting Procedure. The Global Security holder or his agent files by submitting the appropriate form to the person through whom it holds the Global Securities (the clearing agency, in the case of persons holding directly on the books of the clearing agency). Form W-8BEN and Form W-8ECI are generally effective from the date signed to the last day of the third succeeding calendar year.

The term "U.S. Person" means (i) a citizen or resident alien of the United States, (ii) a corporation or partnership, or other entity taxable as such, organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source or (iv) a trust other than a "Foreign Trust," as defined in Section 7701(a)(31) of the Code.

This summary does not deal with all aspects of U.S. Federal income tax withholding that may be relevant to foreign holders of the Global Securities. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the Global Securities.

# EXHIBIT VI

CERTAIN FINANCIAL INFORMATION WITH RESPECT TO THE CORPORATION

# SOUTH CAROLINA STUDENT LOAN CORPORATION FINANCIAL AND COMPLIANCE REPORT JUNE 30, 2007

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### DERRICK, STUBBS & STITH, L.L.P. CERTIFIED PUBLIC ACCOUNTANT

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RSM McGladrey Network

#### INDEPENDENT AUDITORS' REPORT

To the Board of Directors South Carolina Student Loan Corporation Columbia, South Carolina

We have audited the accompanying statement of financial position of South Carolina Student Loan Corporation as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2006 financial statements and, in our report dated August 31, 2006, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Student Loan Corporation as of June 30, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 24, 2007 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of South Carolina Student Loan Corporation, taken as a whole. The accompanying supplementary information on pages 17 - 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Device, Stubby + Stith, LCP

Columbia, South Carolina September 24, 2007

### **VI-5**

#### SOUTH CAROLINA STUDENT LOAN CORPORATION STATEMENT OF FINANCIAL POSITION JUNE 30, 2007 (WITH COMPARATIVE AMOUNTS FOR 2006)

(WITH COMPARATIVE AMOUNTS FOR 2000)		2007		2006 Totals
	Unrestricted	Temporarily Restricted	Total	Memorandum Only
ASSETS		<del></del>		
Current Assets				
Cash and cash equivalents	\$ 37,614,080	\$ 165,569,879	\$ 203,183,959	\$ 272,441,799
Investments	210,480	<u>-</u>	210,480	204,742
Current portion of student loan receivables	270,000	324,009,767	324,279,767	330,975,283
Interest due from borrowers	310,089	55,871,212	56,181,301	35,994,126
Due from United States Department of Education	117	19,496,179	19,496,296	20,705,696
Due from SC State Education Assistance Authority	84,803	37,163,901	37,248,704	111,253,493
Accrued investment income	44,123	564,800	608,923	407,567
Miscellaneous operating receivables	664	-	664	3,967
Prepaid expenses	8,686	_	8,686	8,285
Due from (to) other funds	108,878	(108,878)	-	
Total current assets	38,651,920	602,566,860	641,218,780	771,994,958
Investments and Long-Term Receivables				
and the second of the second o	8,768,302	2,383,232,510	2,392,000,812	2,103,561,223
Other student loan receivables less current portion  Teacher loans receivable - net allowance for teacher loan	, ,		, , ,	
cancellations of \$ 16,969,294 and current portion	-	12,885,026	12,885,026	11,993,333
Deferred cost of issuance of bonds	-	4,240,535	4,240,535	3,214,541
Total investments and long-term receivables	8,768,302	2,400,358,071	2,409,126,373	2,118,769,097
Property and Equipment				
Land	565,000	_	565,000	565.000
Building	2,431,329	_	2,431,329	2,431,329
Furniture and equipment	2,161,408	_	2,161,408	1,960,050
Automobiles	40,548	_	40,548	40,548
Less, accumulated depreciation	(1,927,986)	-	(1,927,986)	(1,678,789)
Net property and equipment	3,270,299	-	3,270,299	3,318,138
Total assets	\$ 50,690,521	\$ 3,002,924,931	\$ 3,053,615,452	\$ 2,894,082,193

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#### SOUTH CAROLINA STUDENT LOAN CORPORATION STATEMENT OF FINANCIAL POSITION JUNE 30, 2007 (WITH COMPARATIVE AMOUNTS FOR 2006)

	Unrestricted	2007 Temporarily Restricted	Total	Totals Memorandum Only
LIABILITIES AND NET ASSETS	<u> </u>	Restricted	Total	Offiny
Current Liabilities				
Current portion of notes payable - finance loans	\$ -	\$ 92,000,000	\$ 92,000,000	\$ 77,500,000
Current maturities of bonds payable	-	39,754,000	39,754,000	219,449,000
Warehouse financing	-	-	-	223,827,345
Interest payable		6,900,192	6,900,192	5,105,940
Accounts payable	305,227	106,381	411,608	731,190
Compensated absences	352,389	39,350	391,739	353,898
Due to SC State Education Assistance Authority  Total current liabilities	657,616	11,056,993 149,856,916	11,056,993 150,514,532	10,889,709 537,857,082
Total current habilities	657,616	143,000,310	150,514,532	337,037,002
Noncurrent Liabilities				
Accrued pension payable	442,333	-	442,333	95,224
Retiree medical insurance payable	5,700,596	-	5,700,596	2,227,529
Bonds payable less current maturities and bond premiums	, ,		• •	
and discounts of \$ 6,891,609	-	1,830,108,391	1,830,108,391	1,188,953,712
Notes payable - finance loans less current maturities		721,683,428	721,683,428	856,354,387
Total noncurrent liabilities	6,142,929	2,551,791,819	2,557,934,748	2,047,630,852
Total liabilities	6,800,545	2,701,648,735	2,708,449,280	2,585,487,934
Net Assets				
Temporarily restricted				
For bond indentures - current debt service	-	27,988,841	27,988,841	37,980,790
For bond indentures	-	243,839,244	243,839,244	200,806,900
For teacher loans	-	28,602,096	28,602,096	26,695,854
For warehouse financing	<u>-</u> _	846,015	846,015	1,109,500
Total temporarily restricted		301,276,196	301,276,196	266,593,044
Unrestricted				
Board designated	2,100,000	-	2,100,000	100,000
Undesignated	41,789,976	-	41,789,976	41,901,215
Total unrestricted	43,889,976	-	43,889,976	42,001,215
Total net assets	43,889,976	301,276,196	345,166,172	308,594,259
Total liabilities and net assets	\$ 50,690,521	\$ 3,002,924,931	\$ 3,053,615,452	\$ 2,894,082,193
	, , , , ,	, , ,	, , ,	, , , , , ,

2006

See notes to financial statements.

# SOUTH CAROLINA STUDENT LOAN CORPORATION STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2007 (WITH COMPARATIVE AMOUNTS FOR 2006)

(WITH COMPARATIVE AMOUNTS FOR 2006)				0000
		2007		2006 Totals
		Temporarily		Memorandum
	Unrestricted	Restricted	Total	Only
Revenue		rtootriotou	- Total	Only
Income from United States Department of Education				
Student loan interest - subsidized	\$ 249	\$ 33,140,681	\$ 33,140,930	\$ 24,102,260
Special allowances	12	49,766,270	49.766.282	52,488,107
Student loan interest - non-subsidized	560,319	123,052,110	123,612,429	93,181,573
Investment income	1,522,000	13,139,764	14,661,764	7,559,057
Unrealized gain (loss) on investments	5,737	26,616	32,353	(73,931)
Late charges	757	1,650,319	1,651,076	1,502,974
Miscellaneous payments of student loans	52	14,068	14,120	302
State appropriations - Department of Education	-	6,989,706	6,989,706	6,989,706
State recall reversal income	_	0,000,700	-	3,278,710
Building rental income	211,351		211,351	211,803
Remittance from SC State Education Assistance Authority for operating cost	5,279,945	-	5,279,945	4,570,809
Net assets released from restrictions	193,096,382	(193,096,382)	3,219,943	4,370,009
Total revenue	200,676,804	34,683,152	235,359,956	193,811,370
rotal revenue	200,676,804	34,663,152	235,359,956	193,011,370
Expenses				
Personnel	6,958,233	_	6,958,233	6,363,463
Contractual services	902,969	_	902.969	853.031
General operating	1,895,717	_	1,895,717	1,811,734
Interest on debt	106,153,093		106,153,093	70,942,656
TLP cancellations	7,520,328	-	7,520,328	6,954,683
State recall of funds	500,000	-	500,000	500,000
Amortization of deferred cost of bond issuance		-	1,190,846	1,212,476
	1,190,846	-		22,352,161
Payments to SC State Education Assistance Authority for student loan income	29,447,389	-	29,447,389	
Loan fees	17,511,633	-	17,511,633	14,529,184
Reinsurance expense	249,808	-	249,808	258,455
Borrower incentives	20,010,302	-	20,010,302	17,750,810
Broker dealer fees	1,101,501	-	1,101,501	1,393,684
Building rental expenses	655,625	-	655,625	316,516
Scholarship donation	2,000,000	-	2,000,000	
Other	(485,091)		(485,091)	1,388,856
Total expenses	195,612,353	. <u> </u>	195,612,353	146,627,709
Change in net assets before adoption of FASB Statement No. 158	5,064,451	34,683,152	39,747,603	47,183,661
Effect of adoption of accessition and accessment data				
Effect of adoption of recognition and measurement date	(2.475.600)		(2.475.600)	
provisions of FASB Statement No. 158	(3,175,690)		(3,175,690)	
Change in net assets	1,888,761	34,683,152	36,571,913	47,183,661
Net Assets				
Beginning	42,001,215	266,593,044	308,594,259	261,410,598
Ending	\$ 43,889,976	\$ 301,276,196	\$ 345,166,172	\$ 308,594,259

See notes to financial statements.

#### SOUTH CAROLINA STUDENT LOAN CORPORATION STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2007 (WITH COMPARATIVE AMOUNTS FOR 2006)

	2007					Totals		
			T	emporarily			Memorandum	
	Unrestricted Restricted					Total	Only	
Cash Flows from Operating Activities				_				
Change in net assets	\$	1,888,761	\$	34,683,152	\$	36,571,913	\$	47,183,661
Adjustments to reconcile change in net assets to net cash								
provided by (used in) operating activities								
Depreciation		249,197		-		249,197		265,667
Unrealized (gain) on investments		(5,738)		-		(5,738)		(44,736)
Amortization of premiums and discounts on bonds payable		-		533,679		533,679		396,800
Amortization of cost of bond issuance		-		657,167		657,167		815,676
Changes in operating assets and liabilities								
(Increase) decrease in due from Department of Education		(91)		1,209,491		1,209,400		(6,648,798)
(Increase) decrease in due from SCSEAA		174,641		73,830,148		74,004,789		(18,082,799)
(Increase) decrease in interest due from borrowers		95,128		(20,282,303)		(20,187,175)		(9,728,585)
(Increase) decrease in accrued investment income		(38,886)		(165,470)		(204,356)		(145,426)
(Increase) decrease in miscellaneous receivables		3,303		-		3,303		8,094
(Increase) decrease in prepaid expenses		(401)		-		(401)		111,157
Increase (decrease) in interest payable		-		1,794,252		1,794,252		2,860,955
Increase (decrease) in accounts payable		151,923		(471,505)		(319,582)		296,744
Increase (decrease) in accrued pension expense		347,109		-		347,109		(123,057)
Increase (decrease) in compensated absences		31,498		6,343		37,841		18,473
Increase (decrease) in retiree medical insurance payable		3,473,067		-		3,473,067		616,662
Increase (decrease) in due to SCSEAA		-		167,284		167,284		1,211,571
Due to (from) other funds		(62,885)		62,885		-		_
Net cash provided by operating activities		6,306,626		92,025,123		98,331,749		19,012,059
Cash Flows from Investing Activities								
Purchase of property and equipment		(201,358)		-		(201,358)		(170,619)
Purchase and issuance of student loans		-	(	1,092,438,303)	(	(1,092,438,303)		(947,407,990)
Principal payments on student loans		815,647		801,466,562		802,282,209		697,282,180
Teacher loan cancellations		<u>-</u>		7,520,328		7,520,328		6,954,683
Net cash provided by (used in) investing activities		614,289		(283,451,413)		(282,837,124)		(243,341,746)

2006

See notes to financial statements.

#### SOUTH CAROLINA STUDENT LOAN CORPORATION STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2007 (WITH COMPARATIVE AMOUNTS FOR 2006)

(WITH COME ARCHIVE AMOUNTO FOR 2000)				2006
		2007		Totals
		Temporarily		Memorandum
	Unrestricted	Restricted	Total	Only
Cash Flows from Financing Activities				
Proceeds from financing loans	\$ -	\$ 514,200,000	\$ 514,200,000	\$ 945,083,333
Payments on financing loans	-	(634,370,959)	(634,370,959)	(783,633,799)
Proceeds from warehouse financing	-	-	-	223,827,345
Payments on warehouse financing	-	(223,827,345)	(223,827,345)	(141,133,909)
Proceeds from bond issuance	-	682,000,000	682,000,000	700,000,000
Payments of bonds	-	(219,449,000)	(219,449,000)	(601,569,000)
Payment of costs of bond issuance		(3,305,161)	(3,305,161)	(3,333,239)
Net cash provided by financing activities		115,247,535	115,247,535	339,240,731
Net increase (decrease) in cash and cash equivalents	6,920,915	(76,178,755)	(69,257,840)	114,911,044
Cash and cash equivalents				
Beginning	30,693,165	241,748,634	272,441,799	157,530,755
Ending	37,614,080	165,569,879	203,183,959	272,441,799
Supplemental Disclosures of Cash Flow Information Cash payments for interest		104,358,841	104,358,841	68,081,701
Supplemental Disclosures of Non-Cash Transactions Retirement of fixed assets - investing activities				27,465
Write-off of accumulated depreciation related to retired assets - investing activities	\$ -	\$ -	\$ -	\$ 27,465

#### **Notes to Financial Statements**

#### Note 1. Summary of Significant Accounting Policies

**Reporting entity:** The South Carolina Student Loan Corporation (Corporation) was incorporated November 15, 1973 under the Laws of the State of South Carolina. The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Its corporate goal is to receive, disburse and administer funds exclusively for educational purposes without pecuniary gain or profit to its members and to aid in the fulfillment of the desire and direction of the People of South Carolina in making loans available to students and parents to attend eligible post secondary institutions. Funds from various sources are administered by the Corporation to achieve this goal.

The Corporation administers the operations of the South Carolina State Education Assistance Authority (Authority). The Authority is a body politic and corporate and a public instrumentality of the State of South Carolina. The Authority is part of the State of South Carolina created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the Code of Laws of South Carolina, 1976 as amended. The Authority is governed by its members, who under the Act are the members of the State Budget and Control Board (Board). The Board consists of five (5) members by virtue of their position in state government. They are the Governor, Treasurer, Comptroller General, Chairman of Senate Finance Committee and Chairman of South Carolina House of Representatives Ways and Means Committee.

The basic, but not the only, criteria for including a component unit in the reporting entity is the governing body's oversight responsibility for such component unit. Financial accountability is the most important element of oversight responsibility. Neither the Authority nor the Corporation is considered a component unit of the other because each is a legally separate organization and not financially accountable to/for the other.

The accompanying financial statements present the financial position, results of operations and cash flows solely of the South Carolina Student Loan Corporation.

Overall operating arrangement: The Authority, as a guaranty agency, has approved the South Carolina Student Loan Corporation (Corporation) as an eligible lender to administer the Federal Family Education Loan Program. It is the duty of the Corporation to process applications, make student loans and collect principal, interest, fees and penalties on such loans. Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace, and deferred periods by the U.S. Department of Education. Upon entering the repayment period, the interest is paid by the borrower. Also, the U.S. Department of Education pays the Corporation a special allowance on the unpaid principal of the loans which is based on a variable percentage rate.

The Corporation finances these loans using several sources. One source is the issuance of tax-exempt revenue bonds by the Authority. The Corporation, using the proceeds of these bonds as described in Note 7, makes loans. The Corporation remits income on these loans to the Authority as required by loan agreements.

The operations of the Authority are administered by employees of the Corporation. The Authority reimburses the Corporation upon request for the actual operating costs and expenses plus reasonable capital costs incurred in the administration of the loans financed by the Authority's bonds in accordance with a previously approved budget.

Because of the scarcity of tax-exempt private activity bond allocation from the State and because of the yield limitation for loans financed with tax-exempt bonds, the Corporation issued taxable Education Loan Revenue Bonds for the first time in the year ended June 30, 1997.

#### **Notes to Financial Statements**

#### Note 1. Summary of Significant Accounting Policies (Continued)

**Overall operating arrangement (continued):** During the 1984-85 year, the Corporation began administering the Teacher Loan Program (TLP). The TLP is a part of the Education Improvement Act of 1984 passed by the South Carolina General Assembly. The Corporation was named in the Act as the administrator of this program and the funds for operations and for making loans are provided by state appropriations. The intent of the program is to attract, through financial assistance, talented individuals and to encourage them to enter teaching in areas of critical need within the state. Loans are canceled at 20% to 33% per year for each year of teaching in a critical subject and/or location. These loans are repaid by the borrower if the borrower does not teach. TLP loans made for academic years before 1994-95 are guaranteed by the Authority. Loans made for academic years 1994-95 or after are non-guaranteed.

During the 1995-96 year, the Corporation began making and servicing alternative loans through the Palmetto Assistance Loan (PAL) Program. PAL offers supplemental loans for students and parents of students enrolled at least half-time in an eligible school and for fourth year medical students seeking their residency and relocating. These loans are funded from Corporation accumulated unrestricted net assets and bond funds.

In March 2005, the Corporation entered into a financing agreement to provide additional funding for student loans. See Note 8.

**Basis of accounting:** These statements are prepared on the accrual method of accounting recognizing income when earned regardless of when received and expenses when incurred regardless of when paid.

**Display of net assets by class:** The Corporation adheres to the disclosures and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by non-profit organizations and requires that resources be classified for accounting and reporting purposes as follows:

*Unrestricted net assets*: Net assets that are not subject to restrictions. These net assets, including Board designated, are legally unrestricted and can be used in any Corporation activity.

**Temporarily restricted net assets**: Net assets subject to restrictions that will be met either by actions of the Corporation and/or the passage of time. These net assets are made up of guaranteed student loans from various funding sources.

**Permanently restricted net assets:** Net assets subject to stipulations that must be maintained permanently by the Corporation. The Corporation does not have any such net assets.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** For purposes of reporting cash flows, the Corporation considers all certificates of deposit, regardless of maturity, and Treasury Bills, commercial paper and money market funds, including those that are classified as restricted assets, with a maturity of three months or less, to be cash equivalents.

#### **Notes to Financial Statements**

#### Note 1. Summary of Significant Accounting Policies (Continued)

**Concentration risk:** The Corporation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. At June 30, 2007, all of the Corporation's cash was held in demand deposit accounts covered by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name.

**Investments:** Investments are valued at market value. Realized and unrealized gains and losses on sale of investments are determined based on the cost of investments.

Allowance for teacher loan cancellations: The allowance for cancellations on teacher loans represents the Corporation's estimate of teachers who will teach in critical need areas in South Carolina who can annually cancel up to 20% to 33% of their loan balances. In making the estimate, the Corporation considers the trend in the loan portfolio and current operating information. The allowance is based on total teacher loans times the expected cancellation rate. The evaluation is inherently subjective and the allowance could significantly change in the future. The allowance was \$ 16,969,294 at June 30, 2007.

**Property and equipment:** Property and equipment costing over \$ 5,000 are capitalized at cost when purchased. Depreciation has been provided using the straight-line method over useful lives of three to ten years for furniture and equipment, three years for automobiles and computers and thirty-nine years for the building.

Amortization of deferred cost of issuance of bonds and bond premiums and discounts: Cost of issuance of bonds and bond premiums and discounts are being amortized over the lives of the bond issues on a straight-line basis and are included in operating expenses.

**Compensated absences:** Annual leave is earned at the rate of 12 to 25 days per year depending on length of employment. Employees are expected to use at least one week (5 consecutive days) each year. An employee may not carry forward more than 5 vacation days to the next year without his/her supervisor's permission. Earned, but unused, annual leave will be paid when an employee terminates his/her employment except when this termination is involuntary or inadequate notice is given. Sick leave is earned at the rate of 7 to 10 days per year depending on length of employment. An employee may not carry forward more than 60 sick days to the next year without his/her supervisor's approval. Employees are not paid for earned, but unused, sick days upon termination of employment.

**Comparative amounts:** The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

#### Note 2. Cash and Cash Equivalents

Cash and Cash Equivalents include demand deposits and short-term investments of less than three months as follows:

	Cost	<u>N</u>	<u> larket Value</u>
Unrestricted			
Demand deposits	\$ 16,056,896	\$	16,056,896
Money market funds	12,804,474		12,804,474
South Carolina state treasurer pool	894,154		894,154
Collateralized demand deposits	708,556		708,556
Corporate bonds	7,150,000		7,150,000
Total unrestricted	\$ 37,614,080	\$	37,614,080

#### **Notes to Financial Statements**

#### Note 2. Cash and Cash Equivalents (Continued)

<u>Cost</u>		Market Value
\$ 4,563,636	\$	4,563,636
41,947,610		41,947,610
11,820,362		11,769,704
107,288,929		107,288,929
\$ <u>165,620,537</u>	\$	165,569,879
	\$ 4,563,636 41,947,610 11,820,362 107,288,929	\$ 4,563,636 \$ 41,947,610 11,820,362 107,288,929

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 11,769,704.

#### Note 3. Investments

Investments consist of common stock. Investments' market value is determined by quoted market values and consist of the following:

		arrying <u>Value</u>		Market <u>Value</u>
Unrestricted	Φ.		ф.	040 400
Common stock	\$ <u></u>		Φ.	210,480

#### Note 4. Amounts Due from/to the Corporation

The \$ 11,056,993 amount due to the Authority represents funds due for income earned but not yet received by the Corporation from the Department of Education, fees in transit and borrowers' payments at June 30. These funds will be remitted to the Authority when received or by the tenth of each month. The Authority also owes the Corporation funds collected on their behalf of \$ 37,248,704. Funds collected on behalf of the Corporation are required to be paid to the Corporation by the tenth of each month.

#### Note 5. Federal Family Education Loans (FFEL) and Federal Reinsurance of FFEL Loans

In 2007 and 2006, these loans bear interest at a fixed rate of 2.875% to 12% or an annual variable rate of 6.54% to 8.09% which is reset each July 1 and which is equal to the bond equivalent rate of the 91-day or 52-week Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus 1.7 to 3.25 percent with a cap on the rate of 8.25 to 12.00 percent. These loans are repayable over a period of five (5) to thirty (30) years with a minimum payment of \$ 360 or \$ 600 per year. Repayment of principal may be scheduled to begin within sixty (60) days of final disbursement or six (6) to ten (10) months after the student graduates or ceases to be enrolled on at least a half-time basis in an eligible institution.

Loans are insured against death, disability and default by the Authority at 97% to 100% and are reinsured by the U.S. Department of Education up to 100% for loans made prior to October 1, 1993, up to 98% for loans made on or after October 1, 1993 but before October 1, 1998, and 95% for loans made on or after October 1, 1998. The federal default fee required by the Higher Education Act on guaranteed loans made on or after July 1, 2006 is paid by SCSLC or the Authority on the borrower's behalf.

Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace and deferred periods by the U. S. Department of Education. Upon entering the repayment period, the interest is paid by the borrower.

Origination fees reduce the amount of interest subsidy the Federal government pays to lenders on behalf of borrowers whether collected or waived. The rate of origination fees for loans first disbursed on or before June 30, 2006 is 3%. The Corporation does not charge this fee for Stafford loans and refunds the fees it is

#### **Notes to Financial Statements**

### Note 5. Federal Family Education Loans (FFEL) and Federal Reinsurance of FFEL Loans (Continued)

required to charge for PLUS loans in the form of a credit to the borrower's account. The rate of origination fees on loans first disbursed July 1, 2006 through June 30, 2007 remained at 3% for PLUS loans and was reduced to 2% for Stafford Loans. Origination fees are not assessed on Consolidation loans.

#### Note 6. Bonds Payable

The Corporation issued Education Loan Revenue Bonds for the first time in the year ended June 30, 1997. All of the Corporation's bonds are secured only by loans funded by bond proceeds, related revenue from such loans, investments and earnings on investments in related accounts and by a debt service reserve funded from bond proceeds. The bond resolution permits the Corporation to accumulate collections from borrowers to pay principal and interest on bonds as due. The bonds do not constitute a debt, liability or obligation of the State of South Carolina or a pledge of the faith and credit of the State of South Carolina. The current debt service account contains assets equal to the interest and principal accumulated to make the next payments of principal and interest due. As of June 30, 2007, the Corporation was required to have assets deposited in the current debt service account of \$ 27,988,841.

The Education Loan Revenue Bonds as of June 30, 2007 are as follows:

			Balance	Issued		Balance
			Outstanding	(Retired)		Outstanding
<u>Issued</u>	Original Amount	Maturity Date	6/30/06	During FY 07		6/30/07
May 23, 2001	\$ 400,000,000	6/1/12	\$ 74,733,000	\$( 74,733,000)	\$	-
April 30, 2002	210,000,000	6/1/13	184,470,000	(144,716,000)		39,754,000
June 25, 2003	275,000,000	6/1/33-6/1/43	275,000,000	-		275,000,000
November 10, 2004	180,000,000	6/1/34	180,000,000	-		180,000,000
July 19, 2005	700,000,000	12/3/18-12/1/23	700,000,000	-		700,000,000
July 11, 2006	500,000,000	12/2/19-12/1/22	-	500,000,000		500,000,000
October 25, 2006	182,000,000	9/1/46		182,000,000	_	182,000,000
			\$ 1,414,203,000	\$ <u>462,551,000</u>	\$	1,876,754,000

The Corporation's Auction Rate Bonds totaled \$637,000,000 as of June 30, 2007, and have variable interest rates determined by auctions every 28 days, subject to a maximum of the lesser of 20% or certain variable caps that vary among the series. The Corporation's LIBOR Indexed Bonds totaled \$1,230,289,000 as of June 30, 2007 and have variable interest rates equal to three-month LIBOR plus 0.09% to 0.15% as adjusted quarterly. The Corporation's CP Indexed Bonds totaled \$9,465,000 and have variable interest rates equal to the three-month Commercial Paper indexed rate plus 0.24% as adjusted monthly. Throughout the year ended June 30, 2007, none of the rates exceeded 5.65%. Future interest payment projections are based upon the four year weighted average rate at June 30, 2007, which was 5.56 %.

The CP Indexed Bonds and LIBOR Indexed Bonds are not subject to redemption prior to maturity but are subject to pro rata principal reduction payments prior to maturity based on targeted amortization schedules. Failure by the Corporation to make any payment contemplated by an applicable Targeted Amortization Schedule does not constitute a payment default. The Corporation's intent is to follow these payment schedules.

The Auction rate bonds are subject to redemption in whole or in part at par plus accrued interest on the first day of any auction period, provided that principal reduction payments on other bonds have been made in accordance with the respective Targeted Amortization Schedules as of the date of such redemption.

#### **Notes to Financial Statements**

#### Note 6. Bonds Payable (Continued)

As of June 30, 2007, the scheduled debt service to retire these bonds is as follows:

	Principal	Interest	Totals
2008	\$ 39,754,000	\$ 96,874,234	\$ 136,628,234
2009	-	101,824,236	101,824,236
2010	-	101,824,236	101,824,236
2011	-	101,824,236	101,824,236
2012	168,435,000	98,957,167	267,392,167
2013	254,516,000	87,207,511	341,723,511
2014	204,385,000	74,104,041	278,489,041
2015	169,889,000	63,803,597	233,692,597
2016	148,153,000	54,728,922	202,881,922
2017	120,491,000	47,268,222	167,759,222
2018	104,477,000	40,961,823	145,438,823
2019	29,654,000	36,368,811	66,022,811
2020	-	35,814,702	35,814,702
2021	-	35,814,702	35,814,702
2022	-	35,814,702	35,814,702
2023	-	35,814,702	35,814,702
2024	-	35,814,702	35,814,702
2025	-	35,814,702	35,814,702
2026	-	35,814,702	35,814,702
2027	-	35,814,702	35,814,702
2028	-	35,814,702	35,814,702
2029	-	38,569,679	38,569,679
2030	-	35,814,702	35,814,702
2031	-	35,814,702	35,814,702
2032	-	35,814,702	35,814,702
2033	209,000,000	35,814,702	244,814,702
2034	180,000,000	23,424,410	203,424,410
2035	-	13,943,557	13,943,557
2036	-	13,943,557	13,943,557
2037	-	13,943,557	13,943,557
2038	-	13,943,557	13,943,557
2039	-	13,943,557	13,943,557
2040	-	13,943,557	13,943,557
2041	-	13,943,557	13,943,557
2042	-	13,943,557	13,943,557
2043	66,000,000	13,821,224	79,821,224
2044	-	10,232,772	10,232,772
2045	-	10,232,772	10,232,772
2046	-	10,232,772	10,232,772
2047	182,000,000	2,361,409	184,361,409
Totals	\$ 1,876,754,000	\$ 1,591,761,656	\$ 3,468,515,656

#### **Notes to Financial Statements**

#### Note 6. Bonds Payable (Continued)

As of June 30, 2007, the Corporation's outstanding bonds totaled \$ 1,876,754,000. On July 11, 2006, the Corporation issued \$ 500,000,000 of LIBOR Indexed Education Loan Revenue Bonds with variable interest rates ranging from 3-month LIBOR plus 0.09% to 0.12%. Proceeds of the issue were used to (i) finance and refinance student loans, (ii) fund a reserve and (iii) pay issuance costs.

On October 25, 2006, the Corporation issued \$182,000,000 of auction rate Student Loan Backed Notes with an initial interest rate of 5.30%. Proceeds of the issue were used to (i) finance and refinance student loans, (ii) fund a reserve and (iii) pay issuance costs.

#### Note 7. Notes Payable - Finance Loans

Each bond resolution of the Authority requires that all funds advanced to SCSLC by the Authority for the purpose of making student loans be evidenced by a loan agreement, assignment of collateral and assignment of revenues between the two parties, with the student loans providing security to the bond trustee. Advances to SCSLC from the Authority's 1993 General Resolution are made pursuant to a loan agreement dated August 31, 1993, and advances to SCSLC from the Authority's 2002 General Resolution are made pursuant to a loan agreement dated June 12, 2002. Each loan is calculated as set forth in the respective loan agreements. The finance loans as of June 30, 2007 and 2006 are as follows:

Authority Bond Resolution	Balance 6/30/07	 Balance 6/30/06
1993 2002	\$ 253,471,462 560,211,966	\$ 361,695,735 572,158,652
Total	\$ 813,683,428	\$ 933,854,387

#### Note 8. Warehouse Financing

On March 22, 2005, the Corporation entered into a line-of-credit agreement providing for advances to the Corporation secured by student loan receivables. The borrowing period ended March 21, 2007 and was renegotiated for \$50,000,000 under the same terms to March 22, 2008. An extension is not guaranteed, but may be extended by written agreement among the borrower, the servicer, the lender, the alternative lender and the facility agent, with notice to the trustee. If the financing agreement is not extended, the Corporation must immediately find a new financing source. Interest is paid monthly at the commercial paper rate plus a spread and the interest rate ranged from 5.30% to 5.32%. The agreement calls for certain covenants which include maintaining at least a \$ 100 million net asset balance and a debt reserve account of 0.5% of the outstanding loan balance. The Corporation was in compliance with all covenants at June 30, 2007. No balance was owed at June 30, 2007.

#### Note 9. Special Allowance Income

As an inducement to the lender to make guaranteed student loans, the U. S. Department of Education pays the Corporation a special allowance on the unpaid principal of the loans which is based on a variable percentage rate. It was instituted to assure that the interest rate and other limitations of the Higher Education Act, in the context of the current money market conditions, would not adversely affect access to student loans or cause the rate of return on student loans to be less than equitable.

#### **Notes to Financial Statements**

#### Note 10. Employee Benefit Plans

The Corporation provides retirement benefits through the South Carolina Student Loan Money Purchase Pension Plan for all employees who have completed one year of service and attained age 21. BB&T is the Trustee of the Plan. This is a defined contribution plan in which the employer contributes 5.6% of the participant's total annual compensation plus 5.6% of compensation exceeding the social security wage base. Contributions are paid monthly. A participant is 20% vested after three years service and 100% vested after seven years. A participant receives normal retirement at age sixty-five. At termination of employment or reaching normal retirement age, the participant has the right to elect to receive all or any portion of his vested benefit derived from employer contributions. Voluntary contributions are not permitted. Forfeitures under the plan reduce the employer's contribution in the year following the plan year in which the forfeiture occurs. The total retirement expense for 2007 is \$ 162,394 and is fully funded.

The Corporation also sponsors a defined benefit pension plan and a post-retirement health care plan covering substantially all employees with one year of service and over 21 years of age. The Defined Benefit Pension Plan provides benefits based on the average of a participant's highest five consecutive years of pay. The benefit formula uses one percent of this average pay times years of service not to exceed 30 years. The Post-Retirement Health Care Plan pays 3% of the premium for the standard plan times years of service starting with 15% at five years of service up to 90% not to exceed the cost of the total premium.

The Corporation pension funding policy is to make at least the minimum annual contribution that is actuarially computed by the projected unit credit method required by the Plan.

The net pension expense for this Defined Benefit Pension Plan totaled \$503,217, plus \$43,152 of administrative expenses, totaling \$546,369 for the year ended June 30, 2007. The Authority contributed \$180,302 to the expense for this Plan for its employees for the year ended June 30, 2007. The net post-retirement health care plan expense totaled \$930,367 with the Authority contributing \$307,021. The components of the cost charged to expense consisted of the following:

	Defined Benefit Plan	Post-Retirement Health Care Plan
Obligations and funded status at end of year		
Fair value of plan assets	\$ 6,868,285	\$ -
Benefit obligations	(7,310,618)	(5,700,596)
Funded status at end of year	(442,333)	(5,700,596)
Amounts recognized on balance sheet as Noncurrent liabilities	(442,333)	(5,700,596)
Amounts recognized in unrestricted net assets consist of		
Net loss	207.659	_
Prior service cost	425,331	2,542,700
	\$ 632,990	\$ 2,542,700

The total amount recognized in unrestricted net assets for the affect of adoption of recognition and measurement date provisions of FASB Statement No. 158 is \$ 3,175,690.

#### **Notes to Financial Statements**

#### Note 10. Employee Benefit Plans (Continued)

The following sets forth the Plan's funded status as of June 30, 2007. The measurement date of the projected benefits obligation and Plan assets was June 30, 2007.

	Defined Benefit Plan	Post-Retirement Health Care Plan
Assumptions Used		
Weighted-average assumptions used in computing ending obligations		
Discount rate	6.00%	6.00%
Rate of compensation increase	4.00%	
Weighted-average assumptions used in computing net cost		
Discount rate	6.00%	6.00%
Rate of compensation increase	4.00%	
Expected return on plan assets	7.50%	

Defined Benefit Pension Plan assets include life insurance policies and mutual funds and employer contributions were \$ 789,098. No participant contributions are permitted by the Pension Plan. Pension benefit payments made during the years ended June 30, 2007 totaled \$ 125,962. Actual paid contributions and benefits were \$ 54,623 for the year ending June 30, 2007 for the post-retirement health care plan with cost-sharing contributions paid directly to the employer by participants totaling \$ 17,987.

For measurement purposes, a 12% annual rate of increase in the per capita cost of health care was assumed for 2007; the rate was assumed to decrease in 2% increments to 6% for 2010, then decrease to 5% for 2011 and remain at that level thereafter. The health care cost trend assumption has a significant effect on the amounts reported. For instance, increasing the assumed health care cost trend rate by 1% in each year would increase the accumulated postretirement benefit obligation as of June 30, 2007 by approximately \$ 354,000 and the service and interest cost components of net postretirement health care cost for the year then ended by approximately \$ 534,000.

The South Carolina Student Loan Corporation established the 403 (b) Defined Contribution Plan on November 5, 2002. The plan provides for a 5% contribution by the Corporation based on the participant's total annual compensation. The total amount contributed under the plan in 2007 was \$ 259,720, which the Authority reimbursed \$ 85,325 for employees. All employees are eligible who have completed one year of service and attainment of age 21. Contributions are 100% vested when made. Employees are eligible to make voluntary contributions to the Plan.

Certain health care, dental, long-term disability and life insurance benefits are provided to active employees. All full-time and part-time employees who worked at least 32 hours per week are eligible to receive those benefits. Employer contributions applicable to those benefits were \$ 1,436,695 in 2007.

#### Note 11. Operating Leases

The Corporation leased office space under a lease that was to expire October 31, 2006. However, during March 2004, the Corporation purchased the land and building and currently leases office space to eight (8) tenants as of June 30, 2007. Certain lease expense is allocated to the Authority based on space occupied.

#### **Notes to Financial Statements**

#### Note 12. Rental Property and Operating Leases

As described in Note 11, the Corporation purchased an office building. The Corporation occupies approximately 67% of the space. The building has lease agreements of varying duration. Future minimum lease payments are by year as follows: \$ 66,301 in 2008; \$ 18,293 in 2009; and \$ 3,962 in 2010.

#### Note 13. Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of the Corporation's financial instruments. Cash and cash equivalents' carrying amounts approximate fair value because of the short maturity of those instruments. Student loan receivables' carrying value approximates fair value based on similar investments' quoted market prices. The carrying value of finance loans also approximates fair value based on the prices for the same or similar debt issues and on the current rates offered to the Corporation for debt of the same remaining maturities with similar collateral requirements.

The Corporation intends to carry its investments and receivables to maturity. The Corporation also intends to carry to maturity the finance loans with the South Carolina State Education Assistance Authority.

#### Note 14. Assets Released from Restrictions

Net assets during the year ended June 30, 2007 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel Contractual services General operating	\$	340,352 27,745 50,542
Interest on debt		106,153,093
TLP cancellations		7,520,328
State recall of funds		500,000
Amortization of deferred cost of bond issuance		1,190,846
Payment to SC State Education Assistance Authority for student loan income		29,447,389
Loan fees		17,511,633
Reinsurance expense		249,808
Borrowers incentives		20,009,453
Broker dealer fees		1,101,501
Other	(	<u>1,254,018</u> )
Total expenses		182,848,672
Transfers to the 04 Resolution for operations	(	12,718,383)
Transfers to tax exempt bonds for operations		(11,493)
Transfers from taxable bonds for loan servicing		22,977,586
Total	\$	193,096,382

#### Note 15. Reclassifications

Certain reclassifications were made on 2006 amounts on the statement of financial position and the statement of activities for comparability to 2007 with no effect on the change in net assets.

#### Note 16. Board Designated Net Assets

During fiscal year 2006, the board designated \$ 100,000 to establish the Mackie Scholarship Fund to award scholarships to employees or family members of employees. In fiscal year 2007, the board designated \$ 2,000,000 for scholarships for South Carolina residents attending one of the state's public colleges or universities.

## SOUTH CAROLINA STUDENT LOAN CORPORATION SCHEDULE OF FINANCIAL POSITION BY FUND JUNE 30, 2007

	Unrestricted				Temporarily	y Restricted			
		Teacher	\	Varehouse			Tax E	xempt	
	Operating/SLC	Loans		Financing	96 Resolution	04 Resolution	93 Resolution	02 Resolution	Total
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 37,614,080	\$ 11,769,7	04 \$	845,552	\$ 45,758,457	\$ 78,534,480	\$ 17,439,205	\$ 11,222,481	\$ 203,183,959
Investments	210,480		-	-	-	-	-	-	210,480
Current portion of student loan receivables	270,000	2,009,7	67	-	209,947,000	20,053,000	20,532,000	71,468,000	324,279,767
Interest due from borrowers	310,089	1,745,1	31	-	26,010,478	13,810,477	4,072,619	10,232,507	56,181,301
Due from United States Department of Education	117	4	56	-	13,213,803	1,148,660	1,388,167	3,745,093	19,496,296
Due from SC State Education Assistance Authority	84,803	119,9	37	-	27,862,353	10,296	-	9,171,315	37,248,704
Accrued investment income	44,123	99,9	07	3,380	155,719	305,794	-	-	608,923
Miscellaneous operating receivables	664		-	-	, <u>-</u>	-	-	-	664
Prepaid expenses	8,686		-	-	-	-	-	-	8,686
Due from (to) other funds	108,878	11,5	18		5,993	(128,371)	-	1,982	-
Total current assets	38,651,920	15,756,4	20	848,932	322,953,803	113,734,336	43,431,991	105,841,378	641,218,780
Investments and Long-Term Receivables									
Other student loan receivables less, current portion	8,768,302		-	-	1,402,701,985	288,013,595	215,592,403	476,924,527	2,392,000,812
Teacher loans receivable - net allowance for teacher									
loan cancellations and current portion	-	12,885,0	26	-	-	-	-	-	12,885,026
Deferred cost of issuance of bonds				-	2,505,239	1,735,296		-	4,240,535
Total investments and long-term receivables	8,768,302	12,885,0	26		1,405,207,224	289,748,891	215,592,403	476,924,527	2,409,126,373
Property and Equipment									
Land	565.000		_	_	_	_	_	_	565,000
Building	2,431,329		_	_	_	_	_	_	2,431,329
Furniture and equipment	2,161,408		_	_	_	_	_	_	2,161,408
Automobiles	40,548		_	_	_	_	_	_	40,548
Less, accumulated depreciation	(1,927,986)		_	_	_	_	_	_	(1,927,986)
Net property and equipment	3,270,299					· <del></del>			3,270,299
not proporty and equipment	0,210,200					· ———			0,210,200
Total assets	\$ 50,690,521	\$ 28,641,4	46 \$	848,932	\$ 1,728,161,027	\$ 403,483,227	\$ 259,024,394	\$ 582,765,905	\$ 3,053,615,452

## SOUTH CAROLINA STUDENT LOAN CORPORATION SCHEDULE OF FINANCIAL POSITION BY FUND JUNE 30, 2007

	Unrestricted	Temporarily Restricted						
		Teacher Warehouse				Tax E	xempt	
	Operating/SLC	Loans	Financing	96 Resolution	04 Resolution	93 Resolution	02 Resolution	Total
LIABILITIES AND NET ASSETS								
Current Liabilities								
Current portion of notes payable - finance loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,532,000	\$ 71,468,000	\$ 92,000,000
Current maturities of bonds payable	-	-	-	39,754,000	-	-	-	39,754,000
Interest payable	-	-	-	6,234,637	665,555	-	-	6,900,192
Accounts payable	305,227	-	2,917	-	103,464	-	-	411,608
Compensated absences	352,389	39,350	-	-	-	-	-	391,739
Due to SC State Education Assistance Authority	-	-	-	(422)	-	5,552,931	5,504,484	11,056,993
Total current liabilities	657,616	39,350	2,917	45,988,215	769,019	26,084,931	76,972,484	150,514,532
Noncurrent liabilities								
Accrued pension payable	442.333	-	_	_	_	-	-	442.333
Retiree medical insurance payable	5,700,596	-	_	_	_	_	_	5,700,596
Bonds payable less, current maturities and bond	.,,							-,,
premiums and discounts	_	_	_	1,468,108,391	362,000,000	_	_	1,830,108,391
Notes payable - finance loans less, current maturities	_	_	_	-	-	232,939,463	488,743,965	721,683,428
Total noncurrent liabilities	6,142,929	-		1,468,108,391	362,000,000	232,939,463	488,743,965	2,557,934,748
Total liabilities	6,800,545	39,350	2,917	1,514,096,606	362,769,019	259,024,394	565,716,449	2,708,449,280
4	3,000,010			1,011,000,000	002,: 00,0:0	200,021,001	000,1.10,1.10	2,: 00, : :0,200
Net Assets								
Temporarily restricted for bond indentures								
Current debt service	-	-	-	27,988,841	-	-	-	27,988,841
Temporarily restricted for bond indentures	-	-	-	186,075,580	40,714,208	-	17,049,456	243,839,244
Temporarily restricted for teacher loans	-	28,602,096	-	-	-	-	-	28,602,096
Temporarily restricted for warehouse financing	-	-	846,015	-	-	-	-	846,015
Board designated for scholarships	2,100,000	-	-	-	-	-	-	2,100,000
Unrestricted	41,789,976							41,789,976
Total net assets	43,889,976	28,602,096	846,015	214,064,421	40,714,208		17,049,456	345,166,172
Total liabilities and net assets	\$ 50,690,521	\$ 28,641,446	\$ 848,932	\$ 1,728,161,027	\$ 403,483,227	\$ 259,024,394	\$ 582,765,905	\$ 3,053,615,452

	Unrestricted	Temporarily Restricted						
		Teacher	Warehouse			Tax E	xempt	
Revenue	Operating/SLC	Loans	Financing	96 Resolution	04 Resolution	93 Resolution	02 Resolution	Total
Income from United States Department of Education								
student loan interest - subsidized	\$ 249	\$ 3,445	\$ 36,612	\$ 18,524,331	\$ 743,718	\$ 3,970,284	\$ 9,862,291	\$ 33,140,930
Special allowances	12	6	56,736	35,108,735	2,713,802	3,895,953	7,991,038	49,766,282
Student loan interest - non-subsidized	560,319	2,908,804	87,336	74,073,845	17,220,681	8,428,097	20,333,347	123,612,429
Investment income	1,522,000	490,806	238,720	8,031,055	4,029,888		349,295	14,661,764
Unrealized gain (loss) on investments	5,737	26,616	-	-	-	-	-	32,353
Late charges	757	19,064	465	1,375,989	67,172	23,656	163,973	1,651,076
Miscellaneous payments of student loans	52	200	-	6,354	780	1,561	5,173	14,120
State appropriations - Department of Education	-	6,989,706	-	-	-	-	-	6,989,706
Building rental income	211,351	-	-	-	-	-	-	211,351
Remittance from SC State Education Assistance								
Authority for operating cost	5,279,945	-	-	-	-	-	-	5,279,945
Total revenue	7,580,422	10,438,647	419,869	137,120,309	24,776,041	16,319,551	38,705,117	235,359,956
Expenses								
Personnel	6,617,881	340,352	-	-	-	-	-	6,958,233
Contractual services	875,224	27,745	-	-	-	-	-	902,969
General operating	1,845,175	50,542	-	-	-	-	-	1,895,717
Interest on debt	-	-	672,156	89,302,087	16,178,850	-	-	106,153,093
TLP cancellations	-	7,520,328	-	-	-	-	-	7,520,328
State recall of funds	-	500,000	-	-	-	-	-	500,000
Amortization of deferred cost of bond issuance	-	-	-	1,144,084	46,762	-	-	1,190,846
Payments to SC State Education Assistance								
Authority for student loan income	-	-	-	-	-	8,584,608	20,862,781	29,447,389
Loan fees	-	-	(80)	10,065,161	970,220	3,081,012	3,395,320	17,511,633
Reinsurance expense	-	-		218,019	2,518	1,347	27,924	249,808
Borrower incentives	849	9,849	2,158	4,689,673	279,941	4,652,584	10,375,248	20,010,302
Broker dealer fees	-	-	2,500	585,625	513,376	-	-	1,101,501
Building rental expenses	655,625	-	-	-	-	-	-	655,625
Scholarship donation	2,000,000	-	-	-	-	-	-	2,000,000
Other	768,927	83,589	5,067		(1,342,674)			(485,091)
Total expenses	12,763,681	8,532,405	681,801	106,004,649	16,648,993	16,319,551	34,661,273	195,612,353
Transfer Between Accounts								
Transfers in	10,247,710	-	-	70,574	12,718,383	-	11,493	23,048,160
Transfers out			(1,553)	(21,746,350)	(1,300,257)			(23,048,160)
Total transfers between accounts	10,247,710		(1,553)	(21,675,776)	11,418,126		11,493	
Change in net assets before adoption of								
FASB Statement No. 158	5,064,451	1,906,242	(263,485)	9,439,884	19,545,174	_	4,055,337	39,747,603
TAGE Statement No. 100	0,001,101	1,000,2-12	(200,400)	0,100,001	10,040,114		4,000,001	00,747,000
Effect of adoption of recognition and measurement								
date provisions of FASB Statement No. 158	(3,175,690)							(3,175,690)
Change in net assets	1,888,761	1,906,242	(263,485)	9,439,884	19,545,174		4,055,337	36,571,913
Net Assets								
Beginning	42,001,215	26,695,854	1,109,500	204,624,537	21,169,034		12,994,119	308,594,259
Degilling	42,001,213	20,090,004	1,109,300	204,024,337	21,109,034		12,554,115	300,384,239
Ending	\$ 43,889,976	\$ 28,602,096	\$ 846,015	\$ 214,064,421	\$ 40,714,208	\$ -	\$ 17,049,456	\$ 345,166,172
•	,,	,,		<del></del>			, ,, ,, ,,	

#### SOUTH CAROLINA STUDENT LOAN CORPORATION SCHEDULE OF CASH FLOWS BY FUND YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted						
		Teacher	Warehouse		-	Tax E	xempt	
	Operating/SLC	Loans	Financing	96 Resolution	04 Resolution	93 Resolution	02 Resolution	Total
Cash Flows from Operating Activities								
Change in net assets	\$ 1,888,761	\$1,906,242	\$ (263,485)	\$ 9,439,884	\$ 19,545,174	\$ -	\$ 4,055,337	\$ 36,571,913
Adjustments to reconcile change in net assets to net cash								
provided by (used in) operating activities								
Depreciation	249,197	-	-	-	-	-	-	249,197
Unrealized (gain) on investments	(5,738)	-	-	-	-	-	-	(5,738)
Amortization of premiums and discounts on bonds payable	-	-	-	533,679	-	-	-	533,679
Amortization of cost of bond issuance	-	-	-	610,405	46,762	-	-	657,167
Changes in operating assets and liabilities								
(Increase) decrease in due from US Department of Educatio	(91)	989	1,011,556	(1,023,457)	(709,931)	717,253	1,213,081	1,209,400
(Increase) decrease in due from SC State Education								
Assistance Authority	174,641	38,113	327,409	49,550,034	3,608	-	23,910,984	74,004,789
(Increase) decrease in interest due from borrowers	95,128	(309,433)	1,268,018	(8,299,048)	(7,623,141)	(1,530,058)	(3,788,641)	(20,187,175)
(Increase) decrease in accrued investment income	(38,886)	(19,238)	22,223	1,069	(169,524)	-	-	(204,356)
(Increase) decrease in miscellaneous receivables	3,303	-	-	-	-	-	-	3,303
(Increase) decrease in prepaid expenses	(401)	-	-	-	-	-	-	(401)
Increase (decrease) in interest payable	-	-	-	1,421,072	373,180	-	-	1,794,252
Increase (decrease) in accounts payable	151,923	-	(378,867)	-	(92,638)	-	-	(319,582)
Increase (decrease) in accrued pension expense	347,109	-	-	-	-	-	-	347,109
Increase (decrease) in compensated absences	31,498	6,343	-	-	-	-	-	37,841
Increase (decrease) in retiree medical insurance payable	3,473,067	-	-	-	-	-	-	3,473,067
Increase (decrease) in due to SC State Education Assistance	е							
Authority	-	-	-	(422)	-	670,902	(503,196)	167,284
Due to (from) other funds	(62,885)	2,395	749	(2,559)	63,576		(1,276)	
Net cash provided by (used in) operating activities	6,306,626	1,625,411	1,987,603	52,230,657	11,437,066	(141,903)	24,886,289	98,331,749
Cash Flows from Investing Activities								
Purchase of property and equipment	(201,358)	-	-	-	-	-	-	(201,358)
Purchase and issuance of student loans	-	(9,175,509)	-	(744,555,226)	(170,535,200)	(10,294,665)	(157,877,703)	(1,092,438,303)
Principal payments on student loans	815,647	872,004	210,071,768	408,083,869	17,963,655	39,092,249	125,383,017	802,282,209
Teacher loan cancellations		7,520,328						7,520,328
Net cash provided by (used in) investing activities	614,289	(783,177)	210,071,768	(336,471,357)	(152,571,545)	28,797,584	(32,494,686)	(282,837,124)

#### SOUTH CAROLINA STUDENT LOAN CORPORATION SCHEDULE OF CASH FLOWS BY FUND YEAR ENDED JUNE 30, 2007

	Unrestricted			Tempora	arily Restricted			
		Teacher	Warehouse			Tax E	xempt	
	Operating/SLC	Loans	Financing	96 Resolution	04 Resolution	93 Resolution	02 Resolution	Total
Cash Flows from Financing Activities								
Proceeds from financing loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 341,500,000	\$ 172,700,000	\$ 514,200,000
Payments on financing loans	-	-	-	-	-	(449,724,272)	(184,646,687)	(634,370,959)
Proceeds from warehouse financing	-	-	-	-	-	-	-	-
Payments on warehouse financing	-	-	(223,827,345)	-	-	-	-	(223,827,345)
Proceeds from bond issuance	-	-	-	500,000,000	182,000,000	-	-	682,000,000
Payments of bonds	-	-	-	(219,449,000)	-	-	-	(219,449,000)
Payment of costs of bond issuance				(2,412,272)	(892,889)			(3,305,161)
Net cash provided by (used in) financing activities	_		(223,827,345)	278,138,728	181,107,111	(108,224,272)	(11,946,687)	115,247,535
Net increase (decrease) in cash and cash equivalents	6,920,915	842,234	(11,767,974)	(6,101,972)	39,972,632	(79,568,591)	(19,555,084)	(69,257,840)
Cash and Cash Equivalents Beginning	30,693,165	10,927,470	12,613,526	51,860,429	38,561,848	97,007,796	30,777,565	272,441,799
Ending	37,614,080	11,769,704	845,552	45,758,457	78,534,480	17,439,205	11,222,481	203,183,959
Supplemental Disclosure of Cash Flow Information Cash payments for interest	\$ -	\$ -	\$ 672,156	\$ 87,881,015	\$ 15,805,670	\$ -	\$ -	\$ 104,358,841

# SOUTH CAROLINA STUDENT LOAN CORPORATION SCHEDULE OF PROPERTY AND EQUIPMENT YEAR ENDED JUNE 30, 2007

Description and Rate	Cost	Accumulated Depreciation 6/30/06	Depreciation Expense	Disposals and Transfers	Accumulated Depreciation 6/30/07
General Operating					
Land	\$ 565,000	\$ -	\$ -	\$ -	\$ -
Building	2,431,329	139,654	62,342		201,996
Furniture and Fixtures Computer equipment Other office machines Telephone equipment Miscellaneous Total furniture and fixtures	1,374,847 381,948 314,356 90,257 2,161,408	1,138,772 184,505 122,186 77,937 1,523,400	66,462 37,053 62,871 6,953 173,339	- - - - -	1,205,234 221,558 185,057 84,890 1,696,739
Automobiles 2004 Buick LeSabre 2005 Buick LeSabre <b>Total automobiles</b>	20,215 20,333 40,548	13,476 2,259 15,735	6,738 6,778 13,516		20,214 9,037 29,251
Grand total	\$ 5,198,285	\$ 1,678,789	\$ 249,197	\$ -	\$ 1,927,986

	Operating Fund				Teacher Loan Program - EIA				
		2007				2007			
	Total		Variance	2006	Total		Variance	2006	
	Total Budget	Actual	Favorable (Unfavorable)	2006 Actual	Total Budget	Actual	Favorable (Unfavorable)	2006 Actual	
Operating Expenses	Duuget	Actual	(Omavorable)	Actual	Duuget	Actual	(Olliavorable)	Actual	
Personnel									
Staff salaries	\$ 4,583,535	\$ 4,242,418	\$ 341,117	\$ 4,030,079	\$ 228,970	\$ 230,846	\$ (1,876)	\$ 211,051	
Part-time salaries	36,730	7,371	29,359	10,396	-	-	-	-	
Social security	346,930	307,840	39,090	289,722	17,515	15,771	1,744	14,528	
Group insurance	1,464,345	1,375,240	89,105	1,014,749	68,640	61,455	7,185	47,568	
Retirement	873,260	670,277	202,983	697,703	40,000	31,420	8,580	32,179	
Unemployment	17,450	14,735	2,715	14,772	850	860	(10)	716	
Total personnel	7,322,250	6,617,881	704,369	6,057,421	355,975	340,352	15,623	306,042	
Contractual									
Loan servicing	773,050	741,905	31,145	738,731	26,400	25,771	629	25,249	
Legal	30,000	25,487	4,513	11,275	-	-	-	-	
Accounting	81,850	88,070	(6,220)	76,275	1,500	1,974	(474)	1,500	
Credit bureau	20,000	19,762	238						
Total contractual	904,900	875,224	29,676	826,281	27,900	27,745	155	26,749	
General Operating									
Rent	-	-	-	-	9,500	8,759	741	8,759	
Telephone	139,635	124,247	15,388	133,294	6,455	5,824	631	6,246	
Printing	300,000	284,865	15,135	259,753	6,000	4,803	1,197	7,142	
Postage	819,740	752,536	67,204	707,873	19,110	18,324	786	17,894	
Supplies	160,000	171,478	(11,478)	160,544	7,500	8,031	(531)	7,499	
Travel	70,000	52,364	17,636	45,674	600	878	(278)	477	
Equipment maintenance	35,410	37,257	(1,847)	35,191	1,615	1,497	118	1,396	
Subscriptions and fees	52,000	55,283	(3,283)	48,325	100	20	80	20	
Meeting and conference expenses	23,000	21,484	1,516	17,078	150		150		
Insurance - general and automotive	52,960	51,163	1,797	48,572	2,480	2,398	82	2,277	
Outreach and awareness	95,000	76,581	18,419	48,284		-	-	-	
Contingencies	50,000	31,062	18,938	51,890	500	8	492	220	
Depreciation  Total general operating	220,700 2,018,445	186,855 1,845,175	33,845 173,270	203,326 1,759,804	54,010	50,542	3,468	51,930	
Total general operating									
Total operating expenses	10,245,595	9,338,280	907,315	8,643,506	437,885	418,639	19,246	384,721	
Capital Additions									
Equipment, furniture and fixtures	206,755	201,358	5,397	148,495	-	-	-	-	
Automobile				22,124					
Total capital additions	206,755	201,358	5,397	170,619					
Total operating expenses and capital additions	\$ 10,452,350	\$ 9,539,638	\$ 912,712	\$ 8,814,125	\$ 437,885	\$ 418,639	\$ 19,246	\$ 384,721	

# SOUTH CAROLINA STUDENT LOAN CORPORATION SCHEDULE OF ORGANIZATIONAL DATA YEAR ENDED JUNE 30, 2007

Incorporated November 15, 1973 under the Laws of the State of South Carolina. Began operations October 14, 1974. Offices located at Suite 210, Interstate Center, Columbia, South Carolina.

#### **BOARD OF DIRECTORS OF THE CORPORATION**

<u>Name</u>	<u>Office</u>	Term Expires 6/30
Thomas J. Little, Jr. William G. McMaster J. Edward Norris, III Charlie C. Sanders, Jr. Dr. Julia Boyd Marvin G. Carmichael Robert R. Hill, Jr. Richard W. Kelly William M. Mackie, Jr. Timothy E. Madden	Chairman Vice Chairman Treasurer Secretary, President & CEO	2008 2009 2010 2010 2008 2008 2009 2009 2010 2008
Fredrick T. Himmelein, Esq.		2010

# SOUTH CAROLINA STUDENT LOAN CORPORATION SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2007

Federal Grantor/ Program Title	CFDA <u>Number</u>	Amount of <u>Grant</u>	<u>Expenses</u>
U.S. Department of Education Programs Higher education act insured loans contract Federal family education loan programs			
Special allowances	84.032		\$ 49,766,282
Subsidized interest	84.032		<u>33,140,930</u>
Total U.S. Department of Education			
programs (major program)			\$ <u>82,907,212</u>



## DERRICK, STUBBS & STITH, L.L.P.

#### CERTIFIED PUBLIC ACCOUNTANT

508 Hampton Street, 1st Floor • Post Office Box 36 Columbia, South Carolina 29202-0036 Telephone: (803) 799-5810 • Facsimile: (803) 799-5554 www.dsscpa.com

A. David Masters, CPA Charles R. Statler, Jr., CPA Alan F. Grimsley, CPA Hugh R. Penny, CPA, CISA, CBA H. Warren Counts, Jr., CPA K. Todd Dailey, CPA, CVA Timothy M. Monahan, CPA

RSM McGladrey Network

#### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH **GOVERNMENT AUDITING STANDARDS**

To the Board of Directors South Carolina Student Loan Corporation Columbia, South Carolina

We have audited the financial statements of the South Carolina Student Loan Corporation as of and for the year ended June 30, 2007, and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the South Carolina Student Loan Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Carolina Student Loan Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Carolina Student Loan Corporation's internal control over financial reporting

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the South Carolina Student Loan Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the management, Board of Directors and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Device Stubby + Stuth LLP

September 24, 2007



## Derrick, Stubbs & Stith, l.l.p.

CERTIFIED PUBLIC ACCOUNTANT

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#### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB **CIRCULAR A-133**

To the Board of Directors South Carolina Student Loan Corporation Columbia, South Carolina

#### Compliance

We have audited the compliance of the South Carolina Student Loan Corporation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2007. The South Carolina Student Loan Corporation's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the South Carolina Student Loan Corporation's management. Our responsibility is to express an opinion on the South Carolina Student Loan Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the South Carolina Student Loan Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the South Carolina Student Loan Corporation's compliance with those requirements.

In our opinion, the South Carolina Student Loan Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

#### **Internal Control Over Compliance**

The management of the South Carolina Student Loan Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the South Carolina Student Loan Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal controlover compliance. Accordingly, we do not express an opinion on the effectiveness of South Carolina Student Loan Corporation's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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To the Board of Directors South Carolina Student Loan Corporation Columbia, South Carolina

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, Board of Directors and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Devide, Stubbe + Stith, LCP

September 24, 2007

# SOUTH CAROLINA STUDENT LOAN CORPORATION SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2007

#### 1. Summary of Auditor's Results:

2.

3.

(i)	Type of report issued on financial statements	Unqualified		
(ii)	Material weaknesses in internal control over financial reporting	None Identified		
(iii) (iv)	Significant deficiencies not considered to be material weaknesses in internal control over financial reporting  Noncompliance material to the financial	None Identified		
	statements	None Noted		
(v)	Material weaknesses in internal control over major programs	None Identified		
(vi)	Significant deficiencies not considered to be material weaknesses in internal control over major programs	None Identified		
(vii)	Type of report issued on compliance for major	rtono raonanoa		
	programs	Unqualified		
(viii)	Audit findings required to be reported under paragraph .510(a) OMB 133	None Disclosed		
(ix)	Identification of major programs: U.S. Department of Education Higher education act insured loan programs			
	Federal family education loan program Special allowances Subsidized interest Total federal family education loan	CFDA#         Expenditure           84.032         \$ 49,766,282           84.032         \$ 33,140,930		
	program (major program)	\$ <u>82,907,212</u>		
(x)	Dollar threshold used to distinguish between Type A and Type B programs	\$ 2,487,216		
(xi)	South Carolina Student Loan Corporation qualifies as a low risk auditee under paragraph .530 OMB 133	Yes		
	gs related to the financial statements which are required reported in accordance with GAGAS	None Reported		
	gs and questioned costs for Federal awards including indings as defined in paragraph .510(a) OMB 133  Audit findings (e.g., internal control findings, complian	ce		
	findings, questioned costs, or fraud)			
(ii)	Audit findings which relate to both the financial statements and Federal awards	None Reported		

#### SOUTH CAROLINA STUDENT LOAN CORPORATION SCHEDULE OF SUMMARY OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 2007

There are no prior audit findings and questioned costs relative to Federal Awards.

# SOUTH CAROLINA STUDENT LOAN CORPORATION SCHEDULE OF CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2007

There is no corrective action plan required since there are no prior audit findings and questioned costs relative to Federal Awards.

#### PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES, AND EXPECTED MATURITIES OF THE NOTES

Prepayments on pools of student loans can be measured or calculated based on a variety of prepayment models. The model used to calculate prepayments is the constant prepayment rate (or "*CPR*") model.

The CPR model is based on prepayments assumed to occur at a flat, constant percentage rate. 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 are paid during the period. The CPR model assumes that student loans will prepay in each month according to the following formula:

Monthly Prepayments = (Balance-- including accrued interest to be capitalized after scheduled payments)  $x (1-(1-CPR)^{-1/12})$ 

The CPR model does not purport to describe historical prepayment experience or to 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.

#### **Cash Flow Assumptions for Structuring Runs:**

For the purposes of calculating the information presented in the tables, it is assumed, among other things, that:

- the cut-off dates for the Student Loans that will become part of the Trust Estate on the Issue Date is as of June 25, 2008;
- half of the Student Loans the Corporation will originate during the Acquisition Period will be originated on September 1, 2008 and the remainder will be originated on January 1, 2009;
- the Issue Date is June 25, 2008;
- all Financed Student Loans (as grouped in the "rep lines" described below) remain in their current status until their status end date and then move to repayment, with the exception of in-school status loans which are assumed to have a 6-month grace period before moving to repayment, and no Financed Student Loan moves from repayment to any other status;
- the Financed Student Loans that are (i) unsubsidized Stafford loans not in repayment status, (ii) subsidized Stafford loans in forbearance status, (iii) PLUS loans or (iv) GradPLUS, have interest accrued and capitalized upon entering repayment;
- the Financed Student Loans that are subsidized Stafford loans and are in-school, grace or deferment status have interest paid (Interest Subsidy Payments) by the U.S. Department of Education quarterly, based on a quarterly calendar accrual period;
- there are government payment delays of 30 days for Interest Subsidy Payments and Special Allowance Payments;
- no delinquencies or defaults occur on any of the Financed Student Loans, no repurchases occur, and all borrower payments are collected in full;
- index levels for calculation of borrower and government payments are:
  - o 91-day Treasury bill bond equivalent rate of 1.91%; and
  - o Three-month financial commercial paper bond equivalent rate of 2.74%

- quarterly distributions begin on September 1, 2008, and are made quarterly on the 1<sup>st</sup> day of every December, March, June and September thereafter, whether or not the 1<sup>st</sup> is a business day;
- the initial par amount and interest rate for each Tranche of Notes at all times will equal:

o A-1 notes: \$97,000,000, 3.18%;

o A-2 notes: \$262,000,000, 3.35%;

o A-3 notes: \$116,000,000, 3.58%; and

o A-4 notes: \$125,000,000, 4.13%;

- an annual fee equal to 0.007% of the outstanding Note balance is paid annually from the Trust Estate to the Trustee;
- an annual fee of \$10,000 is paid annually from the Trust Estate to account for various ongoing expenses including Irish Stock Exchange listing fee and Irish Stock Exchange Paying Agent Fee;
- a Servicing Fee equal to  $1/12^{th}$  of 0.45% of the outstanding loan balance is paid monthly;
- the Debt Service Reserve Fund has an initial balance equal to \$6,000,000 and at all times a balance equal to the greater of (i) 1.00% of the Notes outstanding and (ii)\$600,000;
- all payments are assumed to be made at the end of the month and amounts on deposit in the Loan Account of the Program Fund, the Collection Fund, the Operating Fund, the Debt Service Fund and the Debt Service Reserve Fund, including reinvestment income earned in the previous month, net of Servicing Fees, are reinvested in Investment Obligations at the assumed reinvestment rate of 2.50% per annum through the end of the distribution period, and reinvestment earnings are available for distribution from the prior distribution period;
- prepayments on the Financed Student Loans are applied monthly in accordance with CPR, as described above;
- the Corporation exercises the optional redemption that occurs on the Distribution Date immediately following the Distribution Date when the Pool Balance falls below 10% of the initial Pool Balance;
- the initial pool of Student Loans was grouped into 127 representative loans ("rep lines"), which have been
  created, for modeling purposes, from individual student loans based on combinations of similar individual
  student loan characteristics, which include, but are not limited to, interest rate, loan type, SAP index and
  applicable margin, rate cap and remaining term; and
- the Student Loans to be originated during the Acquisition Period are assumed to be 44% subsidized Stafford loans, 47% unsubsidized Stafford loans and 9% PLUS loans with the Stafford loans having an assumed in school class allocation of 10% freshman, 30% sophomore, 30% junior and 30% senior while the PLUS loans are assumed to be newly originated with a 120-month repayment term.

#### **CPR Tables**

The following tables show the weighted average remaining lives, expected maturity dates and percentages of original principal of each Tranche of the Notes at various percentages of CPR expressed from the Issue Date until the optional redemption dates.

#### WEIGHTED AVERAGE LIVES AND EXPECTED MATURITY DATES OF THE NOTES AT VARIOUS PERCENTAGES OF CPR

#### Weighted Average Life (years)<sup>(1)</sup>

Tranche	0%	<u>6%</u>	<u>12%</u>	<u>18%</u>	<u>24%</u>	
A-1 Notes	1.68	1.24	1.00	0.84	0.72	
A-2 Notes	4.72	3.63	3.00	2.58	2.28	
A-3 Notes	7.49	5.96	5.00	4.36	3.89	
A-4 Notes	9.30	7.98	6.96	6.16	5.55	
	Expected Maturity Date					
<u>Tranche</u>		Ex	pected Maturity Dat	<u>te</u>		
Tranche A-1 Notes	March 1, 2011	Ex June 1, 2010	pected Maturity Date March 1, 2010	December 1, 2009	September 1, 2009	
	March 1, 2011 March 1, 2015		-	_	September 1, 2009 December 1, 2011	
A-1 Notes	,	June 1, 2010	March 1, 2010	December 1, 2009	. ,	

<sup>&</sup>lt;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 applicable Tranche of Notes by the number of years from the Issue Date to the related Distribution Date, (ii) adding the results, and (iii) dividing that sum by the aggregate principal amount of the applicable Tranche of Notes as of the Issue Date.

 ${\bf A-1\ Notes} \\ {\bf Percentages\ of\ Original\ Principal\ of\ the\ Notes\ Remaining\ at\ Certain\ Distribution\ Dates\ at\ Various\ Percentages\ of\ CPR^{(1)} }$ 

<u>0%</u>	<u>6%</u>	<u>12%</u>	<u>18%</u>	<u>24%</u>
100%	100%	100%	100%	100%
99%	97%	94%	92%	89%
93%	87%	81%	74%	67%
86%	76%	65%	54%	42%
79%	64%	49%	33%	18%
70%	50%	30%	10%	0%
60%	34%	9%	0%	0%
47%	15%	0%	0%	0%
34%	0%	0%	0%	0%
21%	0%	0%	0%	0%
7%	0%	0%	0%	0%
0%	0%	0%	0%	0%
	100% 99% 93% 86% 79% 70% 60% 47% 34% 21% 7%	100% 100% 99% 97% 93% 87% 86% 76% 76% 64% 70% 50% 60% 34% 47% 15% 34% 0% 21% 0% 0%	100%       100%       100%         99%       97%       94%         93%       87%       81%         86%       76%       65%         79%       64%       49%         70%       50%       30%         60%       34%       9%         47%       15%       0%         34%       0%       0%         21%       0%       0%         7%       0%       0%	100%       100%       100%         99%       97%       94%       92%         93%       87%       81%       74%         86%       76%       65%       54%         79%       64%       49%       33%         70%       50%       30%       10%         60%       34%       9%       0%         47%       15%       0%       0%         34%       0%       0%       0%         21%       0%       0%       0%         7%       0%       0%       0%

<sup>(1)</sup> Assumes for the purposes of this table that, among other things, the optional redemption occurs on the next Distribution Date occurring when the Pool Balance is 10% or less of the initial Pool Balance.

<b>Distribution Date</b>	<u>0%</u>	<u>6%</u>	<u>12%</u>	<u>18%</u>	<u>24%</u>
Initial	100%	100%	100%	100%	100%
September 1, 2008	100%	100%	100%	100%	100%
December 1, 2008	100%	100%	100%	100%	100%
March 1, 2009	100%	100%	100%	100%	100%
June 1, 2009	100%	100%	100%	100%	100%
September 1, 2009	100%	100%	100%	100%	97%
December 1, 2009	100%	100%	100%	94%	85%
March 1, 2010	100%	100%	94%	83%	72%
June 1, 2010	100%	99%	85%	72%	60%
September 1, 2010	100%	92%	76%	62%	48%
December 1, 2010	100%	84%	67%	51%	36%
March 1, 2011	97%	76%	57%	40%	25%
June 1, 2011	92%	69%	48%	29%	13%
September 1, 2011	86%	61%	39%	19%	2%
December 1, 2011	80%	53%	29%	8%	0%
March 1, 2012	74%	45%	20%	0%	0%
June 1, 2012	68%	36%	10%	0%	0%
September 1, 2012	61%	28%	1%	0%	0%
December 1, 2012	55%	20%	0%	0%	0%
March 1, 2013	48%	12%	0%	0%	0%
June 1, 2013	41%	5%	0%	0%	0%
September 1, 2013	35%	0%	0%	0%	0%
December 1, 2013	29%	0%	0%	0%	0%
March 1, 2014	22%	0%	0%	0%	0%
June 1, 2014	15%	0%	0%	0%	0%
September 1, 2014	9%	0%	0%	0%	0%
December 1, 2014	2%	0%	0%	0%	0%
March 1, 2015	0%	0%	0%	0%	0%

<sup>&</sup>lt;sup>(1)</sup>Assumes for the purposes of this table that, among other things, the optional redemption occurs on the next Distribution Date occurring when the Pool Balance is 10% or less of the initial Pool Balance.

<b>Distribution Dates</b>	0%	<u>6%</u>	<u>12%</u>	<u>18%</u>	24%
Initial	100%	100%	100%	100%	100%
September 1, 2008	100%	100%	100%	100%	100%
December 1, 2008	100%	100%	100%	100%	100%
March 1, 2009	100%	100%	100%	100%	100%
June 1, 2009	100%	100%	100%	100%	100%
September 1, 2009	100%	100%	100%	100%	100%
December 1, 2009	100%	100%	100%	100%	100%
March 1, 2010	100%	100%	100%	100%	100%
June 1, 2010	100%	100%	100%	100%	100%
September 1, 2010	100%	100%	100%	100%	100%
December 1, 2010	100%	100%	100%	100%	100%
March 1, 2011	100%	100%	100%	100%	100%
June 1, 2011	100%	100%	100%	100%	100%
September 1, 2011	100%	100%	100%	100%	100%
December 1, 2011	100%	100%	100%	100%	80%
March 1, 2012	100%	100%	100%	96%	56%
June 1, 2012	100%	100%	100%	74%	34%
September 1, 2012	100%	100%	100%	53%	13%
December 1, 2012	100%	100%	83%	33%	0%
March 1, 2013	100%	100%	64%	13%	0%
June 1, 2013	100%	100%	44%	0%	0%
September 1, 2013	100%	93%	27%	0%	0%
December 1, 2013	100%	76%	10%	0%	0%
March 1, 2014	100%	59%	0%	0%	0%
June 1, 2014	100%	43%	0%	0%	0%
September 1, 2014	100%	28%	0%	0%	0%
December 1, 2014	100%	13%	0%	0%	0%
March 1, 2015	90%	0%	0%	0%	0%
June 1, 2015	75%	0%	0%	0%	0%
September 1, 2015	60%	0%	0%	0%	0%
December 1, 2015	46%	0%	0%	0%	0%
March 1, 2016	31%	0%	0%	0%	0%
June 1, 2016	17%	0%	0%	0%	0%
September 1, 2016	2%	0%	0%	0%	0%
December 1, 2016	0%	0%	0%	0%	0%

<sup>&</sup>lt;sup>(1)</sup>Assumes for the purposes of this table that, among other things, the optional redemption occurs on the next Distribution Date occurring when the Pool Balance is 10% or less of the initial Pool Balance.

<b>Distribution Dates</b>	0%	<u>6%</u>	<u>12%</u>	<u>18%</u>	24%
Initial	100%	100%	100%	100%	100%
September 1, 2008	100%	100%	100%	100%	100%
December 1, 2008	100%	100%	100%	100%	100%
March 1, 2009	100%	100%	100%	100%	100%
June 1, 2009	100%	100%	100%	100%	100%
September 1, 2009	100%	100%	100%	100%	100%
December 1, 2009	100%	100%	100%	100%	100%
March 1, 2010	100%	100%	100%	100%	100%
June 1, 2010	100%	100%	100%	100%	100%
September 1, 2010	100%	100%	100%	100%	100%
December 1, 2010	100%	100%	100%	100%	100%
March 1, 2011	100%	100%	100%	100%	100%
June 1, 2011	100%	100%	100%	100%	100%
September 1, 2011	100%	100%	100%	100%	100%
December 1, 2011	100%	100%	100%	100%	100%
March 1, 2012	100%	100%	100%	100%	100%
June 1, 2012	100%	100%	100%	100%	100%
September 1, 2012	100%	100%	100%	100%	100%
December 1, 2012	100%	100%	100%	100%	94%
March 1, 2013	100%	100%	100%	100%	80%
June 1, 2013	100%	100%	100%	96%	67%
September 1, 2013	100%	100%	100%	81%	56%
December 1, 2013	100%	100%	100%	69%	46%
March 1, 2014	100%	100%	94%	59%	37%
June 1, 2014	100%	100%	80%	49%	29%
September 1, 2014	100%	100%	69%	41%	22%
December 1, 2014	100%	100%	59%	33%	16%
March 1, 2015	100%	98%	51%	27%	0%
June 1, 2015	100%	84%	43%	21%	0%
September 1, 2015	100%	71%	35%	15%	0%
December 1, 2015	100%	61%	29%	0%	0%
March 1, 2016	100%	52%	23%	0%	0%
June 1, 2016	100%	44%	17%	0%	0%
September 1, 2016	100%	36%	12%	0%	0%
December 1, 2016	88%	28%	0%	0%	0%
March 1, 2017	74%	21%	0%	0%	0%
June 1, 2017	60%	15%	0%	0%	0%
September 1, 2017	47%	9%	0%	0%	0%
December 1, 2017	34%	0%	0%	0%	0%
March 1, 2018	24%	0%	0%	0%	0%
June 1, 2018	15%	0%	0%	0%	0%
September 1, 2018	6%	0%	0%	0%	0%
December 1, 2018	0%	0%	0%	0%	0%

<sup>(1)</sup> Assumes for the purposes of this table that, among other things, the optional redemption occurs on the next Distribution Date occurring when the Pool Balance is 10% or less of the initial Pool Balance.

The above tables have been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the rep lines, which will differ from the characteristics and performance of the actual pool of 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 these tables, even if the dispersion of weighted average characteristics, remaining terms and loan ages are the same as the characteristics, remaining terms and loan ages assumed.







