

\$150,000,000**SOUTH CAROLINA STUDENT LOAN CORPORATION****(A nonprofit, public benefit corporation organized pursuant to the laws of the State of South Carolina)****EDUCATION LOAN REVENUE BONDS, 1999 SERIES****(LIBOR Indexed Bonds)****Dated:** Date of delivery**Due:** September 1, 2007

The 1999 Series Bonds (the "1999 Bonds") in the principal amount shown above, are issued by the South Carolina Student Loan Corporation (the "Corporation"), a nonprofit, public benefit corporation organized and existing under the laws of the State of South Carolina. The 1999 Bonds are initially issued only as fully registered bonds without coupons and in book-entry only form registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interests in the 1999 Bonds, except as described herein. Ownership interest is to be recorded in book-entry form by participants of DTC and the interest of such participants is to be recorded in book-entry form by DTC. Payments of principal of and interest on the 1999 Bonds are to be made to DTC or, in certain instances, participants of DTC. See "THE 1999 BONDS - Book-Entry Only System" herein. The 1999 Bonds are issued in denominations of \$1,000 and integral multiples thereof as further herein described.

Interest on the outstanding principal balance of the 1999 Bonds is computed using a one-month LIBOR indexed rate plus 0.27% as herein described and is payable on August 2, 1999 and on the first Business Day of each calendar month thereafter until maturity or earlier payment in full. On each such interest payment date, interest on the 1999 Bonds is payable on behalf of the Corporation at the principal corporate trust office of The Bank of New York, New York, New York, as Trustee, or its successor as trustee, (the "Trustee") to the person appearing as registered owner on the registration books of the Trustee. For so long as the book-entry only system is in effect, the registered owner for purposes of the receipt of all payments of principal of and interest on the 1999 Bonds shall be Cede & Co., as nominee of The Depository Trust Company.

The 1999 Bonds are issued as Senior Lien Bonds on a parity with the Corporation's 1996 Bonds, 1997 Bonds and 1998 Bonds (as herein defined and described) outstanding for the purpose of providing the Corporation with moneys with which to initially (i) finance Guaranteed Loans (as herein defined) made pursuant to Title IV of the United States Higher Education Act of 1965, as amended (the "Higher Education Act") and guaranteed by the South Carolina State Education Assistance Authority (the "Authority") or other qualified guarantee agencies, including the retirement of short term lines of credit previously established with certain commercial banks to effect such financing, all as herein described, (ii) fund a portion of the first interest payments on the 1999 Bonds, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay costs and expenses associated with the issuance of the 1999 Bonds. Payments, or portions thereof, received with respect to education loans may be used as herein described to finance additional or other education loans guaranteed by the Authority or by other qualified guarantee agencies, and reinsured by the Secretary of the United States Department of Education (the "Secretary"), or insured by the Secretary, all pursuant to the Higher Education Act; and, subject to certain limitations herein described, to finance certain alternative education loans which are not so guaranteed, reinsured or insured.

Principal of and interest on the 1999 Bonds are payable solely from revenues to be derived with respect to the education loans so initially financed or thereafter acquired, and from other amounts, if any, pledged to or deposited with the Trustee. The 1999 Bonds are subject to payment prior to maturity through targeted amortization payments as further herein described but are not subject to optional or extraordinary redemption prior to maturity.

THE 1999 BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION, A NONPROFIT, PUBLIC BENEFIT CORPORATION ORGANIZED PURSUANT TO THE LAWS OF THE STATE OF SOUTH CAROLINA, 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 FAITH AND CREDIT OF THE STATE OF SOUTH CAROLINA OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF INCLUDING THE AUTHORITY. THE CORPORATION HAS NO TAXING POWER.

The 1999 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality by McNair Law Firm, P.A., Charleston, South Carolina, as Bond Counsel. Bond Counsel will also pass on certain legal matters for the Corporation. Certain legal matters will be passed on for the Underwriters by their counsel, Robertson, Ingram & Overbey, Knoxville, Tennessee. It is expected that the delivery of the 1999 Bonds will be made through the facilities of DTC, and also Cedelbank and the Euroclear System, (as herein described) on or about July 7, 1999.

WILLIAM R. HOUGH & CO.**BANC OF AMERICA SECURITIES LLC****FIRST UNION CAPITAL MARKETS CORP.****SALOMON SMITH BARNEY****WACHOVIA SECURITIES, INC.**

SOUTH CAROLINA STUDENT LOAN CORPORATION

BOARD OF DIRECTORS

Fred L. Green, III, *Chairman*
G. Lee Cory, *Vice Chairman*
Paul W. Stringer, *Vice Chairman*
H. Roderick Murchison, *Treasurer*
William M. Mackie, Jr., *Secretary*
Melvin E. Barnette, *Director*
Robert W. Derrick, *Director*
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Robert C. Gallagher, *Director*
J. Thorton Kirby, *Director*
James C. McColl, *Director*
Dr. Dennis A. Pruitt, Jr., *Director*

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William M. Mackie, Jr., *President and CEO*
J. Kenneth Player, *Executive Vice President and COO*
Norma M. Bowman, *Vice President-Human Resources*
Michael E. Fox, *Vice President-Guaranty Agency Services*
Jennifer A. Jones-Gaddy, *Vice President-Loan Originations*
Marsha B. King, *Vice President-Support Services*
Wayne R. Kirby, *Vice President-Information Systems*
Gerald I. Long, *Vice President-Repayment Services*
Laura J. Rowell, *Vice President-Fiscal Operations*

BOND COUNSEL

McNair Law Firm, P.A.
Charleston, South Carolina

TRUSTEE

The Bank of New York
New York, New York

THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE 1999 BONDS 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 THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE 1999 BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

No dealer, broker, salesman or other person has been authorized by the Corporation or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the 1999 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Corporation and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. The offering of the 1999 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. To the extent not otherwise herein defined, initially capitalized terms used herein are defined in Exhibit II hereto.

Issuer	The South Carolina Student Loan Corporation (the “Corporation”) is a nonprofit, public benefit corporation incorporated on November 15, 1973 pursuant to the laws of the State of South Carolina. 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 of 1965, as amended (the “Higher Education Act”). The Corporation has been designated by the South Carolina State Education Assistance Authority (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, serves as the principal originator and servicer of Guaranteed Loans (as hereinafter defined) guaranteed by the Authority.
The 1999 Bonds	\$150,000,000 principal amount of 1999 Series Bonds (LIBOR Indexed Bonds) (the “1999 Bonds”) maturing on September 1, 2007 (the “1999 Bonds”), bearing interest and subject to redemption or other payment prior to maturity, all as herein set forth. The 1999 Bonds are issued as Senior Lien Bonds pursuant to a June 7, 1996 General Resolution (the “General Resolution”) and a Series Resolution effective as of June 30, 1999 (the “1999 Series Resolution”) (collectively, the “Resolution”), each adopted by the Corporation's Board of Directors. The 1999 Bonds are not subject to redemption prior to maturity but are, together with certain prior bonds of the Corporation, subject to pro-rata principal reduction payments prior to maturity based upon a Targeted Amortization Schedule adopted by the Corporation. See “Redemption or Other Payment Prior to Maturity” below.
Outstanding Parity Bonds	The 1999 Bonds are issued on a parity and equality of lien with the Corporation’s (i) Education Loan Revenue Bonds, 1996 Series issued on July 11, 1996 (the “1996 Bonds”) in the initial aggregate principal amount of \$223,900,000 as 1996 Series A-1 and A-2 Treasury Indexed Bonds and 1996 Series A-3 Auction Rate Bonds (ii) Education Loan Revenue Bonds, 1997 Series issued on May 15, 1997 (the “1997 Bonds”) in the initial aggregate principal amount of \$335,300,000 as 1997 Series A-1 and A-2 Treasury Indexed Bonds and 1997 Series A-3 Auction Rate Bonds, and (iii) Education Loan Revenue Bonds, 1998 Series issued on May 14, 1998 (the “1998 Bonds”) in the initial principal amount of \$211,400,000 as 1998 Series A-1, and A-2 Auction Rate Bonds. The 1996, 1997 and 1998 Bonds are Senior Lien Bonds having a parity of lien with the 1999 Bonds on the Pledged Assets (as hereinafter defined - See “Sources of Revenue and Security” below). As of the date hereof, the 1996 Bonds are Outstanding in the aggregate principal amount of \$171,123,474, the 1997 Bonds are Outstanding in the aggregate principal amount of \$299,012,571 and the 1998 Bonds are Outstanding in the aggregate principal amount of \$211,400,000. Hereinafter, the 1996 Bonds, the 1997 Bonds and the 1998 Bonds are collectively referred to as the “Prior Bonds.”

**Interest on
the 1999 Bonds**

The 1999 Bonds bear interest at a LIBOR Indexed Rate determined not earlier than 10:00 a.m., Eastern Time, initially on the second Business Day prior to delivery of the 1999 Bonds, and thereafter on the second Business Day prior to each Interest Payment Date by The Bank of New York, New York, New York or its successor(s) as Calculation Agent. The LIBOR Indexed Rate is the per annum rate fixed by the British Bankers' Association at 11:00 a.m., London time, relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a one month period ("LIBOR") plus 0.27%. To determine LIBOR, the Calculation Agent first looks to screen page "US0001M<Index>DES" as published or reported by Bloomberg LP (or such other screen page as may replace such screen page) or, if no longer provided by Bloomberg LP, then to Page 3750 as published or reported by the Telerate Service (or such other screen page as may replace such screen page) or, if no longer provided by Bloomberg LP or the Telerate Service, then the Calculation Agent makes the determination from such sources as it can ascertain in good faith as comparable to Bloomberg LP and the Telerate Service.

The maximum interest rate with respect to the 1999 Bonds is the maximum rate permitted by applicable law. As of the date hereof, there is no applicable law which restricts the interest rate with respect to the 1999 Bonds.

Interest on the outstanding principal balance of the 1999 Bonds is payable on August 2, 1999 and on the first Business Day of each calendar month thereafter until maturity or earlier payment in full. On each such interest payment date, interest on the 1999 Bonds is payable on behalf of the Corporation at the principal corporate trust office of The Bank of New York, New York, New York, as Trustee, or its successor as trustee, (the "Trustee") to the person appearing as registered owner on the registration books of the Trustee. For so long as the book-entry only system is in effect, the registered owner for purposes of the receipt of all payments of principal of and interest on the 1999 Bonds shall be Cede & Co., as nominee of The Depository Trust Company.

**Redemption or Other
Payment Prior to
Maturity**

The 1999 Bonds are not subject to redemption prior to maturity but are subject to pro-rata principal reduction payments prior to maturity based upon a Targeted Amortization Schedule adopted by the Corporation. In no event will any such principal reduction payments for the 1999 Bonds exceed the amounts specified in the Targeted Amortization Schedule, subject to adjustments as described in the immediately succeeding paragraph.

Failure by the Corporation to make any payment contemplated by a Targeted Amortization Schedule applicable to the 1999 Bonds or any prior bonds issued under the General Resolution shall not constitute a payment default. However, to the extent any such principal reduction payment is less than the corresponding payment contemplated by the applicable Targeted Amortization Schedule, such deficiency is added to the next payment or date, as applicable, contemplated by such Targeted Amortization Schedule.

The 1996 Series A-1 and A-2 Bonds and the 1997 Series A-1 and A-2 Bonds are also subject to pro-rata principal reduction payments prior to maturity based upon Targeted Amortization Schedules adopted by the Corporation. As of the date hereof, all such scheduled Targeted Amortization Payments have been made at the times and in the amounts contemplated by such Targeted Amortization Schedules. However, there can be no assurance that such performance will continue in the

future with respect to such series of the Prior Bonds or that scheduled Targeted Amortization Payments for the 1999 Bonds will be made at the times and in the amounts herein described.

If Revenues Available for Debt Service are not sufficient to fully pay Targeted Amortization Payments for all Outstanding Bonds subject thereto, then payments are to be first made with respect to the 1996 Series A-1 and A-2 Bonds and the 1997 Series A-1 and A-2 Bonds before being made with respect to the 1999 Bonds and any additional Senior Lien Bonds subject to such payments. For the 1999 Bonds and any subsequent Bonds subject to such payments, Targeted Amortization Payments are made pro rata based upon the amount due, as adjusted, when Revenues Available for Debt Service are not sufficient to fully make such payments. Deficiencies in scheduled Targeted Amortization Payments are added to the deposit requirement(s) for the next payment or date, as applicable, contemplated by such Targeted Amortization Schedule.

The Corporation has covenanted in the Series Resolution that it will not structure the principal payments of additional Bonds issued under the General Resolution (whether by maturity, mandatory or other sinking fund redemptions or Targeted Amortization Payments) in ways which would result in a postponement of the Targeted Amortization Payments scheduled for the 1999 Bonds as a result of the diversion of Revenues Available for Debt Service to be received from Pledged Assets to the retirement of principal of such additional Bonds. The Corporation is permitted to conclusively rely on a Cash Flow Certificate in complying with this covenant.

**Use of Proceeds
of 1999 Bonds**

The proceeds of the 1999 Bonds are to be initially used (i) to finance Guaranteed Loans, as defined below, guaranteed by the Authority or other qualified guarantee agencies as to unpaid principal and accrued interest at not less than the maximum applicable percentage permitted under the Higher Education Act of 1965, as amended, including the retirement of short term lines of credit previously established with certain commercial banks to effect such financing, all as herein described, (ii) to fund a portion of the first interest payments on the 1999 Bonds, (iii) to fund a deposit to the Debt Service Reserve Fund, and (iv) to pay costs and expenses associated with the issuance of the 1999 Bonds. Payments, or portions thereof, received with respect to Guaranteed Loans may be used as herein described to finance additional or other education loans guaranteed by the Authority or by other qualified guarantee agencies (each a “Guarantee Agency”), and reinsured by the Secretary of the United States Department of Education (the “Secretary”), or insured by the Secretary, all pursuant to the Higher Education Act (together with the initially acquired Guaranteed Loans, the “Guaranteed Loans”); and, subject to certain limitations including a ratings confirmation, to finance certain alternative education loans which are not so guaranteed, reinsured or insured (the “Alternative Loans”). As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds and no Alternative Loans are being financed with the initial proceeds of the 1999 Bonds. The Guaranteed Loans and the Alternative Loans, if any, are herein collectively referred to as the “Education Loans.”

The relative composition of the portfolios of Guaranteed Loans constituting Pledged Assets heretofore acquired with proceeds of the Prior Bonds and anticipated to be acquired with proceeds of the 1999 Bonds is shown herein under the heading “THE 1999 BONDS--Security for the 1999 Bonds--*The Portfolios of Guaranteed Loans-Summary Information.*” Revenues received with respect to

Guaranteed Loans are to be applied in accordance with the Resolution, which under certain circumstances permits such revenues to be used for the acquisition or funding of other Guaranteed Loans and Alternative Loans. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION--Priority of Application of Moneys Received as Pledged Assets.”

**Sources of Revenue
and Security**

(1) Education Loans, including Guaranteed Loans and Alternative Loans, pledged under the Resolution. See “EXPECTED APPLICATION OF 1999 BOND PROCEEDS.” Each Guaranteed Loan is to be insured or guaranteed and reinsured as described herein. No Alternative Loan will be so insured or guaranteed and reinsured; provided, that Alternative Loans may be made or acquired only upon receipt of a confirmation of rating with respect to all Bonds issued and outstanding under the General Resolution by the Rating Agencies, as herein defined. As of the date hereof, no Alternative Loans have been financed with proceeds of Prior Bonds and no Alternative Loans are being financed with the initial proceeds of the 1999 Bonds.

(2) Interest payments with respect to Education Loans made by or on behalf of borrowers.

(3) All amounts received in respect of payment of principal on Education Loans held by the Corporation, including scheduled, delinquent and advance payments, payouts or prepayments, proceeds from the guarantee, or from the sale, assignment or other disposition of Education Loans.

(4) Any applicable Special Allowance Payments authorized to be made by the Secretary in respect of Guaranteed Loans pursuant to Section 438 of the Higher Education Act or similar allowances authorized from time to time by federal law or regulation.

(5) Any applicable Interest Subsidy Payments payable in respect of any Guaranteed Loans by the Secretary under Section 428 of the Higher Education Act.

(6) 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 Rebate Fund) and any and all other real or personal property of every name and nature 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.

The foregoing categories of security are herein referred to as “Pledged Assets.”

**Application of Pledged
Assets**

Under the General Resolution, all moneys received by or on behalf of the Corporation as Pledged Assets, and any other moneys or assets so designated by the Corporation from time to time, are to be deposited monthly by the Corporation to the credit of the General Revenue Fund. Moneys in the General Revenue Fund are to be applied monthly in the following amounts and priorities:

First, to the Interest Account of the Debt Service Fund for payment or provision for payment of interest due or next coming due on Outstanding Senior Lien Bonds;

Second, to the Principal Account of the Debt Service Fund for payment or provision for payment of principal of Outstanding Senior Lien Bonds due or next coming due (other than targeted amortization payments under *Eighth* below);

Third, to the Interest Account of the Debt Service Fund for payment or provision for payment of interest on Outstanding Subordinate Lien Bonds, if any;

Fourth, to the Principal Account of the Debt Service Fund for payment or provision for payment of principal of Outstanding Subordinate Lien Bonds, if any (other than targeted amortization payments under *Ninth* below);

Fifth, to the Operating Fund, an amount that, when added to the amount therein will equal the Corporation's expenses in carrying out and administering its Student Loan Finance Program under the Resolution for the current month and such additional amount as the Corporation directs up to four months of such expenses in total as reflected by the Corporation's Annual Budget, as amended or supplemented, for the fiscal year and filed with the Trustee;

Sixth, to the Debt Service Reserve Fund--Senior Lien Account, so much as may be required so that the amount therein shall equal the Debt Service Reserve Requirement for all Senior Lien Bonds then Outstanding;

Seventh, to the Debt Service Reserve Fund--Subordinate Lien Account, so much as may be required so that the amount therein shall equal the Debt Service Reserve Requirement for all Subordinate Lien Bonds then Outstanding, if any;

Eighth, to the Principal Account of the Debt Service Fund, an amount required to pay or provide for the payment of any targeted amortization payments with respect to the 1996 Series A-1 and A-2 Bonds then Outstanding, the 1997 Series A-1 and A-2 Bonds Outstanding, the 1999 Bonds Outstanding and any other Senior Lien Bonds as to which the Corporation has elected to make targeted amortization payments; provided, however, if Revenues Available for Debt Service are not sufficient to pay Targeted Amortization Payments with respect to each Class and Series, then payments shall be made in the order of issuance by Series and to the earliest maturities within a Series; provided further, that such payments with respect to Bonds issued after May 4, 1999, shall be made on a pro rata basis based upon the amount of the Targeted Amortization Payments due, as adjusted.

Ninth, to the Principal Account of the Debt Service Fund, an amount designated by the Corporation to pay or provide for the payment of any targeted amortization payments with respect to Subordinate Lien Bonds as to which the Corporation has elected to make targeted amortization payments, if any; provided, however, if Revenues Available for Debt Service are not sufficient to pay Targeted Amortization Payments with respect to each Class and Series, then payments shall be made in the order of issuance by Series and to the earliest maturities within a Series; provided further, that such payments with respect to Bonds issued after May 4, 1999, shall be made on a pro rata basis based upon the amount of the Targeted Amortization Payments due, as adjusted.

Tenth, to the extent that the sum of (a) the outstanding principal amount of, and accrued interest on, the Education Loans (as certified by the Corporation on the first day of each calendar month) and (b) all amounts held in the funds and accounts under the Resolution, other than the Operating Fund and the Rebate Fund, calculated in accordance with the Resolution exceeds (i) 112% of the principal amount of all Outstanding Senior Lien Bonds and (ii) 103% of the principal amount of all Outstanding Bonds after such withdrawal, to pay such excess to the Corporation to the extent requested by the Corporation; and,

Eleventh, the balance, if any, shall be transferred at the direction of the Corporation to the Loan Account of the Program Fund (up to the amount authorized in an applicable Series Resolution) or to the Principal Account of the Debt Service Fund to effect a redemption of Bonds or to make Targeted Amortization Payments (as directed in an applicable Series Resolution). The 1999 Series Resolution with respect to the 1999 Bonds provides that no such transfer will be made to the Loan Account (i) to finance Education Loans resulting in (A) more than 2% in aggregate principal amount of Education Loans outstanding to or for the benefit of students attending or having attended for-profit schools, (B) more than 20% in aggregate principal amount of Consolidation Loans, (C) more than 7% in aggregate principal amount of PLUS and SLS loans, (D) an expected final payment on a date later than the latest final maturity of any Bonds Outstanding, or being more than 180 days delinquent, unless a Cash Flow Certificate is provided to each Rating Agency, or (ii) after June 1, 2003, unless such date is extended by each Rating Agency. If no such direction is given by the Corporation or if such a direction is given and transferred moneys are not used to acquire Education Loans within six (6) months of the date of transfer, the Trustee will transfer such balance or unapplied balance, as applicable, to the Principal Account of the Debt Service Fund to effect a retirement of Bonds subject to retirement, either by redemption, Targeted Amortization Payment or other means.

**Priority of Security and
Additional Bonds**

The rights of the owners of the Prior Bonds are on a parity with respect to the security pledged under the General Resolution. Under the General Resolution, additional bonds may be issued which are on a parity with the Prior Bonds and the 1999 Bonds if the Corporation provides, *inter alia*, written evidence from each Rating Agency that the issuance of such additional bonds shall not result in a reduction or withdrawal of the then current rating on any Bonds Outstanding. Other than such permitted additional parity lien bonds, the rights of the holders of all other notes, bonds and other obligations of the Corporation with respect to the Pledged Assets and the Funds and Accounts created by the General Resolution shall be subordinate in all respects to the pledge or assignment created under the General Resolution for the benefit of the holders of the Prior Bonds and the 1999 Bonds. See “Outstanding Parity Bonds” above with respect to the Prior Bonds.

**Education Loan
Guarantee, Reinsurance
or Insurance**

All Guaranteed Loans financed initially by the Corporation with the proceeds of the 1999 Bonds and thereafter acquired with payments in respect of Pledged Assets are to be guaranteed as to unpaid principal and accrued interest by the Authority, or another approved Guarantee Agency, at not less than the maximum percentage permitted under the Higher Education Act, as the same may be amended from time to time, and reinsured by the Secretary under a formula of reimbursement as

provided in the Higher Education Act, as the same may be amended from time to time.

Collateralization Upon issuance and after initial application of proceeds of the 1999 Bonds, assets pledged under the General Resolution to pay the principal of or interest on the Prior Bonds and the 1999 Bonds, valued in accordance with the Resolution, are expected to equal at least 103% of the Outstanding principal amount of and accrued interest on the Prior Bonds and the 1999 Bonds.

Risk Factors For a detailed discussion of risk factors which should be considered by potential purchasers of the 1999 Bonds, see “RISK FACTORS” herein.

Related Parties Two of the Directors of the Corporation are also employees of an Underwriter of the 1999 Bonds or of a related party to an Underwriter. See “The Corporation” herein and the table therein entitled “Board of Directors of the Corporation.” The adoption of the General Resolution and all subsequent Series Resolutions, including the 1999 Series Resolution, by the Board of Directors of the Corporation was in accordance with Section 33-31-831 of the Code of Laws of South Carolina, 1976, as amended. Also, a substantial portion of the proceeds of the 1999 Bonds will initially be used to refinance Guaranteed Loans originally financed with lines of credit from commercial banks, including three commercial banks which are related parties to Underwriters of the 1999 Bonds.

Continuing Disclosure In the 1999 Series Resolution, the Corporation has covenanted to provide such continuing, secondary market disclosures and confirmations as are required by Rule 15c2-12 of the Securities and Exchange Commission.

As of the date hereof, the Corporation is in compliance with its continuing disclosure undertaking with respect to the Prior Bonds.

THE 1999 BONDS AND ALL BONDS HERETOFORE OR HEREAFTER ISSUED UNDER THE GENERAL RESOLUTION ARE LIMITED OBLIGATIONS OF THE CORPORATION, A NONPROFIT, PUBLIC BENEFIT CORPORATION ORGANIZED PURSUANT TO THE LAWS OF THE STATE OF SOUTH CAROLINA, 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 FAITH AND CREDIT OF THE STATE OF SOUTH CAROLINA OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY. THE CORPORATION HAS NO TAXING POWER.

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OFFICIAL STATEMENT

relating to

SOUTH CAROLINA STUDENT LOAN CORPORATION (A nonprofit, public benefit corporation organized pursuant to the laws of the State of South Carolina) **\$150,000,000** **EDUCATION LOAN REVENUE BONDS, 1999 SERIES** (LIBOR Indexed Bonds)

INTRODUCTION

This Official Statement, which includes the cover page, the Summary Statement and the Exhibits hereto, is being provided by the South Carolina Student Loan Corporation (the "Corporation") with respect to the offering and sale of its \$150,000,000 Education Loan Revenue Bonds, 1999 Series, maturing on September 1, 2007 (the "1999 Bonds"). The 1999 Bonds are issued pursuant to a June 7, 1996 General Resolution (the "General Resolution") and a Series Resolution effective as of June 30, 1999 (the "1999 Series Resolution") (collectively, the "Resolution") adopted 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 (the "State") and operates in accordance with Title IV, Parts B and F of the Higher Education Act of 1965, as amended (together with any regulations promulgated thereunder, the "Higher Education Act" or the "Act").

The 1999 Bonds are Senior Lien Bonds under the General Resolution. The 1999 Bonds are issued on a parity and equality of lien with the Corporation's (i) Education Loan Revenue Bonds, 1996 Series issued on July 11, 1996 (the "1996 Bonds") in the initial aggregate principal amount of \$223,900,000 as 1996 Series A-1 and A-2 Treasury Indexed Bonds and 1996 Series A-3 Auction Rate Bonds (ii) Education Loan Revenue Bonds, 1997 Series issued on May 15, 1997 (the "1997 Bonds") in the initial aggregate principal amount of \$335,300,000 as 1997 Series A-1 and A-2 Treasury Indexed Bonds and 1997 Series A-3 Auction Rate Bonds, and (iii) Education Loan Revenue Bonds, 1998 Series issued on May 14, 1998 (the "1998 Bonds") in the initial principal amount of \$211,400,000 as 1998 Series A-1 and A-2 Auction Rate Bonds. The 1996, 1997 and 1998 Bonds (collectively hereinafter, the "Prior Bonds") are Senior Lien Bonds having a parity of lien with the 1999 Bonds on the Pledged Assets (as hereinafter defined - See "THE 1999 BONDS - Security for the 1999 Bonds" hereinafter). As of the date hereof, the 1996 Bonds are Outstanding in the aggregate principal amount of \$171,123,474, the 1997 Bonds are Outstanding in the aggregate principal amount of \$299,012,571 and the 1998 Bonds are Outstanding in the aggregate principal amount of \$211,400,000.

THE 1999 BONDS AND ALL BONDS HERETOFORE OR HEREAFTER ISSUED PURSUANT TO THE GENERAL RESOLUTION ARE LIMITED OBLIGATIONS OF THE CORPORATION, A NONPROFIT, PUBLIC BENEFIT CORPORATION ORGANIZED PURSUANT TO THE LAWS OF THE STATE OF SOUTH CAROLINA, 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 FAITH AND CREDIT OF THE STATE OF SOUTH CAROLINA OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY. THE CORPORATION HAS NO TAXING POWER.

The proceeds of the 1999 Bonds are being used in connection with the Corporation's Student Loan Finance Program (the "Student Loan Finance Program") to initially (i) finance Guaranteed Loans, as defined below, guaranteed by the South Carolina State Education Assistance Authority (the "Authority") or other qualified guarantee agencies as to unpaid principal and accrued interest at not less than the maximum applicable percentage permitted under the Higher Education Act of 1965, as amended, including the retirement of short term lines of credit previously established with certain commercial banks to effect such financing, (ii) fund a portion of the first interest payments with respect to the 1999 Bonds, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay costs and expenses associated with the issuance of the 1999 Bonds. See "EXPECTED APPLICATION OF 1999 BOND PROCEEDS" herein. Payments, or portions thereof, received with respect to Pledged Assets, as herein defined, may be used as herein described to finance additional or other Education Loans guaranteed by the Authority or by other qualified guarantee agencies (each a "Guarantee Agency") and reinsured by the Secretary of the United States Department of Education (the "Secretary"), or insured by the Secretary, all pursuant to the Higher Education Act (together with the initially acquired Guaranteed Loans, the "Guaranteed Loans"); and, subject to certain conditions including rating confirmations as herein described, to finance certain alternative loans which are not so guaranteed, reinsured or insured (the "Alternative Loans"). As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds and no Alternative Loans are being financed with the initial proceeds of the 1999 Bonds. The Guaranteed Loans and the Alternative Loans are herein collectively referred to as the "Education Loans."

Additional bonds or other obligations on a parity with or subordinate to the Prior Bonds and the 1999 Bonds may be issued pursuant to the General Resolution as herein described. The Prior Bonds, the 1999 Bonds and any such permitted additional bonds issued are collectively referred to herein as "Bonds."

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as assigned in the Resolution. See Exhibit II hereto entitled "GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND 1999 SERIES RESOLUTIONS."

Brief summaries and descriptions of the Bonds, the Corporation, the Corporation's Student Loan Finance Program, the South Carolina State Education Assistance Authority, the Resolution, the Federal Family Education Loan Program, certain statutes, regulations and other documents and materials are included in this Official Statement. These summaries and descriptions do not purport to be comprehensive or definitive. All references to the Bonds, the Resolution and statutes, regulations and other documents and materials summarized, described or referred to herein are qualified in their entirety by reference to such documents, statutes, regulations and other materials. Copies of the Resolution are available for inspection in the Jacksonville, Florida office of the Trustee.

THE 1999 BONDS

General

The 1999 Bonds are issued pursuant to the authority of the General Resolution and the 1999 Series Resolution. The Bank of New York, New York, New York, serves as Trustee (the "Trustee") pursuant to the Resolution. The 1999 Bonds will be dated and mature as set forth on the cover of this Official Statement.

THE 1999 BONDS AND ALL BONDS HERETOFORE OR HEREAFTER ISSUED UNDER THE GENERAL RESOLUTION ARE LIMITED OBLIGATIONS OF THE CORPORATION, A NONPROFIT, PUBLIC BENEFIT CORPORATION ORGANIZED PURSUANT TO THE LAWS OF THE STATE OF SOUTH CAROLINA, 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 FAITH AND CREDIT OF THE STATE OF SOUTH CAROLINA OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY. THE CORPORATION HAS NO TAXING POWER.

The 1999 Bonds are initially issued only as fully registered bonds without coupons and in book-entry only form registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). As herein further described, delivery of the 1999 Bonds will be made through DTC,

Cedelbank and the Euroclear System. Purchasers will not receive certificates representing their interests in the 1999 Bonds, except as described herein. Ownership interest is to be recorded in book-entry form by participants of DTC and the interest of such participants is to be recorded in book-entry form by DTC. Payments of principal of and interest on the 1999 Bonds are to be made to DTC or, in certain instances, participants of DTC. See "Book-Entry Only System" below.

The 1999 Bonds are initially issued in denominations of \$1,000 and integral multiples thereof.

Principal of and interest on the 1999 Bonds are payable solely from revenues to be derived with respect to the Pledged Assets and from other amounts, if any, deposited with the Trustee. The 1999 Bonds are subject to payment prior to maturity in accordance with a Targeted Amortization Schedule adopted by the Corporation, as hereinafter described, but are not subject to optional or extraordinary optional redemption prior to maturity.

Other than principal reductions through Targeted Amortization Payments, principal of the 1999 Bonds is payable at maturity upon presentation and surrender of such 1999 Bonds at the principal corporate trust office of the Trustee.

Interest on the 1999 Bonds

The 1999 Bonds bear interest at a LIBOR Indexed Rate determined not earlier than 10:00 a.m., Eastern Time, initially on the second Business Day prior to delivery of the 1999 Bonds, and thereafter on the second Business Day prior to each Interest Payment Date by The Bank of New York, New York, New York or its successor(s) as Calculation Agent. The LIBOR Indexed Rate is the per annum rate fixed by the British Bankers' Association at 11:00 a.m., London time, relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a one month period ("LIBOR") plus 0.27%. To determine LIBOR, the Calculation Agent first looks to screen page "US0001M<Index>DES" as published or reported by Bloomberg LP (or such other screen page as may replace such screen page) or, if no longer provided by Bloomberg LP, then to Page 3750 as published or reported by the Telerate Service (or such other screen page as may replace such screen page) or, if no longer provided by Bloomberg LP or the Telerate Service, then the Calculation Agent makes the determination from such sources as it can ascertain in good faith as comparable to Bloomberg LP and the Telerate Service.

The maximum interest rate with respect to the 1999 Bonds is the maximum rate permitted by applicable law. As of the date hereof, there is no applicable law which restricts the interest rate with respect to the 1999 Bonds.

Interest on the outstanding principal balance of the 1999 Bonds is payable on August 2, 1999 and on the first Business Day of each calendar month thereafter until maturity or earlier payment in full. On each such interest payment date, interest on the 1999 Bonds is payable on behalf of the Corporation at the principal corporate trust office of The Bank of New York, New York, New York, as Trustee, or its successor as trustee, (the "Trustee") to the person appearing as registered owner on the registration books of the Trustee. For so long as the book-entry only system is in effect, the registered owner for purposes of the receipt of all payments of principal of and interest on the 1999 Bonds shall be Cede & Co., as nominee of The Depository Trust Company.

Book-Entry Only System

The Depository Trust Company, New York, New York, will act as securities depository for the 1999 Bonds. One fully registered 1999 Bond will be initially issued and registered in the name of Cede & Co., DTC's partnership nominee.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 1999 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, HOLDERS OR REGISTERED OWNERS OF THE 1999 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 1999 BONDS.

The Depository Trust Company. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (“Direct Participants” or “DTC Participants”) deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. Additional information with respect to DTC may be found at its internet site at <http://www.dtc.org>.

Cedel International and Cedelbank. Cedel International, the European international clearing depository founded in 1970, is the parent company of Cedelbank, Cedel Global Services and a number of other subsidiaries. Cedelbank (“CEDEL”) is incorporated under the laws of Luxembourg as a professional depository. CEDEL holds securities for its participating organizations (“CEDEL Participants”) and facilitates the clearance and settlement of securities transactions between CEDEL Participants through electronic book-entry changes in accounts of CEDEL Participants, thereby eliminating the need for physical movement of certificates. CEDEL currently clears and settles securities transactions in 38 currencies through a network of links and service providers, cash correspondents and depositories covering 33 markets. As a professional depository, CEDEL is subject to regulation by the Luxembourg Monetary Institute. Indirect access to CEDEL is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a CEDEL Participant, either directly or indirectly.

On May 14, 1999 Cedel International, the Luxembourg based international securities depository and Deutsche Börse Clearing, the German central securities depository, announced a merger in order to form a new Cedel International. The new Cedel International is also to be registered and headquartered in Luxembourg. The announced merger is subject to shareholder and regulatory approvals and is expected to be formally completed effective January 1, 2000. Additional information with respect to Cedel International and Cedelbank may be found at their respective internet sites <http://www.cedelinternational.com> and <http://www.cedelbank.com>.

Euroclear System. The Euroclear System (“Euroclear”) was founded in December 1968 by the Brussels, Belgium office of Morgan Guaranty Trust Company of New York. In 1972 the Euroclear System was sold to the Euroclear Clearance System Public Limited Company which in turn licensed the System to the Euroclear Clearance System Société Coopérative (the “Cooperative”), a Belgian cooperative corporation which offers shares to all its participants. Euroclear holds securities for its participants (“Euroclear Participants”) and clears and settles transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in any of 27 currencies, including United States dollars. Euroclear is operated under contract by the Brussels office of Morgan Guaranty Trust Company of New York (the “Euroclear Operator”). 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 (including 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 is a member bank of the Federal Reserve System. As such, it is regulated and examined by the Board of Governors of the Federal Reserve System and the New York State Banking Department, as well as 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 and the related Operating Procedures of the Euroclear System and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms

and Conditions govern transfers of securities and cash within the Euroclear, withdrawals of securities and cash from the 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. Additional information with respect to the Euroclear System may be found at its internet site at <http://www.euroclear.com>.

Purchases of the 1999 Bonds. Purchases of 1999 Bonds must be made by or through DTC Participants, which are to receive a credit for the 1999 Bonds on DTC's records. The ownership interest of each actual purchaser of each 1999 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners shall not receive confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of their transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transactions. Transfers of ownership interests in the 1999 Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the 1999 Bonds, unless use of the book-entry system is discontinued as described below.

DTC has no knowledge of the actual Beneficial Owners of the 1999 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 1999 Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants shall remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the 1999 Bonds, the beneficial owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyances 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 shall be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1999 Bonds. Under its usual procedures, DTC mails an omnibus proxy to the Corporation as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1999 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, redemption price and interest payments on the 1999 Bonds are to be made by the Trustee to DTC. Payments by DTC Participants to Beneficial Owners are to be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and shall be the responsibility of such DTC Participants and not of DTC, the Corporation or the Trustee, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to DTC is the responsibility of the Corporation and Trustee as set forth in the Resolution, and payments made by or on behalf of the Corporation to DTC or its nominee shall satisfy the Corporation's obligations under the Resolution. 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.

Distribution of the 1999 Bonds through CEDEL or Euroclear. Distributions with respect to the 1999 Bonds held through CEDEL or Euroclear will be credited to the cash accounts of CEDEL Participants or Euroclear Participants, as applicable, in accordance with the relevant system's rules and procedures, to the extent received by its Depository (as defined below). Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. CEDEL or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a holder of the 1999 Bonds under the Resolution on behalf of a CEDEL Participant or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the relevant Depository's ability to effect such actions on its behalf through DTC. Holders of the 1999 Bonds may hold their 1999 Bonds through DTC (in the United States) or CEDEL or Euroclear (in Europe) if they are participants of such systems, or indirectly through organizations which are participants in such systems.

The 1999 Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. CEDEL and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in CEDEL's and Euroclear's names on the books of their respective depositaries which in turn will hold such positions in customers' securities accounts in the depositaries' names on the books of DTC. Citibank, N.A. acts as depositary for CEDEL and Morgan Guaranty Trust Company of New York acts as depositary for Euroclear (in such capacities, individually, the "Depositary" and, collectively, the "Depositaries").

Transfers of the 1999 Bonds between DTC Participants will occur in accordance with DTC Rules. Transfers between CEDEL Participants and Euroclear Participants will occur in accordance with their respective rules and operating procedures. Because of time-zone differences, credits of securities received in CEDEL 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 the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or CEDEL Participants on such business day. Cash received in CEDEL or Euroclear as a result of sales of securities by or through a CEDEL Participant or Euroclear Participant to a Participant will be received with value on the DTC settlement date but will be available in the relevant CEDEL or Euroclear cash account only as of the business day following settlement in DTC.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through CEDEL 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. CEDEL Participants and Euroclear Participants may not deliver instructions to the Depositaries.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the Corporation takes no responsibility for the accuracy thereof.

THE CORPORATION, THE TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT OR INDIRECT PARTICIPANTS OF DTC, CEDEL PARTICIPANTS OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 1999 BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE 1999 BONDS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN 1999 BONDS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE 1999 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC'S DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CEDEL PARTICIPANTS OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT OR INDIRECT PARTICIPANT OF DTC, CEDEL PARTICIPANT, EUROCLEAR PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE 1999 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT OR INDIRECT PARTICIPANT OF DTC, ANY CEDEL PARTICIPANT OR ANY EUROCLEAR PARTICIPANT; (3) THE PAYMENT BY DTC, ANY DIRECT OR INDIRECT PARTICIPANT OF DTC, ANY CEDEL PARTICIPANT OR ANY EUROCLEAR PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 1999 BONDS; (4) THE DELIVERY BY DTC, ANY DIRECT OR INDIRECT PARTICIPANT OF DTC, ANY CEDEL PARTICIPANT OR ANY EUROCLEAR PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO 1999 BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OR OTHER PAYMENT OF THE 1999 BONDS; OR (6) ANY

CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER AND REGISTERED OWNER OF THE 1999 BONDS.

Discontinuation of Book-Entry Only System

If at any time, DTC notifies the Corporation that it is unwilling or unable to continue as Securities Depository with respect to the 1999 Bonds 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 1999 Bonds shall be discontinued. In addition, the Corporation may discontinue the book-entry system for 1999 Bonds at any time, by giving reasonable notice to DTC (or any successor securities depository).

In the event that the book-entry system for the 1999 Bonds 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 1999 Bonds 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 1999 Bonds so delivered (and any 1999 Bonds 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 1999 Bonds, 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 1999 Bonds

The principal of and any redemption premium on the 1999 Bonds 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 1999 Bonds 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 1999 Bonds 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 1999 Bonds.

Transfers and Exchanges

The 1999 Bonds would be exchangeable at the principal office of the Trustee for a like aggregate principal amount of 1999 Bonds of other authorized denominations, and the execution by the Corporation of any 1999 Bond of any denomination would constitute full and due authorization of such denomination, and the Trustee would thereby be authorized to authenticate and deliver such fully registered 1999 Bond. Upon surrender for transfer of any fully registered 1999 Bond 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 1999 Bond for a like aggregate principal amount.

The Trustee will require the payment by the Bondholder 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 1999 Bond being called for redemption after the Record Date with respect to the redemption of such 1999 Bond.

Security for the 1999 Bonds

The 1999 Bonds and all Bonds heretofore or hereafter issued under the General Resolution are limited obligations of the Corporation, secured by and payable from the Pledged Assets, as herein defined (the “Pledged Assets”). Under the General Resolution, Pledged Assets securing the Bonds are:

- (1) Education Loans, including Guaranteed Loans and Alternative Loans, pledged under the General Resolution. See “EXPECTED APPLICATION OF 1999 BOND PROCEEDS.” Each Guaranteed Loan is to be insured or guaranteed and reinsured as described herein. No Alternative Loan will be so insured or guaranteed and reinsured; provided, that Alternative Loans may be made or acquired only upon receipt of a confirmation of rating with respect to the 1999 Bonds and any additional bonds outstanding under the General Resolution by the Rating Agencies, as herein defined. As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds and no Alternative Loans are being financed with the initial proceeds of the 1999 Bonds.
- (2) Interest payments with respect to Education Loans made by or on behalf of borrowers.
- (3) All amounts received in respect of payment of principal on Education Loans held by the Corporation, including scheduled, delinquent and advance payments, payouts or prepayments, proceeds from the guarantee, or from the sale, assignment or other disposition of Education Loans.
- (4) Any applicable Special Allowance Payments authorized to be made by the Secretary in respect of Guaranteed Loans pursuant to Section 438 of the Higher Education Act or similar allowances authorized from time to time by federal law or regulation.
- (5) Any applicable Interest Subsidy Payments payable in respect of any Guaranteed Loans by the Secretary under Section 428 of the Higher Education Act.
- (6) 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 Rebate Fund) and any and all other real or personal property of every name and nature 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 “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION” herein.

The Portfolios of Guaranteed Loans - Summary Information

A substantial portion of the proceeds of the 1999 Bonds will be used initially to finance Guaranteed Loans and to refinance one or more existing portfolios of Guaranteed Loans held by the Corporation but heretofore financed with certain bank lines of credit. Such Guaranteed Loans to be financed with proceeds of the 1999 Bonds and the Guaranteed Loans financed with proceeds of the Prior Bonds constitute a substantial portion of the Pledged Assets securing the Prior Bonds and the 1999 Bonds and, as of the date hereof, are collectively herein referred to as the “Pledged Loans.” The following charts provide summary information concerning certain characteristics of such Pledged Loans based on information with respect thereto as of May 31, 1999. This information, particularly specific dollar amounts which change as a result of payments received, may have changed since that date; however, the Corporation believes (i) the relative information set forth below will be generally representative of the portfolios of Guaranteed Loans constituting Pledged Assets as of the date proceeds of the 1999 Bonds are to be applied for such purposes, and (ii) the revenues derived with respect to the Pledged Assets will be received at times and in amounts sufficient to pay the principal of and interest on the Prior Bonds and the 1999 Bonds as and when due.

General Information

Total Principal Balance	\$809,163,916
Number of Loans	255,591
Average Balance per Loan	\$3,166
Number of Borrowers	91,108
Average Balance per Borrower	\$8,881

Loan Type Distribution

<u>Loan Type</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
Stafford Loans - Subsidized	\$510,640,010	63.11%	165,190	64.63%
Stafford Loans - Unsubsidized	256,719,615	31.73	80,180	31.37
PLUS - Parental Loans for Undergraduate Students	41,776,174	5.16	10,214	4.00
SLS - Supplemental Loans for Students	28,117	0.00	7	0.00
Total	<u>\$809,163,916</u>	<u>100.00%</u>	<u>255,591</u>	<u>100.00%</u>

Special Allowance Type Distribution

<u>Special Allowance Payment Rates</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
T*+2.20% for Interim Status and T*+2.80% for Repayment Status	\$140,338,090	17.34%	42,884	16.78%
T*+2.50% for Interim Status and T*+3.10% for Repayment Status	468,723,418	57.93	145,511	56.93
T*+3.10%	200,102,408	24.73	67,196	26.29
Total	<u>\$809,163,916</u>	<u>100.00%</u>	<u>255,591</u>	<u>100.00%</u>

* "T" refers as of any relevant time to the average bond-equivalent rate of the 91-day U.S. Treasury obligations auctioned during the immediately preceding calendar quarter.

Remaining Repayment Term Distribution

<u>Remaining Repayment Term (in months)</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
1 to 72	\$ 5,346,581	0.66%	2,483	0.97%
73 to 84	20,125,765	2.49	8,072	3.16
85 to 96	49,265,874	6.09	17,133	6.70
97 to 108	95,183,143	11.76	30,526	11.94
109 to 120	639,242,553	79.00	197,377	77.22
Total	<u>\$809,163,916</u>	<u>100.00%</u>	<u>255,591</u>	<u>100.00%</u>

Borrower Status Distribution

<u>Status</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
In-School	\$272,133,277	33.63%	86,412	33.81%
Grace	124,343,919	15.37	37,851	14.81
Deferment	78,695,269	9.73	24,038	9.40
Forbearance	44,069,057	5.45	13,091	5.12
Repayment	289,348,705	35.76	94,007	36.78
Claim	573,689	0.07	192	0.08
Total	\$809,163,916	100.00%	255,591	100.00%

Location Distribution By Borrower Address

<u>Location</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
Out of State*	\$177,546,335	21.94%	50,599	19.80%
South Carolina	631,617,581	78.06	204,992	80.20
Total	\$809,163,916	100.00%	255,591	100.00%

* In the Out-of-State category, borrowers in no other single state represent more than 4.25% of current principal balance or number of loans.

School Type Distribution

<u>School Type</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
Foreign	\$ 238,413	0.03%	37	0.01%
In-State, 2-Year Private	16,288,149	2.01	7,208	2.82
In-State, 2-Year Public	34,827,773	4.30	20,665	8.09
In-State, 4-Year Private	148,979,927	18.41	48,413	18.94
In-State, 4-Year Public	586,393,747	72.47	173,278	67.80
In-State Private, For Profit	1,589,024	0.20	865	0.34
Out-of-State Private	14,245,671	1.76	3,319	1.30
Out-of-State Private, For Profit	3,672	0.00	1	0.00
Out-of-State Public	6,597,540	0.82	1,805	0.71
Total	\$809,163,916	100.00%	255,591	100.00%

Subsequently Acquired Education Loans

Payments, or portions thereof, received with respect to Pledged Assets, including the Pledged Loans and subsequently acquired Education Loans, may be used and reused as herein described to finance additional or other Guaranteed Loans; and, upon receipt of a confirmation of rating with respect to the Prior Bonds, the 1999 Bonds and any additional Bonds issued and Outstanding under the General Resolution by the Rating Agencies (as herein defined), to finance Alternative Loans which are not so guaranteed, reinsured or insured. As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds and no Alternative Loans are being financed with the initial proceeds of the 1999 Bonds. Alternative Loans could be acquired with payments received with respect to Pledged Assets or with proceeds of additional Bonds and thereby become part of the security for the Prior Bonds, the 1999 Bonds and such additional Bonds only upon satisfaction of the rating confirmation requirement of the General Resolution.

Redemption or Other Payment Prior to Maturity

The following information is subject to and must be read in the context of the information contained under the immediately succeeding subheading entitled "Prepayment Speeds and Average Life."

The 1999 Bonds are not subject to optional or extraordinary optional redemption prior to maturity but are subject to pro-rata principal reduction payments prior to maturity based upon a Targeted Amortization Schedule adopted by the Corporation as set forth below.

The 1996 Series A-1 and A-2 Bonds and the 1997 Series A-1 and A-2 Bonds are also subject to principal reduction payments prior to maturity based upon Targeted Amortization Schedules adopted by the Corporation. As of the date hereof, all such scheduled Targeted Amortization Payments for the 1996 Series A-1 and A-2 Bonds and the 1997 Series A-1 and A-2 Bonds have been made at the times and in the amounts contemplated by such Targeted Amortization Schedules. However, there can be no assurance that such performance will continue in the future with respect to such bonds or that Targeted Amortization Payments for the 1999 Bonds will be made at the times and in the amounts reflected by the schedule below.

If Revenues Available for Debt Service are not sufficient to fully pay Targeted Amortization Payments for all Outstanding Bonds subject thereto, then payments are to be first made with respect to the 1996 Series A-1 and A-2 Bonds and the 1997 Series A-1 and A-2 Bonds before being made with respect to the 1999 Bonds and any additional Senior Lien Bonds subject to such payments. For the 1999 Bonds and any subsequent Bonds subject to such payments, Targeted Amortization Payments are made pro rata based upon the amount due, as adjusted, when Revenues Available for Debt Service are not sufficient to fully make such payments. Deficiencies in scheduled Targeted Amortization Payments are added to the deposit requirement(s) for the next payment or date, as applicable, contemplated by such Targeted Amortization Schedule.

The Corporation has covenanted in the Series Resolution that it will not structure the principal payments of additional Bonds issued under the General Resolution (whether by maturity, mandatory or other sinking fund redemptions or Targeted Amortization Payments) in ways which would result in a postponement of the Targeted Amortization Payments scheduled for the 1999 Bonds as a result of the diversion of Revenues Available for Debt Service to be received from Pledged Assets to the retirement of principal of such additional Bonds. The Corporation is permitted to conclusively rely on a Cash Flow Certificate in complying with this covenant.

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The Targeted Amortization Schedules for the 1996 Bonds (Series A-1 and A-2), the 1997 Bonds (Series A-1 and A-2) and the 1999 Bonds are as follows:

Targeted Amortization Schedules

<u>Date</u>	1996 Bonds	1997 Bonds	1999 Bonds	
	<u>(Series A-1 & A-2)</u>	<u>(Series A-1 & A-2)</u>	<u>Payment</u>	<u>(Remaining % of Par)</u>
09/01/99	\$7,309,516	\$ 8,087,816	\$ -0-	100.0%
12/01/99	8,232,255	6,886,769	-0-	100.0
03/01/00	8,099,305	7,164,727	-0-	100.0
06/01/00	7,926,138	9,184,110	-0-	100.0
09/01/00	7,733,042	11,173,189	-0-	100.0
12/01/00	7,565,647	11,058,024	2,069,676	98.6
03/01/01	7,448,756	10,864,410	11,445,015	91.0
06/01/01	7,125,849	11,041,543	11,206,042	83.5
09/01/01	5,976,636	11,722,537	11,323,890	76.0
12/01/01	5,959,981	11,439,850	11,570,992	68.3
03/01/02	5,797,784	10,028,380	13,574,960	59.2
06/01/02	5,653,237	7,860,940	18,293,312	47.0
09/01/02	1,295,328	12,199,358	15,447,918	36.7
12/01/02	-0 ¹	13,212,626	15,191,871	26.6
03/01/03	-0-	12,996,378	14,988,390	16.6
06/01/03	-0-	12,801,747	15,200,738	6.5
09/01/03	-0-	12,588,104	9,687,196	0.0
12/01/03	-0-	12,366,971	-0-	0.0
03/01/04	-0-	12,172,877	-0-	0.0
06/01/04	-0-	12,001,538	-0-	0.0
09/01/04	-0-	2,160,677	-0-	0.0
12/01/04	-0-	-0 ²	-0-	0.0
03/01/05	-0-	-0-	-0-	0.0
06/01/05	-0-	-0-	-0-	0.0
09/01/05	-0-	-0-	-0-	0.0
12/01/05	-0-	-0-	-0-	0.0
03/01/06	-0 ³	-0-	-0-	0.0
06/01/06		-0-	-0-	0.0
09/01/06		-0-	-0-	0.0
12/01/06		-0-	-0-	0.0
03/01/07		-0-	-0-	0.0
06/01/07		-0-	-0-	0.0
09/01/07		-0-	-0 ⁴	0.0
12/01/07		-0 ⁵		
Totals	\$86,123,474	\$219,012,571	\$150,000,000	

¹ Stated Maturity of 1996 Series A-1 Bonds

² Stated Maturity of 1997 Series A-1 Bonds

³ Stated Maturity of 1996 Series A-2 Bonds

⁴ Stated Maturity of 1999 Series Bonds

⁵ Stated Maturity of 1997 Series A-2 Bonds

Failure by the Corporation to make any payment contemplated by an applicable Targeted Amortization Schedule is not a payment default.

With respect to Targeted Amortization Payments, the Trustee may, to the extent necessary to avoid payments of fractional cents, reduce scheduled payments by up to \$1,000. To the extent the Trustee effects any such reduction, such amount shall be carried over to the next scheduled Targeted Amortization Payment.

Prepayment Speeds and Average Life

The speed at which payments are received on Guaranteed Loans may be measured relative to a prepayment standard or model. The base case pro forma cash flow model used for purposes of projecting the payments on the Pledged Loans to derive the foregoing Targeted Amortization Schedule for the 1999 Bonds is based upon a constant prepayment rate ("CPR") of 7.0%. A 7.0% CPR has been selected by the Corporation as appropriate based upon its historical experience in servicing Guaranteed Loans, including, but not limited to the Pledged Loans. For purposes of projecting payments on the Pledged Loans, CPR is assumed to represent principal prepayments (including prepayments from loan consolidations) and default reimbursements of principal with respect to the Guaranteed Loans composing the Pledged Loans.

"Weighted average life" refers to the average amount of time that will elapse from the date of issuance of the 1999 Bonds until each dollar of principal thereof is repaid. The weighted average life of the 1999 Bonds will be influenced by the actual payment speed on Education Loans which impacts the ability of the Corporation to make payments in accordance with the respective Targeted Amortization Schedules for the 1996 Series A-1 and A-2 Bonds, the 1997 Series A-1 and A-2 Bonds and the 1999 Bonds. The following table illustrates the effect on weighted average life for the 1999 Bonds at various CPR assumptions:

<u>Weighted Average Life of 1999 Bonds (in years) at</u>				
<u>0% CPR</u>	<u>3% CPR</u>	<u>5% CPR</u>	<u>7% CPR</u>	<u>9% CPR</u>
4.7	3.5	3.0	2.9	2.9

In the foregoing table, weighted average life at CPR levels above 7% does not change because, all other assumptions and factors being equal, principal reduction payments with respect to the 1999 Bonds cannot exceed the amounts specified in the applicable Targeted Amortization Schedule regardless of increased prepayment speeds.

There can be no assurance (i) that any assumptions used in the base case cash flow model, including CPR assumptions, are correct, (ii) that cash flows as projected based upon such assumptions will, in fact, be realized, or (iii) that, if realized, such cash flows will be sufficient to make principal reduction payments with respect to the 1996 Series A-1 Bonds, the 1996 Series A-2 Bonds, the 1997 Series A-1 Bonds, the 1997 Series A-2 Bonds or the 1999 Bonds in accordance with their respective Targeted Amortization Schedules or at all. Any variation in actual experience from such assumptions can adversely affect the Corporation's ability to meet the payments contemplated by the Targeted Amortization Schedules for the 1996 Series A-1 and A-2 Bonds, the 1997 Series A-1 and A-2 Bonds and the 1999 Bonds, respectively, and therefore cause the actual weighted average life of the 1999 Bonds to extend beyond that projected based upon such assumptions. Potential purchasers of the 1999 Bonds are again reminded that failure by the Corporation to make any payment contemplated by such targeted amortization schedule shall not constitute a payment default with respect to the 1999 Bonds.

CERTAIN ASSUMPTIONS AND CONSIDERATIONS

Based on what are believed to be reasonable assumptions regarding the current and future composition of and yield on the portfolio of Education Loans, the rate of return on moneys invested in various Funds under the Resolution, and the occurrence of future events and conditions, the Corporation expects that the Pledged Assets will be sufficient to meet principal and interest payments due on the Prior Bonds and the 1999 Bonds. However, there is no assurance, for example, that the amount and timing of Education Loans currently held or to be acquired will conform to current expectations, that interest and principal payments from the Education Loans will be received as anticipated, that the reinvestment rates assumed on the balances in various Funds will be realized, or that Special Allowance Payments with respect to Guaranteed Loans will be received in the amounts and at the times anticipated. Moreover, future events over which the Corporation has no control may materially adversely affect the Corporation's actual receipt of Revenues Available for Debt Service.

In particular, the assumed receipt of principal payments on Education Loans may be accelerated due to various factors, including, among others: (i) default claims or claims due to the disability, death or bankruptcy of the borrowers greater than those assumed; (ii) actual principal amortization periods which are shorter than those assumed based upon the current analysis of the Corporation's Education Loan portfolio; (iii) the commencement of principal repayment by borrowers on dates earlier than those assumed based upon the current analysis of the Corporation's Education Loan portfolio; (iv) principal prepayments due to refinancing or consolidation of Education Loans; (v) economic conditions which encourage borrowers to refinance or prepay their loans prior to maturity; and (vi) changes in federal law which may affect the timing of the receipt of funds by the Corporation.

In addition, the assumed receipt of principal and interest payments on Education Loans may be delayed or reduced due to numerous factors, including, among others: (i) borrowers entering deferment periods due to a return to school or other eligible purposes; (ii) forbearance being granted to borrowers; (iii) Education Loans becoming delinquent for periods longer than assumed; (iv) actual loan principal amortization periods which are longer than those assumed, including, but not limited to, consolidation refinancings by the Corporation of loans constituting Pledged Assets resulting in longer repayment periods; (v) the commencement of principal repayment by borrowers at dates later than those assumed based upon the current analysis of the Education Loan portfolio; and (vi) changes in federal law which may affect the timing of the receipt of funds by the Corporation.

RISK FACTORS

Experience May Vary from Assumptions

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

Interest Differentials

The interest rate on the 1999 Bonds will vary from time to time based on changes in the LIBOR index from which it is determined. The LIBOR index will fluctuate over time based upon market conditions, national and international conditions and numerous other factors, all of which are totally beyond the control or anticipation of the Corporation. The interest payments, and certain other interest related payments, received by the Corporation from Guaranteed Loans will also vary from time to time based on changes in the bond equivalent rate of U.S. Treasury Bills. Because of the differences in the bases for the calculation of interest payable on the 1999 Bonds and the determination of the interest and interest related payments received by the Corporation from Guaranteed Loans securing the Prior Bonds and the 1999 Bonds, there could be times when interest and interest related payments received by the Corporation are not sufficient to cover interest payments to be made on the Prior Bonds and the 1999 Bonds and other costs of the Corporation in servicing such Guaranteed Loans and administering its Student Loan Finance Program.

Changes in the Higher Education Act

The Higher Education Act will have to be reauthorized in 2003. There can be no assurance that such reauthorization will occur or, if it does, that substantial changes will not be made in the Federal Family Education Loan Program as a part of such reauthorization. In recent years federally enacted legislation has made substantial changes to the current guaranteed education loan programs under the Higher Education Act. Among other things, such legislation has established a Federal Direct Student Loan Program and amended the Higher Education Act in ways which affect existing programs. See Exhibit I -- "Summary of Certain Provisions of the Federal Family Education Loan Program." No prior amendments have been retrospective in their application to loans originated or disbursed prior to the effective date of such amendments. Nevertheless, there can be no assurance that the Higher Education Act will be reauthorized by Congress or that such reauthorization will not change current provisions of the Higher Education Act or that future amendments will not be made to all or portions of the Higher Education Act, any or all of which may materially adversely affect the sufficiency of the Guaranteed Loans constituting pledged assets and the Pledged Receipts to pay the principal of and interest on the Bonds and any permitted additional bonds, as and when due.

Noncompliance with the Higher Education Act

Noncompliance with the Higher Education Act with respect to Guaranteed Loans by the Corporation or the Authority may adversely affect payment of principal of and interest on the 1999 Bonds when due. The Higher Education Act and the applicable regulations thereunder require the lenders making Guaranteed Loans, Guarantee Agencies guaranteeing Guaranteed Loans and lenders or servicers servicing Guaranteed Loans to follow certain due diligence procedures in an effort to ensure that Guaranteed 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 Guaranteed Loan is in default, 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 Department of Education, and no attempt has been made in this Official Statement to describe those procedures in their entirety. Failure to follow such procedures may result in the Secretary's refusal to make reinsurance payments to a Guarantee Agency on such loans or may result in the Guarantee Agency's refusal to honor its guarantee on such loans to holders of guaranteed loans, including the Authority. Such action by the Secretary could adversely affect a Guarantee Agency's ability to honor guarantee claims and loss of guarantee payments to the Authority could adversely affect the ability of the Authority to make payment of principal of and interest on the 1999 Bonds.

Uncertainty as to Available Remedies

The remedies available to owners of the 1999 Bonds upon an Event of Default under the General Resolution or other documents described herein are in many respects dependent upon regulatory and judicial actions which often are 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 respective issuances of the 1999 Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Year 2000 Computer Systems Compliance

As noted hereinafter under the heading "Year 2000 Compliance," the Corporation, the Authority and the Trustee currently expect to be Year 2000 compliant with respect to all their respective computer systems and software utilized with respect to the 1999 Bonds, the Education Loans and the Pledged Receipts prior to the year 2000. However, unexpected events may occur or expected events may not occur which, in either case, may adversely affect the efforts of the Corporation, the Authority and/or the Trustee to timely achieve Year 2000 compliance for their respective computer systems and software. Further, neither the Corporation, the Authority nor the Trustee makes any representation as to the Year 2000 compliance or any efforts with respect thereto by the government of the United States of America, and particularly the U.S. Department of Education. Any failure of the Authority, the Corporation, the Trustee, or the government of the United States of America (and particularly the U.S. Department of Education) to achieve such Year 2000 compliance could adversely affect the Guaranteed Loans, the Pledged Receipts, the timing of the receipts of Recoveries of Principal and payments of interest and Special Allowance Payments with respect to the Guaranteed Loans and/or the payment of the 1999 Bonds as and when due.

Based upon its prior experience and on certain assumptions (see "CERTAIN ASSUMPTIONS AND CONSIDERATIONS" and "THE CORPORATION" herein), the Corporation believes that it can perform all required administrative and servicing functions with respect to the Pledged Assets in the manner and at the times required so as to not materially impair the Pledged Assets or the revenues to be realized with respect thereto. However, a material (although declining) part of the revenues of the Corporation are derived from its contracted activities for or on behalf of the Authority which are unrelated to the Bonds or the Pledged Assets. While the Corporation does not anticipate any termination of or adverse change in its contractual relationships with the Authority, there can be no assurance that such terminations or adverse changes will not occur or that, if occurring, they will not have a material adverse effect on the ability of the Corporation to perform its responsibilities under the Resolution and the Higher Education Act with respect to the Pledged Assets.

EXPECTED APPLICATION OF 1999 BOND PROCEEDS

The proceeds of the 1999 Bonds are to be used first for a deposit to the Debt Service Reserve Fund to meet the Debt Service Reserve Requirement. Next, the proceeds of the 1999 Bonds are to be used for a deposit to the Interest Account of the Debt Service Fund to provide a portion of the amount anticipated to be needed to pay the first interest payments with respect to the 1999 Bonds. Next, the proceeds of the 1999 Bonds are to be used for a deposit to the Cost of Issuance Account in the Program Fund in an amount to pay costs of issuance of the 1999 Bonds. 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 the foregoing deposits are made, the remainder of the proceeds of the 1999 Bonds will be deposited in the Loan Account of the Program Fund. Proceeds of the 1999 Bonds in the Loan Account will be initially applied for the financing and refinancing of Guaranteed Loans.

The Corporation presently estimates that the proceeds of sale of the 1999 Bonds will be applied approximately as follows:

Deposit to the Loan Account of Program Fund, to be used to finance Guaranteed Loans	\$145,975,000
Deposit to the Debt Service Reserve Fund	2,250,000
Deposit to the Interest Account of the Debt Service Fund	600,000
Underwriting discount and deposit to the Program Fund to pay certain other Costs of Issuance	<u>1,175,000</u>
Total	<u>\$150,000,000</u>

THE CORPORATION

The Corporation is a nonprofit, public benefit corporation incorporated on November 15, 1973 pursuant to the laws of the State of South Carolina. 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 of 1965, as amended (the "Higher Education Act"). The Corporation has been designated by the South Carolina State Education Assistance Authority (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, serves as the principal originator and servicer of Guaranteed Loans (as hereinafter defined) guaranteed by the Authority.

Management and Administration

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

Board of Directors of the Corporation *

<u>Name of Director</u>	<u>Principal Occupation</u>	<u>Term Ends</u>
Fred L. Green, III, Chairman	President & CEO, National Bank of South Carolina	6/30/02
G. Lee Cory, Vice Chairman	Retired President, Branch Banking & Trust Company of South Carolina	6/30/01
Paul W. Stringer, Vice Chairman	President, The Palmetto Bank	6/30/00
H. Roderick Murchison, Treasurer	Treasurer, South Carolina Public Service Authority (Santee Cooper)	6/30/00
William M. Mackie, Jr., Secretary	President and CEO, South Carolina Student Loan Corporation	6/30/01
Melvin E. Barnette	President, Melvin E. Barnette & Associates, Inc.	6/30/02
Robert W. Derrick	Senior Vice President, Wachovia Bank, N.A.	6/30/02
R. Thornwell Dunlap, Jr.	Chairman of the Board, The County Bank	6/30/00
Robert C. Gallagher	Vice President, Finance Administration, Medical University of South Carolina	6/30/01
J. Thorton Kirby	Executive Secretary to the Board of Trustees, Clemson University	6/30/02
James C. McColl	Executive Vice President, Bank of America, N.A.	6/30/01
Dr. Dennis A. Pruitt, Jr.	Vice Pres. for Student & Alumni Services and Dean of Students - University of South Carolina	6/30/00

* Members of the Board of Directors whose terms expired 6/30/99 are Jeffrey R. Scott (former Chairman), Dr. John J. Duffy and Marion E. Woodbury.

The Corporation's principal office is located at 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 200 people and maintains an internet site at <http://www.slc.sc.edu>. The Corporation's Senior Management is as follows:

Senior Management

William M. Mackie, Jr., *President and CEO*
J. Kenneth Player, *Executive Vice President and COO*
Norma M. Bowman, *Vice President-Human Resources*
Michael E. Fox, *Vice President-Guaranty Agency Services*
Jennifer A. Jones-Gaddy, *Vice President-Loan Originations*
Marsha B. King, *Vice President-Support Services*
Wayne R. Kirby, *Vice President-Information Systems*
Gerald I. Long, *Vice President-Repayment Services*
Laura J. Rowell, *Vice President-Fiscal Operations*

William M. Mackie, Jr. serves as President and Chief Executive Officer of the Corporation and is responsible for overall corporate management and direction. Mr. Mackie also serves as Secretary of the Corporation's Board of Directors. He has served as the Corporation's chief executive officer since its founding in 1974. Mr. Mackie previously served as the Associate Director of Admissions and Financial Aid at Wake Forest University from 1964 to 1974. He received a B.S. and an M.Ed. from Wake Forest University. Mr. Mackie is professionally very active in the National Council of Higher Education Loan Programs, having served as President in 1992-93, and is also presently a member of the Board of Directors of the Education Finance Council.

J. Kenneth Player serves as Executive Vice President and Chief Operating Officer of the Corporation and has been responsible for the day-to-day management and coordination of all corporate business activities since 1977. Mr. Player currently serves on the Board of the Southern Association of Student Financial Aid Administrators. He also is very active in the South Carolina Association of Student Financial Aid Administrators, having previously served as President, and is a former Chairman of the Debt Management Committee of the National Council of Higher Education Loan Programs. Mr. Player received his B. S. degree in Accounting from Brigham Young University and his MBA from the University of South Carolina.

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. Since its inception, the Corporation has originated more than 650,000 loans to more than 281,000 students and parents.

Servicing of Guaranteed Loans

Since May 31, 1979, the Corporation has serviced all student and parent loans it has made, all student and parent loans made by the Authority and all student and parent loans financed or owned by various commercial banks, pending purchase by the Corporation of such loans from the proceeds of a series of bonds under the Authority's 1979 Resolution, its 1993 Resolution or the General Resolution.

The Corporation provides the personnel necessary to perform all servicing of Guaranteed Loans, which services include, but are not limited to: verifying that all required documents for each Guaranteed Loan have been delivered and that each loan qualifies as a Guaranteed 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 Guaranteed Loans.

As of May 31, 1999, the aggregate principal amount of Guaranteed Loans being serviced by the Corporation was \$1,188,751,408. Since the inception of the Corporation, the cumulative aggregate principal amount of Guaranteed Loans serviced by the Corporation totals approximately \$1,831,704,569. Over such period, the net loss experienced with respect to Guaranteed Loans serviced by the Corporation due to denied guaranty claims totals \$88,675 which is less than 0.005% of the cumulative amount of Guaranteed Loans serviced by the Corporation during its existence. There can be no assurance that future net loan losses will not be materially higher.

Other Programs

The Corporation currently administers other loan programs in the State, including a Teachers Loan Program and a Professional Access Loan Program. Loans made under these programs are not pledged as security for the benefit of any Bonds of the Corporation.

Financial Information

Certain financial information with respect to the Corporation is provided in Exhibit III 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 Official Statement and the Corporation makes no representation that such changes have not occurred.

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 Durham v. McLeod, 259 S.C. 409, 192 S.E.2d 202, appeal dismissed 413 U.S. 902. 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 which have been approved by the Authority. Such institutions may be located within or beyond the boundaries of the State.

The Authority is governed by its members, who under the Act are the members of the State Budget and Control Board. 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

Hon. James H. Hodges
Hon. Grady L. Patterson, Jr.
Hon. James A. Lander
Hon. John Drummond
Hon. Henry E. Brown, Jr.

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 Authority discharges its statutory obligations through two distinct programs. The program through which the Authority conducts its guarantee activities is herein referred to as the "Student Loan Insurance Program." The program through which the Authority and the Corporation finance Guaranteed Loans is herein referred to as the "Student Loan Finance Program."

Student Loan Insurance Program

In May of 1978, the Authority initiated its Student Loan Insurance Program and commenced guaranteeing student loans as the guarantee agency for the State 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 May 31, 1999, the outstanding principal amount of student loans guaranteed by the Authority, and originated and serviced by the Corporation, was \$1,188,070,754 of which \$610,403,060 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" herein.

Pursuant to the Authority's Student Loan Insurance Program, any eligible holder of a loan guaranteed by the Authority, including the Authority in its capacity as an eligible holder, is entitled to reimbursement from the Authority for 100% of any proven loss incurred resulting from the default, death, permanent and total disability, or discharge in bankruptcy of the borrower for loans disbursed prior to October 1, 1993 and 98% of any

proven loss incurred with respect to defaulted claims (and 100% of any proven loss with respect to certain other claims) thereafter. See Exhibit I - "Summary of Certain Provisions of the Federal Family Education Loan Program" herein.

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 that a request is submitted for reimbursement. The Higher Education Act requires that the Authority submit a request for reimbursement by the Secretary within 45 days from the date the claim is paid. Under present practice, after the Secretary reimburses the Authority for a default claim paid on a Guaranteed Loan, the Authority must continue to seek repayment from the borrower. Following are the Authority's default and recovery rates for the most recent six Federal Fiscal Years:

<u>Federal Fiscal Year Ended September 30</u>	<u>Default Claims</u>	<u>Default Rate (Trigger Rate)*</u>	<u>Recoveries</u>	<u>Recovery Rate</u>
1993	\$ 3,988,365	1.79%	\$ 2,728,261	27.68%
1994	4,297,194	1.77%	3,488,963	28.96%
1995	3,396,335	1.10%	2,587,870	18.42%
1996	3,068,872	0.83%	3,496,604	22.63%
1997	4,680,855	0.94%	3,534,451	22.31%
1998	5,917,897	0.98%	3,812,821	18.00%

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

If a payment on a Guaranteed 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 24% of the borrower's payment. Under this formula, the Authority retains 24% 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" herein.

Loan Guarantee Reserve Fund

Pursuant to the Act, the Authority has established a Loan Guarantee Reserve Fund to further secure its loan guarantee obligations. The Loan Guarantee Reserve Fund 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 insurance or reinsurance.

Sources of funds for the Loan Guarantee Reserve 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 student loans, including federal funds made available for such purpose. The Authority has not charged guaranty premiums for loans guaranteed since March 1, 1999; however, the Authority has reserved the right to reinstate such charges at such times and in such lawful amounts as it deems appropriate. The liability of the Authority to guarantee student and parent loans does not constitute a pledge of the faith and credit of the State but is payable solely from moneys in the Loan Guarantee Reserve Fund.

After payment of the second of five equal annual installments of \$1,366,043 in reserve recall payments to the Secretary of Education (as further described below), funds available in the Loan Guarantee Reserve Fund were approximately \$19,286,809 as of March 31, 1999. Funds available in the Loan Guarantee Reserve Fund

are restricted by federal regulations and recent amendments to the Higher Education Act. Further, additional reserve recalls have been enacted by Congress as a part of the 1998 reauthorization of the Higher Education Act. However, the Authority has not yet been advised what its share of such additional recalls will be. See “Federalization and Recall of Guarantee Agency Reserves” below.

Federalization and Recall of Guarantee Agency Reserves

1993 Amendments to the Higher Education Act. Section 422 of the Higher Education Act of 1965, as amended (particularly the amendment by Public Law 103-66 effective on August 10, 1993), provides that the reserve funds of all Guarantee Agencies under the 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 Act. (United States Code, Title 20, Section 1072(g)). The Act further provides that the Secretary may direct a guarantee 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 guarantee agency.

The Balanced Budget Act of 1997 (Public Law 105-33) (the “1997 Budget Act”) further amended Section 422 of the Act to require the Secretary to recall One Billion Dollars (\$1,000,000,000) from the reserve funds held by all Guarantee Agencies on September 1, 2002. The amendment imposes a four-stage recall process. First, all reserve funds of each guarantee agency which exceed a reserve ratio of 2% are recalled. The reserve ratio is defined as the amount held in a guarantee agency's reserve fund as of September 30, 1996 as a percentage of the original principal amount of all loans for which the guarantee agency has an outstanding insurance obligation as of such date. Second, to the extent there is a shortfall in achieving the required amount after the first-stage recall, each guarantee agency is subject to an additional reserve recall in an “equal percentage reduction” determined by dividing the amount of the shortfall by the total remaining reserves of all Guarantee Agencies, but no guarantee agency reserve can be reduced below a 0.58% reserve ratio. Third, to the extent a shortfall remains after the equal percentage reduction in stage two, a second “equal percentage reduction” is determined by dividing the remaining shortfall amount by the total remaining reserves of all Guarantee Agencies that exceed a reserve ratio of 0.58%. Fourth, if a shortfall still exists on September 1, 2002, the Secretary must require the return of the shortfall from other reserve funds held by the Guarantee Agencies under procedures established by the Secretary.

Commencing October 1, 1997 and each federal fiscal year thereafter, each guarantee agency is required to transfer its required share of recalled reserves to a restricted account in five equal installments. No guarantee agency may use the funds in its restricted account for any purpose without the express written consent of the Secretary, except that earnings from such restricted account may be used for “default reduction activities” as defined in the Act.

To comply with the 1997 Budget Act, the Authority has established a Public Law 105-33 Recall Account (the “Recall Account”) and a Public Law 105-33 Earnings Account pursuant to a Custody Agreement with The Bank of New York. As of the date hereof, the Authority's first two installments totaling \$2,732,086 have been deposited in the Recall Account. Three additional equal annual installments of \$1,366,043 will be made to meet the Authority's obligations under the 1997 Budget Act.

1998 Reauthorization of the Higher Education Act. The 1998 reauthorization of the Higher Education Act added new Sections 422A and 422B to the Act. Section 422A requires each guarantee agency to establish a Federal Student Loan Reserve Fund (the “Federal Fund”) into which all federal reserves are to be deposited. Additionally, all reinsurance payments from the Secretary and the reinsurance percentage of all default collections are to be deposited in the Federal Fund. Subject to some transitional exceptions, amounts in the Federal Fund can 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 Section 422B. Earnings on the Federal Fund are the sole property of the federal government.

Section 422B requires each guarantee agency to establish an Agency Operating Fund within 45 days of enactment of the 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) are required to be

deposited in the Agency Operating Fund. Funds in the Operating Fund can 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 is considered to be the property of the guarantee agency. As of March 31, 1999, the balance in the Authority's Agency Operating Fund was \$1,131,831.

Additionally, the 1998 reauthorization legislation requires the Secretary to annually recall additional guarantee agency reserves in the amounts of \$85,000,000 for federal fiscal year 2002 and \$82,500,000 respectively in each of federal fiscal years 2006 and 2007 (total additional recall of \$250,000,000). Each guarantee agency is required to annually return its required share of this additional recall of reserves. The required share is determined on an equal percentage basis by dividing the total additional recalled amount by the total amount of all Guarantee Agencies' reserves held on September 30, 1996 less any amounts subject to prior recall under the Balanced Budget Act of 1997.

Payment by Secretary Upon Guarantee Agency Insolvency. Under Section 432(o) of the Higher Education Act of 1965, as amended (United States Code, Title 20, Section 1082(o)), in the event that the Secretary determines that a guarantee agency is unable to meet its insurance obligations with respect to payment of default claims, the holder of loans insured by the guarantee agency may submit insurance claims directly to the Secretary and the Secretary shall pay to the holder the full insurance obligation of the guarantee agency, in accordance with insurance requirements no more stringent than those of the guarantee agency. However, the Secretary's obligation to pay guaranty claims directly in this fashion is contingent upon the Secretary making the determination referred to above. There can be no assurance that the Secretary will ever make such a determination with respect to any specific guarantee agency or, if such a determination was made, whether such determination or the ultimate payment of such guaranty claims would be made in a timely manner.

See also "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" in Exhibit I hereto.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The 1999 Bonds are the fourth series of bonds issued by the Corporation under the General Resolution and are issued as Senior Lien Bonds. The 1999 Bonds are issued on a parity and equality of lien with the Corporation's (i) Education Loan Revenue Bonds, 1996 Series issued on July 11, 1996 in the initial aggregate principal amount of \$223,900,000 as 1996 Series A-1 and A-2 Treasury Indexed Bonds and 1996 Series A-3 Auction Rate Bonds (ii) Education Loan Revenue Bonds, 1997 Series issued on May 15, 1997 in the initial aggregate principal amount of \$335,300,000 as 1997 Series A-1 and A-2 Treasury Indexed Bonds and 1997 Series A-3 Auction Rate Bonds, and (iii) Education Loan Revenue Bonds, 1998 Series issued on May 14, 1998 in the initial principal amount of \$211,400,000 as 1998 Series A-1 and A-2 Auction Rate Bonds. These Prior Bonds are also Senior Lien Bonds having a parity of lien with the 1999 Bonds on the Pledged Assets. As of the date hereof, the 1996 Bonds are Outstanding in the aggregate principal amount of \$171,123,474, the 1997 Bonds are Outstanding in the aggregate principal amount of \$299,012,571 and the 1998 Bonds are Outstanding in the aggregate principal amount of \$211,400,000. Prior to the issuance of the 1996 Bonds, all such bonds were issued by the Authority which in turn loaned the net proceeds of such bonds to the Corporation to acquire Guaranteed Loans. The 1999 Bonds are issued under the 1999 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.

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Funds and Accounts

The General Resolution creates the following Funds and Accounts:

- (1) Program Fund
 - Loan Account
 - Tax Exempt Bond Subaccount
 - Taxable Bond Subaccount
 - Cost of Issuance Account
- (2) General Revenue Fund
- (3) Debt Service Fund
 - Interest Account
 - Principal Account
- (4) Debt Service Reserve Fund
 - Senior Lien Account
 - Subordinate Lien Account
- (5) Operating Fund
- (6) Rebate Fund

Each of the above Funds and Accounts (except for the Rebate Fund), and any other Accounts which 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 Bonds.

Application of Proceeds of Bonds

The proceeds, exclusive of accrued and capitalized interest, if any, of any series of Bonds, after the deposit, if any, to meet a Debt Service Reserve Requirement, are required to be deposited in the Program Fund as specified in the applicable Series Resolution. Accrued and capitalized interest, if any, received upon delivery of the Bonds must be deposited in the Interest Account within the Debt Service Fund. Amounts are required to be deposited or maintained in the Debt Service Reserve Fund as described under the heading "THE 1999 BONDS--Security for the 1999 Bonds".

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 each series, there will be deposited in the Cost of Issuance Account such costs of issuing the series of Bonds 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 any series of Bonds will be deposited in the Loan Account of the Program Fund. Moneys in the Loan Account will be applied for the financing of Guaranteed Loans or, as applicable, Alternative Loans under the Student Loan Finance Program.

Priority of Application of Moneys Received as Pledged Assets

Under the General Resolution, all moneys received by or on behalf of the Corporation as Pledged Assets, and any other moneys or assets so designated by the Corporation from time to time, are to be deposited monthly by the Corporation to the credit of the General Revenue Fund. Moneys in the General Revenue Fund are to be applied monthly by the Trustee in the following amounts and order of priority:

First, to the Interest Account of the Debt Service Fund for payment or provision for payment of interest due or coming due on Outstanding Senior Lien Bonds;

Second, to the Principal Account of the Debt Service Fund for payment or provision for payment of principal of Outstanding Senior Lien Bonds due or coming due (other than targeted amortization payments under *Eighth* below);

Third, to the Interest Account of the Debt Service Fund for payment or provision for payment of interest due or coming due on Outstanding Subordinate Lien Bonds, if any;

Fourth, to the Principal Account of the Debt Service Fund for payment or provision for payment of principal of Outstanding Subordinate Lien Bonds, if any due or coming due (other than targeted amortization payments under *Ninth* below);

Fifth, to the Operating Fund, an amount that, when added to the amount therein will equal the Corporation's budgeted expenses in carrying out and administering its Student Loan Finance Program under the Resolution for the current month and such additional amount as the Corporation directs up to four months of such expenses in total as reflected by the Corporation's annual budget, as amended or supplemented, for the fiscal year and filed with the Trustee;

Sixth, to the Debt Service Reserve Fund--Senior Lien Account, so much as may be required so that the amount therein shall equal the Debt Service Reserve Requirement for all Senior Lien Bonds then Outstanding;

Seventh, to the Debt Service Reserve Fund--Subordinate Lien Account, so much as may be required so that the amount therein shall equal the Debt Service Reserve Requirement for all Subordinate Lien Bonds then Outstanding, if any;

Eighth, to the Principal Account of the Debt Service Fund, an amount required to pay or provide for the payment of any targeted amortization payments with respect to the 1996 Series A-1 and A-2 Bonds then Outstanding, the 1997 Series A-1 and A-2 Bonds Outstanding, the 1999 Bonds Outstanding and any other Senior Lien Bonds as to which the Corporation has elected to make targeted amortization payments; provided, however, if Revenues Available for Debt Service are not sufficient to pay Targeted Amortization Payments with respect to each Class and Series, then payments shall be made in the order of issuance by Series and to the earliest maturities within a Series; provided further, that such payments with respect to Bonds issued after May 4, 1999, shall be made on a pro rata basis based upon the amount of the Targeted Amortization Payments due, as adjusted.

Ninth, to the Principal Account of the Debt Service Fund, an amount designated by the Corporation to pay or provide for the payment of any targeted amortization payments with respect to Subordinate Lien Bonds as to which the Corporation has elected to make targeted amortization payments, if any; provided, however, if Revenues Available for Debt Service are not sufficient to pay Targeted Amortization Payments with respect to each Class and Series, then payments shall be made in the order of issuance by Series and to the earliest maturities within a Series; provided further, that such payments with respect to

Bonds issued after May 4, 1999, shall be made on a pro rata basis based upon the amount of the Targeted Amortization Payments due, as adjusted.

Tenth, to the extent that the sum of (a) the outstanding principal amount of, and accrued interest on, the Education Loans (as certified by the Corporation on the first day of each calendar month) and (b) all amounts held in the funds and accounts under the Resolution, other than the Operating Fund and the Rebate Fund, calculated in accordance with the Resolution exceeds (i) 112% of the principal amount of all Outstanding Senior Lien Bonds and (ii) 103% of the principal amount of all Outstanding Bonds after such withdrawal, to pay such excess to the Corporation to the extent requested by the Corporation; and,

Eleventh, the balance, if any, shall be transferred at the direction of the Corporation to the Loan Account of the Program Fund (up to the amount authorized in an applicable Series Resolution) or to the Principal Account of the Debt Service Fund to effect a redemption of Bonds or to make Targeted Amortization Payments (as directed in an applicable Series Resolution). The 1999 Series Resolution with respect to the 1999 Bonds provides that no such transfer will be made to the Loan Account (i) to finance Education Loans resulting in (A) more than 2% in aggregate principal amount of Education Loans outstanding to or for the benefit of students attending or having attended for-profit schools, (B) more than 20% in aggregate principal amount of Consolidation Loans, (C) more than 7% in aggregate principal amount of PLUS and SLS loans, (D) an expected final payment on a date later than the latest final maturity of any Bonds Outstanding, or being more than 180 days delinquent, unless a Cash Flow Certificate is provided to each Rating Agency, or (ii) after June 1, 2003, unless such date is extended by each Rating Agency. If no such direction is given by the Corporation or if such a direction is given and transferred moneys are not used to acquire Education Loans within six (6) months of the date of transfer, the Trustee will transfer such balance or unapplied balance, as applicable, to the Principal Account of the Debt Service Fund to effect a retirement of Bonds subject to retirement, either by redemption, Targeted Amortization Payment or other means.

Determination of Priority Deposit and Use Amounts

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 Pledged Assets in the order of priority as to which such moneys are to be applied.

Debt Service Fund - Interest Account--Senior Lien Bonds

The first priority for the monthly transfers of moneys from the General Revenue Fund is a deposit to the Interest Account of the Debt Service Fund in an amount segregated therein for Senior Lien Bonds which is such that, if the same amount is so deposited in the Interest Account from the same source on the same day of each succeeding calendar month thereafter prior to the next Interest Payment Date, the aggregate of the amounts so paid and credited to the Interest Account, when added to any amount on deposit in the Interest Account on the day of the calculation and segregated therein for such purpose, would on such Interest Payment Date be equal to the interest on all Outstanding Senior Lien Bonds accrued and unpaid as of such date. In the event that different Interest Payment Dates are established in respect of different Series of Senior Lien Bonds, deposits in the Interest Account shall be made in accordance with the foregoing calculation applied separately to each such different Series. In the event that amounts representing capitalized interest have been deposited in the Interest Account from the proceeds of a Series of Senior Lien Bonds, such deposit shall, to the extent thereof, be deemed to be in lieu of deposits otherwise required to be made into the Interest Account for the succeeding calendar months in order to provide for the payment of interest on Senior Lien Bonds of such Series.

Debt Service Fund - Principal Account--Senior Lien Bonds

The second priority for the monthly transfers from the General Revenue Fund is a deposit to the Principal Account of the Debt Service Fund whenever a principal payment of Senior Lien Bonds is to fall due within one year of the date of transfer, in an amount such that, if the same amount is so deposited in the Principal Account from the same source on the same day of each succeeding calendar month thereafter prior to the next date upon which a Principal Installment of Senior Lien Bonds is due, the aggregate of the amounts so deposited, when added to the amounts already on deposit in the Principal Account on the day of calculation, would on such Principal Installment Date be equal to the amount of all unpaid Principal Installments as of such date. In the event that different dates (within one year of the date of transfer) on which Principal Installments fall due are established in respect of different Series of Senior Lien Bonds, deposits in the Principal Account shall be made in accordance with the foregoing calculation applied separately to each such different Series. There shall also be deposited to the Principal Account, whenever Senior Lien Bonds have been duly called for redemption and such redemption is to occur within thirty days, an amount equal to the principal amount of Senior Lien Bonds to be redeemed on such redemption date.

Debt Service Fund - Interest Account--Subordinate Lien Bonds

The third priority for the monthly transfers of moneys from the General Revenue Fund is a deposit in the Debt Service Fund-Interest Account of an amount segregated therein for Subordinate Lien Bonds which is such that, if the same amount is so deposited in the Interest Account from the same source on the same day for each succeeding calendar month prior to the next Interest Payment Date, the aggregate of the amounts so deposited, when added to any amount on deposit in the Interest Account on the day of the calculation and segregated therein for such purpose, would equal the interest on all Outstanding Subordinate Lien Bonds accrued and unpaid as of such date. In the event that different Interest Payment Dates are established in respect of different Series of Subordinate Lien Bonds, deposits in the Interest Account shall be made in accordance with the foregoing calculation applied separately to each such different Series. In the event that amounts representing capitalized interest have been deposited in the Interest Account from the proceeds of a Series of Subordinate Lien Bonds, such deposit shall be deemed to be in lieu of deposits otherwise required to be made into the Interest Account for the succeeding calendar months in order to provide for the payment of interest on Subordinate Lien Bonds of such Series, to the extent that such amount representing capitalized interest equals the aggregate of such deposits otherwise required to be made.

Debt Service Fund - Principal Account--Subordinate Lien Bonds

The fourth priority for the monthly transfers from the General Revenue Fund is a deposit in the Principal Account of the Debt Service Fund, whenever a Principal Installment of Subordinate Lien Bonds is to fall due within one year of the date of transfer, in an amount such that, if the same amount is so deposited in the Principal Account from the same source on the same day of each succeeding calendar month thereafter prior to the next date on which a Principal Installment is due, the aggregate of the amounts so deposited, when added to any amount on deposit in the Principal Account on the day of calculation, would on such Principal Installment Date equal all unpaid Principal Installments as of such date. In the event that different dates (within one year of the date of transfer) on which Principal Installments fall due are established in respect of different Series of Subordinate Lien Bonds, deposits in the Principal Account shall be made in accordance with the foregoing calculation applied separately to each such different Series. There shall also be deposited to the Principal Account, whenever Subordinate Lien Bonds have been duly called for redemption and such redemption is to occur within thirty days, an amount equal to the principal amount of Subordinate Lien Bonds to be redeemed on such redemption date.

Operating Fund

The fifth priority for the monthly transfers from the General Revenue 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. The Operating Fund Requirement as of any date equals (i) the Monthly Requirements for Operating Costs of the Corporation for the current month and (ii) such additional amount as the Corporation deems appropriate, but in no event more than four months of operations in total as reflected in the Annual Budget.

Moneys in the Operating Fund are to be utilized to pay Operating Costs (and when so paid out are free and clear of the pledge created by the General Resolution), except that moneys remaining within the Operating Fund at any time must first be utilized to pay principal of and interest on the Bonds to the extent that there would otherwise be a default in payment. Operating Costs of the Corporation include all expenses of administering the Student Loan Finance Program, fees and expenses of the Paying Agents and other agents or functionaries with respect to the Bonds as well as Costs of Issuance other than those paid from Bond proceeds, including payments for commitments to purchase Guaranteed Loans.

Debt Service Reserve Fund - Senior Lien Account

The sixth priority for the monthly transfers from the General Revenue Fund is a deposit of moneys in the Senior Lien Account of the Debt Service Reserve Fund so that it contains an amount at least equal to the Debt Service Reserve Requirement for all Senior Lien Bonds then Outstanding. The Debt Service Reserve Requirement for each series of Bonds is to be established in the Series Resolution authorizing such Series.

Debt Service Reserve Fund - Subordinate Lien Account

The seventh priority for the monthly transfers from the General Revenue Fund is a deposit in the Subordinate Lien Account of the Debt Service Reserve Fund so that it contains an amount at least equal to the Debt Service Reserve Requirement for all Subordinate Lien Bonds then Outstanding.

Debt Service Fund - Principal Account (For Targeted Amortization Payments on Senior Lien Bonds)

The eighth priority for the monthly transfers from the General Revenue Fund is a deposit in the Principal Account of the Debt Service Fund in an amount such that, if available amounts are so paid and credited to the Principal Account from the same source on the same day of each succeeding calendar month thereafter, then prior to the next day upon which a Targeted Amortization Payment is to be made of Principal of a series of Senior Lien Bonds prior to maturity to the extent Revenues Available for Debt Service are sufficient for such purpose (as set forth in an applicable Series Resolution), the aggregate of the amount so deposited, when added to any amount on deposit in the Principal Account on the day of calculation and segregated therein for such purpose, would be on such date equal to, but not in excess of, the amount of all accrued and unpaid such Targeted Amortization Payments for such Senior Lien Bonds as of such date; provided, if Revenues Available for Debt Service are not sufficient to pay Targeted Amortization Payments with respect to each Class and Series, then payments shall be made in the order of issuance by Series and to the earliest maturities within a Series; provided further, that such payments with respect to Bonds issued after May 4, 1999, shall be made on a pro rata basis based upon the amount of the Targeted Amortization Payments due, as adjusted. The amount of any such insufficiency shall be added to such deposit requirement for the succeeding month.

Debt Service Fund - Principal Account (For Targeted Amortization Payments on Subordinate Lien Bonds)

The ninth priority for the monthly transfers from the General Revenue Fund is a deposit in the Principal Account of the Debt Service Fund in an amount such that, if available amounts are so paid and credited to the Principal Account from the same source on the same day of each succeeding calendar month thereafter, then prior to the next day upon which a Targeted Amortization Payment is to be made of Principal of a series of Subordinate Lien Bonds prior to maturity to the extent Revenues Available for Debt Service are sufficient for such purpose (as set forth in an applicable Series Resolution), the aggregate of the amount so deposited, when added to any amount on deposit in the Principal Account on the day of calculation and segregated therein for such purpose, would be on such date equal to, but not in excess of, the amount of all accrued and unpaid such Targeted Amortization Payments for such Subordinate Lien Bonds as of such date; provided, if Revenues Available for Debt Service are not sufficient to pay Targeted Amortization Payments with respect to each Class and Series, then payments shall be made in the order of issuance by Series and to the earliest maturities within a Series; provided further, that such payments with respect to Bonds issued after May 4, 1999, shall be made on a pro rata basis based upon the amount of the Targeted Amortization Payments due, as adjusted. The amount of any such insufficiency shall be added to such deposit requirement for the succeeding month.

Disbursements to the Corporation

The tenth priority for the monthly transfers from the General Revenue Fund is, to the extent that the sum of the outstanding principal amount of, and accrued interest on, the Education Loans (as certified by the Corporation on the first day of each calendar month) and all amounts held in the funds and accounts thereunder, the value of which shall be calculated in accordance with the General Resolution, other than the Operating Fund and the Rebate Fund, will exceed (i) 112% of the principal amount of all Outstanding Senior Lien Bonds and (ii) 103% of the principal amount of all Outstanding Bonds, such excess may be paid to the Corporation to the extent requested by the Corporation.

Loan Account or Principal Account - As Directed By the Corporation

The eleventh priority for the monthly transfers from the General Revenue Fund is that the balance, if any, remaining after all preceding priority transfers have been made shall be transferred at the direction of the Corporation, to the Loan Account (up to the amount authorized in an applicable Series Resolution) or to the Principal Account to effect a redemption of Bonds or to make Targeted Amortization Payments (as directed in an applicable Series Resolution).

Rebate Fund

Within 90 days after the anniversary date of each series of Bonds issued with the intention that the interest thereon be excluded from the gross income of the owners thereof for purposes of regular Federal income taxation, the Corporation is required by the terms of the General Resolution to file with the Trustee a report setting forth the "Rebate Amount" as defined in the General Resolution. All such Rebate Amounts must be deposited into the Rebate Fund. Moneys in the Rebate Fund, including investment earnings thereon, if any, are not subject to the pledge of the General Resolution and may be applied solely to pay amounts owed to the United States pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended, or the comparable provisions of any applicable successor Code or law.

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. See Exhibit II, "GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND 1999 SERIES RESOLUTIONS", for the definition of the term "Investment Obligations."

Conditions Precedent to Authentication and Delivery of a Series of Bonds

Bonds may be authenticated by the Trustee and delivered under the General Resolution by or on behalf of the Corporation only upon receipt by the Trustee of:

- (i) a copy of the Series Resolution authorizing the Series, certified by an Authorized Officer of the Corporation;
- (ii) a written order of the Corporation as to the delivery of such Bonds;
- (iii) a Counsel's Opinion stating that in the opinion of such Counsel the General Resolution and the Series Resolution have been duly adopted by the Corporation; the principal amount of the Bonds to be issued, together with the principal amount of Bonds, notes and other obligations of the Corporation theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law; the General Resolution and the Series Resolution are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, except as their enforcement may be limited by applicable laws relating to the enforcement of creditors' rights generally; the General Resolution creates the valid

pledge which it purports to create subject only to the provisions of the General Resolution permitting the application of the Pledged Assets for or to the purposes and on the terms and condition set forth therein; and, upon execution, authentication and delivery thereof, the Bonds of such Series will be duly and validly issued and will constitute valid and binding obligations of the Corporation entitled to the benefits of the General Resolution and the applicable Series Resolution;

- (iv) a written order of the Corporation signed by an Authorized Officer directing the deposit in the Debt Service Reserve Fund of so much (if any) of (i) the proceeds of the Bonds to be issued, upon their issuance, sale and delivery or (ii) such other funds of the Corporation, so that the aggregate amount then held by the Trustee in said 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 setting forth that the anticipated need for Education Loans to be financed from proceeds of Bonds of such Series is such that the amount to be deposited in the Loan Account in connection with the issuance of such Series is reasonably expected to be fully expended to meet such anticipated need;
- (vii) (A) a Certificate of an Authorized Officer of the Corporation establishing that for the current and each future Fiscal Year until all Bonds to be Outstanding after the delivery of the Bonds of such Series have matured, Revenues Available for Debt Service in each such Fiscal Year are anticipated to be fully sufficient to pay when due principal of, premium, if any, and interest on all Bonds Outstanding, as well as Operating Costs for each such Fiscal Year, which Certificate may rely upon data and computations made on behalf of the Corporation, and (B) written evidence from each Rating Agency that the issuance of such Bonds shall not result in a reduction or withdrawal of the then current rating on any Bonds Outstanding;
- (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 and confirmation of ratings on all Bonds Outstanding; and
- (x) executed 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 Bonds may be authenticated and issued under the General Resolution unless, in addition to the foregoing requirements, the Corporation provides the Trustee with a certificate to the effect that anticipated Pledged Assets will provide revenues which, together with any other revenues estimated by the Corporation to be available therefor, are at least sufficient to pay in each succeeding Fiscal Year the Debt Service and Operating Costs for such Fiscal Year.

Issuance of Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any Bonds Outstanding under the General Resolution or under another resolution of the Corporation. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys or

securities determined by the Corporation to be available therefor, if any, to accomplish such refunding and to make such deposits as are required by the provisions of the Act, this Section and of the Series Resolution authorizing such Series of Refunding Bonds.

Such Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of (in addition to the receipt by it of the documents required for the issuance of any Bonds as set forth immediately above):

- (i) except in the case of Bonds to be paid at their scheduled maturity, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be redeemed from any of the proceeds of such Series on the Redemption Date or Dates specified in such instructions;
- (ii) either:
 - (A) moneys in an amount sufficient, without any investment thereof, to effect payment of principal or the applicable Redemption Price of the Bonds to be refunded, together with interest due or to become due on such Bonds to maturity or such Redemption Date, which moneys shall either be held by the Trustee or any one or more of the Paying Agents in a segregated trust account irrevocably in trust for and assigned to the respective Holders of Outstanding Bonds being refunded, or
 - (B) Defeasance Obligations sufficient to comply with the provisions of the General Resolution, and any moneys required pursuant to said section (with respect to all or any part of the Outstanding Bonds being refunded) which Defeasance Obligations or evidence thereof and moneys shall be held in a segregated trust account and used only as provided in said section; and
- (iii) a Certificate of an Authorized Officer of the Corporation containing such additional statements as may be reasonably necessary to show compliance with the requirements of this subsection, and the Trustee shall be entitled to rely on such Certificate.

The Trustee shall furnish to the Corporation at the time of delivery of the Refunding Bonds a certificate (which may be based upon a verification report of a certified public accountant) stating that it holds in trust the moneys and/or Defeasance Obligations required to effect such payment in full of the Outstanding Bonds being refunded, and accrued interest thereon. Any balance of the proceeds of such Refunding Bonds not required to comply with the foregoing provisions of (ii)(A) or (B) shall be deposited in such funds or accounts as shall be specified in the Series Resolution authorizing such Series of Refunding Bonds.

Certain Covenants of the Corporation

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

Administration. 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 Guaranteed Loans made thereunder will continue to benefit from the Federal programs of insurance and reinsurance of Guaranteed 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 Interest Subsidy Payments and Special Allowance Payments, with respect to all Guaranteed Loans. The Corporation has further covenanted to administer the program for Alternative Loans in accordance with all requirements of the General Resolution.

Expenditure and Collection. Only Education Loans eligible to be made or purchased pursuant to the Resolution shall be made or purchased from Bond proceeds, or from funds replaced by Bond proceeds. The Corporation shall collect all principal and interest payments on all Education Loans and all grants, subsidies, donations, insurance payments, Special Allowance Payments and all Default Payments from the Secretary or the Guarantee Agency which relate to Guaranteed Loans. The Corporation shall use due diligence in perfecting all claims for payment related to such Guaranteed Loans from the Secretary and the Guarantee Agency as rapidly as possible. The Corporation will assign to the Guarantee Agency such Guaranteed 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 to Guaranteed Loans. The Corporation will, at all times, comply with all provisions of the General Resolution related to the Alternative Loans.

Enforcement. The Corporation shall diligently, directly or through agents, enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Education 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. The Corporation shall not release the obligations of any student borrower under any Education Loan and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Bondholders under or with respect to each Education Loan and all agreements in connection therewith. The Corporation shall not consent or agree to or permit any amendment or modification of any Education Loan or agreement in connection therewith which will in any manner materially adversely affect the rights or security of the Bondholders under the General Resolution. However, consistent with the provisions of this paragraph, the Corporation may settle a default or cure a delinquency on any Education Loan on such terms as shall be determined by the Corporation to be prudent, or may grant forbearance or forgiveness of an Education Loan.

Accounts and Reports. 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 Holders of an aggregate of not less than five percent (5%) in principal amount of Bonds of any Series then Outstanding or their representatives duly authorized in writing. The Corporation shall make an annual report to the Authority. A copy of each such annual report shall be mailed promptly thereafter to each Bondholder who shall have filed his name and address with the Corporation for such purpose.

Budget. At least 30 days prior to July 1 of each year, the Corporation shall prepare a preliminary budget covering its fiscal operations in connection with the Student Loan Finance Program and the Student Loan Insurance Program, for the succeeding Fiscal Year, which budget shall be open to inspection by the Trustee or any Bondholder. The Corporation shall also prepare a summary of each such preliminary budget and mail a copy, at least 15 days prior to such July 1, to any Bondholder who shall have filed his name and address with the Corporation for such purpose. By July 1 of each year, the Corporation shall adopt an Annual Budget for its fiscal operations in connection with the Student Loan Finance Program and the Student Loan Insurance Program, covering such fiscal operations for the succeeding Fiscal Year. Such Annual Budget shall be filed with the Trustee, each Rating Agency and such officials of the State as may be required by law. The Annual Budget must set forth at least the estimated Revenues Available for Debt Service, estimated principal and interest due and payable on Bonds during the Fiscal Year and estimated Operating Costs. The Corporation may file with the Trustee amendments of the Annual Budget for the remainder of the Fiscal Year. Copies of the Annual Budget and any amended Annual Budget shall be available at the offices of the Corporation for inspection by any Bondholder.

Personnel and Servicing of Student Loan Finance Program. The Corporation shall at all times cause to be appointed, retained and utilized competent and qualified personnel for the purpose of carrying out 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. Independent contractors may be engaged to perform any such duties upon notice to the Rating Agencies.

Waiver of Laws. 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 Series or Supplemental Resolution, or the Bonds, 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 Bonds, when due;
- (2) default by the Corporation in the payment of principal of Bonds as they mature, or the Redemption Price thereof if Bonds have been duly called for redemption;

provided however, that, while there are any Senior Lien Bonds Outstanding thereunder, with respect to both clauses (1) and (2) failure to pay any installment of interest or principal on any Subordinate Lien Bonds (after the Trustee has drawn upon the Debt Service Reserve Fund--Subordinate Lien Account with respect to any interest or principal then due), shall constitute an Event of Default but such failure shall not give rise to the remedy of acceleration unless there is a corresponding failure to make timely payment of interest or principal on a Senior Lien Bond; provided further, that, if (i) on any Interest Payment Date moneys in the Interest Account shall be sufficient to pay an installment of interest, or (ii) if on any Principal Installment Date moneys in the Principal Account shall be sufficient to pay a Principal Installment, then in either such event the Trustee shall make the respective payment then due and failure by the Trustee to make such payment shall constitute an Event of Default; provided further that failure to make a Targeted Amortization Payment shall not constitute an Event of Default;

- (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 Resolution, any Series or Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the Holders of not less than 5% in principal amount of the Outstanding Bonds; provided, however, if any such default shall be such that it can be corrected but cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation within such period and diligently pursued until such default is corrected. The Rating Agencies shall be notified of such event by the Trustee following such 45-day period and each 45 days thereafter until such default is corrected.

Upon the happening and continuance of any event described in the foregoing clauses (1) or (2), the Trustee, independently, or the Holders of 25% or more in principal amount of Outstanding Bonds may jointly proceed, in their own names, to protect and enforce their rights by such of the following remedies as they deem most effectual:

- (a) enforce, by mandamus or other suit, action or proceedings at law or in equity, all rights of the Bondholders, including the right to require the Corporation to receive and collect the revenues and other assets, including Pledged Assets, adequate to carry out the covenants and agreements as to, and pledge of, such revenues and assets, and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform duties under the Act;
- (b) bring suit upon the Bonds;

- (c) require the Corporation by action or suit to account as if it were the trustee of an express trust for the Bondholders;
- (d) enjoin by action or suit any acts or things which may be unlawful or in violation of the rights of the Bondholders;
- (e) except as limited with respect to Subordinate Lien Bonds, declare all Bonds 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 Holders of Outstanding Bonds, to annul such declaration and its consequences; and
- (f) in the event that all Bonds are declared due and payable, to sell all Education Loans, Investment Obligations and all other Pledged Assets to the extent necessary to effect their payment.

Upon the happening and continuance of any Event of Default described in clause (3), the Trustee shall have the discretion to do any of the following:

- (a) sell Education Loans if it is determined prior to such sale that the proceeds of such sale are sufficient to pay Bondholders 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;
- (b) sell Education Loans without regard to the sufficiency of proceeds if 100% of the Bondholders direct such sale; or
- (c) continue to pay Debt Service in accordance with the terms of the General Resolution.

The Trustee shall give immediate notice to each Rating Agency of any Event of Default under the General Resolution. No Bondholder shall have any right to institute any action except as authorized in the Resolution. Nothing herein contained shall impair the right of any Bondholder to enforce payment of principal of, Redemption Price and interest on his Bonds.

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 Bonds of all Series then Outstanding, such funds and any other moneys received or collected pursuant to the Act and 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 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 Bonds shall have become or have been declared due and payable:

First: With respect to Senior Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity 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

Second: With respect to Senior Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of the unpaid principal of any such Bonds, and, if the amounts available shall not be sufficient to pay in full all the Senior Lien Bonds, then to the payment thereof ratably, without any discrimination or preference.

Third: With respect to Subordinate Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity 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

Fourth: With respect to Subordinate Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of the unpaid principal of any Bonds, and, if the amounts available shall not be sufficient to pay in full all the Subordinate Lien Bonds, then to the payment thereof ratably, without any discrimination or preference.

If the principal of all of the Bonds shall have become or have been declared due and payable:

First: With respect to the Senior Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of all unpaid principal of any Bonds and of installments of interest then due 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; and

Second: With respect to the Subordinate Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of all unpaid principal of any Bonds and of installments of interest then due 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 reasons, then in every such case the Corporation, the Trustee and the Bondholders 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 Holders of the Bonds 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 or now or hereafter existing at law or in equity or by statute. No delay or omission of any Holder of the Bonds 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 Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee shall give to the Bondholders 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 Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; (2) to such Bondholders as have filed their names and addresses with the Trustee for that purpose; and (3) to such other persons as is required by law.

Modifications of the General Resolution and Outstanding Bonds

The Corporation may adopt at any time or from time to time Supplemental Resolutions as shall be substantially consistent with the terms and provisions of the General Resolution and, in the opinion of the Trustee, who may rely upon a Counsel's Opinion, shall not materially and adversely affect the interest of the Owners and Holders, 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:

- (1) to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution;
- (2) to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the General Resolution, provided 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;
- (3) 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; or
- (4) 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 in the event any such modification is not contrary to or inconsistent with the General Resolution as theretofore in effect.

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 Bondholders 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.

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 adopted 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 and shall become effective upon written request for and confirmation of ratings on all Bonds Outstanding by 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 Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as therein provided, of the Holders of at least a majority in principal amount of the Bonds Outstanding of each affected Class at the time such consent is given. Unless with the unanimous written consent of all Bondholders, however, no such amendment shall:

- (A) permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount thereof or the rate of interest thereon,
- (B) reduce the percentage of Bonds the consent of the Holders of which is required to effect such amendment, or

- (C) change the existing preferences or priorities of Bonds over any other Bonds 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 Bondholders for their consent thereto, shall promptly after adoption be mailed by the Corporation to Bondholders (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 of Holders of the required percentage of Outstanding Bonds and (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 Bonds 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 Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in the General Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder 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 Holders of the required percentage of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Corporation a written statement that the Holders of such required percentage of Bonds 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 Holders of the required percentages of Bonds and will be effective as provided in this Section, shall be given to Bondholders by the Corporation by mailing such notice to Bondholders as provided in the General Resolution (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). 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 Holders of all Bonds at the expiration of 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 30-day period; provided, however, that the Corporation, the Trustee, and any Paying Agent during such 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 Holders of the Bonds and the terms and provisions of the Bonds 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 Holders of all of the Bonds 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 Bondholders.

Unless the Corporation owns all of the Bonds Outstanding, Bonds, 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 Bonds provided for in the General Resolution, and the Corporation shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the General Resolution.

Issuance of Notes, Additional Bonds and Other Obligations

The Corporation may, at any time or from time to time, issue notes, bonds and other obligations having such terms and provisions and secured by a pledge of such moneys or other assets of the Corporation as the resolution authorizing the same shall provide; provided however, that any pledge to the holders of any such notes, bonds or other obligations, of any Pledged Assets, Fund or Account or other moneys or assets of the Corporation pledged or assigned under the General Resolution shall be, and shall be expressed to be, subordinate in all respects to the pledge or assignment created under the General Resolution, and subject in all respects to the provisions of the General Resolution concerning the permitted application of such pledged moneys and assets. It is expressly understood that the Corporation may make or otherwise finance student loans other than Education Loans, provided that such program does not in any way jeopardize or impair the pledge or assignment of any revenues or other assets for the benefit of the Bondholders or any rights of the Bondholders, and provided that a Counsel's Opinion to such effect, detailing the nature of such program, has been delivered to the Trustee.

Defeasance

If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then the pledge of any Pledged Assets and other moneys and property pledged under the General Resolution and all covenants, agreements, and other obligations of the Corporation to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Corporation to be prepared and filed with the Corporation, and upon the request of the Corporation, shall execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Corporation all moneys or securities held by them pursuant to the General Resolution which are not required for the payment of principal or Redemption Price, if applicable, on Bonds. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds of a particular Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the General Resolution and all covenants, agreements and obligations of the Corporation to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the General Resolution. All Outstanding Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the General Resolution if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail notice of redemption on said date of such Bonds, (b) there shall have been deposited with, or credited to the account (at a Federal Reserve Bank) of, the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due and without reinvestment will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be; provided that, except in the event of a full cash defeasance or a current refunding of less than ninety days to maturity or Redemption Date, the sufficiency of such moneys or investments must be confirmed to the Corporation in a report of an independent certified public accountant, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the

Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. Neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

If, through the deposit of moneys by the Corporation or otherwise, the Fiduciaries shall hold, pursuant to the General Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which the Corporation shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of the Corporation all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or redemption of Outstanding Bonds.

YEAR 2000 COMPLIANCE

The following are statements regarding the Year 2000 (also sometimes referred to as “Y2K”) Compliance status of the Authority and the Corporation, the Trustee and the U.S. Department of Education. This information is a Year 2000 readiness disclosure as provided in the Year 2000 Information and Readiness Disclosure Act (Public law 105-271). Each statement has been obtained from the entity itself, and other than as to its own statement, the Authority makes no representation as to the accuracy of such statements. The information below has not been independently verified by the Authority, the Underwriter or their respective counsel. The inclusion of this information is not, and should not be construed as, a representation by the Authority, the Underwriter or their respective counsel as to its accuracy or completeness or otherwise. Failure by entities involved with the Guaranteed Loans and the 1999 Bonds to reach Year 2000 compliance could have an adverse impact on the Registered Owners of the 1999 Bonds. See “RISK FACTORS—Year 2000 Computer Systems Compliance.”

Corporation and Authority

In 1998, the Corporation and the Authority adopted a five-step plan to address potential Year 2000 issues, to wit: awareness, assessment, renovation, validation and testing, and implementation. As of the date hereof, the awareness and assessment steps have been completed and 97% of renovation, validation and testing has been completed. All mission critical applications are running in full production and ready for the Year 2000 with dates being currently exchanged between major business partners. All systems are planned and prioritized by an Information Systems steering committee and full year 2000 compliance is expected shortly. Contingency plans are in place and the Authority and the Corporation are continuously checking and validating systems with their business partners to insure no interruption of service in the year 2000.

Trustee

The Trustee has established a Year 2000 compliance program consisting of, among other things, updating major proprietary applications systems and evaluating the Year 2000 compliance efforts of vendors of major vendor-supplied systems and certain other business partners. The Trustee believes that its Year 2000 compliance program is currently on schedule to meet the needs of its customers and the compliance deadlines defined by its regulators. As of December 31, 1998, testing and renovation of the proprietary application systems that the Trustee deems “mission critical” were substantially completed and these systems are currently being used by the Trustee. In addition, all vendor supplied software systems that the Trustee deems mission critical have been tested

and, based upon such testing, the Trustee believes that such systems will not be adversely affected in a material way by the date change to the Year 2000.

Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of suppliers, customers and other business partners, the Trustee is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Trustee and its ability to perform its obligations under the Resolution. The Year 2000 compliance program is intended to reduce significantly the Trustee's level of uncertainty about the Year 2000 problem and, in particular, the Year 2000 compliance and readiness of the Trustee and its material business partners. The Trustee believes that, with completion of its Year 2000 compliance program as scheduled, the possibility of significant interruptions of normal operations should be reduced. However, because of the unprecedented nature of the Year 2000 problem, there can be no certainty as to its impact.

U.S. Department of Education

On February 12, 1999, the U.S. Department of Education (the "Department") submitted its Year 2000 Quarterly Report (the "Report") to the Office of Management and Budget. The full text of the Report is available on the World Wide Web at <http://www.ed.gov/offices/OCIO/year/a3k.html> and from the Department's offices located at 600 Independence Avenue, SW, Washington, DC 20202. Set forth below is a summary of the Report. None of the Corporation, the Underwriter, or any of their respective counsel make any representation or assurance as to the adequacy or accuracy of the Report or the following summary. Prospective purchasers of the 1999 Bonds should consult the full text of the Report and the information, if any, made public by the Department after the date of the Report. The following summary, like the Report, speaks as of the date of the Report. None of the Corporation, the Underwriter or any of their respective counsel have attempted to update any of the information in the Report or the following summary to any date after February 12, 1999, except as expressly herein stated.

February 12, 1999 Report Summary

The Department is nearing completion of its systems conversion effort. Ninety- nine percent of the Department's 175 systems are Y2K compliant and fully implemented. Only two systems remain to be completed. One of these is mission critical and it is in the implementation phase; the other is noncritical. Both are on-schedule to be completed in March 1999. As the systems' compliance work is completed, the Department is rapidly expanding outreach, trading partner and end-to-end testing, and contingency planning.

Mission critical systems: 13 of the 14 mission critical systems (93%) have completed renovation, validation and implementation, including independent verification and validation, and have been phased into production. Four of these were completed in the reporting quarter. As of February 12, 1999, the Federal Family Education Loan (FFEL) system is 35 % through the implementation phase. It is on schedule to be fully implemented and in production by mid-March 1999. The Office of the Inspector General (OIG) is required by the Higher Education Amendments of 1998 to complete a risk assessment of the 13 mission critical systems used to support the student aid programs. OIG's initial risk assessment report was issued January 15, 1999. The Department concurs with the report's findings that the Department is "on track to achieve Y2K readiness" for these systems and that now it needs to focus attention on trading partner and end-to-end testing.

Non-mission-critical systems: 160 of the 161 noncritical systems (99%) have completed renovation, validation and implementation and have been phased into production. Three of these were completed in the reporting quarter. The last one of these noncritical systems, the Federal Student Aid Information Center, is on schedule to complete in March 1999.

Data exchanges and end-to-end testing:

Data exchanges. Each system's data exchanges are considered integral components of the system. As such, checking on their Y2K compliance, and renovating as needed, is a part of the standard system conversion process. All data exchanges have been checked and renovated, validated, and implemented as needed. The ability of each system to send and receive Y2K compliant data was tested during the validation phase for each

system. End-to-end testing is underway. Live testing of data exchanges with the Department's trading partners begins in the spring of 1999 as external partners become ready to participate in such testing.

End-to-end testing. At the Department of Education, end-to-end testing involves 1) internal system-to-system testing and 2) school and institutional testing with the ED's systems. Incorporating comments and suggestions from school and institutional trading partners, the Department is finalizing a document that describes for schools and institutions what is being tested, procedures to test, and how the testing process will satisfy school and institutional requirements. Testing will be conducted in partnership with educational and financial institutions and is being planned to coincide with completion of Y2K renovations by the Department's trading partners. Surveys indicate trading partners will be ready for testing in the spring and summer of 1999. Planned dates for testing will be posted on the Department's web site (www.ed.gov/y2k) by the end of February. The Department will work closely with the community to provide as many testing opportunities as possible for postsecondary institutions and other data exchange partners that complete Y2K renovations later in the year. Data exchanges with States have been reported to GSA for inclusion on the State Data Exchanges database.

Embedded chips: The Department has few systems with embedded chips. By September 30, 1998, all personal computers on the Department's network were repaired or replaced. Office equipment such as fax machines and copiers were checked by October 31, 1998, and all were found to be compliant.

Telecommunications systems: The Department's telephone systems, FTS 2000 and WITS, are administered by GSA. The Department participates in the GSA Telecommunications Group and continues to track GSA's progress. Network communications infrastructure components with embedded chip issues were identified and have been replaced or retired as part of the recently completed EDNET renovation.

Building systems: The Department owns none of the nearly 40 buildings it occupies across the country. The buildings are all administered by GSA, either directly or as leased space. The Department participates in the GSA Building Systems Group and is tracking GSA's progress.

Outreach: Since its November quarterly report, the Department has distributed its Y2K literature to postsecondary institutions and elementary and secondary schools and districts across the country. The Department also held a live interactive teleconference on December 7, 1998 to provide a forum so that superintendents, business officers, principals, financial aid administrators and others who are working to assure that the education community's computers are ready for the 21st century, could share their experiences. Additionally, video tapes of the teleconference have been developed for the elementary/secondary and postsecondary communities. The Department has also redesigned its Y2K brochure to highlight testing, contingency planning, and the availability of technical assistance materials and is distributing over 25,000 copies to the education community.

Contingency plans:

General. The Department reports it has undertaken an aggressive business continuity and contingency planning (BCCP) effort. The Department is applying the GAO's BCCP approach to its core business processes and related systems. Contingency plans are also being prepared for all non-mission critical systems. Initial contingency plans for individual systems were drafted in early 1998. BCCP teams, whose members represent key offices and functions across the Department, began work in September 1998. Both the individual system contingency plans and the business process continuity plans are on schedule for completion and initial testing by the end of March 1999.

Management consultant contractors. KPMG and Booz-Allen and Hamilton (BAH), firms experienced in business continuity planning and knowledgeable of Education's systems, were hired to facilitate team meetings, develop documents and provide substantive analysis and management advice on contingency planning. KPMG supports the student aid BCCP teams; BAH supports the rest.

Student financial aid. Because the Department's student financial aid business processes are highly dependent on education and financial institution partners, its contingency planning process involves substantial consultation with these communities. For example, on February 11-12 the Department's student aid BCCP

team chairs met with a focus group of college student aid administrators, business officers and student loan industry leaders to obtain reactions to a draft report on the Department's business impact analyses and preliminary risk mitigation and contingency plans. The report will be posted on the Department's web site for comments by the interested public. Student aid BCCP teams, established in September 1998, are organized around eight core business processes: institutional eligibility, student aid application and eligibility, student aid origination and disbursement, enrollment tracking and reporting, student aid repayment and collection, lender and guarantee agency payments, lender and guarantee agency services, and customer service. Student financial assistance BCCP has met the following milestones: completed analysis of business processes (mapped sub-processes, data systems, and dependencies) on October 30, 1998; completed business impact analysis (risk assessment, identification of failure scenarios and minimum acceptable levels of service) on December 14, 1998; and completed identification of high-level contingency plans and risk mitigation strategies on January 28, 1999. Future student aid BCCP milestones are: complete detailed contingency plans and initial testing by March 31, 1999.

Impact Aid. A BCCP team was formed in early November 1998 with focus on the impact aid business process. The project initiation phase completed on December 4, 1998. The business process analysis phase completed on January 18, 1999. The business impact analysis phase completed on January 29, 1999. Future impact aid milestones are: complete contingency plan and initial testing by March 31, 1999. The customers served by this core business process and related system will have an opportunity to comment on the BCCP.

Education Central Administrative Processing System (EDCAPS). In November 1998 six core business processes supported by EDCAPS were identified: grant/award, contracts and purchasing, accounts receivable, reporting, payments and budget. The six business process team leaders were appointed in early December 1998. The business process analysis phase was completed on January 22, 1999. The business impact analysis phase completed on February 9, 1999. Future EDCAPS milestones are: complete contingency plan and initial testing by March 31, 1999. The customers served by these business processes and related system will have an opportunity to comment on the BCCP.

Education Network (EDNET). In November 1998 the Department established an EDNET BCCP team to focus on the Department's network support business process and the related EDNET system. Business process identification completed on January 15, 1999. Business service and critical system connectivity data mapping were completed on February 9, 1999. The business impact analysis phase is in progress and is scheduled for completion on February 28, 1999. Future EDNET milestones are: complete contingency plan and initial testing by March 31, 1999.

Mission important/mission support systems. In early December 1998 efforts began to prepare contingency plans for the 134 active mission important/mission support systems in the Y2K inventory. (Twenty seven (161 – 134) of these in the original Y2K inventory do not need contingency plans because they were retired and are no longer in service.) Ninety five percent of the 134 contingency plans were completed as of February 12, 1999. Future milestones are: complete all contingency plans and initial testing by March 31, 1999.

Exception report on systems: No schedule changes have occurred in the past quarter.

Problems affecting progress: None to report.

April 26, 1999 Announcement

On April 26, 1999, the Department's Office of Student Financial Assistance Programs announced that OSFAP systems, which deliver and administer student assistance, are Year 2000 ready. The announcement noted that this achievement alone does not assure the delivery of student aid. Trading exchange testing with OSFAP customers is necessary to further reduce the risk of a Year 2000 failure in the delivery of student assistance. OSFAP encouraged each institution (school or agency) to test its data exchanges with the Department's systems and provided an internet site for testing plans and test cases.

Neither the Authority, the Corporation, the Trustee, the Underwriter, the Underwriter's Counsel or Bond Counsel makes any representation whatsoever with respect to the compliance efforts, if any, or status

thereof by the government of the United States of America, and particularly the U.S. Department of Education, or by any other person or entity to achieve Year 2000 compliance. Any holder or potential holder of 1999 Bonds interested in such matter should contact the U.S. governmental unit (e.g. the U.S. Department of Education) or such other person or entity, as applicable, directly to obtain information with respect to Year 2000 compliance matters.

DTC

DTC management is aware that some computer applications, systems, and the like for processing dates (“Systems”) that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter “Year 2000 problems.” DTC has informed its Participants and other members of the financial community (the “Industry”) that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to security holders, book-entry deliveries, and settlement of trades within DTC (“DTC Services”), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC’s plan includes a testing phase, which is expected to be completed within appropriate time frames. However, DTC’s ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors on whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and, (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the information set forth in the preceding paragraph about DTC has been provided to the industry by DTC for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Additional information concerning DTC’s year 2000 readiness activities may be found at its internet site at <http://www.dtc.org/indexpg.html> using the link entitled “Year 2000 Important Notices.”

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. The Corporation has heretofore borrowed money from the Authority and other lenders under various loan arrangements but has not previously experienced any defaults with respect to the payment of such loans.

SECONDARY MARKET DISCLOSURE

On November 10, 1994, the Securities and Exchange Commission adopted in final form certain amendments (the “Amendments”) to Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended (the “Rule”). In general the Amendments prohibit an underwriter from purchasing or selling municipal securities unless it has determined that the issuer of such securities has committed to provide annually certain information, including audited financial information, and notice of various events described in the Amendments if material. The amendments apply to municipal securities (such as the Bonds) sold on or after July 3, 1995.

In the 1999 Series Resolution, the Corporation has covenanted to provide such continuing, secondary market disclosures and confirmations as are required by the Rule (the Corporation’s “Continuing Disclosure Undertaking”). In the event of a failure of the Corporation to comply with its Continuing Disclosure Undertaking, any Bondholder or Beneficial Owner of the Bonds 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 1999 Series Resolution. However, a default under the Continuing Disclosure Undertaking shall not be deemed a default under the Bonds, and the sole remedy under the 1999 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 Bonds when the Bonds are no longer outstanding.

Pursuant to the 1999 Series Resolution, the Corporation has specifically undertaken, for the benefit of the Beneficial Owners of the 1999 Bonds, to provide:

- (a) by not later than seven 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 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 15 days after such audited financial statements become available for distribution;
- (b) by not later than seven months after the end of each Fiscal Year of the Corporation, to each NRMSIR, and to the SID, if any, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the heading "THE 1999 BONDS--Security for the 1999 Bonds" in the final Official Statement related to such 1999 Bonds, to the extent such items are not included in the audited financial statements referred to in (a) above;
- (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 Rule 15c2-12(b)(5)(i)(C) issued under the Securities Exchange Act of 1934 (as such Rule exists on the date of the final Official Statement) with respect to the 1999 Bonds, 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:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities;
- (xi) rating changes.

Failure of the Corporation to comply with its continuing disclosure undertaking, as described above, will not constitute an Event of Default with respect to the Bonds and will not result in any acceleration of payment of the Bonds.

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, provided that:

- (a) 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;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 as of the date of the final Official Statement, after taking into account any amendments or interpretations of said Rule, as well as any changes in circumstances; and,
- (c) 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 1999 Bonds pursuant to the 1999 Series Resolution at the time of the amendment.

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 1999 Bonds.

ERISA AND OTHER CODE CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and/or certain overlapping provisions of the Code apply to certain pension plans, profit-sharing plans, stock bonus plans, annuity plans, individual retirement accounts, individual retirement annuities, and medical savings accounts (collectively, “Plans”). ERISA and certain provisions of the Code prohibit and/or tax, respectively, certain transactions (“prohibited transactions”) between certain Plans and certain disqualified persons (“disqualified persons”). Each potential purchaser of 1999 Bonds which is, or is acting on behalf of, a Plan should consult its tax and/or legal advisors as to whether a purchase of 1999 Bonds is or might constitute a “prohibited transaction” under ERISA or the overlapping provisions of the Code by virtue of the Plan’s relationship, direct or indirect, with the person or other entity from which 1999 Bonds are to be purchased. In addition, each potential purchaser of 1999 Bonds which intends or may intend, to sell 1999 Bonds to a Plan should also consult its tax and/or legal advisors as to whether it is a “disqualified person” under ERISA and/or the Code and whether it may be subject to the taxes imposed by Section 4975(a) and (b) of the Code.

Neither the Corporation, Bond Counsel, the Underwriters nor their respective officers, agents or attorneys expresses any opinion or makes any representation as to whether (i) any purchase of the 1999 Bonds is or is not a prohibited transaction under ERISA or the Code, or (ii) whether any sale or resale of the 1999 Bonds is or is not subject to the taxes imposed by Section 4975(a) or (b) of the Code. Prior to any purchase or sale of the 1999 Bonds, potential purchasers and potential sellers of the 1999 Bonds should consult their respective tax and/or legal advisors with respect to such matters.

TAX MATTERS

In the opinion of McNair Law Firm, P.A., Bond Counsel, interest on the 1999 Bonds is not excluded from the gross income of the owners thereof for either federal or State of South Carolina income tax purposes.

ABSENCE OF MATERIAL LITIGATION

There is no controversy or litigation of any nature now pending or threatened, or to the knowledge or information of the Corporation any basis therefor, to restrain or enjoin the issuance, sale, execution or delivery of the 1999 Bonds, or in any way contesting or affecting the validity of the 1999 Bonds, any proceedings of the Corporation taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the 1999 Bonds or the due existence of powers of the Corporation or the Authority.

APPROVAL OF LEGALITY

The legality of the authorization, issuance and sale of the 1999 Bonds is subject to the approving legal opinion of Bond Counsel, McNair Law Firm, P.A., Charleston, South Carolina. Certain legal matters will be passed on for the Corporation by McNair Law Firm, P.A., Charleston, South Carolina and for the Underwriters by their counsel, Robertson, Ingram & Overbey, Knoxville, Tennessee. The final approving opinion of Bond Counsel is to accompany delivery of the 1999 Bonds substantially in the form attached to this Official Statement as Exhibit IV.

UNDERWRITING

The 1999 Bonds are to be purchased by William R. Hough & Co., Banc of America Securities LLC, First Union Capital Markets Corp., Salomon Smith Barney Inc. and Wachovia Securities, Inc. (collectively, the "Underwriters") pursuant to the terms and conditions of a Bond Purchase Agreement dated June 30, 1999 between the Corporation and the Underwriters, subject to certain conditions, at an aggregate purchase price equal to \$149,115,000. The Bond Purchase Agreement provides that the Underwriters shall not be obligated to purchase any 1999 Bonds unless all such Bonds are available for purchase. The initial public offering price may be changed by the Underwriters from time to time without notice. Although there can be no assurance that any market for the 1999 Bonds will commence or be maintained, the Underwriters expect to make a market in the 1999 Bonds for a limited period of time after the initial public offering.

RATINGS

It is a condition precedent to the issuance of the 1999 Bonds that the Corporation obtain a confirmation of ratings on the Prior Bonds. Fitch IBCA, Inc. ("Fitch") and Standard and Poor's ("Standard and Poor's") have each respectively assigned a rating of AAA to the Prior Bonds. The Corporation has applied for ratings of the 1999 Bonds by Fitch and Standard and Poor's. While the Corporation expects to receive rating confirmations with respect to the Prior Bonds, and that the 1999 Bonds will be rated AAA by Fitch and Standard and Poor's, there can be no assurance that such expectations will be realized. Such ratings reflect only the respective views of Fitch and Standard and Poor's at the time such ratings are assigned. An explanation of any such respective ratings can only be obtained from Fitch or Standard and Poor's, as appropriate. There can be no assurance that such ratings will continue for any given period of time or that either or both will not be revised downward, limited or withdrawn entirely. Any such downward revision, limitation or withdrawal may adversely affect the market price of the 1999 Bonds.

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MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the purchasers or holders of any of the 1999 Bonds.

The Resolution provides that all covenants, stipulations, promises, agreements and obligations of the Corporation contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Corporation and not of any officer, director or employee of the Corporation in such person's individual capacity, and no recourse shall be had for the payment of the principal of or interest on the 1999 Bonds or for any claim based thereon or on the Resolution against any officer, director or employee of the Corporation or against any person executing the 1999 Bonds.

This Official Statement is "deemed final" within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

Dated this 30th day of June, 1999.

SOUTH CAROLINA STUDENT LOAN CORPORATION

By: _____
Authorized Officer

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

INTRODUCTION

The Federal Family Education Loan Program (“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 by the President Lyndon B. Johnson in 1965 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 Stafford Student Loan Program, the Supplemental Loans for Students (SLS) Program, Parent Loans for Undergraduate Students (PLUS) Program and the Consolidation Loan Program. Since its original enactment, the Higher Education Act has been reauthorized and amended numerous times, most recently in 1998 by the Higher Education Amendments of 1998, Public Law 105-244, signed into law by President William Jefferson Clinton on October 7, 1998, and which generally extended FFELP until July 1, 2003.

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 Guarantee Agency or authorized private Guarantee Agency and reinsured by the U.S. Government or (ii) insured directly by the U.S. Secretary of Education (the “Secretary”). Another type of FFELP loan 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 “Student Assistance 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.

A new federal direct student loan program (“FDSLSP”) was created by the Student Loan Reform Act of 1993 (after a previously authorized demonstration program) and became operational for the 1994-1995 academic year. Unlike the FFELP Program, 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 FDSLSP utilizes direct federal funding of student loans through participating educational institutions.

Currently, interest rate information for FFELP loans can be found in Section 427A of the Higher Education Act (20 U.S.C. 1077a); insurance and guarantee/reinsurance information for FFELP loans can be found in Sections 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 Sections 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 particularly Title IV, Part B thereof. Neither the Authority, the Underwriter or their respective counsel are under any obligation to update or supplement the information herein contained after the date hereof. There can be no assurance that the Higher Education Act, or other relevant federal or state laws, rules and regulations, will not be changed in the future in a manner that will adversely impact the programs described below and the FFELP Loans made thereunder.

THE STAFFORD LOAN PROGRAM

Generally. FFELP currently provides for (a) a subsidized 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 loans, and (iii) special allowance payments (“Special Allowance Payments”) representing an additional subsidy paid by the federal government to holders of certain eligible loans; 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. Both 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 needs 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 “needs” requirements and (e) if they are an undergraduate enrolled in an institution participating in the Pell Grant Program, then their eligibility or ineligibility for the Pell Grant Program has been determined. Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations. Each loan is to be evidenced by an unsecured unendorsed note.

Maximum Loan Amounts. The annual Stafford Loan limits for first year students generally is \$2,625 (except that lower limits apply to certain short-term courses of study) but increase to \$3,500 for second year students, \$5,500 for third and fourth year students, and \$8,500 for graduate and professional students. The aggregate limit on total Stafford Loans is generally \$23,000 for undergraduates and \$65,500 for graduate and professional students.

Applicable Interest Rates. The interest rates applicable to Stafford Loans varies 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 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 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.

Required Conversion Of Fixed Rate Loans To Annual Variable Rates. Pursuant to the Higher Education Technical Amendments of 1993, which was signed into law by the President on December 20, 1993, lenders were required to convert all fixed rate loans to an annual variable rate by January 1, 1995. The annually 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%.

The Current Annual Variable Rates. Loans first disbursed to new borrowers on or after October 1, 1992 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, 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 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, 2003, the permitted spread is 1.7% during the period prior to commencement of repayment and 2.3% during the repayment period, 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 which are lower than the applicable FFELP rates.

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 during deferment of repayment of their 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 needs 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-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-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. FFELP 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 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 31st 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, 2004 for eligible loans to new borrowers and September 30, 2008 for eligible loans to existing borrowers.

Grace Period, Deferment Periods, Forbearance. Repayment of principal of a FFELP loan (other than a PLUS loan) must generally commence following a period of (a) not less than nine months or more than 12 months (with respect to loans for which the applicable interest rate is 7% per annum) and (b) not more than six 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 upon the day following the 6th 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 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 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 10 years; (ii) a graduated repayment plan paid over a fixed period of time, not to exceed 10 years; (iii) an income-sensitive repayment plan, with income-sensitive repayment amounts paid over a fixed period of time, not to exceed 10 years, except that the borrower’s scheduled payments cannot be less than the amount of interest due; and, (iv) for new borrowers on or after October 1, 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 25 years, except that the borrower must repay annually a minimum amount equal to the lesser of \$600 or the borrower’s loan balance, but in no event 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.

SPECIAL ALLOWANCE PAYMENTS

FFELP provides, subject to certain conditions, for Special Allowance Payments to be made for quarterly periods by the Secretary to holders of qualifying Guaranteed Loans.

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, the sum of the stated interest on the loan and the applicable Special Allowance Payment will be 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 qualify for Special Allowance Payments based on the T-Bill Basis plus 2.5% while the borrower is in school, grace or deferment status. In the case of certain loans made or purchased with funds obtained from the issuance of tax-exempt obligations originally issued prior to October 1, 1993, the Special Allowance Payments are reduced by approximately one-half, but not less than certain minimums provided in the Higher Education Act. For loans disbursed on or after July 1, 1998, 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. 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.

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 30 days after the Secretary of Education receives an accurate, timely and complete request therefor, the Secretary must pay interest on the amounts due beginning on the 31st 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.

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” hereinafter). Loans under this new program were designated “Supplemental Loans to Students” or “SLS.” 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 FDSLPL 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, and (iii) \$10,000 for graduate or professional study. 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.

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. Federal Interest Subsidy Payments are not available for SLS and unsubsidized Stafford Loans.

Interest Rates

Unsubsidized Stafford Loans. Interest rates on unsubsidized Stafford Loans are determined in the same manner as for subsidized Stafford Loans. However, 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.

SLS Loans. 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 which are reissued at a variable rate. The applicable annual variable rate is determined on the basis of any 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 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.

PLUS LOANS

History

Under the 1980 amendments to the Higher Education Act, Congress established a program to provide educational loans to parents of dependent undergraduate students. Loans under this program were designated Parent Loans for Undergraduate Students or “PLUS Loans.” To be eligible as PLUS borrowers, parents or a loan endorser, as applicable, cannot have an adverse credit history. 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 PLUS 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. Federal Interest Subsidy Payments are not available under the PLUS program.

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 made and disbursed on or after July 1, 1987 or refinanced (as discussed below). The applicable annual variable rate is determined on the basis of any 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 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%.

Repayment

Repayment of principal of PLUS Loans is required to commence no later than 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.

Consolidation and Reissuance of PLUS Loans

A lender may consolidate 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 reissue 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.

CONSOLIDATION LOANS

History

In 1986 Congress established a program to provide loans to eligible borrowers for consolidating their Guaranteed 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 an 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.

A married couple, each of whom has loans, may be treated as an individual borrower if such couple agrees to be held jointly and severally liable for the repayment of their Consolidation Loan, without regard to the amounts of the respective loan obligations that are to be consolidated and without regard to any subsequent change that may occur in such couple's marital status.

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 bear interest at the same weighted average rate but are not subject to a floor rate. However, Consolidation Loans made on or after November 13, 1997 through September 30, 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 weighted average interest rate of the loans consolidated, rounded up to the nearest 1/8th of a percent subject to a maximum rate of 8.25% per annum.

Repayment

For Consolidation Loans made on or after July 1, 1994, Lenders are required to offer borrowers graduated or income-sensitive repayment schedules. Absent some other permissible arrangement with the lender, repayment periods for Consolidation Loans vary from up to 10 years to not more than 30 years, depending on the sum of the balance on the Consolidation Loan and any other FFELP Loans of the borrower but the outstanding balance of such other FFELP Loans counted may not exceed the balance of the Consolidation Loan for purposes of determining the repayment term. Repayment must commence within 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.

Interest Subsidy and Special Allowance Payments

For Consolidation Loan applications received by lenders on or after August 10, 1993 and before November 13, 1997, the Secretary will not make federal 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 federal Interest Subsidy Payments on only the portion of the Consolidation Loan that repays subsidized Stafford Loans.

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.

Holder Rebate to Federal Government

Each holder of a Consolidation Loan first disbursed on or after October 1, 1993 are required to rebate to the Secretary of Education a 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.

GUARANTEE AND REINSURANCE FOR FFELP LOANS

Guarantee Payments To Lenders

For loans made prior to October 1, 1993, an eligible lender may be reimbursed by the Guarantee Agency for 100% of the unpaid principal balance of the loan plus accrued unpaid interest on any loan defaulted so long as the eligible lender has properly serviced such loan. However, any holder of a loan in default which was first disbursed on or after October 1, 1993, is entitled to receive no more than 98% of the unpaid principal of such loan from

the Guarantee Agency, except for a loan made by a lender-of-last resort or under any agreement resulting from a Guarantee Agency insolvency, in which cases the applicable percentage rate is 100%.

Federal Reinsurance Payments to Guarantee Agencies

Generally. The Secretary enters into guarantee agreements with each Guarantee Agency which provide for federal reinsurance for amounts paid to eligible lenders by the Guarantee Agency with respect to defaulted loans. Pursuant to such agreements, the Secretary is to reimburse a Guarantee 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 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 Guarantee 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 Guarantee Agency calculated to equal the amount of federal reinsurance received as a percentage of the original principal amount of guaranteed loans in repayment on the last day of the prior fiscal year. The original principal amount of loans guaranteed by a Guarantee Agency which are in repayment for purposes of computing reimbursement payments to a Guarantee Agency means the original principal amount of all loans guaranteed by a Guarantee 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 Guarantee Agency's claims rate experience for federal reinsurance purposes and are reimbursed at 100%. 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. The formula for reinsurance amounts is summarized in the following table:

<u>Claims Rate</u>	<u>Federal Payment for Loans made prior to October 1, 1993</u>	<u>Federal Payment for Loans made on or after October 1, 1993*</u>	<u>Federal Payment for Loans made on or after October 1, 1998*</u>
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5% and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% and over up to 9%; and 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% and over up to 9%; and 78% of claims 9% and over	95% of claims up to 5%; 85% of claims 5% and over up to 9%; and 75% of claims 9% and over

* Other than loans made pursuant to the lender-of-last resort program or student loans transferred by an insolvent Guarantee Agency both of which are reinsured at 100%

After a federal reinsurance claim is paid, the Guarantee 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.

Guarantee Agency Insolvency

In addition, if a Guarantee 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 Guarantee Agency capable of meeting such obligations or until a successor Guarantee 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 60 or more days past due, the holder is required to request default aversion assistance from the applicable Guarantee Agency 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 Guarantee Agency all rights accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a Guarantee 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 45 days after the Guarantee 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 which are at least as extensive and forceful as those utilized by financial institutions in the collection of other consumer loans. If a Guarantee Agency has probable cause to believe that the holder has made misrepresentations or failed to comply with the terms of its guarantee agreement, the Guarantee Agency may take reasonable action including withholding of payments or requiring reimbursement of funds from the holder. The Guarantee Agency may also terminate the guarantee agreement for cause upon notice and hearing.

The Secretary may withhold reimbursement payments if a Guarantee Agency makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. Supplemental guarantee agreements between Guarantee Agencies and the Secretary are subject to termination for cause by the Secretary. All Guarantee 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 Guarantee Agency pays a default claim. In particular, since March 1987, Guarantee 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 Guarantee 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 Guarantee Agency and suspend or terminate all agreements with the Guarantee Agency.

Federal Administrative Cost Allowances, Insurance Fees and Reinsurance Fees

Under the 1998 reauthorization of the Higher Education Act, for loans originated during federal fiscal years beginning on or after October 1, 1998 and before October 1, 2003, the Secretary pays each Guarantee Agency a loan processing and issuance fee equal to 0.65% of the total principal amount of the loans on which insurance was issued during such fiscal year. Effective for federal fiscal years beginning on or after October 1, 2003 the fee percentage is reduced to 0.40%.

Under the guarantee agreements and the supplemental guarantee agreements, if a payment on an eligible loan guaranteed by a Guarantee Agency is received after reimbursement by the Secretary, the Guarantee Agency is entitled to receive a share of the payment. Guarantee Agency retention on such collections was reduced to 27% of the repayment from 30% for loans first disbursed after October 1, 1993 and was further reduced by the 1998 reauthorization of the Higher Education Act to 24%. The 1998 reauthorization of the Higher Education Act also provides that the percentage will be further reduced to 23% beginning on October 1, 2003.

Any originator of any FFELP Loan guaranteed by a Guarantee Agency is required to pay to the Guarantee Agency from the proceeds of the loan at the time of disbursement and may discount an insurance premium which may not exceed that permitted under the Higher Education Act.

FFELP LOANS GENERALLY NOT SUBJECT TO DISCHARGE IN BANKRUPTCY

Under the U.S. Bankruptcy Code, FFELP Loans are not generally dischargeable. Title 11 of the United States Code at Section 523(a)(8) provides as follows:

(a) A discharge under Section 727, 1141, 1228(a), 1128(b), or 1328(b) of this title does not discharge an individual debtor from any debt –

* * * * *

(8) for an educational benefit overpayment or loan made, insured, or guaranteed by a governmental unit or made under any program funded in whole or in part by a governmental unit or a nonprofit institution, or for an obligation to repay funds received as an educational benefit, scholarship or stipend unless excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor's dependents.

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**GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND 1999 SERIES
RESOLUTIONS**

The following are some of the terms defined in the Corporation's General Resolution and 1999 Series Resolution pursuant to which the 1999 Bonds are issued. Where appropriate or necessary for a clearer indication of meaning for purposes of this Official Statement, 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 Official Statement 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 1999 Series Resolution, as appropriate.

Defined Terms

"Account or Accounts" means one or more of the separate accounts which are established within Funds created pursuant to the General Resolution.

"Accountant's Certificate" means an opinion signed by an independent certified public accountant or firm of certified public accountants of recognized standing (who may be the certified public accountant or firm of certified public accountants who regularly audit the books and accounts of the Corporation) selected from time to time by the Corporation.

"Act" means Chapter 115 of Title 59 of the Code of Laws of South Carolina, 1976, as amended, as existing at the date of adoption of the General Resolution, or as thereafter amended.

"All-Hold Rate" on any date of determination, means the Bond Equivalent Yield on 91-day United States Treasury securities most recently auctioned; provided, however, that the All-Hold Rate shall not exceed 20%.

"Alternative Loan" means an obligation acquired or to be acquired by the Corporation with funds made available pursuant to the General Resolution which represents advances of money made to or on behalf of a student evidenced by one or more promissory notes, the payment of principal of and interest on which is not insured by a Guarantee Agency nor reinsured by the Secretary under the Higher Education Act; provided that such Alternative Loans may be made only upon confirmation of ratings on the Bonds by each Rating Agency.

"Annual Budget" means the annual budget, as amended or supplemented, for a particular Fiscal Year adopted by the Corporation under the General Resolution and filed with the Trustee.

“Applicable Rating Criteria for Investment Obligations” means:

- (i) for as long as Fitch Investors Service (now known as Fitch IBCA, Inc.) is a Rating Agency, a rating by a Nationally Recognized Rating Service no lower than AA (or the equivalent) or F-1+ (or the equivalent), as appropriate;
- (ii) for as long as Moody’s Investors Service is a Rating Agency, a rating by a Nationally Recognized Rating Service no lower than Aa2 (or the equivalent) or M-1 (or the equivalent), as appropriate; and
- (iii) for as long as Standard & Poor’s is a Rating Agency, a rating by Standard & Poor’s no lower than the highest rating on any Tranche of Outstanding Bonds or A-1, AAAm or AAAM-G, as appropriate.

“Authority” means 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 with respect to the 1999 Bonds, \$1,000 and integral multiples thereof.

“Authorized Newspaper” means 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 Borough of Manhattan, City and State of New York or a newspaper of general statewide circulation in the State.

“Authorized Officer” means (i) in the case of the Authority, the Chairman or other designated officer, and (ii) in the case of the Corporation, the Chairman of its Board of Directors, its President or any other officer designated by the Chairman or the President.

“Bankruptcy Code” means the United States Bankruptcy Code, as amended from time to time, or any successor law.

“Beneficial Owners” means a Person who has an ownership interest in the 1999 Bonds Outstanding in book-entry form.

“Board” means the Board of Directors of the Corporation.

“Bond” or “Bonds” means any South Carolina Student Loan Corporation Education Loan Revenue Bonds of any Series authorized by an applicable Series Resolution and issued under the General Resolution.

“Bond Counsel Opinion” means an opinion of an attorney or firm of attorneys of recognized standing with respect to public finance law selected by the Corporation.

“Bond Equivalent Yield” means, in respect of any security with a maturity of six months or less the rate for which is quoted in The Wall Street Journal on a bank discount basis, a yield (expressed as a percentage) calculated in accordance with the following formula and rounded to the nearest one-hundredth of one percent:

$$\text{Bond Equivalent Yield} = \frac{Q \times 365}{360 - (T \times Q)} \times 100$$

where “Q” refers to the per annum rate for the security quoted on a bank discount basis and expressed as a decimal and “T” refers to the number of days to maturity.

“Bondholder”, or “Bondowner” or “Holder”, or “Holders of Bonds”, or any similar term (when used with reference to the Bonds) means any person who shall be the registered owner of any Outstanding Bond.

“Business Day” means any day other than a Saturday, Sunday, legal holiday or any other day on which banking institutions in the State of New York or the state in which the principal corporate trust office of the Trustee is located, are generally authorized or obligated by law or executive order to close or on which the New York Stock Exchange is closed.

“Calculation Agent” means The Bank of New York or its successors or assigns, such successors to be appointed pursuant to the 1999 Series Resolution.

“Cash Flow Certificate” means a certificate prepared by or on behalf of the Corporation setting forth, for the period extending from the date of such certificate to the latest maturity of the Bonds then Outstanding, (i) all Revenues Available for Debt Service expected to be received during such period; (ii) the application of all such Revenues Available for Debt Service in accordance with the General Resolution; (iii) the resulting balances and parity ratio; and establishing under all assumptions and scenarios requested by each Rating Agency and used for a cash flow analysis to accompany such certificate, that anticipated Revenues Available for Debt Service will be at least sufficient to pay the principal of and interest on the Bonds when due, to pay all other amounts payable under the General Resolution when due and to meet any required parity ratio.

“Certificate” means a document signed by an Authorized Officer attesting to or acknowledging the circumstances or other matters therein stated.

“Chairman” means the Chairman of the Board of Directors of the Corporation.

“Class” means a class of Bonds all sharing the same lien priority.

“Code” means the Internal Revenue Code of 1986, as amended from time to time or the Internal Revenue Code of 1954, as amended, as applicable. Each reference to a Section of the Code, shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such sections which are applicable to the Bonds or the use of the proceeds thereof.

“Continuing Disclosure Undertaking” means the covenant of the Corporation described in the General Resolution and more fully set forth in each Series Resolution.

“Corporation” means 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 or as agent of the Authority in administering certain components of the Student Loan Insurance Program, and its successors and assigns.

“Corporation Issuance and Sale Certificate” means a certificate executed and delivered by an Authorized Officer of the Corporation, which certificate shall be filed among the official records of the Corporation, in which such Authorized Officer shall certify, as hereinafter provided, the Corporation’s determination to issue the 1999 Bonds and shall determine the principal amount thereof, the interest rates or yields thereon, the redemption provisions thereof, any Targeted Amortization Payment amounts, the deposits required into certain Funds and Accounts and such other matters as shall be further provided herein with respect to the details of the 1999 Bonds.

“Costs of Issuance” means the costs of issuing any Series of Bonds.

“Cost of Issuance Account” means the account so designated which is established pursuant to the General Resolution.

“Counsel’s Opinion” means an opinion in writing, including supplemental opinions thereto, signed by such attorney or firm of attorneys of recognized national standing in the field of law relating to public finance as may be selected by the Corporation.

“Debt Service” means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of all interest payable on such Bonds and any Principal Installment in respect of such Bonds which shall be due and payable at any time from the second day of such Fiscal Year to the first day of the ensuing Fiscal Year, inclusive.

“Debt Service Reserve Fund” means the Fund so designated which is created by the General Resolution.

“Debt Service Reserve Requirement” means, as of any particular date of calculation, the greatest of (i) the sum of the amounts designated for each Series of Bonds in the Series Resolution related thereto as the “Debt Service Reserve Requirement” in respect of such Series, (ii) 0.1% times the original principal amount of all Tranches Outstanding as of such date, or (iii) \$500,000. The Debt Service Reserve Requirement may be composed of cash, Investment Obligations or Reserve Alternative Instruments or any combination of the foregoing, as the Corporation may determine.

“Debt Service Fund” means the Fund so designated which is created by the General Resolution.

“Default Payment” means moneys received, realized or recovered through proceedings taken by the Corporation in the event of default in respect of any Education Loan or in respect of any insurance on or guarantee with respect to any Education Loan, including moneys received pursuant to a contract of insurance in respect of any Education Loan.

“Defeasance Obligations” means and include any of the following securities, if and to the extent they are at the time legal for investment of funds of the Corporation: non-callable direct obligations of, or obligations the timely payment of principal and interest on which is fully and unconditionally guaranteed by, the United States of America.

“Depository” means any bank, trust company, national banking association or savings and loan association selected by the Corporation or the Trustee as a depository of moneys or securities held under the provisions of the General Resolution and may include the Trustee or any Paying Agent.

“Education Loans” means, collectively, Guaranteed Loans and Alternative Loans.

“Eligible Institution” means any educational institution which is an eligible institution as described in the Higher Education Act of 1965, as amended, and also so described in the Act.

“Eligible Lender” means (i) the Authority, (ii) the Corporation and (iii) all other entities which are eligible lenders as described in the Higher Education Act, which have in force a contract with a Guarantee Agency providing for loan guarantees to be issued by such Guarantee 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 the 1999 Series Bonds Outstanding (after any Targeted Amortization Payments are made) by the original principal balance of the 1999 Series Bonds and rounding the result to nine decimal places.

“Federal Agency” means the United States of America, or any agency, department or instrumentality of the United States of America.

“Fiduciary or Fiduciaries” means the Trustee and any successor, the Registrar, any Depository, any Paying Agent, or any of or all of them, as may be appropriate.

“Fiscal Year” means each annual period which begins on July 1 in any calendar year and ends on June 30 in the following calendar year.

“Fund” or “Funds” means one or more of the special trust funds which are created hereby.

“General Revenue Fund” means the fund so designated which is created by the General Resolution.

“Guarantee Agency” means the Authority acting in its capacity as a state guarantee agency under the Higher Education Act or other authorized guarantee agency under the Higher Education Act approved by each Rating Agency.

“Guaranteed Loan” means an obligation acquired or to be acquired by the Corporation with funds made available pursuant to the General Resolution 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, the payment of principal of and interest on which is guaranteed by a Guarantee 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 Guarantee 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 Guarantee Agency and the Secretary to so insure and reinsure.

“Higher Education Act” means the United States Higher Education Act of 1965, as amended, or any successor legislation pursuant to which programs are established for the direct federal insurance of student loans, reinsurance of loans (including Guaranteed Loans) guaranteed by state guarantee agencies, and other purposes.

“Interest Subsidy Payments” means interest subsidy payments payable in respect to any Guaranteed Loans by the Secretary under Section 428 of the Higher Education Act.

“Investment Obligations” means 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:

- (i) 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;

- (ii) General obligations of the State or other states of the United States provided that such obligations meet the Applicable Rating Criteria for Investment Obligations;

- (iii) General obligations of cities, counties and special purpose districts in the State provided that such obligations meet the Applicable Rating Criteria for Investment Obligations;

- (iv) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or without the United States if such obligations meet the Applicable Rating Criteria for Investment Obligations;

- (v) To the extent that the following meet the Applicable Rating Criteria for Investment Obligations and the full and timely payment thereof are guaranteed by the United States, obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, the Rural Economic and Community Development Administration, the United States Postal Service, the Export-Import Bank, the international Bank for Reconstruction and Development, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, and the Student Loan Marketing Association.

(vi) Repurchase Agreements with respect to securities issued or guaranteed by the United States government or its agencies as well as debt obligations issued by the Student Loan Marketing Association, Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation which may include mortgage-backed and mortgage pass through securities but may not include derivative instruments, which Repurchase Agreements are executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank of New York which transferor of such securities continuously meets the Applicable Rating Criteria for Investment Obligations, if:

(a) 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 one hundred and two percent (102%) of the repurchase price, and, provided further, that the financial institution serving either s Trustee or as custodian shall not be the provider of the repurchase agreement;

(b) a valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the Trustee;

(c) such securities are free and clear of any adverse third party claims; and

(d) a Counsel's Opinion is delivered to the Corporation providing that the repurchase agreement complies with applicable provisions of State law regarding the investment of funds.

The Rating Agencies shall be given prior written notice describing such Repurchase Agreements.

(vii) To the extent that the following continuously meet the Applicable Rating Criteria for Investment Obligations, 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 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;

(viii) To the extent that the following continuously meet the Applicable Rating Criteria for Investment Obligations, certificates of deposit issued by banks organized under the laws of the State, or by any national bank having its principal office in the State; 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;

(ix) To the extent that the following continuously meet the Applicable Rating Criteria for Investment Obligations, deposits in any savings and loan association organized under the laws of the State or any federal savings and loan association having its principal office in the State; provided that any moneys invested in such deposits in excess of the amount insured by the federal government or any agency thereof be fully secured by surety bonds, or be fully collateralized;

(x) Prime quality commercial paper meeting the Applicable Rating Criteria for Investment Obligations;

(xi) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that the accepting bank or its holding company (a) meets the Applicable Rating Criteria for Investment Obligations and (b) is incorporated in the State;

(xii) Asset-backed securities (whether considered debt or equity) provided they bear the highest rating of each Rating Agency;

(xiii) Guaranteed Investment Contracts with a financial institution whose long term debt obligations continuously meet the Applicable Rating Criteria for Investment Obligations and for which the Rating Agencies shall have been given prior written notice describing such Guaranteed Investment Contracts; and

(xiv) Investments in a money market fund which bears a rating which continuously meets the Applicable Rating Criteria for Investment Obligations.

“Initial Period” means the period beginning on the date of delivery of the 1999 Bonds and ending on the date set forth in the Corporation Issuance and Sale Certificate.

“Initial Interest Rate” means the rate of interest established for the Initial Period and as set forth in the Corporation Issuance and Sale Certificate.

“Insufficient Funds Event” means the failure of the Corporation to make or cause to be made the deposit required by the 1999 Series Resolution.

“Interest Account” means the account so established within the Debt Service Fund by the General Resolution.

“Interest Payment Date” means any date upon which interest on the Bonds of any Series, Class or Tranche shall be payable as specified in the applicable Series Resolution in accordance with the General Resolution. With respect to the 1999 Bonds, “Interest Payment Date” means the first Business Day of each calendar month, commencing August 2, 1999.

“Interest Period” means the period beginning on the Closing Date and ending on the day before the first Interest Rate Adjustment Date, and thereafter each period commencing on an Interest Rate Adjustment Date and ending on the day before the next Interest Rate Adjustment Date.

“Interest Rate” means the rate of interest on the 1999 Bonds determined in the manner provided in the 1999 Series Resolution.

“Interest Rate Adjustment Date” means the date on which a particular interest rate is effective, i.e., the first Business Day of each calendar month, commencing August 2, 1999.

“Interest Rate Determination Date” means the second Business Day prior to the delivery date and, thereafter, the second Business Day immediately preceding each Interest Rate Adjustment Date.

“Issue Date” means with respect to Bonds of a particular Series, the date specified and determined by the Series Resolution authorizing such Bonds.

“LIBOR Indexed Rate” means the interest rate established by the Calculation Agent on each Interest Rate Determination Date and equal to the LIBOR Rate plus the Spread Factor.

“LIBOR Rate” means the rate per annum fixed by the British Bankers’ Association at 11:00 a.m., London time, relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a one month period and as published or reported by (a) Bloomberg LP by reference to the screen page currently designated as “US0001M<Index>DES” on that service (or such other screen page which may replace such screen page), or (b) if no longer provided by Bloomberg LP, the Telerate Service by reference to the screen page currently designated as “Page 3750” on that service (or such other screen page which may replace such screen page), or (c) if no longer provided by Bloomberg LP or the Telerate Service, such rate as shall be ascertained in good faith by the Calculation Agent from such sources as it shall determine to be comparable to Bloomberg LP and the Telerate Service. The Calculation Agent shall determine the LIBOR Rate not earlier than 10:00 a.m., Eastern time, on each Interest Rate Determination Date.

“Loan Account” means the account of that name established in the Program Fund.

“Mandatory Sinking Fund Installment” means the principal amount of Bonds of all Series which pursuant to the applicable Series Resolutions the Corporation is unconditionally required (except as provided in the General Resolution) to redeem on any particular date (such that failure to redeem such principal amount is, regardless of the availability of moneys therefor, an Event of Default).

“Market Agent” means William R. Hough & Co. or another market agent or market agents designated in accordance with the terms of the applicable Series Resolution, and its or their successors or assigns.

“Nationally Recognized Rating Service” means any of Standard and Poor’s, Moody’s Investors Service, Inc. or Fitch IBCA, Inc. or the successor to any.

“Operating Costs” means, all of the Corporation’s expenses in carrying out and administering the Student Loan Finance Program under the General Resolution and shall include, without limiting the generality of the foregoing, auction agent fees, Servicing Fees, salaries, acquisition and servicing fees (other than Servicing Fees), supplies, utilities, mailing, labor, materials, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, Rating Agency fees, any credit or liquidity facility fees and expenses, fees and expenses, if any, incurred in remarketing the Bonds, fees and expenses of the Fiduciaries, Costs of Issuance not otherwise paid or provided for from the proceeds of Bonds, travel, payments for pension, thrift savings, retirement, health and hospitalization, and life and disability insurance benefits, all to the extent properly allocable to a financing under the General Resolution.

“Operating Fund” means the fund so designated which is created by the General Resolution.

“Operating Fund Requirement” means 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, but in no event, more than four months of Operating Costs in total as reflected by the Annual Budget.

“Other Federal Benefits” means all payments (including interest payments) now or hereafter provided by law, other than Default Payments, to be paid by the Secretary or any other Federal Agency to a holder of student loans, less any repayments thereof that may be required under contracts for such payments or as a condition for their receipt.

“Outstanding” when used with reference to any Bonds, means, as of any date, all Bonds theretofore or then being authenticated and delivered under the General Resolution except:

- (i) any Bonds canceled by the Trustee at or prior to such date;
- (ii) Bonds (or portions thereof) for the payment of which there shall be held in trust under the General Resolution (whether at or prior to maturity) (a) cash, equal to the principal amount or Redemption Price thereof, with interest to the date of maturity, or (b) Defeasance Obligations in amounts sufficient to pay the Redemption Price on such Bonds when due;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III; and
- (iv) Bonds deemed to have been paid as provided in the General Resolution.

“Participant” means a participant in the electronic, computerized book-entry system of transferring beneficial ownership interests in the 1999 Series Bonds administered by the Securities Depository.

“Paying Agent” means any bank with trust powers or trust company so designated pursuant to the General Resolution, and its successor or successors hereafter appointed, as paying agent for any Series of Bonds.

“Payment Default” means (i) a default by the Corporation in the due and punctual payment of any installment of interest on any Bonds at the time Outstanding or (ii) a default by the Corporation in the due and punctual payment of the principal or premium, if any, on any of the Outstanding Senior Lien Bonds at their maturity.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, incorporated organization or government or any agency or political subdivision thereof.

“Pledged Assets” means (i) the Education Loans; (ii) interest payments with respect to Education Loans made by or on behalf of borrowers; (iii) Recoveries of Principal; (iv) any applicable Special Allowance Payments; (v) any applicable Interest Subsidy Payments; (vi) all moneys and securities from time to time held by the Trustee under the terms of the General Resolution (excluding moneys and securities held, or required to be deposited, in the Rebate Fund) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder.

“Principal Account” means the account of that name established within the Debt Service Fund.

“Principal Installment” means, as of the date of calculation and with respect to any Series of Bonds Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date (whether at a stated maturity date or a date fixed for redemption prior to a stated maturity date) for which no Mandatory Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the General Resolution) of any Mandatory Sinking Fund Installments in a principal amount equal to said unsatisfied balance of such Mandatory Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Mandatory Sinking Fund Installments due on such future date, plus such applicable redemption premiums, if any.

“Principal Installment Date” means any date upon which any Principal Installment on Bonds of any Series shall be due and payable pursuant to the applicable Series Resolution.

“Program Fund” means the fund established by the General Resolution.

“Rating Agency” or “Rating Agencies” means any of Standard and Poor’s, Moody’s Investors Service, Inc., Fitch IBCA, Inc. (or the successor to any) or any other generally recognized rating agency to the extent any such agency has been requested in writing by the Corporation to issue a rating on one or more Series of the Bonds and such agency has issued and continues to apply a rating on such Bonds at the time in question.

“Rebate Fund” means the Rebate Fund authorized pursuant to the General Resolution.

“Record Date” means such date as shall be determined in the applicable Series Resolution with respect to payments to be made thereunder. With respect to the 1999 Bonds, “Record Date” means, with respect to any installment of interest due on an Interest Payment Date, the Business Day prior to the Interest Payment Date.

“Recoveries of Principal” means all amounts received in respect of payment of principal on Education Loans held by the Corporation, including scheduled, delinquent and advance payments, payouts or prepayments, proceeds from the guarantee, or from the sale, assignment or other disposition of an Education Loan.

“Redemption Date” means a date fixed for the payment of principal prior to maturity pursuant to any applicable redemption provision of the General Resolution and any Series Resolution.

“Redemption Price” means the total of principal, premium (if any) and interest due on any Bond redeemed pursuant to any applicable redemption provision of the General Resolution and any Series Resolution.

“Refunding Bonds” means all Bonds, whether issued in one or more Series, authenticated and delivered pursuant to the General Resolution.

“Registrar” means the Trustee, as well as any Co-Registrar appointed by the Corporation and the Trustee under the General Resolution.

“Remarketing Agent” means the entity selected by the Corporation in the event that it elects to convert the interest methodology for the 1999 Bonds as provided in the 1999 Series Resolution.

“Reserve Alternative Instrument” means an insurance policy or surety bond or irrevocable letter of credit or guaranty deposited in the Debt Service Reserve Fund in lieu of or in partial substitution for the deposit of cash and Investment Obligations in satisfaction of the Debt Service Reserve Requirement. The Reserve Alternative Instrument shall be payable (upon the giving of notice as required thereunder) to remedy any deficiency in the appropriate subaccounts in the Interest Account and the Principal Account in order to provide for the timely payment of interest and principal (whether at maturity or to pay a Mandatory Sinking Fund Installment therefor). The provider of a Reserve Alternative Instrument shall be (a) an insurer that has been assigned a rating which continuously meets the Applicable Rating Criteria for Investment Obligations, or (b) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which have been assigned a rating which continuously meets the Applicable Rating Criteria for Investment Obligations. The Rating Agencies shall be given prior written notice describing such Reserve Alternative Instrument.

“Resolution” means, collectively, the General Resolution and the 1999 Series Resolution.

“Revenues Available for Debt Service” means (i) interest payments with respect to Education Loans made by or on behalf of borrowers; (ii) Recoveries of Principal; (iii) any applicable Special Allowance Payments; (iv) any applicable Interest Subsidy Payments; and (v) all moneys and securities from time to time held by the Trustee under the terms of the General Resolution (excluding moneys and securities held, or required to be deposited, in the Rebate Fund).

“Scheduled Debt Service” means payment of interest and principal at the Stated Maturity thereof (including interest payable on an Interest Payment Date that is also a redemption date and including interest payable on defaulted interest).

“Secretary” means 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 and any successor or additional securities depository for the 1999 Bonds.

“Senior Lien Bonds” means any Bonds so designated in the applicable Series Resolution authorizing such Senior Lien Bonds. With respect to the 1999 Bonds, “Senior Lien Bonds” means all 1999 Bonds.

“Series” means all of the Bonds authenticated and delivered on original issuance authorized by a given Series Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided, regardless of variations in maturity, interest rate, Mandatory Sinking Fund Installments, or other provisions.

“Series Resolution” means a resolution of the Corporation authorizing the issuance of a Series of Bonds in accordance with the terms and provisions hereof, adopted by the Corporation in accordance with the General Resolution.

“Servicing Fees” means the fees payable to the Corporation to cover, inter alia, the Corporation’s reasonable and necessary expenses for operation and administration of the Student Loan Finance Program. 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 Corporation’s facilities.

“Special Allowance Payments” means special allowance payments authorized to be made by the Secretary in respect of the Guaranteed 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 the interest rate designated as such in the Corporation Issuance and Sale Certificate. The Corporation has designated the Spread Factor to be 0.27% with respect to the 1999 Bonds.

“State” means the State of South Carolina.

“Stated Maturity” means, with respect to principal of a Bond or an installment of interest thereon, the date specified in such Bond as the fixed date on which such principal or such installment of interest is due and payable.

“Student Loan Finance Program” means and include any acts or things done by the Authority or the Corporation pursuant to the Act and the General Resolution for the purpose of making available Guaranteed Loans pursuant to the Act and Alternative Loans as provided herein.

“Student Loan Insurance Program” means the guarantee program of the Authority authorized by the Act.

“Subordinate Lien Bonds” means any Bonds that are so designated in the Series Resolution authorizing such Bonds.

“Targeted Amortization Payment” means a payment of principal prior to maturity to the extent Revenues Available for Debt Service are sufficient for such purpose as set forth in an applicable Series Resolution or Corporation Issuance and Sale Certificate.

“Targeted Amortization Payment Date” means each date established in a Series Resolution for a Targeted Amortization Payment.

“Targeted Amortization Schedule” means a schedule for Targeted Amortization Payments as set forth in an applicable Series Resolution or Corporation Issuance and Sale Certificate.

“Tranche” means Bonds identified as such in a Series Resolution and having the same Class, stated maturity and interest rate methodology.

“Trustee” means The Bank of New York and the successor or successors of such bank or trust company and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

“Yield” means, that yield which, when used in computing the present worth of all payments of principal and interest on an obligation, produces an amount equal to its purchase price.

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EXHIBIT III

CERTAIN FINANCIAL INFORMATION WITH RESPECT TO THE CORPORATION

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SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 1998

SOUTH CAROLINA STUDENT LOAN CORPORATION

INDEX

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DERRICK, STUBBS & STITH, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

2835 Devine Street • Post Office Box 36
Columbia, South Carolina 29202-0036
Telephone: (803) 799-5810 • Facsimile: (803) 799-5554
E-Mail: admin@dsscpa.com

Francis E. Davis, CPA
A. David Masters, CPA
Charles R. Statler, Jr., CPA
Alan F. Grimsley, CPA



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
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, 1998, 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.

We conducted our audit in accordance with generally accepted auditing standards 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, 1998 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles. In accordance with *Government Auditing Standards*, we have also issued a report dated September 5, 1998 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 grants.

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 in Schedules 1 through 6 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 in Schedule 7 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 audits 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.

Derrick, Stubbs & Stith, LLP

September 5, 1998

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 1998

(With Comparative Amounts for 1997).

ASSETS	1998		1997 Totals
	Unrestricted	Temporarily Restricted	Memorandum Only
Current Assets:			
Cash and Cash Equivalents	\$ 5,457,093	\$ 12,052,820	\$ 17,509,913
Investments	280,410		280,410
Current Portion of Student Loan Receivables		122,841,806	122,841,806
Due from SC State Education Assistance Authority		5,717,096	5,717,096
Interest Due from Borrowers	138,037	22,988,011	23,126,048
Due from United States Department of Education	149	7,073,031	7,073,180
Accrued Investment Income	37,828	239,819	277,647
Miscellaneous Operating Receivables	3,772	1,335	5,107
Prepaid Expenses	16,012		16,012
Due from (to) Other Funds	6,818,664	(6,818,664)	2,683
Total Current Assets	\$ 12,751,965	\$ 164,095,254	\$ 176,847,219
Investments and Long-Term Receivables:			
Investments	\$	\$ 27,419,057	\$ 18,475,763
Other Student Loan Receivables Less, Current Portion	2,758,914	930,403,493	933,162,407
Teacher Loans Receivable - Net Allowance for Teacher Loan			810,168,974
Cancellations of \$ 13,295,282 and Current Portion		10,958,218	10,958,218
Cash Surrender Value of Life Insurance	455,477		455,477
Deferred Cost of Issuance of Bonds		958,483	958,483
Total Investments and Long-Term Receivables	\$ 3,214,391	\$ 969,739,251	\$ 972,953,642
Property and Equipment:			
Furniture and Equipment	\$ 3,066,937	\$	\$ 3,066,937
Automobiles	43,700		43,700
Less, Accumulated Depreciation	(1,415,213)		(1,415,213)
Net Property and Equipment	\$ 1,695,424	\$ -	\$ 1,695,424
Total Assets	\$ 17,661,780	\$ 1,133,834,505	\$ 1,151,496,285
			\$ 982,415,287

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 1998

(With Comparative Amounts for 1997)

	1998		1997
	Unrestricted	Temporarily Restricted	Totals
<u>LIABILITIES AND NET ASSETS</u>			Memorandum Only
<u>Current Liabilities:</u>			
Current Portion of Notes Payable - Finance Loans	\$	\$ 63,000,000	\$ 64,000,000
Current Maturities of Bonds Payable		59,916,258	24,721,780
Interest Payable		2,776,335	2,879,112
Accounts Payable	104,237	210,594	317,904
Compensated Absences	147,465	8,335	116,423
Due to S. C. State Education Assistance Authority		6,128,847	6,993,856
Total Current Liabilities	\$ 251,702	\$ 132,040,369	\$ 99,029,075
<u>Long-Term Debt:</u>			
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts of \$ 4,200,741	\$	\$ 677,335,304	\$ 526,633,553
Notes Payable - Finance Loans Less, Current Maturities		264,340,113	290,738,567
Note Payable to Banks		9,089,108	13,440,424
Total Long-Term Debt	\$ -	\$ 950,764,525	\$ 830,812,544
Total Liabilities	\$ 251,702	\$ 1,082,804,894	\$ 929,841,619
<u>Net Assets:</u>			
Temporarily Restricted:			
For Teacher Loans	\$	\$ 27,333,549	\$ 24,943,829
For Bond Indentures		20,064,268	8,409,879
For Bond Indentures - Current Debt Service		3,631,794	2,907,076
Total Temporarily Restricted	\$	\$ 51,029,611	\$ 36,260,784
Unrestricted	17,410,078		16,312,884
Total Net Assets	\$ 17,410,078	\$ 51,029,611	\$ 52,573,668
Total Liabilities and Net Assets	\$ 17,661,780	\$ 1,133,834,505	\$ 982,415,287

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 1998

(With Comparative Amounts for 1997)

	1998			1997	
	Unrestricted	Temporarily Restricted	Total	Totals	Memorandum Only
Revenue and Other Support:					
Income from United States Department of Education:					
Student Loan Interest - Subsidized	\$ 152	\$ 27,369,971	\$ 27,370,123	\$ 26,203,944	
Special Allowances	129	3,346,640	3,346,769	3,893,336	
Student Loan Interest - Non Subsidized	151,121	56,022,167	56,173,288	45,297,573	
Investment Income	481,649	1,801,433	2,283,082	1,633,909	
Unrealized Gain on Investments	108,389	324,161	432,550		
Late Charges	330	591,140	591,470	556,874	
Miscellaneous Payments of Student Loans	8	4,650	4,658	17,964	
Premium on Sale of Loans		33,746	33,746	23,836	
State Appropriations - Department of Education		3,016,250	3,016,250	3,016,250	
Processing Fee Income	62,003		62,003	35,050	
Remittance from S. C. State Education Assistance Authority for Operating Cost	5,469,092		5,469,092	5,095,183	
Net Assets Released from Restrictions	77,741,331	(77,741,331)			
Total Revenue and Support	\$ 84,014,204	\$ 14,768,827	\$ 98,783,031	\$ 85,773,919	
Expenses:					
Personnel	\$ 4,157,138	\$	\$ 4,157,138	\$ 3,915,603	
Contractual Services	402,823		402,823	390,914	
General Operating	1,602,587		1,602,587	1,470,416	
Interest on Debt	39,613,057		39,613,057	28,831,014	
TLP Cancellations	4,091,565		4,091,565	4,476,933	
Loss on Disposal of Equipment	19,966		19,966		
Amortization of Deferred Cost of Bond Issuance	32,432		32,432	18,017	
Payments to S. C. State Education Assistance Authority for Student Loan Income	30,739,335		30,739,335	33,605,752	
Lender Origination Fees	1,633,438		1,633,438	1,436,571	
Windfall Profit Rebate Expense					
Reinsurance Expense	43,770		43,770	29,878	
Other	580,899		580,899	343,055	
Total Expenses	\$ 82,917,010	\$ -	\$ 82,917,010	\$ 74,518,153	
Change in Net Assets	\$ 1,097,194	\$ 14,768,827	\$ 15,866,021	\$ 11,255,766	
Net Assets, Beginning	16,312,884	36,260,784	52,573,668	41,317,902	
Net Asset, Ending	\$ 17,410,078	\$ 51,029,611	\$ 68,439,689	\$ 52,573,668	

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1998
(With Comparative Amounts for 1997)

	1998		1997
	Unrestricted	Temporarily Restricted	Totals
		Total	Memorandum Only
<u>Cash Flows from Operating Activities:</u>			
Change in Net Assets	\$ 1,097,194	\$ 14,768,827	\$ 15,866,021
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	309,413		309,413
Loss on Sale of Property and Equipment	25,166		25,166
Amortization of Premiums and Discounts on Bonds Payable		159,968	159,968
Amortization of Cost of Bond Issuance		32,432	32,432
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Due from Department of Education	137	177,523	177,660
(Increase) Decrease in Due from S. C. State Education Assistance Authority	112	(2,654,960)	(2,654,848)
(Increase) Decrease in Interest Due from Borrowers	(92,280)	(4,800,870)	(4,893,150)
(Increase) Decrease in Accrued Investment Income	15,603	(39,636)	(24,033)
(Increase) Decrease in Miscellaneous Receivables	(3,293)	869	(2,424)
(Increase) Decrease in Prepaid Expenses	(693)	(693)	(1,617)
Increase (Decrease) in Interest Payable	63,639	(102,777)	(406)
Increase (Decrease) in Accounts Payable	35,843	(66,712)	(3,425,624)
Increase (Decrease) in Compensated Absences		3,534	175,838
Increase (Decrease) in Due to S. C. State Education Assistance Authority		(865,009)	34,618
Due to (from) Other funds	(160,417)	160,417	(328,057)
Net Cash Provided by (Used in) Operating Activities	\$ 1,290,424	\$ 6,773,606	\$ 8,064,030
<u>Cash Flows from Investing Activities:</u>			
Purchase of Property and Equipment	\$ (323,573)	\$	\$ (323,573)
Increase in Cash Surrender Value of Life Insurance	(51,179)		(51,179)
Purchase and Issuance of Student Loans	(1,548,613)	(486,739,862)	(488,288,475)
Proceeds from Principal Payments on Student Loans	13,256	333,612,919	333,626,175
Teacher Loan Cancellations		4,091,565	4,091,565
(Increase) Decrease in Investments		(8,619,133)	(8,619,133)
Unrealized Gain on Investments	(108,389)	(324,161)	(432,550)
Net Cash (Used in) Investing Activities	\$ (2,018,498)	\$ (157,978,672)	\$ (159,997,170)
			\$ (169,121,290)

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATIONSTATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 1998

(With Comparative Amounts for 1997)

	1998		1997
	Unrestricted	Temporarily Restricted	Totals
			Memorandum Only
<u>Cash Flows from Financing Activities:</u>			
Proceeds from Financing Loans	\$	\$ 34,774,122	\$ 39,862,444
Payments on Financing Loans		(62,172,576)	(51,760,101)
Proceeds from Bank Line-of-Credit		215,186,155	208,338,562
Payments on Bank Line-of-Credit		(219,537,471)	(577,307,914)
Proceeds from Bonds		211,400,000	559,200,000
Payments on Bonds		(24,721,780)	(4,425,917)
Payment of Bond Premiums		(941,960)	(3,499,990)
Payment of Costs of Bond Issuance		(305,398)	(703,533)
Net Cash Provided by Financing Activities	\$ -	\$ 153,681,092	\$ 169,703,551
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	\$ (728,074)	\$ 2,476,026	\$ 321,267
<u>Cash and Cash Equivalents:</u>			
Beginning	6,185,167	9,576,794	15,440,694
Ending	\$ 5,457,093	\$ 12,052,820	\$ 15,761,961
<u>Supplemental Disclosures of Cash Flow Information:</u>			
Cash Payments for Interest	\$ -	\$ 39,715,834	\$ 31,202,655

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 19981. Summary of Significant Accounting Policies:1.1 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 institutions beyond the public school level. 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 over such component unit. Financial accountability is the most important element of oversight responsibility. Neither the Authority nor SCSLC 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.

1.2 Overall Operating Arrangement:

The Authority, as a guarantee 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 which is based on a variable percentage of the unpaid principal of the loans.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 19981. Summary of Significant Accounting Policies (Continued):1.2 Overall Operating Arrangement (Continued):

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 all income on these loans to the Authority as it is received.

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.

Beginning with the 1986-87 year, the Corporation also arranged to finance its student loan program through a group of banks. Loans made under this financing arrangement were the property of the banks and did not appear on the books of the Corporation. This arrangement was phased out completely in December 1995.

Since June 15, 1994, the Corporation has entered into financing agreements with certain commercial banks. These financing arrangements are different from previous arrangements because the Corporation now owns the loans as described in Note 9. The Corporation expects to obtain a new commitment for each subsequent year.

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.

During the 1984-85 year, the Corporation began administering the Teacher Loan Program (TLP) and the Auxiliary Loan Program for Students (ALPS). Neither of these programs is funded by the bonds issued by the Authority or Corporation. ALPS loans have the same terms as other student loans.

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.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 19981. Summary of Significant Accounting Policies (Continued):1.2 Overall Operating Arrangement (Continued):

The ALPS program is targeted primarily toward those borrowers ineligible to borrow under the Authority's guarantee. Funds are provided to finance these loans through a line-of-credit from a group of South Carolina banks. Through this arrangement, the Corporation is now able to process all loan requests and function directly as the lender. All loans under the ALPS program are guaranteed by United Student Aid Funds. The Corporation plans to sell these loans to a secondary market before the repayment period begins. This arrangement is being phased out with only renewal borrowers being placed in the ALPS program.

1.3 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.

1.4 Display of Net Assets by Class:

The Corporation adheres to the disclosures and displays 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" including the 1996 totals memorandum only columns. SFAS No. 117 establishes standards for external financial reporting by non-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets, which are described 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.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1998

1. Summary of Significant Accounting Policies (Continued):

1.5 Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.

1.6 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.

1.7 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.

1.8 Property and Equipment:

Furniture, equipment and automobiles are capitalized at cost when purchased. Depreciation has been provided using the straight-line method over useful lives of five to ten years for furniture and equipment and three years for automobiles.

1.9 Deferred Compensation Agreement:

The Corporation offers its employees a voluntary deferred compensation plan structured and operated in accordance with provisions of Internal Revenue Code Section 403(b). The plan is administered by the Teachers Insurance and Annuity Association and the Corporation makes no contributions on behalf of the participants. The Corporation's liability is limited to remitting amounts deferred and withheld from the employees wages to the plan administrator.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1998

1. Summary of Significant Accounting Policies (Continued):

1.10 Compensated Absences:

Annual leave is earned at the rate of 10 to 20 days per year depending on length of employment. Employees are encouraged to use all annual leave earned in a given year and 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.

1.11 Total Columns on the Financial Statements:

Columns on the financial statements captioned "1997 Totals Memorandum Only" are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles.

2. Cash and Cash Equivalents:

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

<u>Unrestricted</u>	<u>Carrying Value</u>	<u>Market Value</u>
U. S. Agency Bonds	\$ 4,989,731	\$ 4,989,731
Demand Deposits	<u>467,362</u>	<u>467,362</u>
	\$ <u>5,457,093</u>	\$ <u>5,457,093</u>
 <u>Temporarily Restricted</u>	 <u>Carrying Value</u>	 <u>Market Value</u>
U.S. Treasury Notes	\$ 610,969	\$ 610,969
Repurchase Agreement	997,069	997,069
South Carolina State Treasurer Pool	9,882,820	10,206,981
Demand Deposits	<u>237,801</u>	<u>237,801</u>
	\$ <u>11,728,659</u>	\$ <u>12,052,820</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool of \$ 10,206,981 and demand deposits of \$ 237,801 totaling \$ 10,444,782.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 19983. Investments:

Investments consist of guaranteed investment contracts. Investments' cost and market value are \$ 27,419,059. Investments' market value is determined by quoted market values and consist of the following:

	<u>Carrying Value</u>	<u>Appreciation</u>	<u>Market Value</u>
<u>Unrestricted:</u>			
Common Stock	\$ <u>-</u>	\$ <u>280,410</u>	\$ <u>280,410</u>
<u>Temporarily Restricted:</u>			
Guaranteed Investment Contracts	\$ <u>27,419,059</u>	\$ <u>-</u>	\$ <u>27,419,059</u>

4. Amounts Due from/to the Corporation:

The \$ 6,128,847 amount due to the Authority represents funds due for income earned but not yet received by the Corporation from the Department of Education and borrowers at June 30. These funds will be remitted to the Authority when received. The Authority also owes the SCSLC funds collected on their behalf of \$ 5,717,096. Funds collected on behalf of the SCSLC are required to be paid to the SCSLC by the tenth of each month.

5. Student Loans/Insurance:

Loans bear interest at a fixed rate of 7-12% or a variable rate. Variable rates are based on the Treasury Bill rates and are adjusted each July 1. The rate in effect through June 30, 1998 is 5.00-9.13%. Loans are repayable over a period of five to ten years with a minimum payment of \$ 360 or \$ 600 per year. Repayment of principal is scheduled to begin six to ten months after the student graduates or ceases to be enrolled on at least a half-time basis at an eligible institution.

During the fall of 1982, the Parent Loan Program became operational. Loans are made to parents of dependent undergraduate students. The interest rate on these loans disbursed prior to July 1, 1987 was 12% to 14%. Loans disbursed after that date have a variable interest rate which is adjusted each July 1. The rate in effect through June 30, 1998 is 8.98-9.13%. Repayment begins within sixty (60) days after disbursement. These loans must be repaid over a period of five to ten years with a minimum payment of \$ 600 per year.

Loans are insured against death, disability and default by the Authority and are reinsured by the U. S. Department of Education up to 100% for loans made prior to October 1, 1993 and up to 98% for loans made on or after October 1, 1993. Loan recipients pay an amount equal to 1/2 of 1% of the principal amount of the loan as an insurance premium. Two-thirds of this amount is forwarded to the Authority's Loan Guarantee Reserve Account for the purpose of guaranteeing the 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.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1998

5. Student Loans/Insurance (Continued):

From August 1981 to October 1992, all student loan recipients paid an origination fee equal to 5% of the loan amount. From October 1992 to July 1994, an additional origination fee of 1.5% was paid by recipients of unsubsidized loans. Since July 1994, all loan recipients pay a reduced origination fee of 3%. The origination fees collected reduced the amount of interest subsidy the federal government pays to lenders on behalf of student borrowers.

6. Bonds Payable:

The Corporation issued Education Loan Revenue Bonds for the first time in the year ended June 30, 1997. These 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. These loans were previously financed by bank lines-of-credit as described in Note 9. 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, 1998, the Corporation was required to have assets deposited in the current debt service account of \$ 3,631,794.

The Education Loan Revenue Bonds as of June 30, 1998 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u>
July 11, 1996	\$ 223,900,000	12/1/02-9/1/26	\$ 223,900,000	\$ 26,756,984	\$ 197,143,016
May 15, 1997	335,300,000	12/1/04-9/1/27	335,300,000	2,390,713	332,909,287
May 13, 1998	211,400,000	9/1/33	<u>211,400,000</u>		<u>211,400,000</u>
			<u>\$ 770,600,000</u>	<u>\$ 29,147,697</u>	<u>\$ 741,452,303</u>

The Corporation's Treasury Indexed Bonds totaled \$ 360,626,386 as of June 30, 1998, and have variable interest rates ranging from the Treasury Index plus 0.54% to the Treasury Index plus 0.65%. The Corporation's Auction Rate Bonds totaled \$ 376,400,000 as of June 30, 1998, and have variable interest rates determined by auctions every 28 days, subject to a maximum of the lesser of 20% and the Treasury Index plus 1.60%. For the year ended June 30, 1998, none of the rates exceeded 6.09%. Future interest payments are based upon the rate at June 30, 1998, which was 5.6%.

The Treasury index 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.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 19986. Bonds Payable (Continued):

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 targeted amortization payments with Treasury bonds have been made in accordance with the anticipated respective Targeted Amortization Schedules as of the date of such redemption.

As of June 30, 1998, the annual requirements to retire these bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
1999	\$ 59,916,258	\$ 40,073,000	\$ 99,989,258
2000	62,890,636	36,588,812	99,479,448
2001	74,010,460	32,726,852	106,737,312
2002	64,439,345	28,746,713	93,186,058
2003	52,505,437	25,527,248	78,032,685
2004	49,129,490	22,675,983	71,805,473
2005	2,160,677	21,098,566	23,259,243
2006		21,078,400	21,078,400
2007		21,078,400	21,078,400
2008		21,078,400	21,078,400
2009		21,078,400	21,078,400
2010		21,078,400	21,078,400
2011		21,078,400	21,078,400
2012		21,078,400	21,078,400
2013		21,078,400	21,078,400
2014		21,078,400	21,078,400
2015		21,078,400	21,078,400
2016		21,078,400	21,078,400
2017		21,078,400	21,078,400
2018		21,078,400	21,078,400
2019		21,078,400	21,078,400
2020		21,078,400	21,078,400
2021		21,078,400	21,078,400
2022		21,078,400	21,078,400
2023		21,078,400	21,078,400
2024		21,078,400	21,078,400
2025		21,078,400	21,078,400
2026		21,078,400	21,078,400
2027	85,000,000	17,111,733	102,111,733
2028	80,000,000	12,585,067	92,585,067
2029		11,838,400	11,838,400
2030		11,838,400	11,838,400
2031		11,838,400	11,838,400
2032		11,838,400	11,838,400
2033		11,838,400	11,838,400
2034	<u>211,400,000</u>	<u>1,973,067</u>	<u>213,373,067</u>
Totals	\$ <u>741,452,303</u>	\$ <u>740,945,441</u>	\$ <u>1,482,397,744</u>

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 19987. Notes Payable - Finance Loans:

The September 18, 1979 bond issue requires that all funds advanced to the Corporation by the Authority for the purpose of making student loans be evidenced by a note between the two parties. This note was set up on September 18, 1979 in the amount of the outstanding Guaranteed Student Loans (GSL) as of that date (\$ 3,970,167). The note is increased by all advances for the purpose of making loans and decreased by all payments of principal which are returned to the Authority. At June 30, 1998, the note totaled \$ 327,340,113.

8. Income from Department of Education:

As an inducement to the lender to make guaranteed student loans, the U. S. Department of Education pays the Corporation a special allowance which is based on a variable percentage of the unpaid principal of the loans and 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.

9. Bank Lines of Credit:

The Corporation entered into financing arrangements with NationsBank, First Union National Bank of South Carolina, Wachovia Bank of South Carolina, and BB&T of South Carolina to finance its student loan programs. These lines of credit are used to finance student loans until permanent financing is obtained (see Note 1.2). A portion of this commitment is restricted for funding of the ALPS program. Although the banks have no further obligation to extend credit, the Corporation anticipates lines of credit can be obtained, if necessary. As of June 30, 1998, the Corporation had available the following lines of credit and the following amounts were outstanding:

<u>Year</u>	<u>Line of Credit Available</u>	<u>Balance at June 30, 1998</u>	<u>Due Date</u>
1997	\$ 218,700,000	\$	November 2, 1998
1998	218,000,000	5,146,070	November 2, 1999
1999	234,000,000	3,943,038	November 2, 2000
		\$ <u>9,089,108</u>	

Principal advances will accrue interest from the date of the first advance at a per annum rate equal to the average rate established in the auction of 91-day U. S. Treasury bills in the previous calendar quarter plus a range of 88 to 95 basis points (0.88% to 0.95%). On the 1999 line of credit only, the Corporation will pay an additional fee of .05% of the unused portion of credit line available. All student loans issued under this loan commitment will serve as collateral to the banks. The Corporation has agreed, among other things, to certain loan covenants which include maintaining a default rate no greater than four (4%) percent and that the South Carolina Education Assistance Authority will maintain at least an "A" bond rating on its Insured Student Loan Revenue Bond Issues as published by Standard and Poor's Corporation. The Corporation has complied with the covenants at June 30, 1998.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 199810. Employee Benefit Plans:

- 10.1 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. The Corporation has adopted the Wachovia Bank of South Carolina Money Purchase Pension Plan. Wachovia Bank of South Carolina 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 \$ 13,080. 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 pension expense for 1998 totaled \$ 218,226 and is fully funded.
- 10.2 In 1988, the South Carolina Student Loan Corporation adopted a proposal to provide a supplemental retirement plan for its Vice-Presidents, the President and the Executive Vice-President. Life insurance policies were bought by the Corporation on each of the participants. The Corporation is still in the process of working with their attorneys to adopt a formal retirement plan. Amounts for employer contributions are presently estimated by the Plan Administrators because the Plan has not been finalized. Expenses for the Plan were \$ 0 for 1998. The expense is decreased by the increase in cash surrender value of life insurance.
- 10.3 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 these benefits. Employer contributions applicable to those benefits were \$ 600,903 in 1998.

11. Operating Leases:

The Corporation leases office space under a lease that expires September 30, 2001. The future obligations under this lease follow:

<u>Year Ended June 30</u>	<u>Office Space</u>
1999	\$ 272,715
2000	277,546
2001	279,157
2002	69,789
Total Minimum Lease Payments	\$ <u>899,207</u>

Total rental expenses including rental agreements under one year in duration were \$ 212,401 for June 30, 1998. Certain lease expense is allocated to South Carolina State Education Assistance Authority based on space occupied.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1998

12. Concentration Risk:

The Corporation maintains cash accounts in commercial banks where the amounts on deposit at June 30, 1998 exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$ 200,000.

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.

14. Assets Released from Restrictions:

Net assets during the year ended June 30, 1998 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$ 190,694
Contractual Services	12,495
General Operating	43,720
Interest on Debt	39,613,057
TLP Cancellations	4,091,565
Amortization of Deferred Cost of Bond Issuance	32,432
Payment to SC State Education Assistance Authority for Student Loan Income	30,739,335
Lender Origination Fees	1,633,438
Reinsurance Expense	43,770
Other	<u>562,236</u>
Total Expenses	\$ 76,962,742
Other Transfers for Loan Servicing on Bank Loans	1,401,326
Transfers for Bond Issuance	(740,908)
Transfer to TLP Fund for Operations	<u>118,171</u>
Total	<u>\$ 77,741,331</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 1998

ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	ALPS	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans
Current Assets:							
Cash and Cash Equivalents	\$ 5,228,699	\$ 153,711	\$ 74,683	\$ 610,969	\$ 10,444,782	\$	\$ 17,509,913
Investments	280,410						280,410
Current Portion of Student Loan Receivables				55,200,000	4,123,066	518,740	63,000,000
Interest Due from Borrowers		10,297	127,740	16,655,509	1,782,086	56,798	4,493,618
Due from United States Department of Education		149		4,868,298		569,504	1,635,229
Due from S. C. State Education Assistance Authority				5,717,096			7,073,180
Accrued Investment Income	37,828			144,640	95,179		5,717,096
Miscellaneous Operating Receivables	3,772			1,335			277,647
Prepaid Expenses	16,012						5,107
Due from (to) Other Funds	5,318,664	1,500,000		65,907		(6,884,571)	16,012
Total Current Assets	\$ 10,885,385	\$ 1,664,157	\$ 202,423	\$ 83,263,754	\$ 16,445,113	\$ (5,739,529)	\$ 176,847,219
Investments and Long-Term Receivables:							
Investments	\$	\$	\$	\$ 27,419,057	\$	\$	\$ 27,419,057
Other Student Loan Receivables Less, Current Portion				652,185,523		14,861,876	263,356,094
Teacher Loans Receivable - Net Allowance for Teacher		66,134	2,692,780				933,162,407
Loan Cancellations and Current Portion					10,958,218		10,958,218
Cash Surrender Value of Life Insurance	455,477			958,483			455,477
Deferred Cost of Issuance of Bonds							958,483
Total Investments and Long-Term Receivables	\$ 455,477	\$ 66,134	\$ 2,692,780	\$ 680,563,063	\$ 10,958,218	\$ 14,861,876	\$ 972,953,642
Property and Equipment:							
Furniture and Equipment	\$ 3,066,937	\$	\$	\$	\$	\$	\$ 3,066,937
Automobiles	43,700						43,700
Less, Accumulated Depreciation	(1,415,213)						(1,415,213)
Net Property and Equipment	\$ 1,695,424	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,695,424
Total Assets	\$ 13,036,286	\$ 1,730,291	\$ 2,895,203	\$ 763,826,817	\$ 27,403,331	\$ 9,122,347	\$ 1,151,496,285

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 1998

	Unrestricted		Temporarily Restricted				Total
	Operating	ALPS	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	\$	\$	\$ 63,000,000
Current Maturities of Bonds Payable				59,916,258			59,916,258
Interest Payable				2,743,996		32,339	2,776,335
Accounts Payable	101,416		2,821	135,197	61,447	900	314,831
Compensated Absences	147,465				8,335		155,800
Due to S. C. State Education Assistance Authority							6,128,847
Total Current Liabilities	\$ 248,881	\$ -	\$ 2,821	\$ 62,795,451	\$ 69,782	\$ 33,239	\$ 132,292,071
Long-Term Debt:							
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts	\$	\$	\$	\$ 677,335,304	\$	\$	\$ 677,335,304
Notes Payable - Finance Loans Less, Current Maturities						9,089,108	264,340,113
Notes Payable to Banks				\$ 677,335,304	-	\$ 9,089,108	9,089,108
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ 677,335,304	\$ -	\$ 9,089,108	\$ 950,764,525
Total Liabilities	\$ 248,881	\$ -	\$ 2,821	\$ 740,130,755	\$ 69,782	\$ 9,122,347	\$ 1,083,056,596
Net Assets:							
Temporarily Restricted for Bond Indentures							
Current Debt Service	\$	\$	\$	\$ 3,631,794	\$	\$	\$ 3,631,794
Temporarily Restricted for Bond Indentures				20,064,268			20,064,268
Temporarily Restricted for Teacher Loans					27,333,549		27,333,549
Unrestricted	12,787,405	1,730,291	2,892,382				17,410,078
Total Net Assets	\$ 12,787,405	\$ 1,730,291	\$ 2,892,382	\$ 23,696,062	\$ 27,333,549	\$ -	\$ 68,439,689
Total Liabilities and Net Assets	\$ 13,036,286	\$ 1,730,291	\$ 2,895,203	\$ 763,826,817	\$ 27,403,331	\$ 9,122,347	\$ 1,151,496,285

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 1998

	Unrestricted		Temporarily Restricted				Total
	Operating	ALPS	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans
Revenue:							
Income from United States Department of Education:							
Student Loan Interest - Subsidized	\$	152	\$	\$ 17,694,858	\$ 55,377	\$ 5,191,401	\$ 4,428,335
Special Allowances		129		177,119	18,699	37,088	3,113,734
Student Loan Interest - Non Subsidized		5,319	145,802	25,944,419	2,951,867	3,724,698	23,401,183
Investment Income	468,429	6,457	6,763	1,273,848	509,840	17,745	2,283,082
Unrealized Gain on Investments	108,389				324,161		432,550
Late Charges		330		202,518	8,642	4,171	375,809
Miscellaneous Payments of Student Loans		8		1,515	93	1,972	4,658
Premium on Sale of Loans						33,746	33,746
State Appropriations - Department of Education					3,016,250		3,016,250
Processing Fee Income			62,003				62,003
Remittance from S. C. State Education Assistance Authority for Operating Cost							
Total Revenue	5,469,092	12,395	214,568	45,294,277	6,884,929	9,010,821	31,320,131
	\$ 6,045,910	\$	\$	\$	\$	\$	\$ 98,783,031
Expenses:							
Personnel	\$ 3,966,444	\$	\$	\$	190,694	\$	\$ 4,157,138
Contractual Services	390,328				12,495		402,823
General Operating	1,558,867				43,720		1,602,587
Interest on Debt				33,104,051		6,509,006	39,613,057
TLP Cancellations					4,091,565		4,091,565
Amortization of Deferred Cost of Bond Issuance							32,432
Payments to S. C. State Education Assistance Authority for Student Loan Income							
Lender Origination Fees						1,061,278	30,739,335
2% Reinsurance Expense				35,042		92	572,160
Loss on Disposal of Equipment	19,966						8,636
Other							19,966
Total Expenses	5,935,605	-	18,663	33,656,078	4,377,038	7,609,495	580,899
	\$ 5,935,605	\$	\$ 18,663	\$	\$ 4,377,038	\$ 7,609,495	\$ 82,917,010
Transfers Between Accounts:							
Transfers In	\$ 1,021,560	\$	\$ 1,400,000	\$ 1,256,010	\$ 242,971	\$ 15,102	\$ 3,935,643
Transfers Out	(1,642,971)			(515,102)	(361,142)	(1,416,428)	(3,935,643)
Total Transfers Between Accounts	(621,411)	-	1,400,000	740,908	(118,171)	(1,401,326)	-
	\$ (511,106)	\$ 12,395	\$ 1,595,905	\$ 12,379,107	\$ 2,389,720	\$	\$ 15,866,021
Change in Net Assets							
Net Assets, Beginning	13,298,511	1,717,896	1,296,477	11,316,955	24,943,829		52,573,668
Net Assets, Ending	12,787,405	1,730,291	2,892,382	23,696,062	27,333,549	-	68,439,689

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 1998

	Unrestricted			Temporarily Restricted				Total
	Operating	PAL		Taxable Bonds	Teacher Loans	Line-of-		
		ALPS	Loans			Credit Bank Loans	Exempt Bond Loans	
Cash Flows from Operating Activities:								
Change in Net Assets	\$ (511,106)	\$ 12,395	\$ 1,595,905	\$ 12,379,107	\$ 2,389,720	\$	\$	\$ 15,866,021
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:								
Depreciation	309,413							309,413
Loss on Equipment	25,166							25,166
Amortization of Premiums and Discounts on Bonds Payable				159,968				159,968
Amortization of Cost of Bond Issuance				32,432				32,432
Changes in Operating Assets and Liabilities:								
(Increase) Decrease in Due from Department of Education		137		(78,712)	166,900	(569,504)	658,839	177,660
(Increase) Decrease in Due from S. C. State Education Assistance Authority		112		(2,654,960)	(165,117)	58,155	206,170	(2,654,848)
(Increase) Decrease in Interest Due from Borrowers		(2,582)	(89,698)	(4,900,078)	6,978			(4,893,150)
(Increase) Decrease in Accrued Investment Income	15,603			(46,614)				(24,033)
(Increase) Decrease in Miscellaneous Receivables	(3,331)	38		844		25		(2,424)
(Increase) Decrease in Prepaid Expenses	(693)						(693)	(693)
Increase (Decrease) in Interest Payable				(75,233)	(181,952)	(27,544)		(102,777)
Increase (Decrease) in Accounts Payable	62,110	(110)	1,639	121,405	3,534	(6,936)	771	(3,073)
Increase (Decrease) in Compensated Absences	35,843							39,377
Increase (Decrease) in Due to S. C. State Education Assistance Authority							(865,009)	(865,009)
Due to (from) Other Funds	(160,417)			(14,093)		174,510		
Net Cash Provided by (Used in) Operating Activities	\$ (227,412)	\$ 9,990	\$ 1,507,846	\$ 4,924,066	\$ 2,220,063	\$ (371,294)	\$ 771	\$ 8,064,030
Cash Flows from Investing Activities:								
Purchase of Property and Equipment	\$ (323,573)	\$	\$	\$	\$	\$	\$	\$ (323,573)
Increase in Cash Surrender Value of Life Insurance	(51,179)							(51,179)
Purchase and Issuance of Student Loans			(1,548,613)	(223,898,951)	(5,489,363)	(222,577,426)	(34,774,122)	(488,288,475)
Proceeds from Principal Payments on Student Loans		13,256		43,082,706	1,172,028	227,299,772	62,058,413	333,626,175
Teacher Loan Cancellations					4,091,565			4,091,565
(Increase) Decrease in Investments				(8,619,133)				(8,619,133)
Unrealized Gain on Investments	(108,389)			(324,161)				(432,550)
Net Cash Provided by (Used in) Investing Activities	\$ (483,141)	\$ 13,256	\$ (1,548,613)	\$ (189,759,539)	\$ (225,770)	\$ 4,722,346	\$ 27,284,291	\$ (159,997,170)

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 1998

	Unrestricted			Temporarily Restricted				Total
	Operating	ALPS	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
Cash Flows from Financing Activities:								
Proceeds from Financing Loans	\$	\$	\$	\$	\$		\$ 34,774,122	\$ 34,774,122
Payments on Financing Loans							(62,172,576)	(62,172,576)
Proceeds from Bank Line-of-Credit						215,186,155		215,186,155
Payments on Bank Line-of-Credit						(219,537,471)		(219,537,471)
Proceeds from Bonds				211,400,000				211,400,000
Payments of Bonds				(24,721,780)				(24,721,780)
Payment of Bond Premiums				(941,960)				(941,960)
Payment of Costs of Bond Issuance				(305,398)				(305,398)
Net Cash Provided by (Used in) Financing Activities	\$ -	\$ -	\$ -	\$ 185,430,862	\$ -	\$ (4,351,316)	\$ (27,398,454)	\$ 153,681,092
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (710,553)	\$ 23,246	\$ (40,767)	\$ 595,389	\$ 1,994,293	\$ (264)	\$ (113,392)	\$ 1,747,952
Cash and Cash Equivalents:								
Beginning	5,939,252	130,465	115,450	15,580	8,450,489	264	1,110,461	15,761,961
Ending	\$ 5,228,699	\$ 153,711	\$ 74,683	\$ 610,969	\$ 10,444,782	\$ -	\$ 997,069	\$ 17,509,913
Supplemental Disclosures of Cash Flow Information:								
Cash Payments for Interest	\$ -	\$ -	\$ -	\$ 33,179,284	\$ -	\$ 6,536,550	\$ -	\$ 39,715,834

SCHEDULE 4SOUTH CAROLINA STUDENT LOAN CORPORATIONSCHEDULE OF PROPERTY AND EQUIPMENTYEAR ENDED JUNE 30, 1998

<u>Description and Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation 6/30/97</u>	<u>Depreciation Expense</u>	<u>Disposals</u>	<u>Accumulated Depreciation 6/30/98</u>
Furniture and Fixtures - 5 - 10%:					
Computer Equipment	\$ 2,093,595	\$ 742,413	\$ 210,495	\$ 55,328	\$ 897,580
Typewriters	10,005	9,869	117		9,986
Filing Equipment	75,849	47,407	4,847		52,254
Furniture	49,150	38,279	2,390	587	40,082
Other Office Machines	364,266	106,509	36,214		142,723
Partitions and Worksurfaces	129,300	101,476	8,371		109,847
Telephone Equipment	323,598	98,393	32,171		130,564
Miscellaneous	21,175	2,169	241		2,410
Total Furniture and Fixtures	\$ <u>3,066,938</u>	\$ <u>1,146,515</u>	\$ <u>294,846</u>	\$ <u>55,915</u>	\$ <u>1,385,446</u>
Automobiles - 33-1/3%:					
1996 Crysler	\$ 15,600	\$ 5,200	\$ 5,200	\$	\$ 10,400
1994 Buick Century		14,745		14,745	
1995 Buick LeSabre	15,000	10,000	5,000		15,000
1997 Dodge Caravan	13,100		4,367		4,367
Total Automobiles	\$ <u>43,700</u>	\$ <u>29,945</u>	\$ <u>14,567</u>	\$ <u>14,745</u>	\$ <u>29,767</u>
Grand Totals	\$ <u><u>3,110,638</u></u>	\$ <u><u>1,176,460</u></u>	\$ <u><u>309,413</u></u>	\$ <u><u>70,660</u></u>	\$ <u><u>1,415,213</u></u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 1998

	Operating Fund				Teacher Loan Program - EIA			
	1998			1997 Actual	1998			1997 Actual
	Total Budget	Actual	Variance Favorable (Unfavorable)		Total Budget	Actual	Variance Favorable (Unfavorable)	
Operating Expenses:								
Personnel:								
Staff Salaries	\$ 3,187,700	\$ 2,885,829	\$ 301,871	\$ 2,765,811	\$ 154,000	\$ 152,440	\$ 1,560	\$ 136,119
Part-time Salaries	69,550	51,912	17,638	56,732				
Contracted Services	45,500	14,886	30,614	17,263				
Social Security	242,600	214,422	28,178	206,595	11,625	10,942	683	9,817
Group Insurance	505,900	582,193	(76,293)	508,385	20,500	18,710	1,790	17,051
Retirement	245,250	209,956	35,294	175,885	11,300	8,270	3,030	7,513
Unemployment	17,000	7,246	9,754	13,764	700	332	368	668
Total Personnel	\$ 4,313,500	\$ 3,966,444	\$ 347,056	\$ 3,744,435	\$ 198,125	\$ 190,694	\$ 7,431	\$ 171,168
Contractual:								
Loan Servicing	\$ 370,000	\$ 281,259	\$ 88,741	\$ 289,794	\$ 15,000	\$ 11,388	\$ 3,612	\$ 9,789
Credit Bureau Fees	61,700	54,026	7,674	42,976				
Legal	26,900	23,411	3,489	16,323				
Accounting	32,600	31,632	968	30,728	1,100	1,107	(7)	1,304
Total Contractual	\$ 491,200	\$ 390,328	\$ 100,872	\$ 379,821	\$ 16,100	\$ 12,495	\$ 3,605	\$ 11,093
General Operating:								
Equipment Lease	\$ 1,200	\$ 566	\$ 634	\$ 929	\$ 50	\$ 23	\$ 27	\$ 37
Rent	218,450	203,560	14,890	207,264	8,625	8,252	373	8,181
Telephone and Telegraph	190,400	218,156	(27,756)	159,533	7,700	8,844	(1,144)	6,297
Equipment Maintenance	40,700	31,957	8,743	28,741	1,650	1,296	354	1,135
Supplies	86,200	79,100	7,100	76,974	3,500	3,202	298	3,040
Printing	198,200	197,164	1,036	194,605	3,000	4,191	(1,191)	2,832
Postage	404,800	401,242	3,558	377,781	16,400	16,267	133	15,178
Insurance	56,100	28,922	27,178	29,767	2,200	1,168	1,032	1,114
Travel	45,000	43,901	1,099	38,234	500	255	245	495
Contingencies	25,000	14,364	10,636	17,978	2,000	4	1,996	11
Subscriptions and Fees	28,500	26,757	1,743	25,795	125	80	45	211
Conference Costs	3,500	3,765	(265)	3,084	150	138	12	122
Depreciation	348,350	309,413	38,937	271,078				
Total General Operating	\$ 1,646,400	\$ 1,558,867	\$ 87,533	\$ 1,431,763	\$ 45,900	\$ 43,720	\$ 2,180	\$ 38,653
Total Operating Expenses	\$ 6,451,100	\$ 5,915,639	\$ 535,461	\$ 5,556,019	\$ 260,125	\$ 246,909	\$ 13,216	\$ 220,914
Capital Additions:								
Equipment, Furniture and Fixtures	\$ 432,100	\$ 289,470	\$ 142,630	\$ 170,412	\$ 1,800	\$ 1,795	\$ 5	\$ 1,643
Automobile		13,100	(13,100)	15,600				
Total Capital Additions	\$ 432,100	\$ 302,570	\$ 129,530	\$ 186,012	\$ 1,800	\$ 1,795	\$ 5	\$ 1,643
Total Operating Expenses and Capital Additions	\$ 6,883,200	\$ 6,218,209	\$ 664,991	\$ 5,742,031	\$ 261,925	\$ 248,704	\$ 13,221	\$ 222,557

SOUTH CAROLINA STUDENT LOAN CORPORATIONSCHEDULE OF ORGANIZATIONAL DATAYEAR ENDED JUNE 30, 1998

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 in leased premises.

BOARD OF TRUSTEES OF THE CORPORATION

<u>Name</u>	<u>Office</u>	<u>Term Expires 6/30</u>
Jeffrey R. Scott	Chairman	1999
G. Lee Cory	Vice-Chairman	2001
Paul W. Stringer	Vice-Chairman	2000
Fred L. Green, III	Treasurer	1999
James A. Bennett		2000
Dr. John J. Duffy		1999
R. Thornwell Dunlap, Jr.		2000
Leonard L. Hutchison		2001
H. Roderick Murchison		2000
James C. McColl		2001
Marion E. Woodbury		1999
William M. Mackie, Jr.	Secretary, President	

SCHEDULE 7

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 1998

<u>Federal Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Amount of 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	\$	\$ 3,346,769
Subsidized Interest	84.032		<u>27,370,122</u>
Total U.S. Department of Education Programs (Major Program)			\$ <u>30,716,891</u>



DERRICK, STUBBS & STITH, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

2835 Devine Street • Post Office Box 36
Columbia, South Carolina 29202-0036
Telephone: (803) 799-5810 • Facsimile: (803) 799-5554
E-Mail: admin@dsscpa.com

Francis E. Davis, CPA
A. David Masters, CPA
Charles R. Statler, Jr., CPA
Alan F. Grimsley, CPA



**INDEPENDENT AUDITOR'S 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 Trustees
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, 1998, and have issued our report thereon dated September 5, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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*.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management and the U.S. Department of Education. However, this report is a matter of public record and its distribution is not limited.

Derrick, Stubbs & Stith, LLP

September 5, 1998



DERRICK, STUBBS & STITH, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

2835 Devine Street • Post Office Box 36
Columbia, South Carolina 29202-0036
Telephone: (803) 799-5810 • Facsimile: (803) 799-5554
E-Mail: admin@dsscpa.com

Francis E. Davis, CPA
A. David Masters, CPA
Charles R. Statler, Jr., CPA
Alan F. Grimsley, CPA



INDEPENDENT AUDITOR'S 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 Trustees
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, 1998. 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 generally accepted auditing standards; 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, 1998.

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

To the Board of Trustees
South Carolina Student Loan Corporation
Page 2

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of the management and the U. S. Department of Education. However, this report is a matter of public record and its distribution is not limited.

Derricks, Huhls + Stith, LLP

September 5, 1998

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 1998

1. Summary of Auditor's Results:

- | | | |
|--------|--|--|
| (i) | Type of report issued on financial statements | Unqualified |
| (ii) | Reportable material weaknesses in internal control conditions | None |
| (iii) | Material noncompliance to the financial statements | None |
| (iv) | Material weaknesses in reportable conditions in internal control over major programs | None |
| (v) | Type of report issued on compliance for major programs | Unqualified |
| (vi) | Audit findings required to be reported under paragraph .510(a) OMB 133 | None |
| (vii) | Identification of major programs:
<u>U.S. Department of Education:</u>
<u>Higher Education Act Insured Loan Programs:</u>
<u>Federal Family Education Loan Program:</u>
Special Allowances
Subsidized Interest
Total Federal Family Education Loan Program (Major Program) | CFDA# Expenditure
84.032 \$ 3,346,769
84.032 <u>27,370,122</u>
\$ <u>30,716,891</u> |
| (viii) | Dollar threshold used to distinguish between Type A and Type B programs | \$ 921,507 |
| (ix) | South Carolina Student Loan Corporation qualifies as a low risk auditee under paragraph .530 OMB 133 | Yes |

- | | |
|--|------|
| 2. Findings related to the financial statements which are required to be reported in accordance with GAGAS | None |
| 3. Findings and questioned costs for Federal awards including audit findings as defined in paragraph .510(a) OMB 133 | |
| (i) Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) | None |
| (ii) Audit findings which relate to both the financial statements and Federal awards | None |

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF SUMMARY OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 1998

There are no prior audit findings and questioned costs relative to Federal Awards.

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF CORRECTIVE ACTION PLAN

JUNE 30, 1998

There is no corrective action plan required since there are no prior audit findings and questioned costs relative to Federal Awards.

SOUTH CAROLINA STUDENT LOAN CORPORATION

SUMMARY OF OPERATIONS FOR

FISCAL YEARS ENDING JUNE 30, 1994 THROUGH JUNE 30, 1998

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SOUTH CAROLINA STUDENT LOAN CORPORATION
SUMMARY OF OPERATIONS

YEARS ENDED JUNE 30, 1994, 1995, 1996, 1997 AND 1998

	1994	1995	1996	1997	1998
<u>Revenue:</u>					
Income from United States Department of Education					
Student Loan Interest - Subsidized	\$ 10,255,795	\$ 14,637,096	\$ 23,663,289	\$ 26,203,944	\$ 27,370,123
Special Allowances	3,934,298	5,844,379	4,030,329	3,893,336	3,346,769
Student Loan Interest - Non Subsidized	13,862,714	22,388,977	34,716,727	45,297,573	56,173,288
Investment Income	214,560	555,639	814,856	1,633,909	2,283,082
Unrealized Gain on Investments	0	0	0	0	432,550
Late Charges	457,313	78,389	292,663	556,874	591,470
Miscellaneous Payments of Student Loans	1,508	20,939	23,518	17,964	4,658
Premium on Sale of Loans	52,002	71,200	52,286	23,836	33,746
State Appropriations - Department of Education	4,775,000	5,016,250	3,016,250	3,016,250	3,016,250
Processing Fee Income	2,432,300	1,905,987	718,628	35,050	62,003
Remittance from S. C. State Education Assistance Authority					
for Operating Cost	4,243,212	4,884,864	4,980,924	5,095,183	5,469,092
Total Revenue	<u>\$ 40,228,702</u>	<u>\$ 55,403,720</u>	<u>\$ 72,309,470</u>	<u>\$ 85,773,919</u>	<u>\$ 98,783,031</u>
<u>Expenses:</u>					
Personnel	\$ 3,091,217	\$ 3,414,276	\$ 3,711,919	\$ 3,915,603	\$ 4,157,138
Contractual Services	1,270,748	544,232	403,671	390,914	402,823
General Operating	1,105,472	1,358,362	1,494,088	1,470,416	1,602,587
Interest on Debt	201,563	6,834,387	19,107,539	28,831,014	39,613,057
TLP Cancellations	2,922,871	3,727,883	3,739,650	4,476,933	4,091,565
Loss (Gain) on Disposal of Equipment	58,668	3,193	47,697	0	19,966
Amortization of Deferred Cost of Bond Issuance				18,017	32,432
Payments to S. C. Education Assistance Authority for:					
Operating Expenses Paid on behalf of Paul Douglas Teacher					
Scholarship Program	39,990	39,263	0	0	0
Student Loan Income	26,489,973	30,842,105	34,147,336	33,605,752	30,739,335
Lender Origination Fees	0	899,423	1,200,738	1,436,571	1,633,438
Windfall Profit Rebate Expense	0	370,854	41,336	0	0
2% Reinsurance Expense	0	0	0	29,878	43,770
Other	0	0	36,772	343,055	580,899
Total Expenses	<u>\$ 35,180,502</u>	<u>\$ 48,033,978</u>	<u>\$ 63,930,746</u>	<u>\$ 74,518,153</u>	<u>\$ 82,917,010</u>
Change in Net Assets	\$ 5,048,200	\$ 7,369,742	\$ 8,378,724	\$ 11,255,766	\$ 15,866,021
<u>Net Assets, Beginning</u>	<u>\$ 20,521,236</u>	<u>\$ 25,569,436</u>	<u>\$ 32,939,178</u>	<u>\$ 41,317,902</u>	<u>\$ 52,573,668</u>
<u>Net Assets, Ending:</u>					
Temporarily Restricted for Bonds	0	0	0	11,316,955	23,696,062
Temporarily Restricted for Teacher Loans	17,135,559	22,487,386	23,074,109	24,943,829	27,333,549
Unrestricted	8,433,877	10,451,792	18,243,793	16,312,884	17,410,078
Total Liabilities and Net Assets	<u>\$ 25,569,436</u>	<u>\$ 32,939,178</u>	<u>\$ 41,317,902</u>	<u>\$ 52,573,668</u>	<u>\$ 68,439,689</u>

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SOUTH CAROLINA STUDENT LOAN CORPORATION

UNAUDITED

BALANCE SHEET AND INCOME STATEMENT

FOR THE NINE MONTH PERIOD

JULY 1, 1998 THROUGH MARCH 31, 1999

AS PREPARED BY THE CORPORATION

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SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINANCIAL POSITION BY FUND

MARCH 31, 1999

ASSETS	Operating	ALPS	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of-Credit Bank Loans	Tax-Exempt Bond Loans	Total
Current Assets:								
Cash and Cash Equivalents	\$ 4,006,492	\$ 165,589	\$ 365,862	\$ 39,524,824	\$ 10,336,527	\$ 2,023,798	\$ 2,740,593	\$ 59,163,685
Investments	237,540							237,540
Current Portion of Student Loan Receivables				51,315,963	4,448,343	1,316,275	64,268,164	121,348,745
Interest Due from Borrowers		9,262	205,415	17,318,678	2,076,003	2,054,459	4,526,552	26,190,369
Due from United States Department of Education		83		4,331,512	37,255		1,788,657	6,157,507
Due from S. C. State Education Assistance Authority	36,643	337	3,787	12,165,509	280,845	1,189,634		13,676,755
Accrued Investment Income				157,933	105,863			263,796
Miscellaneous Operating Receivables	1,443			92				1,535
Prepaid Expenses	15,968							15,968
Due from (to) Other Funds	6,098,051	1,500,000				(7,598,051)		
Total Current Assets	\$ 10,396,137	\$ 1,675,271	\$ 575,064	\$ 124,814,511	\$ 17,284,836	\$ (1,013,885)	\$ 73,323,966	\$ 227,055,900
Investments and Long-Term Receivables:								
Other Student Loan Receivables Less, Current Portion	\$	\$	\$ 4,244,378	\$ 606,295,800	\$	\$ 200,578,022	\$ 268,651,532	\$ 1,079,834,200
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations of \$16,503,489.30 and Current Portion		64,468			10,258,224			10,258,224
Cash Surrender Value of Life Insurance	493,860			918,943				493,860
Deferred Cost of Issuance of Bonds								918,943
Total Investments and Long-Term Receivables	\$ 493,860	\$ 64,468	\$ 4,244,378	\$ 607,214,743	\$ 10,258,224	\$ 200,578,022	\$ 268,651,532	\$ 1,091,505,227
Property and Equipment:								
Furniture and Equipment	\$ 2,821,490	\$	\$	\$	\$	\$	\$	\$ 2,821,490
Automobiles	29,719							29,719
Less, Accumulated Depreciation	(1,563,219)							(1,563,219)
Net Property and Equipment	\$ 1,287,990	\$	\$	\$	\$	\$	\$	\$ 1,287,990
Total Assets	\$ 12,177,987	\$ 1,739,739	\$ 4,819,442	\$ 732,029,254	\$ 27,543,060	\$ 199,564,137	\$ 341,975,498	\$ 1,319,849,117

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF ACTIVITIES BY FUND

NINE MONTHS ENDING MARCH 31, 1999

	Operating	ALPS	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of-Credit Bank Loans	Tax-Exempt Bond Loans	Total
Revenue:								
Income from United States Department of Education:								
Student Loan Interest - Subsidized	\$	\$ 367	\$	\$ 14,741,606	\$ 60,264	\$ 3,584,257	\$ 2,589,654	\$ 20,976,148
Special Allowances		181		2,945	35,052	26,289	3,455,012	3,519,479
Student Loan Interest - Non Subsidized		3,514	186,667	26,474,633	2,275,960	2,629,206	18,170,862	49,740,842
Investment Income	332,659	5,220	5,738	1,411,948	428,960	14,614	64,590	2,263,729
Unrealized Gain/(Loss) on Investments	(42,870)				(165,042)			(207,912)
Late Charges		166		215,052	7,068	2,671	273,232	498,189
Miscellaneous Payments of Student Loans				305	172	126	203	806
Premium on Sale of Loans						5,379		5,379
State Appropriations - Department of Education			68,649		2,016,250			2,016,250
Processing Fee Income								68,649
Remittance from S. C. State Education Assistance Authority for Operating Cost								
Total Revenue	\$ 4,654,036 4,943,825	\$ 9,448	\$ 261,054	\$ 42,846,489	\$ 4,658,684	\$ 6,262,542	\$ 24,553,553	\$ 4,654,036 83,535,595
Expenses:								
Personnel	\$	\$	\$	\$	\$ 154,818	\$	\$	\$ 3,278,726
Contractual Services	3,123,908				9,781			299,044
General Operating	289,263				37,997			1,307,103
Interest on Debt	1,269,106					4,489,081		33,562,428
TLP Cancellations				29,073,347	4,445,641			4,445,641
Amortization of Deferred Cost of Bond Issuance				32,664				32,664
Payments to S. C. State Education Assistance Authority for Student Loan Income							23,855,569	23,855,569
Lender Origination Fees				(1,000)		987,693	688,201	1,674,894
2% Reinsurance Expense				47,707			9,783	57,490
Loss on Disposal of Other Assets								
Other								
Total Expenses	\$ 4,682,277	\$ 13,444	\$ 13,444	\$ 827,471	\$ 12,923	\$ 6,430	\$ 24,553,553	\$ 860,268
Transfers Between Accounts:				\$ 29,980,189	\$ 4,661,160	\$ 5,483,204	\$	\$ 69,373,827
Transfer In	\$ 779,338	\$	\$ 1,675,000	\$	\$ 202,931	\$	\$	\$ 2,657,269
Transfer Out	(1,877,931)					(779,338)		(2,657,269)
Total Transfers Between Accounts	\$ (1,098,593)	\$	\$ 1,675,000	\$	\$ 202,931	\$ (779,338)	\$	\$
Change in Net Assets	\$ (837,045)	\$ 9,448	\$ 1,922,610	\$ 12,866,300	\$ 200,455	\$	\$	\$ 14,161,768
Net Assets, Beginning	12,787,405	1,730,291	2,892,382	23,696,062	27,333,549			68,439,689
Net Assets, Ending	\$ 11,950,360	\$ 1,739,739	\$ 4,814,992	\$ 36,562,362	\$ 27,534,004	\$	\$	\$ 82,601,457

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
FOR THE NINE MONTHS ENDING MARCH 31, 1999

	Operating Fund		Variance Favorable (Unfavorable)	Actual	1998
	Total Budget	1999			
<u>Operating Expenses:</u>					
<u>Personnel:</u>					
Staff Salaries	\$ 2,382,750	\$ 2,225,340	\$ 157,410	\$	\$ 2,151,206
Part-time Salaries	47,175	28,466	18,709		35,608
Contracted Services	22,800.00	22,926	(126)		6,608.00
Social Security	180,500	162,519	17,981		158,339
Group Insurance	494,950	495,894	(944)		454,056
Retirement	185,000	184,342	658		139,080
Unemployment	4,640	4,421	219		5,376
Total Personnel	\$ 3,317,815	\$ 3,123,908	\$ 193,907		\$ 2,950,273
<u>Contractual:</u>					
Loan Servicing	\$ 235,000	\$ 211,795	\$ 23,205		\$ 174,276
Credit Bureau Fees	45,525	35,070	10,455		38,118
Legal	13,500	10,000	3,500		13,005
Accounting	30,550	32,398	(1,848)		27,882
Total Contractual	\$ 324,575	\$ 289,263	\$ 35,312		\$ 253,281
<u>General Operating:</u>					
Rent	\$ 160,300	\$ 150,119	\$ 10,181		\$ 154,129
Telephone and Telegraph	171,380	179,670	(8,290)		163,283
Supplies	52,000	50,899	1,101		56,145
Printing	132,850	138,045	(5,195)		126,029
Postage	324,600	314,223	10,377		294,694
Insurance	56,500	29,362	27,138		28,922
Travel	35,650	36,099	(449)		31,392
Equipment Maintenance	37,250	31,930	5,320		30,699
Contingencies	18,745	21,592	(2,847)		9,915
Subscriptions & Fees	28,000	26,936	1,064		26,324
Conference Cost	3,975	4,731	(756)		3,765
Depreciation	319,500	285,500	34,000		261,263
Total General Operating	\$ 1,340,750	\$ 1,269,106	\$ 71,644		\$ 1,186,560
Total Operating Expenses	\$ 4,983,140	\$ 4,682,277	\$ 300,863		\$ 4,390,114
<u>Capital Additions:</u>					
Equipment, Furniture and Fixtures	\$ 60,000	\$ 49,850	\$ 10,150		\$ 257,773
Automobile	15,000	14,119	881		
Total Capital Additions	\$ 75,000	\$ 63,969	\$ 11,031		\$ 257,773
Total Operating Expenses and Capital Additions	\$ 5,058,140	\$ 4,746,246	\$ 311,894		\$ 4,647,887

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
FOR THE NINE MONTHS ENDING MARCH 31, 1999

	Teacher Loan Program - EIA		
	1999	1998	
	Total	Variance Favorable	Actual
	Budget	(Unfavorable)	
<u>Operating Expenses:</u>			
<u>Personnel:</u>			
Staff Salaries	\$ 120,500	\$ 2,639	\$ 114,655
Part-time Salaries			
Contracted Services	9,225	598	8,219
Social Security	20,075	(249)	14,586
Group Insurance	8,000	202	6,625
Retirement	265	57	226
Unemployment			
Total Personnel	\$ 158,065	\$ 3,247	\$ 144,311
<u>Contractual:</u>			
Loan Servicing	\$ 10,350	\$ 1,773	\$ 7,105
Credit Bureau Fees			3
Legal			
Accounting	1,125	(79)	1,043
Total Contractual	\$ 11,475	\$ 1,694	\$ 8,151
<u>General Operating:</u>			
Rent	\$ 6,450	\$ 364	\$ 6,230
Telephone and Telegraph	6,925	(359)	6,620
Supplies	2,575	261	2,271
Printing	3,200	(2,834)	4,191
Postage	13,125	386	11,947
Insurance	2,225	1,095	1,168
Travel	300	(9)	145
Equipment Maintenance	1,495	201	1,245
Contingencies	760	221	3
Subscriptions & Fees	100	24	80
Conference Cost	200	8	138
Depreciation			
Total General Operating	\$ 37,355	\$ (642)	\$ 34,038
Total Operating Expenses	\$ 206,895	\$ 4,299	\$ 186,500
<u>Capital Additions:</u>			
Equipment, Furniture and Fixtures	\$	\$	\$
Automobile			
Total Capital Additions	\$	\$	\$
Total Operating Expenses and Capital Additions	\$ 206,895	\$ 4,299	\$ 186,500

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EXHIBIT IV

FORM OF OPINION OF BOND COUNSEL

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July __, 1999

South Carolina Student Loan Corporation
Columbia, South Carolina

Re: \$150,000,000 South Carolina Student Loan Corporation Education Loan Revenue Bonds, 1999 Series

Ladies and Gentlemen:

We have examined the Constitution and Statutes of the State of South Carolina (the "State"), a certified copy of the proceedings and other proofs relating to the authorization and issuance of the 1999 Series Education Loan Revenue Bonds, described above (the "1999 Series Bonds") of the South Carolina Student Loan Corporation (the "Corporation"), a nonprofit, public-benefit corporation under the laws of the State.

The 1999 Series Bonds are issued by the Corporation pursuant to:

- (i) a General Resolution Providing for the Issuance and Sale of South Carolina Student Loan Corporation Education Loan Revenue Bonds and Other Matters Relating Thereto (the "General Resolution"); and
- (ii) a Series Resolution Providing for the Issuance and Sale of Not Exceeding One Hundred Sixty Million Dollars (\$160,000,000) South Carolina Student Loan Corporation Education Loan Revenue Bonds, 1999 Series; and Other Matters Relating Thereto (the "1999 Series Resolution").

The General Resolution and the 1999 Series Resolution as they may be amended from time to time are herein collectively called the "Resolutions," and capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolutions.

The 1999 Series Bonds are dated the date of their delivery and bear interest at the LIBOR Indexed Rate. The 1999 Series Bonds mature, subject to Targeted Amortization Payments, on the Stated Maturity. The 1999 Series Bonds are subject to Targeted Amortization Payments on the dates and in the amounts set forth in the Corporation Issuance and Sale Certificate. Interest on the 1999 Series Bonds is payable on each Interest Payment Date until maturity or earlier payment of such 1999 Series Bonds.

The 1999 Series Bonds are not subject to optional redemption.

All of the 1999 Series Bonds are issuable as fully registered bonds in authorized denominations as provided in the 1999 Series Resolution and are numbered in such fashion as to maintain a proper record thereof.

The 1999 Series Bonds are issued to (i) finance Education Loans, including the retirement of short-term lines of credit previously established with certain commercial banks to effect such financing, (ii) fund a portion of the first interest payments on the 1999 Series Bonds, (iii) fund a deposit to the Senior Lien Account of the Debt Service Reserve Fund, and (iv) pay certain Costs of Issuance of the 1999 Series Bonds.

The Corporation has reserved the right to issue additional bonds on the terms and conditions, and for the purposes, stated in the Resolutions.

It is our opinion that:

1. The Corporation is a duly created and validly existing South Carolina nonprofit, public-benefit corporation with full power and authority to issue the 1999 Series Bonds and to perform all of its obligations under the Resolutions.
2. The Corporation has the right and power to adopt the Resolutions, the Resolutions have been duly and lawfully adopted by the Corporation, constitute a contract between the Corporation and the Holders of 1999 Series Bonds, are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, except to the extent that the enforceability of the Resolutions may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights.
3. The Resolutions create a valid pledge of the Pledged Assets subject to the provisions of the Resolutions permitting application of moneys, rights and interests to the extent and under the conditions prescribed by the Resolutions.
4. The Resolutions permit the issuance of both Senior Lien Bonds and Subordinate Lien Bonds. The 1999 Series Bonds are Senior Lien Bonds and will be issued and secured by a pledge of Pledged Assets, prior to the pledge securing Subordinate Lien Bonds heretofore or hereafter issued by the Corporation.
5. The 1999 Series Bonds have been duly authorized, executed and delivered and constitute valid and binding special obligations of the Corporation enforceable in accordance with their terms and the terms of the Resolutions, except to the extent that the enforceability of the 1999 Series Bonds may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. Such 1999 Series Bonds are secured in the manner and to the extent prescribed by the Resolutions and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements set forth in the Resolutions with respect to Senior Lien Bonds.
6. The 1999 Series Bonds shall not be deemed to constitute a debt, liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision thereof but shall be payable solely from the revenues and other funds provided therefor under the Resolutions.
7. The interest on the 1999 Series Bonds is not excluded from the gross income of the owners thereof for either federal or State of South Carolina income tax purposes.

Very truly yours,

McNAIR LAW FIRM, P.A.

By: _____
M. William Youngblood

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