In the opinion of Burr Forman McNair, Bond Counsel, interest on the Series 2020 Taxable Bonds is included in gross income for federal income tax purposes. For a more detailed description, see the caption "TAX MATTERS" herein.



\$92,710,000 SOUTH CAROLINA STUDENT LOAN CORPORATION Taxable Student Loan Revenue Bonds, Senior Series 2020A

Dated: Date of Delivery

Due: December 1, as shown on the inside front cover

South Carolina Student Loan Corporation's \$92,710,000 Taxable Student Loan Revenue Bonds, Senior Series 2020A (the "Series 2020 Taxable Bonds"), when issued, will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2020 Taxable Bonds. Individual purchases may be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interests in the Series 2020 Taxable Bonds purchased. So long as DTC is the registered owner of the Series 2020 Taxable Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2020 Taxable Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants and indirect participants. See the caption "THE SERIES 2020 TAXABLE BONDS—Book-Entry-Only System" herein.

The Series 2020 Taxable Bonds will bear interest from their date of delivery and mature on December 1 in the years and in the principal amounts set forth on the inside front cover hereof. The Series 2020 Taxable Bonds will bear interest at the rates per annum set forth on the inside front cover, payable semiannually on each June 1 and December 1, commencing December 1, 2020.

The Series 2020 Taxable Bonds are the first issuance of bonds pursuant to the Indenture of Trust (the "Master Indenture") among the South Carolina Student Loan Corporation (the "Corporation"), the Conduit Issuers party thereto, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), dated as of August 1, 2020, as amended and supplemented by a Series 2020 Supplemental Indenture of Trust, between the Corporation and the Trustee, dated as of August 1, 2020 (the "Series 2020 Supplemental Indenture" and, together with Master Indenture, the "Indenture"). The Series 2020 Taxable Bonds are secured under the Indenture on a parity basis with any future senior series bonds that may be issued under the Indenture (collectively, with the Series 2020 Taxable Bonds, the "Senior Bonds"). Senior subordinate series bonds (the "Subordinate Bonds") may be issued under the Indenture (collectively, the Senior Subordinate Bonds") and subordinate series bonds (the "Subordinate Bonds") may be issued under the Indenture (collectively, the Senior Subordinate Bonds"). Senior Subordinate Bonds are secured under the Indenture (collectively, the Senior Subordinate Bonds"). Senior Subordinate Bonds are secured under the Indenture (collectively, the Senior Subordinate Bonds") and subordinate series bonds (the "Subordinate Bonds") may be issued under the Indenture (collectively, the Indenture on a subordinate Bonds, subordinate Bonds, subordinate Bonds, subordinate Bonds, subordinate Bonds as described herein. The proceeds of the Series 2020 Taxable Bonds will be used for the purposes of (i) financing Eligible Loans currently held on the Corporation's balance sheet, (ii) financing additional Eligible Loans during the Acquisition Period, (iii) financing deposits to the Debt Service Reserve Fund and the Capitalized Interest Fund, and (iv) paying the costs of issuing the Series 2020 Taxable Bonds.

Pursuant to the Indenture, the Bonds, including the Series 2020 Taxable Bonds, are secured by a pledge of and security interest in the student loans financed under the Indenture, all revenues derived from such student loans, the moneys and securities held in certain pledged funds established under the Indenture and certain other assets constituting the trust estate under the Indenture, in each case subject to the provisions of the Indenture. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS" herein. Upon the satisfaction of certain conditions, additional Bonds may be issued under the Indenture from time to time on a parity basis with, or subordinate to, the Senior Bonds, including the Series 2020 Taxable Bonds. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS— Additional Bonds; Priority" herein.

The Series 2020 Taxable Bonds are subject to redemption prior to maturity. See the caption "THE SERIES 2020 TAXABLE BONDS— Redemption Provisions" herein.

Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Series 2020 Taxable Bonds. Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Corporation to pay the principal of and interest on the Series 2020 Taxable Bonds, and which could have an effect on the market price of the Series 2020 Taxable Bonds to an extent that cannot be determined. See the caption "CERTAIN RISK FACTORS" herein.

THE BONDS, INCLUDING THE SERIES 2020 TAXABLE BONDS, AND ANY AGREEMENT OF THE CORPORATION MENTIONED HEREIN ARE LIMITED OBLIGATIONS OF THE CORPORATION, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF SOUTH CAROLINA OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE SERIES 2020 TAXABLE BONDS. THE CORPORATION'S OBLIGATIONS, INCLUDING ANY BONDS, ARE NOT GENERAL, SPECIAL OR MORAL OBLIGATIONS OF THE STATE OF SOUTH CAROLINA. THE CORPORATION IS NOT AUTHORIZED UNDER THE INDENTURE OR LAWS OF THE STATE OF SOUTH CAROLINA TO CREATE, AND THE SERIES 2020 TAXABLE BONDS DO NOT CONSTITUTE, PUBLIC DEBT OF THE STATE OF SOUTH CAROLINA OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE SOUTH CAROLINA CONSTITUTION OR LAWS OF THE STATE OF SOUTH CAROLINA OR DEBT OF THE STATE OF SOUTH CAROLINA OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WHATSOEVER. HOLDERS OF THE SERIES 2020 TAXABLE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION.

The Series 2020 Taxable Bonds will be offered, subject to prior sale, when, as and if issued by the Corporation and accepted by the Underwriter, and are subject to the approving opinion of Burr Forman McNair, Bond Counsel, and certain other conditions described herein. Certain additional legal matters will be passed upon for the Underwriter by Kutak Rock LLP, counsel to the Underwriter. It is expected that the Series 2020 Taxable Bonds will be available for delivery through the facilities of DTC in New York, New York on or about August 20, 2020.

RBC Capital Markets

MATURITY SCHEDULE

\$92,710,000 SOUTH CAROLINA STUDENT LOAN CORPORATION TAXABLE STUDENT LOAN REVENUE BONDS SENIOR SERIES 2020A

Serial Bonds

Maturity Date	Principal	Interest			
(December 1)	<u>Amount</u>	Rate	Price	Yield	CUSIP^
2022	\$4,840,000	2.067%	100.000%	2.067%	83715AAP4
2023	8,105,000	2.208	100.000	2.208	83715AAQ2
2024	6,600,000	2.368	100.000	2.368	83715AAR0
2025	6,850,000	2.468	100.000	2.468	83715AAS8
2026	7,990,000	2.641	100.000	2.641	83715AAT6
2027	7,700,000	2.771	100.000	2.771	83715AAU3
2028	6,255,000	2.923	100.000	2.923	83715AAV1
2029	6,955,000	2.993	100.000	2.993	83715AAW9
2030	2,600,000	3.043	100.000	3.043	83715AAX7

\$34,815,000 3.593% Series 2020 Taxable Term Bonds maturing December 1, 2039 Price: 100.000%; Yield: 3.593%; CUSIP[^]: 83715AAY5

CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. The CUSIP numbers are included solely for the convenience of Registered Owners, and the Corporation is not responsible for the selection or the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financing products.

Information set forth herein has been furnished by the Corporation and other sources that are believed to be reliable. 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 parties referred to herein or that the other information or opinions are correct as of any time subsequent to the date hereof. References in this Official Statement to the Indenture do not purport to be complete and potential purchasers are referred to the Indenture for full and complete details of the provisions thereof.

No dealer, broker, salesperson or other person has been authorized by the Corporation to give any information or to make any representations with respect to the Series 2020 Taxable Bonds, 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 the Corporation. 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 Series 2020 Taxable Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter listed on the front cover of this Official Statement (the "Underwriter") has provided the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applicable to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information in this Official Statement concerning DTC, and DTC's book-entry-only system has been obtained from DTC. None of the Corporation, any of its advisors or the Underwriter has independently verified, makes any representation regarding or accepts any responsibility for the accuracy, completeness or adequacy of such information.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2020 TAXABLE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2020 TAXABLE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 TAXABLE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Upon issuance, the Series 2020 Taxable Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2020 Taxable Bonds and the security therefor, including an analysis of the risks involved. The Series 2020 Taxable Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Series 2020 Taxable Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the Series 2020 Taxable Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Series 2020 Taxable Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement or approved the Series 2020 Taxable Bonds for sale.

There follows in this Official Statement certain information concerning the Corporation, together with descriptions of the terms of the Indenture, the Series 2020 Taxable Bonds, the Administration Agreement, the Servicing Agreement, certain other documents related to the security for the Bonds, including the Series 2020 Taxable Bonds, and certain applicable laws. All references herein to laws and documents are qualified in their entirety by

reference to such laws, as in effect, and to each such document as such document has been or will be executed and delivered on or prior to the Closing Date of the Series 2020 Taxable Bonds, and all references to the Series 2020 Taxable Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Indenture. This Official Statement is submitted in connection with the sale of the Series 2020 Taxable Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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 circumstance, create any implication that there has been no change in the affairs of the Corporation since the date hereof.

FORWARD-LOOKING STATEMENTS

This Official Statement, including the Appendices attached hereto, contains statements which should be considered "forward-looking statements", meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan", "expect", "estimate", "budget" or similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Corporation does not expect or intend to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur, or fail to occur.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and no conclusion should be drawn from the order of material or information presented in this Official Statement. The offering of South Carolina Student Loan Corporation's Taxable Student Loan Revenue Bonds, Senior Series 2020A (the "Series 2020 Taxable Bonds") to potential investors is made only by means of this entire Official Statement. The Series 2020 Taxable Bonds are the first issuance of bonds under the Indenture (as hereinafter defined). The Series 2020 Taxable Bonds and any other senior bonds that may hereafter be issued by the Corporation or any Conduit Issuer under the Indenture (collectively with the Series 2020 Taxable Bonds, the "Senior Bonds"), together with any senior subordinate bonds that may hereafter be issued by the Corporation or any Conduit Issuer under the Indenture (the "Senior Subordinate Bonds") and any subordinate bonds that may hereafter be issued by the Corporation or any Conduit Issuer under the Indenture (the "Subordinate Bonds"), are herein referred to as the "Bonds". The Subordinate Bonds and any Senior Subordinate Bonds that may be issued in the future are secured under the Indenture on a subordinated basis to the Senior Bonds as described herein. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. All terms capitalized, but not defined, in this Summary Statement shall have the meaning set forth elsewhere in this Official Statement. See "APPENDIX A-SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-Definitions" attached hereto.

The Corporation	South Carolina Student Loan Corporation (the "Corporation") is a nonprofit, public benefit corporation established in 1973 pursuant to the laws of the State of South Carolina and is exempt from payment of federal income taxation as a 501(c)(3) corporation. The Corporation operates pursuant to Title 33, Chapter 31, Code of Laws of South Carolina, as the same may be amended from time to time (the "Act"). See the caption "THE CORPORATION" herein. The Corporation has no power to tax and does not have the power of eminent domain.
Trustee	The Bank of New York Mellon Trust Company, N.A., a national banking association, will act as trustee (the "Trustee"), paying agent (the "Paying Agent") and registrar (the "Registrar") pursuant to the Indenture. See the caption "THE TRUSTEE" herein.
Administrator	The South Carolina Student Loan Corporation will act as administrator (the "Administrator") under the Indenture pursuant to an Administration Agreement, dated as of August 1, 2020 (the "Administration Agreement"), among the Corporation, the Trustee and the Administrator. See the captions "THE CORPORATION—The Administrator" and "—The Administration Agreement" herein.
Servicer	The Financed Eligible Loans will be serviced by Nelnet Servicing, LLC (d/b/a Firstmark Services), a wholly-owned subsidiary of Nelnet, Inc., as servicer ("Nelnet Servicing" and a "Servicer" pursuant to the Indenture) pursuant to a Private Student Loan Subservicing Agreement, dated as of January 9, 2017, between the Administrator and Nelnet Servicing (the "Nelnet Servicing Agreement" and a "Servicing Agreement" pursuant to the Indenture). See the caption "THE PROGRAM—Servicing of the Financed Eligible Loans" herein.

The Series 2020 Taxable Bonds ... The Series 2020 Taxable Bonds are the first issuance of Bonds under the Indenture of Trust (the "Master Indenture") among the Corporation, the Conduit Issuers party thereto, and the Trustee, dated as of August 1, 2020, as amended and supplemented by a Series 2020 Supplemental Indenture, between the Corporation and the Trustee, dated as of August 1, 2020 (the "Series 2020 Supplemental Indenture" and, together with the Master Indenture, the "Indenture"). The Series 2020 Taxable Bonds will constitute Senior Bonds under the Indenture and will be on a parity with any future Senior Bonds that may be issued by the Corporation or any Conduit Issuer under the Indenture. The Series 2020 Taxable Bonds will mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside front cover hereof.

The proceeds of the Series 2020 Taxable Bonds will be used for the purposes of (i) financing Eligible Loans currently held on the Corporation's balance sheet, (ii) financing additional Eligible Loans during the Acquisition Period, (iii) financing deposits to the Debt Service Reserve Fund and the Capitalized Interest Fund, and (iv) paying the costs of issuing the Series 2020 Taxable Bonds.

The Corporation or any Conduit Issuer may hereafter issue additional Senior Bonds under the Indenture on a parity with the Series 2020 Taxable Bonds. The Indenture also permits the issuance of Senior Subordinate Bonds and Subordinate Bonds, which are secured on a basis subordinate to the Senior Bonds. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS—Additional Bonds; Priority" herein and "APPENDIX A— SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

Financing of Eligible Loans The Indenture permits the financing of Eligible Loans from moneys in the Student Loan Fund established pursuant to the Indenture. The Corporation expects to use proceeds of the Series 2020 Taxable Bonds to finance student loans originated pursuant to the Palmetto Assistance Loan Program permitted by the Indenture (the "Program") on the delivery date of the Series 2020 Taxable Bonds (the "Closing Date") and to finance certain additional student loans financed pursuant to the Program during the acquisition period (the "Acquisition Period") relating to the Series 2020 Taxable Bonds beginning on the delivery date of the Series 2020 Taxable Bonds and currently ending on October 31, 2021, which date may be extended upon the satisfaction of the Rating Agency Notification. In addition, the Corporation will be permitted to use repayments on Financed Eligible Loans to finance additional Eligible Loans during a recycling period ("Recycling Period") relating to the Series 2020 Taxable Bonds beginning on the delivery date of the Series 2020 Taxable Bonds and currently ending on October 31, 2021, which date may be extended upon the satisfaction of the Rating Agency Notification. The Corporation originates loans to student borrowers branded as "PAL Student Loans", parent borrowers branded as "PAL Parent Loans" and borrowers for the purpose of refinancing existing student loans branded as "PAL Refi Loans". PAL Student Loans, PAL Parent Loans and PAL Refi Loans are collectively referred to as "PAL Loans".

See the caption "THE PROGRAM" herein for a further description of the Program. See, also, the captions "ESTIMATED SOURCES AND USES OF PROCEEDS" and "THE FINANCED ELIGIBLE LOANS" herein.

The loans financed pursuant to the Program, together with any other Eligible Loans financed with proceeds of other Bonds issued under the Indenture or certain other available moneys under the Indenture, are referred to herein, collectively, as the "Financed Eligible Loans".

Initial Eligible Loans This Official Statement includes statistical information relating to Eligible Loans expected to be financed under the Indenture on the Closing Date that had an aggregate outstanding balance as of June 30, 2020 (the "Statistical Cut Off Date") of approximately \$89.7 million (the "Initial Eligible Loans"). See the caption "THE FINANCED ELIGIBLE LOANS" herein. As of the Statistical Cut-Off Date, the Initial Eligible Loans had a weighted average annual borrower interest rate of approximately 6.54% (before adjusting for any borrower benefits), a weighted average remaining term to scheduled maturity of approximately 130.9 months and a weighted average FICO Credit Score at origination of 741.

After the Closing Date, the Corporation also intends to finance and pledge under the Indenture additional Eligible Loans during the Acquisition Period and Recycling Period relating to the Series 2020 Taxable Bonds, and may issue additional Bonds under the Indenture in the future to finance and pledge additional Eligible Loans under the Indenture. Following any of these actions, the aggregate characteristics of the entire pool of Financed Eligible Loans will vary from those of the Initial Eligible Loans described in this Official Statement. The financing of Eligible Loans during the Acquisition Period (other than the Initial Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) and Recycling Period is subject to certain limitations described under the caption "PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE CORPORATION—Restrictions on the Financing of Eligible Loans during the Acquisition Period and Recycling Period" in "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

Sources of Payment and Security for the Series 2020 Taxable Bonds

Series 2020 Taxable Bonds...... The Bonds, including the Series 2020 Taxable Bonds, are limited obligations of the Corporation, secured by and payable solely from: (a) the Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture); (b) all moneys and investments held in the Funds (other than the Rebate Fund and the Operating Fund); (c) the Financed Eligible Loans and any notes and documents evidencing the same and all extensions and renewals thereof; (d) the rights of the Corporation in and to the Administration Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans; and (e) any and all other property, rights and interests of every kind or description from time to time granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture (collectively, the "Trust Estate"). See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY PRIORITY AND OF LIEN: OTHER OBLIGATIONS—Trust Estate" attached hereto and the caption "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

> THE BONDS, INCLUDING THE SERIES 2020 TAXABLE BONDS, AND ANY AGREEMENT OF THE CORPORATION MENTIONED HEREIN ARE LIMITED OBLIGATIONS OF THE CORPORATION, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF SOUTH CAROLINA OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE SERIES 2020 TAXABLE BONDS. THE CORPORATION'S OBLIGATIONS, INCLUDING ANY BONDS, ARE NOT GENERAL, SPECIAL OR MORAL OBLIGATIONS OF THE STATE OF SOUTH CAROLINA. THE CORPORATION IS NOT AUTHORIZED UNDER THE INDENTURE OR LAWS OF THE STATE OF SOUTH CAROLINA TO CREATE, AND THE SERIES 2020 TAXABLE BONDS DO NOT CONSTITUTE, PUBLIC DEBT OF THE STATE OF SOUTH CAROLINA OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE SOUTH CAROLINA CONSTITUTION OR LAWS OF THE STATE OF SOUTH CAROLINA OR DEBT OF THE STATE OF SOUTH CAROLINA OR ANY

	AGENCY OR POLITICAL SUBDIVISION THEREOF FOR ANY OTHER PURPOSE WHATSOEVER. HOLDERS OF THE SERIES 2020 TAXABLE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION.
	Upon the satisfaction of certain conditions, additional Bonds may be issued under the Indenture from time to time on a parity basis with, or subordinate to, the Senior Bonds, including the Series 2020 Taxable Bonds. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS— Additional Bonds; Priority" herein.
Redemption	The Series 2020 Taxable Bonds shall be subject to redemption as set forth in "THE SERIES 2020 TAXABLE BONDS—Redemption Provisions" herein.
Overcollateralization and Initial Parity Percentages	Upon the issuance of the Series 2020 Taxable Bonds, the initial Overall Parity Percentage will be approximately 130.1%.
	The Indenture does not permit the release of moneys in the Revenue Fund, as described in level 13 th under the caption "Flow of Funds" below, free and clear of the lien of the Indenture unless: (i) the Overall Parity Percentage after such transfer is at least equal to 135% (the "Required Overall Parity Percentage") and (ii) the Value of assets constituting the Trust Estate exceeds the amount of Bonds Outstanding and other accrued but unpaid liabilities incurred under the Indenture that are Senior Transaction Fees by at least \$8,000,000 (the "Net Asset Requirement"). The Required Overall Parity Percentage and the Net Asset Requirement may each be reduced upon satisfaction of the Rating Agency Notification. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate original principal amount of all Bonds issued under the Indenture then, notwithstanding the foregoing, the Corporation is required to use all Excess Taxable Revenues to mandatorily redeem Bonds subject to such redemption. See the captions "ESTIMATED SOURCES AND USES OF PROCEEDS" and "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS—Overcollateralization and Initial Parity Percentages" herein and "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund" attached hereto.
Flow of Funds	Prior to an Event of Default, the Trustee will pay out of the Revenue Fund moneys deposited therein in the following order of priority as set forth in the chart below; however, Revenues related to Financed Eligible Loans allocable to the Taxable Bonds will generally be used to pay principal and interest on the Taxable Bonds, as well as fees and expenses related thereto, and Revenues related to Financed Eligible Loans allocable to the Tax-Exempt Bonds will generally be used to pay principal and interest on the Tax-Exempt Bonds, as well as fees and expenses related thereto, as well as fees and expenses related thereto (see "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund" attached hereto):

	REVENUE FUND
	KEVENUE FUND
1 st	Rebate Fund (if necessary to comply with any Tax Document with respect to rebate or Excess Earnings)
2 nd	Operating Fund
2	(for the payment of Senior Transaction Fees)
	(··· ··· F.)
3 rd	↓ Debt Service Fund
5	(on a pro rata basis, if necessary, to provide for the payment of interest on Senior Bonds)
	(
4 th	Debt Service Fund
7	((A) <i>first</i> , on a pro rata basis, if necessary, to provide for the payment of principal of Senior Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a mandatory sinking fund payment does not constitute an Event of Default) and (B) <i>second</i> , on a pro rata basis, if necessary, to provide for the payment of cumulative mandatory sinking fund installments of Senior Bonds not funded under clause (A) above)
	↓
5 th	Debt Service Reserve Fund
	(to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement)
	↓
6 th	Debt Service Fund
	(on a pro rata basis, if necessary, to provide for the payment of interest on Senior Subordinate Bonds)
	↓
7 th	Debt Service Fund
	((A) <i>first</i> , on a pro rata basis, if necessary, to provide for the payment of principal of Senior Subordinate Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a mandatory sinking fund payment does not constitute an Event of Default) and (B) <i>second</i> , on a pro rata basis, if necessary, to provide for the payment of cumulative mandatory sinking fund installments of Senior Subordinate Bonds not funded under clause (A) above)
	\downarrow
8 th	Debt Service Fund
	(on a pro rata basis, if necessary, to provide for the payment of interest on Subordinate Bonds)
	↓
9 th	Debt Service Fund ((A) <i>first</i> , on a pro rata basis, if necessary, to provide for the payment of principal of Subordinate Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a mandatory sinking fund payment does not constitute an Event of Default) and (B) <i>second</i> , on a pro rata basis, if necessary, to provide for the payment of cumulative mandatory sinking fund installments of Subordinate Bonds not funded under clause (A) above)
	↓
10 th	Student Loan Fund
	(during any applicable Recycling Period, at the option of the Corporation, to finance additional Eligible Loans)
	↓
11 th	Debt Service Fund
	((A) at the option of the Corporation or (B) as required by a Supplemental Indenture (but only on the last Business Day of the calendar months of April and October), for Principal Reduction Payments or the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to Principal Reduction Payments or redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular Series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of the Corporation))
	↓
12 th	Operating Fund
	(for the payment of Subordinate Transaction Fees)
	↓
13 th	Released from the Indenture
	(at the option of the Corporation (but only on the last Business Day of the calendar months of May and November), released to the extent permitted by the Indenture)

Ratings	Prior to the issuance and delivery of the Series 2020 Taxable Bonds, S&P Global Ratings ("S&P") is expected to assign its bond rating of "A (sf)" to the Series 2020 Taxable Bonds. See the caption "RATINGS" herein.
Rating Agency Confirmation	
and Rating Agency Notification	The Indenture provides that the Rating Agency has various rights and further requires as a condition of certain actions, inactions or other events that the Corporation or, if applicable, the Conduit Issuer, obtain or satisfy either a Rating Agency Confirmation or Rating Agency Notification. The Indenture requires that the Corporation or, if applicable, the Conduit Issuer, satisfy the Rating Agency Notification requirement for determinations of the types of private loans to be included as Eligible Loans in the future and changes to certain parameters for Eligible Loans; the appointment of a new Administrator; the appointment of a new Servicer; changes in the amount and timing of Senior Transaction Fees; a reduction in the Debt Service Reserve Fund Requirement; types of Investment Securities; certain material amendments or supplements to the Indenture, the Administration Agreement or a Servicing Agreement; certain sales of Financed Eligible Loans; establishment of, and changes in, the Required Senior Parity Percentage, Required Overall Parity Percentage and/or Net Asset Requirement amounts with respect to the redemption of Bonds and the release of moneys from the Trust Estate; extension of any Recycling Period; and extension of any Acquisition Period. The Indenture requires that the Corporation or, if applicable, the Conduit Issuer, make any Rating Agency Confirmation and Rating Agency Notification publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 promulgated by the Securities and Exchange Commission with respect to any Tax-Exempt Bonds and/or on its website with respect to any Taxable Bonds. See the captions "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS— Rating Agency Confirmation and Rating Agency Confirma
Weighted Average Life Analysis	The estimated weighted average life, first bond retirement date, last bond retirement date and average maturity date of the Series 2020 Taxable Term Bonds under various assumed prepayment scenarios may be found in "APPENDIX E—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020 TAXABLE TERM BONDS" attached hereto.
Certain Risk Factors	Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Corporation to pay debt service on the Series 2020 Taxable Bonds and which could have an effect on the market price of the Series 2020 Taxable Bonds to an extent that cannot be determined. See the caption "CERTAIN RISK FACTORS" herein. An investment in the Series 2020 Taxable Bonds involves an element of risk. Each prospective purchaser of Series 2020 Taxable Bonds should read this entire Official Statement, including the front cover page and Appendices attached hereto, in order to make a judgment as to whether the Series 2020 Taxable Bonds are an appropriate investment.
Credit Risk Retention	Section 15G of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), and Regulation RR (17 C.F.R. Part 246) promulgated thereunder, require the Corporation, as the sponsor of an asset-backed securitization transaction, or a majority owned affiliate of the Corporation, to

retain not less than 5% of the credit risk of the assets collateralizing the asset-backed securities. See the caption "CREDIT RISK RETENTION" in this Official Statement for more information. The Corporation will satisfy the risk retention requirement of Regulation RR by initially retaining the residual certificate (the "Residual Certificate") issued pursuant to the Indenture.

As described under the caption "CREDIT RISK RETENTION-Eligible Horizontal Residual Interest" herein, the Residual Certificate will constitute an "eligible horizontal residual interest", and the Corporation has determined that the fair value of the Residual Certificate will be \$20,925,289 as of the Closing Date, which is anticipated to exceed 5% of the sum of the fair values of the Series 2020 Taxable Bonds and the Residual Certificate as of the Closing Date. Unless the Corporation is no longer subject to the holding period requirements of Regulation RR, the Corporation, or a majority owned affiliate of the Corporation, is required to retain the Residual Certificate until the latest to occur of: (i) the date on which the aggregate principal balance of the Financed Eligible Loans pledged to the Trust Estate reduces to 33% of their original unpaid aggregate principal balance as of the Closing Date, (ii) the date on which the unpaid principal balance of Series 2020 Taxable Bonds has been reduced to 33% of the original principal amount of the Series 2020 Taxable Bonds or (iii) the date which is two years after the Closing Date. The Corporation reserves the right to sell all or a portion of the Residual Certificate in the future.

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OFFICIAL STATEMENT

RELATING TO

\$92,710,000 SOUTH CAROLINA STUDENT LOAN CORPORATION TAXABLE STUDENT LOAN REVENUE BONDS, SENIOR SERIES 2020A

INTRODUCTION

This Official Statement, including the front cover page and inside front cover page hereof, the Summary Statement and the Appendices attached hereto, sets forth information regarding the issuance by South Carolina Student Loan Corporation (the "Corporation") of its Taxable Student Loan Revenue Bonds, Senior Series 2020A (the "Series 2020 Taxable Bonds"). The Series 2020 Taxable Bonds and any other senior bonds that may hereafter be issued by the Corporation or any Conduit Issuer under the Indenture (collectively with the Series 2020 Taxable Bonds, the "Senior Bonds"), together with any senior subordinate bonds that may hereafter be issued by the Corporation or any Conduit Issuer under the Indenture (the "Senior Subordinate Bonds") and any subordinate bonds that may be issued in the future by the Corporation or any Conduit Issuer under the Indenture (the "Subordinate Bonds"), are herein referred to as the "Bonds". Terms capitalized in the body of this Official Statement and not otherwise defined therein shall have the meaning set forth in "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions" attached hereto.

The Corporation is a nonprofit, public benefit corporation established in 1973 pursuant to the laws of the State of South Carolina and is exempt from payment of federal income taxation as a "501(c)(3)" corporation. The Corporation also operates pursuant to Title 33, Chapter 31, Code of Laws of South Carolina, as the same may be amended from time to time. The Corporation expects to use proceeds of the Series 2020 Taxable Bonds to finance student loans originated pursuant to the Palmetto Assistance Loan Program permitted by the Indenture (the "Program"). The Corporation originates loans to student borrowers branded as "PAL Student Loans", parent borrowers branded as "PAL Parent Loans" and borrowers for the purpose of refinancing existing student loans branded as "PAL Refi Loans". PAL Student Loans, PAL Parent Loans and PAL Refi Loans and are collectively referred to as "PAL Loans". See the caption "THE PROGRAM" herein.

In order to finance student loans made under the Program, the Corporation is authorized to borrow money and to issue bonds payable from specified sources, including the revenues derived from such loans.

The Series 2020 Taxable Bonds are being issued under an Indenture of Trust (the "Master Indenture") among the Corporation, the Conduit Issuers party thereto, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), dated as of August 1, 2020, as amended and supplemented by a Series 2020 Supplemental Indenture, between the Corporation and the Trustee, dated as of August 1, 2020 (the "Series 2020 Supplemental Indenture" and, together with the Master Indenture, the "Indenture"). The Series 2020 Taxable Bonds constitute the first issuance of Bonds under the Indenture. The Series 2020 Taxable Bonds will constitute Senior Bonds under the Indenture and will be on a parity with any future Senior Bonds that may be issued by the Corporation or any Conduit Issuer under the Indenture. The Series 2020 Taxable Bonds are being issued as fixed rate bonds and will bear interest at the rates shown on the inside front cover page hereof.

The proceeds of the Series 2020 Taxable Bonds are to be issued for the purposes of (i) financing Eligible Loans currently held on the Corporation's balance sheet, (ii) financing additional Eligible Loans during the Acquisition Period, (iii) financing deposits to the Debt Service Reserve Fund and the Capitalized Interest Fund, and (iv) paying the costs of issuing the Series 2020 Taxable Bonds. See the caption "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

The Indenture permits the financing of Eligible Loans only from moneys in the Student Loan Fund established under the Indenture. The Corporation expects to use a portion of the amounts deposited into the Student Loan Fund to finance Eligible Loans on the Closing Date that had an aggregate outstanding balance as of June 30, 2020 (the "Statistical Cut-Off Date") of approximately \$89.7 million (the "Initial Eligible Loans"), which Eligible Loans have been originated by the Corporation. For a description of the composition of the Initial Eligible Loans as of the Statistical Cut-Off Date, see the caption "THE FINANCED ELIGIBLE LOANS" herein. The Corporation expects to use the balance of amounts deposited into the Student Loan Fund to finance additional Eligible Loans during the Acquisition Period relating to the Series 2020 Taxable Bonds (period beginning on the Closing Date and currently ending on October 31, 2021). The financing of Eligible Loans during the Acquisition Period (other than the Initial Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) and the Recycling Period is subject to certain limitations described under the caption "PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE CORPORATION—Restrictions on the Financing of Eligible Loans during the Acquisition Period and Recycling Period" in "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto. See the caption "THE PROGRAM" herein for a further description of the Program.

All Eligible Loans financed with proceeds of Bonds, including the Series 2020 Taxable Bonds, all Eligible Loans financed during any Recycling Periods and any Eligible Loans otherwise deposited to the Student Loan Fund, are referred to herein, collectively, as the "Financed Eligible Loans".

The Series 2020 Taxable Bonds, and any other Bonds issued pursuant to the Indenture, are secured by and payable solely from: (a) the Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture); (b) all moneys and investments held in the Funds (other than the Rebate Fund and the Operating Fund); (c) the Financed Eligible Loans and any notes and documents evidencing the same and all extensions and renewals thereof; (d) the rights of the Corporation in and to the Administration Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans; and (e) any and all other property, rights and interests of every kind or description from time to time granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture (collectively, the "Trust Estate"). See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS-Trust Estate" attached hereto. Such Revenues include, without limitation, payments of interest on such Financed Eligible Loans (whether regularly scheduled, delinquent or paid in advance) and income on investments and principal payments on such Financed Eligible Loans (whether regularly scheduled, delinquent or advance). Bonds other than the Series 2020 Taxable Bonds ("Additional Bonds") may be issued under the Indenture upon satisfaction of certain conditions specified in the Indenture. Such Bonds may be payable and secured on a parity with, or subordinate to, the Senior Bonds, including the Series 2020 Taxable Bonds. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS-Additional Bonds; Priority" herein and "APPENDIX A-SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate" and "-FUNDS" attached hereto.

THE BONDS, INCLUDING THE SERIES 2020 TAXABLE BONDS, AND ANY AGREEMENT OF THE CORPORATION MENTIONED HEREIN ARE LIMITED OBLIGATIONS OF THE CORPORATION, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF SOUTH CAROLINA OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE SERIES 2020 TAXABLE BONDS. THE CORPORATION'S OBLIGATIONS, INCLUDING ANY BONDS, ARE NOT GENERAL, SPECIAL OR MORAL OBLIGATIONS OF THE STATE OF SOUTH CAROLINA. THE CORPORATION IS NOT AUTHORIZED UNDER THE INDENTURE OR LAWS OF THE STATE OF SOUTH CAROLINA TO CREATE, AND THE SERIES 2020 TAXABLE BONDS DO NOT CONSTITUTE, PUBLIC DEBT OF THE STATE OF SOUTH CAROLINA OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE SOUTH CAROLINA CONSTITUTION OR LAWS OF THE STATE OF SOUTH CAROLINA OR DEBT OF THE STATE OF SOUTH CAROLINA OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF FOR ANY OTHER PURPOSE WHATSOEVER.

THE BONDS, INCLUDING THE SERIES 2020 TAXABLE BONDS, ARE NOT GENERAL OBLIGATIONS OF THE CORPORATION. THE BONDS DO NOT REPRESENT AN OBLIGATION OF OR

INTEREST IN THE CORPORATION, THE ADMINISTRATOR, THE TRUSTEE, ANY SERVICER OR THE UNDERWRITER OR ANY OF THEIR RESPECTIVE AFFILIATES.

There can be no assurances that any future law will not prospectively or retroactively affect the terms and conditions under which Eligible Loans are made in a manner that might adversely affect the ability of the Corporation to pay the principal of and interest on the Series 2020 Taxable Bonds when due. See the caption "CERTAIN RISK FACTORS" herein.

The descriptions of the Series 2020 Taxable Bonds and the documents authorizing and securing the Series 2020 Taxable Bonds contained herein do not purport to be comprehensive or definitive. All references herein to such documents and rules are qualified in their entirety by reference to such documents. Copies of certain of such documents may be inspected at an office of the Trustee at a predetermined and agreed upon time as the Trustee can accommodate.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS

General

The Bonds, including the Series 2020 Taxable Bonds, are limited obligations of the Corporation, payable solely from the Trust Estate pledged pursuant to the Indenture as described herein. The Bonds, including the Series 2020 Taxable Bonds, are not general obligations of the Corporation. None of the Corporation's other assets or funds pledged and held under its other financings are pledged as security for the Bonds, including the Series 2020 Taxable Bonds, under the Indenture.

The Bonds, including the Series 2020 Taxable Bonds, will be secured by and payable, subject to the terms of the Indenture, solely from the Trust Estate. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate" attached hereto and the caption "ESTIMATED SOURCES AND USES OF PROCEEDS" herein. The Corporation will finance only Eligible Loans through application of the proceeds of the Bonds. For a discussion of certain of the terms applicable to the Eligible Loans, see the caption "THE PROGRAM" herein. For a more detailed description of the Funds established under the Indenture, certain Accounts established therein under the Indenture, and the purposes to which moneys in such Funds and Accounts may be applied, see "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS" attached hereto.

Debt Service Reserve Fund

On the Closing Date, \$1,854,200 will be deposited to the Debt Service Reserve Fund under the Indenture, which is equal to 2.0% of the aggregate principal amount of Series 2020 Taxable Bonds. The Debt Service Reserve Fund is to be maintained at the Debt Service Reserve Fund Requirement. "Debt Service Reserve Fund Requirement" means with respect to the Series 2020 Taxable Bonds an amount equal to 2.0% of the aggregate principal amount of the Series 2020 Taxable Bonds then Outstanding (calculated semi-annually on each June 1 and December 1), with a minimum balance equal to 1.0% of the original principal amount of the Series 2020 Taxable Bonds, unless a Rating Agency Notification has been given. Amounts on deposit in the Debt Service Reserve Fund shall be transferred to the Revenue Fund to the extent the funds on deposit in the Revenue Fund, after taking into account any transfers from the Capitalized Interest Fund, if any, and the Student Loan Fund, are insufficient to make the required transfers to the Debt Service Reserve Fund, if necessary, an amount sufficient to increase the amount there in to be equal to the cumulative Debt Service Reserve Fund Requirement, calculated after such issuance. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Debt Service Reserve Fund" attached hereto.

Additional Bonds; Priority

Pursuant to the provisions of the Indenture, Additional Bonds may be issued on a parity basis with the Series 2020 Taxable Bonds. The Indenture also permits the issuance of Senior Subordinate Bonds and Subordinate Bonds, which are secured on a basis which is subordinated to the Senior Bonds.

The Senior Bonds, including the Series 2020 Taxable Bonds are entitled to payment and certain other priorities over any Senior Subordinate Bonds and Subordinate Bonds. Current payments of interest and principal due on Senior Subordinate Bonds or Subordinate Bonds on any Bond Payment Date will be made only to the extent there are sufficient moneys available for such payment after making all payments due on such date with respect to Senior Bonds. So long as any Senior Bonds remain Outstanding under the Indenture, the failure to make interest or principal payments with respect to Senior Subordinate Bonds or Subordinate Bonds will not constitute an Event of Default under the Indenture. In the event of an acceleration of the Bonds following the occurrence and continuation of an Event of Default, the principal of and accrued interest on the Senior Subordinate Bonds and the Subordinate Bonds will be paid only to the extent there are moneys available under the Indenture after payment of the principal of, and accrued interest on, all Senior Bonds. In addition, Registered Owners of Senior Bonds are entitled to direct certain actions to be taken by the Trustee prior to and upon the occurrence of an Event of Default, including election of remedies. Only after there are no Senior Bonds Outstanding will Registered Owners of Senior Subordinate Bonds or Subordinate Bonds have such rights. See the definition of "Highest Priority Bonds" in "APPENDIX A-SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-Definitions" and the provisions described in "APPENDIX A-SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-DEFAULTS AND REMEDIES" attached hereto.

The Series 2020 Taxable Bonds will be the first issuance of Bonds under the Indenture. It is a condition to the issuance of any Additional Bonds that the Corporation or, if applicable, the Conduit Issuer, receive a Rating Agency Confirmation with respect to the issuance of such Additional Bonds. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—BOND DETAILS—Issuance of Bonds" attached hereto.

Overcollateralization and Initial Parity Percentages

Upon the issuance of the Series 2020 Taxable Bonds, the initial Overall Parity Percentage will be approximately 130.1%.

The Indenture does not permit the release of moneys in the Revenue Fund, as described in paragraph (m) in "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund—*Taxable Account*" attached hereto, free and clear of the lien of the Indenture unless: (i) the Overall Parity Percentage after such transfer is at least equal to 135% (the "Required Overall Parity Percentage"); and (ii) the Value of assets constituting the Trust Estate exceeds the amount of Bonds Outstanding and other accrued but unpaid liabilities incurred under the Indenture that are Senior Transaction Fees by at least \$8,000,000 (the "Net Asset Requirement"). The Required Overall Parity Percentage and the Net Asset Requirement may each be reduced upon satisfaction of the Rating Agency Notification. In addition, if the aggregate original principal amount of all Bonds issued under the Indenture then, notwithstanding the foregoing, the Corporation is required to use all Excess Taxable Revenues to mandatorily redeem Bonds subject to such redemption. See the caption "ESTIMATED SOURCES AND USES OF PROCEEDS" and "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund" attached hereto.

Senior Transaction Fees

The Senior Transaction Fees (including Administration Fees, Standard Servicing Fees, Trustee Fees, Rating Agency Fees, the Conduit Issuer Fees and certain Extraordinary Expenses) will be transferred to the Operating Fund out of the Revenue Fund on the last Business Day of each calendar month or on other dates if directed by the Corporation prior to providing for the payment of principal and interest on the Bonds, including the Series 2020 Taxable Bonds. As provided in the Series 2020 Supplemental Indenture with respect to the Series 2020 Taxable Bonds, (a) monthly Administration Fees allocable to the Series 2020 Taxable Bonds shall equal one-twelfth (1/12th) of 0.10% of the average monthly outstanding principal balance of the Financed Eligible Loans for the prior calendar month, (b) the Standard Servicing Fees allocable to the Series 2020 Taxable Bonds shall be any fees and expenses payable to the Servicers with respect to the servicing and collection of the Financed Eligible Loans consisting of periodic unit fees, default related fees, delinquency fees, and annual privacy mailing fees (including any currently contemplated increases to those amounts pursuant to existing inflationary escalator clauses relating to such Standard Servicing Fees as set forth in the Servicing Agreement on the Closing Date), but shall not include fees due as a result of the termination of a Servicing Agreement (including any deconversion fees related to Financed Eligible Loans resulting from such termination), indemnification or other extraordinary expense items, and (c) the Trustee Fees, Rating Agency Fees and

Extraordinary Expenses allocable to the Series 2020 Taxable Bonds and payable as Senior Transaction Fees in each Fiscal Year, together, shall not exceed an amount equal to \$45,000, except that the dollar limit set forth in such clause (c) shall not apply with respect to Extraordinary Expenses incurred by the Trustee (i) after the occurrence and during the continuation of an Event of Default, other than an Event of Default under paragraph (d) under the caption "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES—Event of Default Defined" attached hereto), or (ii) after an acceleration of the maturity of the Bonds as described under the caption "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES—Event of Default Defined" attached hereto), or (ii) after an acceleration of the maturity of the Bonds as described under the caption "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES—Accelerated Maturity" attached hereto. The Indenture permits the Corporation or any Conduit Issuer to change the amount of such fees after providing a Rating Agency Notification. See the caption "Rating Agency Confirmation and Rating Agency Notification" below and the caption "CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval" herein.

Rating Agency Confirmation and Rating Agency Notification

The Indenture provides that the Rating Agency has various notice rights and further requires as a condition of certain actions, inactions or other events that there be (a) a Rating Agency Confirmation for the issuance of Additional Bonds or (b) a Rating Agency Notification, including, but not limited to, for determinations of the types of private loans to be included as Eligible Loans in the future and changes to certain parameters for Eligible Loans; the appointment of a new Administrator; the appointment of a new Servicer; changes in the amount and timing of Senior Transaction Fees; a reduction in the Debt Service Reserve Fund Requirement; types of Investment Securities; certain material amendments or supplements to the Indenture, the Administration Agreement or a Servicing Agreement; certain sales of Financed Eligible Loans; establishment of, and changes in, the Required Senior Parity Percentage, Required Overall Parity Percentage and/or the Net Asset Requirement with respect to the redemption of Bonds and the release of moneys from the Trust Estate; extension of any Recycling Period; and extension of any Acquisition Period. The Indenture also requires that the Corporation or any Conduit Issuer make any Rating Agency Confirmation and Rating Agency Notification publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 promulgated by the Securities and Exchange Commission with respect to any Tax-Exempt Bonds or on its website with respect to any Taxable Bonds. "Rating Agency Confirmation" means a letter or press release or other written release from each Rating Agency rating any of the Bonds confirming that its Ratings on the Bonds will not be reduced, withdrawn, conditioned or placed under review with negative implications as a result of a Proposed Action to be taken by the Corporation or any Conduit Issuer. "Rating Agency Notification" means, with respect to a Proposed Action, that the Corporation or any Conduit Issuer shall have given written notice of such Proposed Action to each Rating Agency then rating the Bonds at least twenty (20) Business Days prior to the proposed effective date thereof. "Proposed Action" means any proposed action, failure to act or other event which, under the terms of the Indenture, is conditional upon a Rating Agency Notification or a Rating Agency Confirmation. See "APPENDIX A-SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto and the caption "CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval" herein.

Certain Risk Factors

Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Corporation to pay the principal of and interest on the Series 2020 Taxable Bonds, and which could have an effect on the market price of the Series 2020 Taxable Bonds in the future to an extent that cannot be determined at the present time. See the caption "CERTAIN RISK FACTORS" herein. Each prospective purchaser of Series 2020 Taxable Bonds should read this entire Official Statement, including the Appendices attached hereto.

THE SERIES 2020 TAXABLE BONDS

General Terms of the Series 2020 Taxable Bonds

The Series 2020 Taxable Bonds will bear interest from the Closing Date. Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2020 (each, an "Interest Payment Date"), to the Registered Owners of the Series 2020 Taxable Bonds as of the record date, which is the Business Day immediately preceding an Interest Payment Date. The Series 2020 Taxable Bonds will bear interest at the interest rates per annum, and will mature on December 1 in each of the years and in the principal amounts, shown on the inside front cover of this Official Statement. Interest on the Series 2020 Taxable Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Series 2020 Taxable Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Individual purchases of the Series 2020 Taxable Bonds will be made in book-entry form only. Purchasers of the Series 2020 Taxable Bonds will not receive certificates representing their interest in the Series 2020 Taxable Bonds purchased. See the caption "Book-Entry-Only System" below.

Redemption Provisions

The Indenture sets forth the provisions for the redemption of the Series 2020 Taxable Bonds prior to maturity, as described below. The Trustee shall provide notice of the redemption of Series 2020 Taxable Bonds in accordance with the provisions described under the caption "Notice and Effect of Redemption" below.

<u>Optional Redemption</u>. The Series 2020 Taxable Bonds maturing on December 1, 2039 (the "Series 2020 Taxable Term Bonds") are subject to redemption prior to maturity at the option of the Corporation from moneys in the Revenue Fund and any other source available therefor in accordance with the Indenture, in whole or in part, at any time, commencing December 1, 2030, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date.

<u>Optional Redemption from Excess Taxable Revenue</u>. The Series 2020 Taxable Term Bonds are subject to redemption, prior to maturity, in whole or in part, in any Authorized Denominations, at the option of the Corporation, on any Interest Payment Date, from funds that constitute Excess Taxable Revenue derived from Financed Eligible Loans allocable to the Series 2020 Taxable Bonds and excess Revenues derived from Financed Eligible Loans allocable to Bonds that are no longer Outstanding under the Master Indenture on deposit in the Revenue Fund pursuant to the Master Indenture, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds.

"Excess Taxable Revenue" means any funds remaining in the Taxable Account of the Revenue Fund after all transfers required or permitted by paragraphs (a) through (j) and all transfers, if any, required or permitted by paragraph (k) as described in "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—FUNDS—Revenue Fund—*Taxable Account*" attached hereto have been made.

<u>Mandatory Redemption from Excess Taxable Revenue</u>. The Series 2020 Taxable Term Bonds are subject to mandatory redemption, on a pro rata basis (or such other redemption procedure selected by the Corporation), in whole or in part, on any Interest Payment Date, from Excess Taxable Revenue derived from Financed Eligible Loans allocated to the Series 2020 Taxable Bonds in an amount equal to the greater of (a) the least amount required to increase the Overall Parity Percentage to at least the Required Overall Parity Percentage, and (b) the least amount required to satisfy the Net Asset Requirement, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds. In addition, if the original aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate principal amount of all Bonds issued under the Indenture then, notwithstanding the foregoing, the Corporation is required to use all Excess Taxable Revenues to mandatorily redeem Bonds subject to such redemption as described above. See "APPENDIX E—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020 TAXABLE TERM BONDS" attached hereto.

<u>Extraordinary Redemption to Avoid an Event of Default</u>. The Series 2020 Taxable Bonds are subject to extraordinary redemption by the Corporation, upon the written direction of an Authorized Representative, in whole or in part, on any Interest Payment Date, in such maturities and amounts as may be directed by the Corporation and by lot within each maturity (with such adjustments as the Corporation may determine to enable the Series 2020 Taxable Bonds to be redeemed in Authorized Denominations), at a Redemption Price equal to the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date, from moneys identified to the Trustee by an Authorized Representative of the Corporation, in an aggregate amount deemed by the Corporation to be necessary to avoid an Event of Default under the Indenture.

<u>Mandatory Redemption from Unexpended Taxable Proceeds</u>. The Series 2020 Taxable Bonds are subject to mandatory redemption on any date not later than 60 days after each respective date set forth in the following origination schedule (the "Taxable Proceeds Origination Schedule") to the extent that the amounts deposited to the Taxable Account of the Student Loan Fund on the Closing Date (and not used to pay costs of issuing the Series 2020

Taxable Bonds or amounts used to reimburse the Corporation for Eligible Loans on its balance sheet as of the Closing Date) have not been used to finance Eligible Loans in accordance with the Taxable Proceeds Origination Schedule:

Taxable Proceeds Origination Schedule*

Date	Cumulative Amount to be Originated
December 31, 2020	\$10,000,000
April 30, 2021	25,000,000
End of Acquisition Period	29,000,000

^{*} The "Date" and/or "Cumulative Amount to be Originated" may be modified by the Corporation if the Corporation has satisfied the conditions for a Rating Agency Notification.

The amount of Series 2020 Taxable Bonds to be redeemed pursuant to this unexpended proceeds redemption will be equal to the difference between the amounts deposited to the Taxable Account of the Student Loan Fund on the Closing Date (and not used to pay costs of issuing the Series 2020 Taxable Bonds or amounts used to reimburse the Corporation for Eligible Loans on its balance sheet as of the Closing Date) to be used to finance Eligible Loans and the amount required to be used to finance Eligible Loans in the Taxable Proceeds Origination Schedule (the "Series 2020 Taxable Unexpended Amounts") as of the applicable date, at a Redemption Price equal to the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date; provided, however, with respect to the amount required to be used to finance Eligible Loans by the end of any such period and the end of the Acquisition Period, that amount set aside to acquire any Approved Undisbursed Loans shall be deemed to have been used to finance such Approved Undisbursed Loans by the end of any such period and the end of the Acquisition Period. In the case of any such mandatory redemption from such Series 2020 Taxable Unexpended Amounts, the Series 2020 Taxable Bonds shall be redeemed (a) on a pro rata basis or (b) as otherwise set forth in a Corporation Order delivered to the Trustee containing a representation that the Corporation, after consideration of the expected availability of Revenues, the expected expenses and the anticipated debt service on the Bonds through the final Stated Maturity thereof, shall remain able to pay debt service on the Bonds when due and all associated expenses from the Revenues of the Trust Estate on a timely basis after giving effect to such redemption, in each case with such adjustments as the Corporation may determine to enable the Series 2020 Taxable Bonds to be redeemed in Authorized Denominations, at a Redemption Price equal to the principal amount thereof, together with accrued interest thereon, if any, to but not including the Redemption Date. The redemption date shall be the earliest practicable date for which the required notice of redemption may be given pursuant to the Indenture, but in no event later than 60 days after the related date set forth in the Taxable Proceeds Origination Schedule.

<u>Mandatory Sinking Fund Redemption of the Series 2020 Taxable Term Bonds</u>. The Series 2020 Taxable Term Bonds are subject to mandatory sinking fund redemption by the Corporation on the dates and in the amounts set forth below, prior to maturity, by lot on December 1 of each of the years specified, at a redemption price equal to the principal amount thereof, plus accrued interest to but not including the redemption date. The principal amount of the Series 2020 Taxable Term Bonds may be reduced through the earlier optional or mandatory redemption, with any partial optional or mandatory redemptions of the Series 2020 Taxable Term Bonds credited against future mandatory sinking fund redemption requirements for such Series 2020 Taxable Term Bonds on a pro rata basis.

\$0 1,012,000 Series .	
Date (December 1)	Sinking Fund Installment
2031	\$4,065,000
2032	4,615,000
2033	4,320,000
2034	4,455,000
2035	3,765,000
2036	3,450,000
2037	3,155,000
2038	3,250,000
2039 ¹	3,740,000

\$34,815,000 Series 2020 Taxable Term Bonds

¹ Final maturity.

Amounts that would otherwise be available for mandatory sinking fund redemption of the Series 2020 Taxable Term Bonds may be applied, prior to notice of such redemption, to the purchase for cancellation of Series 2020 Taxable Term Bonds subject to such redemption at prices not exceeding par, plus accrued interest to the date of purchase, in which event the principal amount of the Series 2020 Taxable Term Bonds scheduled to be redeemed on the immediately succeeding due date will be reduced by the principal amount of Series 2020 Taxable Term Bonds so purchased and cancelled.

<u>Selection of Series 2020 Taxable Bonds to be Redeemed</u>. If less than all of the Series 2020 Taxable Bonds are to be redeemed, the Trustee will notify DTC of the particular amount of such Stated Maturity to be redeemed. DTC, if the Series 2020 Taxable Bonds are in book-entry form, will determine by lot the amount of each participant's interest in such Stated Maturity to be redeemed, and each participant will then select by lot the beneficial ownership interests in such Stated Maturity to be redeemed and if the Series 2020 Taxable Bonds are not in book-entry form, the Trustee will determine the Series 2020 Taxable Bonds to be redeemed by lot or in such other manner the Trustee deems fair and reasonable. No redemption, however, shall cause the Series 2020 Taxable Bonds of any Stated Maturity that remain outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Corporation to avoid such a result.

<u>Notice and Effect of Redemption</u>. The Trustee, at the written request of the Corporation, shall give notice of any such redemption by providing a copy of the notice not less than 15 days, and not more than 60 days (or such shorter period as may be set forth in the applicable Supplemental Indenture), before the redemption date to the Registered Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses appearing upon the registration records, but failure so to mail any such notice to a given Registered Owner shall not affect the validity of the proceedings for the redemption of Bonds to other Registered Owners. Such notice may however state that it is a conditional notice and that the redemption shall be cancelled if moneys are not available on the redemption date.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2020 Taxable Bonds, payment of principal, redemption premium, if any, and interest and other payments with respect to the Series 2020 Taxable Bonds to Direct Participants (as defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in such Series 2020 Taxable Bonds and other related transactions by and among The Depository Trust Company, New York, New York ("DTC"), the Direct Participants and Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Corporation.

DTC will act as securities depository for the Series 2020 Taxable Bonds. The Series 2020 Taxable Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2020 Taxable Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing

Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <u>www.dtcc.com</u>, which website is not part of, and is not incorporated by reference into, this Official Statement

Purchases of the Series 2020 Taxable Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Taxable Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Taxable Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Taxable Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020 Taxable Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants in the Series 2020 Taxable Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Taxable Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Taxable Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Taxable Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Taxable Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2020 Taxable Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Taxable Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2020 Taxable Bonds may wish to ascertain that the nominee holding the Series 2020 Taxable Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2020 Taxable Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020 Taxable Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. 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 Series 2020 Taxable Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2020 Taxable Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Corporation, the Conduit Issuer or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Corporation, subject

to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020 Taxable Bonds at any time by giving reasonable notice to the Corporation, the Conduit Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2020 Taxable Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2020 Taxable Bond certificates will be printed and delivered to DTC.

The Trustee, the Corporation and, if applicable, the Conduit Issuer, will recognize DTC or its nominee as the Registered Owner of the Series 2020 Taxable Bonds for all purposes, including notices and voting, and so long as a book-entry-only system is used, will send any notice of redemption or other notices to Owners of the Series 2020 Taxable Bonds only to DTC. Any failure of DTC to advise any DTC Participants, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2020 Taxable Bonds called for redemption or of any other action premised on such notice.

The Corporation, the Trustee and, if applicable, the Conduit Issuer, shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC or any DTC Participant with respect to any beneficial ownership interest in the Series 2020 Taxable Bonds, (b) the delivery to any Beneficial Owner of the Series 2020 Taxable Bonds or other person, other than DTC, of any notice with respect to the Series 2020 Taxable Bonds or (c) the payment to any Beneficial Owner of the Series 2020 Taxable Bonds or other person, other than DTC, of any amount with respect to the principal of or interest on the Series 2020 Taxable Bonds. Neither the Corporation nor the Trustee shall have any responsibility with respect to obtaining consents from anyone other than the Registered Owners.

The Trustee, the Corporation and, if applicable, the Conduit Issuer, cannot and do not give any assurance that DTC will distribute payments of debt service on the Series 2020 Taxable Bonds to DTC Participants or that the DTC Participants or others will distribute payments of debt service on the Series 2020 Taxable Bonds paid to DTC or its nominee, as the Registered Owner thereof, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

THE TRUSTEE

The Bank of New York Mellon Trust Company, N.A. is a national banking association with an address at 2 North LaSalle Street, Suite 700, Chicago, Illinois 60602, Attention: Corporate Trust Administration. The Bank of New York Mellon Trust Company, N.A. has acted as trustee on numerous asset-backed transactions, including the structure of the transaction referred to herein. While the structure of each transaction may differ, The Bank of New York Mellon Trust Company, N.A. is experienced in administering transactions of this kind.

In the ordinary course of business, The Bank of New York Mellon, The Bank of New York Mellon Trust Company, N.A., and BNY Mellon Trust of Delaware (collectively, "BNY Mellon") are named as a defendant in legal actions. In connection with its role as trustee of certain residential mortgage-backed securitization ("RMBS") transactions, BNY Mellon has been named as a defendant in a number of legal actions brought by RMBS investors. These lawsuits allege that the trustee had expansive duties under the governing agreements, including the duty to investigate and pursue breach of representation and warranty claims against other parties to the RMBS transactions. While it is inherently difficult to predict the eventual outcomes of pending actions, BNY Mellon denies liability and intends to defend the litigations vigorously. The Trustee has not furnished or verified any information or statements contained in this Official Statement other than the information contained in the first two paragraphs of this caption "THE TRUSTEE", and the Trustee is not responsible for the sufficiency, completeness or accuracy of any information or statement contained in this Official Statement other than the information provided directly by the Trustee.

Under the Indenture, The Bank of New York Mellon Trust Company, N.A. will act as Trustee for the Bonds, including the Series 2020 Taxable Bonds, and will act on behalf of the Registered Owner and represent their interests in the exercise of their rights under the Indenture. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—THE TRUSTEE" attached hereto for additional information regarding the responsibilities of the Trustee.

CERTAIN RISK FACTORS

Potential investors in the Series 2020 Taxable Bonds should consider the following risk factors together with all other information in this Official Statement in deciding whether to purchase the Series 2020 Taxable Bonds. The following discussion of possible risks is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2020 Taxable Bonds and does not necessarily reflect the relative importance of the various risks. Additional risk factors relating to an investment in the Series 2020 Taxable Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. There can be no assurance that other risk factors will not become material in the future. Except as specifically provided in the Indenture with respect to Subordinate Bonds and Senior Subordinate Bonds, all Bonds, including the Series 2020 Taxable Bonds, will be equally and ratably secured by all Financed Eligible Loans and other assets comprising the Trust Estate.

Limited Obligations

The Bonds, including the Series 2020 Taxable Bonds, are limited, not general, obligations of the Corporation secured solely by and payable solely from the Trust Estate, including all Revenues and moneys and securities on deposit in any of the Funds and Accounts or Subaccounts thereof established by the Indenture (other than the Rebate Fund and the Operating Fund), including the investments, if any, thereof (other than earnings and income derived from amounts on deposit in the Rebate Fund and the Operating Fund), subject to the application thereof to the purposes and on the conditions permitted by the Indenture. Neither the full faith and credit nor the taxing power of the State of South Carolina or any agency or political subdivision thereof is pledged for the payment of the Series 2020 Taxable Bonds. The Corporation's obligations, including any Bonds, are not general, special or moral obligations of the State of South Carolina. The Corporation is not authorized under the Indenture or laws of the State of South Carolina or any agency or political subdivision thereof of the State of South Carolina or any agency or political subdivision thereof of the State of South Carolina or any agency or political subdivision thereof is pledged for the state of South Carolina to create, and the Series 2020 Taxable Bonds do not constitute, public debt of the State of South Carolina or any agency or political subdivision thereof within the meaning of the South Carolina Constitution or laws of the State of South Carolina or debt of the State of South Carolina or any agency or political subdivision thereof for any other purpose whatsoever. Holders of the Series 2020 Taxable Bonds shall never have the right to demand payment thereof out of money raised or to be raised by taxation. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate" attached hereto.

Payment of principal of and interest on the Bonds, including the Series 2020 Taxable Bonds, is primarily dependent upon collections on the Financed Eligible Loans. If the combined payment of principal of and interest on the Financed Eligible Loans does not at least equal the amounts necessary to pay, when due, interest with respect to the Bonds, principal of the Bonds, payment of all related Rebate Amounts and Excess Earnings to the U.S. Treasury and expenses relating to the servicing of the Financed Eligible Loans and administration of the Indenture, the Corporation may have insufficient funds to repay the Bonds, including the Series 2020 Taxable Bonds.

The Financed Eligible Loans Are Unsecured and Do Not have the Benefit of a Guaranty Agency

The Financed Eligible Loans are private, or alternative, student loans, are not financed pursuant to the Higher Education Act of 1965, as amended (the "Higher Education Act"), and are not, and will not be, guaranteed by any governmental entity or third-party guarantor, and there are no reserves available to pay defaulted Financed Eligible Loans. In addition, the Financed Eligible Loans to be pledged to the Trust Estate will be unsecured. Certain of the Financed Eligible Loans will be dependent on the ability and willingness of the borrowers and, if applicable, the cosigners to

make these payments. See the caption "Variety of Factors Affecting Borrowers" below and the caption "THE FINANCED ELIGIBLE LOANS" herein.

Potential Elimination of LIBOR may Affect your Series 2020 Taxable Bonds

The interest rates payable on the variable rate Financed Eligible Loans are based on a spread over one-month London Interbank Offered Rate. The London Interbank Offered Rate, or LIBOR, serves as a global benchmark for interest rates that issuers pay to borrow money. Due to allegations of manipulating LIBOR, the U.K.'s Financial Conduct Authority (the "FCA") assumed regulatory oversight and supervision of LIBOR, removing it from the control of the British Bankers' Association, and on February 1, 2014 the administration of LIBOR was transferred from the British Bankers' Association to the Intercontinental Exchange Group (ICE), such that LIBOR is currently administered by ICE Benchmark Administration Ltd. (the "IBA"). The FCA has statutory powers to require panel banks to contribute to LIBOR where necessary; however, the FCA does not intend to sustain LIBOR through using its influence or legal powers beyond the end of 2021. All of the panel banks have agreed to continue to submit contributions to LIBOR until the end of 2021. The FCA's intention is that after 2021 it will no longer be necessary for the FCA to ask, or to require, banks to submit contributions to LIBOR. It is possible that the IBA and the panel banks could continue to produce LIBOR on the current basis after 2021, if they are willing and able to do so, but we cannot assure you that LIBOR will survive in its current form, or at all. Any uncertainty in the value of LIBOR or the development of a market view that LIBOR was manipulated or may be manipulated may adversely affect the liquidity of the Series 2020 Taxable Bonds in the secondary market and their market value. To the extent that LIBOR is no longer available, the Corporation is permitted to choose a comparable substitute index for such Financed Eligible Loans. We cannot predict what effect, if any, these events will have on the use of LIBOR as a global benchmark going forward. We cannot predict the effect of the FCA's decision not to sustain LIBOR, or, if changes are ultimately made to LIBOR, the effect of those changes.

Negative LIBOR Rates will Reduce the Interest Rate on Certain Financed Eligible Loans

To the extent that the one-month LIBOR rate falls below zero, the interest rates on the variable rate Financed Eligible Loans based upon one-month LIBOR will be reduced by the amount by which the one-month LIBOR rate is negative. A negative one-month LIBOR rate could reduce the interest rates on such Financed Eligible Loans for one or more interest periods.

The Financed Eligible Loans May be Subject to Discharge in Bankruptcy

Under the U.S. Bankruptcy Code, educational loans are generally non-dischargeable, unless excepting a loan from discharge would impose an undue hardship on the debtor and the debtor's dependents. A number of bankruptcy reform proposals that would alter the treatment of student loans similar to the Financed Eligible Loans under the Bankruptcy Code have been discussed and/or introduced in the Congress of the United States in recent years, including proposals to liberalize the exceptions to the current general nondischargeability of student loans in bankruptcy. No assurance can be given as to whether any bankruptcy reform legislative proposals will be enacted at the federal level in a manner that might affect the Corporation's ability to enforce collection of the Financed Eligible Loans. The discharge of a significant amount of the Financed Eligible Loans could adversely affect the ability of the Corporation to pay principal of and interest on the Series 2020 Taxable Bonds.

Possible Future Changes in Federal and State Law and Regulations

There are from time to time proposed changes at the federal and state level, which if pursued, could have an adverse effect on student loan issuers, such as the Corporation. Such proposed changes currently being considered include, but are not limited to, the following: a student loan borrower's ability to discharge a student loan under the federal bankruptcy code; legislation that would increase borrowing availability under federal programs which could potentially reduce borrowing under private student loan programs or create new opportunities for borrowers to refinance their private student loans; and various tax and budgetary changes which could impact the Corporation. Additionally, administrative agencies charged with implementation of existing laws have the ability to adversely impact the Corporation.

The Corporation cannot predict whether any or all of these proposals will become effective. Furthermore, there can be no assurance that any future federal or state law or regulation will not prospectively or retroactively affect

the terms and conditions under which student loans are made in a manner that might adversely affect the ability of the Corporation to pay the principal of and interest on the Bonds, including the Series 2020 Taxable Bonds, when due.

Changes in Applicable Law

A significant portion of the Corporation's business activity pertains to its portfolio of loans made under the Federal Family Education Loan Program ("FFELP") of the Higher Education Act. While such loans are not a part of the Trust Estate, events that significantly impact such loans could have a detrimental effect on the Corporation.

On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act") was enacted into law. The Reconciliation Act eliminated the FFELP effective July 1, 2010 and the origination of new FFELP loans after June 30, 2010. As of July 1, 2010, all loans made under the Higher Education Act have, been, and will be, originated under the Federal Direct Student Loan Program. The terms of existing FFELP loans are not materially affected by the Reconciliation Act.

Because no new FFELP loans are permitted to be made and outstanding FFELP loans available for purchase by student loan secondary markets, including the Corporation, have become more scarce, the Corporation's outstanding FFELP portfolios have begun to age and decline in size. To the extent this causes the Corporation's cost related to the servicing of its FFELP portfolio to increase, this trend may have a negative impact on the Corporation.

The Corporation cannot predict whether any further changes will be made to the Higher Education Act, other relevant federal or state laws, and rules and regulations in future legislation, or the effect of such legislation on the Corporation, the Administrator, a Servicer, the Financed Eligible Loans or the Program.

Application of Consumer Protection Laws to the Financed Eligible Loans May Increase Costs and Uncertainties about the Financed Eligible Loans

Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. Certain of these requirements may apply to originators such as the Corporation and may result in both liability for penalties for violations and a material adverse effect upon the enforceability of the Financed Eligible Loans. For example, federal law such as the Truth-in-Lending Act can impose statutory damages on assignees and defenses to enforcement of the Financed Eligible Loans, if errors were made in disclosures that must be made to borrowers. Certain state disclosure laws, such as those protecting cosigners, may also affect the enforceability of the Financed Eligible Loans if appropriate disclosures were not given or records of those disclosures were not retained. If the interest rate on the Financed Eligible Loans in question exceeds applicable usury laws, that violation could materially adversely affect the enforceability of the Financed Eligible Loans.

If the Financed Eligible Loans were marketed or serviced in a manner that is unfair, deceptive or abusive, or if marketing, origination or servicing violated any applicable law, then state and federal laws applicable to unfair, deceptive or abusive acts or practices may impose liability on the loan holder, as well as creating defenses to enforcement. Under certain circumstances, the holder of a Financed Eligible Loan is subject to all claims and defenses that the borrower on that Financed Eligible Loan could have asserted against the educational institution that received the proceeds of the Financed Eligible Loans. If pricing of private student loans has an adverse impact on classes of protected persons under the federal Equal Credit Opportunity Act and other similar laws, claims under those acts may be asserted against the originator and, possibly, the Financed Eligible Loan holder.

In addition, several states have recently passed laws requiring the licensing of student loan servicers by the state and adherence to new state regulations governing student loan servicing. To the extent that a Servicer of the Financed Eligible Loans fails to obtain such licenses or to adhere to such regulations, sanctions imposed could impair their ability to adequately perform their role as prescribed under the Indenture.

Military Service Obligations and Natural Disasters

Military service obligations and national disasters may result in delayed payments from borrowers. Congress has enacted, and may enact in the future, statutes and other guidelines that provide relief to borrowers who enter active military service, to borrowers in reserve status who are called to active duty after the origination of their student loan,

to borrowers in eligible national guard duty and to individuals who live in a disaster area or suffer a direct economic hardship as a result of a national emergency.

The number and aggregate principal balance of the Financed Eligible Loans that may be affected by the application of these statutes and other guidelines will not be known at the time the Series 2020 Taxable Bonds are issued. If a substantial number of borrowers of the Financed Eligible Loans become eligible for the relief under these statutes and other guidelines, or any actions Congress may take to respond to national disasters, there could be an adverse effect on the total collections on those Financed Eligible Loans and the Corporation's ability to provide for payments of principal and interest payments on the Bonds, including the Series 2020 Taxable Bonds.

The Servicemembers Civil Relief Act (the "Relief Act"), 50 U.S.C. App. § 501 *et seq.*, updates and replaces the Soldiers' and Sailors' Civil Relief Act of 1940. The Relief Act provides persons in military service with certain legal protections and benefits, such as a reduction of interest on debts incurred prior to entering military service, protection from court actions and default judgments, and stays on proceedings such as garnishments.

Pursuant to the Relief Act, student loan borrowers who enter military service shall not incur interest in excess of 6% per year and are exempted from late fees during their military service. Any interest greater than 6% is forgiven by the Corporation. The Corporation does not know how many of the Financed Eligible Loans may be affected by the application of the Relief Act. Payments on the Financed Eligible Loans may be delayed as a result of these requirements, which may reduce the funds available to pay principal and interest on the Bonds, including the Series 2020 Taxable Bonds.

Federal Financial Regulatory Legislation May Affect the Series 2020 Taxable Bonds

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), which was enacted in July 2010, represents a comprehensive overhaul of the financial services industry within the United States, and established the Consumer Financial Protection Bureau ("CFPB"). The CFPB, an independent agency within the Federal Reserve, regulates consumer financial products, including education loans, and other financial services offered primarily for personal, family, or household purposes, and the CFPB and other federal agencies, including the Securities and Exchange Commission (the "SEC") and the Commodity Futures Trading Commission (the "CFTC"), are required to undertake various assessments and rulemakings to implement the law. The majority of the provisions in the Dodd-Frank Act are aimed at financial institutions. However, there are components of the law that will have an impact on the Corporation, including new requirements for securitizations as discussed below.

The Dodd-Frank Act will affect the Corporation's future student loan portfolio securitization financing transactions which result in the issuance of asset-backed securities. In December 2014, the SEC and federal banking agencies published final regulations, effective December 24, 2016 for issuers of student loan asset-backed securities, requiring issuers of asset-backed securities or persons who organize and initiate asset-backed securities transactions to retain a portion of the underlying assets' credit risk. See the caption "CREDIT RISK RETENTION" herein. In addition, the SEC approved changes to the rules applicable to issuers and sponsors of asset-backed securities under the Securities Act and the Securities Exchange Act of 1934, as amended, which substantially revise Regulation AB and other rules governing the offering process, disclosure and reporting for asset-backed securities issued in registered and certain unregistered transactions. It is not clear how the revisions to Regulation AB will be implemented, and to what extent the Corporation may be affected. No assurance can be given that the new standards contained in the amended Regulation AB will not have an adverse impact on the Corporation or on the value or marketability of the Bonds, including the Series 2020 Taxable Bonds.

The Dodd-Frank Act gave the CFPB authority to supervise private education lenders. In addition, the CFPB adopted a rule in December 2013 that enables it to federally supervise certain non-bank student loan servicers that service more than one million borrower accounts, to ensure that bank and non-bank servicers follow the same rules in the student loan servicing market. The rule covers both federal and private student loans. Nelnet Servicing, LLC (d/b/a Firstmark Services) ("Nelnet Servicing"), the current Servicer, services more than one million student loan borrower accounts. If the CFPB were to determine that a Servicer is not in compliance, it is possible that this could result in material adverse consequences to such Servicer, including, without limitation, settlements, fines, penalties, adverse regulatory actions, changes in a Servicer's business practices, or other actions. However, it is not possible to estimate at this time any potential financial or other impact to any of the Corporation, the Administrator or a Servicer, including

any impact on its ability to satisfy its obligations with respect to the Financed Eligible Loans to be pledged to the Indenture, that could result from the CFPB's examinations, in the event that any adverse regulatory actions occur.

In addition to its supervisory authority, the CFPB has broad authority to enforce compliance with federal consumer financial laws applicable to private student lenders and student loan servicers, including the Dodd-Frank Act's prohibition on unfair, deceptive or abusive acts or practices, by conducting investigations and hearings, imposing monetary penalties, collecting fines and requiring consumer restitution in the event of violations. It may also bring a federal lawsuit or administrative proceeding.

Also in December 2013, the banking regulators and other agencies principally responsible for banking and financial market regulation in the United States implemented the final rule under the so-called Volcker Rule under the Dodd-Frank Act, which in general prohibits "banking entities" (as defined therein) from (a) engaging in proprietary trading, (b) acquiring or retaining an ownership interest in or sponsoring certain hedge funds, private equity funds (broadly defined to include any entity that would be an investment company under the Investment Company Act but for the exemptions provided in Section 3(c)(1) or 3(c)(7) of the Investment Company Act) and certain similar funds and (c) entering into certain relationships with such funds. Although the Corporation does not rely upon the exemptions in Section 3(c)(1) or 3(c)(7) of the Investment Company Act for an exemption from being an investment company under the Investment Company Act and, as such, is not a covered fund, the general effects of the final rules implementing the Volcker Rule remain uncertain. Any prospective investor in the Series 2020 Taxable Bonds, including a U.S. or foreign bank or an affiliate or subsidiary thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule and regulatory implementation.

At this time, it is also difficult to predict the extent to which the Dodd-Frank Act or the resulting regulations will impact the Corporation's business and operations and the business and operations of the Administrator and a Servicer. As rules and regulations are promulgated by the federal agencies responsible for implementing and enforcing the provisions of the Dodd-Frank Act, the Corporation, the Administrator and any Servicer will need to apply adequate resources to ensure that they are in compliance with all applicable provisions. Compliance with these new laws and regulations may result in additional costs and may otherwise adversely impact the Corporation's, the Administrator's or a Servicer's results of operations, financial condition, or liquidity.

Investigations and Inquiries of the Student Loan Industry

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

There is no assurance that the Corporation, the Administrator or a Servicer will not be subject to inquiries or investigations. While the ultimate outcome of any inquiry or investigation cannot be predicted, it is possible that these inquiries or investigations and regulatory developments may materially affect each of the Corporation's or the Administrator's ability to perform its obligations under the Indenture and a Servicer's ability to perform its obligations with respect to the Financed Eligible Loans or the Corporation's ability to pay principal of and interest on the Bonds, including the Series 2020 Taxable Bonds, from assets in the Trust Estate.

Potential Risks Related Specifically to the Servicer

Nelnet Servicing will initially service all the Financed Eligible Loans pursuant to a Private Student Loan Subservicing Agreement, dated as of January 9, 2017, between the Corporation and Nelnet Servicing (the "Nelnet Servicing Agreement" and a "Servicing Agreement" pursuant to the Indenture). The Corporation is dependent on Nelnet Servicing to service the Financed Eligible Loans. See the caption "THE PROGRAM—Servicing's insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of a successor servicer and delays in collections in respect of those affected Financed Eligible Loans may occur. Any delay in the collections of Financed Eligible Loans may delay payments of principal of and interest on the Bonds, including the Series 2020 Taxable Bonds.

The Corporation May Be Subject to Litigation

The Corporation is, and may in the future be, subject to various claims, lawsuits, and proceedings that arise in the normal course of business. These matters frequently involve claims by student loan borrowers disputing the manner in which their student loans have been originated or serviced or the accuracy of reports to credit bureaus or claims by student loan borrowers alleging that state or Federal consumer protection laws have been violated in the process of originating or collecting loans, including with respect to defaulted loans sold to third-parties. On the basis of present information, anticipated insurance coverage, and advice received from counsel, it is the opinion of the Corporation's management that the disposition or ultimate determination of any such claims, lawsuits, and proceedings will not have a material adverse effect on its financial position. See the caption "ABSENCE OF CERTAIN LITIGATION" herein.

Repurchase Obligations

Under certain circumstances the Corporation may have the right to require a Servicer under its Servicing Agreement to purchase a Financed Eligible Loan. This right against a Servicer arises generally as the result of a breach of certain covenants with respect to such Financed Eligible Loan in the Servicing Agreement in the event such breach materially adversely affects the interests of the Corporation in that Financed Eligible Loan and is not cured within the applicable cure period. The Corporation presently has such a right against Nelnet Servicing under the Nelnet Servicing Agreement. See the captions "THE PROGRAM—Servicing of the Financed Eligible Loans—*The Nelnet Servicing Agreement*" herein. There is no guarantee that a Servicer will have the financial resources to make a purchase or substitution, and if a Servicer under the Servicing Agreement is unable to make a required purchase or substitution, investors in the Bonds, including the Series 2020 Taxable Bonds, will bear any resulting loss.

Bankruptcy Could Result in Accelerated Prepayment

The Corporation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is not a "moneyed, business or commercial corporation". As such, the Corporation cannot be the subject of an involuntary bankruptcy proceeding under the United States Bankruptcy Code. The Corporation is, however, eligible to file a voluntary bankruptcy proceeding under the United States Bankruptcy Code. Also, if the Corporation were to convert to a taxable organization or lose its tax-exempt status for any reason, the Corporation would become eligible to be the subject of an involuntary bankruptcy proceeding.

If, despite all steps taken to prevent such an occurrence, the Corporation were to become the subject of a bankruptcy proceeding, the United States Bankruptcy Code could materially limit or prevent the enforcement of the Corporation's obligations, including its obligations with respect to the Bonds, including the Series 2020 Taxable Bonds. The Corporation's trustee in bankruptcy or the Corporation itself as debtor in possession may seek to accelerate payment on the Bonds, including the Series 2020 Taxable Bonds, and liquidate the assets held under the Indenture. If principal of the Bonds, including the Series 2020 Taxable Bonds, is declared due and payable, Registered Owners may lose the right to future payments and face reinvestment risks.

Risks Relating to Commingling of Payments on Student Loans

Payments received on the Financed Eligible Loans generally are deposited into an account in the name of the Servicer each business day. Payments received on the Financed Eligible Loans may not always be segregated from payments the Servicer receives on other student loans it services, and payments received on the Financed Eligible Loans that are part of the Trust Estate may not be segregated from payments received on the Corporation's other student loans that are not part of the Trust Estate. Such amounts that relate to the Financed Eligible Loans are required by the Indenture to be forwarded to the Trustee for deposit into the Revenue Fund within two Business Days of identification. If a Servicer fails to transfer such funds to the Trustee, Registered Owners may suffer a loss.

The Obligations of Each of the Trustee, the Administrator and the Servicer are Limited

The duties, actions and obligations of each of the Trustee, the Administrator and the Servicer are limited to such duties, actions and obligations specifically set forth in the transaction documents and no implied covenants, duties or obligations are read into the transaction documents. None of the Trustee, the Administrator or the Servicer has any duty or obligation to take any additional action unless specifically directed to take such action and satisfactorily

indemnified therefor. Additionally, certain of the duties and obligations of such parties are dependent upon receipt of information from other parties. Any failure of one party to timely and accurately deliver any information, or perform its duties and obligations, could prevent another party from being able to fulfill its duties and obligations.

Other Parties May Have or May Obtain Superior Interests in the Financed Eligible Loans

If, through inadvertence or fraud, Financed Eligible Loans were sold to a purchaser who purchases in good faith without knowledge that the purchase violates certain provisions of the Indenture and rights of the Trustee in the Financed Eligible Loans, the purchaser could defeat the Corporation's and the Trustee's interest in those Financed Eligible Loans.

A Secondary Market for the Series 2020 Taxable Bonds May Not Develop

There currently is no secondary market for the Series 2020 Taxable Bonds. There is no assurance that any market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment. If a secondary market for the Series 2020 Taxable Bonds does develop, the spread between the bid price and the asked price for the Series 2020 Taxable Bonds may widen, thereby reducing the net proceeds to an investor from the sale of an investor's Series 2020 Taxable Bonds. The Corporation does not intend to list the Series 2020 Taxable Bonds on any exchange, including any exchange in either Europe or the United States. Under current market conditions, holders may not be able to sell their Series 2020 Taxable Bonds when they want to do so, and, as a result, they may be required to bear the financial risks of an investment in the Series 2020 Taxable Bonds for an indefinite period of time, or they may not be able to obtain the price that they wish to receive. The market values of the Series 2020 Taxable Bonds may fluctuate and movements in price may be significant.

Uncertainty of Available Remedies

The remedies available to the Trustee or the Registered Owners upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (Federal Bankruptcy Code), the remedies specified by the Indenture or any other applicable transaction documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2020 Taxable Bonds and the Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, moratorium, insolvency or other similar laws affecting the rights or remedies of creditors generally.

The Series 2020 Taxable Bonds May Not Be Repaid on their Respective Final Maturity Dates

The Corporation expects that final payment of each Series 2020 Taxable Bond will occur on or prior to its respective final maturity date. Failure to make final payment of a Series 2020 Taxable Bond on its respective final maturity date would constitute an Event of Default under the Indenture. However, no assurance can be given that sufficient funds will be available to pay each Series 2020 Taxable Bond in full on or prior to its respective final maturity date. If sufficient funds are not available, final payment of a Series 2020 Taxable Bond could occur later than its respective final maturity date or a Registered Owner could suffer a loss on its investment.

There Will Be No Market Valuation of the Financed Eligible Loans

The Financed Eligible Loans are not being valued at their fair market value as determined by any independent advisor, but will be valued based upon the principal of and accrued interest on the Financed Eligible Loans.

Factors Affecting Sufficiency and Timing of Receipt of Revenues

The Corporation expects that the Revenues to be received under the Indenture will be sufficient to pay principal of and interest on the Series 2020 Taxable Bonds, and any other Bonds issued pursuant to the Indenture, when due and also to pay all Senior Transaction Fees and Subordinate Transaction Fees until the final maturity of the Series 2020 Taxable Bonds. This expectation is based upon an analysis of cash flow utilizing assumptions which the Corporation believes are reasonable and are derived from the Corporation's experience in the student loan industry and the expected performance of the Program, regarding the timing of the financing of such Financed Eligible Loans

to be held pursuant to the Indenture, the future composition of and yield on the Financed Eligible Loan portfolio, the rate of return on moneys to be invested in various Funds and Accounts under the Indenture, and the occurrence of future events and conditions. For a description of the anticipated composition of the Initial Eligible Loans, see the caption "THE FINANCED ELIGIBLE LOANS" herein. There can be no assurance, however, that all of the Financed Eligible Loans will be financed as anticipated, that interest and principal payments from Financed Eligible Loans will be received as anticipated or that the reinvestment rates assumed on the amounts in various Funds and Accounts will be realized. Furthermore, future events over which the Corporation has no control may adversely affect the Corporation's actual receipt of Revenues pursuant to the Indenture.

Receipt of principal of and interest on Financed Eligible Loans may be accelerated due to various factors, including, without limitation: (a) actual principal amortization periods which are shorter than those assumed based upon the current analysis of the Eligible Loans expected to be held pursuant to the Indenture; (b) the commencement of principal repayment by borrowers on earlier dates than are assumed based upon the current analysis of the Eligible Loans expected to be held pursuant to the Indenture; and (c) economic conditions that induce borrowers to refinance or repay their loans prior to maturity. Growth in the size and number of companies specializing in refinancing student loans, and/or an increase in their marketing intensity, could cause the number of Financed Eligible Loans that are refinanced to increase or exceed current assumptions.

Delay in the receipt of principal of and interest on Financed Eligible Loans may adversely affect the payment of principal of and interest on the Bonds, including the Series 2020 Taxable Bonds, when due. Principal of and interest on Financed Eligible Loans may be delayed due to numerous factors, including, without limitation: (a) forbearance being granted to borrowers under the Program, (b) loans becoming delinquent for periods longer than assumed, (c) actual loan principal amortization periods which are longer than those assumed based upon the current analysis of the Eligible Loans expected to be held pursuant to the Indenture, and (d) an increase in interest rates on certain variable rate Financed Eligible Loans.

If actual receipt of Revenues under the Indenture or actual expenditures vary materially from those projected, the Corporation may be unable to pay the principal of and interest on the Bonds, including the Series 2020 Taxable Bonds, and other amounts owing on other obligations when due. In the event that Revenues to be received under the Indenture are insufficient to pay the principal of and interest on the Bonds, including the Series 2020 Taxable Bonds, and amounts owing on other obligations when due, the Indenture authorizes, and under certain circumstances requires, the Trustee to declare an Event of Default and to enforce the rights of the Registered Owners, including selling the Financed Eligible Loans and other assets comprising the Trust Estate and acceleration of the payment of the Bonds, including the Series 2020 Taxable Bonds. It is possible that the Trustee would not be able to sell the Financed Eligible Loans and the other assets comprising the Trust Estate in a timely manner or for an amount sufficient to permit payment of the principal of and accrued interest on all Outstanding Bonds, including the Series 2020 Taxable Bonds, then due and all amounts due with respect to other obligations.

Variety of Factors Affecting Borrowers

Collections on the Financed Eligible Loans may vary greatly in both timing and amount from the payments actually due on such Financed Eligible Loans for a variety of economic, social, and other factors. As a result, the Corporation may not receive all the payments that are actually due on the Financed Eligible Loans. Failures by borrowers to make timely payments of the principal and interest due on the Financed Eligible Loans or an increase in forbearances could affect the revenues of the Trust Estate, which may reduce the amounts available to pay principal and interest due on the Bonds, including the Series 2020 Taxable Bonds. The Corporation cannot predict with accuracy the effect of these factors, including the effect on the timing and amount of funds available and the ability to pay principal and interest on the Bonds, including the Series 2020 Taxable Bonds.

Certain general economic conditions, such as a downturn in the economy resulting in decreased employment, either regionally or nationally, may result in an increase in defaults by borrowers in repaying their Financed Eligible Loans. It is impossible to predict the status of the economy or unemployment levels or when, if ever, a downturn in the economy would impair a borrower's ability to repay his or her Financed Eligible Loans. General economic conditions may also be affected by other events including the prospect of increased hostilities abroad. Such events may also have other effects, the impact of which is impossible to project.

The amount of student loan debt has grown steadily over the last several years, reflecting rising costs of education. It is impossible to predict how this, when combined with a variety of economic, social and other factors and employment trends, might affect the timing and amount of payments received on the Financed Eligible Loans.

The Trust Estate may include Financed Eligible Loans that are in forbearance for which payments are temporarily postponed for a specific period of time and capitalized and will include Financed Eligible Loans for which the borrower is currently required to make payments of principal and interest. The Corporation's cash flow, and its ability to make payments due on the Bonds, including the Series 2020 Taxable Bonds, will be reduced to the extent interest is not currently payable on the Financed Eligible Loans. As of the Statistical Cut-Off Date, the borrowers on approximately 4.8% of the aggregate principal amount of Initial Eligible Loans are not required to make payments during certain authorized periods as described under the caption "THE PROGRAM" herein. The proportions of the Financed Eligible Loans that are in forbearance for which payments are temporarily postponed and capitalized and currently in repayment will vary during the period that the Series 2020 Taxable Bonds are Outstanding. If defaults occur on the Financed Eligible Loans and the remedies or amounts held under the Indenture are not sufficient, Registered Owners may suffer a delay in payment or a loss on their Bonds, including the Series 2020 Taxable Bonds.

Risk of Geographic Concentration of the Financed Eligible Loans

Currently, under the Program, Eligible Loans are only made to persons who are South Carolina residents or attend a school located in South Carolina at the time of origination. The concentration of the Financed Eligible Loans in specific geographic areas may increase the risk of losses on the Financed Eligible Loans. Economic conditions in the states where borrowers reside may affect the delinquency, loan loss and recovery experience with respect to the Financed Eligible Loans. As of the Statistical Cut-Off Date, approximately 85.2% of the Financed Eligible Loans by principal balance were to borrowers with current billing addresses in the State of South Carolina. Economic conditions in the State of South Carolina, any adverse economic conditions adversely and disproportionately affecting the State of South Carolina may have a greater effect on the repayment of the Bonds, including the Series 2020 Taxable Bonds, than if this concentration did not exist.

The Trustee May Be Forced To Sell the Financed Eligible Loans at a Loss After an Event of Default

Generally, if an Event of Default occurs and continues under the Indenture, the Trustee, at the direction of Registered Owners (in the percentage specified in the Indenture), will sell the Financed Eligible Loans. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—DEFAULTS AND REMEDIES—Remedies on Default; Sale of Trust Estate" attached hereto. However, the Trustee may not find a purchaser for the Financed Eligible Loans or the market value of the Financed Eligible Loans plus other assets in the Trust Estate might not equal the principal amount of outstanding Bonds, including the Series 2020 Taxable Bonds, plus accrued interest. The market for private student loans, including the Financed Eligible Loans, is not as developed as the market for FFELP loans made pursuant to the Higher Education Act. There may be fewer potential buyers for the Financed Eligible Loans, and therefore lower prices available in the secondary market. Investors in the Bonds, pay prices for the Financed Eligible Loans sufficient to pay the principal amount of the Bonds, including the Series 2020 Taxable Bonds, plus accrued interest.

The Composition and Characteristics of the Loan Portfolio Will Change Over Time

The statistical information in this Official Statement reflects only the characteristics of the Initial Eligible Loans that the Corporation anticipates financing on Closing Date as of the Statistical Cut-Off Date. See the caption "THE FINANCED ELIGIBLE LOANS" herein. The Initial Eligible Loans actually financed under the Indenture on the Closing Date will have characteristics that differ somewhat from the characteristics of the Initial Eligible Loans described herein due to payments received on and other changes in these Initial Eligible Loans that occur during the period from the Statistical Cut-Off Date to the Closing Date.

The Corporation also intends to finance additional Eligible Loans during the Recycling Period and the Acquisition Period relating to the Series 2020 Taxable Bonds. The financing of Eligible Loans during the Acquisition Period (other than the Initial Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption "PROVISIONS"

APPLICABLE TO THE BONDS; DUTIES OF THE CORPORATION—Restrictions on the Financing of Eligible Loans during the Acquisition Period and Recycling Period" in "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto. See the caption "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

The characteristics of the Financed Eligible Loan portfolio included in the Trust Estate could also change from time to time due to the financing of new types of Eligible Loans that may be financed pursuant to the Program (upon satisfaction of the Rating Agency Notification), changes in terms of the Program, sales or exchanges of loans and scheduled amortization, prepayments, delinquencies and defaults on the Financed Eligible Loans.

Certain Actions May Be Permitted Without Registered Owner Approval

The Indenture permits the Corporation to issue Additional Bonds pursuant to a Supplemental Indenture without Registered Owner consent, and further permits the Corporation to take a range of actions in connection with its administration of the assets comprising the Trust Estate without either an amendment or supplement to the Indenture or Registered Owner consent, but requires that the Corporation satisfy certain other conditions prior to undertaking, or in conjunction with, certain of such actions. The Indenture requirements applicable to such actions may include satisfying a Rating Agency Notification or Rating Agency Confirmation requirement; however, implementation of such actions which require only a Rating Agency Notification are not conditioned upon any response, or absence thereof, of any Rating Agency. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS-Rating Agency Confirmation and Rating Agency Notification" herein. The Indenture requires that the Corporation make any Rating Agency Confirmation and Rating Agency Notification publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 promulgated by the Securities and Exchange Commission with respect to any Tax-Exempt Bonds or on its website with respect to any Taxable Bonds. To the extent such actions are taken, investors in the Series 2020 Taxable Bonds will be relying primarily upon the evaluation by the Corporation of the potential impact of such actions upon the ability of the assets comprising the Trust Estate to provide for the full and timely payment of scheduled principal and interest on the Bonds, including the Series 2020 Taxable Bonds, payment of all Rebate Amounts and Excess Earnings to the U.S. Treasury and payment of all Senior Transaction Fees and Subordinate Transaction Fees. In addition, to the extent that such actions are taken, a resulting adverse rating action by any Rating Agency in response to such Corporation action could materially decrease the market value or existence of a secondary market for the Series 2020 Taxable Bonds. Moreover, the market price or marketability of the Series 2020 Taxable Bonds could be adversely affected by such actions even in the absence of such an adverse rating action. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS-Rating Agency Confirmation and Rating Agency Notification" herein and "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

Less than All of the Registered Owners can Approve Amendments to the Indenture or Waive Defaults under the Indenture

Under the Indenture, Registered Owners of specified percentages of the aggregate principal amount of the Bonds (including, in many cases, only a specified percentage of the aggregate principal amount of the Highest Priority Bonds outstanding) may amend or supplement provisions of the Indenture and the Bonds and waive Events of Defaults and compliance provisions without the consent of the other Registered Owners. Non-consenting Registered Owners have no recourse if such other Registered Owners vote in a manner with which you do not agree. The other Registered Owners may vote in a manner which impairs the ability to pay principal and interest on the Bonds.

Suitability for Investors

The Series 2020 Taxable Bonds are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the reinvestment, default and market risk of such an investment, the tax consequences of such an investment, and the interaction of these factors.

Certain Factors Relating to Security

The Corporation has covenanted in the Indenture that the assets constituting the Trust Estate pledged by the Corporation under the Indenture are and will be owned by the Corporation free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges

created by the Indenture, and that all action on the part of the Corporation to that end has been duly and validly taken. Notwithstanding the foregoing, under applicable law, other security interests in such loans may exist, and may not be known to the Corporation. Therefore, no absolute assurance can be given that liens other than the lien of the Indenture do not and will not exist.

Incentive or Borrower Benefit Programs

The Financed Eligible Loans receive a 0.25% interest rate reduction when they are set up to have regular monthly payments deducted electronically from a savings or checking account. Any incentive program that effectively reduces borrower payments on Financed Eligible Loans will result in a reduction of the Revenues received from such Financed Eligible Loans. The Corporation cannot accurately predict the number of borrowers that will utilize the borrower benefits provided under the rate relief program currently offered by the Corporation. The greater the number of borrowers that utilize such benefits with respect to Financed Eligible Loans, the lower the total loan receipts on such Financed Eligible Loans.

Risks Relating to Book-Entry Registration

The Series 2020 Taxable Bonds will be represented by one or more certificates registered in the name of Cede & Co., the nominee for The Depository Trust Company, and will not be registered in an individual investor's name or the name of its nominee. Unless and until definitive securities are issued, holders of the Series 2020 Taxable Bonds will not be recognized by the Trustee as Registered Owners as that term is used in the Indenture. Until definitive securities are issued, holders of the Series 2020 Taxable Bonds will only be able to exercise the rights of Registered Owners indirectly through The Depository Trust Company and its participating organizations. See the caption "THE SERIES 2020 TAXABLE BONDS—Book-Entry-Only System" herein.

Potential Conflicts of Interest Relating to the Underwriter

The Underwriter may from time to time perform investment banking services for, or solicit investment banking business from, any person named in this Official Statement. The Underwriter and/or its employees or customers may from time to time have a long or short position in the Series 2020 Taxable Bonds. These long or short positions may be as a result of any market making activities with respect to the Series 2020 Taxable Bonds. The Underwriter and/or its employees or customers may from time to time enter into hedging positions with respect to the Series 2020 Taxable Bonds.

There is the Potential for Conflicts of Interest and Regulatory Scrutiny with Respect to the Rating Agency Rating the Series 2020 Taxable Bonds

It may be perceived that the Rating Agency has a conflict of interest that may have affected the ratings assigned to the Series 2020 Taxable Bonds where, as is the industry standard and the case with the ratings of the Series 2020 Taxable Bonds, the Corporation pays the fees charged by the Rating Agency for its rating services.

Furthermore, the Rating Agency has been and may continue to be under scrutiny by federal and state legislative and regulatory bodies for its role in the 2008 financial crisis and such scrutiny and any actions such legislative and regulatory bodies may take as a result thereof may also have an adverse effect on the price that a subsequent purchaser would be willing to pay for the Series 2020 Taxable Bonds and a Registered Owner's ability to resell its Series 2020 Taxable Bonds.

Ratings of the Series 2020 Taxable Bonds

It is a condition to the issuance of the Series 2020 Taxable Bonds that they be rated as indicated under the caption "RATINGS" herein. Ratings are based primarily on the creditworthiness of the underlying Financed Eligible Loans, the amount of credit enhancement and the legal structure of the transaction. The ratings are not a recommendation to investors to purchase, hold or sell the Series 2020 Taxable Bonds inasmuch as the ratings do not comment as to the market price or suitability for individual investors. An additional rating agency may rate the Series 2020 Taxable Bonds, and that rating may not be equivalent to the initial rating described in this Official Statement. Ratings may be increased, lowered or withdrawn by any Rating Agency at any time if in such Rating Agency's

judgment circumstances so warrant. A downgrade in the rating of the Series 2020 Taxable Bonds is likely to decrease the price a subsequent purchaser will be willing to pay for Series 2020 Taxable Bonds.

A rating is not a recommendation to buy or sell Series 2020 Taxable Bonds or a comment concerning suitability for any investor. A rating only addresses the likelihood of the ultimate payment of principal and stated interest and does not address the likelihood of redemption of the Series 2020 Taxable Bonds prior to maturity or the market liquidity of the Series 2020 Taxable Bonds. A rating may not remain in effect for the life of the Series 2020 Taxable Bonds. See the caption "RATINGS" herein.

Certain actions affecting the Financed Eligible Loans and the Trust Estate may be taken upon a Rating Agency Confirmation or a Rating Agency Notification. See the caption "Certain Actions May Be Permitted Without Registered Owner Approval" above and the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS—Rating Agency Confirmation and Rating Agency Notification" herein. The giving of a Rating Agency Notification would not limit the ability of the Rating Agency to downgrade its ratings on the Series 2020 Taxable Bonds on the basis of the related Proposed Action.

There can be no assurance that the ratings of the Series 2020 Taxable Bonds will not be downgraded or placed on negative watch by a Rating Agency in the future.

Ratings of Other Securities Issued by the Corporation May Be Reviewed or Downgraded

Certain student loan-backed bonds have been downgraded in connection with rating agencies revising their rating methodologies with respect to failed auction rate securities, basis risk and loan default expectations, among other factors. Adverse action by any rating agency regarding other securities issued by the Corporation may adversely affect the market value of the Series 2020 Taxable Bonds or any secondary market for the Series 2020 Taxable Bonds that may develop.

Cyber Security

The Corporation relies on computing and other digital networks to conduct its operations. The Corporation faces multiple cybersecurity threats, including, but not limited to, hacking, phishing, viruses, malware and other attacks. To mitigate the risk of business operations impact or damage from cybersecurity incidents or cyber-attacks, the Corporation invests in proactive monitoring and security of its technology systems and limits access to system controls to supervisory level staff.

No assurances can be given that such efforts will ensure against cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the Corporation's operation and finances. Further, cybersecurity breaches could expose the Corporation to material litigation and other legal risks, which could cause the Corporation to incur material costs related to such legal claims or proceedings. If these costs and claims are material, Registered Owners may suffer a loss.

State Not Liable for the Bonds

The Series 2020 Taxable Bonds to not constitute a recourse debt or general obligation of the State of South Carolina or any political subdivision thereof, but are payable solely from the Trust Estate created by the Master Indenture. Neither the faith and credit nor the taxing power of the State of South Carolina or any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2020 Taxable Bonds. The Corporation has no taxing power.

Corporation's Exempt Status

The Corporation has been determined by the Internal Revenue Service (the "IRS") to be exempt from taxation as a 501(c)(3) organization. The IRS has announced its intention to increase the frequency of audits of the 501(c)(3) tax-exempt status of organizations. The Corporation has not been notified that it will be the subject of such an audit, but believes that in the event the IRS conducted such an audit, the Corporation would be successful in any audit proceeding. However, if the Corporation were to lose its tax-exempt status, it would have an adverse effect on the

Corporation's ability to make payments of principal of and interest on the Series 2020 Taxable Bonds and to pay costs and expenses from assets in the Trust Estate, as and when due.

COVID-19 Pandemic

On January 31, 2020, and retroactive to January 27, 2020 as a result of confirmed cases of the 2019 novel coronavirus, the United States Department of Health and Human Services Secretary declared a public health emergency to aid the nation's healthcare systems in responding to the spread of the coronavirus ("COVID-19" and the "COVID-19 Pandemic"). On March 13, 2020 President Trump declared a nationwide emergency pursuant to Section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. § 5121-5207 resulting from the ongoing COVID-19 Pandemic. The impacts of the pandemic are unknown and rapidly evolving. Also on March 13, 2020, South Carolina Governor Henry McMaster issued an Executive Order declaring a State of Emergency based on a determination that COVID-19 posed an actual or imminent public health emergency for the State of South Carolina. This Executive Order was subsequently supplemented by a series of additional Executive Orders, including Executive Orders closing all public schools in the State of South Carolina for students and nonessential employees, prohibiting indoor dining at bars and restaurants, banning public gatherings of more than three people, closing retail establishments and other businesses deemed non-essential, and instituting a "Home or Work" order, ordering residents and visitors of the State of South Carolina to practice social distancing and limit travel outside of homes except for the purpose of traveling to work, obtaining necessary supplies and services, and other activities deemed essential. Governor McMaster has since issued Executive Orders easing these restrictions. At present, most businesses are open and permitted to operate so long as social distancing rules are observed. Prohibitions remain on certain entertainment venues and spectator sports.

As a result of the COVID-19 Pandemic, every large university and college in the State of South Carolina suspended on-campus activities and shifted to online instruction for the remainder of the spring 2020 term and for the summer terms. At present, some colleges, and universities in South Carolina, including constituent institutions of the University of South Carolina system and other eligible schools, have announced plans to resume campus operations in fall 2020, while others have not announced their plans.

By the week of March 23, 2020, in advance of the effective date of the Governor's "Home or Work" order, the Corporation had begun adapting to a telework environment and transitioned its staff to work from home with proper computer and telephone equipment, Virtual Private Network (VPN) access and other tools. Certain designated mandatory employees continue to conduct essential operations, including information technology, payment and mail processing, at the Corporation's building. Any disruption due to the COVID-19 Pandemic has been isolated and minimal. In accordance with applicable State of South Carolina and local mandates regarding the COVID-19 Pandemic, the Corporation continues to conduct activities and administer its programs with a predominately remote workforce.

In response to the economic effects of the COVID-19 Pandemic in South Carolina, the Corporation has closely monitored trends in applications for Eligible Loans under the Program and sought information from the higher education sectors in the State of South Carolina regarding enrollment for the 2020-21 academic year. In light of the trends and available information, the Corporation decreased initial estimates for additional volume of Eligible Loans by approximately 15% to account for potential decline in enrollment at eligible schools, particularly in the fall of 2020.

Also, given the declaration of the COVID-19 Pandemic as a national emergency the Corporation activated its disaster forbearance policy for the Program. To allow borrowers time to recover from the economic impacts of COVID-19, the Corporation is granting a non-capping disaster forbearance for a maximum of ninety days. The forbearance is given upon request by the borrower and does not cure prior delinquency. The forbearance is given in an initial increment of sixty days. After the initial sixty day period, the borrower may request an additional thirty days of forbearance time.

Forbearance usage rates for Initial Eligible Loans reflecting the principal amount of such loans in this particular national emergency based forbearance expressed as a percentage of the principal amount of such loans then outstanding, were as follows:

<u>Date</u>	<u>Initial Eligible Loans</u>
March 31, 2020	0.00%
April 30, 2020	4.60%
May 31, 2020	2.85%
June 30, 2020	2.57%
July 13, 2020	1.46%

The Corporation cannot predict whether or not forbearance trends for PAL Loans generally, or for the Financed Eligible Loans, will be impacted by the COVID-19 Pandemic in the future.

Potential Effects of the COVID-19 Pandemic Are Uncertain

As of the date hereof, the Corporation is not aware of federal or State of South Carolina consumer lending law changes in response to the COVID-19 Pandemic that it expects to materially and adversely affect its operation of the Program. Any further COVID-19 Pandemic relief measures that may be required by law or voluntarily implemented by the Corporation and that are applicable to Financed Eligible Loans may result in a delay in the receipt of, or in a reduction of, the Revenues received from the Financed Eligible Loans. The Corporation cannot accurately predict the number of Financed Eligible Loan borrowers that would utilize any benefit program that requires borrower action. The greater the number of borrowers that utilize any relief measures, the lower the total current loan receipts on Financed Eligible Loans. If actual receipt of Financed Eligible Loans Revenues or actual Financed Eligible Loan administrative expenditures were to vary materially from those projected, the ability of the Trust Estate to provide sufficient revenues to fund interest and administrative costs and to amortize the Bonds, including the Series 2020 Taxable Bonds, might be materially and adversely affected.

The full impact of the COVID-19 Pandemic, and of directly and indirectly related developments, on the Corporation's finances and operations, on the demand for and performance of loans of the Program, including Financed Eligible Loans constituting security for the Bonds, including the Series 2020 Taxable Bonds, and on the security, market value and liquidity of Series 2020 Taxable Bonds cannot be predicted at this time. The COVID-19 Pandemic could adversely affect global, national, regional or local economies in a manner that might reduce the ability of certain Financed Eligible Loans borrowers to make full and timely loan repayment. The number and aggregate principal balance of Financed Eligible Loans for which repayment may be so affected by the COVID-19 Pandemic is not known at this time, but may be significant. As a result, there may be a delay in, or reduction of, total Financed Eligible Loan collections that might materially and adversely affect the ability of the Trust Estate to provide sufficient Revenues to fund interest and administrative costs and to amortize the Series 2020 Taxable Bonds, as initially projected or as projected herein. The Corporation is monitoring and assessing the economic and legal impact of the COVID-19 Pandemic and of governmental responses thereto, including orders, laws, regulations and mandates adopted by the State of South Carolina or the federal government, on its operations and financial position.

THE CORPORATION

General

The Corporation is a nonprofit, public benefit corporation established in 1973 pursuant to the laws of the State of South Carolina and is exempt from payment of federal income taxation as a 501(c)(3) corporation. The Corporation received its final 501(c)(3) determination letter from the IRS on June 30, 1979, which determination letter has not been amended, revoked, withdrawn or rescinded. The Corporation is located at 8906 Two Notch Road, Columbia, South Carolina 29223. Certain responsibilities of the Corporation under the Indenture will be administered by the Administrator pursuant to the Administration Agreement. See the caption "The Administration Agreement" below.

The Corporation's activities are governed by its Board of Directors. The Corporation assists students and families in financing and refinancing the cost of higher education by making "private student loans". "Private student loans" generally refer to any loan that is made to a student, parent or other person for the purpose of financing all or part of the student's or former student's cost of attendance at an accredited institution. Such loans are not guaranteed student loans like those originated pursuant to FFELP.

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.

In 1973, the Corporation initiated a program to fund and service FFELP loans and loans originated under its predecessor programs, and served as the State of South Carolina's "eligible lender" thereunder. The Corporation has funded FFELP loans from the proceeds of bonds issued pursuant to trust estates separate and apart from the Indenture. Between 1996 and 2015, the Corporation closed 14 separate investment grade bond issues that provided FFELP loans to students and families. Effective July 1, 2010, the Affordable Care Act of 2010 eliminated new originations under the FFELP.

Between 1973 and 2010 the Corporation financed approximately \$7.7 billion of guaranteed loans.

In 1996, the Corporation introduced the Palmetto Assistance Loan Program, pursuant to which it provides credit-underwritten fixed rate and variable rate loan options to South Carolina residents and certain non-residents attending a post-secondary institution located in South Carolina. Since the inception of the Palmetto Assistance Loan Program the Corporation has made approximately \$515 million of loans to or on behalf of approximately 30,500 students. See the caption "THE PROGRAM" herein.

Between its lending and secondary market activities under the FFELP from 1973 to 2010 and its lending activities under the Palmetto Assistance Loan Program from 1996 to present, the Corporation has financed over 2 million loans to 477,000 students and parents totaling \$8.5 billion.

Board of Directors

The Corporation is governed by a Board of Directors currently consisting of 11 Directors. All Directors are appointed by the Corporation. The Corporation may remove Directors of the Corporation at any time for cause by a majority vote. Directors serve three-year staggered terms of office, with terms expiring on June 30th of the year indicated below. No officer or employee of the Corporation is eligible for appointment as a member of the Board of Directors except for the President as noted below.

Name of Director	Principal Occupation	Term Ends June 30
J. Thornton Kirby, Esq., Chair	President & CEO, South Carolina Hospital Association	2023
A. Neill Cameron, Jr., Co-Vice Chair	President, Solvent Networks (a division of the South Carolina Hospital Association)	2021
Neil E. Grayson, Esq., Co-Vice Chair	Partner, Nelson Mullins Riley & Scarborough LLP	2023
Fred L. Green, III, Treasurer	President & CEO, South Carolina Bankers Association	2022
Renee R. Brooks	Chief Operating Officer, South State Bank	2021
Jason Caskey, CPA	President & CEO, University of South Carolina Foundations	2021
Dr. Gautam S. Ghatnekar, DVM, Ph.D.	Co-Founder, President & CEO, FirstString Research	2022
Willie Jeffries	Educator, Retired Coach	2023
Charlie C. Sanders, Jr.	Former President & CEO, South Carolina Student Loan Corporation (Retired)	2022
Barbara F. Weston	Educator	2023
David A. "Trey" Simon, III*	President and Chief Executive Officer	Ex Officio
Neil E. Grayson, Esq., Co-Vice Chair Fred L. Green, III, Treasurer Renee R. Brooks Jason Caskey, CPA Dr. Gautam S. Ghatnekar, DVM, Ph.D. Willie Jeffries Charlie C. Sanders, Jr. Barbara F. Weston	South Carolina Hospital Association) Partner, Nelson Mullins Riley & Scarborough LLP President & CEO, South Carolina Bankers Association Chief Operating Officer, South State Bank President & CEO, University of South Carolina Foundations Co-Founder, President & CEO, FirstString Research Educator, Retired Coach Former President & CEO, South Carolina Student Loan Corporation (Retired) Educator	2023 2022 2021 2021 2022 2023 2023 2023

* Trey is an ex officio voting member of the Board of Directors resulting from his position as President.

The Corporation's principal office is located at 8906 Two Notch Road, Columbia, South Carolina 29223, and its telephone number is (803) 772-9480. The Corporation employs a staff of 27 people. The Corporation's Senior Management is as follows:

David A. Simon, III, President and Chief Executive Officer William C. Bochette, III, Chief Financial Officer and Chief Operating Officer Jane W. Honeycutt, Vice President of Financial Services Ray Jones, Vice President of Loan Programs Marsha King, Vice President of Operations Jennifer Ridenhour, Vice President of Human Resources Cheryl Hughes, Compliance Officer Melanie Brooke Thomas, Controller Josh Buzhardt, Business Intelligence Developer and Analyst Mike Fox, Director of Outreach Sara Fisher, Director of Power:Ed

David A. "Trey" Simon, III, serves as President and Chief Executive Officer of the Corporation. His work is focused on making higher education accessible for the residents of South Carolina through financial aid programs. Prior to his current role, he served as the Chief Information Officer of the Corporation. Mr. Simon has been with the Corporation for 25 years working in both Administration and Information Technology.

He received his B.S. in Management Science from the University of South Carolina. Mr. Simon serves on the South Carolina Independent Colleges and Universities Board of Trustees. In addition, he serves as a committee member for the SC Chamber of Commerce Education Workforce Development Committee and the SC Chamber Information Technology Innovation Committee.

William C. Bochette, III has served as Chief Financial Officer and Chief Operating Officer of the Corporation since June of 2020. Prior to joining the Corporation, Mr. Bochette served South State Bank as its Executive Vice President, Treasurer, and Corporate Secretary. Mr. Bochette has over 31 years of banking experience and received his Bachelor of Science in Finance from The University of South Carolina.

Jane W. Honeycutt serves as Vice President of Financial Services of the Corporation, and is responsible for the management of all Financial Services activities, including accounting, internal and external reporting, compliance, budgeting and internal controls, as well as financings and data analytics. Prior to joining the Corporation in 2010, Ms. Honeycutt worked with both Price Waterhouse (now PricewaterhouseCoopers) and Elliott Davis, LLC, in public accounting. She also served as the Financial Manager of the Columbia, South Carolina, office of Price Waterhouse. Her other work experience has concentrated in the financial services industry.

She received her Bachelor of Business Administration from Augusta College and her Master of Accountancy from the University of Georgia. She is a licensed Certified Public Accountant with the State of South Carolina, and is a Certified Global Management Accountant.

Ms. Honeycutt is expected to retire on August 14, 2020.

Ray Jones is currently the Vice President of Loan Programs at the Corporation, and oversees loan program marketing, loan originations, repayment services and default prevention areas for the Corporation. During his 22 years of service to the Corporation, he has worked in a variety of roles, including repayment services, Loan Officer and Assistant Program Director.

Ray attended Spartanburg Methodist College, as well as the University of South Carolina in Lancaster and Columbia. He also serves the state financial aid community as a member of the Executive Board of the SC Association of Financial Aid Administrators and the SC Teacher Loan Advisory Board.

Marsha King serves as Vice President of Operations at the Corporation. She is responsible for the development, integration, innovation and critical support of information technology and operationally for insuring the availability and reliability of all Corporation systems. Before her current role, she served as Project Manager for the Information Technology Department of the Corporation.

Ms. King has been with the Corporation for 32 years working in Financial Services, Loan Programs and Information Technology.

Jennifer Ridenhour serves as Vice President of Human Resources for the Corporation. Her work in human resource management involves overseeing all things related to managing the organization's human capital. Having worked over 10 years with the Corporation, Jennifer has served in various progressive human resource roles since joining the Corporation in 2008. Jennifer also serves as the Secretary of the Board of Directors for the Corporation.

She received her Bachelor of Arts Degree from Winthrop University. Jennifer is a certified Professional in Human Resources (PHR) and Society of Human Resource Management Certified Professional (SHRM-CP).

Cheryl Hughes serves as Compliance Officer for the Corporation. Her work is focused on ensuring the programs offered by the Corporation are compliant with federal and state statute, regulation and policy governing higher education loan programs. In addition, Ms. Hughes serves as Internal Auditor and monitors vendor contracts and agreements. She has been with the Corporation for 38 years, previously working in both Loan Origination and Risk Management.

Ms. Hughes has also served in numerous roles for organizations within the financial aid and student loan industry most notably as President of the South Carolina Association of Student Financial Aid Administrators, Chair of the Common Manual Policy Committee, and Negotiator for nonprofit student loan organizations during the Federal Negotiated Rulemaking process. She currently serves as a member of the Education Finance Counsel's State Regulations Working Group and the Alternative Education Loan Working Group.

She received her B.A. in Classical Studies from the University of South Carolina.

Melanie "Brooke" Thomas serves as Controller of the Corporation and is responsible for the oversight of all accounting activities of the organization as well as internal and external reporting. Prior to joining the Corporation in 2017, Ms. Thomas worked with Dixon Hughes Goodman, LLC, in public accounting. Her other work experience has concentrated in the legal industry.

She received her Bachelor of Science from the College of Charleston and her Master of Accountancy from the University of South Carolina. She is a licensed Certified Public Accountant with the State of South Carolina, and a Certified Master Analyst in Financial Forensics.

Josh Buzhardt serves as Business Intelligence Developer and Analyst for the Corporation. In this role, he is responsible for the acquisition, modeling, and management of data related to the Corporation's loan and debt programs, as well as the development and delivery of reporting used both internally and by outside parties. Since 2009, he has been a part of the financing team that brought each of the Corporation's debt offerings to market, and has designed and managed the Corporation's investor and rating agency reporting.

Mike Fox serves as the Director of Outreach for the Corporation, and has been employed by the Corporation for over 40 years. Helping families to understand the financial aid process and to utilize all available resources to finance a post-secondary education is his passion. Prior to moving to this role, Mr. Fox served as the Vice President for Guaranty Services for the Corporation.

He received a B.S. in Biology from the University of South Carolina, and is a member of the South Carolina Association of Financial Aid Administrators and the Carolinas Association of Collegiate Registrars and Admissions Officers.

Sara Fisher serves as Director of Power:Ed, a division of the Corporation responsible for various philanthropic programs and activities. Her current role is to support organizations and programs that endeavor to meet the State of South Carolina's educational priorities and to get more South Carolinians prepared for the workforce. Prior to taking on this role she served as a business development officer of the Corporation. Prior to joining the Corporation four years ago, she served as Senior Executive Vice President and Chief Operating Officer of NBSC, a division of Synovus Bank.

In addition to her Power:Ed responsibilities, she currently serves as President of the SCETV Endowment, is a member of the Prisma Health Midlands board, is Chairman of the Prisma Health Tuomey Board, is immediate past chair of the Richland Library Friends and Foundation and is Chairman and Executive Committee member of the Capital City Club. In addition, she serves as a committee member for the SC Chamber of Commerce Education and Workforce Development Committee and is the former Chairman of that Committee.

Ms. Fisher is an Economics graduate of Agnes Scott College.

Outstanding Revenue Bonds of the Corporation

The Corporation has issued student loan revenue bonds pursuant to other indentures, which bonds are secured by separate and distinct trust estates. The assets of each trust estate are not cross-collateralized or cross-defaulted with the assets of any other trust estate. The total aggregate outstanding principal amount of all bonds issued by the Corporation as of June 30, 2020, was approximately \$799.9 million.

Conduit Bonds

The Corporation is indebted to the South Carolina Education Assistance Authority (the "Authority") under a loan agreement securing a trust estate relating to the Authority and to the Authority's outstanding bonds issued under a 2009 PAL General Resolution approved by the Board of Directors of the Corporation effective as of October 29, 2009. The obligations of the Corporation under such loan agreement are secured by, and payable only from, a pool of student loans that are not part of the Trust Estate. As of June 30, 2020, the approximate amount of such indebtedness was approximately \$6.9 million.

The Authority is a body politic as well as a corporate and 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 and the Corporation are legally separate organizations with independent governing boards. The Corporation administers certain limited operations of the Authority by contract.

Other Programs and Activities

<u>Power:Ed</u>. A philanthropy of South Carolina Student Loan Corporation, Power:Ed was established in early 2019 with the goal of helping South Carolinians prepare for the workforce by eliminating educational barriers regardless of age, race, gender, or economic status. Power:Ed gives grants to local nonprofits, colleges, and organizations that help South Carolina students succeed in school, their careers, and life. Areas of focus include assisting first generation college students, providing advanced educational opportunities to those in rural and underserves areas, and funding programs that prepare our students to be workforce ready.

The Corporation also operates various higher education outreach programs designed to promote awareness of higher education opportunities among South Carolina residents, and conducts training programs and provides administrative assistance to financial aid administrators and guidance counselors.

<u>Forgivable Loan Programs</u>. During fiscal year 1984-85, the Corporation assumed responsibility for the administration of the Teacher Loan Program that was established by the Education Improvement Act of 1984 (the "Education Improvement Act"). In the Education Improvement Act, the Corporation was named as the administrator of this program. The funds for operations and for making loans are provided by State of South Carolina appropriations. In 2018, the Corporation began administering the Rural Practice Loan Forgiveness Program, a program developed to help supplement the healthcare workforce in the State of South Carolina.

<u>EdVantage</u>. On January 1, 2011, the Corporation entered into an agreement with Performant Financial Corporation ("PFC") to provide debt collection services as a subcontractor to PFC for loans held by the Department of Education. On April 1, 2011, the Corporation formed EdVantage Corporation ("EdVantage"), which is a controlled affiliate of the Corporation, for the purposes of providing this subcontractor service. EdVantage filed its IRS Form 1023 "Application for Exemption Under 501(c)(3) of the Internal Revenue Code" in January of 2013 and received its determination letter dated June 25, 2015, affirming its exemption under § 501(c)(3) of the Internal Revenue Code. EdVantage ceased providing subcontractor services for PFC as of April 1, 2014; however, EdVantage

has maintained the required licensing and on April 1, 2014 began providing collection services for the Authority which continued through February 16, 2016. EdVantage is not actively serving as a debt collector at this time.

<u>EdManage</u>. In December of 2014, the Corporation began a limited program to perform default prevention/financial literacy services for colleges throughout the State of South Carolina. These services were performed by a functional area of the Corporation that does business as EdManage. EdManage is not actively performing default prevention services at this time.

<u>Campus Partners</u>. The Corporation previously owned Educational Loan Servicing, LLC ("ELS") d/b/a Campus Partners ("Campus Partners"), a vendor providing a platform and servicing functionality intended to meet the requirements for Perkins Loans. Official dissolution of ELS with the Secretary of State of the State of Delaware was effective May 20, 2019 and liquidation of all assets was completed as of August 30, 2019.

<u>Palmetto Investment Holdings, Inc. and SC3 Solutions, LLC</u>. On September 10, 2015, Palmetto Investment Holdings, Inc. ("PIHI"), a South Carolina corporation (C-Corp) was organized as a wholly-owned subsidiary of the Corporation. PIHI functions as the holding company for future for-profit ventures within the consolidated Corporation corporate structure. Also, effective September 10, 2015, SC3 Solutions, LLC ("SC3") was formed under the laws of the State of South Carolina as a wholly-owned subsidiary of PIHI. Initially SC3 operated as a call and customer contact center with a client base within the healthcare industry. The Corporation decided to discontinue this service line and ended the contact center activity as of October 6, 2017. SC3 does not have an active line of business at this time.

Bankruptcy Status of the Corporation

Under current law the Corporation cannot be forced into an involuntary bankruptcy proceeding under the federal bankruptcy code, nor can it file a voluntary petition for bankruptcy under the federal bankruptcy code without the approval of all members of its Board of Directors entitled to vote at the time any petition is authorized.

Additional Unsecured Debt

The Corporation has the ability to incur additional unsecured indebtedness in such amounts as its Board of Directors may deem appropriate subject to any covenant limitation contained in any loan or finance documentation (currently \$25,000,000). The Corporation may also incur additional secured indebtedness. To the extent that any such additional secured indebtedness is so incurred, it would be secured by, and payable only from, assets that are not pledged to the Trust Estate.

No Prior Defaults

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

Financial Statements

The financial statements of the Corporation at June 30, 2019 and 2018 and for the years then ended, included in Appendix D to this Official Statement, have been audited by Elliott Davis, LLC, Independent Auditors, as set forth in their report related thereto. Elliott Davis, LLC, the Corporation's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Elliott Davis, LLC also has not performed any procedures related to this Official Statement. The Corporation's financial statements include information with respect to its loan programs generally, including its FFELP and other information regarding the Corporation. These financial statements are included for general background purposes only.

Since the Bonds, including the Series 2020 Taxable Bonds, are limited obligations of the Corporation, payable solely from the Financed Eligible Loans and other assets pledged to the Trustee under the Indenture, the overall financial status of the Corporation, or that of its other programs, does not indicate and does not affect whether the Trust Estate will be sufficient to fund the timely and full payment of principal and interest on the Bonds, including the Series 2020 Taxable Bonds. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS" herein.

The Administrator

Initially the Administrator is the Corporation. The Administrator can be contacted at 8906 Two Notch Road, Columbia, South Carolina 29223.

The Administrator has agreed to perform various administrative activities and obligations on behalf of the Corporation under the Administration Agreement. These include providing all necessary personnel, facilities, equipment, forms and supplies for operating the Program and the Corporation's financing activities in accordance with the Indenture; disseminating information to the Trustee and to other persons under the Indenture; controlling and accounting for the receipt and expenditure of the Corporation's funds; reviewing all statements and reports to the Corporation required of the Trustee in accordance with the provisions of the Indenture; and preparing and submitting to the Trustee the Monthly Reports required to be made available to the Registered Owners pursuant to the Indenture.

The Administration Agreement

The Corporation will enter into the Administration Agreement with the Administrator pursuant to which the Corporation authorizes and appoints the Administrator to act as its exclusive agent for the purpose of managing the Servicers of the Financed Eligible Loans and performing certain administrative duties under the Indenture as provided therein. The Corporation authorizes the Administrator to meet administrative obligations of the Corporation that are set forth in the Administration Agreement. The Administrator covenants and agrees to cause the Servicers to service each Financed Eligible Loan in compliance with all requirements of the Program Manual and all other laws and regulations applicable to their activities under the Indenture, and in accordance with the terms and conditions of the Indenture, and to perform all services and duties customary to the servicing of the Financed Eligible Loans, including all collection practices. In connection therewith, the Administrator may designate a collection agent or agents to undertake reasonable collection efforts, on behalf of the Corporation with respect to any Defaulted Loans in accordance with customary industry standards and practices. All such collection efforts are required to be conducted in material compliance with all applicable federal, state and local laws, including any applicable consumer protection laws. If a designated collection agent successfully collects amounts owed from borrowers on Defaulted Loans, such designated collection agent may be compensated for such collection efforts by deducting and retaining a customary percentage of amounts collected from borrowers, as well as any related collection expenses, with all remaining amounts collected from borrowers being promptly deposited to the Revenue Fund under the Indenture. A designated collection agent is permitted to reschedule, revise, defer or otherwise compromise payments or take other reasonable actions with respect to Financed Eligible Loans that are Defaulted Loans in connection with maximizing the recovery on such Financed Eligible Loans. A designated collection agent shall also be permitted to cease collection and servicing efforts with respect to any Financed Eligible Loan when and if the Corporation or the Administrator determines that the probable costs of collection and servicing exceed the expected proceeds of collection or that the Financed Eligible Loan is unsuitable for continued collection efforts.

The Administrator is required to cause the duties and responsibilities of the Corporation under the Indenture to be performed. The Administrator advises the Corporation when action by the Corporation is necessary to comply with the Corporation's duties under the Indenture and the agreements relating thereto. The Administrator will prepare for execution, if required, by the Corporation, or shall cause the preparation by other appropriate persons of all such documents, reports, filings, instruments, certificates and opinions as it shall be the duty of the Corporation to prepare, file or deliver pursuant to the Indenture. The Administrator covenants to satisfy all of its obligations set forth in the Administration Agreement.

As compensation for its services pursuant to the Administration Agreement, the Administrator will receive the Administration Fee payable pursuant to the Indenture. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS—Senior Transaction Fees" herein.

The Administration Agreement will terminate upon the occurrence of the earlier of (a) the termination of the Indenture, and (b) early termination following an Administrator Default, as defined and described below. No resignation or termination will become effective until a successor Administrator has assumed the Administrator's administrative obligations and duties under the Administration Agreement.

Each of the following constitutes an "Administrator Default" under the Administration Agreement:

(a) any breach of a representation or warranty of the Administrator contained in the Administration Agreement or failure by the Administrator duly to observe or to perform in any material respect any term, covenant or agreement set forth in the Administration Agreement (other than any breach of a representation or warranty or failure to observe any, term covenant or agreement which is specifically dealt with in another "Administrator Default"), which breach or failure shall (i) materially and adversely affect the rights of holders of Bonds and (ii) continue unremedied for a period of 60 days after the date of discovery of such failure by an officer of the Administrator or on which written notice of such breach or failure, requiring the same to be remedied, shall have been given (A) to the Administrator, by the Trustee or the Corporation, or (B) to the Administrator or the Trustee by holders of Bonds representing not less than two-thirds of the Highest Priority Bonds Outstanding; or

(b) the Administrator has commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or shall have made a general assignment for the benefit of creditors, or shall have declared a moratorium with respect to its debts or shall have failed generally to pay its debts as they become due, or shall have taken any action to authorize any of the foregoing, and such action would materially and adversely affect the ability of the Administrator to perform its obligations under the Administration Agreement or materially and adversely affect the rights of holders of Bonds; or

(c) an involuntary case or other proceeding shall have been commenced against the Administrator seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, provided such action or proceeding is not dismissed within 180 days, and such action would materially and adversely affect the ability of the Administrator to perform its obligations under the Administration Agreement or materially and adversely affect the rights of holders of Bonds.

If an Administrator Default has occurred and is continuing, the Corporation and the Trustee acting together may or, at the written direction of 100% of the Registered Owners of the Highest Priority Bonds then Outstanding, the Corporation and the Trustee will, by notice then given in writing to the Administrator, terminate all the rights and obligations (other than the indemnification rights and obligations described below) of the Administrator under the Administrator pursuant to this Agreement, the Trustee, at its sole election, (i) may perform the duties of the Administrator specified in the Administration Agreement or (ii) if the Trustee is unable or unwilling to act, will appoint a successor Administrator to perform such duties whose regular business includes similar administrator Default that results in the termination of an administrator as described above, the Trustee shall petition a court for the appointment of, a successor whose regular business includes similar administrative duties relating to Financed Eligible Loans and for which a Rating Agency Notification shall first be satisfied and for which the Corporation has consented to in writing which consent shall not be unreasonably withheld. The Administrator agrees to cooperate with the successor Administrator, the Trustee and the Corporation in effecting the termination of the responsibilities and rights of the Administrator under the Administrator Agreement.

The Administration Agreement may be amended, supplemented or modified only by written instrument duly executed by the Administrator, the Corporation and the Trustee. So long as any Bonds remain Outstanding under the Indenture, a Rating Agency Notification is required to be satisfied with respect to any such amendment, supplement or modification; provided that, the Administration Agreement may be amended at any time upon the mutual written consent of the parties to cure any ambiguity, defect, or omission in the Administration Agreement without a Rating Agency Notification upon receipt of an opinion of Bond Counsel that any such amendment or modification will not materially adversely affect the rights or security of the Registered Owners, is authorized and permitted by the Administration Agreement and all conditions precedent have been satisfied.

The Administrator shall not have any liability to the Corporation or the holders of Bonds for taking any action or for refraining from taking any action pursuant to the Administration Agreement, or for errors in judgment; provided, however, that the Administrator will not be protected against any liability that would otherwise be imposed by reason of willful misfeasance, bad faith or negligence in the performance of the Administrator's duties under the Administration Agreement or by reason of reckless disregard of its obligations and duties under the Administration Agreement.

The Corporation is required to indemnify and hold the Administrator harmless from all loss, liability, or expense (including reasonable attorneys' fees and expenses) except for any loss, liability or expense arising out of or relating to the Administrator's willful misconduct or negligence with regard to the performance of services under the Administration Agreement or breach of its obligations under the Administration Agreement. Subject to the limitations described below, the Administrator is required to indemnify and hold the Corporation harmless from all loss, liability and expense (including reasonable attorneys' fees) arising out of or relating to the Administrator's willful misconduct or negligence with regard to performance of services under the Administration Agreement or breach of its obligations under the Administration Agreement or breach of its obligations under the Administration Agreement, provided that in no event shall the Administrator be responsible or liable for any incidental, special or consequential damages with respect to any matter whatsoever arising out of the Administration Agreement.

PLAN OF FINANCE

The Corporation plans to use the proceeds of the Series 2020 Taxable Bonds for the purposes of (i) financing Eligible Loans currently held on the Corporation's balance sheet, (ii) financing additional Eligible Loans during the Acquisition Period, (iii) financing deposits to the Debt Service Reserve Fund and the Capitalized Interest Fund, and (iv) paying the costs of issuing the Series 2020 Taxable Bonds. Upon the issuance of the Series 2020 Taxable Bonds, the initial Overall Parity Percentage will be approximately 130.1%.

ESTIMATED SOURCES AND USES OF PROCEEDS

The Corporation estimates the sources and uses of funds relevant to the Series 2020 Taxable Bonds as follows:

SOURCES OF FUNDS: Principal Amount of Series 2020 Taxable Bonds Corporation Contribution of Eligible Loans Total Sources:	\$ 92,710,000 29,499,823 <u>\$122,209,823</u>
USES OF FUNDS:	
Deposit to Student Loan Fund	
To finance Eligible Loans on the Closing Date	\$ 59,867,536
To finance additional Eligible Loans	29,000,000
Corporation Contribution of Eligible Loans	29,499,823
Deposit to Debt Service Reserve Fund	1,854,200
Deposit to Capitalized Interest Fund	350,000
Costs of Issuance (Including Underwriter Discount)	1,638,264
Total Uses:	\$122,209,823

Approximately \$59,867,536 of the funds deposited to the Student Loan Fund will be used on the Closing Date to finance the Initial Eligible Loans previously originated by the Corporation. The remaining approximately \$29,000,000 deposited to the Student Loan Fund will be used to finance additional Eligible Loans from the Corporation during the Acquisition Period relating to the Series 2020 Taxable Bonds. The financing of Eligible Loans during the Acquisition Period (other than the Initial Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) and Recycling Period is subject to certain limitations described under the caption "PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE CORPORATION—Restrictions on the Financing of Eligible Loans during the Acquisition Period and Recycling Period" in "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

The actual amounts of: (a) moneys to be transferred to the Corporation to finance Eligible Loans on the Closing Date; and (b) principal and accrued interest on the Eligible Loans to be so credited to the Student Loan Fund, will not be determined until the Closing Date. To the extent the principal amount plus accrued interest of such Eligible Loans so credited to the Student Loan Fund on the Closing Date is less than the amounts set forth in the preceding paragraph, a corresponding amount of moneys described in such paragraph will be retained in the Student Loan Fund

and will be used to finance additional Eligible Loans during the Acquisition Period relating to the Series 2020 Taxable Bonds.

The Initial Eligible Loans are the Financed Eligible Loans referred to and described under "THE FINANCED ELIGIBLE LOANS" herein.

THE PROGRAM

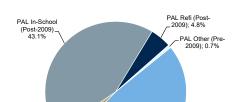
General

The Corporation introduced the Palmetto Assistance Loan Program in 1996 to provide credit-based, fixed rate and variable rate loan options to residents of the State of South Carolina or certain non-residents attending a post-secondary institution located in South Carolina, referred to herein as PAL Loans. Initially, the Corporation made loans to students and their parents for the purpose of financing tuition, fees, room and board and other eligible education expenses at the inception of the Palmetto Assistance Loan Program, referred to herein as PAL School Loans. In 2007, it began making loans to existing PAL Loan borrowers for the purpose of consolidating PAL Loans with qualified loans made by other lenders.

After suspending new loan originations under the Palmetto Assistance Loan Program in 2008 during the Great Recession of 2007-09, in 2009 the Corporation resumed originating its PAL School Loan for the 2009-10 academic year, with enhanced credit underwriting criteria. In addition to requiring borrowers and cosigners to meet higher standards of creditworthiness, the Corporation also modified its loan origination strategy in order to reduce the proportion of new loans with deferred payments and increase the proportion of new loans requiring either the payment of interest or a portion of interest while enrolled.

In 2013, the Corporation resumed originating its consolidation loan, with enhanced credit underwriting criteria, and extended the product to borrowers without existing PAL Loans. In 2015 the Corporation branded its consolidation loan into a comprehensive student loan refinancing product known as the PAL Refi Loan, referred to herein as such. At that time, the Corporation added additional repayment options and further enhancements to credit underwriting criteria. In 2018, the Corporation created a more customized PAL School Loan designed specifically for parent borrowers, which it branded and is referred to herein as the PAL Parent Loan. At the same time the Corporation branded loans made to student borrowers as PAL Student Loans, which are referred to herein as such.

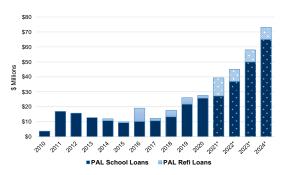
Since the inception of the Palmetto Assistance Loan Program the Corporation has made approximately \$515 million of loans to or on behalf of approximately 30,500 students. In the chart below on the left is the Corporation's current PAL Loan holdings as of April 30, 2020 broken down by year and product category. The chart below on the right provides the Corporation's historical PAL Loan volume from fiscal year 2010 through fiscal year 2020, and its projected PAL Loan origination volume through its 2024 fiscal year.



PAL Refi (Pre-2009); 3.3% PAL In-Schoo (Pre-2009) 48.1%

Breakdown of PAL Loan Holdings

Recent PAL Loan Originations & Projections



All loans made under the Program are unsecured loans structured to meet the requirements for "qualified education loans", and thus are intended to generally be non-dischargeable (absent a showing of undue hardship) under Section 523(a)(8) of the U.S. Bankruptcy Code.

The Corporation reserves the right to alter the terms and conditions of the Program and to apply proceeds of the Series 2020 Taxable Bonds and other Indenture funds to finance loans under the Program that are subject to such altered terms and conditions upon the satisfaction of the Rating Agency Notification. See the caption "CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval" herein.

Program Overview

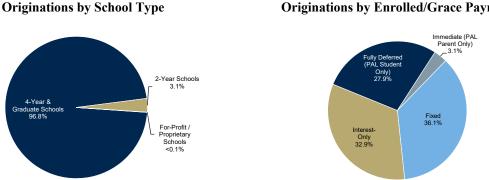
PAL Student Loans and PAL Parent Loans. The Corporation makes PAL Student Loans and PAL Parent Loans to students and their parents who meet the Program's eligibility criteria and creditworthiness standards for the purpose of financing tuition, fees, room and board and other eligible education expenses. All PAL Student Loans and PAL Parent Loans are certified by the applicable school using either ELM or ScholarNet as to the following: loan period, grade level, anticipated graduation date, student enrollment status and loan amount. The amount of PAL Student Loans and PAL Parent Loans are limited to the total cost of attendance less other available financial aid (excluding Federal PLUS Loans), in each case as certified by the school, subject to an aggregate limit of \$150,000.

Borrowers of PAL Student Loans and PAL Parent Loans may choose from among three different payment options applicable during the enrolled and grace periods, as listed below:

- Fixed payment of \$25 per month (PAL Student Loans and PAL Parent Loans) •
- Interest only payments (PAL Student Loans and PAL Parent Loans)
- Fully deferred (PAL Student Loans only) •
- Immediate repayment (PAL Parent Loans only) •

Fixed interest rates and variable interest margins for PAL Student Loans and PAL Parent Loans are tiered based upon the borrower's or cosigner's FICO score, the enrolled / grace payment plan selected and repayment term (5-years, 10-years or 15-years). All borrowers are eligible for a 0.25% interest rate reduction provided they enroll in an automated payment plan. While the Corporation assessed loan origination fees on PAL Student Loans and PAL Parent Loans in the past, it eliminated such fees beginning with the 2014-15 academic year.

The pie charts below illustrate the Corporation's PAL Student Loan and PAL Parent Loan origination activity during the prior two academic years (2018-19 and 2019-20) on a combined basis, broken down by school type and by the enrolled / grace period payment option selected by the borrower.



PAL Refi Loans. The Corporation makes PAL Refi Loans available to borrowers who meet their eligibility criteria and creditworthiness standards for the purpose of refinancing certain previously incurred education loans. Prior loans made either for the purpose of preparing for the Bar Exam or to cover expenses incurred during a medical residency (including relocation), and direct-to-consumer loans are not eligible to be refinanced with a PAL Refi Loan.



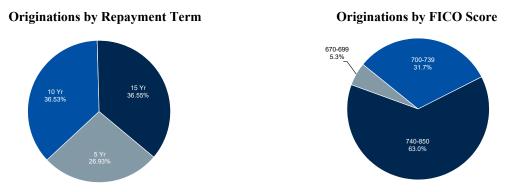
Originations by Enrolled/Grace Payments

All applications for PAL Refi Loans are completed on the Corporation's website using the AppWorks loan origination platform.

The amount of prior education debt that can be refinanced with a PAL Refi Loan is subject to a maximum of \$250,000, inclusive of any loans incurred under the Program. The aggregate borrowing limit was increased from \$100,000 to \$150,000 effective June 2017 and from \$150,000 to \$250,000 effective December 2019. Interest rates on PAL Refi Loans, which currently range from 4.24% to 7.24%, are based upon the repayment term selected. Initially PAL Refi Loans were available with repayment terms of 5-years, 10-years or 15-years. In December 2019 the Corporation introduced a 20-year repayment term.

As with the Corporation's PAL Student Loans and PAL Parent Loans, PAL Refi Loan borrowers are eligible for a 0.25% interest rate reduction provided they enroll in an automated payment plan. The Corporation does not assess loan origination fees on PAL Refi Loans.

The pie charts below illustrate the Corporation's PAL Refi Loan origination activity during the prior two academic years (2018-19 and 2019-20) on a combined basis, broken down by original loan term and range of FICO score at the time of origination. The weighted average FICO score at origination for PAL Refi Loans originated during the past two academic years was 751.



Origination and Disbursement Process

Under the Program, all Eligible Loans are originated by the Corporation. The Corporation currently utilizes a loan origination system called AppWorks. AppWorks is a web-based loan origination system development by Entech Consulting LLC. AppWorks is on an Oracle platform used to originate private in-school loans and private refinance loans under the Program. The Corporation maintains maintenance and service agreements on all hardware and software in use.

The Corporation performs all origination services in a good and workmanlike manner in accordance with the Program Manual for the Eligible Loans and federal, state or local statutes, rules, regulations, orders or similar legal requirements applicable to properly originating Eligible Loans (collectively, "Applicable Law"). All forms of the application and solicitation disclosure, the approval disclosure, the final disclosure, notices, loan applications, promissory notes and the credit agreement with respect to Eligible Loans (the "Loan Documents") to be utilized by the Corporation in connection with the origination of the Eligible Loans are prepared by the Corporation. The Corporation is responsible for ensuring that the specific borrower information and specific loan terms, including proper calculation of the annual percentage rate, relating to each Eligible Loan are accurately, correctly and completely populated into all the Loan Documents. The Corporation shall be solely responsible to ensure that at all times the Loan Documents are presented to applicants and/or borrowers in the form, substance and timeframes as are required by Applicable Law.

The Corporation performs all origination processes, including application processing, credit underwriting, all required verifications, and disbursement delivery for the Eligible Loans. Potential applicants are directed to a dedicated Corporation website where an applicant can apply for a loan under the Program. The Corporation performs originations processes in accordance with the provisions of the Program Manual with respect to such applications. Origination processes include, but are not limited to, (i) reviewing all Loan Documents to ensure all required

information has been completed by the borrower, (ii) performing credit underwriting, and reviewing and approving applications in accordance with the parameters set forth in the Program Manual and (iii) performing all verifications required under the Program Manual and delivery and disclosure to applicant and/or borrower of all required Loan Documents, as provided by the Loan Documents, Program Manual, and Applicable Law (collectively, the "Applicable Requirements").

The proceeds of Eligible Loans are paid by the Corporation directly to the holders or servicers of the loans being refinanced, in the case of refinance loans, or to schools in the case of school loans. No cash is disbursed directly to any borrower of an Eligible Loan.

Once disbursed, loans under the Program are converted to Nelnet Servicing's servicing system for servicing. Under the Nelnet Servicing Agreement, Nelnet Servicing is required to obtain and maintain all information that is necessary to properly service the loans. See the captions "Servicing of the Financed Eligible Loans—Nelnet Servicing" and "—The Nelnet Servicing Agreement" below.

PAL Student Loan Eligibility and Terms

<u>Eligibility</u>. To be eligible for PAL Student Loan under the Program an applicant must meet certain eligibility requirements, including that the applicant must:

- be a United States citizen, national, or permanent resident;
- be a South Carolina resident attending an eligible college or university within the U.S. or an out-of-state resident attending an eligible South Carolina college or university;
- be enrolled on at least a half-time basis in a certificate or degree granting program at an eligible school and;
- be able to meet the credit requirements (as described below).

<u>Credit Requirements</u>. The credit requirements for a PAL Student Loan require: (i) that either the borrower or cosigner have a minimum FICO score of 670; and (ii) that the borrower be in good standing on all other private education loans held by the Corporation.

<u>Cosigners</u>. Borrowers that cannot meet the credit requirements may qualify with an eligible cosigner. To be eligible, a cosigner must pass the credit requirements described above. The Program does not currently include a cosigner release provision.

<u>Eligible Schools</u>. To be eligible to receive proceeds from a PAL Student Loan under the Program a school must meet certain eligibility requirements, including that the school must:

- be deemed eligible by the U.S. Department of Education for participation in the Title IV, HEA programs;
- be located in the U.S., and;
- be a public or not-for-profit institution.

Loan Limits. PAL Student Loans are subject to a minimum loan amount of \$2,500, up to an annual limit that equals the cost of attendance, less other financial assistance awarded during the same academic period. The lifetime aggregate limit per borrower is \$150,000.

<u>Interest Rates</u>. The PAL Student Loan is offered with either a fixed or variable interest rate. The PAL Student Loan has tiered, risk and term-based pricing. For the fixed rate, the interest rate is determined based on the credit score of the borrower and, if applicable, the cosigner, the repayment term selected, and the enrolled period repayment option selected.

The variable interest rate is equal to the "rate index" described below plus the margin. The interest rate margin is determined based upon the credit score of the borrower and, if applicable, the cosigner, the repayment term selected, and the enrolled period repayment option selected.

The variable interest rate may change on the first day of the calendar quarter after the rate index is determined (a "Change Date"). A change in the variable interest rate will cause the monthly payment amount to change.

The rate index will be the One Month LIBOR that was published in The Wall Street Journal "Money Rates" table for a day that is two business days prior to the Change Date. For example, the rate index that was used on the Change Date of April 1, 2020 was the rate published for March 30, 2020. The rate index will be in effect for each quarterly period from the Change Date through and including the last day of the calendar quarter. If the One Month LIBOR is discontinued or substantially altered, a comparable substitute for the One Month LIBOR rate will be determined by the Corporation.

Fixed rates offered range from 5.20% to 8.95%. Variable rate margins range from 4.075% to 8.175% over One Month LIBOR.

All borrowers are eligible for a 0.25% interest rate reduction when they are set up to have their regular monthly payments deducted electronically from a savings or checking account (the "Auto-Pay Discount"). If a borrower is receiving the Auto Pay Discount and subsequently enters an approved forbearance period (as described below), the interest rate reduction will cease. A borrower may receive the Auto Pay Discount benefit again if they reenroll in auto debit after their forbearance ends.

<u>Fees</u>. The PAL Student Loan does not include any origination fees or application fees. The PAL Student Loan is subject to a late payment fee of 5% of the entire payment that was not paid when due, if the borrower fails to make any part of a payment within 15 days of its due date.

<u>*Repayment*</u>. While the borrower is enrolled at least half-time, PAL Student Loan borrowers are offered enrolled period payment options consisting of fully deferred payments, monthly interest only payments, or monthly fixed payments of \$25. After the borrower falls beneath half-time status, the enrolled period payment continues for a 6-month grace period.

PAL Student Loan borrowers are offered repayment terms of 10 or 15 years. Full principal and interest repayment begins immediately after the grace period. PAL Student Loans offer only a standard repayment plan in which a borrower makes approximately equal monthly payments of principal and interest over the term of the loan. All loans include a minimum monthly payment of \$50. The PAL Student Loan does not currently offer any graduated or income-based repayment options.

The PAL Student Loan may be prepaid in whole or in part at any time without penalty.

Under certain circumstances described below, borrowers may be eligible for loan forbearance. In this case, the borrower is permitted to temporarily postpone making monthly loan payments for a specific period of time. The four types of payment forbearance offered are:

- a hardship forbearance that is approved for up to twelve (12) months within any twenty-four (24) month period, with an aggregate limit not to exceed twelve (36) months;
- a natural disaster (as verified via the FEMA website) forbearance in up to three (3) month increments;
- a military forbearance that covers active duty status in any of the U.S. Armed Forces if either the borrower or cosigner is on active duty, in up to twelve (12) month increments and;
- an in-school forbearance for borrowers that return to school at least half-time or are in a period of internship or residency after the initial enrolled and grace period, with an aggregate limit not to exceed thirty-six (36) months.

Interest continues to accrue during periods of forbearance and is capitalized in certain cases. At the end of the forbearance period, the loan is reamortized to ensure the loan pays off in the applicable repayment term.

PAL Parent Loan Eligibility and Terms

<u>Eligibility</u>. To be eligible for a PAL Parent Loan under the Program an applicant must meet certain eligibility requirements, including that the applicant must:

- be a United States citizen, national, or permanent resident;
- be a resident of the State of South Carolina whose benefitting student is attending an eligible college or university within the U.S., or an out-of-state resident whose benefitting student is attending an eligible South Carolina college or university;
- be the natural or adoptive parent of a student who is enrolled on at least a half-time basis in a certificate or degree granting program at an eligible school and who is maintaining satisfactory academic progress as defined by the institution for other financial aid programs;
- be able to meet the credit requirements (as described below); and
- be employed, retired, or disabled.

<u>Credit Requirements</u>. The credit requirements for a PAL Parent Loan require: (i) that either the borrower or cosigner have a minimum FICO score of 670; and (ii) that the borrower be in good standing on all other private education loans held by the Corporation.

<u>Cosigners</u>. Borrowers that cannot meet the credit requirements may qualify with an eligible cosigner. To be eligible, a cosigner must pass the credit requirements described above. The Program does not currently include a cosigner release provision.

<u>Eligible Schools</u>. To be eligible to receive proceeds from a PAL Parent Loan under the Program a school must meet certain eligibility requirements, including that the school must:

- be deemed eligible by the U.S. Department of Education for participation in the Title IV, HEA programs;
- be located in the U.S., and;
- be a public or not-for-profit institution.

Loan Limits. PAL Parent Loans are subject to a minimum loan amount of \$2,500, up to an annual limit that equals the cost of attendance, less other financial assistance awarded during the same academic period. The lifetime aggregate limit per borrower is \$150,000.

<u>Interest Rates</u>. The PAL Parent Loan is offered with either a fixed or variable interest rate. The PAL Parent Loan has tiered, risk and term-based pricing. The interest rate is determined based on the credit score of the borrower and, if applicable, the cosigner, the repayment term selected, and the enrolled period repayment option selected.

The variable interest rate is equal to the "rate index" described below plus the margin. The interest rate margin is determined based upon the credit score of the borrower and, if applicable, the cosigner, the repayment term selected, and the enrolled period repayment option selected.

The variable interest rate may change on the first day of the calendar quarter after the rate index is determined (a "Change Date"). A change in the variable interest rate will cause the monthly payment amount to change.

The rate index will be the One Month LIBOR that was published in The Wall Street Journal "Money Rates" table for a day that is two business days prior to the Change Date. For example, the rate index that was used on the Change Date of July 1, 2020 was the rate published for June 29, 2020. The rate index will be in effect for each quarterly period from the Change Date through and including the last day of the calendar quarter. If the One Month LIBOR is discontinued or substantially altered, a comparable substitute for the One Month LIBOR rate will be determined by the Corporation.

Fixed rates offered range from 4.75% to 8.45%. Variable rate margins range from 3.625% to 7.675% over One Month LIBOR.

All borrowers are eligible for the Auto Pay Discount. If a borrower is receiving the Auto Pay Discount and subsequently enters an approved forbearance period (as described below), the interest rate reduction will cease. A borrower may receive the Auto Pay Discount benefit again if they re-enroll in auto debit after their forbearance ends.

<u>Fees</u>. The PAL Parent Loan does not include any origination fees or application fees. The PAL Parent Loan is subject to a late payment fee of 5% of the entire payment that was not paid when due, if the borrower fails to make any part of a payment within 15 days of its due date.

<u>Repayment</u>. While the benefiting student is enrolled at least half-time, PAL Parent Loans are offered the option of an enrolled period payment consisting of full monthly principal and interest payments, monthly interest only payments, or monthly fixed payments of \$25. After the benefiting student falls beneath half-time status, the enrolled period payment continues for a 6-month grace period.

PAL Parent Loan borrowers are offered repayment terms of 5, 10, or 15 years. If the applicant did not choose to pay full principal and interest during the enrolled and grace periods, full principal and interest repayment begins immediately after the grace period. PAL Parent Loans offer only a standard repayment plan in which a borrower makes approximately equal monthly payments of principal and interest over the term of the loan. All loans include a minimum monthly payment of \$50. The PAL Parent Loan does not currently offer any graduated or income-based repayment options.

The PAL Parent Loan may be prepaid in whole or in part at any time without penalty.

Under certain circumstances described below, borrowers may be eligible for loan forbearance. In this case, the borrower is permitted to temporarily postpone making monthly loan payments for a specific period of time. The four types of payment forbearance offered are:

- a hardship forbearance that is approved for up to twelve (12) months within any twenty-four (24) month period, with an aggregate limit not to exceed thirty-six (36) months;
- a natural disaster (as verified via the FEMA website) forbearance in up to three (3) month increments; and
- a military forbearance that covers active duty status in any of the U.S. Armed Forces if either the borrower or cosigner is on active duty, in up to twelve (12) month increments.

Interest continues to accrue during periods of forbearance and is capitalized in certain cases. At the end of the forbearance period, the loan is reamortized to ensure the loan pays off in the applicable repayment term.

PAL Refi Loan Eligibility and Terms

<u>Eligibility</u>. To be eligible for a PAL Refi Loan under the Program an applicant must meet certain eligibility requirements, including that the applicant must:

- be a United States citizen or national, or permanent resident;
- be a resident of the State of South Carolina;
- be named the borrower on the loans being refinanced;
- be able to meet the credit requirements (as described below);
- be employed, retired, or disabled; and
- be in a grace period or post-enrollment repayment status on all education loans being refinanced.

Loans eligible to be refinanced using the proceeds of a PAL Refi Loan include any school-certified private or federal education loan.

<u>Credit Requirements</u>. The credit requirements for a PAL Refi Loan require: (i) that either the borrower or cosigner has a minimum FICO score of 670; (ii) that the borrower be in good standing on all education loans being

refinanced; and (iii) that the borrower or cosigner (if applying with an eligible cosigner) has a debt-to-income ratio of 43% or less.

<u>Cosigners</u>. Borrowers that cannot meet the credit requirements may qualify with an eligible cosigner. To be eligible, a cosigner must pass the credit requirements described above. The Program does not currently include a cosigner release provision.

Loan Limits. PAL Refi Loans are subject to a minimum loan amount of \$5,000 and a maximum loan amount of \$250,000.

<u>Interest Rates</u>. The PAL Refi Loan is offered only with a fixed interest rate. The PAL Refi Loan has tiered, term-based pricing. The interest rate is determined based upon the repayment term selected. Fixed rates offered range from 4.24% to 7.24%.

All borrowers are eligible for the Auto-Pay Discount. If a borrower is receiving the Auto-Pay Discount and subsequently enters into an approved forbearance period (as described below), the interest rate reduction will cease. A borrower may receive the Auto-Pay Discount benefit again, if they re-enroll in auto debit after their forbearance ends.

<u>Fees</u>. The PAL Refi Loan does not include any origination fees or application fees. The PAL Refi Loan is subject to a late payment fee of 5% of the entire payment that was not paid when due, if the borrower fails to make any part of a payment within 15 days of its due date.

<u>Repayment</u>. PAL Refi Loan borrowers are offered repayment terms of 5, 10, 15 or 20 years. Repayment begins immediately upon disbursement. There is no grace period. PAL Refi Loans offer only a standard repayment plan in which a borrower makes approximately equal monthly payments of principal and interest over the term of the loan. All loans include a minimum monthly payment of \$50. The PAL Refi Loan does not currently offer any graduated income-based repayment options.

The PAL Refi Loan may be prepaid in whole or in part at any time without penalty.

Under certain circumstances described below, borrowers may be eligible for loan forbearance. In this case, the borrower is permitted to temporarily postpone making monthly loan payments or a portion of monthly loan payments for a specific period of time. The three types of payment forbearance offered are:

- a hardship forbearance that is approved in up to three (3) month increments, with an aggregate limit not to exceed thirty six (36) months, and a \$50 minimum required monthly payment during the forbearance period;
- a natural disaster (as verified via the FEMA website) forbearance in up to three (3) month increments; and
- a military forbearance that covers active duty status in any of the U.S. Armed Forces if the borrower is on active duty, in up to twelve (12) month increments.

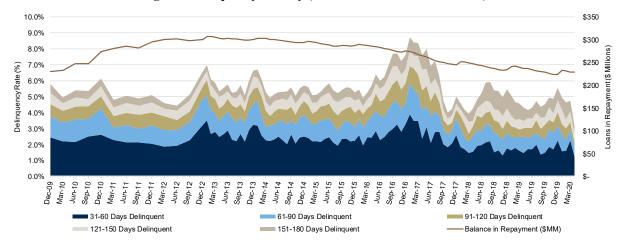
Interest continues to accrue during periods of forbearance and is capitalized in certain cases. At the end of the forbearance period, the loan is reamortized to ensure the loan pays off in the applicable repayment term.

Historical Performance of Loans Originated Pursuant to the Palmetto Assistance Loan Program

The Corporation has 24 years of prior experience financing and originating private student loans, and as of June 30, 2020 had originated over \$500 million of such loans on behalf of over 30,000 borrowers. Like many other nonprofit student lenders, the Corporation recalibrated its credit underwriting criteria during the Great Recession of 2007-09 and introduced a new phase of its Palmetto Assistance Loan Program for the 2009-10 academic year. In addition to requiring borrowers and cosigners to meet a higher standard of creditworthiness, the Corporation also modified its loan origination strategy in order to reduce the proportion of new loans with deferred payments and increase the proportion of new loans requiring either the payment of interest or a portion of interest while enrolled.

In connection with its student lending activities the Corporation maintains an extensive database of historical information related to PAL Loans. This includes separate loan origination, default, recovery and prepayment information for PAL Student Loans, PAL Parent Loans and PAL Refi Loans. The information presented below regarding the historical delinquency, default and recovery rates for PAL Loans is as of April 30, 2020 unless otherwise noted. While the Corporation first began originating private student loans under a previous phase of the Palmetto Assistance Loan Program in 1996, unless otherwise noted the information presented in this section pertains only to loans originated beginning with the 2009-10 academic year.

<u>Delinquency Trends (All PAL Loans)</u>. As shown in the chart below, delinquency rates for PAL Loans peaked in late 2016 and during the first half of 2017 during the transfer of loan servicing responsibilities from the Corporation to the Servicer. In response to the increase in delinquency rates the Corporation actively managed its new vendor (the Servicer), and negotiated a transition to an enhanced level of servicing that was more consistent with its previous, inhouse servicing approach.



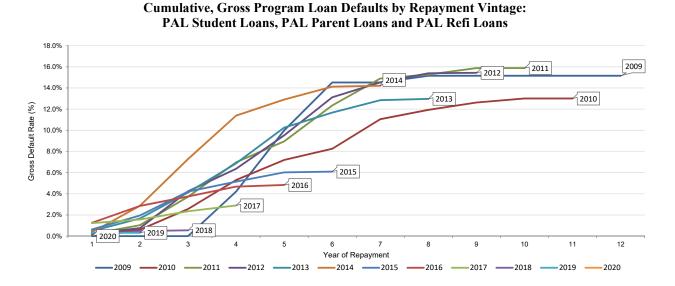
Program Delinquency History (Includes Pre-2009 PAL Loans)

As shown above, by the end of 2017 PAL Loan delinquency rates had either returned to or dropped below pre-servicing conversion levels. Since the chart above includes PAL Loans originated during the pre-2009 phase of the Palmetto Assistance Loan Program, the Corporation expects future delinquency rates to trend further downward due to the following factors:

- The percentage of pre-2009 PAL Loans, which were underwritten to lower credit standards, will continue to decline as the more seasoned pre-2009 PAL Loans pay off; and
- The percentage of PAL Refi Loans, which the Corporation began originating in 2015 and to date have experienced lower delinquency rates, is expected to increase over time.

The Corporation cannot predict whether or not expectations regarding future delinquency trends for PAL Loans generally, or for the Financed Eligible Loans, will be impacted by the COVID-19 Pandemic.

<u>Default Trends (Post-2008 Originations)</u>. Elevated PAL Loan delinquency rates related to the conversion of loan servicing to the Servicer led to a temporary increase in PAL Loan default rates, which temporarily reversed what had been a downward trend in annual defaults for the 2009 through 2013 repayment cohorts. As shown in the chart below, the timing of defaults shifted to earlier in the repayment terms for the less seasoned 2014, 2015 and 2016 repayment cohorts compared to the more seasoned pre-2014 cohorts, which were less impacted by the servicing conversion. The Corporation's post-conversion efforts to manage elevated delinquencies through enhanced vendor management and servicing due diligence and default rates ultimately returned to pre-conversion levels.



As shown in the chart above, the gross default curves for the Program loan repayment cohorts that entered repayment after the impact of the servicing conversion to the Servicer (2017, 2018 and 2019) appear to be flattening at much lower gross default rates. The Corporation cannot predict whether or not future default trends for PAL Loans generally, or for the Financed Eligible Loans, will be impacted by the COVID-19 Pandemic.

<u>Default Recovery Trends (Post-2008 Originations)</u>. As shown in the table below, PAL Loan default recovery rates vary depending upon the number of years since the default occurred. For example, excluding the small 2010 default resulting from 3 PAL Refi Loans, default recoveries as a percentage of total dollar defaults have ranged from approximately 17% to 52% for recovery cohorts with at least three full years of recovery history (2016 and earlier). The cumulative, net recovery rate for cohorts with at least 3 full years of recovery data is 27.7%.

Year of		Year After Default							Total Net	
Default	\$ Defaults	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Recoveries
2010	\$13,139	\$100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$100
2011	24,784	2,381	6,130	698	1,166	502	-	21	-	10,898
2012	236,698	9,615	14,534	14,579	16,450	16,389	15,981	26,898	8,980	123,427
2013	834,295	38,031	53,121	64,014	50,674	42,065	60,818	30,184	150	339,056
2014	1,447,500	75,478	85,387	78,649	150,926	163,747	42,949	1,347	-	598,484
2015	1,781,171	68,110	60,132	57,140	98,854	52,026	1,238	-	-	337,500
2016	1,977,985	63,844	90,759	105,202	77,247	348	-	-	-	337,400
2017	3,806,289	409,566	213,026	137,320	1,179	-	-	-	-	761,091
2018	1,160,021	60,267	26,381	300	-	-	-	-	-	86,948
2019	1,496,142	47,707	1,329	-	-	-	-	-	-	49,036
2020	236,229	200	-	-	-	-	-	-	-	200
Totals	\$13,014,253	\$775,299	\$550,799	\$457,901	\$396,496	\$275,078	\$120,987	\$58,450	\$9,130	\$2,644,139

Periodic Default Recoveries by Year After Default (Net of Collection Costs)

Cumulative Default Recoveries as a % of Defaulted Principal (Net of Collection Costs)

Year of		Year After Default							
Default	\$ Defaults	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
2010	\$13,139	0.76%	0.76%	0.76%	0.76%	0.76%	0.76%	0.76%	0.76%
2011	24,784	9.61%	34.34%	37.15%	41.86%	43.89%	43.89%	43.97%	43.97%
2012	236,698	4.06%	10.20%	16.36%	23.31%	30.24%	36.99%	48.35%	52.15%
2013	834,295	4.56%	10.93%	18.60%	24.67%	29.71%	37.00%	40.62%	40.64%
2014	1,447,500	5.21%	11.11%	16.55%	26.97%	38.29%	41.25%	41.35%	-
2015	1,781,171	3.82%	7.20%	10.41%	15.96%	18.88%	18.95%	-	-
2016	1,977,985	3.23%	7.82%	13.13%	17.04%	17.06%	-	-	-
2017	3,806,289	10.76%	16.36%	19.96%	20.00%	-	-	-	-
2018	1,160,021	5.20%	7.47%	7.50%	-	-	-	-	-
2019	1,496,142	3.19%	3.28%	-	-	-	-	-	-
2020	236,229	0.08%	-	-	-	-	-	-	-
Totals	\$13,014,253	5.96%	10.19%	13.71%	16.75%	18.87%	19.80%	20.25%	20.32%

The Corporation cannot predict whether or not default recovery trends for PAL Loans generally, or for the Financed Eligible Loans, will be impacted by the COVID-19 Pandemic.

<u>Rating Agency Default and Recovery Assumptions</u>. Based upon the historical PAL Loan gross default and recovery information the Corporation provided to the rating agency providing the rating for the Series 2020 Taxable Bonds (the "Rating Agency"), the Rating Agency derived base case, cumulative gross default rates of 16.2% for the Initial Eligible Loans to be refinanced on the Closing Date and 16.5% for the Eligible Loans to be financed during the Acquisition Period and Recycling Period. Consistent with such Rating Agency's criteria for "A" rated private student loan transactions, such cumulative, gross default rates of 40.0% and 40.6%, respectively, for the Initial Eligible Loans to be refinanced on the Eligible Loans to be financed during the Recycling Period. After applying a 15% assumed default recovery rate to the aforementioned gross, cumulative default rates, spread evenly over 8 years, among other assumptions, the Rating Agency required the transaction to withstand net, cumulative default rates of 34% and 34.5%, respectively, for the Initial Eligible Loans to be refinanced on the Closing Date and the Bigible Loans to be refinanced on the Closing Period.

Servicing of the Financed Eligible Loans

<u>Loan Servicing Due Diligence Requirements.</u> The Corporation requires the basic servicing due diligence procedures shown in the table below to be performed by the Servicer for all PAL Loans reaching the 15th day of delinquency. Additional, enhanced due diligence procedures currently required by the Corporation are listed immediately below the table.

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Basic PAL Program Loan Servicing Due Diligence Procedures				
Time Frame	Category	Servicing, Default Prevention & Collection Activities		
15 to 29 Days Past Due	Delinquent	Eighteen Collection Attempts (borrower and cosigner, if applicable) One (1) Collection Letter (borrower and cosigner, if applicable)		
30 to 59 Days Past Due	Delinquent	Eighteen Collection Attempts (borrower and cosigner, if applicable) One (1) Collection Letter (borrower and cosigner, if applicable)		
60 to 89 Days Past Due	Delinquent	Eighteen Collection Attempts (borrower and cosigner, if applicable) One (1) Collection Letter (borrower and cosigner, if applicable)		
90 to 119 Days Past Due	Delinquent	Eighteen Collection Attempts (borrower and cosigner, if applicable) One (1) Collection Letter (borrower and cosigner, if applicable)		
120 to 149 Days Past Due	Delinquent	Eighteen Collection Attempts (borrower and Cosigner, if applicable) One (1) Collection Letter (borrower and cosigner, if applicable)		
150 to 179 Days Past Due	Delinquent	Eighteen Collection Attempts (borrower and cosigner, if applicable) One (1) Collection Letter (borrower and cosigner, if applicable)		
15 to 179 Days Past Due	Skip Tracing	The Servicer is encouraged to pursue all available sources of information to obtain a valid address or telephone number for the borrower (and co-signer, if applicable)		
180 Days Past Due	Default	The failure of a borrower (or cosigner, if any) to make payments when due, or to meet other terms of the promissory note or other written agreement(s) with the Corporation, or its agents, and it is reasonably concluded that the borrower no longer intends to honor the obligation to repay the loan, provided that this failure persists for the most recent period of 180 consecutive days.		
181+ Days Past Due	Post-Default	The Corporation may permit third-party collections agencies to modify or seek settlement on defaulted loans in an attempt to maximize collections on such loans.		
210 Days Past Due	Write-Off	The Servicer will begin the write-off process the first week after the month-end during which a loan became 210 days delinquent.		

In addition, the Servicer is currently required to perform certain enhanced due diligence procedures with respect to delinquent PAL Loans, which provide for a variety of contact types and range of contact frequencies, as summarized below:

- All Palmetto Assistance Loan Program loans that roll to 30-days delinquent are assigned to a recovery specialist, whose focus is on mid-stage roll rates and default prevention. Delinquency roll rates are monitored through data visualization software to identify trending that may benefit from additional focus.
- Text messages are sent weekly to borrowers from 30 days past due to default;
- Certified letters are sent on or about the 15th day of each month to all expected defaults related to borrowers that did not make a payment the month prior;
- Varying frequency of phone calls and contact types, including manual dialing, e-mails, text messages, phone calls to references and skip tracing as necessary (including for the cosigner, if applicable);
- The Servicer sets internal performance goals and also works with the Corporation to set goals specific for its portfolio; and
- The Servicer's agents attend on-going delinquency management training and round tables that focus on effective problem solving, and have the opportunity to earn incentives based on the attainment of internal and Corporation goals.

<u>Nelnet Servicing</u>. Nelnet Servicing, LLC, d/b/a Firstmark Services, a Nebraska limited liability company, is the Servicer. Nelnet Servicing is a subsidiary of Nelnet, Inc. ("Nelnet"). Nelnet began its education loan servicing operations on January 1, 1978, and provides, through its subsidiaries, student loan servicing that includes application processing, underwriting, fund disbursement, customer service, account maintenance, federal reporting and billing, payment processing, default aversion, claim filing and delinquency servicing services. These activities are performed internally for Nelnet, Inc.'s portfolio and for third party clients. Nelnet, Inc. has offices located in, among other cities, Aurora, Colorado, Madison, Wisconsin, and Lincoln, Nebraska. On February 7, 2018, Nelnet acquired 100% of the outstanding stock of Great Lakes Educational Loan Services, Inc. (Great Lakes). Nelnet's combined organization is now made up of approximately 6,400 associates. As of December 31, 2019, the combined companies serviced \$473 billion of loans for 15.1 million borrowers. Nelnet Servicing's due diligence schedule is conducted through automated letter generation. Telephone calls are made using automatic dialing systems where available and appropriate pursuant to applicable law. All functions are monitored by an internal quality control system to ensure their performance. Compliance training is provided on both centralized and unit level basis. In addition, Nelnet

Servicing has distinct compliance and internal auditing departments whose functions are to advise and coordinate compliance issues.

<u>The Nelnet Servicing Agreement</u>. The Nelnet Servicing Agreement was executed on January 9, 2017. After the Eligible Loans are fully originated and disbursed, Nelnet Servicing will begin post-origination services and will service the Eligible Loans in accordance with the Nelnet Servicing Agreement, the Applicable Requirements and any servicing guidelines.

Not later than the second payment processing day after any payment received from a third party is identified by Nelnet Servicing as a payment on a specific Financed Eligible Loan, Nelnet Servicing will post and deposit such funds into the Revenue Fund.

In consideration for its services pursuant to the Nelnet Servicing Agreement, Nelnet Servicing is compensated in accordance with the fee schedule provided in the Nelnet Servicing Agreement subject to annual increases, as it may be amended from time to time. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS—Senior Transaction Fees" herein.

If Nelnet Servicing commits an error in connection with the services provided pursuant to the Nelnet Servicing Agreement, which error directly results in such Eligible Loan becoming unenforceable or uncollectable, Nelnet Servicing may cure the error in a reasonable time from when Nelnet Servicing learns of the error. In the event the error cannot be cured, Nelnet Servicing will purchase or arrange for purchase of the Eligible Loan at an amount equal to the outstanding principal balance and accrued but unpaid interest thereon (the "Repurchase Obligation"). The foregoing shall be the Corporation's sole remedy for errors by Nelnet Servicing.

Other than as described above, Nelnet Servicing also provides general indemnities for breach of confidentiality of the Corporation's information or information security obligations under the Nelnet Servicing Agreement. The general indemnities are limited to an amount equal to the fees paid under the Nelnet Servicing Agreement by or on behalf of the Corporation for the twelve (12) month period immediately preceding the date such liability accrues; provided, however, that the foregoing limitation of liability does not apply with respect to liabilities arising from or relating to its Repurchase Obligation described above.

Subject to the termination provisions described below, the Nelnet Servicing Agreement has an initial term of five (5) years from the date the agreement was executed and automatically renews for successive three (3) year terms, unless either party gives written notice to terminate the Nelnet Servicing Agreement. The Nelnet Servicing Agreement may be terminated: (a) at the expiration of any term, if a party has provided written notice of termination to the other party at least one hundred eighty (180) days prior to the end of such term; (b) upon the refusal or failure of a party to perform any material obligation of the Nelnet Servicing Agreement, and the failure or refusal to correct or cure such performance or lack thereof, within sixty (60) days after the party's receipt of written notice of the failure or refusal; (c) upon the failure of the parties to reach agreement with respect to a change in the fees; (d) at Nelnet Servicing's option for nonpayment of fee within sixty (60) days of any billing statement; (e) in the event of a data breach which results in the unauthorized disclosure of confidential information; and (f) if (1) there exists a material breach by either party, or (2) an insolvency, bankruptcy or similar proceeding shall have been commenced, or a decree or order of an appropriate court, agency or supervisory authority for the appointment of a conservator, receiver or liquidator shall have been entered against a party, the other party may terminate the Nelnet Servicing Agreement upon ninety (90) days' notice. Nelnet Servicing is entitled to deconversion fees for converting the Eligible Loans to another servicer, unless the Nelnet Servicing Agreement is terminated under certain conditions by the Corporation.

In the event of a termination of the Nelnet Servicing Agreement by the Corporation due to a material breach by Nelnet Servicing, and at the option of the Corporation, Nelnet Servicing shall continue to service Financed Eligible Loans being serviced by Nelnet Servicing at the time of termination, until the Financed Eligible Loans are deconverted off Nelnet Servicing's system as described in the fee schedule; provided, however, that if such period after termination exceeds two hundred seventy (270) days, Nelnet Servicing reserves the right to increase all applicable fees by fifteen percent (15%).

Custody of Financed Eligible Loans

The promissory notes evidencing the Initial Eligible Loans, together with other materials included in student loan files pledged to the Trustee under the Indenture, are held by the Corporation with an imaged copy provided to Nelnet Servicing, as custodian, for the benefit of the Corporation and the Trustee pursuant to the Nelnet Servicing Agreement and that certain Custodian Agreement among the Corporation, the Trustee and Nelnet Servicing.

Similarly, it is anticipated that any additional Eligible Loans which are financed with proceeds of Series 2020 Taxable Bonds during the Acquisition Period and Recycling Period relating to the Series 2020 Taxable Bonds will similarly be held by the Corporation with an imaged copy being provided to Nelnet Servicing, as custodian, pursuant to the Nelnet Servicing Agreement and the Custodian Agreement.

THE FINANCED ELIGIBLE LOANS

The Corporation has originated, and will originate, certain Eligible Loans with its own funds prior to the Closing Date. The Eligible Loans expected to be financed with amounts deposited to the Student Loan Fund include: (i) the Initial Eligible Loans previously originated by the Corporation, (ii) additional Eligible Loans originated by the Corporation after the Statistical Cut-Off Date but prior to the Closing Date and (iii) additional Eligible Loans to be financed during the Recycling Period and Acquisition Period relating to the Series 2020 Taxable Bonds. See the captions "ESTIMATED SOURCES AND USES OF PROCEEDS" and "THE PROGRAM" herein.

Financed Eligible Loans as to which any payment has been delinquent for 181 days or more will be deemed to have a value of \$0 for all purposes under the Indenture, but will continue to constitute Financed Eligible Loans.

The following tables describe certain characteristics of the Initial Eligible Loans as of the Statistical Cut-off Date. The Corporation expects that the characteristics of the Initial Eligible Loans reflected in these tables will vary due to the continued amortization of the Initial Eligible Loans between the Statistical Cut-off Date and the Closing Date. Although the statistical distribution as of the Closing Date of the characteristics of the Initial Eligible Loans anticipated to be financed on the Closing Date will vary somewhat in other respects from the statistical distribution of those characteristics shown below, the Corporation does not believe that those characteristics will differ materially. The sum of the characteristics may not add up to the total therefor in the following tables due to rounding.

Distribution of the Initial Eligible Loans Summary As of the Statistical Cut-Off Date

Portfolio Summary	Existing Program Loans
Total Current Principal Balance	\$89,673,359
Total Number of Loans	8,072
Weighted Average Borrower Interest Rate	6.54%
Weighted Average Remaining Term (months)	130.9
Weighted Average Interim Months	12.5
Total Number of Accounts	4,689
Average Principal Balance per Borrower	\$19,124
Average Principal Balance per Loan	\$11,109
Fixed-Rate Loans as a % of Total Principal	90.4%
Variable Rate Loans as a % of Total Principal	9.6%
Weighted Average Seasoning (months)	12.8
Weighted Average FICO	741
Weighted Average Rate on Fixed Rate Loans	6.65%
Weighted Average Margin on Variable Rate Loans	4.53%

Distribution of the Initial Eligible Loans by Borrower Repayment Status As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
Loan Status	Balance	Balance	Number of Loans
School	\$38,497,511	42.9%	3,412
Grace	4,715,754	5.3%	449
Forbearance	4,337,073	4.8%	333
Repayment	42,123,021	47.0%	<u>3,878</u>
TOTALS	<u>\$89,673,359</u>	100.0%	<u>8,072</u>

Distribution of the Initial Eligible Loans by FICO Score Range As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
FICO Score at Origination	Balance	Balance	Number of Loans
670-699	\$17,982,559	20.1%	1,814
700-739	27,969,254	31.2%	2,526
740-799	34,936,724	39.0%	2,954
800-850	8,784,822	9.8%	778
TOTALS	<u>\$89,673,359</u>	<u>100.0%</u>	<u>8,072</u>

Distribution of the Initial Eligible Loans in Repayment by Remaining Term to Scheduled Maturity As of the Statistical Cut-Off Date

	Outstanding	Percent of Loans	
Pomoining Torm	Outstanding Balance	by Outstanding Balance	Number of Loons
<u>Remaining Term</u> 0 to 12	\$ 50,803	0.1%	<u>Number of Loans</u> 42
	+	* • • • •	
13 to 24	115,546	0.1%	38
25 to 36	777,770	0.9%	99
37 to 48	1,067,167	1.2%	136
49 to 60	1,815,240	2.0%	217
61 to 72	1,492,103	1.7%	214
73 to 84	2,131,685	2.4%	304
85 to 96	3,584,628	4.0%	421
97 to 108	6,019,071	6.7%	645
109 to 120	36,720,882	40.9%	3,668
121 to 132	2,185,781	2.4%	144
133 to 144	3,103,642	3.5%	258
145 to 156	4,158,747	4.6%	272
157 to 168	4,940,482	5.5%	256
169 to 180	21,348,746	23.8%	1,355
229 to 240	108,819	0.1%	2
253 to 264	52,246	0.1%	<u> </u>
TOTALS	<u>\$89,673,359</u>	<u>100.0%</u>	<u>8,072</u>

Distribution of the Initial Eligible Loans by Current Borrower Interest Rate As of the Statistical Cut-Off Date

	Outstanding	Percent of Loans by Outstanding	
Current Borrower Interest Rate	Balance	Balance	Number of Loans
2.000% to 2.999%	\$ 174,665	0.2%	16
3.000% to 3.999%	272,238	0.3%	36
4.000% to 4.999%	9,004,735	10.0%	874
5.000% to 5.999%	14,929,628	16.6%	1,111
6.000% to 6.999%	36,921,170	41.2%	3,334
7.000% to 7.999%	12,343,362	13.8%	1,153
8.000% to 8.999%	16,018,298	17.9%	1,546
9.000% or greater	9,264	$0.0\%^{*}$	2
TOTALS	<u>\$89,673,359</u>	100.0%	8,072

*Less than 0.05%, but greater than 0.00%.

Distribution of the Initial Eligible Loans by Payment Delinquency Status As of the Statistical Cut-Off Date

	Percent of Loans		
	by Outstanding	Outstanding	
Delinquency Status	Balance	Balance	Number of Loans
Not in Repayment	\$16,223,609	n/a	1,535
Current	\$72,265,237	98.4%	6,426
31-60 days	502,844	0.7%	52
61-90 days	188,205	0.3%	22
91-120 days	238,026	0.3%	16
121-150 days	90,085	0.1%	8
151-180 days	165,353	0.2%	13
TOTALS (In Repayment Only)	<u>\$73,449,750</u>	<u>100.0%</u>	<u>6,537</u>

Distribution of the Initial Eligible Loans by Outstanding Principal Balance As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
Current Loan Balance	Balance	Balance	Number of Loans
\$0 to \$4,999	\$ 6,589,390	7.3%	2,043
\$5,000 to \$9,999	18,637,289	20.8%	2,568
\$10,000 to \$14,999	18,678,233	20.8%	1,545
\$15,000 to \$19,999	15,977,529	17.8%	930
\$20,000 to \$24,999	11,009,406	12.3%	499
\$25,000 to \$29,999	5,170,187	5.8%	190
\$30,000 to \$34,999	2,578,486	2.9%	80
\$35,000 to \$39,999	2,459,062	2.7%	66
\$40,000 to \$44,999	1,989,235	2.2%	47
\$45,000 to \$49,999	1,433,327	1.6%	30
\$50,000 to \$54,999	1,308,409	1.5%	25
\$55,000 to \$59,999	684,711	0.8%	12
\$60,000 to \$64,999	371,044	0.4%	6
\$65,000 to \$69,999	409,383	0.5%	6
\$70,000 to \$74,999	214,891	0.2%	3
\$75,000 and above	2,162,778	2.4%	22
TOTALS	\$89,673,359	100.0%	8,072

Geographic Distribution of the Initial Eligible Loans As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
Location ¹	Balance	Balance	Number of Loans
South Carolina	\$76,387,733	85.2%	7,132
North Carolina	3,307,749	3.7%	232
Georgia	1,182,905	1.3%	90
New Jersey	1,028,716	1.1%	58
Virginia	966,186	1.1%	77
Florida	882,949	1.0%	55
Maryland	834,072	0.9%	54
Pennsylvania	754,792	0.8%	58
New York	413,231	0.5%	31
Massachusetts	370,670	0.4%	22
Wisconsin	324,792	0.4%	12
Connecticut	317,303	0.4%	15
Ohio	315,506	0.4%	31
Texas	314,151	0.4%	30
Tennessee	276,101	0.3%	20
California	271,865	0.3%	19
Kentucky	232,576	0.3%	19
Colorado	207,498	0.2%	16
New Hampshire	202,369	0.2%	9
Illinois	200,363	0.2%	9
Rhode Island	178,992	0.2%	12
Alabama	131,913	0.1%	9
Oklahoma	90,607	0.1%	8
Louisiana	84,190	0.1%	4
Michigan	72,511	0.1%	6
Missouri	62,821	0.1%	8
Delaware	60,683	0.1%	4
Washington	40,023	0.0%*	5
Montana	22,982	$0.0\%^{*}$	4
Nevada	22,631	0.0%*	1
Hawaii	19,849	$0.0\%^{*}$	4
Kansas	16,007	$0.0\%^{*}$	2
Utah	14,418	0.0%*	3
West Virginia	12,691	$0.0\%^{*}$	1
Oregon	12,681	0.0%*	4
Iowa	10,081	0.0%*	1
Maine	9,045	0.0%*	2
Nebraska	6,569	0.0%*	1
Mississippi	4,120	0.0%*	1
Wyoming	3,408	0.0%*	1
Armed Forces	3,231	0.0%*	1
Arizona	2,379	0.0%*	1
TOTALS	<u>\$89,673,359</u>	$\frac{0.0\%}{100.0\%}$	8,072
IOTALS	<u>\$07,073,337</u>	100.070	0,072

¹Based upon the billing address. *Less than 0.05%, but greater than 0.00%.

Distribution of the Initial Eligible Loans by Loan Program and Repayment Plan As of the Statistical Cut-Off Date

	Outstanding	Percent of Loans by Outstanding		Weighted Average
Loan Program and Repayment Plan	Balance	Balance	Number of Loans	Coupon
PAL Student IO	\$29,753,845	33.2%	3,229	5.84%
PAL Student Fixed Payment	30,717,774	34.3%	2,629	7.17%
PAL Student Deferred	13,625,052	15.2%	1,416	7.47%
PAL Parent IO	1,554,174	1.7%	125	6.06%
PAL Parent Immediate	1,356,129	1.5%	133	5.74%
PAL Parent Fixed Payment	1,362,444	1.5%	96	7.09%
PAL Refi Immediate	11,303,941	12.6%	444	<u>5.66%</u>
TOTALS	<u>\$89,673,359</u>	<u>100.0%</u>	<u>8,072</u>	<u>6.54%</u>

Distribution of the Initial Eligible Loans by School Type As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
School Type	Balance	Balance	Number of Loans
4-Year +	\$75,946,167	84.7%	7,267
2-Year	2,306,354	2.6%	357
Vocational / Proprietary	116,897	0.1%	4
Unknown-Consolidation	11,303,941	12.6%	444
TOTALS	<u>\$89,673,359</u>	<u>100.0%</u>	<u>8,072</u>

Distribution of the Initial Eligible Loans by Seasoning (months) As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
Seasoning (months)	Balance	Balance	Number of Loans
0 to 12 months	\$58,230,163	64.9%	5,095
13 to 24 months	11,649,327	13.0%	962
25 to 36 months	7,981,160	8.9%	709
37 to 48 months	5,383,953	6.0%	583
49 to 60 months	3,761,882	4.2%	346
61 to 72 months	1,937,530	2.2%	184
73 months or more	729,344	0.8%	193
TOTALS	<u>\$89,673,359</u>	100.0%	<u>8,072</u>

Distribution of the Initial Eligible Loans by Current Borrower Incentives As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
Current Borrower Incentives	Balance	Balance	Number of Loans
0.000% ACH	\$61,519,195	68.6%	5,531
0.250% ACH	28,154,164	31.4%	<u>2,541</u>
TOTALS	<u>\$89,673,359</u>	<u>100.0%</u>	<u>8,072</u>

Distribution of the Initial Eligible Loans by Borrower or Co-Borrower Age As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
Borrower or Co-Borrower Age	Balance	Balance	Number of Loans
<=25	\$ 6,500,542	7.2%	703
>25 to <=30	4,104,051	4.6%	334
>30 to <=35	4,370,572	4.9%	368
>35 to <=40	3,412,548	3.8%	316
>40 to <=50	21,391,072	23.9%	1,934
>50 to <=60	32,541,724	36.3%	2,893
>60	17,352,850	19.4%	<u>1,524</u>
TOTALS	<u>\$89,673,359</u>	<u>100.0%</u>	<u>8,072</u>

Distribution of the Initial Eligible Loans by Current Borrower Incentives As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
Borrower Interest Rate Type	Balance	Balance	Number of Loans
PAL Fixed	\$81,072,177	90.4%	7,234
PAL Variable	8,601,183	9.6%	838
TOTALS	<u>\$89,673,359</u>	<u>100.0%</u>	<u>8,072</u>

Distribution of the Initial Eligible Loans by 1M LIBOR Margin (Variable Rate Loans) As of the Statistical Cut-Off Date

	Outstanding	Percent of Loans by Outstanding	
<u>1M LIBOR Margin</u>	Balance	Balance	Number of Loans
Less than 2.000%	\$ 174,665	2.0%	16
2.000% to 2.999%	272,238	3.2%	36
3.000% to 3.999%	1,506,551	17.5%	142
4.000% to 4.999%	3,788,693	44.0%	351
5.000% to 5.999%	2,393,977	27.8%	249
6.000% to 6.999%	465,059	5.4%	44
TOTALS	<u>\$8,601,183</u>	<u>100.0%</u>	<u>838</u>

Distribution of the Initial Eligible Loans by Co-Borrower Status As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
Co-Borrower Status	Balance	Balance	Number of Loans
Cosigned	\$64,361,138	71.8%	5,991
Non-Cosigned	25,312,221	28.2%	<u>2,081</u>
TOTALS	<u>\$89,673,359</u>	<u>100.0%</u>	<u>8,072</u>

Distribution of the Initial Eligible Loans by Debt-to-Income (Refi Loans Only) As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
Debt-to-Income	Balance	Balance	Number of Loans
0.01% to 19.99%	\$ 837,100	37.4%	34
20.00% to 39.99%	1,331,283	59.6%	44
40.00% to 59.99%	66,920	3.0%	3
TOTALS	<u>\$2,235,303</u>	<u>100.0%</u>	<u>81</u>

Distribution of the Initial Eligible Loans by Annual Income (Refi Loans Only) As of the Statistical Cut-Off Date

		Percent of Loans	
	Outstanding	by Outstanding	
Annual Income	Balance	Balance	Number of Loans
\$25,000 to \$50,000	\$ 669,509	30.0%	26
\$50,000 to \$75,000	847,052	37.9%	27
\$75,000 to \$100,000	424,098	19.0%	15
\$100,000 to \$125,000	94,377	4.2%	5
\$125,000 to \$150,000	77,454	3.5%	3
\$150,000 to \$175,000	75,236	3.4%	2
\$175,000 to \$200,000	13,068	0.6%	1
\$200,000 or more	34,508	1.5%	2
TOTALS	<u>\$2,235,302</u>	<u>100.0%</u>	<u>81</u>

Financed Eligible Loan Portfolio Post Closing

Following the financing of the additional Eligible Loans with the amounts remaining in the Student Loan Fund, the aggregate characteristics of the entire pool of Eligible Loans will vary from those of the Initial Eligible Loans set forth in the tables above and described in this Official Statement. Furthermore, the issuance of Additional Bonds and the financing of Eligible Loans with the proceeds thereof will cause the aggregate characteristics of the pool of Financed Eligible Loans to vary still further from those of the Initial Eligible Loans and the additional Eligible Loans financed during the Recycling Period and Acquisition Period relating to the Series 2020 Taxable Bonds. The financing of Eligible Loans during the Acquisition Period (other than the Initial Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) and Recycling Period is subject to certain limitations set forth below:

- No more than 17% of the principal balance of such Eligible Loans shall be school loans with a student borrower and no cosigner.
- No more than 20% of the principal balance of such Eligible Loans shall have FICO scores less than or equal to 699.
- No more than 49% of the principal balance of such Eligible Loans shall have FICO scores less than or equal to 739.
- At least 44% of the principal balance of such Eligible Loans shall enter full repayment immediately or have an interest only school repayment plan.
- At least 12% of the principal balance of such Eligible Loans shall be refinance loans.
- No more than 28% of the principal balance of such Eligible Loans shall have fully deferred payments during the in-school period.

The foregoing restrictions may be changed upon satisfaction of the Rating Agency Notification.

CREDIT RISK RETENTION

Regulation RR was adopted jointly by the Securities and Exchange Commission ("SEC") and various federal banking and housing agencies in October 2014, pursuant to the requirements of the Dodd Frank Act. Regulation RR applies to sponsors of virtually all asset backed securitizations, whether the asset backed securities are publicly or privately offered, and requires the sponsor of an asset backed securitization transaction or a majority owned affiliate of the sponsor to retain an economic interest in not less than 5% of the credit risk of securitized assets using specific methods prescribed by Regulation RR. The required interest may be retained in one of several forms, including vertical, horizontal, or a combined method. Retained credit risk exposure generally may not be transferred (other than to a sponsor's majority owned affiliate), hedged, or financed by nonrecourse debt, though there are sunset timeframes under which most of these restrictions will expire.

In no event shall the Trustee have any responsibility to monitor compliance with Regulation RR or any other rules or regulations regarding risk retention. The Trustee shall not be charged with knowledge of such rules, nor shall they be liable to any Registered Owner or any other party or person for a violation of such rules and regulations now or hereinafter in effect.

Eligible Horizontal Residual Interest

The Corporation, as the sponsor, will satisfy the risk retention requirement of Regulation RR by retaining the Residual Certificate issued pursuant to the Indenture, which Residual Certificate has been structured to satisfy the requirements of an "eligible horizontal residual interest" under Regulation RR. The fair value of the Residual Certificate is anticipated to exceed 5% of the sum of the fair values of the Bonds and the Residual Certificate on the Closing Date. Unless the Corporation is no longer subject to the risk retention requirements of Section 15G of the Securities Exchange Act, and the regulations promulgated thereunder, the Indenture prohibits the transfer of the Residual Certificate to any person or entity other than the Corporation, or a majority-owned affiliate of the Corporation until the latest to occur of: (i) the date which is two years after the Closing Date, (ii) the date the aggregate principal balance of the Financed Eligible Loans pledged to the Trust Estate is reduced to 33% or less of the original aggregate principal balance of all Financed Eligible Loans pledged to the Trust Estate (the original principal balance of a Financed Eligible Loan is calculated at the time such Financed Eligible Loan is pledged to the Trust Estate), or (iii) the date the principal balance of the Series 2020 Taxable Bonds is reduced to 33% or less of the original principal balance of the Series 2020 Taxable Bonds. The Residual Certificate will not bear interest and will not have a principal balance. Distributions, if any, on the Residual Certificate will be made from amounts permitted to be released from the Indenture. In addition, except as provided in Regulation RR, the Corporation, and any affiliate of the Corporation is prohibited from directly or indirectly hedging or otherwise transferring the credit risk that the Corporation is required to retain pursuant to Regulation RR.

Pursuant to Regulation RR, the Corporation is required to determine the fair values of the Bonds and the Residual Certificate using a fair value measurement framework under U.S. generally accepted accounting principles. The amount of the eligible horizontal residual interest, expressed as a percentage, is equal to the fair value of the eligible horizontal residual interest divided by the fair value of all ABS interests issued in the securitization transaction, being the Series 2020 Taxable Bonds and the Residual Certificate. Under U.S. generally accepted accounting principles, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs, each as described below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for identical or similar assets or liabilities; and
- Level 3 inputs are unobservable inputs for the asset or liability, including the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

<u>Fair Value of the Series 2020 Taxable Bonds</u>. Based upon the pricing of the Series 2020 Taxable Bonds (a Level 1 input), the fair value of the Series 2020 Taxable Bonds is assumed to equal 100% of the initial principal balance of the Series 2020 Taxable Bonds, assuming the interest rates on the Series 2020 Taxable Bonds will be the fixed interest rates set forth on the inside cover page of this Official Statement.

Fair Value of the Residual Certificate. The fair value of the Residual Certificate is determined using the Corporation's key inputs and assumptions and its internal valuation models as the inputs are generally not observable (Level 3 inputs). The Corporation's model projects the anticipated collections and payments in respect of the Financed Eligible Loans, including interest and principal payments of the Financed Eligible Loans, defaults and recovery payments of the Financed Eligible Loans, interest and principal payments on the Series 2020 Taxable Bonds, required payments from the reserve account, transaction fees and expenses and the servicing fee. The resulting cash flows to the Residual Certificate are discounted to the present value based on a discount rate that reflects the credit exposure to these cash flows.

In making these calculations, the Corporation made the following assumptions:

- interest accrues on Series 2020 Taxable Bonds at the rates described above;
- Estimated cost of funds is assumed to be approximately 3.06% while the Series 2020 Taxable Bonds are Outstanding;
- principal and interest payments for the Financed Eligible Loans are calculated using the characteristics described under the caption "THE FINANCED ELIGIBLE LOANS" herein;
- the cumulative default rate on the Financed Eligible Loans is 12%, applied to the principal balance and the accrued interest to be capitalized of the Financed Eligible Loans, determined as described below;
- recovery rates on defaulted Financed Eligible Loans are 20% of the outstanding principal balance of the Financed Eligible Loans;
- the constant prepayment rate of 8% on the Financed Eligible Loans reflecting all sources of prepayment, and are applied in accordance with the constant prepayment rate described in "APPENDIX E— WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020 TAXABLE TERM BONDS" hereto;
- the discount rate applied to the cash flows for the Residual Certificate is 12%, as determined in accordance with the discount rate methodology described below; and
- The Corporation's fees are consistent with the fees described in the Indenture.

The Corporation developed these inputs and assumptions considering the following factors:

• *Discount rate* – The discount rate represents the rate used in discounted cash flow analysis to determine the present value of future cash flows of the Residual Certificate. This rate represents our estimate of the sum of the risk-free rate, a market premium reflecting the perceived riskiness of this cash flow, and a liquidity premium. The discount rate is further informed by observed discount rates at which similar cash flows have been recently traded, if any.

The Corporation developed these inputs and assumptions for each of its various loan products by reviewing several factors, including the composition of the Financed Eligible Loan pool, the performance of certain student loans owned by the Corporation, including its prior securitized pools and economic conditions. The inputs and assumptions described above include all inputs and assumptions that could reasonably be expected to have a material impact on the fair value calculation or would be material to a prospective investor's ability to evaluate the sponsor's fair value calculation.

Fair Value Calculations

Based on the assumptions and methodologies described above, as of the Closing Date, the fair values of the Series 2020 Taxable Bonds and the Residual Certificate are expected to be:

ABS Interests	Fair Value	Percentage
Bonds	\$ 92,710,000	81.6%
Residual Certificate	20,925,289	18.4
Total	<u>\$113,635,289</u>	<u>100.0%</u>

The Corporation will recalculate the fair value of the Series 2020 Taxable Bonds and the Residual Certificate following the Closing Date to reflect the issuance of the Series 2020 Taxable Bonds and any changes in the methodologies or inputs and assumptions described above. The fair value of the Residual Certificate as a percentage of the fair value of all ABS interests issued in the transaction will be included in the first distribution report, together with a description of any changes in the methodologies or inputs and assumptions used to calculate the fair value.

Any information contained herein with respect to the Residual Certificate is provided only to facilitate a better understanding of the Series 2020 Taxable Bonds. The Corporation reserves the right to sell all or a portion of the Residual Certificate in the future.

TAX MATTERS

The Series 2020 Taxable Bonds

<u>General Matters</u>. Bond Counsel is of the opinion that interest on the Series 2020 Taxable Bonds is included in gross income for federal income tax purposes. Bond Counsel has expressed no opinion regarding legal matters concerning the Series 2020 Taxable Bonds under the laws of the State of South Carolina or any other state or jurisdiction, except with respect to the federal income tax matters to the extent sent forth in this paragraph.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2020 Taxable Bonds under the Code and the Treasury Regulations thereunder, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2020 Taxable Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2020 Taxable Bonds.

In general, interest paid on the Series 2020 Taxable Bonds and market discount, if any, will be treated as ordinary income to the owners of the Series 2020 Taxable Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

<u>Bond Premium</u>. An investor that acquires a Series 2020 Taxable Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Series 2020 Taxable Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

<u>Market Discount</u>. An investor that acquires a Series 2020 Taxable Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Code and the regulations thereunder, "market discount" means

the amount by which the stated redemption price of a Series 2020 Taxable Bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2020 Taxable Bonds will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Series 2020 Taxable Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2020 Taxable Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2020 Taxable Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2020 Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

<u>Unearned Income Medicare Contribution Tax</u>. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Series 2020 Taxable Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Series 2020 Taxable Bonds and to gain on the sale of a Series 2020 Taxable Bond.

<u>Sales or Other Dispositions</u>. If an owner of a Series 2020 Taxable Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Series 2020 Taxable Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Series 2020 Taxable Bonds should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

<u>Defeasance</u>. The legal defeasance of the Series 2020 Taxable Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Series 2020 Taxable Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

<u>Backup Withholding</u>. An owner of a Series 2020 Taxable Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series 2020 Taxable Bonds, if such owner, upon issuance of the Series 2020 Taxable Bonds, fails to provide to any person required to collect such

information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

<u>Foreign Investors</u>. An owner of a Series 2020 Taxable Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2020 Taxable Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2020 Taxable Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America is includable in gross income for United States of America is includable in gross income for United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid and original issue discount accruing on Series 2020 Taxable Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2020 Taxable Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2020 Taxable Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2020 Taxable Bond.

<u>Tax-Exempt Investors</u>. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. Unrelated business taxable income generally means the gross income derived by an organization from any unrelated trade or business as defined in Section 513 of the Code. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series 2020 Taxable Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2020 Taxable Bond is urged to consult its own tax advisor regarding the application of these provisions.

<u>ERISA Considerations</u>. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2020 Taxable Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2020 Taxable Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Corporation or any

dealer of the Series 2020 Taxable Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2020 Taxable Bonds are acquired by such plans or arrangements with respect to which the Corporation or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2020 Taxable Bonds. The sale of the Series 2020 Taxable Bonds to a plan is in no respect a representation by the Corporation or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series 2020 Taxable Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Recognition of Income Generally

Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Series 2020 Taxable Bonds under the Code.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2020 Taxable Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2020 Taxable Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2020 Taxable Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2020 Taxable Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the Closing Date and delivery of the Series 2020 Taxable Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation, regulatory initiatives or litigation, regulatory initiatives or litigation, regulatory initiatives or litigation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES 2020 TAXABLE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2020 TAXABLE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2020 TAXABLE BONDS.

CERTAIN INVESTMENT COMPANY ACT CONSIDERATIONS

The Corporation is not registered or required to be registered as an "investment company" under the Investment Company Act of 1940, as amended (the "Investment Company Act"), pursuant to Section 3(c)(10) of the Investment Company Act, although there may be additional exclusions or exemptions available to the Corporation. The Corporation does not rely upon the exclusions from the definition of "investment company" set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. The Corporation does not constitute a "covered fund" for purposes of Section 619 of the Dodd-Frank Act, also known as the Volcker Rule. Since the Corporation has not registered, and does not intend to register, as an investment company under the Investment Company Act,

Registered Owners will not be afforded protections of the provisions of the Investment Company Act designed to protect investment company investors.

ABSENCE OF CERTAIN LITIGATION

To the knowledge of the Corporation, there is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2020 Taxable Bonds, or in any way contesting or affecting the validity of the Series 2020 Taxable 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 Series 2020 Taxable Bonds or the due existence of powers of the Corporation.

LEGALITY

The legality of the authorization, issuance and sale of the Series 2020 Taxable Bonds is subject to the approving opinion of Burr Forman McNair, as Bond Counsel to the Corporation. The opinion of Bond Counsel will be delivered substantially in the forms attached hereto as Appendix B. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP.

UNDERWRITING

The Series 2020 Taxable Bonds are to be purchased by RBC Capital Markets, LLC (the "Underwriter") pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between the Corporation and the Underwriter. The Underwriter will purchase the Series 2020 Taxable Bonds at a price equal to \$91,867,461.65 (which is equal to the par amount of the Series 2020 Taxable Bonds less an underwriting discount of \$842,538.35). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2020 Taxable Bonds if any are purchased. The obligation of the Underwriter to purchase the Series 2020 Taxable Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The initial public offering prices of the Series 2020 Taxable Bonds set forth on the inside front cover page may be changed without notice by the Underwriter. The Underwriter may offer and sell the Series 2020 Taxable Bonds to certain dealers (including dealers depositing Series 2020 Taxable Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the offering prices set forth on the inside front cover page hereof.

FINANCIAL ADVISOR TO THE CORPORATION

Hilltop Securities Inc. (the "Financial Advisor") serves as independent financial advisor to the Corporation on matters relating to debt issuance and management. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Series 2020 Taxable Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of financing and the structuring of the Series 2020 Taxable Bonds was based on materials provided by the Corporation and other sources of information believed by the Financial Advisor to be reliable. The Financial Advisor has not audited, authenticated, or otherwise verified the information provided by the Corporation or the information set forth in this Official Statement or any other information available to the Corporation and no guarantee, warranty, or other representation is made by the Financial Advisor with respect to the accuracy and completeness of or any other matter related to such information or this Official Statement.

RELATIONSHIP AMONG FINANCING PARTICIPANTS

The Underwriter and its affiliates are full service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Corporation. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal

securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Corporation.

RATINGS

Prior to the issuance and delivery of the Series 2020 Taxable Bonds, S&P Global Ratings ("S&P"), is expected to assign its bond rating of "A (sf)" to the Series 2020 Taxable Bonds.

Such ratings reflect only the views of S&P at the time such ratings were given and the Corporation makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings can only be obtained from S&P. There is no assurance that a particular rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2020 Taxable Bonds. The ratings are not a recommendation to buy or sell the Series 2020 Taxable Bonds, and are not a comment as to the suitability of the Series 2020 Taxable Bonds for any investor. See the caption "CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval" herein.

INVESTOR REPORTING

The Corporation will enter into a continuing disclosure certificate with respect to the Series 2020 Taxable Bonds (the "Continuing Disclosure Certificate") setting forth the undertaking of the Corporation regarding continuing disclosure with respect to the Series 2020 Taxable Bonds. The proposed form of the Continuing Disclosure Certificate is set forth in Appendix C attached hereto.

Investor Reports shall be posted on a quarterly basis on or before the 15th calendar day of each March, June, September and December setting forth the information set forth in the sample report attached to the Continuing Disclosure Certificate. These quarterly Investor Reports will contain information during the period since the previous Investor Report. The Corporation initially intends to post these reports on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board located at http://emma.msrb.org and on the investor page of the Corporation's website located at https://www.scstudentloan.org/2020-master-indenture (or successors to such sites). The Corporation reserves the right (a) to alter the format in which such periodic information is presented, (b) to make such periodic information available either by posting as set forth in a Supplemental Indenture or by posting on a publicly accessible website, or (c) to make such periodic information available by including it as part of the Monthly Report that is delivered during that period.

In addition, the Corporation shall cause the Administrator to prepare and furnish to the Trustee a Monthly Report at least two Business Days prior to the last Business Day of each calendar month. The Trustee shall make available a copy of each Monthly Report on its website at https://gctinvestorreporting.bnymellon.com, or such other internet address as the Trustee may specify from time to time, to each Registered Owner requesting a copy thereof, and to each Rating Agency then rating Outstanding Bonds. The Trustee may cease making such Monthly Reports available on its website, provided that it provides an alternate means of delivery.

The Corporation recently filed certain investor information on EMMA relating to its series 2005 and 2006 bonds secured by another trust estate. This information related to certain financial information and operating data that was filed on the Corporation's website but should have been filed on EMMA and the Corporation's website. In addition, the Corporation failed to file notices of rating upgrades for certain series 2005 and series 2006 bonds on a timely basis and such information was recently filed on EMMA to correct this oversight.

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 owners of any of the Series 2020 Taxable Bonds.

The Indenture provides that all covenants, stipulations, promises, agreements and obligations of the Corporation contained in the Indenture 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 his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Series 2020 Taxable Bonds or for any claim based thereon or on the Indenture against any officer or employee of the Corporation or against any person executing the Series 2020 Taxable Bonds.

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The execution and delivery of this Official Statement have been duly authorized by the Corporation.

SOUTH CAROLINA STUDENT LOAN CORPORATION

By: /s/ David A. Simon, III President

Dated: August 5, 2020

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Definitions

In the Indenture, the following words and terms, unless the context otherwise requires, have the following meanings:

"Account" shall mean any of the accounts created and established within any Fund by the Indenture.

"Acquisition Period" shall mean, for each Series of Bonds, the period beginning on the Date of Issuance for such Series of Bonds and ending on the date set forth in the related Supplemental Indenture for such Series of Bonds.

"Administration Agreement" shall mean the Administration Agreement, dated as of August 1, 2020, among the Corporation, the Administrator and the Trustee, and any other administration agreement with any successor Administrator, each as amended from time to time.

"Administration Fees" shall mean the fees of the Administrator under the Administration Agreement.

"Administrator" shall mean the South Carolina Student Loan Corporation, and shall also mean any other Person (a) with which the Corporation has entered into an Administration Agreement and (b) for which the Corporation shall have satisfied a Rating Agency Notification.

"Administrator Default" shall mean an event designated as such in the Administration Agreement.

"Aggregate Value" shall mean, on any calculation date, the sum of the Values of all assets of the Trust Estate, and excluding purpose and non-purpose arbitrage liability amounts, if any, which, as of any date of calculation, have not been deposited into the Rebate Fund.

"Approved Undisbursed Loans" shall mean those Eligible Loans for which the acquisition of such Eligible Loans has been approved, but such Eligible Loans have not been fully disbursed by the Corporation prior to the end of the Recycling Period or Acquisition Period with respect to a Series of Bonds, as applicable, and for which amounts are available in the corresponding Account or Subaccount of the Student Loan Fund to acquire such Eligible Loan.

"Authorized Denominations" shall mean the Authorized Denominations specified for a Series of Bonds in the Supplemental Indenture relating to such Series of Bonds.

"Authorized Officer" shall mean (a) when used with reference to the Corporation, the Administrator, the Corporation's President, the Corporation's Chief Financial Officer, the Corporation's Controller and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Administrator or the Corporation then authorized to perform such act or discharge such duty, or (b) when used with reference to a Conduit Issuer, the Conduit Issuer's President, the Conduit Issuer's Chief Financial Officer, the Conduit Issuer's Controller and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Conduit Issuer's Controller and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Conduit Issuer then authorized to perform such act or discharge such duty.

"Authorized Representative" shall mean, when used with reference to the Corporation, (a) an Authorized Officer, or (b) an individual designated in writing by an Authorized Officer of the Corporation to act on the Corporation's behalf under the Indenture.

"Bond" or "Bonds" shall mean any bonds, notes or other debt obligations issued pursuant to the Indenture.

"Bond Counsel" shall mean counsel of nationally recognized standing in the field of law relating to municipal, state and public agency financing selected by the Issuer.

"Bond Payment Date" shall mean, for any Bond, any Interest Payment Date, its Stated Maturity or the date of any debt service payment with respect thereto designated in a Supplemental Indenture.

"Bond Yield" shall mean, with respect to any Bonds issued as Tax-Exempt Bonds, the yield on such Tax-Exempt Bonds computed in accordance with the Code.

"Business Day" shall have the meaning, with respect to any Series of Bonds, set forth in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

"Capitalized Interest Fund" shall mean the Fund by that name created pursuant to the Indenture, including any Accounts and Subaccounts created therein.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture shall be deemed to include the United States Treasury Regulations, including applicable temporary and proposed regulations relating to such section which are applicable to the Tax-Exempt Bonds or the use of the proceeds thereof. A reference to any specific section of the Code shall be deemed also to be a reference to the comparable provisions of any enactment which supersedes or replaces the Code thereunder from time to time.

"Computation Date" shall mean each date described as such in any Tax Document.

"Conduit Issuer" shall mean a governmental conduit issuer issuing Bonds for the benefit of the Corporation and secured pursuant to the Indenture, and any successor thereto.

"Conduit Issuer Fees" shall mean the regular fees and expenses of a Conduit Issuer for the issuance of Tax-Exempt Bonds.

"Continuing Disclosure Agreement" shall mean any Continuing Disclosure Agreement or Continuing Disclosure Certificate entered into or executed by the Corporation pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as such rule may be amended from time to time.

"*Corporation*" shall mean South Carolina Student Loan Corporation, a nonprofit corporation created and established pursuant to, and existing under, the laws of the State of South Carolina, or any successor thereto.

"Corporation Order" shall mean a written order signed in the name of the Corporation (or as applicable, any Conduit Issuer) by an Authorized Representative. Such order shall conform to the requirements of the Indenture and shall be delivered to the Trustee.

"Credit Risk Retention Rules" shall mean Regulation RR, 17 C.F.R. § 246.1, et seq.

"Date of Issuance" shall mean the date of original issuance and delivery of any Bonds to an Underwriter or other initial purchaser of Bonds from the Issuer.

"Debt Service Fund" shall mean the Fund by that name created in the Indenture, including any Accounts and Subaccounts created therein.

"Debt Service Reserve Fund" shall mean the Fund by that name created in the Indenture, including any Accounts and Subaccounts created therein.

"Debt Service Reserve Fund Requirement" shall mean, as of any particular day of calculation, the sum of the amounts designated in Supplemental Indentures as the Debt Service Reserve Fund Requirement for such Series of Bonds; provided, however, any such requirement may be reduced if the Corporation shall have satisfied the Rating Agency Notification.

"Defaulted Loan" shall mean, except as otherwise provided in a Supplemental Indenture, an Eligible Loan which has reached 181 days of delinquency and has been classified in the Corporation's loan files as a Defaulted Loan.

"Eligible Account" shall mean, at any time, a segregated account with an Eligible Institution, which will be a segregated account with the corporate trust department of a depository institution organized under the laws of the United States of America or any one of the States or the District of Columbia (or any domestic branch of a foreign bank), having corporate trust powers and acting as trustee or paying agent for funds deposited in such account.

"Eligible Institution" shall mean a depository institution organized under the laws of the United States of America or any one of the States or the District of Columbia (or any domestic branch of a foreign bank) (a) whose deposits are insured by the FDIC, and (b) which has (i) a long-term unsecured debt rating of at least "A" by S&P, so long as S&P maintains a rating on the Bonds, and (ii) carries a rating from each other Rating Agency at any time rating the Bonds in one of their generic rating categories which signifies investment grade. If so qualified, the Paying Agent or the Trustee may be considered an Eligible Institution.

"Eligible Loan" shall mean any loan made to finance or refinance post-secondary education that is (a) made or acquired by the Corporation pursuant to the Program Manual and any Supplemental Indenture or (b) if the Corporation shall have satisfied the Rating Agency Notification, otherwise permitted to be financed by the Corporation pursuant to its Program. The Trustee shall have no obligation to determine whether a loan constitutes an "Eligible Loan".

"Event of Bankruptcy" shall mean (a) the Corporation shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or shall have made a general assignment for the benefit of creditors, or shall have declared a moratorium with respect to its debts or shall have failed generally to pay its debts as they become due, or shall have taken any action to authorize any of the foregoing; or (b) an involuntary case or other proceeding shall have been commenced against the Corporation seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property provided such action or proceeding is not dismissed within 60 days.

"Event of Default" shall have the meaning specified under the caption "DEFAULTS AND REMEDIES – Events of Default Defined" in this Appendix A.

"Excess Earnings" shall mean, with respect to Financed Eligible Loans held in the Student Loan Fund and Financed with the proceeds of Tax-Exempt Bonds, the amount by which the earnings on such Financed Eligible Loans exceeds the applicable materially higher spread pursuant to 1.148-2(d)(2) of the Treasury Regulations.

"Extraordinary Expenses" shall mean (a) with respect to the Trustee, indemnification payments, legal fees and other expenses incurred with respect to the Trust Estate or in connection with the enforcement of remedies, and other amounts payable to the Trustee hereunder that are not included in the Trustee Fees, (b) with respect to the Administrator, any indemnification payments and other amounts payable to the Administrator under the Administration Agreement in excess of the Administration Fee, and (c) with respect to the Servicers, any amounts payable to a Servicer under the related Servicing Agreement in excess of the Standard Servicing Fees.

"Favorable Opinion" shall mean an opinion of Bond Counsel addressed to the Corporation, the Conduit Issuer and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds.

"Financed" or "Financing" shall, when used with respect to Eligible Loans, mean or refer to (a) Eligible Loans acquired, financed or refinanced by the Corporation with balances in the Student Loan Fund or otherwise deposited in or accounted for in the Student Loan Fund or otherwise constituting a part of the Trust Estate and

(b) Eligible Loans substituted or exchanged for Financed Eligible Loans; but does not include Eligible Loans released from the lien of the Indenture and sold or transferred, to the extent permitted by the Indenture.

"Fiscal Year" shall mean the fiscal year of the Corporation as established from time to time; currently, the Fiscal Year of the Corporation commences each July 1 and ends on the following June 30.

"Funds" shall mean each of the Funds created pursuant to the Indenture.

"GAAP" shall mean generally accepted accounting principles consistently applied.

"Highest Priority Bonds" shall mean, (a) at any time when Senior Bonds are Outstanding, the Senior Bonds; and (b) at any time when no Senior Bonds are Outstanding, the Senior Subordinate Bonds; and (c) at any time when no Senior Subordinate Bonds are Outstanding, the Subordinate Bonds.

"Indenture" shall mean the Indenture of Trust, including all supplements and amendments thereto.

"Interest Payment Date" shall mean the Interest Payment Dates specified for a Series of Bonds in the Supplemental Indenture relating to such Series of Bonds.

"Investment Securities" shall mean:

- U.S. Treasury obligations (all direct or fully guaranteed obligations); U.S. Department of Housing and Urban Development public housing agency bonds (previously known as local authority bonds); Federal Housing Administration debentures; Government National Mortgage Association (GNMA) guaranteed mortgage backed securities (MBS) or participation certificates; Resolution Funding Corporation (RefCorp) debt obligations; or Small Business Association guaranteed participation certificates and guaranteed pool certificates, each with a maturity of 12 months or less;
- interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of 12 months or less with banks, including the Trustee and any of its affiliates, which are members of the Federal Deposit Insurance Corporation; provided, that at all times such depository institution has commercial paper which is rated at least "AA" and "A-1+" by S&P;
- bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation; the Federal National Mortgage Association; Federal Home Loan Banks provided such obligation is rated "AAA" by S&P, each with a maturity of 12 months or less;
- repurchase agreements and reverse repurchase agreements, other than overnight repurchase agreements and overnight reverse repurchase agreements, with banks, including the Trustee and any of its affiliates, which are members of the Federal Deposit Insurance Corporation, in each case whose outstanding, short-term debt obligations are rated no lower than "A-1+" by S&P; provided further that if there is a downgrade below a long-term rating of "BBB" by S&P, the Corporation shall replace or cause to be replaced the provider within 90 days of such downgrade at no cost to the Trust Estate;
- guaranteed investment contracts providing for the investment of funds in an account or insuring a minimum rate of return on investments of such funds, which contract shall:
 - be an obligation of or guaranteed by an insurance company or other corporation or financial institution whose debt obligations or insurance financial strength or claims-paying ability are rated "AAA" by S&P, provided further that if there is a downgrade below "AAA" by S&P, the Corporation shall replace or cause to be replaced the provider within 60 days of such downgrade at no cost to the Trust Estate; and
 - provide that the Trustee may exercise all of the rights of the Corporation under such contract without the necessity of the taking of any action by the Corporation;

- investment agreements or guaranteed investment contracts that are entered into on the Date of Issuance for a Series of Bonds that are issued pursuant to the provisions of the Indenture;
- commercial paper, including that of the Trustee and any of its affiliates, which is rated in the single highest classification, "A-1+ by S&P, and which matures not more than 270 days after the date of purchase;
- investments in a money market fund rated "AAAm" by S&P, including funds for which the Trustee or an affiliate thereof acts as an investment advisor or provides other similar services for a fee; and
- any other investment for which the Corporation shall have satisfied the Rating Agency Notification.

"Issuer" shall mean the actual issuer of the Bonds, being either the Corporation or a Conduit Issuer.

"Majority-Owned Affiliate" of a person shall mean an entity (other than the Corporation) that, directly or indirectly, majority controls, is majority controlled by or is under common majority control with, such person. For purposes of this definition, majority control means ownership of more than 50% of the equity of an entity, or ownership of any other controlling financial interest in the entity, as determined under GAAP.

"*Maturity*" when used with respect to any Bond, shall mean the date on which the principal thereof becomes due and payable as therein or in the Indenture provided, whether at its Stated Maturity, by earlier redemption, by declaration of acceleration, or otherwise.

"Monthly Report" shall mean a report prepared by the Administrator on behalf of the Corporation setting forth collection activity with respect to the Financed Eligible Loans and investment earnings with respect to the pledged Funds and Accounts during such specified period and the application of Revenues on the last Business Day of each calendar month pursuant to the Indenture.

"Net Asset Requirement" shall mean, and shall be satisfied when, the Value of assets constituting the Trust Estate exceeds the amount of Bonds Outstanding and other accrued but unpaid liabilities incurred under the Indenture that are Senior Transaction Fees by an amount established in the most recent Supplemental Indenture with Bonds Outstanding; provided, any such requirement may be reduced if the Corporation shall have satisfied the Rating Agency Notification.

"*Nexus Loan*" shall mean an Eligible Loan made for or on behalf of a student who was at the time the Eligible Loan was made a resident of the State of South Carolina and/or who was, at the time the Eligible Loan was made, enrolled at an educational institution located in the State of South Carolina, as determined pursuant to the Code and related regulations.

"Operating Fund" shall mean the fund by that name described in the Indenture.

"Opinion of Counsel" shall mean (a) with respect to the Corporation one or more written opinions of counsel who may be counsel (including in-house counsel) to the Corporation or the Administrator; (b) with respect to a Conduit Issuer one or more written opinions of counsel who may be counsel (including in-house counsel) to the Conduit Issuer; (c) with respect to the Administrator or a Servicer, one or more written opinions of counsel who may be counsel (including in-house counsel) to the Administrator or a Servicer; and (d) with respect to the Trustee one or more written opinions of counsel who may be counsel (including in-house counsel) to the Administrator or a Servicer; and (d) with respect to the Trustee one or more written opinions of counsel who may be counsel (including in-house counsel) to the Administrator or the Administrator or a Servicer; and (d) with respect to the Trustee one or more written opinions of counsel who may be counsel (including in-house counsel) to the Trustee, the Corporation or the Administrator and who shall be reasonably satisfactory to the Trustee.

"Outstanding" shall mean, when used in connection with any Bond, a Bond which has been executed and delivered pursuant to the Indenture which at such time remains unpaid as to principal and interest, unless in all cases provision has been made for such payment pursuant to the Indenture, excluding Bonds which have been exchanged for or replaced pursuant to the Indenture.

"Overall Parity Percentage" shall mean the ratio, expressed as a percentage, of (a) the Aggregate Value to (b) the aggregate principal amount of and accrued interest on all Bonds then Outstanding, plus any allocable accrued but unpaid Senior Transaction Fees, if any, as of the date of such calculation.

"Participant" shall mean a broker-dealer, bank or other financial institution from time to time for which the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

"Paying Agent" shall mean the Trustee, in its capacity as paying agent pursuant to the Indenture.

"Person" shall mean an individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

"Portfolio Yield" shall mean, with respect to Financed Eligible Loans allocable to particular Tax-Exempt Bonds, the composite yield on the date of calculation of the portfolio of such Financed Eligible Loans computed in accordance with the Code, assuming no additional Eligible Loans are financed and allocable to such Tax-Exempt Bonds.

"Principal Office" shall mean the office of the party indicated, as set forth in the Indenture.

"Principal Reduction Payment Date" shall mean, for any Bond, any date described in a Supplemental Indenture for the payment of Principal Reduction Payments.

"Principal Reduction Payments" shall mean principal payments on Bonds, other than mandatory sinking fund payments (with the exception of cumulative mandatory sinking fund installment payments due on cumulative mandatory sinking fund redemption dates other than the final maturity of the related term bond), made prior to a Stated Maturity, as set forth in a Supplemental Indenture.

"*Program*" shall mean the Corporation's program for the origination and financing or refinancing of Eligible Loans pursuant to the Indenture, any Supplemental Indenture and any applicable Program Manual, as the same may be modified from time to time.

"Program Manual" shall mean any applicable Program Manual relating to the Program, and all documentation adopted or used in connection with the Program, and the origination and servicing standards for the Program as in effect on the date of execution of the Indenture and as revised, amended, altered, or supplemented from time to time.

"Proposed Action" shall mean any proposed action, failure to act or other event which, under the terms of the Indenture, is conditional upon a Rating Agency Notification or a Rating Agency Confirmation.

"Rating" shall mean one of the rating categories of a Rating Agency.

"Rating Agency" shall mean any one or more nationally recognized statistical rating organizations or other comparable Persons, designated by the Corporation to assign Ratings to any of the Bonds.

"Rating Agency Confirmation" shall mean a letter or press release or other written release from each Rating Agency rating any of the Bonds confirming that its Ratings on the Bonds will not be reduced, withdrawn, conditioned or placed under review with negative implications as a result of a Proposed Action to be taken by the Corporation or, if applicable, the Conduit Issuer.

"Rating Agency Fees" means the surveillance fees payable to the Rating Agencies to maintain ratings on the Bonds, as set forth in the applicable fee letter.

"Rating Agency Notification" shall mean, with respect to a Proposed Action, that the Corporation shall have given written notice of such Proposed Action to each Rating Agency then rating any of the Bonds at least 20 Business Days prior to the proposed effective date thereof.

"Rebate Amount" shall mean the amount computed as of a Computation Date in accordance with the Code.

"Rebate Fund" shall mean the Fund by that name created in the Indenture, including any Accounts and Subaccounts created therein.

"*Record Date*" shall mean the Record Date established for any Bonds pursuant to the Supplemental Indenture relating to such Bonds.

"Recoveries of Principal" shall mean all amounts received by the Trustee from or on account of any Financed Eligible Loan as a recovery of the principal amount thereof, including scheduled, delinquent and advance payments; payouts or prepayments and proceeds from the sale, repurchase, assignment, transfer, reallocation or other disposition of a Financed Eligible Loan.

"Recycling Period" shall have the meaning ascribed to such term in any Supplemental Indenture.

"Redemption Date" shall mean, when used with respect to any Bonds to be redeemed, the date fixed for such redemption by or pursuant to the Indenture (including the applicable Supplemental Indenture).

"Redemption Price" shall mean the total of principal, premium (if any) and interest due on any Bond redeemed pursuant to any applicable redemption provision of the Indenture and any Supplemental Indenture.

"Registered Owner" shall mean the Person in whose name a Bond is registered on the Bond registration records maintained by the Trustee, unless the context otherwise requires.

"Registrar" shall mean the Trustee, in its capacity as registrar pursuant to the Indenture.

"Residual Certificate" shall mean a certificate executed by the Corporation and authenticated by the Trustee evidencing an undivided interest, whether fractional or whole, in the residual interest in the Trust Estate created under the Indenture.

"Residual Certificateholder" shall mean the Person in whose name the Residual Certificate is registered in the books of the Corporation; provided, however, that if no Residual Certificate has been issued under the Indenture, the Corporation shall be deemed to be the Residual Certificateholder for purposes of the Indenture.

"Responsible Officer" shall mean, with respect to the Trustee, any officer within the Principal Office of the Trustee including any vice president, assistant vice president, assistant secretary, trust officer, or any other officer of the Trustee, customarily performing functions similar to those performed by any of the above designated officers, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject, and in each case with direct responsibility for the administration of the Indenture on behalf of the Trustee.

"Revenue" or *"Revenues"* shall mean all Recoveries of Principal, payments, proceeds, charges and other income received by the Trustee or the Corporation from or on account of any Financed Eligible Loan (including scheduled, delinquent and advance payments of interest) and all interest earned or gain realized from the investment of amounts in any Fund or Account (other than the Rebate Fund and the Operating Fund).

"Revenue Fund" shall mean the Fund by that name created in the Indenture, including any Accounts and Subaccounts created therein.

"S&P" shall mean S&P Global Ratings, and its successors and assigns, but only if S&P has been requested by the Corporation to assign Ratings to any of the Bonds.

"Securities Depository" shall mean The Depository Trust Company, New York, New York, and its successors and assigns, or any additional or other securities depository designated in a Supplemental Indenture; the then Securities Depository if The Depository Trust Company resigns from its functions as depository of the Bonds; or, if the Corporation discontinues use of the Securities Depository, pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Corporation with the consent of the Trustee.

"Senior Bonds" shall mean all Bonds secured on a priority senior to the Senior Subordinate Bonds and the Subordinate Bonds.

"Senior Parity Percentage" shall mean the ratio, expressed as a percentage, of (a) the Aggregate Value to (b) the aggregate principal amount of and accrued interest on all Senior Bonds then Outstanding, plus any allocable accrued but unpaid Senior Transaction Fees, if any, as of the date of such calculation.

"Senior Subordinate Bonds" shall mean all Bonds secured on a priority subordinate to the Senior Bonds and on a priority senior to the Subordinate Bonds.

"Senior Subordinate Parity Percentage" shall mean the ratio, expressed as a percentage, of (a) the Aggregate Value to (b) the aggregate principal amount of and accrued interest on all Senior Bonds and Senior Subordinate Bonds then Outstanding, plus any allocable accrued but unpaid Senior Transaction Fees, if any, as of the date of such calculation.

"Senior Subordinate Taxable Bonds" shall mean Senior Subordinate Bonds that are Taxable Bonds.

"Senior Subordinate Tax-Exempt Bonds" shall mean Senior Subordinate Bonds that are Tax-Exempt Bonds.

"Senior Taxable Bonds" shall mean Senior Bonds that are Taxable Bonds.

"Senior Tax-Exempt Bonds" shall mean Senior Bonds that are Tax-Exempt Bonds.

"Senior Transaction Fees" shall mean (a) the Trustee Fees, (b) the Administration Fees, (c) the Standard Servicing Fees, (d) the Rating Agency Fees, (e) the Conduit Issuer Fees, and (f) Extraordinary Expenses (including any rebate analyst fees, counsel fees, audit and tax return fees and expenses of the Corporation) (subject to any limitations set forth in any Supplemental Indenture).

"Series" shall mean all Bonds authenticated and delivered pursuant to a Supplemental Indenture and designated therein as a Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds pursuant thereto.

"Servicer" shall mean Nelnet Servicing, LLC (d/b/a Firstmark Services), and shall also mean any additional Person (a) with which the Corporation or the Administrator has entered into a Servicing Agreement with respect to Financed Eligible Loans and (b) for which the Corporation shall have satisfied a Rating Agency Notification; provided, however, a collection agency hired by the Corporation, the Administrator or a Servicer to collect on Defaulted Loans shall not be deemed to be a Servicer hereunder.

"Servicing Agreement" shall mean the Private Loan Subservicing Agreement, dated as of January 9, 2017, between the South Carolina Student Loan Corporation and Nelnet Servicing, LLC (d/b/a Firstmark Services), and any additional servicing agreements with any other Servicer, in each case relating to the Financed Eligible Loans, as amended from time to time.

"Special Record Date" shall mean the Special Record Date established for any Bonds pursuant to the Supplemental Indenture relating to such Bonds.

"Standard Servicing Fees" mean any fees and expenses payable to the Servicers with respect to the servicing and collection of the Financed Eligible Loans consisting of periodic unit fees, default related fees, delinquency fees,

and annual privacy mailing fees, but shall not include fees due as a result of the termination of a Servicing Agreement (including any deconversion fees related to Financed Eligible Loans resulting from such termination), indemnification or other extraordinary expense items (all of which are Extraordinary Expenses).

"Stated Maturity" shall mean, with respect to any Bonds, the date specified in the Supplemental Indenture relating to such Bonds as the fixed date on which principal of such Bonds is due and payable.

"Student Loan Fund" shall mean the Fund by that name created in the Indenture, including any Accounts and Subaccounts created therein.

"Subaccount" shall mean any additional Account which may be created and established to account for activity within any other Account by the Indenture.

"Subordinate Bonds" shall mean any Bonds secured on a priority subordinate to the Senior Bonds and the Senior Subordinate Bonds.

"Subordinate Taxable Bonds" shall mean Subordinate Bonds that are Taxable Bonds.

"Subordinate Tax-Exempt Bonds" shall mean Subordinate Bonds that are Tax-Exempt Bonds.

"Subordinate Transaction Fees" shall mean Extraordinary Expenses that are in excess of the amounts that can be paid as Senior Transaction Fees as provided in the definition thereof.

"Supplemental Indenture" shall mean an agreement supplemental to the Indenture executed pursuant to the provision described under the caption *"SUPPLEMENTAL INDENTURES"* in this Appendix A.

"Tax Documents" shall mean, collectively, the tax certificates and agreements of the Corporation and instructions to the Corporation and the Trustee, all dated the applicable Date of Issuance, relating to the use of proceeds of the Tax-Exempt Bonds and which set forth the grounds for the Corporation's belief that such Tax-Exempt Bonds are not "arbitrage bonds" within the meaning of the Code, including the exhibits and schedules attached thereto.

"Taxable Bonds" shall mean any Bonds issued and delivered pursuant to the Indenture, the interest on which does not purport to be excluded from the federal gross income of the Registered Owners thereof.

"Tax-Exempt Bonds" shall mean any Bonds issued and delivered by a Conduit Issuer, the interest on which purports to be excluded from the federal gross income of the Registered Owners thereof. The Supplemental Indenture for such Tax-Exempt Bonds shall be by and among the Corporation, the Trustee and the Conduit Issuer of such Tax-Exempt Bonds.

"Transfer Agent" shall mean the Trustee, in its capacity as transfer agent pursuant to the Indenture.

"Transfer Agent Office" shall mean the office designated by the Transfer Agent, presently The Bank of New York Mellon Trust Company, N.A., 2001 Bryan Street, 10th Floor, Dallas, Texas 75201 Attn: Bond Transfer Department.

"Trust Estate" shall mean the property described as such in the granting clauses to the Indenture.

"Trustee" shall mean The Bank of New York Mellon Trust Company, N.A., a national banking association, acting in its capacity as Trustee under the Indenture, or any successor Trustee designated pursuant to the Indenture.

"Trustee Fees" shall mean the regular fees and expenses of the Trustee hereunder.

"Underwriter" shall mean the underwriter or underwriters of any of the Bonds as may be specified in a Supplemental Indenture.

"Value" on any calculation date when required under the Indenture shall mean the value of the Trust Estate calculated by the Corporation as to clause (a) below and by the Trustee as to clauses (b) through (e), inclusive, below, as follows:

- with respect to any Eligible Loan, the unpaid principal amount thereof plus any accrued but unpaid interest; provided, however, a Defaulted Loan shall have a Value of zero;
- with respect to any funds of the Corporation held under the Indenture and on deposit in any commercial bank or as to any banker's acceptance or repurchase agreement or investment contract, the amount thereof plus accrued interest;
- with respect to any Investment Securities of an investment company, the bid price of the shares as reported by the investment company plus accrued interest;
- as to investment agreements, par plus accrued interest; and
- as to other investments, the bid price published by a nationally recognized pricing service.

BOND DETAILS

Bond Details

The details of each Series of Bonds authorized pursuant to the Indenture and a Supplemental Indenture are required to be contained in the applicable Supplemental Indenture. Such details shall include, but are not limited to, the principal amount, Series, Authorized Denomination, dated date, interest rate, Stated Maturity, redemption provisions and registration provisions.

Issuance of Bonds

The Corporation, and, at the request of the Corporation, a Conduit Issuer has the authority, upon complying with the provisions described below, to authenticate and deliver from time to time Bonds secured by the Trust Estate on a parity with the Senior Bonds, the Senior Subordinate Bonds or the Subordinate Bonds, if any, secured under the Indenture as shall be determined by the Corporation.

No Bonds may be authenticated and delivered pursuant to the Indenture until the following conditions have been satisfied; provided, however, with respect to the issuance of the initial Series of Bonds which are issued concurrently with each other, satisfaction of the condition provided in paragraph (b) below is not required:

(a) The Corporation, the Trustee and, if appropriate, the Conduit Issuer, have entered into a Supplemental Indenture (which Supplemental Indenture does not require the approval of the Registered Owners of any of the Outstanding Bonds) providing the terms and forms of the proposed Series of Bonds as described under the caption "Bond Details" above, including the designation of such Series of Bonds as Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds, whether such Series of Bonds constitutes Taxable Bonds or Tax-Exempt Bonds (or a combination thereof), the redemption and selection for redemption provisions applicable to such Series of Bonds, and the application of the proceeds of the Bonds and any Corporation contribution;

(b) A Rating Agency Confirmation shall have been received with respect to the issuance of such Series of Bonds; and

(c) Upon the issuance of the proposed Series of Bonds, an amount equal to the Debt Service Reserve Fund Requirement with respect to such Series of Bonds, if any, shall be deposited into the Debt Service Reserve Fund.

The Trustee is authorized to set up any additional Funds or Accounts or Subaccounts under the Indenture which it deems necessary or convenient in connection with the issuance and delivery of any Series of Bonds.

Redemption of Bonds

Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture with respect to a Series shall be redeemable at such times, at such Redemption Prices and upon such terms as may be specified in the Supplemental Indenture authorizing such Series. See the caption "THE SERIES 2020 TAXABLE BONDS – Redemption Provisions" in the body of this Official Statement.

PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS

Trust Estate

Pursuant to the Indenture, the Corporation and, as provided in the applicable Supplemental Indenture, the Conduit Issuer, grant a security interest to the Trustee for the benefit and security of the Registered Owners of the Bonds in the following (the "Trust Estate"):

- The Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture);
- All moneys and investments held in the Funds described in the Indenture;
- The Financed Eligible Loans and any notes and documents evidencing the same and all extensions and renewals thereof;
- The rights of the Corporation in and to the Administration Agreement, and all Servicing Agreements as the same relate to the Financed Eligible Loans; and
- Any and all other property, rights and interests of every kind or description from time to time hereafter granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture.

Parity and Priority of Lien

As they relate to the Bonds and the Registered Owners, the provisions, covenants and agreements in the Indenture set forth to be performed by or on behalf of the Corporation and, as provided in the applicable Supplemental Indenture, a Conduit Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in the Indenture with respect to certain payment and other priorities.

Other Obligations

The Corporation and each Conduit Issuer reserve the right to issue other bonds or obligations which do not constitute or create a lien on the Trust Estate.

Neither the Corporation nor any Conduit Issuer shall commingle the Funds established by the Indenture with funds, proceeds, or investment of funds relating to other issues or series of bonds heretofore or hereafter issued.

The Revenues and other moneys, Financed Eligible Loans, securities, evidences of indebtedness, interests, rights and properties pledged under the Indenture are and will be owned by the Corporation or, to the extent provided in the applicable Supplemental Indenture, a Conduit Issuer free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges created by the Indenture, except as otherwise expressly provided in the Indenture, and all action on the part of the Corporation and each Conduit Issuer to that end has been duly and validly taken. Except as otherwise provided in the Indenture, neither the Corporation nor any Conduit Issuer shall create or voluntarily permit to be created any debt, lien, or charge on the Financed Eligible Loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture; shall not do or omit to do or suffer to be done or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority of such lien for the Bonds might or could be lost or impaired; and is required to pay or

cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence to or any equality with the Indenture as a lien or charge upon the Financed Eligible Loans; provided, however, that nothing in this paragraph requires the Corporation or any Conduit Issuer to pay, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof is contested by it in good faith, unless thereby same will endanger the security for the Bonds; and provided further that any lien on the Trust Estate subordinate to the lien of the Indenture (i.e., subordinate to the lien securing the Senior Bonds, the Senior Subordinate Bonds and the Subordinate Bonds) will be entitled to no payment from the Trust Estate, nor may any remedy be exercised with respect to such subordinate lien against the Trust Estate until all Bonds have been paid or deemed paid under the Indenture.

PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE CORPORATION

Payment of Bonds

The Corporation and each Conduit Issuer covenants in the Indenture that it will promptly pay, but solely from the Trust Estate, the principal of and interest, if any, on each and every Bond issued by it under the provisions of the Indenture at the places, on the dates and in the manner specified in the Indenture and in said Bonds and any premium required for the retirement of said Bonds by purchase or redemption according to the true intent and meaning thereof.

The Corporation and each Conduit Issuer is required at all times to maintain an office or agency where its Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon the Corporation and each Conduit Issuer in respect of the Bonds or of the Indenture may be served. The Corporation has appointed the Trustee as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds, and for the service of such notices, presentations and demands upon the Corporation and any Conduit Issuer.

Covenant to Perform Obligations Under The Indenture

The Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer covenants in the Indenture that it will faithfully perform at all times and at all places all covenants, undertakings, stipulations, provisions and agreements contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings of the Corporation and such Conduit Issuer pertaining thereto. The Issuer covenants in the Indenture that it is duly authorized to issue the Bonds authorized thereunder and to enter into the Indenture and that all action on its part for the issuance of the Bonds issued under the Indenture and the execution and delivery of the Indenture has been duly and effectively taken; and that such Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable special, limited obligations of the Issuer according to the tenor and import thereof.

In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of the Indenture will be a part of the contract of the Corporation and, if applicable, the Conduit Issuer, with the Registered Owners of the Bonds and is deemed to be and constituted a contract among the Corporation, any Conduit Issuer, the Trustee and the Registered Owners from time to time.

Further Instruments and Actions

Each of the Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer covenants in the Indenture that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental to the Indenture and such further acts, instruments and transfers as required for the better pledging all and singular of the Trust Estate to the payment of the principal of, premium, if any, and the interest on the Bonds and other amounts owed under the Indenture to the Registered Owners.

Administration of the Program

The Corporation is required to administer, operate and maintain the Program in such manner as to ensure that the Financed Eligible Loans will conform to the requirements of the Program Manual and any Supplemental Indenture.

Financing, Collection and Assignment of Eligible Loans

The Corporation is required to originate, finance and refinance only Eligible Loans with moneys in the Student Loan Fund and to diligently cause to be collected all principal and interest payments (subject to the provisions described under the caption "Enforcement of Financed Eligible Loans" below) on all the Financed Eligible Loans and all defaulted payments which relate to such Financed Eligible Loans. The Corporation is required to and will direct in writing each Servicer to, transmit all principal and interest payments on all the Financed Eligible Loans to the Trustee for deposit to the Revenue Fund within two (2) Business Days of identification of the related Financed Eligible Loans. The Corporation is required to comply with all United States and state statutes, rules and regulations which apply to the Program and to such Financed Eligible Loans.

Enforcement of Financed Eligible Loans

The Corporation shall, subject to the other provisions of this paragraph, cause to be diligently enforced, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all terms, covenants and conditions of all Financed Eligible Loans, the Program Manual and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due the Corporation thereunder. The Corporation shall not, except as permitted by the succeeding paragraph and the last sentence of this paragraph, permit the release of the obligations of any borrower under any Financed Eligible Loan and shall, subject to the other provisions described under this caption, at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Corporation and the Trustee under the Indenture or with respect to each Financed Eligible Loan and agreement in connection therewith. The Corporation shall not, subject to the other provisions of this paragraph, consent or agree to or permit any amendment or modification of any Financed Eligible Loan or agreement in connection therewith which will in any manner materially adversely affect the rights or security of the Registered Owners under the Indenture. Nothing in the Indenture shall be construed to prevent the Corporation from (i) granting a reasonable forbearance to a borrower (unless such forbearance will, in the reasonable judgment of the Corporation, have a material adverse impact on the Corporation's or any Conduit Issuer's ability to meet its obligations under the Indenture); (ii) settling a default or curing a delinquency on any Financed Eligible Loan on such terms as shall be permitted by law and as permitted by the Program Manual; (iii) forgiving the repayment of any Financed Eligible Loan upon the death or permanent disability of a borrower or benefiting student, (iv) offering borrower benefits that are permitted under the Program Manual, (v) settling or curing a delinquency on any Financed Eligible Loan or otherwise settling any dispute with a borrower on such terms as shall be required by law or as the Corporation may deem to be in the best interest of the Program, (vi) providing any deferral, forbearance or other similar benefits in accordance with the standards and requirements of the Program; (vii) with respect to any Defaulted Loan, rescheduling, revising, deferring, selling or otherwise compromising payments or taking other reasonable actions with respect to Defaulted Loans in connection with maximizing the recovery on such Defaulted Loans as further set forth below, (viii) ceasing collection and servicing efforts with respect to any small balance Financed Eligible Loan when and if the Corporation determines that the probable costs of collection and servicing exceed the expected proceeds of collection (including having a write-off policy that is consistent with the standards and requirements of the applicable Servicer), (ix) if the Corporation shall have satisfied the Rating Agency Notification, charging interest at a lower rate than is required by the Program Manual or any Supplemental Indenture; or (x) if the Corporation shall have satisfied the Rating Agency Notification, establishing discounts or granting forgiveness of principal of or interest on Financed Eligible Loans.

Notwithstanding the foregoing, the Corporation may also forgive the principal of and/or interest and other fees and charges on all or a portion of the Financed Eligible Loans to prevent interest on any Tax-Exempt Bonds from being includable in the gross income of the owners thereof for federal income tax purposes, or take such other action as may be provided in the written opinion of Bond Counsel (including, but not limited to, the payment of "yield reduction payments" under § 1.148-5(c) of the Treasury Regulations), and may forgive the remaining indebtedness on any Financed Eligible Loan if, in the reasonable judgment of the Corporation evidenced by a certificate of an Authorized Representative delivered to the Trustee, the cost of collection of the remaining indebtedness of such Financed Eligible Loan would exceed such remaining indebtedness.

The Corporation, or its designated agent (which designated agent may be the Administrator, a Servicer or any third-party collection agent), is required to undertake reasonable collection efforts with respect to any Defaulted Loans in accordance with customary industry standards and practices. All such collection efforts are required to be conducted in material compliance with all applicable federal, state and local laws, including any applicable consumer protection laws. Any such designated agent of the Corporation that successfully collects amounts owed from borrowers on Defaulted Loans may be compensated for such collection efforts by deducting and retaining a customary percentage of amounts collected from borrowers, as well as any related collection expenses, on Defaulted Loans that is approved by the Corporation with all remaining amounts collected from borrowers on Defaulted Loans being promptly deposited to the applicable Account of the Revenue Fund, regardless of whether any such borrower payments result in a reduction in the outstanding principal balance of any such Defaulted Loans. Notwithstanding anything set forth in the Indenture to the contrary, such designated agent of the Corporation may directly collect amounts received from borrowers with respect to Defaulted Loans for deposit with the Trustee, and any deductions from amounts collected on Defaulted Loans by designated agents of the Corporation as compensation for performing collection efforts, as well as any related collection expenses, are not deemed to be Revenue or a Senior Transaction Fee or Subordinate Transaction Fee under the Indenture. To the extent that the Administrator pays or advances collection expenses on behalf of a collection agent for Defaulted Loans, the Administrator may be reimbursed from collections prior to the deposit of such amounts in the Revenue Fund to the same extent as if such collection expenses had been directly paid, and deducted from such collections, by the collection agent. The Corporation, or its designated agent serving as collection agent, may act as custodian for any Defaulted Loans. The Corporation, or its designated agent, is permitted to reschedule, revise, defer or otherwise compromise payments or take other reasonable actions with respect to Financed Eligible Loans that are Defaulted Loans in connection with maximizing the recovery on such Financed Eligible Loans. The Corporation, or its designated agent, is also permitted to cease collection and servicing efforts with respect to any Financed Eligible Loans when and if the Corporation determines that the probable costs of collection and servicing exceed the expected proceeds of collection or that the Financed Eligible Loan is unsuitable for continued collection efforts.

Administration and Servicing

The Corporation covenants that it will keep in force and effect an Administration Agreement whereby the Administrator will be responsible for the performance of certain administrative functions in connection with the Indenture and pursuant to which the Administrator is required to cause there to be provided, loan servicing services for the Financed Eligible Loans in accordance with all applicable requirements of the Program and the Indenture. The Corporation and/or the Administrator may enter into Servicing Agreements with Servicers; provided that, with respect to any Servicer appointed with respect to the Financed Eligible Loans after the Date of Issuance, the Rating Agency Notification shall first be satisfied.

The Corporation is required to cause to be diligently enforced, and to take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of the Administration Agreement, including the prompt payment of all principal and interest payments and all other amounts due the Corporation or the Trustee thereunder, which relate to any Financed Eligible Loans, and maintaining Servicing Agreements with Servicers with respect to the servicing of the Financed Eligible Loans. The Corporation is not permitted to release any of the obligations of the Administrator under the Administration Agreement and is required at all times, to the extent permitted by law, to cause to be defended, enforced, preserved and protected the rights and privileges of the Corporation, the Trustee and the Registered Owners under or with respect to the Administration Agreement.

The Corporation, or the Administrator on its behalf, is required to cause each Servicer to duly and properly service all Financed Eligible Loans and to enforce the payment and collection of all payments of principal and interest payments which relate to any Financed Eligible Loans. The Corporation is required to cause each Servicer to enter into a Servicing Agreement providing that the Servicer will administer and collect all Financed Eligible Loans" above and "Administration and Collection of Financed Eligible Loans" below and perform any duties, obligations and functions imposed upon the Servicer therein. The Corporation is not permitted to remove, or to permit the Administrator to remove on its behalf, any Servicer under a Servicing Agreement unless (i) the Corporation has appointed a successor Servicer, (ii) the successor Servicer has executed and delivered a Servicing Agreement, and (iii) the Corporation has satisfied the Rating Agency Notification.

Upon the occurrence and continuation of an Administrator Default, the Administrator may be replaced to the extent provided in the Administration Agreement.

The Trustee, by the execution of the Indenture, covenants, represents and agrees in the Indenture that upon any termination of the Administrator pursuant to the Administration Agreement, the Trustee, pursuant to the Administration Agreement, (i) may perform the duties of the Administrator specified in the Administration Agreement, (ii) will appoint a successor administrator to perform such duties as provided in the Administration Agreement or (iii) will petition a court for the appointment of a successor administrator as provided in the Administration Agreement. The Trustee has no duty to assume any responsibilities or duties of the Administrator under the Administration Agreement, unless and until, the Trustee, in its sole discretion, appoints itself in writing as the successor Administrator as provided in the Administration Agreement.

Nothing in this Section shall affect the Trustee's rights to indemnification under the Indenture.

The Corporation will not consent or agree to or permit any amendment, supplement or modification of the Administration Agreement or any Servicing Agreement unless the Rating Agency Notification has been satisfied with respect to any such amendment, supplement or modification; provided that, the Administration Agreement or any Servicing Agreement may be amended at any time upon the mutual written consent of the parties to cure any ambiguity, defect, or omission in the Administration Agreement or any Servicing Agreement without a Rating Agency Notification upon the Trustee's receipt of an Opinion of Counsel that any such amendment or modification will not materially adversely affect the rights or security of the Registered Owners, is authorized and permitted by such Administration Agreement or Servicing Agreement and all conditions precedent have been satisfied.

Administration and Collection of Financed Eligible Loans

All Financed Eligible Loans which are part of the Trust Estate are required to be administered and collected by a Servicer and/or Administrator selected by the Corporation in a competent, diligent and orderly fashion and in accordance with all applicable requirements of the Indenture, any Supplemental Indenture and the Program Manual.

The promissory notes evidencing Financed Eligible Loans are required to be held or, with respect to electronically executed promissory notes, maintained by the Servicer pursuant to a Servicing Agreement. Subject to the foregoing, the Corporation covenants and agrees in the Indenture as follows with respect to all Financed Eligible Loans:

(a) The Servicer holds promissory notes evidencing Financed Eligible Loans and related documentation as bailee for and on behalf of the Trustee for purposes of perfecting the security interests of the Trustee therein.

(b) All sums received by the Corporation or the Servicer with respect to Financed Eligible Loans will be held on behalf of the Trustee including, but not limited to, all payments of principal and interest and proceeds of the sale thereof. All such amounts are required to be held in a segregated account and not commingled with any of the Corporation's or Servicer's other funds.

Tax Covenants

The Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer is required at all times to do and perform all acts and things necessary or desirable in order to assure that interest paid on the Tax-Exempt Bonds will, for purposes of federal income taxation, be excludable from the gross income of the recipients thereof, including, but not limited to, such actions as are required to be taken pursuant to any Tax Documents and the Indenture.

The Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer will not permit at any time or times any of the proceeds of the Bonds or any other funds of the Corporation to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Tax-Exempt Bond to be or become an "arbitrage bond" as defined in Section 148 of the Code.

The Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer is required to take such action as may be necessary to assure that the Portfolio Yield as of the date of final payment of

related Tax-Exempt Bonds does not exceed the related Bond Yield by an amount greater than may be consistent with any Tax Documents, including paying any required amounts to the Internal Revenue Service and/or the forgiveness and discharge of borrower payment obligations with respect to the outstanding principal amounts of and any interest and other fees due upon any or all of such Financed Eligible Loans upon any such payment date.

The foregoing covenants remain in full force and effect notwithstanding the defeasance of the Bonds as described under the caption "PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE" in this Appendix A or any other provision of the Indenture, and notwithstanding any provision of the Indenture, the Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer is required to observe its covenants and agreements contained in the Tax Documents, to the extent that, and for so long as, such covenants and agreements are required by law.

No Waiver of Laws

The Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer shall not at any time insist upon or plead in any manner whatsoever, or claim to take the benefit or advantage of any stay or extension of law now or at any time hereafter in force which may affect the covenants and agreements contained in the Indenture or in the Bonds and all benefit or advantage of any such law or laws is expressly waived by the Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer.

Pledge of Trust Estate

The Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer is required to, at its own expense, execute and deliver such instruments and documents as may be required in order to maintain in favor of the Trustee a perfected, first-priority security interest in the Financed Eligible Loans and related Revenues and the pledged Funds pursuant to the Uniform Commercial Code of the State of South Carolina. Without limiting the generality of the foregoing, the Corporation is required to execute, deliver and file all such financing and continuation statements and amendments thereto and such other instruments, endorsements and notices as may be necessary in order to perfect and preserve the lien and pledge of the Indenture.

The Corporation and each Conduit Issuer authorizes the Trustee from time to time to file financing statements, continuation statements and amendments thereto, relative to all or any part of the Financed Eligible Loans, the related Revenues and the pledged Funds, without the signature of the Corporation or such Conduit Issuer (where permitted by law). Copies of any such statement or amendment shall be promptly delivered to the Corporation and any applicable Conduit Issuer. The Trustee agrees, without further notice, to confirm with the Corporation if any such filing has been or will be completed by the Corporation and, if not, the Trustee will prepare, request that the Corporation and any applicable Conduit Issuer execute (if such execution is necessary for any such filing) and file in a timely manner all of the continuation statements referred to in the Indenture subject to the limitations in the Indenture.

The Corporation is required to timely pay or reimburse the Trustee for any and all filing, registration and recording fees (and any refiling, re registration and re-recording fees) and all expenses incident to the execution, delivery and/or performance of the Indenture and any agreement or instrument of further assurance furnished hereunder.

The Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer is required to warrant and defend its title to the Financed Eligible Loans, the related Revenues and the pledged Funds against the claims and demands of all Persons other than the Trustee and the Registered Owners of the Bonds.

Except for the lien and pledge of the Indenture, and any other liens expressly authorized under the Indenture, the Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer will not cause or permit all or any part of the Trust Estate, including but not limited to the Financed Eligible Loans and related Revenues and the pledged Funds, to become subject to any consensual or non-consensual lien or encumbrance.

Except for the lien and pledge of the Indenture, (a) the Corporation has no knowledge, and has not received any notice, that any party other than the Trustee, on behalf of itself and the Registered Owners of the Bonds, has or

claims to have any security interest or other lien on all or any part of the Trust Estate; and (b) no party, other than the Corporation, any applicable Conduit Issuer and the Trustee, on behalf of the Registered Owners of the Bonds, has or claims to have any interest whatsoever in all or any part of the Trust Estate.

The Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer represents and warrants in the Indenture for the benefit of the Trustee and the Registered Owners of the Bonds as follows:

- Notwithstanding any other provision of the Indenture, a security interest in the Trust Estate granted by the Corporation and, if applicable, such Conduit Issuer is attached and perfected at the time the security interest is executed and delivered by the Corporation and, if applicable, such Conduit Issuer. The security interest grants to the Trustee a first prior perfected security interest in the Trust Estate for the benefit of the Trustee and Registered Owners without regard to the location of the assets that constitute the Trust Estate.
- The Financed Eligible Loans are instruments, including promissory notes, or payment intangibles within the meaning of the Uniform Commercial Code of the State of South Carolina.
- The Corporation owns and has good and marketable title to the Financed Eligible Loans free and clear of any lien, charge, security interest or other encumbrance of any Person, other than those granted pursuant to the Indenture.
- The Corporation has caused or will have caused, within 10 days after the date of initial issuance of each Series, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Financed Eligible Loans granted to the Trustee hereunder pursuant to the Uniform Commercial Code of the State of South Carolina.
- Other than the pledge to the Trustee pursuant to the Indenture, neither the Corporation nor such Conduit Issuer has pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Financed Eligible Loans. The Corporation has not authorized the filing of and is not aware of any financing statements against the Corporation that include a description of collateral covering the Financed Eligible Loans other than any financing statement relating to the pledge granted to the Trustee under the Indenture and such financing statements that have been terminated. The Corporation is not aware of any judgment or tax lien filings against the Corporation. The Conduit Issuer has not authorized the filing of and is not aware of any financing statements against the Conduit Issuer that include a description of collateral covering the Financed Eligible Loans other than any financing statements against the Conduit Issuer has not authorized the filing of and is not aware of any financing statements against the Conduit Issuer that include a description of collateral covering the Financed Eligible Loans other than any financing statements against the Conduit Issuer that include a description of collateral covering the Financed Eligible Loans other than any financing statement relating to the pledge granted to the Trustee hereunder and such financing statements that have been terminated. The Conduit Issuer is not aware of any judgment or tax lien filings against the Conduit Issuer.

The Corporation is required to assure that its Program's electronic loan processes comply with applicable law.

For the purposes of the Indenture, any Financed Eligible Loans, including electronic loans, in which the Trustee has received a pledge, will be accounted for in the Student Loan Fund.

The transactions described in the Indenture may be conducted and related documents may be stored by electronic means as provided in this paragraph. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents will be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

The Paying Agent is appointed as the sole and exclusive agent and bailee of the Trustee solely in order to take possession and custody of the pledged Funds for the purpose of perfecting and continuing the perfection of the Trustee's security interest in the pledged Funds. The Paying Agent accepts such appointment, acknowledges receipt of notice of the security interest held by the Trustee in the pledged Funds and acknowledges that it is holding such pledged Funds for such purpose and solely for the Trustee's benefit.

The Corporation and, to the extent provided in the applicable Supplemental Indenture, each Conduit Issuer is required to take all steps necessary to maintain the pledge and priority of the Trustee's interest in the Financed Eligible Loans.

Senior Transaction Fees

The amount of the Senior Transaction Fees may be increased at any time upon satisfaction of the Rating Agency Notification. The Standard Servicing Fees payable to the Servicers servicing Financed Eligible Loans on the Date of Issuance that are payable as Senior Transaction Fees may not exceed the existing amounts of Standard Servicing Fees payable pursuant to the applicable Servicing Agreements in existence on the Date of Issuance (including any currently contemplated increases to those amounts pursuant to existing inflationary escalator clauses relating to such Standard Servicing Fees as set forth in the Servicer Agreements on the Date of Issuance). After the Date of Issuance, to the extent that any Financed Eligible Loans are serviced by any other Servicer, the amount of Standard Servicing Fees payable to such other Servicer as Senior Transaction Fees may not exceed the amounts payable pursuant to the initial Servicing Agreements (including any increases and contemplated increases to those amounts pursuant to existing inflationary escalator clauses relating to such Standard Servicing Fees payable to all Servicer as Senior Transaction Fees may not exceed the amounts payable pursuant to the initial Servicing Agreements (including any increases and contemplated increases to those amounts pursuant to existing inflationary escalator clauses relating to such Standard Servicing Fees as set forth in the Servicing Agreements on the Date of Issuance) in effect on the Date of Issuance unless the Rating Agency Notification has been satisfied. The Standard Servicing Fees payable to a Servicer may be increased at any time upon satisfaction of the Rating Agency Notification. Additional limitations relating to the payment of Senior Transaction Fees are described under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS – Senior Transaction Fees" in the body of this Official Statement.

Monthly Reports; Periodic Information on the Financed Eligible Loans

Except as provided below, the Corporation will cause the Administrator to prepare and furnish to the Trustee a Monthly Report at least two (2) Business Days prior to the last Business Day of each calendar month. The Trustee is required to make available a copy of each Monthly Report or portion thereof (as provided in the third paragraph of this caption) promptly after receipt thereof via its website at https://gctinvestorreporting.bnymellon.com, or such other internet address as the Trustee may specify from time to time, to each Registered Owner requesting a copy thereof, and to each Rating Agency then rating Outstanding Bonds.

The Trustee may cease making such Monthly Reports available on its website, provided that it provides an alternate means of delivery.

In addition, the Corporation is required to cause the Administrator to make periodic information on the Financed Eligible Loans as set forth in a Supplemental Indenture. The Corporation reserves the right, however, (a) to alter the format in which such periodic information is presented, (b) to make such periodic information available either by posting as set forth in a Supplemental Indenture or by posting on a publicly accessible website, or (c) to make such periodic information available by including it as part of the Monthly Report that is delivered during that period.

The Trustee shall verify and confirm the accuracy of the amounts on deposit in the Funds, Accounts and Subaccounts, the debt service requirements and Debt Service Reserve Fund Requirement set forth in each Monthly Report delivered to the Trustee in accordance with this Section. Other than as set forth in this Section, delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Corporation's compliance with any of its covenants hereunder.

FUNDS

Creation and Continuation of Funds and Accounts

The Indenture creates and establishes the following Funds to be held and maintained by the Trustee for the benefit of the Registered Owners and, as applicable, the Trustee:

• Student Loan Fund, including a Tax-Exempt Account and a Taxable Account therein;

- Revenue Fund, including a Tax-Exempt Account and a Taxable Account therein;
- Capitalized Interest Fund, including a Tax-Exempt Account and a Taxable Account therein;
- Debt Service Fund, including a Tax-Exempt Interest Account, a Tax-Exempt Principal Account, a Tax-Exempt Retirement Account, a Taxable Interest Account, a Taxable Principal Account and a Taxable Retirement Account; and
- Debt Service Reserve Fund, including a Tax-Exempt Account and a Taxable Account therein.

The Indenture also creates and establishes the Rebate Fund, to be held and maintained by the Trustee, in which none of the Corporation, any Conduit Issuer or the Registered Owners have any right, title or interest.

The Operating Fund does not constitute a Fund within the meaning of the Indenture, and is held by the Corporation. The Registered Owners shall have no right, title or interest in the Operating Fund. The Corporation directs the Paying Agent to create, establish and maintain the Operating Fund and take further direction pursuant to any Corporation Order as may be contemplated in the Indenture with regard to the Operating Fund.

The Trustee is authorized for the purpose of facilitating the administration of the Trust Estate and for the administration of any Bonds issued under the Indenture to create further Accounts or Subaccounts in any of the various Funds and Accounts established under the Indenture which are deemed necessary or desirable.

Student Loan Fund

There will be deposited into the Taxable Account or the Tax-Exempt Account, as applicable, of the Student Loan Fund moneys from proceeds of any Bonds and any other amounts to be deposited therein pursuant to a Supplemental Indenture and moneys transferred thereto from the Revenue Fund and the Capitalized Interest Fund pursuant to the Indenture. Financed Eligible Loans pledged to the Trust Estate are accounted for as a part of the Student Loan Fund.

Moneys on deposit in the Student Loan Fund are required to be used to pay costs of issuance of the Bonds and, during any Acquisition Period and any Recycling Period, as set forth in a Supplemental Indenture, to finance or refinance Eligible Loans. Any such Corporation Order will state that such proposed use of moneys in the Student Loan Fund is in compliance with the provisions of the Indenture. If the Corporation determines that all or any portion of such moneys cannot be so used, then an Authorized Representative of the Corporation may by Corporation Order direct the Trustee that such moneys shall be transferred to the Tax-Exempt Retirement Account or the Taxable Retirement Account, as applicable, of the Debt Service Fund and used to redeem Bonds in accordance with any Supplemental Indenture. See the caption "THE SERIES 2020 TAXABLE BONDS – Redemption Provisions – Mandatory Redemption from Unexpended Taxable Proceeds" in the body of this Official Statement.

Each Corporation Order providing for the financing of Eligible Loans will specifically (a) identify each Eligible Loan, (b) identify the portion of each Eligible Loan which is financed by (i) amounts transferred from the Taxable Account of the Student Loan Fund and (ii) amounts transferred from the Tax-Exempt Account of the Student Loan Fund and (c) state that the Corporation, or a Servicer, is in possession of the promissory note(s) relating to each such Eligible Loans. No Eligible Loan will be financed by the Corporation with amounts on deposit in the Student Loan Fund unless (a) a promissory note shall have been executed by the borrower and any required co-signer to evidence the Eligible Loan, (b) the Eligible Loan is a legal, valid and binding obligation of the borrower and any required co signor, enforceable in accordance with its terms and conditions and free from any right of set off, counter claim or other claim, defense or security interest, (c) the Corporation has complied with the requirements of applicable federal and State law in originating the Eligible Loan, (d) the payment to be made is a proper charge against the Account of the Student Loan Fund from which such payment is made, (e) the Eligible Loan constitutes an Eligible Loan within the meaning of the Indenture and the Program Manual, (f) such Eligible Loan is or was made to a borrower or a required co-signer who meets, if applicable, the credit requirements established by the Corporation as specified in the Program Manual and (g) no Event of Default may have occurred and is continuing under the Indenture. Amounts transferred out of the Student Loan Fund shall only be used for financing of Eligible Loans and to pay costs of issuance of the Bonds. If the Corporation is obligated to finance an Eligible Loan that requires a future disbursement by the

Corporation, the Corporation is required to reserve an amount equal to the future disbursement on such Eligible Loan in the Account or Accounts of the Student Loan Fund from which such Eligible Loan is to be financed. All Eligible Loans, or portions thereof, acquired with amounts on deposit in an Account of the Student Loan Fund from proceeds of Taxable Bonds or Tax-Exempt Bonds is required to be held in that same Account of the Student Loan Fund unless otherwise directed by Corporation Order. An Eligible Loan which is financed both with amounts on deposit in the Taxable Account and the Tax-Exempt Account of the Student Loan Fund will be allocated between the Taxable Account and the Tax-Exempt Account of the Student Loan Fund based upon the percentage of such Eligible Loan funded from each such Account unless otherwise directed by Corporation Order. All Eligible Loan funded from each such Account unless otherwise directed by Corporation Order. All Eligible Loan funded from each such Account unless otherwise directed by Corporation Order. All Eligible Loan funded from each such Account unless otherwise directed by Corporation Order. All Eligible Loans, or portions thereof, acquired with amounts on deposit in an Account of the Student Loan Fund that are not from or derived from proceeds of Taxable Bonds or Tax-Exempt Bonds will be held in the Account of the Student Loan Fund as directed by a Corporation Order.

The Corporation covenants in the Indenture that no amount credited to the Tax-Exempt Account of the Student Loan Fund will be used to finance or refinance any Eligible Loans which (A) are not Nexus Loans unless the percentage of the proceeds of the applicable Series of Tax-Exempt Bonds used to finance or refinance Nexus Loans equals or exceeds the percentage required by the Tax Documents related to such Series of Tax-Exempt Bonds, without regard to amounts related to such Series of Tax-Exempt Bonds deposited in the Tax-Exempt Account of the Debt Service Reserve Fund or (B) are not permitted to be financed under the requirements set forth in the Tax Documents.

If on the last Business Day of any calendar month or on a Bond Payment Date, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund) to make the transfers due on Tax-Exempt Bonds or Taxable Bonds, an amount equal to any such deficiency is required to be transferred directly from the Student Loan Fund (but only from cash or Investment Securities and not from Financed Eligible Loans or from amounts necessary for the financing of Approved Undisbursed Loans, which aggregate principal amount, if any, of such Approved Undisbursed Loans has been certified by an Authorized Officer of the Corporation to the Trustee on or prior to the last day of an Acquisition Period or Recycling Period, as applicable, with respect to a Series of Bonds) to the Tax-Exempt Account or Taxable Account of the Revenue Fund, as applicable and on a pro rata basis if necessary, to make such transfers (but only from amounts on deposit in the Student Loan Fund not constituting the proceeds of a Series of Tax-Exempt Bonds unless a Favorable Opinion has been received by the Corporation and the Trustee) as directed by and in accordance with the applicable Monthly Report or Corporation Order. To the extent that amounts are available within an Account of the Student Loan Fund, (i) amounts on deposit in the Tax-Exempt Account of the Student Loan Fund are required to be used to make transfers to the Tax-Exempt Account of the Revenue Fund before using amounts on deposit in the Taxable Account of the Student Loan Fund and (ii) amounts on deposit in the Taxable Account of the Student Loan Fund are required to be used to make transfers to the Taxable Account of the Revenue Fund before using amounts on deposit in the Tax-Exempt Account of the Student Loan Fund.

Original proceeds of a Series of Bonds and funds of the Corporation remaining in an Account or Subaccount of the Student Loan Fund at any interim date specified in a Supplemental Indenture to the extent required thereby or remaining in the Account or Subaccount of the Student Loan Fund at the end of its related Acquisition Period and required to be used to redeem Bonds of such Series pursuant to the corresponding Supplemental Indenture are required to be transferred to the Tax-Exempt Account or Taxable Account of the Revenue Fund or the Tax-Exempt Retirement Account or the Taxable Retirement Account of the Debt Service Fund, as appropriate, and used to redeem the Bonds of such Series pursuant to the corresponding Supplemental Indenture as directed by and in accordance with the applicable Monthly Report or Corporation Order. All remaining amounts on deposit in an Account or Subaccount of the Student Loan Fund corresponding to a Series of Bonds upon the termination of the Recycling Period for such Series shall be transferred to the Tax-Exempt Account or Taxable Account of the Revenue Fund from which such amounts originated.

To the extent not needed during any Recycling Period, the Corporation may by Corporation Order transfer any recycling amounts transferred from the Taxable Account of the Revenue Fund under paragraph (j) under the caption "Revenue Fund – Taxable Account" below or from the Tax-Exempt Account of the Revenue Fund under paragraph (j) under the caption "Revenue Fund – Tax-Exempt Account" below back to the applicable Account of the Revenue Fund from which it was originally transferred. Financed Eligible Loans will be sold, transferred or otherwise disposed of (including transfers or sales to other trust estates) by the Trustee free from the lien of the Indenture at any time pursuant to a Corporation Order and if the Trustee is provided with the following:

- a Corporation Order stating the sale price and directing that Financed Eligible Loans be sold, transferred or otherwise disposed of and delivered:
 - to any Person, whose name is required to be specified; or
 - to the trustee under another indenture securing bonds issued by the Corporation whose name is required to be specified in such Corporation Order; and
- a certificate, which may be incorporated in the Corporation Order referred to in paragraph (a) above, signed by an Authorized Representative of the Corporation to the effect that:
 - (A) the disposition price is equal to or in excess of the principal amount thereof (plus accrued interest); or

(B) the disposition price is lower than the principal amount thereof (plus accrued interest), (1) the Corporation reasonably believes that the Revenues expected to be received (after giving effect to such disposition) would be at least equal to the Revenues expected to be received assuming no such sale, transfer or other disposition occurred and the Corporation has satisfied the Rating Agency Notification; or (2) the Corporation is required to remain able to pay debt service on the Bonds on a timely basis (after giving effect to such sale, transfer or other disposition) whereas it would not have been able to do so on a timely basis if it had not sold, transferred or disposed of the Financed Eligible Loans at such discounted amount and the Corporation has satisfied the Rating Agency Notification; and

- the Corporation has determined that adequate provision has been made assuring that such sale, transfer or other disposition does not impair the Corporation's capacity to comply with its obligation relative to the restriction upon Portfolio Yield as such obligation would be calculated upon the date of such sale, transfer or other disposition in accordance with any Tax Documents.

The provisions above are also subject to the limitation that the Corporation may not sell or transfer Financed Eligible Loans at any one time or in a series of transactions in an aggregate principal amount (giving effect to all such sales or transfers from the most recent Date of Issuance) in excess of 10% of the highest principal amount of Financed Eligible Loans, as of the end of any calendar month, held under the Indenture following the most recent Date of Issuance at the time of any such sale or transfer unless the Corporation has satisfied the Rating Agency Notification.

Further, Financed Eligible Loans will also be sold, transferred or otherwise disposed of by the Trustee as follows: (y) the sale to a Servicer of any Financed Eligible Loans which it is required to purchase pursuant to a Servicing Agreement as a result of servicing errors, and (z) pursuant to a Corporation Order in which the Corporation determines that such disposition of Financed Eligible Loans from the Trust Estate is necessary in order to avoid the occurrence of an Event of Default under the Indenture, in such amount and at such times and prices as may be specified by the Corporation. The Trustee, following receipt of the foregoing and of a certificate of an Authorized Officer of the Corporation indicating that such purchaser or transferee is one of the entities described above, if applicable, shall deliver such Financed Eligible Loans free from the lien of the Indenture upon the receipt of the purchase price or consideration specified in the Corporation Order, in compliance with the foregoing. The proceeds to be received upon any disposition may consist of cash, Investment Securities and/or Eligible Loans. The Trustee will deposit the proceeds of any such sale, transfer or other disposition into the Account with respect to which such Financed Eligible Loans were attributable, if applicable, as directed in such Corporation Order.

Revenue Fund

There will be deposited into the Tax-Exempt Account of the Revenue Fund all Revenues derived from Financed Eligible Loans, or portions thereof, on deposit in the Tax-Exempt Account of the Student Loan Fund, Revenues derived from proceeds of Tax-Exempt Bonds on deposit in the Student Loan Fund and all other Revenue derived from moneys or assets on deposit in the Tax-Exempt Accounts of the Debt Service Reserve Fund, the Capitalized Interest Fund and the Revenue Fund and any other amounts deposited thereto upon receipt of a Corporation

Order or otherwise required pursuant to a Supplemental Indenture. There will be deposited into the Taxable Account of the Revenue Fund all Revenues derived from Financed Eligible Loans, or portions thereof, on deposit in the Taxable Account of the Student Loan Fund, Revenues derived from proceeds of Taxable Bonds on deposit in the Student Loan Fund, and all other Revenue derived from moneys or assets on deposit in the Taxable Accounts of the Debt Service Reserve Fund, the Capitalized Interest Fund and the Revenue Fund and any other amounts deposited thereto upon receipt of a Corporation Order or otherwise required pursuant to a Supplemental Indenture.

<u>Tax-Exempt Account</u>. On the last Business Day of each calendar month pursuant to the corresponding Monthly Report, or more frequently or on other dates if required by a Supplemental Indenture or if directed by the Corporation pursuant to a Corporation Order, Revenues in the Tax-Exempt Account of the Revenue Fund are required to be used and transferred to other Funds, Accounts, Subaccounts or Persons in the following order of priority (any money not so transferred or paid to remain in the Tax-Exempt Account of the Revenue Fund until subsequently applied as described under this caption):

(a) to the Rebate Fund, upon receipt of a Corporation Order and if necessary to comply with any Tax Document with respect to rebate or Excess Earnings;

(b) on a pro rata basis, if necessary, to the Operating Fund for the payment of Senior Transaction Fees allocable to the Tax-Exempt Bonds to the extent and in the manner described under the caption "Operating Fund" below upon receipt of a Corporation Order directing the same and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (b) under the caption "Taxable Account" below;

(c) on a pro rata basis, if necessary, to the credit of the Tax-Exempt Interest Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Tax-Exempt Interest Account" below, to provide for the payment of interest on Senior Tax-Exempt Bonds and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (c) under the caption "Taxable Account" below;

(d) (i) *first*, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Tax-Exempt Principal Account" below, to provide for the payment of principal of Senior Tax-Exempt Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a mandatory sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (d)(i) under the caption "Taxable Account" below and (ii) *second*, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Tax-Exempt Principal Account" below, to provide for the payment of cumulative mandatory sinking fund installments of Senior Tax-Exempt Bonds not funded under paragraph (i) of this paragraph (d) on a mandatory sinking fund payment date and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (d) on a mandatory sinking fund payment date and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (d)(ii) under the caption "Taxable Account" below;

(e) on a pro rata basis, if necessary, to the Tax-Exempt Account of the Debt Service Reserve Fund the amount, if any, required to restore the Tax-Exempt Account of the Debt Service Reserve Fund to its allocable portion of the Debt Service Reserve Fund Requirement with respect thereto, with any separate Account established therein receiving its pro rata share of such replenishment, if necessary, based upon the amount disbursed from such Account and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (e) under the caption "Taxable Account" below;

(f) on a pro rata basis, if necessary, to the credit of the Tax-Exempt Interest Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Tax-Exempt Interest Account" below, to provide for the payment of interest on Senior Subordinate Tax-Exempt

Bonds and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (f) under the caption "Taxable Account" below;

(i) first, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account (g) of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund-Tax-Exempt Principal Account" below, to provide for the payment of principal of Senior Subordinate Tax-Exempt Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a mandatory sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (g)(i) under the caption "Taxable Account" below and (ii) second, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund-Tax-Exempt Principal Account" below, to provide for the payment of cumulative mandatory sinking fund installments of Senior Subordinate Tax-Exempt Bonds not funded under clause (i) of this paragraph (g) on a mandatory sinking fund payment date and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (g)(ii) under the caption "Taxable Account" below;

(h) on a pro rata basis, if necessary, to the credit of the Tax-Exempt Interest Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Tax-Exempt Interest Account" below, to provide for the payment of interest on Subordinate Tax-Exempt Bonds and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (h) under the caption "Taxable Account" below;

(i) (i) *first*, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund— Tax-Exempt Principal Account" below, to provide for the payment of principal of Subordinate Tax-Exempt Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a mandatory sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (i)(i) under the caption "Taxable Account" below and (ii) *second*, on a pro rata basis, if necessary, to the credit of the Tax-Exempt Principal Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Tax-Exempt Principal Account" below, to provide for the payment of cumulative mandatory sinking fund installments of Subordinate Tax-Exempt Bonds not funded under clause (i) of this paragraph (i) on a mandatory sinking fund payment date and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (i)(ii) under the caption "Taxable Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (i)(ii) under the caption "Taxable Account" below;

(j) during any applicable Recycling Period, at the option of the Corporation and upon receipt by the Trustee of a Corporation Order, to the Tax-Exempt Account of the Student Loan Fund;

(k) (i) at the option of the Corporation and upon receipt by the Trustee of a Corporation Order or (ii) as required by a Supplemental Indenture (but only on the last Business Day of the calendar months of April and October), to the Taxable Retirement Account of the Tax-Exempt Retirement Account of the Debt Service Fund for Principal Reduction Payments or the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to Principal Reduction Payments or redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular Series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of the Corporation by Corporation Order) (See the caption "THE SERIES 2020 TAXABLE BONDS—Redemption Provisions" in the body of this Official Statement);

(1) to the Operating Fund for the payment of Subordinate Transaction Fees allocable to the Tax-Exempt Bonds to the extent permitted and in the manner described under the caption "Operating Fund" below upon receipt of a Corporation Order directing the same; and

(m) at the option of the Corporation and upon receipt by the Trustee of a Corporation Order (but only on the last Business Day of the calendar months of May and November), to the Residual Certificateholder to the extent permitted by the Indenture.

<u>Taxable Account</u>. On the last Business Day of each calendar month pursuant to the corresponding Monthly Report, or more frequently or on other dates if required by a Supplemental Indenture or if directed by the Corporation pursuant to a Corporation Order, Revenues in the Taxable Account of the Revenue Fund shall be used and transferred to other Funds, Accounts, Subaccounts or Persons in the following order of priority (any money not so transferred or paid to remain in the Taxable Account of the Revenue Fund until subsequently applied as described under this caption):

(a) to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund to make the transfers required pursuant to paragraph (a) described under the caption "Tax-Exempt Account" above, to the Rebate Fund, upon receipt of a Corporation Order and if necessary to comply with any Tax Document with respect to rebate or Excess Earnings;

(b) on a pro rata basis, if necessary, to the Operating Fund for the payment of Senior Transaction Fees allocable to the Taxable Bonds to the extent and in the manner described under the caption "Operating Fund" below upon receipt of a Corporation Order directing the same and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (b) described under the caption "Tax-Exempt Account" above;

(c) on a pro rata basis, if necessary, to the credit of the Taxable Interest Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Taxable Interest Account" below, to provide for the payment of interest on Senior Taxable Bonds and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (c) described under the caption "Tax-Exempt Account" above;

(d) (i) first, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund-Taxable Principal Account" below, to provide for the payment of principal of Senior Taxable Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a mandatory sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (d)(i) described under the caption "Tax-Exempt Account" above and (ii) second, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund-Taxable Principal Account" below, to provide for the payment of cumulative mandatory sinking fund installments of Senior Taxable Bonds not funded under clause (i) of this paragraph (d) on a mandatory sinking fund payment date and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (d)(ii) described under the caption "Tax-Exempt Account" above;

(e) on a pro rata basis, if necessary, to the Taxable Account of the Debt Service Reserve Fund the amount, if any, required to restore the Taxable Account of the Debt Service Reserve Fund to its allocable portion of the Debt Service Reserve Fund Requirement with respect thereto, with any separate Account established therein receiving its pro rata share of such replenishment, if necessary, based upon the amount disbursed from such Account and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (e) described under the caption "Tax-Exempt Account" above;

(f) on a pro rata basis, if necessary, to the credit of the Taxable Interest Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Taxable Interest Account" below, to provide for the payment of interest on Senior Subordinate Taxable Bonds and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (f) described under the caption "Tax-Exempt Account" above;

(i) first, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of (g) the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund-Taxable Principal Account" below, to provide for the payment of principal of Senior Subordinate Taxable Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a mandatory sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (g)(i) described under the caption "Tax-Exempt Account" above and (ii) second, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund-Taxable Principal Account" below, to provide for the payment of cumulative mandatory sinking fund installments of Senior Subordinate Taxable Bonds not funded under clause (i) of this paragraph (g) on a mandatory sinking fund payment date and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (g)(ii) described under the caption "Tax-Exempt Account" above;

(h) on a pro rata basis, if necessary, to the credit of the Taxable Interest Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Taxable Interest Account" below, to provide for the payment of interest on Subordinate Taxable Bonds and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (h) described under the caption "Tax-Exempt Account" above;

(i) (i) *first*, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Taxable Principal Account" below, to provide for the payment of principal of Subordinate Taxable Bonds at their Stated Maturity or on a mandatory sinking fund payment date (other than a cumulative mandatory sinking fund redemption date on which failure to make a mandatory sinking fund payment does not constitute an Event of Default under the Indenture) and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (i)(i) described under the caption "Tax-Exempt Account" above and (ii) *second*, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described under the caption "Debt Service Fund—Taxable Principal Account" below, to provide for the payment of cumulative mandatory sinking fund installments of Subordinate Taxable Bonds not funded under clause (i) of this paragraph (i) on a mandatory sinking fund payment date and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (i)(ii) described under the caption "Debt Service Fund—Taxable Principal Account" below, to provide for the payment of cumulative mandatory sinking fund installments of Subordinate Taxable Bonds not funded under clause (i) of this paragraph (i) on a mandatory sinking fund payment date and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required pursuant to paragraph (i)(ii) described under the caption "Tax-Exempt Account" above;

(j) during any applicable Recycling Period, at the option of the Corporation and upon receipt by the Trustee of a Corporation Order, to the Taxable Account of the Student Loan Fund;

(k) (i) at the option of the Corporation and upon receipt by the Trustee of a Corporation Order or (ii) as required by a Supplemental Indenture (but only on the last Business Day of the calendar months of April and October), to the Taxable Retirement Account or the Tax-Exempt Retirement Account of the Debt Service Fund, as directed by a Corporation Order, for Principal Reduction Payments or the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to Principal Reduction Payments or redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular Series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of

the Corporation by Corporation Order) (See the caption "THE SERIES 2020 TAXABLE BONDS— Redemption Provisions" in the body of this Official Statement);

(1) to the Operating Fund for the payment of Subordinate Transaction Fees allocable to the Taxable Bonds to the extent permitted and in the manner described under the caption "Operating Fund" below upon receipt of a Corporation Order directing the same; and

(m) at the option of the Corporation and upon receipt by the Trustee of a Corporation Order (but only on the last Business Day of the calendar months of May and November), to the Residual Certificateholder to the extent permitted by the Indenture.

Capitalized Interest Fund

There will be deposited into the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund the amount, if any, specified in each Supplemental Indenture, and any other moneys of the Corporation designated by the Corporation for deposit therein pursuant to a Corporation Order. If on the last Business Day of any calendar month or on a Bond Payment Date, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund to make the transfers required by the Indenture, then an amount equal to any such deficiency shall be transferred directly from the Capitalized Interest Fund to the Tax-Exempt Account or Taxable Account of the Revenue Fund, as applicable and on a pro rata basis if necessary, to make such transfers (but if such amounts on deposit in the Tax-Exempt Account of the Capitalized Interest Fund constitute the proceeds of a Series of Tax-Exempt Bonds, only upon receipt by the Corporation and the Trustee of a Favorable Opinion) as directed by and in accordance with the applicable Monthly Report or Corporation Order. To the extent that amounts are available within an Account of the Capitalized Interest Fund, (a) amounts on deposit in the Tax-Exempt Account of the Capitalized Interest Fund are required to be used to make transfers to the Tax-Exempt Account of the Revenue Fund before using amounts on deposit in the Taxable Account of the Capitalized Interest Fund and (b) amounts on deposit in the Taxable Account of the Capitalized Interest Fund are required to be used to make transfers to the Taxable Account of the Revenue Fund before using amounts on deposit in the Tax-Exempt Account of the Capitalized Interest Fund.

If a Supplemental Indenture specifies an amount to be deposited into an Account of the Capitalized Interest Fund, such Supplemental Indenture may also (a) specify a time period for such amount to be used as described above; (b) specify other uses for such amount (including, without limitation, making deposits to the Student Loan Fund, the Operating Fund or Revenue Fund or transfers to the Corporation); and (c) establish Subaccounts within the Capitalized Interest Fund in which such amount will be deposited.

Debt Service Fund

The Debt Service Fund will only be used for the payment of principal, premium, if any, and interest on the Bonds. The Trustee may establish separate Subaccounts within the Tax-Exempt Interest Account, the Tax-Exempt Principal Account, the Tax-Exempt Retirement Account, the Taxable Interest Account, the Taxable Principal Account or the Taxable Retirement Account of the Debt Service Fund, as applicable, for each Series of Bonds or source of deposit (including any investment income thereon) made therein as directed by a Corporation Order so that the Administrator can at all times ascertain the date of deposit, the amounts and the source of the funds therein. All references under this caption to mandatory sinking fund redemption dates or to principal installments due on such dates are deemed to include all cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sinking fund redemption dates and the correlative cumulative mandatory sink

<u>Tax-Exempt Interest Account</u>. The Trustee shall credit to the Tax-Exempt Interest Account the amount, if any, specified in a Supplemental Indenture. The Trustee shall also deposit in the Tax-Exempt Interest Account (a) that portion of the proceeds from the sale of the Corporation's refunding bonds, if any, to be used to pay interest on Tax-Exempt Bonds if so directed by the Corporation; and (b) all amounts required to be transferred thereto from the Funds and Accounts described under this caption "Tax-Exempt Interest Account."

With respect to each Series of Tax-Exempt Bonds on which interest is paid at least monthly, the Trustee in accordance with the applicable Monthly Report is required to deposit to the credit of the Tax-Exempt Interest Account on the last Business Day of each calendar month an amount equal to the interest that will become payable on such Tax-Exempt Bonds during the following calendar month. With respect to each Series of Tax-Exempt Bonds on which interest is paid at intervals less frequently than monthly, the Trustee shall make monthly deposits to the credit of the Tax-Exempt Interest Account on the last Business Day of each calendar month preceding each Interest Payment Date for such Series of Tax-Exempt Bonds equal to 120% of the interest to accrue (or, with respect to Tax-Exempt Bonds bearing interest at a variable rate, anticipated to accrue) on such Tax-Exempt Bonds during the succeeding calendar month plus, to the extent any previous monthly deposit was less than the provided amount for such month in accordance with the applicable Monthly Report, the amount of such deficiency, in each case, until the full amount due on the next Interest Payment Date is deposited to the Tax-Exempt Interest Account for such Series of Tax-Exempt Bonds (except that if there are fewer than six calendar months between the delivery of the Tax-Exempt Bonds of a Series to the initial purchasers thereof and the first Interest Payment Date with respect to such Series of Tax-Exempt Bonds, then the Trustee is required to make equal monthly deposits to the credit of the Tax-Exempt Interest Account on the last Business Day of each calendar month in accordance with the applicable Monthly Report beginning with the calendar month following the month in which such Series of Tax-Exempt Bonds is delivered to the initial purchasers such that the amount required to be on deposit in the Tax-Exempt Interest Account for the next succeeding Interest Payment Date is on deposit by the last Business Day of the next April and October). With respect to a Series of Tax-Exempt Bonds bearing interest at a variable rate for which any such amount cannot be determined on the last Business Day of each calendar month, the Trustee is required to make such deposit based upon assumptions set forth in the in the applicable Monthly Report and based upon the Supplemental Indenture authorizing such Series of Tax-Exempt Bonds.

In making the deposits required to be deposited and credited to the Tax-Exempt Interest Account, all other deposits and credits otherwise made or required to be made to the Tax-Exempt Interest Account will, to the extent available for such purpose, be taken into consideration and allowed for, provided however that the Trustee is not responsible for such considerations and shall rely solely upon the Monthly Report in making deposits under the Indenture. If on any Bond Payment Date relating to Tax-Exempt Bonds there are insufficient amounts on deposit in the Tax-Exempt Interest Account to make the payment of interest due on the Tax-Exempt Bonds due on such date, the Trustee shall transfer the deficiency from the applicable account of the following Funds, in the following order of priority: the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund, the Tax-Exempt Account of the Debt Service Reserve Fund, subject to the limitations and conditions with respect thereto described under the captions "Capitalized Interest Fund" and "Student Loan Fund" above and "Debt Service Reserve Fund" below, respectively.

Except as described under the caption "Reallocation of Amounts on Deposit in the Debt Service Fund" below, amounts transferred to the Tax-Exempt Interest Account pursuant to paragraph (c) under the caption "Revenue Fund— Tax-Exempt Account" above are required to be used solely for the payment of interest on Senior Tax-Exempt Bonds, amounts transferred to the Tax-Exempt Interest Account pursuant to paragraph (f) under the caption "Revenue Fund— Tax-Exempt Account" above are required to be used solely for the payment of interest on Senior Subordinate Tax-Exempt Account" above are required to be used solely for the payment of interest on Senior Subordinate Tax-Exempt Bonds, and amounts transferred to the Tax-Exempt Interest Account pursuant to paragraph (h) under the caption "Revenue Fund—Tax-Exempt Account" above are required to be used solely for the payment of interest on Subordinate Tax-Exempt Bonds.

<u>*Tax-Exempt Principal Account.*</u> The Trustee shall deposit to the credit of the Tax-Exempt Principal Account: (a) that portion of the proceeds from the sale of the Corporation's bonds, if any, to be used to pay principal of Tax-Exempt Bonds if so directed by the Corporation, and (b) all amounts required to be transferred from the Funds and Accounts under this caption "Tax-Exempt Principal Account."

To provide for the payment of each installment of principal on a Series of Tax-Exempt Bonds due at the Stated Maturity thereof or on a mandatory sinking fund redemption date therefor, the Trustee in accordance with the applicable Monthly Report is required to make substantially equal monthly deposits to the credit of the Tax-Exempt Principal Account on the last Business Day of the first 10 of the 12 calendar months preceding such Stated Maturity or mandatory sinking fund redemption date, to aggregate the full amount of such installment within such 10 calendar month period (except that if there are fewer than 12 calendar months between the delivery of such Series of Tax-Exempt Bonds to the initial purchasers thereof and the first Stated Maturity or mandatory sinking fund redemption

date with respect to such Series of Tax-Exempt Bonds, then the Trustee in accordance with the applicable Monthly Report is required to make equal monthly deposits to the credit of the Tax-Exempt Principal Account on the last Business Day of each calendar month beginning with the calendar month following the month in which such Series of Tax-Exempt Bonds is delivered to the initial purchasers such that the amount required to be on deposit in the Tax-Exempt Principal Account for the next succeeding Stated Maturity or mandatory sinking fund redemption date is on deposit by the last Business Day of the next April and October, as applicable). In making the deposits required to be deposited and credited to the Tax-Exempt Principal Account, all other deposits and credits otherwise made or required to be made to the Tax-Exempt Principal Account will, to the extent available for such purpose, be taken into consideration and allowed for, provided however that the Trustee shall not be responsible for such considerations and shall rely solely upon the Monthly Report in making deposits under the Indenture.

If on any Stated Maturity or mandatory sinking fund redemption date there are insufficient amounts on deposit in the Tax-Exempt Principal Account to make payments of principal due on the Tax-Exempt Bonds on such date, the Trustee is required to transfer the deficiency from the applicable account of the following Funds, in the following order of priority (after transfers from any such Funds to the Tax-Exempt Interest Account required on such date): the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund, the Tax-Exempt Account of the Debt Service Reserve Fund, subject to the limitations and conditions with respect thereto described under the captions "Capitalized Interest Fund" and "Student Loan Fund" above and "Debt Service Reserve Fund" below, respectively.

The moneys in the Tax-Exempt Principal Account required for the payment of the principal on a Series of Tax-Exempt Bonds at the Stated Maturity thereof or on a mandatory sinking fund redemption date therefor is required to be applied by the Trustee to such payment when due without further authorization or direction.

Except as described under the caption "Reallocation of Amounts on Deposit in the Debt Service Fund" below, amounts transferred to the Tax-Exempt Principal Account pursuant to paragraph (d) under the caption "Revenue Fund—Tax-Exempt Account" above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Tax-Exempt Bonds, amounts transferred to the Tax-Exempt Principal Account "Revenue Fund—Tax-Exempt Account" above are required to be used solely for the payment of principal Account "above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Subordinate Tax-Exempt Bonds, and amounts transferred to the Tax-Exempt Principal Account pursuant to paragraph (i) under the caption "Revenue Fund—Tax-Exempt Account" above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Tax-Exempt Account" above are required to be used solely for the caption "Revenue Fund—Tax-Exempt Account" above are required to be used solely for the caption "Revenue Fund—Tax-Exempt Account" above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Subordinate Tax-Exempt Bonds, as set forth in the Corporation Order or Monthly Report.

<u>Tax-Exempt Retirement Account</u>. The Trustee is required to deposit to the credit of the Tax-Exempt Retirement Account any amounts transferred thereto or deposited therein to provide for Principal Reduction Payments or the redemption of, or the distribution of principal with respect to, the Tax-Exempt Bonds. All Principal Reduction Payments or redemptions of and distributions of principal with respect to Tax-Exempt Bonds (other than at a Stated Maturity or on a mandatory sinking fund redemption date) are required to be made with moneys deposited to the credit of the Tax-Exempt Retirement Account in accordance with the applicable Monthly Report. In the event that Tax-Exempt Bonds are to be prepaid from the Tax-Exempt Retirement Account on a date other than a regularly scheduled Interest Payment Date, accrued interest on such Tax-Exempt Bonds will be paid from the Tax-Exempt Interest Account. The moneys in the Tax-Exempt Retirement Account required for Principal Reduction Payments or the redemption of, or the distribution of principal with respect to, Tax-Exempt Bonds are required to be applied by the Trustee to such payment as set forth in any Supplemental Indenture providing for such Principal Reduction Payments or redemption or distribution of principal without further authorization or direction.

<u>Taxable Interest Account</u>. The Trustee is required to credit to the Taxable Interest Account the amount, if any, specified in a Supplemental Indenture. The Trustee is also required to deposit in the Taxable Interest Account (a) that portion of the proceeds from the sale of the Corporation's refunding bonds, if any, to be used to pay interest on the Taxable Bonds if so directed by the Corporation; and (b) all amounts required to be transferred thereto from the Funds and Accounts described under this caption "Taxable Interest Account."

With respect to each Series of Taxable Bonds on which interest is paid at least monthly, the Trustee is required in accordance with the applicable Monthly Report to deposit to the credit of the Taxable Interest Account on the last

Business Day of each calendar month an amount equal to the interest that will become payable on such Taxable Bonds during the following calendar month. With respect to each Series of Taxable Bonds on which interest is paid at intervals less frequently than monthly, the Trustee is required to make monthly deposits to the credit of the Taxable Interest Account on the last Business Day of each calendar month in accordance with the applicable Monthly Report preceding each Interest Payment Date for such Series of Taxable Bonds equal to 120% of the interest to accrue (or, with respect to Taxable Bonds bearing interest at a variable rate, anticipated to accrue) on such Taxable Bonds during the succeeding calendar month plus, to the extent any previous monthly deposit was less than the provided amount for such month, the amount of such deficiency, in each case, until the full amount due on the next Interest Payment Date is deposited to the Taxable Interest Account for such Series of Taxable Bonds (except that if there are fewer than six calendar months between the delivery of the Taxable Bonds of a Series to the initial purchasers thereof and the first Interest Payment Date with respect to such Series of Taxable Bonds, then the Trustee is required to make equal monthly deposits to the credit of the Taxable Interest Account on the last Business Day of each calendar month in accordance with the applicable Monthly Report beginning with the calendar month following the month in which such Series of Taxable Bonds is delivered to the initial purchasers such that the amount required to be on deposit in the Taxable Interest Account for the next succeeding Interest Payment Date is on deposit by the last Business Day of the next April and October). With respect to a Series of Taxable Bonds bearing interest at a variable rate for which any such amount cannot be determined on the last Business Day of each calendar month, the Trustee will make such deposit based upon assumptions set forth in in accordance with the applicable Monthly Report and based on the Supplemental Indenture authorizing such Series of Taxable Bonds.

In making the deposits required to be deposited and credited to the Taxable Interest Account, all other deposits and credits otherwise made or required to be made to the Taxable Interest Account will, to the extent available for such purpose, be taken into consideration and allowed for, provided however that the Trustee is not responsible for such considerations and shall rely solely upon the Monthly Report in making deposits under the Indenture. If on any Bond Payment Date relating to Taxable Bonds there are insufficient amounts on deposit in the Taxable Interest Account to make the payment of interest due on the Taxable Bonds due on such date, the Trustee shall transfer the deficiency from the applicable account of the following Funds, in the following order of priority: the Tax-Exempt Account or the Taxable Account or the Taxable Account of the Capitalized Interest Fund, the Taxable Account of the Debt Service Reserve Fund, subject to the limitations and conditions with respect thereto described under the capitons "Capitalized Interest Fund" and "Student Loan Fund" above and "Debt Service Reserve Fund" below, respectively.

Except as described under the caption "Reallocation of Amounts on Deposit in the Debt Service Fund" below, amounts transferred to the Taxable Interest Account pursuant to paragraph (c) under the caption "Revenue Fund—Taxable Account" above are required to be used solely for the payment of interest on Senior Taxable Bonds, and amounts transferred to the Taxable Interest Account pursuant to paragraph (f) under the caption "Revenue Fund—Taxable Account" above are required to be used solely for the payment of interest on Senior Subordinate Taxable Bonds, and amounts transferred to the Taxable Interest Account pursuant to paragraph (h) under the caption "Revenue Fund—Taxable Account" above are required to be used solely for the payment of interest on Subordinate Taxable Bonds, and amounts transferred to the Taxable Interest Account pursuant to paragraph (h) under the caption "Revenue Fund—Taxable Account" above are required to be used solely for the payment of interest on Subordinate Taxable Bonds.

<u>Taxable Principal Account</u>. The Trustee is required to deposit to the credit of the Taxable Principal Account: (a) that portion of the proceeds from the sale of the Corporation's bonds, if any, to be used to pay principal of Taxable Bonds if so directed by the Corporation, and (b) all amounts required to be transferred from the Funds and Accounts described under this caption "Taxable Principal Account."

To provide for the payment of each installment of principal on a Series of Taxable Bonds due at the Stated Maturity thereof or on a mandatory sinking fund redemption date therefor, the Trustee in accordance with the applicable Monthly Report is required to make substantially equal monthly deposits to the credit of the Taxable Principal Account on the last Business Day of the first 10 of the 12 calendar months preceding such Stated Maturity or mandatory sinking fund redemption date, to aggregate the full amount of such installment within such 10 calendar month period (except that if there are fewer than 12 calendar months between the delivery of such Series of Taxable Bonds to the initial purchasers thereof and the first Stated Maturity or mandatory sinking fund redemption date with respect to such Series of Taxable Bonds, then the Trustee is required in accordance with the applicable Monthly Report to make equal monthly deposits to the credit of the Taxable Principal Account on the last Business Day of each calendar month beginning with the calendar month following the month in which such Series of Taxable Bonds is

delivered to the initial purchasers such that the amount required to be on deposit in the Taxable Principal Account for the next succeeding Stated Maturity or mandatory sinking fund redemption date is on deposit by the last Business Day of the next April and October, as applicable). In making the deposits required to be deposited and credited to the Taxable Principal Account, all other deposits and credits otherwise made or required to be made to the Taxable Principal Account are required, to the extent available for such purpose, to be taken into consideration and allowed for, provided however that the Trustee is not responsible for such considerations and will rely solely upon the Monthly Report in making deposits under the Indenture.

If on any Stated Maturity or mandatory sinking fund redemption date there are insufficient amounts on deposit in the Taxable Principal Account to make payments of principal due on the Taxable Bonds on such date, the Trustee is required to transfer the deficiency from the applicable account of the following Funds, in the following order of priority (after transfers from any such Funds to the Taxable Interest Account required on such date): the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund, the Tax-Exempt Account or the Taxable Account of the Student Loan Fund and the Tax-Exempt Account or the Taxable Account of the Debt Service Reserve Fund, subject to the limitations and conditions with respect thereto described under the capitalized Interest Fund" and "Student Loan Fund" above and "Debt Service Reserve Fund" below, respectively.

The moneys in the Taxable Principal Account required for the payment of the principal on a Series of Taxable Bonds at the Stated Maturity thereof or on a mandatory sinking fund redemption date therefor are required to be applied by the Trustee to such payment when due without further authorization or direction.

Except as described under the caption "Reallocation of Amounts on Deposit in the Debt Service Fund" below, amounts transferred to the Taxable Principal Account pursuant to paragraph (d) under the caption "Revenue Fund—Taxable Account" above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Taxable Bonds, amounts transferred to the Taxable Principal Account pursuant to paragraph (g) under the caption "Revenue Fund—Taxable Account" above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Subordinate Taxable Bonds, and amounts transferred to the Taxable Principal Account pursuant to paragraph (i) under the caption "Revenue Fund—Taxable Bonds, and amounts transferred to the Taxable Principal Account pursuant to paragraph (i) under the caption "Revenue Fund—Taxable Account" above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Subordinate Taxable Bonds, and amounts transferred to the Taxable Principal Account pursuant to paragraph (i) under the caption "Revenue Fund—Taxable Account" above are required to be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Subordinate Taxable Bonds, as set forth in the Corporation Order or Monthly Report.

<u>Taxable Retirement Account</u>. The Trustee is required to deposit to the credit of the Taxable Retirement Account any amounts transferred thereto or deposited therein to provide for Principal Reduction Payments or the redemption of, or the distribution of principal with respect to, the Taxable Bonds. All Principal Reduction Payments or redemptions of and distribution of principal with respect to Taxable Bonds (other than at a Stated Maturity or on a mandatory sinking fund redemption date) are required to be made with moneys deposited to the credit of the Taxable Retirement Account in accordance with the applicable Monthly Report. In the event that Taxable Bonds are to be prepaid from the Taxable Retirement Account on a date other than a regularly scheduled Interest Payment Date, accrued interest on such Taxable Bonds are required to be paid from the Taxable Interest Account. The moneys in the Taxable Retirement Account required for Principal Reduction Payments or the redemption of, or the distribution of principal with respect to, Taxable Bonds are required to be applied by the Trustee to such payment as set forth in any Supplemental Indenture providing for such Principal Reduction Payments or redemption or distribution of principal without further authorization or direction.

<u>Reallocation of Amounts on Deposit in the Debt Service Fund</u>. If, after all required transfers from the Revenue Fund, the Capitalized Interest Fund, the Student Loan Fund and the Debt Service Reserve Fund, there are insufficient amounts on deposit in any Account or Subaccount of the Debt Service Fund to pay principal or interest on a Senior Bond on a Bond Payment Date, the Trustee is authorized to use any amounts on deposit in any other Account or Subaccount of the Debt Service Fund, there are based upon the amounts in such other Account or Subaccount (first, from any Accounts or Subaccount established for Subordinate Bonds, second, from any Accounts or Subaccount established for Senior Bonds), not required to make a payment on any other Senior Bonds on such Bond Payment Date to make the payment due on such Senior Bond on such Bond Payment Date. If there are no Senior Bonds Outstanding and, after all required transfers from the Revenue Fund, the Capitalized Interest Fund, the Student Loan Fund and the Debt Service Reserve Fund, there are insufficient amounts on deposit in the any

Account or Subaccount of the Debt Service Fund to pay principal or interest on a Senior Subordinate Bond on a Bond Payment Date, the Trustee is authorized to use any amounts on deposit in any other Account or Subaccount of the Debt Service Fund, on a pro rata basis from each other Account or Subaccount based upon the amounts in such other Account or Subaccount (first, from any Accounts or Subaccount established for Subordinate Bonds and, second, from any Accounts or Subaccount established for Senior Subordinate Bonds), not required to make a payment on any other Senior Subordinate Bonds on such Bond Payment Date to make the payment due on such Senior Subordinate Bond on such Bond Payment Date. If there are no Senior Bonds or Senior Subordinate Bonds Outstanding and, after all required transfers from the Revenue Fund, the Capitalized Interest Fund, the Student Loan Fund and the Debt Service Reserve Fund, there are insufficient amounts on deposit in the any Account or Subaccount of the Debt Service Fund to pay principal or interest on a Subordinate Bond on a Bond Payment Date, the Trustee is authorized to use any amounts on deposit in any other Account or Subaccount of the Debt Service Fund, on a pro rata basis from each other Account or Subaccount based upon the amounts in such other Account or Subaccount, not required to make a payment on any other Subordinate Bonds on such Bond Payment Date to make the payment due on such Subordinate Bond on such Bond Payment Date. To the extent there are still insufficient amounts in the Debt Service Fund to make the full payments of principal and interest due on the Senior Bonds (or, if there are no Senior Bonds Outstanding, on the Senior Subordinate Bonds or, if there are no Senior Bonds or Senior Subordinate Bonds Outstanding, on the Subordinate Bonds) on such Bond Payment Date, the Bonds to be paid shall be allocated a pro rata share of the amounts on deposit in the Debt Service Fund based upon the amounts due and owing on such Bonds on such Bond Payment Date. Any amounts within the Debt Service Fund that were reallocated from one Series of Bonds to be used to pay another Series of Bonds as described under this caption "Reallocation of Amounts on Deposit in the Debt Service Fund" are required to be added to the amounts required to be deposited with respect to such Series of Bonds for which previously set aside amounts were used to pay another Series of Bonds as described under this caption "Debt Service Fund" and the caption "Revenue Fund" above on the next monthly distribution date.

Debt Service Reserve Fund

There will be deposited into the Tax-Exempt Account or the Taxable Account of the Debt Service Reserve Fund the amount, if any, specified in each Supplemental Indenture and any other moneys of the Corporation designated by the Corporation for deposit therein pursuant to a Corporation Order. If on the last Business Day of any calendar month, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund and the Student Loan Fund) to make the transfers required by the Indenture on a Bond Payment Date and there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund and the Student Loan Fund) to make the payments due on such Bond Payment Date, an amount equal to any such deficiency shall be transferred directly from the Debt Service Reserve Fund to the Tax-Exempt Account or Taxable Account of the Revenue Fund, as applicable and on a pro rata basis if necessary, to make such transfers (but only from amounts on deposit in the Tax-Exempt Account of the Debt Service Reserve Fund not constituting the proceeds of a Series of Tax-Exempt Bonds, only upon receipt by the Corporation and the Trustee of a Favorable Opinion) as directed by and in accordance with the applicable Monthly Report or Corporation Order. To the extent that amounts are available within an Account of the Debt Service Reserve Fund, (i) amounts on deposit in the Tax-Exempt Account of the Debt Service Reserve Fund are required to be used to make transfers to the Tax-Exempt Account of the Revenue Fund before using amounts on deposit in the Taxable Account of the Debt Service Reserve Fund and (ii) amounts on deposit in the Taxable Account of the Debt Service Reserve Fund are required be used to make transfers to the Taxable Account of the Revenue Fund before using amounts on deposit in the Tax-Exempt Account of the Debt Service Reserve Fund.

If an Account of the Debt Service Reserve Fund is used for the purposes described in the preceding paragraph, the Trustee in accordance with the applicable Monthly Report or a Corporation Order is required to restore such Account of the Debt Service Reserve Fund to its allocable portion of the Debt Service Reserve Fund Requirement with respect thereto by transfers from the Tax-Exempt Account of the Revenue Fund as described under paragraph (e) under the captions "Revenue Fund—Tax-Exempt Account" and "—Taxable Account" above, as applicable. If the full amount required to restore such Account of the Debt Service Reserve Fund to its allocable portion of the Debt Service Reserve Fund Requirement is not available in the Tax-Exempt Account of the Revenue Fund on the day of any required transfer or in the Taxable Account of the Revenue Fund on the day of any required transfer, as applicable, the Trustee in accordance with the applicable Monthly Report or a Corporation Order shall continue to transfer funds from the Tax-Exempt Account of the Revenue Fund on the day of any required transfer of the Revenue Fund as they become available and in accordance with as described

under paragraph (e) under the captions "Revenue Fund—Tax-Exempt Account" and "—Taxable Account" above, as applicable, until the deficiency in such Account of the Debt Service Reserve Fund has been eliminated.

On any day that the amount in an Account of the Debt Service Reserve Fund, if any, exceeds its allocable portion of the Debt Service Reserve Fund Requirement with respect thereto for any reason, the Trustee, pursuant to a Corporation Order, is required to transfer the excess to the corresponding Account of the Revenue Fund.

Rebate Fund

The Trustee is required to, upon receipt of a Corporation Order and as described in paragraph (a) under the captions "Revenue Fund—Tax-Exempt Account" and "—Taxable Account" above, as applicable, withdraw from the applicable Account of the Revenue Fund and deposit to the Rebate Fund an amount such that the balance held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the Computation Date. Computation of the amounts on deposit in each Fund and of the Rebate Amount are required to be furnished to the Trustee by or on behalf of the Corporation in accordance with any Tax Document, as the same may be amended or supplemented in accordance with their terms.

The Trustee, upon receipt of a Corporation Order in accordance with any Tax Document, is required to pay to the United States of America from the Rebate Fund the Rebate Amount as of the end of any applicable Computation Date.

The Trustee is required, upon receipt of a Corporation Order and as described in paragraph (a) under the captions "Revenue Fund—Tax-Exempt Account" and "—Taxable Account" above, as applicable, to withdraw from the appropriate Account of the Revenue Fund and deposit to the Rebate Fund such amount as is required to be paid to the federal government as Excess Earnings. The Trustee is required, upon receipt of a Corporation Order, to pay such Excess Earnings to the United States of America. Alternatively, the Corporation may from time to time forgive Financed Eligible Loans to satisfy such requirement, in accordance with any Tax Document.

In the event that on any Computation Date the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee is required to withdraw such excess amount and deposit it in the Account of the Revenue Fund designated by a Corporation Order.

Notwithstanding anything in the Indenture to the contrary, in the event the Corporation and the Trustee receives a Favorable Opinion to the effect that it is not necessary under either existing statutes and court decisions or under any then federal legislation to pay any portion of earnings on Funds held under the Indenture or Excess Earnings to the United States of America in order to assure the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds, then the provisions described under this caption "Rebate Fund" need not be complied with and will no longer be effective and all or a portion of such amounts on deposit in the Rebate Fund will be transferred to the Account of the Revenue Fund designated by a Corporation Order.

Operating Fund

There will be transferred to the Corporation for deposit to the Operating Fund the amount, if any, specified in each Supplemental Indenture. The Trustee is also required to transfer to the Corporation for deposit to the Operating Fund, subject to any limitations set forth in any Supplemental Indenture, the amounts transferred from the Revenue Fund pursuant to as described in paragraphs (b) and (1) under the captions "Revenue Fund—Tax-Exempt Account" and "—Taxable Account" above, as applicable, and any Supplemental Indenture in accordance with the applicable Monthly Report or Corporation Order. The Operating Fund is held by the Corporation, and no Registered Owner has any right, title or interest in the Operating Fund. Unless such Senior Transaction Fees and Subordinate Transaction Fees are related solely to the Taxable Bonds or the Tax-Exempt Bonds or as otherwise provided in a Corporation Order, Senior Transaction Fees and Subordinate Transaction Fees shall be allocated to the Taxable Bonds and the Tax-Exempt Bonds based upon the outstanding principal amounts of the Taxable Bonds and the Tax-Exempt Bonds. Amounts deposited in the Operating Fund are required to be used to pay Senior Transaction Fees and Subordinate Transaction Fees.

The amount deposited in the Operating Fund and the schedule of deposits shall be determined by the Corporation or set forth in a Supplemental Indenture, and the requisition, in the form of a Corporation Order provided by the Corporation to the Trustee, further will include a statement that the amount requisitioned, when combined with the amount requisitioned previously in the Fiscal Year, does not exceed the limitations set forth in the Indenture or any Supplemental Indenture. The Trustee is required to make all payments of fees and expenses set forth in this caption directly to the party to whom the fees and expenses are due as directed in the Corporation Order. The Trustee may conclusively rely on such invoices and written requests in making payments required pursuant to this caption.

The Corporation covenants in the Indenture that the amount so transferred in any one Fiscal Year shall not exceed the amounts described under the caption "PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE CORPORATION—Senior Transaction Fees" in this Appendix A and under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS—Senior Transaction Fees" in the body of this Official Statement and as may be further limited by a Supplemental Indenture, unless the Corporation shall have satisfied the Rating Agency Notification with respect to such greater amounts. See also the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020 TAXABLE BONDS—Senior Transaction Fees" in the body of this Official Statement.

Transfers to the Residual Certificateholder

No transfers from the Revenue Fund to the Residual Certificateholder may be made pursuant to the Indenture if there is not on deposit in the Debt Service Reserve Fund an amount equal to at least the Debt Service Reserve Fund Requirement, and unless all conditions contained in any Supplemental Indenture are complied with and the Trustee has received (a) a certificate of an Authorized Representative of the Corporation to the effect that all rebate liability as calculated pursuant to any Tax Document through the date of such transfer has been paid or deposited in the Rebate Fund and (b) a certificate of an Authorized Officer of the Corporation stating that, immediately following such release, (i) the Overall Parity Percentage (assuming that amounts in the Tax-Exempt Retirement Account or the Taxable Retirement Account of the Debt Service Fund have been used to redeem a principal amount of Bonds equal to amounts on deposit therein) will equal or exceed 135% (provided, however, that such Overall Parity Percentage may be lowered by the Corporation if the Corporation shall have satisfied the Rating Agency Notification), (ii) the Net Asset Requirement shall be satisfied and (iii) the aggregate principal amount of all Bonds Outstanding will be greater than 10% of the aggregate original principal amount of all Bonds issued pursuant to the Indenture.

Subject to compliance with the Indenture, any amounts transferred from the Revenue Fund to the Residual Certificateholder in accordance with the Indenture shall be released from the lien of the Indenture, shall no longer be part of the Trust Estate and shall be the property of the Residual Certificateholder.

Investment of Funds Held by Trustee

The Trustee is required to invest money held for the credit of any Fund, Account or Subaccount held by the Trustee under the Indenture as directed in writing by an Authorized Representative of the Corporation, in Eligible Accounts the funds of which Eligible Accounts shall, to the fullest extent practicable and reasonable, be invested in Investment Securities which shall mature or be redeemed at the option of the holder of such Investment Securities prior to the respective dates when the money held for the credit of such Fund, Account or Subaccount will be required for the purposes intended. If a Fund or Account or Subaccount no longer constitutes an Eligible Account, the Trustee shall move such Fund or Account or Subaccount to another Eligible Institution such that the Fund or Account or Subaccount at no cost to the Trust Estate all as set forth in a Corporation Order. The Trustee and the Corporation agree in the Indenture that unless an Event of Default has occurred and is continuing under the Indenture, in which case, the Trustee shall act at the written direction of the Registered Owners in accordance with the Indenture, the Corporation acting by and through an Authorized Representative will provide written direction to the Trustee with respect to any discretionary acts required or permitted of the Trustee under any Investment Securities, and the Trustee will not take such discretionary acts without such written direction.

The Investment Securities purchased are required to be held by the Trustee and will be deemed at all times to be part of such Fund or Account or Subaccounts or combination thereof, and the Trustee is required to inform the Corporation of the details of all such investments. Earnings with respect to, and any net gain on the disposition of,

any such investments, except on investments contained in the Rebate Fund and the Operating Fund, is required to be deposited into the Revenue Fund. Earnings on amounts contained in the Rebate Fund remain in the Rebate Fund. Earnings on amounts contained in the Operating Fund remain in the Operating Fund. Upon direction in writing from an Authorized Representative of the Corporation, the Trustee shall sell, or present for redemption, any Investment Securities purchased by it as an investment whenever it is necessary to provide money to meet any payment from the applicable Fund. The Trustee is required to advise the Corporation in writing, on or before the fifteenth day of each calendar month (or such later date as reasonably consented to by the Corporation), of all investments held for the credit of each Fund in its custody under the provisions of the Indenture as of the end of the preceding month and the value thereof, and will list any investments which were sold or liquidated for less than their value at the time thereof.

Subject to any limitations in the Tax Documents, money in any Fund constituting a part of the Trust Estate may be pooled for the purpose of making investments and may be used to pay accrued interest on Investment Securities purchased. Subject to any limitations in the Tax Documents, the Trustee and its affiliates may act as principal or agent in the acquisition or disposition of any Investment Securities.

Neither the Paying Agent nor the Trustee shall in any way be held liable for the selection of Investment Securities, for determining whether an investment is in an Investment Security or an Eligible Account or by reason of any insufficiency in such Fund, Account or Subaccount resulting from any loss on any Investment Security included therein. In addition, neither the Paying Agent nor the Trustee shall have any liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure by any party to provide timely written investment direction. In the absence of any written direction from the Corporation, any money held for the credit of any Fund, Account or Subaccount shall remain uninvested.

The Corporation will retain the authority to institute, participate in and join in any plan of reorganization, readjustment, merger or consolidation with respect to the issuer of any Investment Securities held under the Indenture, and, in general, to exercise each and every other power or right with respect to such Investment Securities as individuals generally have and enjoy with respect to their own assets and investments, including power to vote upon any matter relating to holders of such Investment Securities.

Purchase of Bonds

Pursuant to the Indenture and upon Corporation Order, any amounts held under the Indenture which are available to redeem Bonds of a particular Stated Maturity (and interest rate, if applicable) may instead be used to purchase Bonds of such Stated Maturity (and interest rate, if applicable) at the same times and subject to the same conditions (except as to price) as apply to the Bonds of such Stated Maturity (and interest rate, if applicable) in lieu of such redemption, except that such purchases made with amounts held under the Indenture will be made only if the purchase price is less than the required Redemption Price. All Bonds so purchased will be canceled and not reissued.

DEFAULTS AND REMEDIES

Events of Default Defined

For the purpose of the Indenture, the following events are defined as, and are declared to be, "Events of Default":

(a) default in the due and punctual payment of the principal of or interest on any of the Senior Bonds when due (other than the failure to make Principal Reduction Payments);

(b) if no Senior Bonds are Outstanding under the Indenture, default in the due and punctual payment of the principal of or interest on any of the Senior Subordinate Bonds when due (other than the failure to make Principal Reduction Payments);

(c) if no Senior Bonds or Senior Subordinate Bonds are Outstanding under the Indenture, default in the due and punctual payment of the principal of or interest on any of the Subordinate Bonds when due (other than the failure to make Principal Reduction Payments);

(d) default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Corporation or any Conduit Issuer, other than an Administrator Default with respect to the Corporation, to be kept, observed, and performed contained in the Indenture or in the Bonds, and, if such default is capable of being cured, the continuation of such default for a period of 90 days after written notice thereof by the Trustee to the Corporation or the applicable Conduit Issuer; and

(e) the occurrence of an Event of Bankruptcy with respect to the Corporation.

Except as described under the caption "THE TRUSTEE – Indemnification of Trustee" in this Appendix A, the Trustee is not required to take notice, or be deemed to have knowledge, of any default or Event of Default.

Any notice provided in the Indenture to be given to the Corporation or the applicable Conduit Issuer with respect to any default is deemed sufficiently given if sent by first class mail with postage prepaid to the Person to be notified, addressed to such Person at the post office address as shown in the Indenture or such other address as may hereafter be given as the principal office of the Corporation or the applicable Conduit Issuer. Subject to the Indenture, the Trustee by an Authorized Officer of the Corporation and shall give such notice if requested to do so in writing by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds at the time Outstanding (or, in the case of an Event of Default described in paragraph (d) above, only upon the written direction of 100% of the Registered Owners of the Highest Priority Bonds then Outstanding and the written consent of the Registered Owners of a majority of the collective aggregate principal amount of each of the Senior Subordinate Bonds (unless the Senior Subordinate Bonds).

Remedy on Default; Possession of Trust Estate

Upon the happening and continuance of any Event of Default, the Trustee, personally or by its attorneys or agents, may (but in the case of an Event of Default described in paragraph (d) under the caption "Events of Default Defined" above, only upon the written direction of 100% of the Registered Owners of the Highest Priority Bonds then Outstanding and the written consent of the Registered Owners of a majority of the collective aggregate principal amount of each of the Senior Subordinate Bonds (unless the Senior Subordinate Bonds are the Highest Priority Bonds then Outstanding) and the Subordinate Bonds) enter into and upon and take possession of such portion of the Trust Estate as is in the custody of others, and all property comprising the Trust Estate, and each and every part thereof, and exclude the Corporation and the Conduit Issuers and their agents, servants, and employees wholly therefrom, and have, hold, use, operate, manage, and control the same and each and every part thereof, and in the name of the Corporation and the Conduit Issuers or otherwise, as they shall deem best, conduct the business thereof and exercise the privileges pertaining thereto and all the rights and powers of the Corporation and the Conduit Issuers and use all of the then existing Trust Estate for that purpose, and collect and receive all charges, income and Revenue of the same and of every part thereof, and after deducting therefrom all expenses incurred under the Indenture (including any Extraordinary Expenses) and all other proper outlays authorized in the Indenture, and all payments which may be made as just and reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, the Trustee is required to apply the rest and residue of the money received by the Trustee as follows:

(a) if the principal of none of the Bonds has become due: first, to the Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings; second, to the payment of Senior Transaction Fees and Subordinate Transaction Fees due and owing, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; third, to the payment of the installments thereof at the same rates, respectively, as were borne by the Senior Subordinate Bonds, in order of the interest in default on the Senior Subordinate of the payment of the interest in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; and fourth, to the payment of the interest in default on the Senior Subordinate Bonds, in order of the maturity of the installments thereof at the same rates of such interest, with interest on the overdue installments thereof at the same rates of such interest, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior Subordinate Bonds, in order of the maturity of the installments of such interest, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior Subordinate Bonds, in order of the maturity of the installments of such interest, with interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; and fifth, to the payment of the interest in default on the Subordinate Bonds, in order of the maturity of the installments of such interest in default on the Subordinate Bonds, in order of the maturity of the installments of such interest, with interest on the overdue installments of such interest, without discrimination or preference; and fifth, to the payment of the interest in default on the Subordinate Bonds, in order of the maturity of the installments of such intere

Subordinate Bonds on which such interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference.

if the principal of any of the Bonds has become due, other than by declaration of acceleration: first, (b) to the Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings; second, to the payment of Senior Transaction Fees and Subordinate Transaction Fees due and owing, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; third, to the payment of the interest in default on the Senior Bonds, in the order of the maturity of the installments thereof, with interest on overdue installments thereof at the same rates, respectively, as were borne by the Senior Bonds on which such interest is in default; fourth, to the payment of the principal of all Senior Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fifth, to the payment of the interest in default on the Senior Subordinate Bonds, in the order of the maturity of the installments thereof with interest on overdue installments thereof at the same rates, respectively, as were borne by the Senior Subordinate Bonds on which such interest is in default, as the case may be; sixth, to the payment of the principal of all Senior Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; seventh, to the payment of the interest in default on the Subordinate Bonds, in the order of the maturity of the installments thereof with interest on overdue installments thereof at the same rates, respectively, as were borne by the Subordinate Bonds on which such interest is in default, as the case may be; and eighth, to the payment of the principal of all Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference.

(c) subject to the provisions described under the caption "Accelerated Maturity" below, if the principal of all the Bonds has become due by declaration of acceleration or otherwise: first, to the Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings; second, to the payment of Senior Transaction Fees and Subordinate Transaction Fees due and owing, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; third, to the payment of the interest and principal of all Senior Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fourth, to the payment of the interest and principal of all Senior Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fifth, to the payment of the interest and principal of all Senior Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fifth, to the payment of the interest and principal of all Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fifth, to the payment of the interest and principal of all Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fifth, to the payment of the interest and principal of all Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fifth, to the payment of the interest and principal of all Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; f

Remedies on Default; Sale of Trust Estate

Upon the happening and continuation of any Event of Default and if the principal of all of the Outstanding Bonds has been declared due and payable pursuant to the provisions described under the caption "Accelerated Maturity" below, then and in every such case, and irrespective of whether other remedies authorized have been pursued in whole or in part, the Trustee may sell, with or without entry, to the highest bidder the Trust Estate, and all right, title, interest, claim and demand thereto and the right of redemption thereof, at any such place or places, and at such time or times and upon such notice and terms as may be required by law; provided, however, that no such sale shall be made unless the Trustee has received an opinion of Bond Counsel stating that adequate provision has been made to assure that such transfer shall not impair the Corporation's and each Conduit Issuer's capacity to comply with its obligations relative to the restrictions upon Portfolio Yield and to the rebate of certain amounts to the federal government as such obligations would be calculated upon the date of such opinion in accordance with any Tax Document and that such transfer will not affect adversely the exclusion from federal income taxation of interest on the Tax-Exempt Bonds afforded by Section 103 of the Code. Upon such sale the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale will be a perpetual bar both at law and in equity against the Corporation, the Conduit Issuers and all Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money or to inquire as to the authorization, necessity, expediency or regularity of any such sale. The Trustee is irrevocably appointed the true and lawful attorney-in-fact of the Corporation and each Conduit Issuer, in its name and stead, to make and execute all bills of sale, instruments of assignment and transfer and such other documents of transfer as may be necessary or advisable in connection with a sale of all or part of the Trust Estate, but the Corporation and each Conduit Issuer, if so requested by the Trustee, shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or proper for the purpose which may be designated in such request. In addition, the Trustee may proceed to protect and enforce the rights of the Trustee and the Registered Owners of the Bonds in such manner as the Trustee shall determine, whether for the specific performance of any covenant, condition, agreement or undertaking contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of such other appropriate legal or equitable remedies as may be more effectual to protect and enforce the rights aforesaid. The Trustee is required to take any such action or actions if requested to do so in writing by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds at the time Outstanding. Such a sale following an Event of Default, other than a default in the payment of any principal or interest on any Bond, also requires the written consent of all the Registered Owners of the Senior Subordinate Bonds (unless the Senior Subordinate Bonds are the Highest Priority Bonds then Outstanding) and the Subordinate Bonds unless the proceeds of such a sale would be sufficient to discharge the Senior Subordinate Bonds at the date of such a sale.

Appointment of Receiver

In case an Event of Default occurs, and if all of the Outstanding Bonds have been declared due and payable and in case any judicial proceedings are commenced to enforce any right of the Trustee or of the Registered Owners under the Indenture or otherwise, then as a matter of right, the Trustee is entitled to the appointment of a receiver of the Trust Estate and of the earnings, income or Revenue, rents, issues and profits thereof with such powers as the court making such appointments may confer.

Restoration of Position

In case the Trustee has proceeded to enforce any rights under the Indenture by sale or otherwise, and such proceedings have been discontinued, or have been determined adversely to the Trustee, then and in every such case to the extent not inconsistent with such adverse decree, the Corporation, each Conduit Issuer, the Trustee and the Registered Owners will be restored to their former respective positions and the rights under the Indenture in respect to the Trust Estate, and all rights, remedies, and powers of the Corporation, each Conduit Issuer, the Trustee and the Registered Owners will continue as though no such proceeding had been taken.

Purchase of Properties by Trustee or Registered Owners

In case of any such sale of the Trust Estate, any Registered Owner, Registered Owners, committee of Registered Owners, the Administrator or the Trustee, may bid for and purchase such property and upon compliance with the terms of sale may hold, retain possession, and dispose of such property (or, in the case of the Trustee, have its nominee process or dispose, as applicable) as the absolute right of the purchaser or purchasers without further accountability and will be entitled, for the purpose of making any settlement or payment for the property purchased, to use and apply any Bonds owned by such purchasers that are secured by the Indenture and any interest thereon due and unpaid, by presenting such Bonds in order that there may be credited thereon the sum apportionable and applicable thereto out of the net proceeds of such sale, and thereupon such purchaser or purchasers will be credited on account of such purchase price payable to him or them with the sum apportionable and applicable out of such net proceeds to the payment of or as a credit on the Bonds so presented.

Application of Sale Proceeds

The proceeds of any sale of the Trust Estate, together with any funds at the time held by the Trustee and not otherwise designated in the Indenture for another use, are required to be applied by the Trustee as described under the caption "Remedy on Default; Possession of Trust Estate" above, and then to the Corporation or whomsoever shall be lawfully entitled thereto.

Accelerated Maturity

If an Event of Default has occurred and be continuing, the Trustee may declare, or upon the written direction by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding, or due to the occurrence of an Event of Default described in paragraph (e) under the caption "Events of Default Defined" above, is required to declare by notice (no notice shall be required due to the occurrence of an Event of Default pursuant to paragraph (d) under the caption "Events of Default Defined" above) in writing delivered to the Corporation and each Conduit Issuer not later than the third Business Day succeeding such direction, the principal of all Bonds then Outstanding and the interest thereon immediately due and payable, anything in the Bonds or the Indenture to the contrary notwithstanding, subject, however, to the provisions described under the caption "Waivers of Events of Default" below; provided, however, that a declaration of acceleration upon a default described in paragraph (d) under the caption "Events of Default Defined" above requires the consent of 100% of the Registered Owners of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding.

The Trustee is required to give notice thereof by first class mail, postage prepaid (or, in the case of global notes, in accordance with the depositary's customary policies and procedures), to all Registered Owners of Outstanding Bonds; provided, however, that the giving of such notice is not considered a precondition to the Trustee declaring the entire principal amount of the Bonds then Outstanding and the interest accrued thereon immediately due and payable. The Bonds will cease to accrue interest on the date of declaration of acceleration whether or not they are paid on such date.

Remedies Not Exclusive

The remedies conferred in the Indenture upon or reserved to the Trustee or the Registered Owners of Bonds are not intended to be exclusive of any other remedy, but each such remedy is cumulative and is in addition to every other remedy given under the Indenture or now or hereafter existing, and every power and remedy given to the Trustee or the Registered Owners of Bonds under the Indenture or any supplement thereto, may be exercised from time to time as often as may be deemed expedient. No delay or omission of the Trustee or any Registered Owner of Bonds to exercise any power or right arising from any default under the Indenture will impair any such right or power or will be construed to be a waiver of any such default or to be acquiescence therein.

Direction of Trustee

Upon the happening of any Event of Default, the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding, have the right by an instrument or instruments in writing delivered to the Trustee to direct and control the Trustee as to the method of taking any and all proceedings for any sale of any or all of the Trust Estate, or for the appointment of a receiver, if permitted by law, and may at any time cause any proceedings authorized by the terms of the Indenture to be so taken or to be discontinued or delayed; provided, however, that such Registered Owners will not be entitled to cause the Trustee to take any proceedings which in the Trustee's opinion would be unjustly prejudicial to non-assenting Registered Owners of Bonds, but the Trustee is entitled to assume that the action requested by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding will not be prejudicial to any non-assenting Registered Owners unless the Registered Owners of at least two-thirds of the collective aggregate principal amount of the provisions described above are expressly subject to the provisions described under the captions "THE TRUSTEE – Acceptance of Trust" and "THE TRUSTEE – Indemnification of Trustee" in this Appendix A.

Right to Enforce in Trustee

No Registered Owner of any Bond has any right as such Registered Owner to institute any suit, action, or proceedings for the enforcement of the provisions of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or for any other remedy under the Indenture, all rights of action under the Indenture being vested exclusively in the Trustee, unless and until such Registered Owner has previously given to the Trustee written notice of a default under the Indenture, and of the continuance thereof, and also unless the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding have made written request upon the Trustee and the Trustee has been afforded reasonable opportunity to institute such action, suit or proceeding in its own name, and unless the Trustee has been offered indemnity and security satisfactory to it against the fees, costs, expenses, and liabilities (including those of its agents and counsel) to be incurred therein or thereby, which offer of indemnity will be an express condition precedent under the Indenture to any obligation of the Trustee to take any such action under the Indenture, and the Trustee for 45 days after receipt of such notification, request, and offer of indemnity, has failed to institute any such action, suit or proceeding. It is understood and intended

that no one or more Registered Owners of the Bonds have the right in any manner whatever by his or their action to affect, disturb, or prejudice the lien of the Indenture or to enforce any right under the Indenture except in the manner provided in the Indenture and for the equal benefit of the Registered Owners of the Bonds then Outstanding (except as provided in the Indenture with respect to certain payment and other priorities).

Waivers of Events of Default

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of Bonds, and is required to do so upon the written request of the Registered Owners of a majority of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of or premium on any Outstanding Bonds at the date of maturity or redemption thereof, or any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal and premium, if any, and all fees and expenses of the Trustee, in connection with such default or otherwise incurred under the Indenture have been paid or provided for; or (b) any default in the payment of amounts described under the caption "PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE CORPORATION – Tax Covenants" in this Appendix A. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default has been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Corporation, each Conduit Issuer, the Trustee and the Registered Owners of Bonds will be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission will extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon.

THE TRUSTEE

Acceptance of Trust

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following terms and conditions:

- (a) Except during the continuance of an Event of Default,
 - the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and
 - in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming on their face to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provisions of the Indenture are specifically required to be furnished to the Trustee, the Trustee is under a duty to examine the same to determine whether or not they conform as to form with the requirements of the Indenture, without any duty to inquire to the matters stated in the Indenture or any duty to confirm or investigate the accuracy of mathematical calculations or other facts stated in the Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee, in exercising the rights and powers vested in it by the Indenture, is required to use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

- this paragraph (c) shall not be construed to limit the effect of paragraph (a) above;
- the Trustee will not be liable for any error of judgment made in good faith, unless it is conclusively determined by a court of competent jurisdiction that the Trustee was negligent in ascertaining the pertinent facts;

- the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the requisite percentage of Registered Owners permitted to direct the Trustee pursuant to the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture or any other transaction documents; and
- no provision of the Indenture (including but not limited to any time that the Trustee is acting as a prudent person following an Event of Default described in paragraph (d) under the caption "DEFAULTS AND REMEDIES Events of Default Defined" in this Appendix A) requires the Trustee to expend or risk its own funds or otherwise incur any liability (financial or otherwise) in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Recitals of Others

The Trustee is not responsible for any recital in the Indenture or in the Bonds (except with respect to the certificate of the Trustee endorsed on the Bonds), or for the filing or re filing of the Indenture, or for the validity of the execution by the Corporation or any Conduit Issuer of the Indenture or of any Supplemental Indenture or instrument of further assurance, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured thereby. The Trustee makes no representations as to the title of the Corporation or any Conduit Issuer in the Trust Estate or as to the security afforded thereby and by the Indenture, or as to the validity, perfection, priority, or continuation of any security interest granted in the Indenture, or as to the validity or sufficiency of the Indenture or of the Bonds issued under the Indenture, and the Trustee shall incur no responsibility in respect of such matters.

As to Trust Estate and Filings

The Trustee is under no duty (a) to file or record, or cause to be filed or recorded, the Indenture or any instrument supplemental thereto; (b) to procure any further order or additional instruments of further assurance; (c) to see to the delivery to it of any personal property intended to be mortgaged or pledged under the Indenture or thereunder; (d) to do any act which may be suitable to be done for the better maintenance of the lien or security of the Indenture; or (e) for giving notice of the existence of such lien, or for extending or supplementing the same or to see that any rights to Revenue and Funds intended now or hereafter to be transferred in trust under the Indenture are subject to the lien thereof. The Trustee will not be liable for failure of the Corporation or any Conduit Issuer to pay any tax or taxes in respect of such property, or any part thereof, or the income therefrom or otherwise, nor will the Trustee be under any duty in respect of any tax which may be assessed against it or the Registered Owners in respect of such property or pledged Revenue and Funds. The Trustee has no responsibility for the sufficiency, adequacy or priority of any initial filing and in the absence of written notice to the contrary by the Corporation, a Conduit Issuer or other Authorized Representative, may conclusively rely and will be protected in relying on all information and exhibits in such initial filings for the purposes of any continuation statements.

Beyond the exercise of reasonable care in the custody thereof, the Trustee shall not have any duty as to any Trust Estate in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining thereto. Except as set forth in the Indenture, the Trustee shall not be responsible for (i) perfecting, maintaining, monitoring, preserving or protecting the security interest or liens granted under the Indenture, or any agreement or instrument contemplated under the Indenture or thereby, (ii) the filing, re-filing, recording, re-recording or continuing or any document, financing statement, mortgage, assignment, notice, instrument of further assurance or other instrument in any public office at any time or times or (iii) providing, maintaining, monitoring or preserving insurance on or the payment of taxes with respect to any of the Trust Estate. Except as set forth in the Indenture, the actions described in items (i) through (iii) shall be the sole responsibility of the Corporation. The Trustee shall be deemed to have exercised reasonable care in the custody of the Trust Estate in its possession if the Trust Estate is accorded treatment substantially equal to that which it accords its own property and shall not be liable or responsible for any loss or diminution in the value of any of the Trust Estate, by reason of the act or omission of any carrier, forwarding agency or other agent or bailee selected by the Trustee in good faith.

The Trustee shall not be responsible for the existence, genuineness or value of any of the Trust Estate or for the validity, perfection, priority or enforceability of the liens in any of the Trust Estate, whether impaired by operation of law or by reason of any of any action or omission to act on its part in the Indenture, except to the extent such action or omission constitutes gross negligence or willful misconduct on the part of the Trustee (as determined by a final, nonappealable judgment by a court of competent jurisdiction), for the validity or sufficiency of the Trust Estate or any agreement or assignment contained in the Indenture, for the validity of the title to the Trust Estate, for insuring the Trust Estate or for the payment of taxes, charges, assessments or liens upon the Trust Estate or otherwise as to the maintenance of the Trust Estate. The Trustee disclaims any representation or warranty to the present and future holders of the obligations concerning the perfection of the liens granted under the Indenture or in the value of any of the Trust Estate.

Trustee May Act Through Agents

The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties by or through attorneys or agents and will not be responsible for any misconduct or negligence on the part of any such attorney or agent appointed by it with due care. The Trustee may act upon the opinion or advice of any counsel, accountant, or other expert selected by it in the exercise of reasonable care, which shall be full and complete authorization and protection in respect of any action or inaction based on its good faith reliance upon such opinion or advice.

Indemnification of Trustee

The Trustee is not required to take notice, or be deemed to have knowledge, of any default or Event of Default of the Corporation, any Conduit Issuer or any Administrator Default under the Indenture and may conclusively assume that there has been no such default or Event of Default unless and until a Responsible Officer of the Trustee has been specifically notified in writing at the address set forth in the Indenture of such default or Event of Default by (a) the Registered Owners of the required percentages in principal amount of the Bonds then Outstanding hereinabove specified or (b) an Authorized Representative of the Corporation or any Conduit Issuer. However, the Trustee may begin suit, or appear in and defend suit, execute any of the trusts created by the Indenture, enforce any of its rights or powers under the Indenture, or do anything else in its judgment proper to be done by it as Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee is required to be reimbursed or indemnified by the Registered Owners requesting such action, if any, for all fees, costs and expenses (including extraordinary out-ofpocket expenses), liabilities, outlays and counsel and agent fees and other reasonable disbursements properly incurred in connection therewith (including, but not limited to the costs of defending any claim of bringing any claim to enforce any indemnification obligation), unless such costs and expenses, liabilities, outlays and attorneys' fees and other reasonable disbursements properly incurred in connection therewith are adjudicated to have resulted from the negligence or willful misconduct of the Trustee. In furtherance and not in limitation of the provisions described above, the Trustee will not be liable for, and will be held harmless by the Corporation from the Trust Estate, following any Corporation Orders, instructions or other directions (including electronic communications) upon which the Trustee is authorized to rely pursuant to the Indenture or any other agreement to which it is a party. If the Corporation or the Registered Owners, as appropriate, fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of the Indenture, (i) except during the continuance of an Event of Default, subject only to the prior lien of the Bonds for the payment of the principal thereof, premium, if any, and interest thereon from the Revenue Fund; and (ii) during the continuance of an Event of Default in accordance with the provisions described under the caption "DEFAULTS AND REMEDIES - Remedy on Default; Possession of Trust Estate" in this Appendix A. None of the provisions contained in the Indenture or any other agreement to which it is a party require the Trustee to act or to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if the Registered Owners have not offered security and/or indemnity acceptable to it or if it has reasonable grounds for believing that prompt repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Before taking any action under the Indenture requested by the Registered Owners, the Trustee may require that it be furnished an indemnity bond or other indemnity satisfactory to it for the reimbursement of all fees and expenses (including, without limitation, legal fees and expenses) to which it may be put and to protect it against all liability, except liability which results from the negligence or willful misconduct of the Trustee, by reason of any action so taken by the Trustee.

Certain Rights of Trustee

The Trustee is permitted to conclusively rely on and is protected in acting upon any notice, resolution, request, consent, order, certificate, report, electronic communication, appraisal, opinion, report or document of the Corporation or any Conduit Issuer or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties; and the Trustee is under no duty to make any investigation as to any statement contained in any such instrument, paper or document, but may accept the same as conclusive evidence of the truth and accuracy of such statement. Before acting or refraining from acting in the administration of the Indenture, the Trustee may consult with accountants, experts and counsel, and the opinion of such counsel, accountants and experts will be full and complete authorization and protection in respect of any action taken or suffered, and in respect of any determination made by it under the Indenture in good faith and in accordance with the opinion of such counsel, accountants and experts. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Registered Owner of any Bond will be conclusive and binding upon all future Registered Owners of the same Bond and Bonds issued in exchange therefor or in place thereof.

Whenever in the administration of the Indenture the Trustee reasonably deems it desirable that a matter be proved or established prior to taking, suffering, or omitting any action under the Indenture, the Trustee (unless other evidence is specifically prescribed in the Indenture) may require and, in the absence of bad faith on its part, may conclusively rely upon a Corporation Order. Whenever in the administration of the Indenture the Trustee is directed to comply with a Corporation Order, the Trustee will be entitled to act in reliance on such Corporation Order.

The Trustee is not bound to ascertain or inquire as to the performance or observance of any covenants, conditions, or agreements on the part of the Corporation or any Conduit Issuer but the Trustee may require of the Corporation or any Conduit Issuer full information and advice as to the performance of any covenants, conditions or agreements pertaining to Financed Eligible Loans.

The Trustee will not be liable for any action taken, suffered, or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture; provided, however, that the Trustee will be liable for its negligence or willful misconduct.

The permissive right of the Trustee to take action under or otherwise do things enumerated in the Indenture are not construed as a duty.

The Trustee is authorized, under the Indenture and other applicable provisions of the Indenture, to release its security interest in any Financed Eligible Loans in accordance with a Corporation Order. The Trustee is further authorized to enter into agreements with other Persons, in its capacity as Trustee, in order to carry out or implement the terms and provisions of the Indenture.

In no event will the Trustee be liable for punitive, special, indirect, or consequential damages (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Trustee has the right to not take any action if it determines such action will result in liability to the Trustee, not be in the best interests of the Registered Owners, or is contrary to law.

The Trustee will not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

In no event will the Trustee be liable for failure to perform its obligations under the Indenture if such failure is a direct or proximate result of another party's failure to so perform.

Before acting or refraining from acting under the Indenture the Trustee is entitled to request and rely upon a Corporation Order or Opinion of Counsel.

The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities under the Indenture (including as Transfer Agent, Paying Agent and Registrar), and each agent, custodian and other Person employed to act under the Indenture.

The Trustee may request that the Corporation and any Conduit Issuer deliver a certificate setting forth the names of individuals and/or titles of Authorized Officers at such time to take specified actions pursuant to the Indenture.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services, or any other similar events outside the control of the Trustee.

Compensation of Trustee

The Corporation agrees to pay to the Trustee from time to time such compensation as the Corporation and the Trustee shall from time to time agree in writing for all services rendered by it under the Indenture from the Trust Estate or as may be limited by the terms of the Indenture. Except as otherwise expressly provided in the Indenture, all advances, disbursements and other expenses reasonably made or incurred by the Trustee in accordance with any provision of the Indenture (including the compensation and the expenses and disbursements of its agents and counsel) shall be reimbursed by the Corporation from the Trust Estate. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of Trustees of an express trust. Except during the continuance of an Event of Default, the fees of the Trustee shall be limited to those derived from the Trust Estate under the Indenture. If not paid by the Corporation, the Trustee will have a lien against all money held pursuant to the Indenture (other than the moneys and investments held in the Rebate Fund), (a) except during the continuance of an Event of Default, subject only to the prior lien of the Bonds against the money and investments in the Revenue Fund for the payment of the principal thereof, premium, if any, and interest thereon, for such reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and the exercise and performance of the powers and duties of the Trustee under the Indenture and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee); and (b) during the continuance of an Event of Default in accordance with the provisions described under the caption "DEFAULTS AND REMEDIES - Remedy on Default; Possession of Trust Estate" in this Appendix A.

The Corporation is required to indemnify and hold harmless the Trustee and any director, officer, employee, or agent of the Trustee, Paying Agent, Transfer Agent and Registrar against any loss, liability, damage, claim or reasonable expense (including, without limitation, reasonable: legal fees and expenses; extraordinary expenses; fees of agents and experts; taxes (other than taxes based upon, measured by, or determined by, the income of the Trustee; and the reasonable costs of defending any claim or bringing any claim to enforce the indemnification obligations of the Corporation) incurred in connection with its actions or inactions under the Indenture, the Administration Agreement or the Bonds, other than any loss, liability, or expense incurred by reason of willful misfeasance, or negligence in the performance by the Trustee, Paying Agent, Transfer Agent, or Registrar or their agents or attorneys of the duties of the Trustee, Paying Agent, Transfer Agent, or Registrar under the Indenture but solely from the Trust Estate.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in paragraph (e) under the caption "Events of Default Defined" within this Appendix A, the expenses (including the reasonable charges and expenses of its counsel) and the compensation are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of the Indenture and the resignation or removal of the Trustee.

Trustee May Own Bonds

The Trustee under the Indenture, or any successor Trustee, in its individual or other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Corporation, with the same rights it would have if it were not the Trustee. The Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or act in any other capacity in respect to, any committee formed to protect the rights of the Registered Owners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or of the Indenture, whether or not any such committee shall represent the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Outstanding Bonds.

Resignation of Trustee

The Trustee and any successor to the Trustee may resign and be discharged from the trust created by the Indenture by giving to the Corporation and any Conduit Issuer 30 days prior written notice, which notice is required to specify the date on which such resignation is to take effect; provided, however, that such resignation will only take effect on the day specified in such notice if a successor Trustee has been appointed as described under the caption "Successor Trustee" below (and is qualified to be the Trustee under the requirements described under the caption "Successor Trustee" below) and said successor Trustee has accepted such appointment in writing. If no successor Trustee has been appointed by the later of the date specified or 60 days after the receipt of the notice by the Corporation, the Trustee may (a) appoint a temporary successor Trustee having the qualifications described under the caption "Successor Trustee" below; or (b) request a court of competent jurisdiction to (i) require the Corporation to appoint a successor, as provided under the caption "Successor Trustee" below, within three days of the receipt of citation or notice by the court; or (ii) appoint a Trustee having the qualifications described under the caption "Successor Trustee" below. In no event may the resignation of the Trustee be effective until a qualified successor Trustee shall have been selected and appointed and said successor Trustee has accepted such appointment in writing. In the event a temporary successor Trustee is appointed pursuant to clause (a) above, the Corporation may remove such temporary successor Trustee and appoint a successor thereto pursuant to provisions described under the caption "Successor Trustee" below.

Removal of Trustee

The Trustee or any successor Trustee may be removed upon 30 days prior written notice (a) if an Event of Default has occurred and is continuing, by the Registered Owners of 100% of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding; (b) by the Corporation for cause or upon the sale or other disposition of the Trustee or its trust functions; or (c) by the Corporation without cause so long as no Event of Default exists or has existed within the last 30 days, upon payment to the Trustee so removed of all money then due to it under the Indenture and appointment of a successor thereto by the Corporation and acceptance thereof by said successor. One copy of any such order of removal will be filed with the Corporation and the other with the Trustee so removed.

In the event a Trustee (or successor Trustee) is removed, by any Person or for any reason permitted under the Indenture, such removal will not become effective until (a) in the case of removal by the Registered Owners, such Registered Owners by instrument or concurrent instruments in writing (signed and acknowledged by such Registered Owners or their attorneys-in-fact) filed with the Trustee removed have appointed a successor Trustee or otherwise the Corporation has appointed a successor; and (b) the successor Trustee has accepted appointment as such.

Successor Trustee

In case at any time the Trustee or any successor Trustee resigns, is dissolved or otherwise is disqualified to act or be incapable of acting, or in case control of the Trustee or of any successor Trustee or of its officers is taken over by any public officer or officers, a successor Trustee may be appointed by the Corporation by an instrument in writing duly authorized by resolution. In the case of any such appointment by the Corporation of a successor to the Trustee, the Corporation is required to forthwith cause notice thereof to be sent to the Registered Owners of the Bonds at the address of each Registered Owner appearing on the bond registration books maintained by the Registrar.

Every successor Trustee appointed by the Registered Owners, by a court of competent jurisdiction, or by the Corporation is required to be a bank or trust company in good standing, organized and doing business under the laws of the United States or of a state therein, which has a reported capital and surplus of not less than \$50,000,000, be authorized under the law to exercise corporate trust powers and be subject to supervision or examination by a federal or state authority.

Manner of Vesting Title in Trustee

Any successor Trustee appointed under the Indenture is required to execute, acknowledge, and deliver to its predecessor Trustee, and also to the Corporation and any Conduit Issuer, an instrument accepting such appointment under the Indenture, and thereupon such successor Trustee, without any further act, deed, or conveyance shall become fully vested with all the estate, properties, rights, powers, trusts, duties, and obligations of its predecessors in trust under the Indenture, including all the right, title and interest in and to the Trust Estate pledged under the Indenture (except that the predecessor Trustee shall continue to have the benefits to indemnification under the Indenture together with the successor Trustee), with like effect as if originally named as Trustee under the Indenture; but the Trustee ceasing to act is required to nevertheless, on the written request of an Authorized Representative of the Corporation and any Conduit Issuer, or an authorized officer of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance (in form and substance reasonably satisfactory to the parties executing the same) and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title, and interest of the Trustee which it succeeds, in and to pledged Revenue and Funds and such rights, powers, trusts, duties, and obligations, and the Trustee ceasing to act also, upon like request, shall pay over, assign, and deliver to the successor Trustee any money or other property or rights subject to the lien of the Indenture, including any pledged securities which may then be in its possession. Should any deed or instrument in writing from the Corporation be required by the successor Trustee for more fully and certainly vesting in and confirming to such new Trustee such estate, properties, rights, powers, and duties, any and all such deeds and instruments in writing shall on request be executed, acknowledged and delivered by the Corporation.

In case any of the Bonds to be issued under the Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of the Trustee or of any successor to the Trustee; and in case any of the Bonds not authenticated, any successor to the Trustee may authenticate such Bonds in its own name; and in all such cases such certificate will have the full force which it has anywhere in the Bonds or in the Indenture.

Right of Inspection

A Registered Owner will be permitted at reasonable times during regular business hours and in accordance with reasonable regulations prescribed by the Trustee to examine at an office of the Trustee a copy of any documents authorizing and securing a Series of Bonds or any report or instrument theretofore filed with the Trustee relating to the condition of the Trust Estate.

At any and all reasonable times, the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives have the right fully to inspect all books, papers and records of the Corporation, any Conduit Issuer, the Administrator and, to the extent provided in a Servicing Agreement, the related Servicer, pertaining to Financed Eligible Loans, and to copy or take such memoranda from and in regard thereto as may be desired.

Limitation With Respect to Examination

Except as expressly provided in the Indenture, the Trustee will be under no duty to examine any report or statement or other document required or permitted to be filed with it by or on behalf of the Corporation and any Conduit Issuer, and the Trustee may accept the same as conclusive evidence of the truth and accuracy of any statement contained therein or as to the existence or nonexistence of any fact stated therein.

Servicing Agreements

The Trustee will upon request acknowledge the receipt of a copy of each Servicing Agreement delivered to it by the Corporation. The Trustee is not responsible for servicing the Eligible Loans held or financed or refinanced under the terms of the Indenture or for the custody, safekeeping, or preservation of the Eligible Loans held or financed or refinanced under the terms of the Indenture. The Trustee has no duty to monitor or supervise the Administrator, any Servicer, or any custodian of the Eligible Loans held or financed or refinanced under the terms of the Indenture and is not responsible for any of their acts or omissions in servicing or maintaining custody of the Eligible Loans held or financed or financed under the terms of the Indenture.

Additional Covenants of Trustee

The Trustee, by the execution of the Indenture, covenants, represents and agrees that:

- it will not exercise any of the rights, duties, or privileges under the Indenture in such manner as would cause the Eligible Loans held or financed or refinanced under the terms of the Indenture to be transferred, assigned, or pledged as security to any person or entity other than as permitted by the Indenture; and
- it will, upon written notice from an Authorized Representative of the Corporation, use its reasonable efforts to cause the Indenture to be amended (in accordance with the provisions described under the caption "SUPPLEMENTAL INDENTURES Supplemental Indentures Not Requiring Consent of Registered Owners" in this Appendix A) if the Program Manual is hereafter amended so as to be contrary to the terms of the Indenture.

Merger of the Trustee, etc.

Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee is a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee or any corporate affiliate of the Trustee succeeding to all or a portion of the corporate trust business of the Trustee, is the successor of the Trustee under the Indenture, provided such corporation shall be otherwise qualified and eligible under the Indenture, without the execution or filing of any paper or any further act on the part of any other parties to the Indenture.

Survival of Trustee's Rights to Receive Compensation, Reimbursement and Indemnification

The Trustee's rights to receive compensation, reimbursement and indemnification of money due and owing under the Indenture at the time of the Trustee's resignation or removal shall survive the Trustee's resignation or removal.

Provisions Controlling as to Trustee Conduct and Liability

Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of the Trustee is subject to the provisions described under this caption "THE TRUSTEE".

Statement by Trustee of Funds and Accounts and Other Matters

Not more than thirty days after the close of each Fiscal Year the Trustee shall furnish the Corporation, each Conduit Issuer (to the extent provided in the applicable Supplemental Indenture), the Administrator and any Registered Owner filing with the Trustee a written request for a copy, a bank statement setting forth (to the extent applicable) in

respect to such Fiscal Year, (a) all transactions relating to the receipt, disbursement and application of all moneys received by the Trustee pursuant to all terms of the Indenture, (b) the balances held by the Trustee at the end of such Fiscal Year to the credit of each Fund and Account, (c) a brief description of all moneys and Investment Securities held by the Trustee as part of the balance of each Fund and Account as of the end of such Fiscal Year, (d) the principal amount of Bonds repaid during such Fiscal Year, and (e) any other information in the Trustee's possession which the Corporation, a Conduit Issuer or the Administrator may reasonably request.

In addition, the Trustee shall furnish the Corporation, each Conduit Issuer (to the extent provided in the applicable Supplemental Indenture) and the Administrator on or before the fifth day of each calendar month a bank statement of all moneys and Investment Securities to the credit of each Fund and Account as of the last day of the preceding month.

Foreign Account Tax Compliance Act (FATCA)

In order to comply with applicable tax laws, rules and regulations (inclusive of directives, guidelines and interpretations promulgated by competent authorities) in effect from time to time ("Applicable Law"), the Corporation and Conduit Issuers agree (i) to provide to The Bank of New York Mellon Trust Company, N.A. sufficient information about holders or other applicable parties and/or transactions (including any modification to the terms of such transactions) so The Bank of New York Mellon Trust Company, N.A. can determine whether it has tax related obligations under Applicable Law, (ii) that The Bank of New York Mellon Trust Company, N.A. shall be entitled to make any withholding or deduction from payments under the Indenture to the extent necessary to comply with Applicable Law for which The Bank of New York Mellon Trust Company, N.A. shall not have any liability, and (iii) to hold harmless The Bank of New York Mellon Trust Company, N.A. for any losses it may suffer due to the actions it takes to comply with such Applicable Law.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Consent of Registered Owners

The Corporation, any Conduit Issuer then a party to the Indenture and the Trustee, at the written request of the Corporation, may, without the consent of or notice to any of the Registered Owners, enter into any indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- to cure any ambiguity or formal defect or omission in the Indenture;
- to grant to or confer upon the Trustee for the benefit of the Registered Owners any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Registered Owners or the Trustee;
- to subject to the Indenture additional revenues, properties or collateral;
- to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;
- to evidence the appointment of a separate or co-Trustee or a co registrar or Transfer Agent or the succession of a new Trustee under the Indenture;
- to add such provisions to or to amend such provisions of the Indenture as may be necessary or desirable to assure implementation of the Program if, together with such Supplemental Indenture there is filed an Opinion of Counsel (which may be counsel to the Corporation) addressed to the Corporation, any Conduit Issuer and the Trustee to the effect that the addition or amendment of such provisions will not materially impair the existing security of the Registered Owners of any Outstanding Bonds;

- to make any change as shall be necessary in order to obtain and maintain for any of the Bonds an investment grade Rating from a nationally recognized rating service, if along with such Supplemental Indenture there is filed a Bond Counsel's opinion addressed to the Trustee to the effect that such changes will in no way impair the existing security of the Registered Owners of any Outstanding Bonds;
- to make any changes necessary to comply with the Code and the regulations promulgated thereunder;
- to provide for the issuance of Bonds pursuant to the provisions described under the caption "BOND DETAILS Issuance of Bonds" in this Appendix A, including the creation of appropriate Funds, Accounts and Subaccounts with respect to such Bonds;
- with a Rating Agency Notification, in connection with the issuance of Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds, to create any additional Funds or Accounts or Subaccounts under the Indenture, including without limitation in the nature of debt service reserve or capitalized interest Funds, Accounts or Subaccounts for such Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds, and to modify or amend the provisions described under the captions "FUNDS – Revenue Fund – Tax-Exempt Account" and "– Taxable Account" in this Appendix A in connection with the foregoing; provided, that no such modification or amendment is permitted to change the amount or timing of application of Revenues or of amounts transferred to the Revenue Fund from other funds and accounts to pay principal of or interest or redemption premium, if any, on Senior Bonds;
- to create any other additional Funds or Accounts or Subaccounts under the Indenture deemed by the Trustee to be necessary or desirable;
- to amend the Indenture to provide for use of a surety bond or other financial guaranty instrument in lieu of cash and/or Investment Securities in all or any portion of the Debt Service Reserve Fund upon satisfaction of a Rating Agency Notification;
- with a Rating Agency Notification, to the extent required by a Supplemental Indenture, to evidence the extension of any Acquisition Period or Recycling Period;
- to modify any of the provisions of the Indenture in any respect whatever; provided, however, that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the execution of such Supplemental Indenture shall cease to be Outstanding; and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the execution of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;
- to conform the terms of the Indenture to the description of such terms in an offering memorandum used in connection with the sale of any Bonds; or
- to make any other change (other than changes with respect to any matter requiring satisfaction of the Rating Agency Notification or the Rating Agency Confirmation unless the Bonds are not rated at the time) which, in the judgment of the Corporation, is not materially adverse to the Registered Owners of any Bonds;

provided, however, that nothing described under this caption "Supplemental Indentures Not Requiring Consent of Registered Owners" permits, or is to be construed as permitting, any modification of the trusts, powers, rights, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee.

Supplemental Indentures Requiring Consent of Registered Owners

Exclusive of Supplemental Indentures described under the caption "Supplemental Indentures Not Requiring Consent of Registered Owners" above and subject to the terms and provisions described under this caption, and not otherwise, the Registered Owners of not less than a majority of the collective aggregate principal amount of the then Outstanding Bonds affected thereby shall have the right, from time to time, to consent to and approve the execution by the Corporation, any Conduit Issuer then a party to the Indenture, and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Corporation for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions

contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing described under this caption permits, or is to be construed as permitting (a) without the consent of the Registered Owners of all then Outstanding Bonds affected thereby, (i) an extension of the maturity date of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided in the Indenture, (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (v) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture except as otherwise provided in the Indenture; or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee.

If at any time the Corporation or any Conduit Issuer requests the Trustee to enter into any such Supplemental Indenture for any of the purposes described under this caption, the Trustee is required, upon being satisfactorily indemnified with respect to expenses, to cause notice of the proposed execution of such Supplemental Indenture to be sent to each Registered Owner of a Bond at the address shown on the registration records. Such notice (which shall be prepared by the Corporation) is required to briefly set forth the nature of the proposed Supplemental Indenture and to state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Registered Owners. If, within 60 days, or such longer period as is prescribed by the Corporation, following the sending of such notice, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture have consented in writing to and approved the execution thereof as provided in the Indenture, no Registered Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation or any Conduit Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as described under this caption, the Indenture will be and be deemed to be modified and amended in accordance therewith. The Trustee is not obligated to enter into any Supplemental Indenture which affects the Trustee's own rights, duties or indemnities or otherwise.

Additional Limitation on Modification of Indenture

Except with respect to the issuance of Bonds in accordance with the Indenture and pursuant to a Supplemental Indenture, no amendment to the Indenture or to the indentures supplemental thereto will be effective unless the Trustee receives an opinion of Bond Counsel to the effect that such amendment was adopted in conformance with the Indenture and will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds and the Trustee will also receive a Corporation Order and an Opinion of Counsel stating that such Supplemental Indenture is authorized and permitted by the Indenture and all conditions precedent have been satisfied.

GENERAL PROVISIONS

Consent of Registered Owners Binds Successors

Any request or consent of the Registered Owner of any Bonds given for any of the purposes of the Indenture will bind all future Registered Owners of the same Bond or any Bonds issued in exchange therefor or in substitution thereof in respect of anything done or suffered by the Corporation or the Trustee in pursuance of such request or consent.

No Liability of Directors

It is expressly made a condition of the Indenture that any agreements, covenants, or representations contained in the Indenture or contained in the Bonds do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the incorporators, officers, employees, agents or directors of the Corporation or any Conduit Issuer, and in the event of a breach of any such agreement, covenant, or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the Corporation or any Conduit Issuer shall arise therefrom. Nothing contained under this caption, however, will relieve the Corporation or any Conduit Issuer from the observance and performance of the several covenants and agreements on its part contained in the Indenture.

Laws Governing

The Indenture will in all respects be governed by the laws of the State of South Carolina.

Non-Business Days

Except as may otherwise be provided in the Indenture, if the date for making payment of any amount under the Indenture or on any Bond, or if the date for taking any action under the Indenture, is not a Business Day, then such payment can be made without accruing further interest or action can be taken on the next succeeding Business Day, with the same force and effect as if such payment were made when due or action taken on such required date.

Objection of Registered Owners

Anything in the Indenture to the contrary notwithstanding, whenever in the Indenture a Rating Agency Notification or a Rating Agency Confirmation is required with respect to any Proposed Action, to the extent that the Bonds no longer carry a Rating from any Rating Agency, the Corporation will give notice of any Proposed Action to the Registered Owners and will be permitted to take such Proposed Action unless the Registered Owners of not less than a majority of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding object to the Proposed Action, in writing, within 20 Business Days of the giving of such notice.

Rating Agency Notifications and Rating Agency Confirmations

Anything in the Indenture to the contrary notwithstanding, (a) the Corporation is not required to satisfy a Rating Agency Notification or a Rating Agency Confirmation with respect to any Rating Agency which has not been designated by the Corporation to provide a rating on any of the Bonds and (b) the rating requirements with respect to Investment Securities shall not apply with respect to the ratings of any Rating Agency which has not been designated by the Corporation to provide a rating on any of the Bonds.

PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE

Trust Irrevocable

The trust created by the terms and provisions of the Indenture is irrevocable until the indebtedness secured by the Indenture (the Bonds and interest thereon) and all other payment obligations under the Indenture are fully paid or provision made for its payment as described under this caption "PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE".

Satisfaction of Indenture

If the Issuer pays, or causes to be paid, or there is otherwise paid (i) to the applicable parties, all Senior Transaction Fees and Subordinate Transaction Fees then due and owing, (ii) to the Registered Owners of the Bonds, the principal of and interest on the Bonds, at the times and in the manner stipulated in the Indenture; and (iii) to the United States of America, the amount required to be rebated in satisfaction of its obligations as described in any Tax Document, then the pledge of the Trust Estate, except the Rebate Fund, which is not pledged under the Indenture, and all covenants, agreements, and other obligations of the Issuer to the Registered Owners of Bonds other than as described under the caption "PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE CORPORATION – Tax Covenants" in this Appendix A will thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee is required to execute and deliver to the Issuer all such instruments (in form and substance reasonably satisfactory to the Trustee) as may be desirable to evidence such discharge and satisfaction, and the Trustee is required to pay over or deliver all money held by it under the Indenture to the Registered Owners of any Outstanding Bonds the principal of and interest on such Bonds, such Bonds will cease to be entitled to any lien, benefit, or security under the Indenture, and all covenants, agreements, and obligations of the Issuer to the Registered Owners thereof will thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds or interest installments will be deemed to have been paid within the meaning of the preceding paragraph if money for the payment or redemption thereof has been set aside and is being held on behalf of the Registered Owners by the Trustee at the Stated Maturity or earlier redemption date thereof. Any Outstanding Bond will, prior to the Stated Maturity or earlier redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (i) such Bond is to be redeemed on any date prior to its Stated Maturity; and (ii) the Issuer has given notice of redemption as provided in the Indenture on said date and there has been deposited with the Trustee either money in an amount which are sufficient, or Governmental Obligations (including any Governmental Obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, are sufficient, to pay when due the principal of and interest to become due on such Bond on and prior to the redemption date or Stated Maturity thereof, as the case may be, provided that with respect to the defeasance of Bonds in a variable rate mode (the "Variable Rate Bonds") for which the interest rate cannot be determined at the time of defeasance, the Issuer has deposited funds with the Trustee sufficient to pay interest at the maximum rate allowable on the Variable Rate Bonds for the defeasance period. Notwithstanding anything in the Indenture to the contrary, however, no such deposit shall have the effect specified in this paragraph; (A) if made during the existence of an Event of Default, unless made with respect to all of the Bonds then Outstanding; (B) unless on the date of such deposit of Governmental Obligations, but only if the deposit consists of Governmental Obligations, there will be provided to the Trustee a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay in full the Outstanding Bonds to be redeemed or to be deemed paid pursuant to this paragraph; and (C) unless there is delivered to the Trustee an Opinion of Bond Counsel to the effect that such deposit will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on any Bond. Neither Governmental Obligations nor money deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Governmental Obligations may be withdrawn or used for any purpose other than, and will be held irrevocably in trust in an escrow account for, the payment of the principal of and interest on such Bonds. Any cash received from such principal of and interest on such Governmental Obligations deposited with the Trustee, if not needed for such purpose, will, to the extent practicable, be reinvested, at the direction of the Corporation in a Corporation Order, in Governmental Obligations maturing at times and in amounts sufficient to pay when due the principal of and interest on such Bonds on and prior to such redemption date or Stated Maturity thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien, or pledge. Any payment for Governmental Obligations purchased for the purpose of reinvesting cash as aforesaid will be made only against delivery of such Governmental Obligations. For the purposes of this paragraph, "Governmental Obligations" means and include only non-callable direct obligations of the Department of the Treasury of the United States of America or portions thereof (including interest or principal portions thereof). Such Governmental Obligations will be of such amounts, maturities, and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make the payments required in the Indenture, and which obligations have been deposited in an escrow account which is irrevocably pledged as security for the Bonds. Such term does not include mutual funds and unit investment trusts.

The provisions described above are applicable to the Bonds and any portion of the Bonds.

Cancellation of Paid Bonds

Any Bonds which have been paid or purchased by the Issuer, Bonds exchanged for new Bonds, mutilated Bonds replaced by new Bonds, and any temporary Bond for which definitive Bonds have been delivered will (unless otherwise directed by the Corporation by Corporation Order) forthwith be cancelled by the Trustee and, except for temporary Bonds, returned to the Issuer. [Intentionally Left Blank]

APPENDIX B

FORM OF BOND COUNSEL OPINION

[Intentionally Left Blank]

BURRFORMANMENAIR

Burr & Forman LLP 100 Calhoun Street, Suite 400 Charleston, SC 29401

> Mailing Address: Post Office Box 1431 Charleston, SC 29402

Office 843.723.7831 Fax 843.722.3227

BURR.COM

August 20, 2020

South Carolina Student Loan Corporation Columbia, South Carolina

Re: \$92,710,000 Taxable Student Loan Revenue Bonds, Senior Series 2020A

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 Taxable Student Loan Revenue Bonds, Senior Series 2020A (the "2020 Series Bonds") of the South Carolina Student Loan Corporation (the "Corporation"), a nonprofit corporation under the laws of the State.

The 2020 Series Bonds are issued by the Corporation pursuant to:

 An Indenture of Trust (the "Master Indenture") among the Corporation, the Conduit Issuers party thereto, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), dated as of August 1, 2020; and

(ii) A Series 2020 Supplemental Indenture of Trust, between the Corporation and the Trustee, dated as of August 1, 2020 (the "Supplemental Indenture", and together with the Master Indenture, the "Indenture").

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

Regarding questions of fact material to our opinion, we have relied on the representations of the Corporation contained in the Indenture and in the certified proceedings and other certifications of officers and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, under existing law, it is our opinion that:

 The Corporation is validly existing as a South Carolina nonprofit corporation with the power to enter into and perform its obligations under the Indenture and to issue to 2020 Series Bonds.

 The Indenture has been duly authorized, executed and delivered by the Corporation, and is a valid and binding obligation of the Corporation, enforceable against the Corporation. The Indenture

AL • DE • FL • GA • MS • NC • SC • TN

August 20, 2020 Page 2

creates a valid lien on the Trust Estate (excluding funds collected by, and in the possession of, the Servicer with respect to Financed Eligible Loans), subject to the provisions and conditions of the Indenture.

 The 2020 Series Bonds have been duly authorized and executed by the Corporation and are valid and binding limited obligations of the Corporation payable solely from the Trust Estate.

 Interest on the 2020 Series Bonds is not intended to be excludable from gross income for federal or State of South Carolina income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, or other provision of South Carolina law.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning, or disposing of the 2020 Series Bonds. Owners of the 2020 Series Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2020 Series Bonds, which may include original issue discount, original issue premium, purchase at market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

The rights of the owners of the 2020 Series Bonds and the enforceability of the 2020 Series Bonds and the Indenture are limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally, and by equitable principles, whether considered at law or in equity, and by the discretion of the court, judicial body or other arbiter before which any enforcement proceeding may be brought.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

BURR & FORMAN LLP

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Continuing Disclosure Certificate") is executed and delivered by South Carolina Student Loan Corporation (the "Corporation") in connection with the issuance of \$92,710,000 aggregate principal amount of its Taxable Student Loan Revenue Bonds, Senior Series 2020A (the "Series 2020 Bonds"). The Series 2020 Bonds are being issued pursuant to an Indenture of Trust among the Corporation, the Conduit Issuers party thereto, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), dated as of August 1, 2020, as amended and supplemented by a Series 2020 Supplemental Indenture of Trust, between the Corporation and the Trustee, dated as of August 1, 2020 (collectively, the "Indenture"). The Corporation undertakes and agrees as follows:

Section 1. Purpose of the Continuing Disclosure Certificate. This Continuing Disclosure Certificate is being executed and delivered by the Corporation for the benefit of the Registered Owners and beneficial owners of the Series 2020 Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Dissemination Agent" shall mean any Dissemination Agent designated by the Corporation.

"*EMMA*" means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

"Financial Information" shall mean any Financial Information provided by the Corporation pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Certificate.

"Financial Obligation" means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, and any successors or assigns, or any other entities or agencies approved under the Rule.

"Official Statement" shall mean the Official Statement, dated August 5, 2020, of the Corporation with respect to its offering of the Series 2020 Bonds.

"Repository" shall mean, until otherwise designated by the Securities and Exchange Commission, the EMMA website of the MSRB located at <u>http://emma.msrb.org</u> and the Corporation's investor page of its website.

Section 3. Provision of Financial Information.

(a) The Corporation shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Corporation's fiscal year, commencing with the report of the fiscal year ending June 30, 2020, provide to the Repository, in such electronic format, the annual financial statements of the Corporation prepared in accordance with accounting principles generally accepted in the United States of America and the Investor Reports on a quarterly basis on or before the 15th calendar day of each March, June, September and December. The Dissemination Agent shall only be obligated to provide the Financial Information to the Repository if such information has been provided to the Dissemination Agent by the Corporation sufficiently prior to any deadlines for filing set forth herein.

(b) The Financial Information may be submitted as a single document or as separate documents comprising a package, or by specific cross reference to other documents which have been submitted to the Repository. If the document so referenced is a final offering document, such final offering document must be available from the Repository. The Corporation shall clearly identify each such other document so incorporated by cross-reference.

(c) If the financial statements of the Corporation are audited, the audited financial statements of the Corporation must be submitted if and when available but may be submitted separately from the balance of the Financial Information and later than the date required above for the filing of the Financial Information if they are not available by that date.

Section 4. Content of Financial Information. The Corporation's Financial Information shall contain or incorporate by reference the following:

(a) annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America; and

(b) an update of the financial information and operating data in the form set forth in the Investor Report attached hereto.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the Corporation shall give, or cause to be given, on behalf of itself with respect to the Series 2020 Bonds, notice to the Repository of the occurrence of any of the following events with respect to the Series 2020 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2020 Bonds, or other material events affecting the Series 2020 Bonds;
- (vii) modifications to rights of Registered Owners of the Series 2020 Bonds, if material;
- (viii) any call of any Series 2020 Bonds, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Series 2020 Bonds, if material;
- (xi) rating changes and any Rating Agency Notification or any Rating Agency Confirmation as required under the Indenture;
- (xii) bankruptcy, insolvency, receivership, or similar event of the Corporation;

- (xiii) the consummation of a merger, consolidation, or acquisition involving an Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Corporation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Corporation, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Corporation, any of which reflect financial difficulties.

(b) If the Corporation obtains knowledge of the occurrence of a Listed Event, the Corporation shall file, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, a notice of such occurrence with EMMA.

Section 6. Termination of Reporting Obligation. The Corporation's obligations under this Continuing Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2020 Bonds.

Section 7. Dissemination Agent. The Corporation may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Additional Information. Nothing in this Continuing Disclosure Certificate shall be deemed to prevent the Corporation from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Certificate or any other means of communication, or including any other information in any Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Certificate. If the Corporation chooses to include any information in any Financial Information or notice of a Listed Event, in addition to that which is specifically required by this Continuing Disclosure Certificate, the Corporation shall have no obligation under this Continuing Disclosure Certificate to update such information or include it in any future Financial Information or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the Corporation to comply with any provision of this Continuing Disclosure Certificate, any Registered Owner or beneficial owner of the Series 2020 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 obligations under this Continuing Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Continuing Disclosure Certificate in the event of any failure of the Corporation to comply with this Continuing Disclosure Certificate shall be an action to comple performance.

Section 10. Beneficiaries. This Continuing Disclosure Certificate shall inure solely to the benefit of the Corporation, any Dissemination Agent, and Registered Owners and beneficial owners from time to time of the Series 2020 Bonds and shall create no rights in any other person or entity.

[Remainder of page intentionally left blank]

SOUTH CAROLINA STUDENT LOAN CORPORATION

By:______ Name: David A. Simon, III Its: President ____

ATTACHMENT

INVESTOR REPORT

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South Carolina Student Loan Corporation

Student Loan Revenue Bonds 2020 Master Indenture

Investor Report

Period Starting July 26, 2021

Period Ending October 25, 2021



outh Carolina Student Loan Corporation								
tudent Loan Revenue Bonds [2020 Master Indenture] eriod Start Date: 7/26/2021 eriod End Date: 10/25/2021								
able of	Contents							
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I.	Principal Parties to the Transaction	3						
II.	Items to Note	3						
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V.	Fund Activity for the Time Period	7						
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VI	I. Student Loan Payment History and CPR	9						
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XII	. Servicer Totals	14						
XII	I. Distributions	15 - 17						

Principal Parties to the Transaction	
lssuer	South Carolina Student Loan Corporation
Servicer	Nelnet Servicing, LLC (d/b/a Firstmark Services) Services, administers and makes collections with respect to the Financed Student Loans. The Servicer is compensated monthly for these services.
Trustee, Paying Agent and Registrar	The Bank of New York Mellon, Trust Company, N.A. Acts for the benefit of and to protect the interests of the note holders and acts as paying agent for the notes. Also acts on behalf of the note holders and represents their interests in the exercise of their rights under the 2020 Indenture.

Items to Note

П.

Report to be delivered by the 15th day of March, June, September, and December

Ш.	Trust Parameters						
Α.	Student Loan Portfolio Characteristics		7/25/2021		Activity	10/25	/2021
	i. Portfolio Principal Balance		\$-	\$	-	\$	-
	ii. Total Borrower Accrued Interest		-				-
	iii. Borrower Accrued Interest to be Capitalized		-				-
	iv. Weighted Average Coupon (WAC) - Gross		0.0	0%			0.00%
	v. Weighted Average Coupon (WAC) - Net of Interest Rate Reductions		0.0	0%			0.00%
	vi. Weighted Average Payments Made*		-				-
	vii. Weighted Average Remaining Months to Maturity (WARM)		-				-
	viii. Number of Loans		-				-
	ix. Number of Borrowers		-				-
	x. Average Borrower Indebtedness		-				-
В.	Notes		<u> </u>			<u> </u>	
		Original	Principal		Principal	Prine	cipal
		Principal	7/25/2021		Payment	10/25	
	Student Loan Revenue Bonds Senior Series 2020A \$		\$ -	\$	-	\$	-
				- <u> </u> -			
	*Calculation is for loans that have entered full repayment						

III. Trust Parameters (continued from previous page)

C. Parity Percentage

ii. Borrower	rust Estate rincipal Balance of Eligible Loans Less Those > 180 Days Past Due Accrued Interest on Elgible Loans Less Those > 180 Days Past Due d Investments]	\$ - -
iv. Total Val	lue of Trust Estate	\$ -
vi. Accrued I vii. Principal viii. Accrued I ix. Principal x. Accrued I	of Senior Bonds Outstanding Interest on Senior Bonds Outstanding of Senior-Subordinate Bonds Outstanding Interest on Senior-Subordinate Bonds Outstanding of Subordinate Bonds Outstanding Interest on Subordinate Bonds Outstanding Senior Transaction Fees Not Already Funded bilities	\$ - - - - 0.00 0.00
Overall Parity I	Percentage (III.C.iv / III.C.xii.)	0.00%
Senior Parity P	Percentage [III.C.iv / (III.C.v + III.C.vi)]	0.00%
Senior-Subord	inate Parity Percentage [III.C.iv / (III.C.v + III.C.vi + III.C.vii + III.C.xi)]	0.00%
Net Assets (III.	C.iv - III.C.xii)	\$ -

IV.	Student Loan Transactions for the Time Period 7/26/2021 - 10/25/2021		
A.	Student Loan Principal Collection Activity		
	i. Regular Principal Collections	\$	-
	ii. School Refunds		-
	ii. Principal Recoveries on Loans Previously Considered Loss		-
	iv. Total Principal Collections	\$	-
в.	Student Loan Non-Cash Principal Activity		
	i. Principal Losses - Alternative Loans Becoming Greater than 180 days past due or Extinguished by Bankruptcy	\$	-
	ii. Principal Losses - Other		-
	iii. Adjustments for Principal Recoveries on Loans Previously Considered Loss		-
	iv. Interest Capitalized into Principal During Collection Period		-
	v. Other Adjustments vi. Total Non-Cash Principal Activity	\$	-
	vi. Total Non-Cash Principal Activity	Þ	-
C.	Student Loan Principal Additions		
	i. New Loan Disbursements	\$	-
	ii. Loans Transferred iii. Total Principal Additions	\$	
		Þ	-
D.	Total Student Loan Principal Activity (IV.A.iv + IV.B.vi + IV.C.iii)	\$	-
E.	Student Loan Interest Collection Activity		
	i. Regular Interest Collections	\$	-
	ii. Interest Recoveries on Loans Previously Considered Loss	÷	-
	iii. Late Fees		-
	iv. Total Interest Collections	\$	-
F.	Student Loan Non-Cash Interest Activity		
	i. Interest Losses	\$	-
	ii. Interest Capitalized into Principal During Collection Period		-
	iii. Other Adjustments		-
	iv. Total Non-Cash Interest Activity	\$	-
G.	Student Loan Interest Additions		
	i. New Loan Disbursements	\$	-
	ii. Loans Transferred		-
	iii. Total Interest Additions	\$	-
н.	Total Student Loan Interest Activity (IV.E.iv + IV.F.iv + IV.G.iii)	\$	-
Ι.	Interest Expected to be Capitalized	¢	
	i. Interest Expected to be Capitalized - Beginning	\$	-
	ii. Interest Capitalized into Principal During Collection Period (IV.B.vii)		-
	iii. Change in Interest Expected to be Capitalized	\$	-
	iv. Interest Expected to be Capitalized - Ending	Þ	-

v.	Fund Activity for the Time Period	//26/2021 - 10/25/2021	
Α.			
	i. Balance on Prior Period End Date	7/25/2021 \$	-
	ii. Draws Due to Liquidity Needs		-
	iii. Debt Service Reserve Fund Requirement		-
	iv. Releases or Replenishments in Waterfall Process		-
	v. Balance on Current Period End Date	\$	-
В.	Capitalized Interest Fund Reconciliation		
	i. Balance on Prior Period End Date	7/25/2021 \$	-
	ii. Draws Due to Liquidity Needs		-
	iii. Maximum Amount in Step-down Schedule		-
	iv. Releases in Waterfall Process		-
	v. Balance on Current Period End Date	\$	-
c.	Student Loan Fund Reconciliation		
	i. Balance on Prior Period End Date	7/25/2021 \$	-
	ii. Draws for New Loan Acquisitions		-
	iii. Transfers from Revenue Fund for Recycling		-
	iv. Transfers for the Payment of Bonds		-
	v. Balance on Current Period End Date	\$	-
E.	Funds Remitted During Period: Operating Fund		
	i. Servicing Fees	s	-
	ii. Trustee Fees		-
	iii. Administrator Fees		-
	iv. Other		-
	v. Total	\$	-

Student Loan Default and Recovery VI. School Loans - Student Student Loan Defaults School Loans - Parent **Refinance Loans** Total Α. Principal Balance of Loans Upon Transfer into Trust Estate \$ \$ \$ \$ i. -ii. Interest Capitalized to Date on Loans iii. Total Principal Required to be Paid on Loans (VI.A.i. + VI.A.ii.) \$ \$ \$ \$ --iv. Principal Balance of Loans Becoming Greater than 180 Days Past Due During Period -_ -Cumulative Principal Balance of Loans Having Defaulted \$ \$ \$ \$ ٧. ----Cumulative Default Rate (VI.A.v. / VI.A.iii.) 0.00% 0.00% 0.00% 0.00% vi. B. Student Loan Recovery Principal Received on Defaulted Loans During Period \$ i. ii. Interest Received on Defaulted Loans During Period -Fees Received on Defaulted Loans During Period iii. iv. Total Periodic Recovery (VI.B.i + VI.B.ii VI.B.iii) \$ -Periodic Recovery Rate (VI.B.iv / VI.A.v) 0.00% v. Cumulative Principal Received on Loans Since Default \$ vi. -Cumulative Interest Received on Loans Since Default vii. viii. Cumulative Fees Received on Loans Since Default -\$ ix. Total Cumulative Recovery (VI.B.vi + VI.B.vii VI.B.viii) x. Cumulative Recovery Rate (VI.B.ix / VI.A.v) 0.00%

VII. Student Loan Prefunding Concentration Limits - 2020A Bonds

TO BE PROVIDED UNTIL THE END OF THE 2020A ACQUISITION PERIOD

Criteria	Limit	Amount Disbursed	%	
School loans made to a student borrower with no cosigner	<= 17%	\$ -	0.00%	
FICO Scores <= 699	<= 20%	-	0.00%	
FICO Scores <= 739	<= 49%	-	0.00%	
Immediate Full Repayment or Interest Only School Repayment Plan	>= 44%	-	0.00%	
Refinance Loans	>= 12%	-	0.00%	
Fully Deferred Loans	<= 28%	-	0.00%	
		-		

\$

VIII. Student Loan Payment History and CPR

	Principal	Current Quarter	Cumulative
Date 10/25/2021	Balance	CPR 0.00%	CPR 0.00%
10/23/2021	¢ -	0.00 %	0.0078

Γ	w	AC	Number	of Loans	WA	RM	Principa	al Balance		%
-	7/25/2021	10/25/2021	7/25/2021	10/25/2021	7/25/2021	10/25/2021	7/25/2021	10/25/2021	7/25/2021	10/25/2021
tatus										
n School										
Loans on Interest Plan										
Days Delinquent										
0-30										
31-60										
61-90										
91-120										
121-180										
Total										
Loans on Fixed Payment Plan										
Days Delinquent										
0-30										
31-60										
61-90										
91-120										
121-180										
Total										
Fully Deferred Loans										
Fotal In School										
Repayment										
Active										
Days Delinquent										
0-30										
31-60										
61-90										
91-120										
121-180										
Total										
Inactive										
Disaster Forbearance										
Discretionary Forbearance										
All Other Forbearance										
Total										
otal Repayment										

	WAC	WARM	Number of Loans	Principal Balance	%
ban Type					
Student Loan Interest Only					
Student Loan Fixed Payment					
Student Loan Fully Deferred					
Parent Loan Immediate Repayment					
Parent Loan Interest Only					
Parent Loan Fixed Payment					
Refinance					
Remarke					
otal					
chool Type					
Four-Year Public & Private Nonprofit					
Two-Year Public & Private Nonprofit					
For Profit/Vocational					
Unknown/Refinance Loans					
otal					
rade Level					
Freshman					
Sophomore					
Junior					
Senior					
Graduate					
Unknown/Refinance Loans					
otal					
			1	11	

XI. Student Loan Collateral Tables as of 10/25/2021

A. Distribution of Loans by FICO Score and Approval Type

		Cosigned			Not Cosigned			All	
	Number of Loans	Principal Balance	%	Number of Loans	Principal Balance	%	Number of Loans	Principal Balance	%
670-679									
680-689									
690-699									
700-709									
710-719									
720-729									
730-739									
740-749									
750-759									
760-769									
770-779									
780-789									
790-799									
800 and Above									
Total									

Weighted Average FICO Score

Cosigned

Not Cosigned

All

B. Distribution of Loans by Interest Rate

	Number of Loans	Principal Balance	%
1.00% - 1.99%			
2.00% - 2.99%			
3.00% - 3.99%			
4.00% - 4.99%			
5.00% - 5.99%			
6.00% - 6.99%			
7.00% - 7.99%			
8.00% - 8.99%			
9.00% - 9.99%			
10.00% and Above			
Total			

C. Distribution of Variable Rate Loans by 1M LIBOR Margin

	Number of Loans	Principal Balance	%
1.00% - 1.99%			
2.00% - 2.99%			
3.00% - 3.99%			
4.00% - 4.99%			
5.00% - 5.99%			
6.00% - 6.99%			
7.00% - 7.99%			
8.00% - 8.99%			
Total			

XI. Student Loan Collateral Tables as of 10/25/2021 (continued from previous page)

D. Distribution of Loans by Date of First Disbursement

	Number of Loans	Principal Balance	%
July 1, 2011 - June 30, 2012			
July 1, 2012 - June 30, 2013			
July 1, 2013 - June 30, 2014			
July 1, 2014 - June 30, 2015			
July 1, 2015 - June 30, 2016			
July 1, 2016 - June 30, 2017			
July 1, 2017 - June 30, 2018			
July 1, 2018 - June 30, 2019			
July 1, 2019 - June 30, 2020			
July 1, 2020 - June 30, 2021			
July 1, 2021 - June 30, 2022			
Total			

E. Distribution of Loans by Geographic Location

	Number of Loans	Principal Balance	%
South Carolina			
North Carolina			
Georgia			
New Jersey			
Virginia			
Maryland			
Florida			
Pennsylvania			
New York			
Tennessee			
All Other States			
Total			

F. Distribution of Loans by Range of Principal Balance

	Number of Loans	Principal Balance	%
Less than \$5,000.00			
\$5,000.00 - \$9,999.99			
\$10,000.00 - \$19,999.99			
\$20,000.00 - \$29,999.99			
\$30,000.00 - \$39,999.99			
\$40,000.00 - \$49,999.99			
\$50,000.00 - \$59,999.99			
\$60,000.00 - \$69,999.99			
\$70,000.00 - \$79,999.99			
\$80,000.00 - \$89,999.99			
\$90,000.00 - \$99,999.99			
\$100,000.00 - \$109,999.99			
\$100,000.00 - \$119,999.99			
\$120,000.00 - \$129,999.99			
\$130,000.00 - \$139,999.99			
\$140,000.00 - \$149,999.99			
\$150,000.00 and Above			
Total			

XI. Student Loan Collateral Tables as of 10/25/2021 (continued from previous page)

G. Distribution of Loans by Months Remaining Until Scheduled Maturity

	Number of Loans	Principal Balance	%
0 - 12			
13 - 24			
25 - 36			
37 - 48			
49 - 60			
61 - 72			
73 - 84			
85 - 96			
97 - 108			
109 - 120			
121 - 132			
133 - 144			
145 - 156			
157 - 168			
169 - 180			
181 - 192			
193 - 204			
205 - 216			
217 - 228			
229 - 240			
241 and Above			
Total			

H. Distribution of Loans by Number of Payments Made - Loans In Full Repayment

	Number of Loans	Principal Balance	%
0 - 12			
13 - 24			
25 - 36			
37 - 48			
49 - 60			
61 - 72			
73 and Above			
Total			

XII. Servicer Totals as of 10/25/2021

	Number of Loans	Principal Balance	%
Nelnet Servicing, LLC*			
*d/b/a Firstmark Services			

I. Distribution of Loans by School

	Number of Loans	Principal Balance	%
University of South Carolina - Columbia			
Clemson University			
Citadel, The Military College of South Carolina			
Winthrop University			
College of Charleston			
Anderson University			
Coastal Carolina University			
Wofford College			
Lander University			
Charleston Southern University			
Furman University			
Limestone College			
University of South Carolina Upstate			
Tri-County Technical College			
Presbyterian College			
University of South Carolina - Beaufort			
Medical University of South Carolina			
Francis Marion University			
Savannah College of Art and Design			
North Greenville University			
All Other Schools			
Unknown/Refinance Loans			
Total			

XIII.	Таха	ble Distributions for the 12/1/2021 Payment Date			
		THIS PAGE INCLUDED WITH REPORTS PUBLISHED IN JUNE AND DECEMBER			
A.	Avai	able Funds			
	i.	Student Loan Principal and Interest Collections		\$	-
	ii.	Investment Income			-
	iii.	Releases from Debt Service Reserve Fund			-
	iv.	Releases from Capitalized Interest Fund			-
	v.	Total		\$	-
В.	Com	bined Waterfall Summary			
				Remai	ning Balance
	Total	Available Funds for Distribution (XII.A.v)		\$	
	i.	To the Rebate Fund, if necessary to comply with any Tax Document with respect to rebate or Excess Earnings.	\$ -	\$	-
	ii.	To the Operating Fund, for the payment of Senior Transaction Fees.	\$ -	\$	-
	iii.	To the Debt Service Fund, on a pro rata basis, if necessary, to provide for the payment of interest on Senior Bonds.	\$ -	\$	-
	iv.	To the Debt Service Fund, (A) first, to provide for the payment of principal of Senior Bonds at their Stated Maturity or on a	\$ -	\$	-
		mandatory sinking fund payment date and (B) second, on a pro rata basis, if necessary, to provide for the payment of			
		cumulative sinking fund installments of Senior Bonds not funded under clause (A) above.			
	v.	To the Debt Service Reserve Funds, to to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.	\$ -	\$	-
	vi.	To the Debt Service Fund, on a pro rata basis, if necessary, to provide for the payment of interest on Senior-Subordinate Bonds.	\$ -	\$	-
	vii.	To the Debt Service Fund, (A) first, to provide for the payment of principal of Senior-Subordinate Bonds at their Stated Maturity	\$ -	\$	-
		or on a mandatory sinking fund payment date and (B) second, on a pro rata basis, if necessary, to provide for the payment of			
		cumulative sinking fund installments of Senior-Subordinate Bonds not funded under clause (A) above.			
	viii.	To the Debt Service Fund, on a pro rata basis, if necessary, to provide for the payment of interest on Subordinate Bonds.	\$ -	\$	-
	ix.	To the Debt Service Fund, (A) first, to provide for the payment of principal of Subordinate Bonds at their Stated Maturity or	\$ -	\$	-
		on a mandatory sinking fund payment date and (B) second, on a pro rata basis, if necessary, to provide for the payment of			
		cumulative sinking fund installments of Subordinate Bonds not funded under clause (A) above.			
	x.	To the Student Loan Fund, during an applicable Recycling Period, at the option of the Corporation, to finance additional	\$ -	\$	-
		Eligible Loans.			
	xi.	To the Debt Service Fund, (A) at the option of the Corporation or (B) as required by a Supplemental Indenture for Principal	\$ -	\$	-
		Reduction Payments or the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject			
		to Principal Reduction Payments or redemption or principal distribution from Revenues received under the Indenture.			
	xii.	To the Operating Fund, for the payment of Subordinate Transaction Fees.	\$	\$	-
	xiii.	Released from the Indenture, at the option of the Corporation, to the extent permitted by the Indenture.	\$ -	\$	-

XIII. Taxable Distributions for the 12/1/2021 Payment Date (continued from previous page)

THIS PAGE INCLUDED WITH REPORTS PUBLISHED IN JUNE AND DECEMBER

C. Waterfall Detail

	Stated			Principal Paid -	Principal Paid -	Maturity Principal	Total Principal	
CUSIP	Maturity Date	Interest Due	Interest Paid	Mandatory	Optional	Payments	Paid	Total Distributed
11111XXX0	12/1/2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11111XXX1	12/1/2022	-	-	-	-	-	-	-
11111XXX2	12/1/2023	-	-	-	-	-	-	-
11111XXX3	12/1/2024	-	-	-	-	-	-	-
11111XXX4	12/1/2025	-	-	-	-	-	-	-
11111XXX5	12/1/2026	-	-	-	-	-	-	-
11111XXX6	12/1/2027	-	-	-	-	-	-	-
11111XXX7	12/1/2028	-	-	-	-	-	-	-
11111XXY1	12/1/2029	-	-	-	-	-	-	-
11111XXY2	12/1/2030	-	-	-	-	-	-	-
11111XXY3	12/1/2031	-	-	-	-	-	-	-
11111XXY4	12/1/2032	-	-	-	-	-	-	-
11111XXY5	12/1/2033	-	-	-	-	-	-	-
11111XXY6	12/1/2034	-	-	-	-	-	-	-
11111XXY7	12/1/2035	-	-	-	-	-	-	-
11111XXY8	12/1/2036	-	-	-	-	-	-	-
11111XXY9	12/1/2037	-	-	-	-	-	-	
11111XXZ1	12/1/2038	-	-	-	-	-	-	-
al		\$ -	\$ -	\$ -	\$ -	\$ -	\$-	\$-

XIII. Taxable Distributions for the 12/1/2021 Payment Date (continued from previous page)

THIS PAGE INCLUDED WITH REPORTS PUBLISHED IN JUNE AND DECEMBER

D. Outstanding CUSIP Listing

	Stated Maturity			Principal		Principal	Ending	
CUSIP	Date	Interest Rate	Original Principal	6/1/2021	Principal Payment	12/1/2021	Balance Factor	Paydown Factor
11111XXX0	12/1/2021	0.00000%	\$ -	\$ -	\$ -	\$ -	1.00000000	0.0000000
11111XXX1	12/1/2022	0.00000%	-	-	-	-	1.00000000	0.00000000
11111XXX2	12/1/2023	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXX3	12/1/2024	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXX4	12/1/2025	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXX5	12/1/2026	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXX6	12/1/2027	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXX7	12/1/2028	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXY1	12/1/2029	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXY2	12/1/2030	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXY3	12/1/2031	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXY4	12/1/2032	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXY5	12/1/2033	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXY6	12/1/2034	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXY7	12/1/2035	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXY8	12/1/2036	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXY9	12/1/2037	0.00000%	-	-	-	-	1.00000000	0.0000000
11111XXZ1	12/1/2038	0.00000%	-	-	-	-	1.00000000	0.0000000
tal	•		\$-	\$-	\$ -	\$ -	1.00000000	0.0000000

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APPENDIX D

FINANCIAL STATEMENTS OF THE CORPORATION

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Report on Consolidated Financial Statements

For the year ended June 30, 2019

South Carolina Student Loan Corporation Contents

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of South Carolina Student Loan Corporation (the "Corporation"), which comprise the consolidated statement of financial position as of June 30, 2019, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As described in Note 1, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities.* This Update addresses the presentation of net asset classifications for consistency and understandability, provides information about liquidity and availability of resources, and allows consistency in information provided about expenses and investment return. The Corporation adopted the provisions of this ASU during the year ended June 30, 2019. The adoption of this ASU did not have any impact on the Corporation's total net assets or changes in net assets. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited South Carolina Student Loan Corporation's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated schedules by fund, consolidated schedule of property and equipment, schedule of expenses for the operating fund and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements and other records used to prepare the financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Elliott Davis, LLC

Columbia, South Carolina September 30, 2019

Consolidated Statement of Financial Position

As of June 30, 2019 (with comparative amounts for 2018)

	Without	2019 With		2018 Totals Memorandum
	Restrictions	Restrictions	Total	Only
Assets				
Current assets				
Cash and cash equivalents	\$ 12,913,428	\$ 64,820,374	\$ 77,733,802	\$ 148,432,033
Investments	207,042,146	-	207,042,146	186,732,240
Current portion of student loans receivable	11,029,313	176,758,898	187,788,211	222,202,504
Current portion of teacher loans receivable	-	2,807,325	2,807,325	2,006,114
Interest due from borrowers	1,176,772	41,385,553	42,562,325	40,231,406
Accounts receivable	27,120	8,575	35,695	29,793
Due from United States Department of Education	36,871	689,427	726,298	355,690
Due from servicers	100,206	1,347,659	1,447,865	2,178,693
Due from South Carolina State Education Assistance Authority	44,571	563,180	607,751	657,308
Accrued investment income	29,513	51,570	81,083	211,824
Prepaid expenses	434,562	56,829	491,391	1,365,937
Due from (to) other funds	297,591	(295,463)	2,128	-
Total current assets	233,132,093	288,193,927	521,326,020	604,403,542
Long-term receivables and other assets				
Student loans receivable, net of current portion				
and allowance for loan loss of \$31,887,008	85,725,247	1,012,771,625	1,098,496,872	1,261,308,805
Teacher loans receivable, net of current portion				
and allowance for loan cancellations of \$10,840,394	-	28,732,024	28,732,024	29,283,900
Overfunded defined benefit plan	1,644,316	-	1,644,316	2,491,955
Due from (to) other funds	20,942,464	(20,942,464)	-	-
Total long-term receivables and other assets	108,312,027	1,020,561,185	1,128,873,212	1,293,084,660
Property and equipment				
Land	364,900	-	364,900	364,900
Building	4,358,670	-	4,358,670	4,358,670
Furniture and equipment	4,517,229	-	4,517,229	2,822,500
Automobiles	80,030	-	80,030	113,046
Less accumulated depreciation	(3,856,221)	-	(3,856,221)	(3,301,583)
Net property and equipment	5,464,608	-	5,464,608	4,357,533
Total assets	\$ 346,908,728	\$ 1,308,755,112	\$ 1,655,663,840	\$ 1,901,845,735
	. , , -			

Consolidated Statement of Financial Position

As of June 30, 2019 (with comparative amounts for 2018)

	2019			2018 Totals Memorandum	
	Restrictions	Restrictions	Total	Only	
Liabilities and Net Assets					
Current liabilities					
Current maturities of notes payable - finance loans	\$-	\$ 6,346,620	\$ 6,346,620	\$ 6,916,628	
Current maturities of bonds payable	-	166,398,390	166,398,390	240,209,402	
Interest payable	-	3,354,429	3,354,429	3,857,652	
Accounts payable	1,732,082	13,051	1,745,133	1,740,827	
Unearned revenues	223,580	403,413	626,993	836,065	
Customer refunds payable	18,426	-	18,426	8,658	
Teacher loan liability	-	1,072,340	1,072,340	1,309,353	
Compensated absences	1,014,892	-	1,014,892	1,009,437	
Due to South Carolina State Education Assistance Authority	251	-	251	155	
Due to United States Department of Education	19,564	1,400,260	1,419,824	2,310,969	
Total current liabilities	3,008,795	178,988,503	181,997,298	258,199,146	
Noncurrent liabilities					
Notes payable - finance loans, net of current maturities	-	20,335,190	20,335,190	28,406,937	
Bonds payable, net of current maturities	-	806,835,850	806,835,850	983,160,525	
Payable to the State of South Carolina	-	50,660,027	50,660,027	46,595,315	
Due to South Carolina State Education Assistance Authority	-	39,835,008	39,835,008	39,835,008	
Total noncurrent liabilities	-	917,666,075	917,666,075	1,097,997,785	
Total liabilities	3,008,795	1,096,654,578	1,099,663,373	1,356,196,931	
Net Assets					
Net assets with restrictions					
Bond indentures - current debt service	-	8,034,351	8,034,351	14,211,020	
Bond indentures	-	204,066,183	204,066,183	187,847,736	
Total net assets with restrictions	-	212,100,534	212,100,534	202,058,756	
Net assets without restrictions					
Board designated for scholarships	-	-	-	100,000	
Board designated for Power:Ed	10,000,000	-	10,000,000	-	
Undesignated	333,899,933	-	333,899,933	343,490,048	
Total net assets without restrictions	343,899,933		343,899,933	343,590,048	
Total net assets	343.899.933	212,100,534	556,000,467	545,648,804	
Total liabilities and net assets	\$ 346,908,728	\$ 1,308,755,112	\$ 1,655,663,840	\$ 1,901,845,735	
	2 010,000,720	÷ 1,000,700,112	+ 1,000,000,040	+ 1,001,0.0,700	

Consolidated Statement of Activities

For the year ended June 30, 2019 (with comparative amounts for 2018)

	2019			2018 Totals	
	Without With			Memorandum	
	Restrictions	Restrictions	Total	Only	
Revenues					
Income from United States Department of Education:					
Student loan interest - subsidized	\$ 66,604	\$ 5,666,978	\$ 5,733,582	\$ 5,937,291	
Special allowances	(72,055)	(7,179,658)	(7,251,713)	(18,309,815)	
Student loan interest - unsubsidized	5,772,579	67,316,474	73,089,053	81,904,941	
Investment income	4,744,234	1,467,294	6,211,528	4,238,246	
Unrealized gain on investments	595,911	-	595,911	693,771	
Late charges	55,043	1,085,881	1,140,924	1,305,470	
Miscellaneous payments of student loans	286	12,396	12,682	15,599	
Remittance from South Carolina State Education Assistance Authority					
for operating costs	420,830	-	420,830	411,940	
Servicing fees	337,647	-	337,647	368,920	
Other	292,583	-	292,583	356,734	
Net assets released from restrictions	58,327,587	(58,327,587)	-	-	
Total revenues	70,541,249	10,041,778	80,583,027	76,923,097	
Expenses					
Personnel	4,051,952	-	4,051,952	2,375,248	
Contractual services	5,033,638	-	5,033,638	5,589,894	
General operating	1,609,785	-	1,609,785	1,206,723	
Interest on debt	41,898,239	-	41,898,239	38,874,734	
Payments to South Carolina State Education Assistance Authority					
for student loan income	1,935,938	-	1,935,938	2,139,915	
Loan fees	5,477,597	-	5,477,597	6,346,334	
Reinsurance expense	911,368	-	911,368	1,456,891	
Borrower incentives	3,813,030	-	3,813,030	4,283,820	
Broker dealer fees	246,358	-	246,358	265,550	
Building expense	190,487	-	190,487	239,943	
Loan loss expense	5,062,972	-	5,062,972	2,979,562	
Total expenses	70,231,364	-	70,231,364	65,758,614	
Changes in net assets	309,885	10,041,778	10,351,663	11,164,483	
Net assets					
Beginning	343,590,048	202,058,756	545,648,804	534,484,321	
Ending	\$ 343,899,933	\$ 212,100,534	\$ 556,000,467	\$ 545,648,804	

Consolidated Statement of Functional Expenses For the year ended June 30, 2019

	Program Expenses		Supporting Services	
			Management and General	Tatal C
Operating	PAL and PAL Reli	FFEL	General	Total Expenses
Personnel	ć 1.011.201	¢ 242.002	¢ 242.002	¢ 2.426.640
Staff salaries	\$ 1,941,294	\$ 242,662	\$ 242,662	\$ 2,426,618
Social security	127,861	15,983	15,983	159,827
Group insurance	143,851	17,981	17,981	179,813
Retirement	1,012,308	126,538	126,538	1,265,384
Unemployment	16,248	2,031	2,031	20,310
Total personnel	3,241,562	405,195	405,195	4,051,952
Contractual				
Information technology	639,853	65,857	65,857	771,567
Third party servicing fees	1,068,749	2,434,596	-	3,503,345
Legal and professional	34,566	-	400,833	435,399
Accounting	-	-	168,335	168,335
Skip tracing	1,500	-	-	1,500
Credit bureau	60,154	-	-	60,154
Loan servicing	95,838	-	-	95,838
Total contractual	1,900,660	2,500,453	635,025	5,036,138
Total operating	5,142,222	2,905,648	1,040,220	9,088,090
General operating				
Telephone	64,976	8,122	8,122	81,220
Printing	9,877	1,235	1,235	12,347
Postage	20,672	2,584	2,584	25,840
Supplies	12,318	1,540	1,540	15,398
Travel	22,355	2,795	2,795	27,945
Equipment maintenance	34,007	4,251	4,251	42,509
Subscriptions and fees	81,915	10,240	10,240	102,395
Meeting and conference expenses	166,809	20,851	20,851	208,511
Insurance - general and automotive	50,792	6,349	6,349	63,490
Outreach and awareness	275,345	-	20,000	295,345
Depreciation	-	-	587,654	587,654
Building	-	-	190,487	190,487
Third party collections	91,355	-	-	91,355
Other operating expense and contingencies		-	53,276	53,276
Total general operating	830,421	57,967	909,384	1,797,772
Student loans				
Loan fees		5,477,597	-	5,477,597
Reinsurance expense	-	911,368	-	911,368
Borrower incentives	206,799	3,606,231	-	3,813,030
Loan loss expense	5,062,972	-	-	5,062,972
Broker dealer fees	31,012	215,346	-	246,358
Payments to South Carolina State Education Assistance		-		-
Authority for student loan income	1,098,258	837,680	-	1,935,938
Interest on debt	5,457,382	36,440,857	-	41,898,239
Total student loans	11,856,423	47,489,079	-	59,345,502
Total functional expenses	\$ 17,829,066	\$ 50,452,694	\$ 1,949,604	\$ 70,231,364

Consolidated Statement of Cash Flows

For the year ended June 30, 2019 (with comparative amounts for 2018)

				2018
		2019		Totals
	Without	With		Memorandum
	Restrictions	Restrictions	Total	Only
Cash flows from operating activities				
Changes in net assets	\$ 309,885	\$ 10,041,778	\$ 10,351,663	\$ 11,164,483
Adjustments to reconcile changes in net assets to net cash				
provided by (used for) operating activities:				
Depreciation	587,654	-	587,654	356,652
Unrealized gain on investments	(595,911)	-	(595,911)	(693,771)
Amortization of bond discounts	-	3,798,754	3,798,754	1,861,742
Loan loss expense	1,307,570	3,755,402	5,062,972	2,979,562
Changes in operating assets and liabilities:				
Due from South Carolina State Education				
Assistance Authority	(9,250)	58,807	49,557	140,592
Interest due from borrowers	(294,412)	(2,036,507)	(2,330,919)	(5,985,863)
Accounts receivable	-	(5,902)	(5,902)	36,206
Due from United States Department of Education	(25,754)	(344,854)	(370,608)	(314,344)
Due from servicers	(45,419)	776,247	730,828	465,247
Accrued investment income	94,191	36,550	130,741	(128,136)
Prepaid expenses	871,096	3,450	874,546	(1,162,433)
Defined benefit plan	847,639	-	847,639	(1,568,888)
Due from (to) other funds	106,807	(108,935)	(2,128)	-
Interest payable	-	(503,223)	(503,223)	827,137
Accounts payable	(8,745)	13,051	4,306	(73,803)
Unearned revenues	(54,306)	(154,766)	(209,072)	(193,134)
Defined benefit plan obligation	-	-	-	(165,303)
Compensated absences	5,455	-	5,455	(438,497)
Teacher loan liability	· -	(237,013)	(237,013)	338,725
Customer refunds payable	9,768	-	9,768	(114,317)
Payable to the State of South Carolina	· _	4,064,712	4,064,712	(11,807,269)
Due to United States Department of Education	11,294	(902,439)	(891,145)	(3,064,060)
Due to South Carolina State Education	, -	()	(/ -/	(-,,
Assistance Authority	96	-	96	118
Net cash provided by (used for) operating activities	3,117,658	18,255,112	21,372,770	(7,539,354)
Cash flows from investing activities				
Purchases of property and equipment	(1,694,729)	-	(1,694,729)	(169,376)
Net changes in student loans receivable	(10,085,798)	202,249,052	192,163,254	257,651,953
Net changes in teacher loans receivable	-	(249,335)	(249,335)	(709,138)
Net purchases of investments	(19,713,995)	-	(19,713,995)	(1,352,784)
Net cash provided by (used for) investing activities	(31,494,522)	201,999,717	170,505,195	255,420,655
Cash flows from financing activities				
Net changes in notes payable - finance loans	-	(8,641,755)	(8,641,755)	(7,078,209)
Net payments on bonds payable		(253,934,441)	(253,934,441)	(269,902,950)
Net cash used for financing activities		(262,576,196)	(262,576,196)	(276,981,159)
Net decrease in cash and cash equivalents	(28,376,864)	(42,321,367)	(70,698,231)	(29,099,858)
Cash and cash equivalents				
Beginning	41,290,292	107,141,741	148,432,033	177,531,891
Ending	\$ 12,913,428	\$ 64,820,374	\$ 77,733,802	\$ 148,432,033
		· · · · · · · · · · · · · · · · · · ·		·
Supplemental disclosures of cash flow information				
Cash payments for interest	\$ -	\$ 38,602,709	\$ 38,602,709	\$ 33,667,314
Disposal of fully depreciated property and equipment	\$ 33,016	\$	\$ 33,016	\$

Note 1. Summary of Significant Accounting Policies

Reporting entity:

The South Carolina Student Loan Corporation (the "Corporation") was incorporated on November 15, 1973, under the Laws of the State of South Carolina. 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 of students to attend eligible post-secondary institutions. Funds from various sources are administered by the Corporation to achieve this goal.

During the fiscal year ended June 30, 2019, the Corporation's Board of Directors established Power:Ed as an arm of the Corporation to assist in fulfilling some of the Corporation's philanthropic initiatives within its mission. See Note 18 for further discussion.

Effective September 10, 2015, Palmetto Investment Holdings, Inc. ("PIHI"), a South Carolina Corporation (C-Corp) was organized as a wholly-owned subsidiary of the Corporation. PIHI functions as the holding company for forprofit ventures within the Corporation's consolidated corporate structure. Also effective September 10, 2015, SC3 Solutions, LLC ("SC3") was formed under the Laws of the State of South Carolina as a wholly-owned subsidiary of PIHI. Since its inception, SC3 has operated as a call and customer contact center with a client base within the healthcare industry. After careful consideration, the Corporation decided to discontinue this service line and ended the contact center activity as of October 6, 2017.

On April 1, 2011, the Corporation formed EdVantage Corporation ("EdVantage"), which is a controlled affiliate of the Corporation for the purpose of providing debt collector services. EdVantage is not actively serving as a debt collector at this time.

The Corporation is the sole owner of Educational Loan Services, LLC ("ELS"), d/b/a Campus Partners ("CP"), a provider of servicing of student educational loans for universities, colleges and other educational institutions nationwide (see Note 5 and Note 18).

The Corporation administers the operations of the South Carolina State Education Assistance Authority (the "Authority"). The Authority is a body politic as well as a corporate and 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 the State Fiscal Accountability Authority ("SFAA") whose members by virtue of their position in State government include the Governor, State Treasurer, Comptroller General, Chairman of the Senate Finance Committee and Chairman of the South Carolina House of Representatives Ways and Means Committee.

On June 22, 2016, the SFAA delegated to the Corporation the authority to communicate with the United States Department of Education ("USDE") at the appropriate time to terminate the guaranty agreement between the Authority and USDE, cease operating as a guaranty agency under the Higher Education Act of 1965 and to present to the State Treasurer all necessary documents required to effect such termination. The Corporation notified the USDE on June 22, 2016 of the intention to terminate the guaranty agreement.

Note 1. Summary of Significant Accounting Policies, Continued

Reporting entity, continued:

On July 21, 2016, the Corporation received notice from the USDE formally naming Educational Credit Management Corporation ("ECMC") as the receiving guarantor; however, initial discussion and coordination of the transfer between the parties began on July 7, 2016. The related conversion occurred on December 1, 2016. During the fiscal year ended June 30, 2017, the level of services provided by the Corporation to the Authority were reduced due to the termination of the guaranty agreement between the Authority and USDE, the transfer of the guaranty agency function to ECMC on December 1, 2016 and the completion of subsequent reporting to the USDE which closed the guaranty function of the Authority with the USDE. Since this time, the Corporation has performed specified services for the Authority on a contractual basis with mutually agreed-upon terms.

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

The accompanying financial statements present the consolidated financial position, results of activities and cash flows of the Corporation and its controlled affiliate and subsidiaries.

Overall operating arrangement:

The Authority, as a guaranty agency, has approved the Corporation as an eligible lender to administer the Federal Family Education Loan ("FFEL") 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 USDE. Upon entering the repayment period, the interest is paid by the borrower. Effective July 1, 2010, the FFEL Program was discontinued and all future federal loans are originated through the Direct Loan Program. The Corporation does, however, continue to serve as the eligible lender of the previously originated FFEL loans. The Corporation also continues to originate private student loans.

The Corporation financed both FFEL and private student loans using several sources. One source was the issuance of tax-exempt revenue bonds by the Authority. The Corporation, using the proceeds of these bonds as described in Note 8, makes loans. The Corporation remits proceeds on these loans to the Authority as required by a loan agreement between the two entities.

During the fiscal year ended June 30, 1985, the Corporation began administering the Teacher Loan Program ("TLP"). The TLP is a part of the Education Improvement Act of 1984 (the "Act") passed by the South Carolina General Assembly. The Corporation was named in the Act as the administrator of this program. 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 of South Carolina. Loans are cancelled at the greater of a specified dollar amount or 20% to 33 1/3% 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 in a critical subject or critical location. TLP loans made for academic years before 1994-1995 are guaranteed by the Authority. TLP loans made for academic years 1994-1995 or after are non-guaranteed.

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement, continued:

As stipulated by the South Carolina Code of Laws when the TLP began during the fiscal year ended June 30, 1985, a separate revolving State-owned bank account was designated and established for the TLP. The account is named the EIA Revolving Student Loan Program Fund 41L1 ("Fund 41L1"). Funds generated from repayments to the TLP must be retained in this account for the purpose of making TLP loans in keeping with the stipulation of the originally appropriated funds. Transactional activity of Fund 41L1 is directed by the Corporation as it administers the program while the investment of funds in the account is directed by the State Treasurer. As of June 30, 2019, the balance of Fund 41L1 was \$11,840,498.

The Commission on Higher Education in consultation with the State Department of Education and the Corporation developed the Governor's Teacher Scholarship Loan Program to provide talented and qualified State residents loans not to exceed \$5,000 a year to attend public or private colleges and universities for the purpose of becoming certified teachers employed in the public schools of South Carolina. Recipients of a loan are entitled to have 100% of the amount of the loan plus accrued interest cancelled if he/she becomes certified and teaches in a South Carolina public school for at least five years. The Corporation began making loans under this program during 1990; however, due to lack of funding through State appropriations, the program ceased after the 1997-1998 academic year.

During the fiscal year ended June 30, 1996, the Corporation began making and servicing supplemental loans through the Palmetto Assistance Loan ("PAL") Program. The PAL Program offered supplemental loans for students and parents of students enrolled at least half-time in an eligible school and for fourth year medical students with specified federal loans originated through the Corporation who were seeking funds for their residency and relocation. These loans were funded from the Corporation's accumulated unrestricted net assets and bond funds. The Corporation discontinued offering this PAL Program during December 2008.

During the fiscal year ended June 30, 2010, the Corporation restructured the PAL Program and began marketing the restructured program. The new PAL Program restricts the offering of loans only to students. The student must be enrolled on at least a half-time basis in a certificate or degree granting program and attending an eligible school in the State of South Carolina, or be a resident of South Carolina and attending an eligible college or university within the United States. These loans are funded by an \$85,000,000 bond offering issued by the Authority dated November 5, 2009.

During the fiscal year ended June 30, 2012, the Corporation began disbursing PAL Program in-school loans out of the Corporation's unrestricted net assets.

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement, continued:

During May 2013, the Corporation began offering PAL Program Consolidation Loans. This PAL Program Consolidation Loan restricted the offering of loans to students who were in a grace period or post-enrollment repayment status and in good standing on all education loans being consolidated. The student was required to have a FICO score of 670 or above and a debt to income ratio of 30% or less. The student was also required to have loans made for attendance at eligible schools located in the United States, be a South Carolina resident or a nonresident with eligible loans made for attendance at eligible in-state schools, and not be incarcerated. These consolidation loans were funded from available funds of the Corporation. During August 2014, this program was terminated due to lower volume attributed to a new federal consolidation loan program allowing both FFEL Program and Direct Loan Program loans to be consolidated into one federal consolidation loan.

During mid-2015, the Corporation began offering the Palmetto Assistance Loan Refinancing Loan ("PAL ReFi") Program through an initial targeted direct mailing to eligible South Carolina residents who obtained federal Parent Loan for Undergraduate Student (PLUS) loans on or after July 1, 2010. As of June 30, 2019, a minimum FICO score of 670 is required as part of the determination of the creditworthiness of each applicant. These loans are funded from available funds of the Corporation that are without restrictions.

During the fiscal year ended June 30, 2019, the Corporation made adjustments to the interest rates for the PAL Program. Borrowers may receive a range of 4.75% to 8.95% fixed rates depending upon their credit score and enrolled payment option. The required minimum FICO credit score remained at 670. Parent borrowers now have the option of applying for the PAL Program loan in their name for a benefiting student. Fixed interest rates for the PAL Refi Program loan were changed to 4.24%, 5.24% and 6.24% for the 5, 10 and 15 year terms, respectively, as selected by the borrower. These loans are funded from available funds of the Corporation that are without restrictions.

During the fiscal year ended June 30, 2019, the Corporation introduced a variable rate option for its PAL Program, with borrowers receiving rates ranging from 3.625% to 8.675%, depending on their credit score, enrolled payment selection, and repayment term selection. The variable rate is reset quarterly using the one-month LIBOR rate two business days prior to the start of each quarter, plus a margin of 1.50% to 6.05%, with a cap on the rate of 12.00%. For both fixed and variable rate loans in its PAL Program, the Corporation also introduced an option for student borrowers to fully defer payments while in school, and an option for parent borrowers to begin repayment immediately following loan disbursement.

The Health Care and Education Reconciliation Act of 2010 nationalized the federally-guaranteed student loan program mandating that all federal student loans made on or after July 1, 2010 be originated by the USDE. Without the ability to continue to originate these federal loans, the Corporation's student loan portfolio steadily decreased and reached a level which was not economically feasible to continue to service in-house. After entering into a contract with National Education Loan Network ("Nelnet") to perform the servicing function on the Corporation's behalf for FFEL loans, the Corporation formally began transitioning its student loan servicing function to Nelnet and completed the conversion of FFEL loans on August 19, 2016.

June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement, continued:

Transition of private loans to Firstmark Services, a division of Nelnet, was completed on January 13, 2017. Loans outstanding for the TLP were transitioned to Firstmark Services effective February 16, 2019.

Basis of accounting:

These statements are prepared using the accrual basis of accounting, recognizing income when earned regardless of when received and expenses when incurred regardless of when paid.

Consolidation policy:

The consolidated financial statements include the accounts of the Corporation and its controlled affiliate, EdVantage and subsidiaries including ELS/CP, PIHI, and SC3. The Teacher Loan Fund is included on the consolidated Statement of Financial Position of the Corporation as a liability due to the State of South Carolina. All material inter-corporation accounts and transactions of the consolidated subsidiaries have been eliminated in the consolidation.

Display of net assets by class:

The Corporation adheres to the disclosures and display requirements of ASC 958, *Not-For-Profit-Entities*. ASC 958 establishes standards for external financial reporting by non-profit organizations and requires that resources be classified for accounting and reporting purposes as follows:

Net assets without restrictions - Net assets without restrictions include those designated by the Corporation's Board of Directors and can be used in any Corporation activity.

Net assets with restrictions - Net assets with restrictions consist of accumulated assets and liabilities for the general resolutions of outstanding bonds.

Use of estimates:

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

Cash and cash equivalents:

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

Note 1. Summary of Significant Accounting Policies, Continued

Concentration risk:

The Corporation maintains its cash in bank deposit accounts, which, at times, may exceed the federally insured limit. At June 30, 2019, all of the Corporation's cash was held in institutions that are covered by federal depository insurance; however, some demand deposit accounts exceeded the federally insured limit. The Corporation monitors each of these institutions for financial deterioration characteristics on a continuous basis, and as of June 30, 2019, believed each institution is well-capitalized with no going concern issues.

Investments:

Investments are classified as available-for-sale and initially recorded at cost with adjustments for amortization of premiums or discounts over the level yield method. Thereafter, investments are recorded at fair value and any changes in unrealized gains or losses are recorded through the Consolidated Statement of Activities. Realized gains or losses on sale of investments are determined using the specific identification method.

Allowance for teacher loan cancellations:

The allowance for cancellations on teacher loans represents the Corporation's estimate of teachers who will teach in critical need areas in South Carolina and meet the criteria for annual cancellation of the greater of a specified dollar amount or 20% to 33 1/3% of their loan balances. In making the estimate, the Corporation considers the trend in the loan portfolio and current operating information. The allowance is based on total teacher loans times the expected cancellation rate. The evaluation is inherently subjective and the allowance could significantly change in the future. The allowance was \$10,840,394 at June 30, 2019. The Corporation maintains \$1,072,340 as a liability at June 30, 2019, for the undisbursed funds from the TLP. The Corporation matches the receipt of the funds from the State of South Carolina with the disbursement of the funds to the teachers who are expected for cancellation.

Student loans - provision for losses:

The provision for losses on student loans represents the Corporation's estimate of the costs related to the 2% to 3% risk sharing on FFEL Program loans and losses related to servicing all guaranteed loans by the Corporation that are not covered by its financings (See Note 7). The Corporation makes no provision for losses on student loans securing any of its financings as all of the borrowings disclosed in Note 8 are nonrecourse to the Corporation. The holders of the bonds have all the credit risk for student loan losses that occur in each "trust estate". The provision also includes an estimate for non-guaranteed PAL Program loans. In making the estimate, the Corporation considers default rate trends, past and anticipated loss experience, current operating information, and changes in economic conditions. The evaluation is inherently subjective and the provisions may significantly change in the future.

For all PAL Program loans 180 days or more past due, the Corporation maintains a 100% allowance. For the fiscal year ended June 30, 2019, the Corporation increased its allowance for loan loss related to PAL Program loans by allowing additional amounts for delinquent loans 15 to 179 days past due. PAL Program loans 15 to 179 days past due are grouped by level of delinquency and amounts are reserved based on the percentage of each group that is expected to default. The percentage used for each group is based on the Corporation's last ten years of default experience. The total calculated allowance is then adjusted by the Corporation's recovery rate. The Corporation's recovery rate was 10% for the fiscal year ended June 30, 2019. The allowance for loan losses was \$31,887,008 at June 30, 2019 (see Note 16).

June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Property and equipment:

The Corporation's property and equipment costing over \$10,000 is capitalized at cost when purchased. Depreciation has been provided using the straight-line method over useful lives of three to ten years for furniture and equipment, three years for automobiles and thirty-nine years for the building.

Amortization of deferred cost of issuance of bonds and bond premiums and accretion of bond discounts:

The cost of issuance of bonds and bond premiums and discounts are being amortized/accreted over the lives of the bond issues on a straight-line basis and are included in interest on debt.

Compensated absences:

Annual leave is earned at the rate of twelve to twenty-five days per year depending on length of employment. Employees are expected to use at least one week (five consecutive days) each year. Earned, but unused, annual leave will be paid when an employee terminates his/her employment. Sick leave is earned at the rate of ten days per year. Employees are not paid for earned, but unused, sick days upon termination of employment.

Income taxes:

The Corporation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the Corporation's tax positions and concluded that the Corporation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Corporation is no longer subject to income tax examination by the U.S. federal, state or local tax authorities for years before 2016.

EdVantage is also exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated EdVantage's tax positions and concluded that EdVantage had no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. PIHI is a taxable entity. Management has evaluated PIHI's tax positions and concluded that the Corporation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. No uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. No income tax provision is needed at this time.

Availability of funds for general expenses:

The Corporation has certain net assets that are available for general expenses within one year of June 30, 2019 based on conducting the normal activities of its programs in the coming fiscal year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenses within one year (see Note 4).

Expense allocation:

The costs of providing programs and activities of the Corporation's funds without restrictions have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Expense allocation, continued:

Expenses of the Corporation include:

Program expenses - Program expenses include the costs associated with specific programs of the Corporation.

Supporting services - Supporting services include the general, administrative and operating costs of the Corporation.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Personnel, general operating, and contractual services expenses included allocations on the basis of management's reasonable estimate of time spent for each category. The allocation used was 10% for Management and General Supporting Services, 80% for Program Expenses of PAL, and 10% for Program Expenses of FFEL. Where applicable, management allocated expenses based on the direct cost method for these categories as well. Management determined that a more appropriate allocation for expenses, such as interest on debt, payments to the South Carolina Education Assistance Authority for student loan income, and broker dealer fees would be based on loan volume of programs by bond trust and was allocated accordingly.

Adoption of new accounting standard:

The Financial Accounting Standards Board ("FASB"), on August 18, 2016, published ASU ("Accounting Standards Update") No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities.* The standard changes how not-for-profit organizations classify their net assets, with groups required to categorize assets as either those with donor restrictions or without. The standard also requires new information about an organization's liquidity and an analysis of expenses by nature and function. The update aims to help charities, universities, foundations, and other not-for-profit groups better convey how they spend and manage their resources. The Corporation has adopted this standard for the fiscal year ended June 30, 2019 and has adjusted the presentation of these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As allowed under the standard, a Consolidated Statement of Functional Expenses and the liquidity footnote disclosure presented in Note 4 have not been presented for the fiscal year ended June 30, 2018.

Recently issued accounting pronouncements:

During February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. This accounting standard establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases.

June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements, continued:

The new guidance (1) results in a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases; (2) results in fewer opportunities for organizations to structure leasing transactions to achieve a particular accounting outcome on the statement of financial position; (3) improves understanding and comparability of lessees' financial commitments regardless of the manner they choose to finance the assets used in their businesses; (4) aligns lessor accounting and sale and leaseback transactions guidance more closely to comparable guidance in Topic 606, *Revenue from Contracts with Customers*, and Topic 610, *Other Income*; (5) provides users of financial statements with additional information about lessors' leasing activities and lessors' exposure to credit and asset risk as a result of leasing; and (6) clarifies the definition of a lease to address practice issues that were raised about the previous definition of a lease and to align the concept of control, as it is used in the definition of a lease, more closely with the control principle in both Topic 606 and Topic 810, *Consolidation*.

The new guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is currently evaluating the potential effects of this accounting standard on the Corporation's consolidated financial statements.

During November 2016, the FASB released Accounting Standards Update No. 2016-18, *Statement of Cash Flows* (*Topic 230*), and the amendments in this accounting standard apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments in this accounting standard require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this accounting standard do not provide a definition of restricted cash or restricted cash equivalents.

The amendments in this accounting standard are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption during an interim period. If an entity early adopts the amendments during an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments in this accounting standard should be applied using a retrospective transition method to each period presented. Management is currently evaluating the potential effects of this accounting standard on the Corporation's consolidated financial statements.

During August 2018, the FASB released Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820)* to amend the disclosure requirements for fair value measurement. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the concepts in the FASB's Concepts Statement, *Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements*, including the consideration of costs and benefits. The amendments of this Update include the removal, modifications and additions of certain disclosure requirements.

June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements, continued:

The following disclosure requirements were removed from Topic 820: (1) The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (2) The policy for timing of transfers between levels; (3) The valuation processes for Level 3 fair value measurements; and (4) For nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period.

The following disclosure requirements were modified in Topic 820: (1) In lieu of a roll-forward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; (2) For investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly; and (3) the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date.

The following disclosure requirements were added to Topic 820; however, the disclosures are not required for nonpublic entities: (1) The changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (2) The range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements.

The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this Update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date. Management is currently evaluating the potential effects of this accounting standard on the Corporation's consolidated financial statements.

Comparative amounts:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Note 1. Summary of Significant Accounting Policies, Continued

Subsequent events:

In preparing these financial statements, management has evaluated events and transactions for potential recognition and disclosure through September 30, 2019, the date these financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

As of June 30, 2019, cash and cash equivalents include demand deposits and short-term investments with a maturity of three months or less as follows:

		Cost		Market Value
Without restrictions				
South Carolina State Treasurer pool	\$	3,818	\$	3,818
Collateralized demand deposits		8,317,664		8,317,664
Money market		4,591,946		4,591,946
Total without restrictions	<u>\$</u>	12,913,428	\$	12,913,428
With restrictions				
Collateralized demand deposits	\$	33,765	\$	33,765
Money market		48,794,042		48,794,042
South Carolina State Treasurer pool		15,825,339		15,992,567
Total with restrictions	<u>\$</u>	64,653,146	<u>\$</u>	64,820,374

Included in the balance of cash and cash equivalents with restrictions is a total of \$15,992,567 of the TLP fund that resides in the South Carolina State Treasurer Pool.

Note 3. Investments

The market value of investments is determined by quoted market values and consists of the following as of June 30, 2019:

	Cost	Market Value
Mutual funds	\$ 7,770,673	\$ 8,829,259
Corporate stocks/bonds	143,819,394	145,741,551
Insured deposits/repurchase obligations	<u> </u>	52,471,336
Total	<u>\$ 204,061,403</u>	<u>\$ 207,042,146</u>

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the Consolidated Statement of Financial Position.

Notes to Consolidated Financial Statements

June 30, 2019

Note 3. Investments, Continued

For the fiscal year ended June 30, 2019, the Corporation's realized investment income was \$6,211,528, unrealized gain on investments was \$595,911, and investment expense was \$224,485. The Corporation's net investment income was \$6,582,954 for the fiscal year ended June 30, 2019.

Note 4. Availability and Liquidity

Financial assets available for general expenses without restrictions limiting their use within one year of the Statement of Financial Position date of June 30, 2019 were comprised of the following at June 30, 2019:

Total assets at June 30, 2019	<u>\$ 1,655,663,840</u>
Less amounts not available to be used within one year due to illiquidity:	
Prepaid expenses	434,562
Overfunded defined benefit plan	1,644,316
Student loans receivable, net of current portion	
and allowance for loan loss	85,725,247
Due from other funds	20,942,464
Net property and equipment	5,464,608
	114,211,197
Less amounts not available to be used within one year due to restrictions:	
Assets with restrictions	1,308,755,112
Board designated assets, Power:Ed	10,000,000
	1,318,755,112
Financial assets available to meet cash needs for expenses due within one year	<u>\$222,697,531</u>

As a part of the Corporation's liquidity management, its policy is to have adequate cash and other short-term investments to meet its financial obligations which become due within the next twelve months. This assessment is performed daily to ensure there are adequate funds for a rolling twelve month period.

Note 5. Investment in Educational Loan Services, LLC ("ELS") d/b/a Campus Partners

On November 23, 2011, the Corporation signed a contract with Educational Loan Servicing, LLC ("ELS") d/b/a Campus Partners ("CP") as a vendor to provide a platform and servicing functionality sufficient to meet the requirements for servicing USDE direct loans. Subsequently on February 1, 2012, the Corporation purchased 27.67% ownership of ELS for \$4,000,000 from JPT Partners ("JPT"), which was the sole owner of all equity of ELS, with an option to purchase from JPT an additional 23.33% at a later date for \$3,500,000 for a total ownership of 51.00%. As a result of several delays by CP in providing the contracted servicing platform for Direct Loans, the Corporation evaluated its current investment in ELS and declined to make the additional \$3,500,000 investment. On June 20, 2012, the Corporation made an offer under certain conditions to CP to provide a revocable line of credit for \$6,000,000 for a term of three years at a rate of prime plus 1.50% to provide CP sufficient funding to complete the development of the servicing platform. Additional terms of the offer to provide the \$6,000,000 line of credit was that the initial \$4,000,000 investment would represent a 51.00% ownership by the Corporation, as the Corporation believed that the equity value had declined as a result of the delays in the delivery of the servicing platform. Also, the Board of Directors of ELS would be restructured from three members to five members with three members appointed by the Corporation and two members appointed by JPT.

Note 5. Investment in Educational Loan Services, LLC ("ELS") d/b/a Campus Partners, Continued

All decisions would be approved by a majority vote. The amended offer term sheet also included several less significant provisions that would need to be met in order for the Corporation to provide the line of credit. On July 30, 2012, the Corporation extended the revocable \$6,000,000 line of credit to CP and as a result of the conditions to provide the note, the Corporation obtained an additional 23.33% of ELS for a total ownership of 51.00%. On February 26, 2013, the Corporation purchased the remaining 49.00% of equity in CP from ELS for a purchase price of \$1,245,000, resulting in an ownership of 100.00% of CP.

On June 11, 2015, ELS entered into an agreement with Heartland Payment Systems, Inc. ("HPS, Inc.") resulting in the sale of all CP customer contracts to HPS, Inc. The contract included managing the servicing, accounting and processing of Perkins and institutional student loans for higher education institutions. Under the terms of the agreement, for a specified period, CP continued to coordinate certain transition services needed by HPS, Inc. to perform under the terms of the contracts using CP's servicing system. CP also shared in the contract revenue with HPS, Inc. as specified in the agreement. As a result of this transaction, the \$13,396,336 note payable from CP to the Corporation was reduced to \$920,000 at June 30, 2015. The Corporation recorded a valuation allowance of \$12,476,336 on the note payable for the year ended June 30, 2015. CP recorded income for cancellation of debt related to the valuation allowance for \$12,476,336 on the note payable for the year ended June 30, 2015. These amounts were eliminated in the consolidated financial statements.

On July 15, 2016, ELS entered into an agreement with Heartland Payment Systems, LLC ("HPS, LLC") resulting in the sale of the majority of the remaining assets of CP including contracts with vendors, the "Campus Partners" name and stated trademark registrations, and other specified assets related to the servicing of customer contracts sold to HPS, Inc. in the June 11, 2015 agreement. Under the new agreement, HPS, LLC's assumption of responsibility for the contracts with vendors was completed through either an assignment of the contract from ELS/CP to HPS, LLC as provided for by the vendor or negotiation of a new contract between HPS, LLC and the vendor coupled with termination of any existing contract that ELS/CP had with the respective vendor. The purchase price of the assets was \$724,165. The term for the shared revenue related to the June 11, 2015 agreement was adjusted to end as of May 31, 2016. ELS was dissolved as of May 20, 2019. See Note 18 for further discussion.

Note 6. Amounts Due from (to) the South Carolina State Education Assistance Authority

As of June 30, 2019, the Authority owes the Corporation funds collected on their behalf of \$607,751, which are required to be paid by the tenth of each month. The Corporation owes the Authority funds related to its contribution of loans in the amount of \$39,835,008 to the 2010-1 General Resolution (see Note 8) and \$306,380 for deferred costs of issuance on the 2009 PAL General Resolution.

Note 7. Federal Family Education Loans and Federal Reinsurance Loans

During the fiscal year ended June 30, 2019, these loans were bearing interest at fixed rates ranging from 2.875% to 9.000% or an annual variable rate of 4.23% to 5.59%. As required by the HEA, the annual variable rate is reset each July 1 using either the bond equivalent rate of the 91-day Treasury Bill, determined at the final auction held prior to the preceding June 1, or the weekly average of the one-year constant maturity Treasury yield as published for the last calendar week ending on or before June 26 of each year, plus 1.70% to 3.25% with a cap on the rate of 8.25% to 12.00%.

South Carolina Student Loan Corporation Notes to Consolidated Financial Statements

June 30, 2019

Note 7. Federal Family Education Loans and Federal Reinsurance Loans, Continued

The repayment period for these loans is five to thirty years with a minimum payment of \$360 or \$600 per year, except in the case of income-based repayment plans. Repayment of principal may be scheduled to begin within sixty days of final disbursement or six to ten months after the student graduates or ceases to be enrolled on at least a half-time basis in an eligible institution.

Certain borrowers may elect an income-based repayment plan, which can result in a payment amount less than is required to fully pay principal on the loan. After twenty-five years in the income-based repayment plan, any remaining debt is discharged.

The USDE insures loans against death or disability at 100% and default up to 100% for loans made prior to October 1, 1993; up to 98% for loans made on or after October 1, 1993, but on or before June 30, 2006; and 97% for loans made on or after July 1, 2006. Total loans insured at June 30, 2019 are \$1,063,824,882.

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

The origination fee for Stafford loans was 3% for loans first disbursed on or before June 30, 2006. It decreased to 2% on July 1, 2006; to 1.50% on July 1, 2007; 1% on July 1, 2008; and 0.50% on July 1, 2009. The origination fee for Stafford loans was eliminated as of July 1, 2010. The origination fee for PLUS loans remained at 3% through June 30, 2010. This fee is no longer paid/received after July 1, 2010, due to the Corporation no longer originating FFEL Program loans.

The Health Care and Education Reconciliation Act of 2010 ("HCRA") was signed into law on March 30, 2010, requiring all new federal student loans to be originated through the Federal Direct Loan Program as of July 1, 2010. The Corporation's ability to originate FFEL Program loans terminated on June 30, 2010. As a result, the Corporation's servicing revenues were reduced year over year as the aggregate loan portfolio being serviced by the Corporation began to decline. This trend has continued and is reflected in reductions in the FFEL portfolio primarily due to consolidation of these loans to the Direct Loan Consolidation Program offered by the USDE and receipt of normal borrower payments. Additionally, since the FFEL Program was the major component of the Corporation's lending activity, it is expected that the future asset growth and related earnings on that portion of the asset growth will continue to be impacted. The Corporation is currently evaluating the potential impact on its future revenue stream and is also currently exploring alternative revenue sources to offset the impact of the declining FFEL portfolio. The potential impact cannot be reasonably predicted.

Note 8. Bonds Payable

The Corporation issued bonds for the first time during the year ended June 30, 1997. All of the Corporation's bonds and notes are secured only by loans funded by bond proceeds or otherwise pledged, related revenue from such loans, investments and earnings on investments in related accounts and by a debt service reserve funded from bond proceeds. The Corporation's bonds and notes are each secured by assets held by a trustee in one of five trust estates governed by the applicable general resolution and other bond documents. The bond documents require the Corporation to accumulate collections from borrowers to pay principal and interest on bonds. The bonds and notes do not constitute a debt, liability or obligation of the State of South Carolina or any agency thereof but are limited obligations of the Corporation.

South Carolina Student Loan Corporation Notes to Consolidated Financial Statements

June 30, 2019

Note 8. Bonds Payable, Continued

The transactions for each bond resolution are accounted for in a resolution specific fund. These funds are considered restricted as described in the *Net Assets with Restrictions* section of Note 1 and are included in the Corporation's consolidated financial statements.

The debt service funds in the applicable general resolution contain assets equal to the interest and principal accumulated to make the next payments of principal and interest due. As of June 30, 2019, the Corporation held funds on deposit as cash with restrictions in the debt service funds of \$8,034,351.

The bonds outstanding as of June 30, 2019 are as follows:

Issued		Original Amount	Maturity Date		Balance Itstanding at ne 30, 2018		Issued (Retired)		Balance utstanding at une 30, 2019
July 19, 2005	\$	700,000,000	12/3/2018 - 12/1/2023	\$	29,654,000	\$	(29,654,000)	\$	-
June 25, 2008		600,000,000	9/2/2014 - 9/3/2024		103,493,606		(33,122,836)		70,370,770
November 30, 2010		920,000,000	1/25/2021 - 10/27/2036		342,575,235		(55,369,929)		287,205,306
February 20, 2013		323,620,000	1/25/2041		133,667,838		(24,685,753)		108,982,085
August 20, 2014		501,500,000	4/1/2030 - 8/1/2035		501,500,000		(88,305,831)		413,194,169
November 25, 2015		198,400,000	1/25/2036		135,403,720		(22,796,088)		112,607,632
				1	L,246,294,399	<u>\$</u>	<u>(253,934,437</u>)		992,359,962
Less: unamortized costs	s of iss	uance			(22,924,472)				(19,125,722)
				<u>\$ 1</u>	L,223,369,927			<u>\$</u>	973,234,240

London Interbank Offered Rate (LIBOR) Indexed Bonds Secured by 1996 General Resolution:

The Corporation's LIBOR Indexed Bonds in the 1996 General Resolution totaled \$413,194,169 as of June 30, 2019, and have variable interest rates equal to three-month LIBOR plus 0.12% to 0.14%, as adjusted quarterly, or one-month LIBOR plus 0.75% to 1.5%, as adjusted monthly. Throughout the fiscal year ended June 30, 2019, none of the rates exceeded 4.019%. Future interest payment projections are based upon the ten-year weighted average rate at June 30, 2019, which was 2.092%.

The 2005 and 2006 LIBOR Indexed Bonds are subject to pro rata principal reduction payments prior to maturity based on targeted amortization schedules set forth in the 1996 General Resolution. The principal and interest payments on the 2005 and 2006 Series bonds are paid quarterly on the distribution dates (the first business day of each March, June, September and December). During the fiscal year ended June 30, 2019, the 2005 and 2006 Series bonds were paid in full.

On August 20, 2014, the Corporation issued \$501,500,000 of Education Loan Revenue Bonds, 2014 Series, under the 1996 General Resolution. Proceeds of the issue were used to: (i) pay target amortization payments for prior bonds within the 1996 General Resolution that had not been satisfied prior to the 2014 Series issuance, (ii) finance repurchased education loans held as unencumbered assets of the Corporation, (iii) fund certain accounts and funds required under the 1996 General Resolution including the Supplemental Reserve Fund, the General Revenue Fund, the Senior Lien Account and the Subordinate Lien Account of the Debt Service Fund, and (iv) pay cost of issuance.

Notes to Consolidated Financial Statements June 30, 2019

Note 8. Bonds Payable, Continued

London Interbank Offered Rate (LIBOR) Indexed Bonds Secured by 1996 General Resolution, Continued:

During the fiscal year ended June 30, 2019, the Supplemental Reserve Fund was then used in its entirety to begin payments on the 2014 Series bonds when the 2005 Series bonds were paid in full. Principal and interest payments for the 2014 Series bonds are paid on distribution dates (the first business day of each month).

LIBOR Notes Secured by the 2008-1 General Resolution:

On June 25, 2008, the Corporation issued \$600,000,000 of Student Loan Backed Notes, 2008-1 Series, with variable interest rates ranging from three-month LIBOR plus 0.50% to three-month LIBOR plus 1%. Proceeds of the issue were used to (i) finance student loans, (ii) refinance certain prior bonds, (iii) fund the Debt Service Reserve Fund, (iv) fund the Operating Fund, (v) fund the Department Reserve Fund and (vi) pay cost of issuance.

Principal and interest on the LIBOR Notes are to be paid on each distribution date (the first business day of each March, June, September, and December beginning September 2008). Principal will be paid first on the A-1 Notes until paid in full, second on the A-2 Notes until paid in full, third on the A-3 Notes until paid in full and fourth on the A-4 Notes until paid in full. The A-1 and A-2 notes have been paid in full. The LIBOR Notes issued under the 2008-1 General Resolution are subject to optional redemption on the distribution date immediately following the date when the pool balance is 10% or less of the initial pool balance. The LIBOR Notes secured by the 2008-1 General Resolution had a balance of \$70,370,770 as of June 30, 2019.

LIBOR Notes Secured by the 2010-1 General Resolution:

On November 30, 2010, the Corporation issued \$920,000,000 of Student Loan Backed Notes, 2010-1 Series, with variable interest rates ranging from three-month LIBOR plus 0.45% to three-month LIBOR plus 1.05%. Proceeds of the issue were used to (i) refinance the Corporation's credit facility with the Royal Bank of Canada, (ii) refinance prior indebtedness of the Authority, consisting of Auction Rate Securities issued under the Authority's 2002 General Resolution, (iii) fund the Debt Service Reserve Fund, (iv) fund the Capitalized Interest Fund, and (v) pay cost of issuance.

The Corporation transferred unencumbered FFEL Program loans of the Authority in the amount of \$39,835,008 and unencumbered loans of the Corporation of \$20,942,464 principal and interest to provide additional equity to the bond offering by increasing the parity of the bonds. The funds from both the Corporation and the Authority were provided through a Residual Trust Agreement, which allows for all remaining loans of the Trust to be shared between the Corporation and the Authority on a pro-rata basis, based on the percentage contribution made by each entity once all bonds have been redeemed.

Principal and interest on the LIBOR Notes is to be paid on each distribution date (the twenty-fifth day of each January, April, July, and October, or the next business day if such day is not a business day). Principal will be paid first on the A-1 Notes until paid in full, second on the A-2 Notes until paid in full, and third on the A-3 Notes until paid in full. The A-1 notes have been paid in full. The LIBOR Notes are subject to optional redemption on the next distribution date occurring when the pool balance is 10% or less of the initial pool balance. The LIBOR Notes secured by the 2010-1 General Resolution had a balance of \$287,205,306 as of June 30, 2019.

Notes to Consolidated Financial Statements June 30, 2019

Note 8. Bonds Payable, Continued

LIBOR Notes Secured by the 2013-1 General Resolution:

On February 20, 2013, the Corporation issued \$323,620,000 of Student Loan Backed Notes, 2013-1 Series, with a variable interest rate of one-month LIBOR plus 0.50%. Proceeds of the issue were used to (i) prepay the Corporation's Funding Note under the Straight A Funding federal conduit, (ii) refinance the Corporation's credit facility with the Royal Bank of Canada, (iii) fund a distribution to the Corporation for the pledge of certain FFEL Program loans, (iv) fund the Debt Service Reserve Fund, (v) fund the Capitalized Interest Fund, and (vi) pay cost of issuance.

Principal and interest on the LIBOR Notes is to be paid on each distribution date (the twenty-fifth day of each month, or the next business day if such day is not a business day). The LIBOR Notes are subject to optional redemption on the next distribution date occurring when the pool balance is 10% or less of the initial pool balance. The LIBOR Notes secured by the 2013-1 General Resolution had a balance of \$108,982,085 as of June 30, 2019.

LIBOR Notes Secured by the 2015-A General Resolution:

On November 25, 2015, the Corporation issued \$198,400,000 of Student Loan Backed Notes, 2015-A Series, with a variable interest rate of 1-month LIBOR plus 1.50%. Proceeds of the issue were used to (i) fund the purchase pursuant to the Corporation's Tender Offer of the Auction Rate Securities issued by the 2004 Trust together with accrued interest, (ii) fund the redemption at par of the portion of the remaining Auction Rate Securities issued by the Corporation's 2004 Trust together with accrued interest, (iii) fund the redemption at par of the portion of the Collection Fund, (iv) fund the Debt Service Reserve Fund, (v) fund the Operating Fund, (vi) fund the Department Reserve fund and (vii) pay costs of issuance.

Principal and interest payments for the LIBOR Notes are paid on each distribution date (the twenty-fifth day of each month, or the next business day if such day is not a business day) beginning January 25, 2016. The LIBOR Notes are subject to optional redemption on the next distribution date occurring when the pool balance is 10% or less of the initial pool balance. The LIBOR Notes secured by the 2015-1 General Resolution had a balance of \$112,607,632 as of June 30, 2019.

South Carolina Student Loan Corporation Notes to Consolidated Financial Statements

June 30, 2019

Bonds Payable, Continued Note 8.

Projected debt service:

As of June 30, 2019, the scheduled debt service to retire the bonds and notes of the Corporation is as follows:

	Principal		Interest	Total
2020	\$	- \$	48,104,502	\$ 48,104,502
2021		-	48,104,502	48,104,502
2022		-	48,104,502	48,104,502
2023		-	48,104,502	48,104,502
2024		-	48,104,502	48,104,502
2025	70,370,770)	46,992,291	117,363,061
2026	62,205,306	5	45,615,732	107,821,038
2027		-	45,285,002	45,285,002
2028		-	45,285,002	45,285,002
2029		-	45,285,002	45,285,002
2030	239,694,169	9	41,461,813	281,155,982
2031		-	29,992,247	29,992,247
2032		-	29,992,247	29,992,247
2033	100,500,000)	27,320,575	127,820,575
2034		-	23,580,235	23,580,235
2035		-	23,580,235	23,580,235
2036	185,607,632	2	17,304,170	202,911,802
2037	225,000,000)	8,881,593	233,881,593
2038		-	6,953,178	6,953,178
2039		-	6,953,178	6,953,178
2040		-	6,953,178	6,953,178
2041	108,982,085	5	4,208,003	113,190,087
	<u>\$ 992,359,962</u>	<u>2</u>	696,166,191	<u>\$ 1,688,526,153</u>

The weighted average interest rate used for future interest payment projections was 2.092%. This estimate is inherently subjective and the rate may change significantly in the future.

As outlined in the 2008-1 General Resolution, the 2010-1 General Resolution, the 2013-1 General Resolution and the 2015-1 General Resolution, the Corporation is making either optional redemption payments or principal distributions to pay down the bonds when they receive excess revenues from the student loans receivable. At June 30, 2019, the Corporation estimated they would make optional redemption or principal distribution payments for the next fiscal year in the amount of approximately \$210,000,000.

South Carolina Student Loan Corporation Notes to Consolidated Financial Statements

June 30, 2019

Note 9. Notes Payable - Finance Loans

Each bond resolution of the Authority requires that all funds advanced to the Corporation by the Authority for the purpose of making student loans be evidenced by a loan agreement, assignment of collateral and assignment of revenues between the two parties, with the student loans providing security to the bond trustee. Advances to the Corporation from the Authority's 2009 PAL General Resolution are made pursuant to a loan agreement dated October 29, 2009. Since the bonds for the 2009 PAL General Resolution were issued after the peak Student Loan Funding period, the Corporation was only able to finance new student loans of approximately \$40,000,000, while the bonds outstanding were \$85,000,000. Due to market conditions during the fiscal year ended June 30, 2010 and restrictions on types of investment instruments available to the Authority, interest earned on its investments from the excess funds received from the bond issuance was less than the interest expense of the bonds. During October 2013, the Corporation contributed \$6,717,492 of PAL Program loans from its unrestricted portfolio to the 2009 PAL General Resolution. During July 2018, the Corporation made a loan contribution of PAL Program loans to the 2009 PAL General Resolution in the amount of \$11,227,151. The net asset balance was \$9,560,227 at June 30, 2019. The notes payable - finance loan balance as of June 30, 2019 was \$26,681,810.

Note 10. Special Allowance Income or Expense

Special allowance was instituted to ensure the interest rate and other limitations of the Higher Education Act, in the context of the market conditions, would not adversely affect access to student loans or cause the rate of return on student loans to be less than equitable.

For loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level. However, lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006, and are required to rebate any such excess interest to the federal government on a quarterly basis. This modification effectively limits lenders' returns to the special allowance support level. For the year ended June 30, 2019, the Corporation remitted \$7,251,713 of interest income in excess of the special allowance support level to the USDE.

Note 11. Employee Benefit Plans

Effective August 1, 2015, the Corporation changed the trustee for its benefit plans from BB&T or TIAA CREF to USI Consulting Group Inc. This change included the South Carolina Student Loan Corporation Money Purchase Pension Plan, the South Carolina Student Loan Corporation Defined Benefit Plan, the South Carolina Student Loan Corporation 403(b) Defined Contribution Plan, the South Carolina Student Loan Corporation Tax Deferred Annuity Group Supplemental Retirement Annuity and the South Carolina Student Loan Corporation Tax Deferred Compensation Plan. However, any contributions to the South Carolina Student Loan Corporation Tax Deferred Annuity ("TDA") Group Supplemental Retirement Annuity ("GSRA") prior to July 1, 2015 remain in that plan with the prior trustee, TIAA CREF, until paid out to the participant under the terms of a release or transferred to another qualified plan as directed by the participant and allowed by the annuity terms.

Notes to Consolidated Financial Statements June 30, 2019

Note 11. Employee Benefit Plans, Continued

Money Purchase Pension Plan:

The Corporation provides retirement benefits through the South Carolina Student Loan Corporation Money Purchase Pension Plan ("MPPP") for all employees who have completed one year of service and attained age twenty-one. The MPPP was originally established on July 1, 1975. This is a defined contribution plan in which the employer contributes 5.6% of the participant's total annual compensation plus 5.6% of compensation exceeding the social security wage base. Contributions are paid annually. A participant is 20% vested after two years of service and 100% vested after six years of service. 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 during the year following the plan year in which the forfeiture occurs. Contributions within the plan are employee self-directed. The total retirement expense for the fiscal year ended June 30, 2019 was \$159,909 and is fully funded. The MPPP experienced a partial termination on August 18, 2016 due to the reduction in workforce at the Corporation. Therefore, all contributions to the MPPP were immediately 100% vested for affected employees.

403(b) Defined Contribution Plan:

Effective July 1, 2015, the Corporation consolidated the South Carolina Student Loan Corporation 403(b) Defined Contribution Plan and the South Carolina Student Loan Corporation TDA GSRA into a single plan known as the South Carolina Student Loan Corporation 403(b) Defined Contribution Plan ("403(b) DC Plan"). The 403(b) DC Plan continues to offer the same provisions as the previous separate plans, but is now administered under one plan for both the non-elective and pre-tax deferral contribution types.

Prior to the consolidation, the South Carolina Student Loan Corporation 403(b) Defined Contribution Plan, as established on November 5, 2002 and subsequently amended on January 1, 2009, provided for the non-elective type of contribution. The 403(b) DC Plan continued to provide for a 5% contribution based on the participant's total annual compensation. All employees who have completed one year of service and attainment of age twenty-one are eligible to receive employer contributions. Contributions are 100% vested immediately with investment of the contributions within the plan being employee self-directed.

Established on January 1, 1995 and subsequently amended on January 1, 2009, the South Carolina Student Loan Corporation TDA GSRA provided the pre-tax deferral (elective) type of contribution. As a part of the 403(b) DC Plan beginning July 1, 2015, employees continue to be eligible to participate in the elective portion of the 403(b) DC Plan upon hire. Employee participation in this plan is voluntary and funded only through employee contributions. Employee contributions are 100% vested immediately with investment of the contributions within the plan being employee self-directed.

457(b) Deferred Compensation Plan:

On November 15, 2002, the Corporation established the South Carolina Student Loan Corporation 457(b) Deferred Compensation Plan. Key management employees are eligible to participate in this plan. Employee participation in this plan is voluntary and funded only through employee contributions. Employee contributions are 100% vested immediately with investment of the contributions within the plan being employee self-directed.

Notes to Consolidated Financial Statements June 30, 2019

Note 11. Employee Benefit Plans, Continued

Defined Benefit Pension Plan:

The Corporation established the South Carolina Student Loan Defined Benefit Plan ("DBP") on July 1, 1998. The DBP covers substantially all employees with a minimum of one year of service and twenty-one years of age. The DBP provides benefits based on the average of a participant's highest five consecutive years of pay. The benefit formula uses one percent of this average pay times years of service not to exceed thirty years. The Corporation pension funding policy is to make at least the minimum annual contribution that is actuarially computed by the projected unit credit method required by this plan. During November 2018, the Corporation's Board of Directors approved the de-risking of the DBP. This process was completed during May 2019. Related settlement accounting was recognized during the fiscal year ended June 30, 2019. The following sets forth the benefit obligation, the fair value of plan assets, and the funded status of the Corporation's plan, as well as the amounts recognized in the Corporation's consolidated financial statements at June 30, 2019:

Change in projected benefit obligation:		
Projected benefit obligation at June 30, 2018	\$	16,984,907
Service cost		157,930
Interest cost		697,349
Actuarial loss		1,704,440
Benefits paid		(318,554)
Curtailments		(14,281,667)
Projected benefit obligation at June 30, 2019	\$	4,944,415
Change in fair value of plan assets:		
Fair value of plan assets at June 30, 2018	\$	19,476,862
Actual return on assets		125,906
Employer contributions		16,650
Benefits paid		(318,544)
Settlements		(12,712,143)
Fair value of plan assets at June 30, 2019	<u>\$</u>	<u>6,588,731</u>
Funded status	<u>\$</u>	1,644,316
Amounts recognized in the Consolidated Statement of Financial Position:		
Non-current assets	<u>\$</u>	1,644,316
Amounts recognized in the Consolidated Statement of Activities:		
Net loss	<u>\$</u>	862,985

Notes to Consolidated Financial Statements June 30, 2019

Note 11. Employee Benefit Plans, Continued

Defined Benefit Pension Plan, continued:

The following are weighted average assumptions used to determine benefits, obligations and net periodic benefit cost as of June 30, 2019 and 2018. The measurement date of the projected benefits obligation and plan assets was June 30, 2019.

	2019	2018
Assumptions used		
Weighted-average assumptions used to determine		
benefit obligations		
Discount rate	3.57%	4.17%
Rate of compensation increase	4.00%	4.00%
Weighted-average assumptions used to determine		
net periodic benefit cost		
Discount rate	4.17%	3.83%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	4.00%	4.00%

The Corporation's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term period. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (1) historical real returns, net of inflation, for the asset classes covered by the investment policy and (2) projections in inflation over the long-term period during which benefits are payable to plan participants.

Components of net periodic benefit cost and employee benefit-related changes other than net periodic pension cost for the year ended June 30, 2019 are as follows:

Net periodic benefit cost		
Service cost	\$	157,930
Interest cost		697,349
Expected return on plan assets		(1,338,784)
Settlement loss		2,219,104
Total benefit cost		1,735,599
Administrative expenses		<u>(225,379</u>)
Net periodic benefit cost	<u>\$</u>	1,510,220
Employee benefit - related changes other than net periodic benefit cost	<u>\$</u>	<u>(871,310</u>)
Total net periodic benefit cost and employee		
benefit - related changes other than net periodic benefit cost	<u>\$</u>	638,910

South Carolina Student Loan Corporation Notes to Consolidated Financial Statements

June 30, 2019

Note 11. Employee Benefit Plans, Continued

Defined Benefit Pension Plan, continued:

The net pension loss for the DBP totaled \$638,910 plus \$225,379 of administrative expenses, totaling \$864,289 for the fiscal year ended June 30, 2019. The accumulated benefit obligation for the DBP was \$4,253,061 at June 30, 2019.

The DBP experienced a partial termination on August 18, 2016 due to the reduction in workforce at the Corporation. Therefore, all contributions to the DBP were immediately 100% vested for affected employees. The DBP's plan assets include life insurance policies and mutual funds. See the target asset allocation below.

The Corporation's target asset allocation as of June 30, 2019, by asset category, is as follows:

Money market	1.69%
Debt securities	32.77%
Equity securities	52.08%
Insurance policies	13.46%
	100.00%

The Corporation's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target asset allocation percentages (shown above) by major asset categories.

The objectives of the target asset allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is reviewed quarterly by the Corporation and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner that is compliant at all times with applicable government regulations.

The Corporation does not expect to make contributions to its DBP during the fiscal year ending June 30, 2020.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the fiscal years ending June 30:

2020	\$ 120,000
2021	134,000
2022	145,000
2023	155,000
2024	186,000
2025 - 2029	1,180,000

South Carolina Student Loan Corporation Notes to Consolidated Financial Statements June 30, 2019

Note 12. Rental Property, Operating Leases and Commitments

The Corporation owns and conducts its business from an office building in the northeast area of Columbia, South Carolina. The entire building is utilized by the Corporation. However, prior to the Authority and Corporation establishing a contractual relationship effective July 1, 2017, certain lease expense was charged to the Authority based on space occupied in the building. In addition, the Corporation leases mail room equipment for terms of thirty-six to sixty month periods. Required minimum lease payments are \$33,222 for the fiscal year ending June 30, 2020.

CP entered into three non-recourse sale agreements during 2008. The sale agreements were consummated to transfer all rights, title and interest in private student loans retained on CP's balance sheet in early 2008, and contained customary representations and warranties with respect to the condition of the private student loans as of the sale dates. As of June 30, 2019, CP does not have any repurchase obligations with respect to breaches of the customary representations and warranties contained in these sale agreements, and views the probability of any future repurchase obligations as remote.

Note 13. Assets Released from Restrictions

Net assets during the fiscal year ended June 30, 2019 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Interest on debt	\$	41,898,239
Payments to South Carolina State Education Assistance Authority		
for student loan income		1,935,938
Loan fees		5,410,569
Reinsurance expense		892,014
Borrowers incentives		3,775,422
Broker dealer fees		246,358
Loan loss expense		3,755,402
Total expenses		57,913,942
Transfer from taxable bonds/financings for loan servicing		413,645
Total	<u>\$</u>	58,327,587

South Carolina Student Loan Corporation Notes to Consolidated Financial Statements June 30, 2019

Note 14. Disclosures About Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1: Observable, unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets and inputs other than quoted prices, such as interest rates, yield curves and prepayment speeds.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 compared to the prior year.

Cash and cash equivalents' carrying amounts approximate fair value because of the short maturity of those instruments. The fair value of the investments is based on quoted market rates or similar quoted market rates. Management believes that the student loans receivable's carrying value approximates fair value based on like sale of student loans within the industry. Management also believes that debt instruments' carrying value approximates fair value based on the prices for the same or similar debt issues and on current rates offered to the Corporation for debt of the same remaining maturities with similar collateral requirements.

	Carrying		Estimated	
		Value	_	Fair Value
Financial assets				
Cash and cash equivalents	\$	61,741,235	\$	61,741,235
Cash and cash equivalents - TLP		15,825,339		15,992,567
Investments		204,061,403		207,042,146
Student loans receivable, net		1,286,285,083		1,286,285,083
Teacher loans receivable, net		31,539,349		31,539,349
Financial liabilities				
Notes payable		26,681,810		26,681,810
Bonds payable, net		973,234,240		973,234,240

Notes to Consolidated Financial Statements

June 30, 2019

	June 30, 2019	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	\$ 61,741,235	\$ 61,741,235	\$-	\$-
Cash and cash equivalents – TLP	15,992,567	15,992,567	-	-
Insured deposits/repurchase				
Obligations	52,471,336	52,471,336	-	-
Mutual funds	8,829,259	8,829,259	-	-
Corporate bonds	145,741,551	-	145,741,551	-
Student loans receivable, net	1,286,285,083	-	1,286,285,083	-
Teacher loans receivable, net	31,539,349		31,539,349	
Total financial assets	<u>\$ 1,602,600,380</u>	<u>\$ 139,034,397</u>	<u>\$ 1,463,565,983</u>	<u>\$</u>
Financial liabilities				
Notes payable	\$ 26,681,810	\$-	\$ 26,681,810	\$-
Bonds payable, net	973,234,240		973,234,240	
Total financial liabilities	<u>\$ 999,916,050</u>	<u>\$</u>	<u>\$ 999,916,050</u>	<u>\$</u>

Note 14. Disclosures About Fair Value of Financial Instruments, Continued

Note 15. Board Designated Net Assets

During the fiscal year ended June 30, 2006, the Board of Directors designated funds to establish the Mackie Scholarship Fund to award scholarships to employees or family members of employees. At the August 14, 2018 Board of Directors meeting, the Board of Directors effectively ended the program and these monies are no longer restricted for the purpose of making future scholarships.

During the fiscal year ended June 30, 2019, the Board of Directors established Power:Ed as an arm of the Corporation to assist in fulfilling some of the Corporation's philanthropic initiatives. Power:Ed's mission is to support educational priorities in South Carolina with the goal of getting more South Carolinians prepared for the workforce. To date, the Corporation has designated \$10,000,000 to Power:Ed for its future endeavors.

Note 16. Change in Accounting Estimate

As described in Note 1, the Corporation made a change in an accounting estimate related to its allowance for loan loss on its PAL Program loans during the fiscal year ended June 30, 2019. Historically for the PAL Program, the Corporation reserved all loans 180 days or more past due at 100%. In making the estimate, the Corporation considers default rate trends, past and anticipated loss experience, current operating information, and changes in economic conditions. The evaluation is inherently subjective and the provisions may significantly change in the future.

For all PAL Program loans 180 days or more past due, the Corporation maintains a 100% allowance. For the fiscal year end June 30, 2019, the Corporation increased its allowance for loan loss related to PAL Program loans by allowing additional amounts for delinquent loans 15 to 179 days past due. PAL Program loans 15 to 179 days past due are grouped by level of delinquency and amounts are reserved based on the percentage of each group that is expected to default. The percentage used for each group is based on the Corporation's last ten years of default experience. The total calculated allowance is then adjusted by the Corporation's recovery rate. The Corporation's recovery rate was 10% for the fiscal year ended June 30, 2019. The allowance for loan losses was \$31,887,008 at June 30, 2019.

South Carolina Student Loan Corporation Notes to Consolidated Financial Statements

June 30, 2019

Note 17. Teacher Loan Program Fiscal Year 2019 Activity

As discussed in Note 1, the Corporation is the administrator for the TLP. For the fiscal year ended June 30, 2019, the Corporation received \$6,350,784 in appropriations from the State Department of Education for the purpose of issuing new teacher loans. Loans are cancelled at the greater of a specified dollar amount or 20% to 33 1/3% per year for each year of teaching in a critical subject and/or location as set forth in the South Carolina Code of Laws. These loans are repaid by the borrower in the event the borrower does not teach in a critical subject and/or location.

For the fiscal year ended June 30, 2019, the TLP cancelled \$4,632,892 of teacher loans. The activities of the TLP are summarized below:

Revenues:		
Subsidized student loan interest	\$	160
Unsubsidized student loan interest		2,432,645
Late charges		124,211
Miscellaneous payments of student loans		(162)
State appropriations - State Department of Education		6,350,784
Investment income		266,389
Other		114,251
		9,288,278
Expenses:		
Contractual services		587,406
Borrower incentives		3,268
TLP cancellations		4,632,892
		5,223,566
Additions to payable to the State		4,064,712
Payable to the State, beginning		46,595,31 <u>5</u>
Payable to the State, ending	<u>\$</u>	<u>50,660,027</u>

Note 18. Subsequent Events

A motion was made and carried at the June 12, 2018 Annual Meeting of the Board of Managers of ELS giving the Corporation the authority to dissolve ELS. Official dissolution of the entity with the Secretary of State for the State of Delaware was effective May 20, 2019 and liquidation of all assets was completed as of August 30, 2019.

South Carolina Student Loan Corporation Consolidated Schedule of Financial Position By Fund - Without Restrictions

As of June 30, 2019

	Operating/SLC	Campus	Partners		РІНІ		SC3	Eli	minations		Total
Assets											
Current assets											
Cash and cash equivalents	\$ 11,804,407	\$	1,097,869	\$	6,150	\$	5,002	\$	-	\$	12,913,428
Investments	208,282,146	Ŷ		Ŷ	(540,000)	Ŷ	(700,000)	Ŷ	-	Ŷ	207,042,146
Current portion of student loans receivable	11,029,313		-		(=,===;		-		-		11,029,313
Interest due from borrowers	1,176,772		-				-		-		1,176,772
Accounts receivable	947,120		-		-		-		(920,000)		27,120
Due from subsidiaries	109.744		-		(109,744)		-		-		-
Due from United States Department of Education	36,871		-		-		-		-		36,871
Due from servicers	100,206		-				-		-		100,206
Due from South Carolina State Education Assistance Authority	44,571		-		-		-		-		44,571
Accrued investment income	29,513		-		-		-		-		29,513
Prepaid expenses	434,562		-				-		-		434,562
Due from other funds	297,591		-				-		-		297,591
Total current assets	234,292,816		1,097,869		(643,594)		(694,998)		(920,000)		233,132,093
Long-term receivables and other assets											
Student loans receivable, net of current portion											
and allowance for loan loss for \$12,452,051	85,725,247		-		-		-		-		85,725,247
Overfunded defined benefit plan	1,644,316		-		-		-		-		1,644,316
Due from other funds	20,942,464		-		-		-		-		20,942,464
Total long-term receivables and other assets	108,312,027				-		-		-		108,312,027
Property and equipment											
Land	364,900		-		-		-		-		364,900
Building	4,358,670		-		-		-		-		4,358,670
Furniture and equipment	4,517,229		-		-		-		-		4,517,229
Automobiles	80,030		-		-		-		-		80,030
Less accumulated depreciation	(3,856,221)		-	_	-		-		-		(3,856,221)
Net property and equipment	5,464,608		-		-		-		-		5,464,608
Total assets	\$ 348,069,451	\$	1,097,869	\$	(643,594)	\$	(694,998)	\$	(920,000)	\$	346,908,728
Liabilities and Net Assets											
Current liabilities											
Current maturities of notes payable - finance loans	\$ -	\$	920,000	\$	-	\$	-	\$	(920,000)	\$	-
Accounts payable	1,730,729		1,353		-		-		-		1,732,082
Unearned revenues	223,580		-		-		-		-		223,580
Customer refunds payable	18,426		-		-		-		-		18,426
Compensated absences	1,014,892		-		-		-		-		1,014,892
Due to South Carolina State Education Assistance Authority	251		-		-		-		-		251
Due to United States Department of Education	19,564		-		(106,044)		106,044		-		19,564
Total current liabilities	3,007,442		921,353		(106,044)		106,044		(920,000)		3,008,795
Total liabilities	3,007,442		921,353		(106,044)		106,044		(920,000)		3,008,795
Net assets											
Board designated for Power:Ed	10,000,000		-		-		-		-		10,000,000
Undesignated	335,062,009		176,516		(537,550)		(801,042)		-		333,899,933
Total net assets	345,062,009		176,516		(537,550)		(801,042)		-		343,899,933
Total liabilities and net assets	\$ 348,069,451	\$	1,097,869	\$	(643,594)	\$	(694,998)	\$	(920,000)	\$	346,908,728

ith Restrictions

Teacher	1996	2008	2010-1	2013-1	 Tax Exempt 2009 PAL	2015		
Loans	 Resolution	 Resolution	 Resolution	 Resolution	 Resolution	 Resolution		Total
\$ 15,992,567	\$ 15,960,233	\$ 4,448,987	\$ 21,728,626	\$ 3,574,466	\$ 33,764	\$ 3,081,731	\$	64,820,
-	65,614,647	22,072,467	46,337,595	18,183,921	6,294,286	18,255,982		176,758,
2,807,325 3,986,356	- 12,442,969	4,658,388	- 12,042,944	- 5,761,596	- 329,943	- 2,163,357		2,807, 41,385,
8,575	- 12,442,505	4,058,588	- 12,042,944		- 525,545	2,105,557		41,585,
83	689,344	-	-	-	-	-		689,
26,199	428,812	159,770	439,208	176,104	-	117,566		1,347,
190,160	-	-	-	-	372,236	784		563,
-	-	6,349	36,708	8,513	-	-		51,
-	5,164	-	19,251	20,535	-	11,879		56,
2,129	 118,873 95.260.042	 (47,079) 31,298,882	 (165,899) 80,438,433	 (63,820) 27,661,315	 7,031,123	 (140,561) 23,490,738		(295, 288,193,
 23,013,394	 95,260,042	 31,298,882	 80,438,433	 27,001,315	 7,031,123	 23,490,738		288,193,
-	385,005,762	103,472,279	259,936,464	98,300,311	29,614,327	136,442,482		1,012,771,
28,732,024	-	-	-	-	-	-		28,732,
-	 -	 -	 (20,942,464)	 -	 -	 -		(20,942,
28,732,024	 385,005,762	 103,472,279	 238,994,000	 98,300,311	 29,614,327	 136,442,482	_	1,020,561,
\$ 51,745,418	\$ 480,265,804	\$ 134,771,161	\$ 319,432,433	\$ 125,961,626	\$ 36,645,450	\$ 159,933,220	\$	1,308,755,
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,346,620	\$ -	\$	6,346,
\$ -	\$ - 63,193,444	\$ - 23,603,641	\$ - 43,275,289	\$ - 17,146,885	\$ 6,346,620	\$ - 19,179,131	\$	
\$ -	\$ - 63,193,444 1,087,306	\$ - 23,603,641 206,436	\$ - 43,275,289 1,934,656	\$ - 17,146,885 52,754	\$ 6,346,620 - -	\$	\$	166,398, 3,354,
\$ - - 13,051	\$ 	\$ 	\$ 	\$ 	\$ -	\$ 19,179,131	\$	166,398, 3,354, 13,
\$ -	\$ 	\$ 	\$ 	\$ 	\$ 6,346,620 - - 403,413	\$ 19,179,131	\$	166,398, 3,354, 13, 403,
\$ - - 13,051 - 1,072,340	\$ 1,087,306 - - -	\$ 206,436	\$ 1,934,656 - - -	\$ 52,754 - -	\$ -	\$ 19,179,131 73,277 - -	\$	166,398, 3,354, 13, 403, 1,072,
\$ 1,072,340	\$ 1,087,306 - - - 294,607	\$ 206,436 - - - 63,919	\$ 1,934,656 - - - 578,626	\$ 52,754 - - - - 449,344	\$ 403,413	\$ 19,179,131 73,277 - - - 13,764	\$	166,398, 3,354, 13, 403, 1,072, 1,400,
\$ -	\$ 1,087,306 - - -	\$ 206,436	\$ 1,934,656 - - -	\$ 52,754 - -	\$ -	\$ 19,179,131 73,277 - -	\$	166,398, 3,354, 13, 403, 1,072, 1,400,
\$ 1,072,340	\$ 1,087,306 - - - 294,607	\$ 206,436 - - - 63,919	\$ 1,934,656 - - - 578,626	\$ 52,754 - - - - 449,344	\$ 403,413	\$ 19,179,131 73,277 - - - 13,764	\$	166,398, 3,354, 13, 403, 1,072, 1,400, 178,988,
\$ 1,072,340	\$ 1,087,306 - - - 294,607	\$ 206,436 - - - 63,919	\$ 1,934,656 - - - 578,626	\$ 52,754 - - - - 449,344	\$ 403,413 	\$ 19,179,131 73,277 - - - 13,764	\$	166,398, 3,354, 13, 403, 1,072, 1,400, 178,988, 20,335,
\$ 1,072,340	\$ 1,087,306 - - 294,607 64,575,357	\$ 206,436 - - 63,919 23,873,996	\$ 1,934,656 - - 578,626 45,788,571 - 241,901,276 -	\$ 52,754 - - 449,344 17,648,983	\$ 403,413 	\$ 19,179,131 73,277 - - 13,764 19,266,172	\$	166,398, 3,354, 13, 403, 1,072, 1,400, 178,988, 20,335, 806,835, 50,660,
\$ 1,072,340 - 1,085,391 - 50,660,027	\$ 1,087,306 - - 294,607 64,575,357 345,868,276 -	\$ 206,436 63,919 23,873,996 46,767,129	\$ 1,934,656 578,626 45,788,571 241,901,276 39,835,008	\$ 52,754 - - - - - - - - - - - - - - - - - - -	\$ 403,413	\$ 19,179,131 73,277 - - 13,764 19,266,172 - 81,734,590 - -	\$	166,398, 3,354, 13, 403, 1,072, 1,400, 178,988, 20,335, 806,835, 50,660, 39,835,
\$ 1,072,340 1,085,391 50,660,027 50,660,027	\$ 1,087,306 - - 294,607 64,575,357 345,868,276 - 345,868,276	\$ 206,436 63,919 23,873,996 46,767,129 46,767,129	\$ 1,934,656 578,626 45,788,571 241,901,276 39,835,008 281,736,284	\$ 52,754 - - - - - - - - - - - - - - - - - - -	\$ 403,413 - - - - - - - - - - - - - - - - - - -	\$ 19,179,131 73,277 - - 13,764 19,266,172 - 81,734,590 - 81,734,590	\$	166,398, 3,354, 13, 403, 1,072, 1,400, 178,988, 20,335, 806,835, 50,660, 39,835, 917,666,
\$ 1,072,340 - 1,085,391 - 50,660,027	\$ 1,087,306 - - 294,607 64,575,357 345,868,276 -	\$ 206,436 63,919 23,873,996 46,767,129	\$ 1,934,656 578,626 45,788,571 241,901,276 39,835,008	\$ 52,754 - - - - - - - - - - - - - - - - - - -	\$ 403,413	\$ 19,179,131 73,277 - - 13,764 19,266,172 - 81,734,590 - -	\$	166,398, 3,354, 13, 403, 1,072, 1,400, 178,988, 20,335, 806,835, 50,660, 39,835, 917,666,
\$ 1,072,340 1,085,391 50,660,027 50,660,027	\$ 1,087,306 - - 294,607 64,575,357 345,868,276 - 345,868,276 410,443,633	\$ 206,436 63,919 23,873,996 46,767,129 46,767,129	\$ 1,934,656 578,626 45,788,571 241,901,276 39,835,008 281,736,284	\$ 52,754 - - - - - - - - - - - - - - - - - - -	\$ 403,413 - - - - - - - - - - - - - - - - - - -	\$ 19,179,131 73,277 - - 13,764 19,266,172 - 81,734,590 - 81,734,590	\$	166,398, 3,354, 13, 403, 1,072, 1,400, 178,988, 20,335, 806,835, 50,660, <u>39,835,</u> 917,666, 1,096,654,
\$ 1,072,340 1,085,391 50,660,027 50,660,027	\$ 1,087,306 - - 294,607 64,575,357 345,868,276 - 345,868,276	\$ 206,436 63,919 23,873,996 46,767,129 46,767,129	\$ 1,934,656 578,626 45,788,571 241,901,276 39,835,008 281,736,284	\$ 52,754 - - - - - - - - - - - - - - - - - - -	\$ 403,413 - - - - - - - - - - - - - - - - - - -	\$ 19,179,131 73,277 - - 13,764 19,266,172 - 81,734,590 - 81,734,590	\$	166,396, 3,354, 13, 403, 1,072, 1,400, 178,988, 20,335, 806,835, 50,660, 39,835, 917,666, 1,096,654, 8,034,
\$ 1,072,340 1,085,391 50,660,027 50,660,027	\$ 1,087,306 - - 294,607 64,575,357 64,575,357 - 345,868,276 - - - - - - - - - - - - - - - - - - -	\$ 206,436 63,919 23,873,996 46,767,129 46,767,129 70,641,125	\$ 1,934,656 578,626 45,788,571 241,901,276 39,835,008 281,736,284 327,524,855	\$ 52,754 - - - - - - - - - - - - - - - - - - -	\$ 403,413 6,750,033 20,335,190 20,335,190 27,085,223	\$ 19,179,131 73,277 - - 13,764 19,266,172 - 81,734,590 - 81,734,590 101,000,762	\$	6,346, 166,398, 3,354, 13, 403, 1,072, 1,400, 178,988, 20,335, 806,835, 50,660, 39,835, 917,666, 1,096,654, 8,034, 204,066, 212,2100,

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Consolidated Schedule of Activities By Fund - Without Restrictions For the year ended June 30, 2019

	Operating/SLC	Campus Partners	РІНІ	SC3	Eliminations	Total
Revenues						
Income from United States Department of Education:						
Student loan interest - subsidized	\$ 66,604	\$ -	\$-	\$-	\$ -	\$ 66,604
Special allowances	(72,055)	-	-	-	-	(72,055)
Student loan interest - unsubsidized	5,772,579	-	-	-	-	5,772,579
Investment income	4,744,234	-	-	-	-	4,744,234
Unrealized gain on investments	595,911	-	-	-	-	595,911
Late charges	55,043	-	-	-	-	55,043
Miscellaneous payments of student loans Remittance from South Carolina	286	-	-	-	-	286
State Education Assistance Authority for operating costs	420,830	-	-	-	-	420,830
Servicing fees	337,647	-	-	-	-	337,647
Other	257,539	35,044	-	-	-	292,583
Total revenues	12,178,618	35,044		-		12,213,662
Expenses						
Personnel	4,051,952	-	-	-	-	4,051,952
Contractual services	5,033,638	-	-	-	-	5,033,638
General operating	1,596,891	9,082	3,812	-	-	1,609,785
Loan fees	67,028	-	-	-	-	67,028
Reinsurance expense	19,354	-	-	-	-	19,354
Borrower incentives	37,608	-	-	-	-	37,608
Building expense	190,487	-	-	-	-	190,487
Loan loss expense	1,307,570		-	-		1,307,570
Total expenses	12,304,528	9,082	3,812			12,317,422
Transfers between accounts						
Transfers in	60,262,027	-	-	-	-	60,262,027
Transfers out	(59,848,382)		-	-		(59,848,382)
Total transfers between accounts	413,645					413,645
Changes in net assets	287,735	25,962	(3,812)	-	-	309,885
Net assets						
Beginning	344,774,274	150,554	(533,738)	(801,042)		343,590,048
Ending	\$ 345,062,009	\$ 176,516	\$ (537,550)	\$ (801,042)	\$ -	\$ 343,899,933

Consolidated Schedule of Activities by Fund - With Restrictions

For the year ended June 30, 2019

	Teacher	1996	2008	2010-1	2013-1	Tax Exempt 2009 PAL	2015	
	Loans	Resolution	Resolution	Resolution	Resolution	Resolution	Resolution	Total
Revenues								
Income from United States Department of Education:								
Student loan interest - subsidized	\$-	\$ 1,759,927	\$ 895,684	\$ 2,008,039	\$ 802,108	\$ 37,773	\$ 163,447	\$ 5,666,978
Special allowances	-	973,312	(1,227,952)	(4,102,943)	(2,760,816)	96,200	(157,459)	(7,179,658)
Student loan interest - unsubsidized	-	22,596,835	6,983,817	18,120,439	7,632,589	2,744,289	9,238,505	67,316,474
Investment income	-	727,610	157,526	380,460	117,076	-	84,622	1,467,294
Late charges	-	415,302	69,266	312,762	140,145	45,009	103,397	1,085,881
Miscellaneous payments of student loans	-	3,897	2,113	3,765	2,293	66	262	12,396
Total revenues	-	26,476,883	6,880,454	16,722,522	5,933,395	2,923,337	9,432,774	68,369,365
Expenses								
Interest on debt	-	16,416,188	3,143,707	12,234,189	3,557,392	-	6,546,763	41,898,239
Payments to South Carolina State Education Assistance		-, -,	-, -, -	, - ,	-,,		-,,	,,
Authority for student loan income	-	-	-	-	-	1,935,938	-	1,935,938
Loan fees	-	3,780,424	-	1,427,777	49,854	-	152,514	5,410,569
Reinsurance expense	-	355,677	96,542	209,532	199,614	4,825	25,824	892,014
Borrower incentives	-	1,970,683	273,539	1,167,559	78,865	94,713	190,063	3,775,422
Broker dealer fees	-	91,405	23,546	57,407	36,798	-	37,202	246,358
Loan loss expense	-	-	-	-	-	817,948	2,937,454	3,755,402
Total expenses	-	22,614,377	3,537,334	15,096,464	3,922,523	2,853,424	9,889,820	57,913,942
Transfers between accounts								
Transfers in	-	1,501	-	-	-	11,227,151	-	11,228,652
Transfers out	-	(2,673,130)	(621,139)	(2,144,467)	(4,417,898)	-	(1,785,663)	(11,642,297)
Total transfers between accounts	-	(2,671,629)	(621,139)	(2,144,467)	(4,417,898)	11,227,151	(1,785,663)	(413,645)
Changes in net assets	-	1,190,877	2,721,981	(518,409)	(2,407,026)	11,297,064	(2,242,709)	10,041,778
Net assets								
Beginning		68,631,294	61,408,055	(7,574,013)	20,155,090	(1,736,837)	61,175,167	202,058,756
Ending	\$ -	\$ 69,822,171	\$ 64,130,036	\$ (8,092,422)	\$ 17,748,064	\$ 9,560,227	\$ 58,932,458	\$ 212,100,534

Consolidated Schedule of Cash Flows By Fund - Without Restrictions For the year ended June 30, 2019

	Оре	erating/SLC	 Campus Partners	 РІНІ	 SC3		Total
Cash flows from operating activities							
Changes in net assets	\$	287,735	\$ 25,962	\$ (3,812)	\$ -	\$	309,885
Adjustments to reconcile changes in net assets to net cash							
provided by (used for) operating activities:							
Depreciation		587,654	-	-	-		587,654
Unrealized gain on investments		(595,911)	-	-	-		(595,911)
Loan loss expense		1,307,570	-	-	-		1,307,570
Changes in operating assets and liabilities:							
Due from South Carolina State Education							
Assistance Authority		(9,250)	-	-	-		(9,250)
Interest due from borrowers		(294,412)	-	-	-		(294,412)
Due from United States Department of Education		(25,754)	-	-	-		(25,754)
Due from servicers		(45,419)	-	-	-		(45,419)
Accrued investment income		94,191	-	-	-		94,191
Due from subsidiaries		(2,500)	-	2,500	-		-
Prepaid expenses		871,096	-	-	-		871,096
Overfunded defined benefit plan		847,639	-	-	-		847,639
Due from other funds		106,807	-	-	-		106,807
Accounts payable		(10,098)	1,353	-	-		(8,745)
Unearned revenues		(54,306)	-	-	-		(54,306)
Compensated absences		5,455	-	-	-		5,455
Customer refunds payable		9,768	-	-	-		9,768
Due to United States Department of Education		11,294	-	-	-		11,294
Due to South Carolina State Education Assistance Authority		96	-	-	-		96
Net cash provided by (used for) operating activities		3,091,655	 27,315	 (1,312)	 -		3,117,658
Cash flows from investing activities							
Purchases of property and equipment		(1,694,729)	-	-	-		(1,694,729)
Net changes in student loans receivable	(10,085,798)	-	-	-	(10,085,798)
Net purchases of investments	(19,713,995)	-	-	-	(19,713,995)
Net cash used for investing activities	(31,494,522)	 -	 -	 -	(31,494,522)
Net increase (decrease) in cash and cash equivalents	(28,402,867)	27,315	(1,312)	-	((28,376,864)
Cash and cash equivalents							
Beginning		40,207,274	1,070,554	7,462	5,002		41,290,292
Ending	\$	11,804,407	\$ 1,097,869	\$ 6,150	\$ 5,002	\$	12,913,428
Supplemental disclosure of cash flow information							
Disposal of fully depreciated property and equipment	\$	33,016	\$ -	\$ -	\$ -	\$	33,016

Consolidated Schedule of Cash Flows By Fund - With Restrictions

For the year ended June 30, 2019

						Tax Exempt		
	Teacher	1996	2008	2010-1	2013-1	2009 PAL	2015	
	Loans	Resolution	Resolution	Resolution	Resolution	Resolution	Resolution	Total
Cash flows from operating activities								
Changes in net assets	\$ -	\$ 1,190,877	\$ 2,721,981	\$ (518,409)	\$ (2,407,026)	\$ 11,297,064	\$ (2,242,709)	\$ 10,041,778
Adjustments to reconcile changes in net assets to net cash								
provided by (used for) operating activities:								
Amortization of bond discounts and cost of issuance	-	949,102	-	1,054,108	84,240	-	1,711,304	3,798,754
Loan loss expense	-	-	-	-	-	817,948	2,937,454	3,755,402
Changes in operating assets and liabilities:								
Due from South Carolina State Education								
Assistance Authority	(5,225)	-	-	-	-	61,956	2,076	58,807
Interest due from borrowers	(91,031)	(618,861)	(356,671)	(649,752)	(55,463)	(16,435)	(248,294)	(2,036,507)
Accounts receivable	(5,902)	-	-	-	-	-	-	(5,902)
Due from United States Department of Education	(83)	(344,771)	-	-	-	-	-	(344,854)
Due from servicers	(26,199)	307,117	66,449	110,447	115,514	-	202,919	776,247
Accrued investment income	-	39,714	1,201	(6,031)	1,666	-	-	36,550
Prepaid expenses	-	907	-	1,739	808	-	(4)	3,450
Due to other funds	(2,129)	(36,476)	(10,540)	(28,949)	(13,814)	(425)	(16,602)	(108,935)
Interest payable	-	(181,501)	(80,761)	(228,225)	(4,971)	-	(7,765)	(503,223)
Accounts payable	13,051	-	-	-	-	-	-	13,051
Unearned revenues	-	-	-	-	-	(154,766)	-	(154,766)
Teacher loan liability	(237,013)	-	-	-	-	-	-	(237,013)
Payable to the State of South Carolina	4,064,712	-	-	-	-	-	-	4,064,712
, Due to United States Department of Education	-	(46,176)	(69,669)	(500,151)	(269,438)	-	(17,005)	(902,439)
Net cash provided by (used for) operating activities	3,710,181	1,259,932	2,271,990	(765,223)	(2,548,484)	12,005,342	2,321,374	18,255,112
Cash flows from investing activities								
Net changes in student loans receivable	-	79,582,963	28,106,740	53,445,876	24,299,765	(3,364,012)	20,177,720	202,249,052
Net changes in teacher loans receivable	(249,335)	-	-	-	-	-	-	(249,335)
Net cash provided by (used for) investing activities	(249,335)	79,582,963	28,106,740	53,445,876	24,299,765	(3,364,012)	20,177,720	201,999,717
Cash flows from financing activities								
Net changes in notes payable - finance loans	-	-	-	-	-	(8,641,755)	-	(8,641,755)
Net payments on bonds payable		(117,959,831)	(33,122,837)	(55,369,931)	(24,685,754)		(22,796,088)	(253,934,441)
Net cash used for financing activities	-	(117,959,831)	(33,122,837)	(55,369,931)	(24,685,754)	(8,641,755)	(22,796,088)	(262,576,196)
Net increase (decrease) in cash and cash equivalents	3,460,846	(37,116,936)	(2,744,107)	(2,689,278)	(2,934,473)	(425)	(296,994)	(42,321,367)
Cash and cash equivalents								
Beginning	12,531,721	53,077,169	7,193,094	24,417,904	6,508,939	34,189	3,378,725	107,141,741
ng	\$ 15,992,567	\$ 15,960,233	\$ 4,448,987	\$ 21,728,626	\$ 3,574,466	\$ 33,764	\$ 3,081,731	\$ 64,820,374
emental disclosure of cash flow information								
payments for interest	\$ -	\$ 15,648,587	\$ 3,224,468	\$ 11,408,307	\$ 3,478,123	\$ -	\$ -	\$ 33,759,485

Consolidated Schedule of Property and Equipment

For the year ended June 30, 2019

	Jui	Balance as of ne 30, 2018	Additions	D	isposals	Jui	Balance as of ne 30, 2019
Cost							
Land	\$	364,900	\$ -	\$	-	\$	364,900
Total land		364,900	-		-		364,900
Building		4,358,670	-		-		4,358,670
Total buildings		4,358,670	-		-		4,358,670
SCSLC furniture and fixtures		2,822,500	1,694,729		-		4,517,229
SCSLC automobiles		113,046	 -		(33,016)		80,030
Cost total		7,659,116	 1,694,729		(33,016)		9,320,829
Accumulated depreciation							
Building		731,996	 111,761		-		843,757
Total buildings		731,996	111,761		-		843,757
SCSLC furniture and fixtures		2,462,491	 469,943		-		2,932,434
SCSLC automobiles		107,096	 5,950		(33,016)		80,030
Accumulated depreciation total		3,301,583	587,654		(33,016)		3,856,221
Net book value	\$	4,357,533	\$ 1,107,075	\$	-	\$	5,464,608

Schedule of Expenses for the Operating Fund For the year ended June 30, 2019

	Opera	ating/SLC		
	2019	2018		
Operating expenses				
Personnel				
Staff salaries	\$ 2,426,618	\$ 2,673,376		
Social security	159,827	138,633		
Group insurance	179,813	182,207		
Retirement	1,265,384	(914,039)		
Unemployment	20,310	21,786		
Total personnel	4,051,952	2,101,963		
Contractual				
Information technology	771,567	1,051,991		
Third party servicing fees	3,503,345	4,035,765		
Legal and professional	435,399	309,578		
Accounting	165,835	162,431		
Skip tracing	1,500	3,158		
Credit bureau	60,154	24,779		
Loan servicing	95,838	-		
Total contractual	5,033,638	5,587,702		
General operating				
Rent	-	(5,000)		
Telephone	81,220	70,634		
Printing	12,347	7,273		
Postage	25,840	28,872		
Supplies	15,398	15,608		
Travel	27,945	30,173		
Equipment maintenance	42,509	54,619		
Subscriptions and fees	102,395	79,838		
Meeting and conference expenses	208,511	137,883		
Insurance - general and automotive	63,490	61,609		
Outreach and awareness	295,345	215,126		
Depreciation	587,654	356,652		
Third party collections	91,355	95,804		
Other operating expense and contingencies	42,882	28,244		
Total general operating	1,596,891	1,177,335		
Total personnel, contractual services and general operating expenses	\$ 10,682,481	\$ 8,867,000		

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Federal Grantor/Program Title	_CFDA Number	Federal <u>Expenditures</u>
U.S. Department of Education Programs Federal Family Education Loan Program Special allowances (See Note 2 below)	84.032	See Note 2 Below
Subsidized interest	84.032	<u>\$ 5,733,582</u>
Total U.S. Department of Education Programs (Major program)		<u>\$ 5,733,582</u>

Notes to the Schedule of Expenditures of Federal Awards:

- 1. Summary of Significant Accounting Policies: This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The financial activity shown in this schedule reflects amounts recorded by the Corporation during the fiscal year ended June 30, 2019.
- 2. Special Allowances: The USDE now requires lenders to pay the USDE when lenders have negative special allowance. The Corporation paid \$7,251,713 for the fiscal year ended June 30, 2019.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of South Carolina Student Loan Corporation (the "Corporation"), as of and for the year ended June 30, 2019, and the related notes to the consolidated financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Elliott Davis, LLC

Columbia, South Carolina September 30, 2019



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We were engaged to audit South Carolina Student Loan Corporation's (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2019. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit, conducted in accordance with auditing standards generally accepted in the United States of America, of the types of compliance requirements referred to above.

Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance for the Corporation's major federal program.

Basis for Disclaimer of Opinion on Federal Family Education Loan Program - Lenders

As permitted in the *OMB Compliance Supplement*, the Corporation elected to use a third-party servicer to administer the requirements governing Special Tests and Provisions one through nine in accordance with the requirements of the Federal Family Education Loan Program - Lenders. Those requirements govern functions performed by National Education Loan Network, Inc. ("Nelnet"). Nelnet obtained a compliance attestation engagement under the January 2011 *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* ("Lender Servicer Audit Guide") for the year ended December 31, 2018. We did not perform any auditing procedures with respect to the Lender Servicer Audit Guide, except for confirming that the audit period of Nelnet's compliance attestation engagement for the year ended December 31, 2018 was completed timely. Since the audit period of Nelnet is different than that of the Corporation, we also obtained a representation from Nelnet that they have engaged (or will engage) an auditor to perform the required audit under the Lender Service Audit Guide for the immediate subsequent audit period.

Basis for Disclaimer of Opinion on Federal Family Education Loan Program - Lenders, Continued

Likewise, we confirmed that Nelnet's compliance attestation engagement for the year ended December 31, 2018, together with its compliance attestation engagement for the year ended December 31, 2019, covers the Corporation's audit engagement for the year ended June 30, 2019. Our report does not include the results of the auditor's examination of Nelnet's compliance with such requirements.

Disclaimer of Opinion on Federal Family Education Loan Program - Lenders

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Corporation's compliance with the requirements of the Federal Family Education Loan Program - Lenders.

Other Matter

The results of our auditing procedures disclosed a matter which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001. As described in the *Basis for Disclaimer of Opinion* paragraphs above, this matter resulted in a disclaimer of opinion on the major federal program.

The Corporation's response to the disclosed matter identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

South Carolina Student Loan Corporation Schedule of Findings and Questioned Costs

June 30, 2019

Report on Internal Control Over Compliance, Continued

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Elliott Davis, LLC

Columbia, South Carolina September 30, 2019

Schedule of Findings and Questioned Costs June 30, 2019

Section I. Summary of Auditor's Results					
Financial Statements					
Type of auditor's report issued: Internal control over financial reporting:				Unmoo	dified
Material weakness(es) identified?Significant deficiency(ies) identified?			Yes Yes		
Noncompliance material to financial statement	ts noted?		Yes	<u> </u>	No
Federal Awards					
Internal control over major federal programs:					
Material weakness(es) identified?Significant deficiency(ies) identified?			Yes Yes		
Type of auditor's report issued on compliance f	for major federal progr	ams:		Disclaiı	mer
Any audit findings disclosed that are required t reported in accordance with Section 2 CFR of the Uniform Guidance?			Yes (S No	ee Sectio	n III.)
Identification of major federal programs:					
<u>CFDA #</u>	<u>Program / Cluster Na</u>	me			
84.032	Federal Family Educa	tion Loan	Prograr	n (Lende	rs)
Dollar threshold used to distinguish between Type A and Type B programs		<u>\$750,0</u>	<u>)00</u>		
Auditee qualified as low-risk auditee?		<u> </u>	Yes		No
Section II. Financial Statement Findings					
None reported					

South Carolina Student Loan Corporation Schedule of Findings and Questioned Costs

June 30, 2019

Section III. Federal Award Findings and Questioned Costs

Item 2019-001: United States Department of Education, Federal Family Education Loan Program - Lenders - CFDA No. 84.032, For the Fiscal Year Ended June 30, 2019

Condition: The Corporation elected to use a third-party servicer organization to service its Federal Family Education Loan Program - Lenders ("FFEL Program") loan portfolio and perform the corresponding lender functions. As such, we issued a disclaimer of opinion related to the Corporation's compliance with requirements one through nine of the FFEL Program's Special Tests and Provisions as reflected in the *OMB Compliance Supplement* as a result of the scope limitation.

Criteria: The FFEL Program's Special Tests and Provisions are as follows: Individual Record Review; Interest Benefits; Special Allowance Payments, Loan Sales, Purchases, and Transfers; Enrollment Reports; Payment Processing; Due Diligence in Collection of Delinquent Loans; Timely Claim Filings; and Curing Due Diligence and Timely Filing Violations.

Context: Part 4-84.032-L of the *OMB Compliance Supplement* allows auditors of lenders to exclude coverage of compliance requirements performed by a third-party servicer, provided that the auditor has determined that the third-party servicer has obtained an audit under the January 2011 *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* ("Lender Servicer Audit Guide") for the entire audit period of the lender. If the third-party servicer has a different audit period, the auditor of the lender must determine that the most recently required audit of the third-party servicer under the Lender Servicer Audit Guide has been completed timely, and must obtain representation from the third-party servicer that it has engaged (or will engage) an auditor to perform the required audit under the Lender Servicer Audit Guide for the immediate subsequent period. The auditor of the lender's audit. If the auditor excludes coverage of the requirements performed by a third-party servicer, the *Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance* must clearly describe the compliance requirements for which coverage has been excluded, name the third-party servicer that performed under the Lender Servicer Audit Guide issued by the United States Department of Education and specify the period of that audit.

Cause: The Special Tests and Provisions requirements are performed by a third-party servicer organization.

Effect: The Special Tests and Provisions requirements were not tested by the Corporation's external auditor for the fiscal year ended June 30, 2019 since such requirements are performed by the third-party servicer organization.

Recommendation: Management should continue to monitor the third-party servicer's audit reports to ensure the Special Tests and Provisions requirements are audited each year and that the audits are performed timely.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with this recommendation and will continue to monitor the third-party servicer's audit reports.

South Carolina Student Loan Corporation Summary Schedule of Prior Audit Findings

June 30, 2019

Item 2018-001: United States Department of Education, Federal Family Education Loan Program - Lenders - CFDA No. 84.032, For the Fiscal Year Ended June 30, 2018

Condition: The Corporation elected to use a third-party servicer organization to service its Federal Family Education Loan Program - Lenders ("FFEL Program") loan portfolio and perform the corresponding lender functions. As such, we issued a disclaimer of opinion related to the Corporation's compliance with requirements one through nine of the FFEL Program's Special Tests and Provisions as reflected in the *OMB Compliance Supplement* as a result of the scope limitation.

Recommendation: We recommended that management should continue to monitor the third-party servicer's audit reports to ensure the Special Tests and Provisions requirements are audited each year and that the audits are performed timely.

Current Status: The third-party servicer's compliance with the Special Tests and Provisions requirements was audited for the year ended December 31, 2018 and completed on February 27, 2019. The third-party servicer confirmed that it has engaged an audit firm to perform the audit under the January 2011 *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* for the year ending December 31, 2019. Management elected to continue to use a third-party servicer to service the Corporation's FFEL Program loan portfolio and perform the corresponding lender function. See Item 2019-001 within the Schedule of Findings and Questioned Costs.



Single Audit Submission, Report ID 813692 For the Fiscal Year Ended June 30, 2019

Finding – Federal Award Program Audit Department of Education

Corrective Action Plan Item 2019-001:

This Corrective Action Plan is submitted on behalf of South Carolina Student Loan Corporation.

Part 4-84.032-L of the April 2017 *OMB Compliance Supplement* allows auditors of lenders to exclude coverage of compliance requirements performed by a third-party servicer, provided the auditor has determined that the third-party servicer has obtained an audit under the Lender Servicer Audit Guide for the entire audit period of the lender. Management will continue to obtain and monitor the third-party servicer's audit reports to ensure the third-party servicer is obtaining audits in accordance with the Lender Servicer Audit Guide.

Responsible officials - David A. Simon, III and Jane W. Honeycutt

Date Corrective Action Plan will be completed - Ongoing

Respectfully submitted,

David A. Simon, III President and CEO

30/2019

Date

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APPENDIX E

WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2020 TAXABLE TERM BONDS

The following information with respect to the Series 2020 Taxable Term Bonds has been prepared by the Underwriter in consultation with the Corporation. No representation is made by the Corporation, the Underwriter or any of their respective agents concerning the actual average life of the Series 2020 Taxable Term Bonds or the Financed Eligible Loans and how it compares to the various forward-looking average life estimates herein.

Prospective purchasers of the Series 2020 Taxable Term Bonds are urged to base their decisions whether to purchase the Series 2020 Taxable Term Bonds upon the purchaser's own determinations about anticipated rates of prepayments with respect to the Financed Eligible Loans and the estimated weighted average life of the Series 2020 Taxable Term Bonds.

Prepayments of loans may be measured by a prepayment standard or model. The model used herein is the constant prepayment rate ("CPR") model. CPR represents a constant rate of prepayment on the Financed Eligible Loans each month relative to the then outstanding aggregate principal balance of the Financed Eligible Loans in repayment status for the life of such Financed Eligible Loans.

Defaults of loans may be measured by a default standard or model. The model used herein is the constant default rate ("CDR") model. CDR represents a constant rate of default on the Financed Eligible Loans each month relative to the then outstanding aggregate principal balance of the Financed Eligible Loans in repayment status for the life of such Financed Eligible Loans.

The tables below indicate the Weighted Average Life ("WAL") of the entire Series 2020 Taxable Term Bonds based on the assumption that Financed Eligible Loans allocable to the Series 2020 Taxable Bonds prepay at the respective indicated percentages of CPR (the "CPR Prepayment Assumption Rates") and default at the respective indicated percentages of CDR (the "CDR Default Assumption Rates"). It is unlikely that the Financed Eligible Loans will prepay at any of the CPR Prepayment Assumption Rates presented or default at any of the CDR Default Assumption Rates presented, and the timing of changes in the rate of prepayments and defaults actually experienced on the Financed Eligible Loans is unlikely to follow the pattern described for the CPR Prepayment Assumption Rates and CDR Default Assumption Rates presented.

Each Weighted Average Life is likely to vary, perhaps significantly, from that set forth in the table below due to the differences between the actual rate of prepayments on the related Financed Eligible Loans and the assumptions described herein.

Estimated Weighted Average Life of Series 2020 Taxable Term Bonds at 0% CDR

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Prepayment				
Speed/Cash Flow	Estimated	Average	First Bond	Last Bond
<u>Scenario</u>	WAL (Years)	Maturity Date	Retirement Date	Retirement Date
0% CPR	12.56	03/11/2033	06/01/2030	06/01/2036
6% CPR	8.83	06/19/2029	12/01/2021	06/01/2034
12% CPR	5.18	10/24/2025	12/01/2021	12/01/2032

Estimated Weighted Average Life of Series 2020 Taxable Term Bonds at 3% CDR

Prepayment Speed/Cash Flow	Estimated	Average	First Bond	Last Bond
Speed/Cush 110W	Listillated	Tiverage	I list Dolld	Lust Dolld
Scenario	WAL (Years)	Maturity Date	Retirement Date	Retirement Date
0% CPR	11.16	10/18/2031	12/01/2021	06/01/2035
6% CPR	7.40	01/14/2028	12/01/2021	12/01/2033
12% CPR	4.25	11/20/2024	12/01/2021	06/01/2032

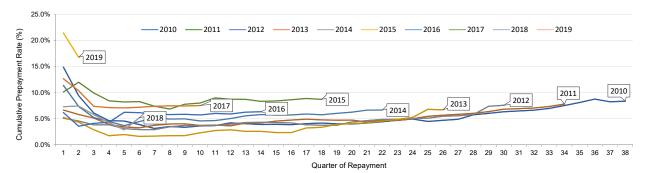
Weighted average lives (WALs) are influenced by, among other things, the initial parity percentage, cash releases, actual prepayments, bond interest rates, bond redemptions, reinvestment income, the future path of interest rates, loan interest rates and borrower repayment plans selected, the amount and timing of loans financed, including recycling, borrower delinquencies and defaults, default recoveries, program expenses, allocation of loans between applicable taxable series, compliance with IRS yield restrictions and the issuance of Additional Bonds in the future under the Indenture. Actual results will vary from assumptions made in the base case. The following assumptions were used in estimating the weighted average lives of the Series 2020 Taxable Term Bonds:

- 1. WALs are computed from the expected Closing Date for the Series 2020 Taxable Bonds.
- 2. WALs assume the Corporation releases cash in the amounts and at the times permitted under the Indenture.
- 3. WALs assume the Corporation uses bond proceeds to finance Eligible Loans during the Acquisition Period that, while similar to Initial Eligible Loans, may have different interest rates and terms.
- 4. All scenarios assume no delinquencies or forbearance.
- 5. Scenarios do not take into account any Additional Bonds that may be issued under the Indenture in the future.

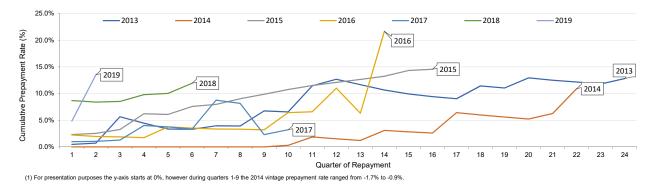
See also the captions "THE SERIES 2020 TAXABLE BONDS—Redemption Provisions—Optional Redemption from Excess Taxable Revenue" and "—Mandatory Redemption from Excess Taxable Revenues" in the body of this Official Statement.

<u>Historical Prepayment Information</u>. The Corporation separately monitors PAL Student Loan, PAL Parent Loan and PAL Refi Loan prepayment activity. The Corporation tracks prepayment activity on a "static pool", repayment cohort basis, which allows the Corporation to observe the cumulative prepayment behavior of all loans within a given repayment vintage over the remaining life of such loans. The cumulative prepayment history for PAL Student Loans, PAL Parent Loans and PAL Refi Loans for each repayment vintage is provided in the charts below.

Cumulative Prepayment Rates by Repayment Vintage (PAL Student Loans and PAL Parent Loans)







The Corporation cannot predict whether or not future prepayment trends for PAL Loans generally, or for the Financed Eligible Loans, will be impacted by the COVID-19 Pandemic.

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