

PRELIMINARY OFFERING MEMORANDUM DATED MARCH 13, 2013

NEW ISSUE—BOOK-ENTRY ONLY

In the opinion of Ballard Spahr LLP, note counsel, interest on the notes is not excludable from gross income for purposes of federal income tax. Note counsel is also of the opinion that, under current law, interest on the notes is exempt from taxation by the State of Alaska except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. See the caption "TAX MATTERS" herein.

\$144,730,000*
ALASKA STUDENT LOAN CORPORATION
Taxable Education Loan Backed Notes, Series 2013A
(LIBOR-Indexed Notes)

The Alaska Student Loan Corporation (the "Corporation"), organized under the laws of the State of Alaska, is issuing \$144,730,000* aggregate principal amount of its Taxable Education Loan Backed Notes, Series 2013A (LIBOR-Indexed Notes) (the "notes") as set forth below:

Original Principal Amount	Interest Rate	Price to Public	Proceeds to Trust Estate	Final Maturity Date	Expected Ratings Fitch/S&P ¹
\$144,730,000*	One-Month LIBOR plus ___%	___%	\$	August 25, 2031*	AAAsf/AA+(sf)

¹ See the caption "RATINGS" herein.

Credit enhancement for the notes will consist of overcollateralization, excess spread and cash on deposit in certain funds created under the Indenture (as defined herein), as described in this Offering Memorandum.

The notes shall be issued in fully registered form only, without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC is to act as securities depository for the notes. Individual purchases of the notes are to be made in book-entry form only, in the principal amount of \$100,000 and integral multiples of \$1,000 in excess thereof. Purchasers of the notes will not receive certificates representing their interest in the notes purchased. The notes will receive monthly distributions of principal and interest on the twenty-fifth day (or the next business day if it is not a business day) of each calendar month as described in this Offering Memorandum, commencing May 28, 2013. Receipts of principal and certain other payments received on the student loans held in the trust estate established under the Indenture will generally be allocated for payment of the principal of the notes until paid in full. All payments of principal of the notes through The Depository Trust Company ("DTC") will be treated by DTC, in accordance with its rules and procedures, as "Pro Rata Pass-Through Distributions of Principal."

Investors should consider carefully the risks involved in purchasing the notes, including those described under the caption "RISK FACTORS" herein.

THE NOTES ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION, AND ARE PAYABLE SOLELY OUT OF THE REVENUES, ASSETS AND FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. IN ADDITION, THE NOTES DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF ALASKA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE CORPORATION) OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF ALASKA OR ANY POLITICAL SUBDIVISION THEREOF. THE CORPORATION HAS NO TAXING POWER.

The notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any other state securities or blue sky laws, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth in such acts. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is unlawful.

The notes are being offered through the underwriter named below (the "Underwriter"), subject to prior sale and to the right of the Corporation or the Underwriter to withdraw, cancel or modify such offer and to reject orders in whole or in part. The notes are offered when, as and if issued by the Corporation and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and the approval of legality by Ballard Spahr LLP, Note Counsel. Certain legal matters will be passed upon for the Corporation by its counsel, the Attorney General of the State of Alaska, and for the Underwriter by its counsel, Kutak Rock LLP. It is expected that the notes in definitive form will be available for delivery through the facilities of DTC on or about March 28, 2013.

RBC Capital Markets

March ____, 2013.

* Preliminary; subject to change.

This Preliminary Offering Memorandum and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Corporation or the Underwriter to subscribe for or purchase, any of the notes in any circumstances or in any state or other jurisdiction where such offer or invitation is unlawful. Except as set forth herein, no action has been taken or will be taken to register or qualify the notes or otherwise to permit a public offering of the notes in any jurisdiction where actions for that purpose would be required. The distribution of this Offering Memorandum and the offering of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Corporation and the Underwriter to inform themselves about and to observe any such restrictions. This Offering Memorandum has been prepared by the Corporation solely for use in connection with the proposed offering of the notes described herein.

No dealer, broker, salesman or other person has been authorized by the Corporation or the Underwriter to give any information or to make any representations other than those contained in this Offering Memorandum. If given or made, such information or representations must not be relied upon as having been authorized by the Corporation or the Underwriter. Certain information set forth herein has been obtained from the Corporation and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has not been any change in the facts set forth in this Offering Memorandum or in the affairs of any party described herein after the date hereof.

In making an investment decision, prospective investors must rely on their own independent investigation of the terms of the offering and weigh the merits and the risks involved with ownership of the notes. Representatives of the Corporation and the Underwriter will be available to answer questions from prospective investors concerning the notes, the Corporation and the financed student loans.

Prospective investors are not to construe the contents of this Offering Memorandum, or any prior or subsequent communications from the Corporation or the Underwriter or any of their officers, employees or agents as investment, legal, accounting, regulatory or tax advice. Prior to any investment in the notes, a prospective investor should consult with its own advisors to determine the appropriateness and consequences of such an investment in relation to that investor's specific circumstances.

The Underwriter has provided the following sentences for inclusion in this Official Statement. No representation or warranty, express or implied, is made by the Underwriter as to the accuracy or completeness of the information set forth herein, and nothing contained herein is, or shall be relied upon as, a promise or representation as to the past or the future. The Underwriter has not independently verified any such information or assume responsibility for its accuracy or completeness. The Underwriter has reviewed the information in this Offering Memorandum pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

There currently is no secondary market for the notes. There are no assurances that any market for the notes will develop or, if it does develop, how long it will last. The Corporation does not intend to list the notes on any exchange, including any exchange in either Europe or the United States.

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

THE PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE NOTES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER SUCH NOTES ARE RELEASED FOR SALE, AND SUCH NOTES MAY BE OFFERED AND SOLD TO CERTAIN DEALERS (INCLUDING DEALERS DEPOSITING NOTES INTO INVESTMENT ACCOUNTS) AND OTHERS AT PRICES LOWER THAN THE INITIAL PUBLIC OFFERING PRICE.

In connection with the offering, the Underwriter may overallocate or effect transactions with a view to supporting the market price of the notes at levels above that which might otherwise prevail in the open market for a limited period. However, there is no obligation to do this. Such stabilizing, if commenced, may be discontinued at any time.

FOR NEW HAMPSHIRE RESIDENTS: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CORPORATION AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISK INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFERING MEMORANDUM CONTAINS SUMMARIES OF CERTAIN DOCUMENTS THAT ARE BELIEVED TO BE ACCURATE, BUT REFERENCE IS HEREBY MADE TO THE ACTUAL DOCUMENTS, WHICH ARE INCORPORATED BY REFERENCE, AND ALL SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE ACTUAL DOCUMENTS. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE A CONTRACT BETWEEN THE CORPORATION OR THE UNDERWRITER AND ANY ONE OR MORE PURCHASERS OR OWNERS OF THE NOTES.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, investors can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “intend,” “potential,” and the negative of such terms or other similar expressions.

Any forward-looking statements reflect the Corporation’s current expectations and views about future events. The forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Corporation’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on the forward-looking statements.

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

- changes in terms of financed student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations that may reduce the average term and yields or increase the costs on education loans under the Federal Family Education Loan Program;
- changes resulting from the termination of the Federal Family Education Loan Program effective June 30, 2010;
- changes in the general interest rate environment and in the securitization market for student loans, which may increase the costs or limit the marketability of financings;
- losses from student loan defaults; and
- changes in prepayment rates and interest rate spreads.

Many of these risks and uncertainties are discussed throughout this Offering Memorandum and particularly in greater detail under the caption “RISK FACTORS” herein.

Investors should read this Offering Memorandum and the documents that are referenced in this Offering Memorandum completely and with the understanding that the Corporation’s actual future results may be materially different from what the Corporation expects. The Corporation may not update the forward-looking statements, even though the Corporation’s situation may change in the future, unless the Corporation has obligations under the federal securities laws to update and disclose material developments related to previously disclosed information. All of the forward-looking statements are qualified by these cautionary statements.

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD- LOOKING STATEMENTS	ii	Sale of Financed Student Loans	53
SUMMARY OF TERMS	1	Further Covenants	53
RISK FACTORS	9	Statements to Noteholders	54
ALASKA COMMISSION ON POSTSECONDARY EDUCATION	21	Servicing and Enforcement of the Servicing Agreements	54
General Information	21	Additional Covenants With Respect to the Higher Education Act	55
Staffing of the Commission	21	Obligation to Make Deposit from Outside of Trust Estate	55
Executive and Senior Staff of the Commission	22	Events of Default	56
ALASKA STUDENT LOAN CORPORATION	23	Remedies on Default	56
General	23	The Trustee	58
IRS Audit	24	Supplemental Indentures	61
Corporation Membership	24	Trusts Irrevocable	62
Staffing of the Corporation	26	Satisfaction of Indenture	63
Authority of the Corporation	26	Optional Release of All Financed Student Loans	63
Dividend Plan of the Corporation	27	CREDIT ENHANCEMENT	63
Financial and Other Information	27	LEGALITY FOR INVESTMENT IN ALASKA	64
Teaming Arrangement for Direct Loan Servicing by the Corporation	27	TAX MATTERS	64
The AlaskAdvantage® Loan Program	28	Introduction	64
Borrower Benefits Program	28	Tax Character of Notes	65
Loan Origination Activity	28	Tax Consequences to United States Owners	65
GUARANTOR	29	Tax Consequences to Foreign Owners	66
The Guarantor	29	State of Alaska Taxation	67
Reimbursement	30	ERISA CONSIDERATIONS	67
SERVICING OF THE FINANCED STUDENT LOANS	30	ADDITIONAL INFORMATION; REPORTS TO NOTEHOLDERS	68
The Servicer	31	UNDERWRITING	68
Backup Servicer and Backup Servicing Agreement	32	FINANCIAL ADVISOR	69
FEES AND EXPENSES	34	LEGAL PROCEEDINGS	69
USE OF PROCEEDS	34	LEGAL MATTERS	69
CHARACTERISTICS OF THE FINANCED STUDENT LOANS	35	PLEDGE AND AGREEMENT OF THE STATE	69
DESCRIPTION OF THE NOTES	41	RATINGS	70
General	41	CONTINUING DISCLOSURE	70
Interest Payments	41	OTHER MATTERS	70
Calculation of LIBOR	41	GLOSSARY OF TERMS	72
Principal Distributions	42	APPENDIX A DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM	A-1
Optional Prepayment of Notes When Pool Balance is 10% or Less of Initial Pool Balance	42	APPENDIX B GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES	B-1
Prepayment, Yield and Maturity Considerations	43	APPENDIX C WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT CERTAIN MONTHLY DISTRIBUTION DATES FOR THE NOTES	C-1
SECURITY AND SOURCES OF PAYMENT FOR THE NOTES	44	APPENDIX D AUDITED FINANCIAL STATEMENTS OF THE ALASKA STUDENT LOAN CORPORATION (A COMPONENT UNIT OF THE STATE OF ALASKA) FISCAL YEARS ENDING JUNE 30, 2011 AND 2012	D-1
General	44	APPENDIX E FORM OF OPINION OF NOTE COUNSEL	E-1
Funds	44	APPENDIX F FORM OF CONTINUING DISCLOSURE AGREEMENT	F-1
Fund Deposits	44		
Student Loan Fund; Deposit of Student Loans	45		
Reserve Fund	45		
Capitalized Interest Fund	46		
Department SAP Rebate Fund	46		
Collection Fund; Flow of Funds	46		
Flow of Funds After Events of Default and Acceleration	47		
Investment of Funds Held by Trustee	47		
BOOK-ENTRY REGISTRATION	47		
General	47		
Global Clearance, Settlement and Tax Document Procedures	51		
TRUSTEE	51		
SUMMARY OF THE INDENTURE PROVISIONS	52		
Parity and Priority of Lien	52		
Representations and Warranties	53		

SUMMARY OF TERMS

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

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

References in this Offering Memorandum to the "Corporation" refer to the Alaska Student Loan Corporation. This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. See the caption "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS" herein. Certain terms used in this Offering Memorandum are defined under the caption "GLOSSARY OF TERMS" herein.

Principal Parties and Dates

Corporation

- Alaska Student Loan Corporation (the "Corporation"), established in 1987 pursuant to Alaska Statutes 14.42.100 through 14.42.990, as amended (the "Authorizing Act")

Servicers

- The Alaska Commission on Postsecondary Education (the "Commission" or the "Servicer")

Backup Servicer

- Pennsylvania Higher Education Assistance Agency ("PHEAA")

Guaranty Agency

- Northwest Education Loan Association ("NELA" or the "Guarantor")

Trustee

- U.S. Bank National Association (the "Trustee").

Monthly Distribution Dates. The monthly distribution dates for the notes will be the twenty-fifth day of each calendar month, or, if not a business day, the next business day, beginning May 28, 2013. These dates are sometimes referred to herein as "monthly distribution dates." Certain fees and expenses of the trust estate established under the hereinafter described Indenture (such as the administration fee and servicing fee) will also be paid on the monthly distribution dates. The calculation

date for each monthly distribution date generally will be the second business day before such monthly distribution date.

Collection Periods. The initial collection period will begin on the date of issuance and end on April 30, 2013 (for the initial monthly distribution date of May 28, 2013). Each subsequent collection period will be the calendar month immediately following the preceding collection period.

Interest Accrual Periods. The initial interest accrual period for the notes begins on the date of issuance and ends on May 27, 2013. For all other monthly distribution dates, the interest accrual period will begin on the prior monthly distribution date and end on the day before such monthly distribution date.

Financed Student Loans. The student loans pledged by the Corporation to the Trustee under the Indenture and not released from the lien thereof are sometimes referred to herein as the "financed student loans." The information presented in this Offering Memorandum under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein relating to the student loans the Corporation expects to pledge to the Trustee on the date of issuance is as of January 31, 2013, which is referred to as the "statistical cut-off date." The Corporation believes that the information set forth in this Offering Memorandum with respect to the student loans as of the statistical cut-off date is representative of the characteristics of the financed student loans as they will exist on the date of issuance for the notes.

Date of Issuance. The date of issuance for this offering is expected to be on or about March 28, 2013.

Description of the Notes

General. The Alaska Student Loan Corporation is offering \$144,730,000* of its Taxable Education Loan Backed Notes, Series 2013A (LIBOR-Indexed Notes) (the “notes”), pursuant to the terms and provisions of the Indenture of Trust, dated as of March 1, 2013 (the “Indenture”) between the Corporation and the Trustee. The notes will receive payments primarily from collections on a pool of student loans held by the Corporation and pledged to the Trustee under the Indenture.

The notes will be issued in minimum denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof. Interest and principal on the notes will be payable to the owners of record of the notes as of the close of business on the day before the related monthly distribution date.

Interest on the Notes. Except for the initial interest accrual period, the notes will bear interest at an annual rate equal to one-month LIBOR plus ____%.

The Trustee will calculate the rate of interest on the notes on the second business day prior to the start of the applicable interest accrual period. Interest on the notes will be calculated on the basis of the actual number of days elapsed during the interest accrual period divided by 360 and rounding the resultant figure to the fifth decimal place.

LIBOR for the initial interest accrual period will be determined by reference to the following formula:

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

where:

x = two-month LIBOR;

y = three-month LIBOR;

a = [] the actual number of days from the maturity date of two-month LIBOR to the first monthly distribution date; and

b = [] the actual number of days from the maturity date of two-month LIBOR to the maturity date of three-month LIBOR.

* Preliminary; subject to change.

Interest accrued on the outstanding principal balance of the notes during each interest accrual period will be paid on the following monthly distribution date.

Principal Distributions. Principal distributions will be allocated to the notes on each monthly distribution date in an amount equal to the funds available to pay principal as described under the caption “—Flow of Funds” below.

Final Maturity. The final maturity date for the notes will be the August 25, 2031* monthly distribution date.

The final payment of the notes is expected to occur prior to the above date (see APPENDIX C hereto) and could be earlier than expected to the extent that:

- there are significant prepayments on the financed student loans;
- additional payments of principal are made from money available in the Collection Fund to pay the notes in full prior to maturity; or
- the Corporation exercises its option to release all of the financed student loans remaining in the trust estate established under the Indenture from the lien of the Indenture (which will not occur until a date when the Pool Balance is 10% or less of the initial Pool Balance).

Description of the Corporation and the Trust Estate

General. The Corporation was formed and capitalized in 1987 as a public corporation and government instrumentality within the Department of Education and Early Development of the State of Alaska (the “State”) to provide a mechanism to fund the Commission’s programs through bond sales, and operates under the laws of the State. The Corporation is authorized under the laws of the State to, among other things, acquire, purchase and make commitments to purchase loans made to students or parents of students by lenders and to loan money to students or parents of students for the purpose of assisting students in obtaining a post-secondary education, and to issue bonds and notes to obtain funds to purchase such loans. See the caption

“ALASKA STUDENT LOAN CORPORATION” herein.

As described under the caption “USE OF PROCEEDS” herein, certain of the proceeds from the sale of the notes will be used to make the initial deposits to the Capitalized Interest Fund and the Reserve Fund described below. Certain of the remaining proceeds from the sale of the notes will be used to pay costs of issuance of the notes and to refinance student loans originated under the Federal Family Education Loan Program (“FFELP loans”) presently (a) pledged by the Corporation under an existing funding note purchase agreement with Straight-A Funding, LLC (the “Conduit”); or (b) pledged by the Corporation under existing trust indentures executed in connection with the issuance of the Corporation’s \$53,120,000 Education Loan Revenue Refunding Bonds, Senior Series 2012A and its \$15,000,000 Education Loan Revenue Refunding Bonds, Senior Series 2012B-2, all of which have been identified and are described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” herein. The FFELP loans will be pledged to the Trustee on the date of issuance and will be subject to the lien of the Indenture. See the caption “USE OF PROCEEDS” herein.

The only sources of funds for payment of the notes issued under the Indenture are the financed student loans and investments pledged to the Trustee and the payments the Corporation receives on those financed student loans and investments. On the date of issuance, the Parity Ratio will be approximately 103.25%* of the original principal amount of the notes.

The Trust Estate Assets. The assets of the trust estate securing the notes issued under the Indenture will be a discrete trust estate that will include:

- student loans originated under the Federal Family Education Loan Program (“FFELP” or “FFEL Program”) deposited into the Student Loan Fund;
- collections and other payments received on account of the financed student loans; and
- money and investments held in funds created under the Indenture,

* Preliminary; subject to change.

including the Student Loan Fund, the Capitalized Interest Fund, the Collection Fund, the Department SAP Rebate Fund and the Reserve Fund.

The Corporation has originated or acquired all of the student loans to be pledged under the Indenture in the ordinary course of its student loan financing business. All of the student loans pledged to the Trustee under the Indenture are, as of the time of such pledge, guaranteed by a guaranty agency and reinsured by the U.S. Department of Education (sometimes referred to herein as the “Department of Education”). See the caption “GUARANTOR” herein.

Except under limited circumstances set forth in the Indenture, financed student loans may not be transferred out of the trust estate established under the Indenture. See the caption “SUMMARY OF THE INDENTURE PROVISIONS—Sale of Financed Student Loans” herein.

The Student Loan Fund. FFELP loans will be deposited into the Student Loan Fund on the date of issuance. An estimate of the amount of FFELP loans to be deposited in the Student Loan Fund on the date of issuance is set forth under the caption “USE OF PROCEEDS” herein.

The Collection Fund. The Trustee will deposit into the Collection Fund upon receipt all revenues derived from financed student loans and money or investments of the Corporation on deposit with the Trustee, amounts received under any joint sharing agreement and all amounts transferred from the Capitalized Interest Fund, the Student Loan Fund, the Department SAP Rebate Fund and the Reserve Fund. Money on deposit in the Collection Fund will be used to make any required payments under any applicable joint sharing agreement or to otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, to make any required payments to the Department of Education, to pay administration fees, servicing fees, trustee fees and extraordinary trustee fees and expenses, program fees, to pay interest and principal on the notes and to replenish the Reserve Fund. See the captions “—Flow of Funds” below and “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds” herein.

The Capitalized Interest Fund. On the date of issuance, \$500,000* will be deposited into the Capitalized Interest Fund. If on any monthly distribution date, money on deposit in the Collection Fund is insufficient to pay amounts owed to the Department of Education or to the Guarantor, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay administration fees, servicing fees, trustee fees, program fees, and interest on the notes, then money on deposit in the Capitalized Interest Fund will be transferred to the Collection Fund to cover the deficiency, prior to any amounts being transferred from the Reserve Fund. Amounts released from the Capitalized Interest Fund will not be replenished. Amounts will be transferred from the Capitalized Interest Fund to the Collection Fund as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Capitalized Interest Fund" herein. Any amounts on deposit in the Capitalized Interest Fund on the March 25, 2014* monthly distribution date will be transferred from the Capitalized Interest Fund to the Collection Fund.

The Reserve Fund. On the date of issuance, a deposit will be made to the Reserve Fund in an amount equal to \$361,825*, which is approximately 0.25% of the original principal amount of the notes. The Reserve Fund is to be maintained at an amount equal to the greater of (a) 0.25% of the outstanding principal amount of the notes as of the last day of the related collection period, or (b) 0.15% of the original principal amount of the notes, or such lesser amount as may be agreed to by the rating agencies as evidenced by the receipt of a Rating Agency Condition (as defined under the caption "GLOSSARY OF TERMS" herein) and upon providing S&P with at least 45 days' notice of such reduction. On each monthly distribution date, to the extent that money in the Collection Fund is not sufficient to pay the interest then due on the notes, an amount equal to the deficiency will be transferred from the Reserve Fund to the Collection Fund, if such deficiency has not been paid from the Capitalized Interest Fund. Additionally, if on a note final maturity date the principal amount of such notes will not be reduced to zero after giving effect to the distribution of the available monies on such note final maturity date, an amount equal to the amount needed to reduce the principal amount of notes to zero will be transferred from the Reserve Fund to the

Collection Fund for application to payment of the outstanding amount of such notes. To the extent the amount in the Reserve Fund falls below the Specified Reserve Fund Balance, the Reserve Fund will be replenished on each monthly distribution date from funds available in the Collection Fund as described under the captions "—Flow of Funds" below and "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds," herein. Funds on deposit in the Reserve Fund in excess of the Specified Reserve Fund Balance will be transferred to the Collection Fund upon Corporation order. Other than such excess amounts, principal payments due on the notes will be made from the Reserve Fund only (a) on the final maturity date of the notes, or (b) on any monthly distribution date when the market value of securities and cash in the Reserve Fund and the Collection Fund is sufficient to pay the remaining principal amount of and interest accrued on the notes.

The Reserve Fund and Requests for Appropriations from the State. The Reserve Fund constitutes a Capital Reserve Fund under Section 14.42.240 of the Authorizing Act. The Authorizing Act provides that if the assets in any Capital Reserve Fund created pursuant to the Act are less than the amount currently required in a Corporation resolution or indenture to be on deposit, the Chairperson of the Corporation shall, annually by January 15, certify to the Governor and the State legislature the amount necessary to restore the assets of the fund to the required amount. The State legislature may, but is not required to, appropriate such amounts.

In the Indenture, the Corporation has covenanted to maintain in the Reserve Fund an amount equal to the Specified Reserve Fund Balance and to do and perform or cause to be done and performed each and every act and thing with respect to the Reserve Fund to be done or performed by or on behalf of the Corporation or the Trustee under the terms and provisions of the Indenture and the Authorizing Act, including requesting from the State any amount necessary to restore the Specified Reserve Fund Balance in the Reserve Fund.

The Department SAP Rebate Fund. The Trustee will establish a Department SAP Rebate Fund as part of the trust estate established under the Indenture. The Higher Education Act requires holders of student loans first disbursed on or after April 1, 2006 to rebate to the Department of Education interest received from borrowers on such loans that exceeds the applicable special allowance support levels. The Corporation expects that the Department of

* Preliminary; subject to change.

Education will reduce the special allowance and interest benefit payments payable to the Corporation by the amount of any such rebates owed by the Corporation. However, in certain circumstances the Corporation may owe a payment to the Department of Education or to another trust if amounts were deposited into the trust estate that represent amounts that are allocable to student loans that are not financed student loans. If the Corporation believes that it is required to make any such payment, the Corporation will direct the Trustee to deposit into the Department SAP Rebate Fund from the Collection Fund the estimated amounts of any such payments. Money in the Department SAP Rebate Fund will be transferred to the Collection Fund to the extent amounts have been deducted by the Department of Education from payments otherwise due to the Corporation, or will be paid to the Department of Education or to another trust if necessary to discharge the Corporation's rebate obligation. See "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" in APPENDIX A hereto.

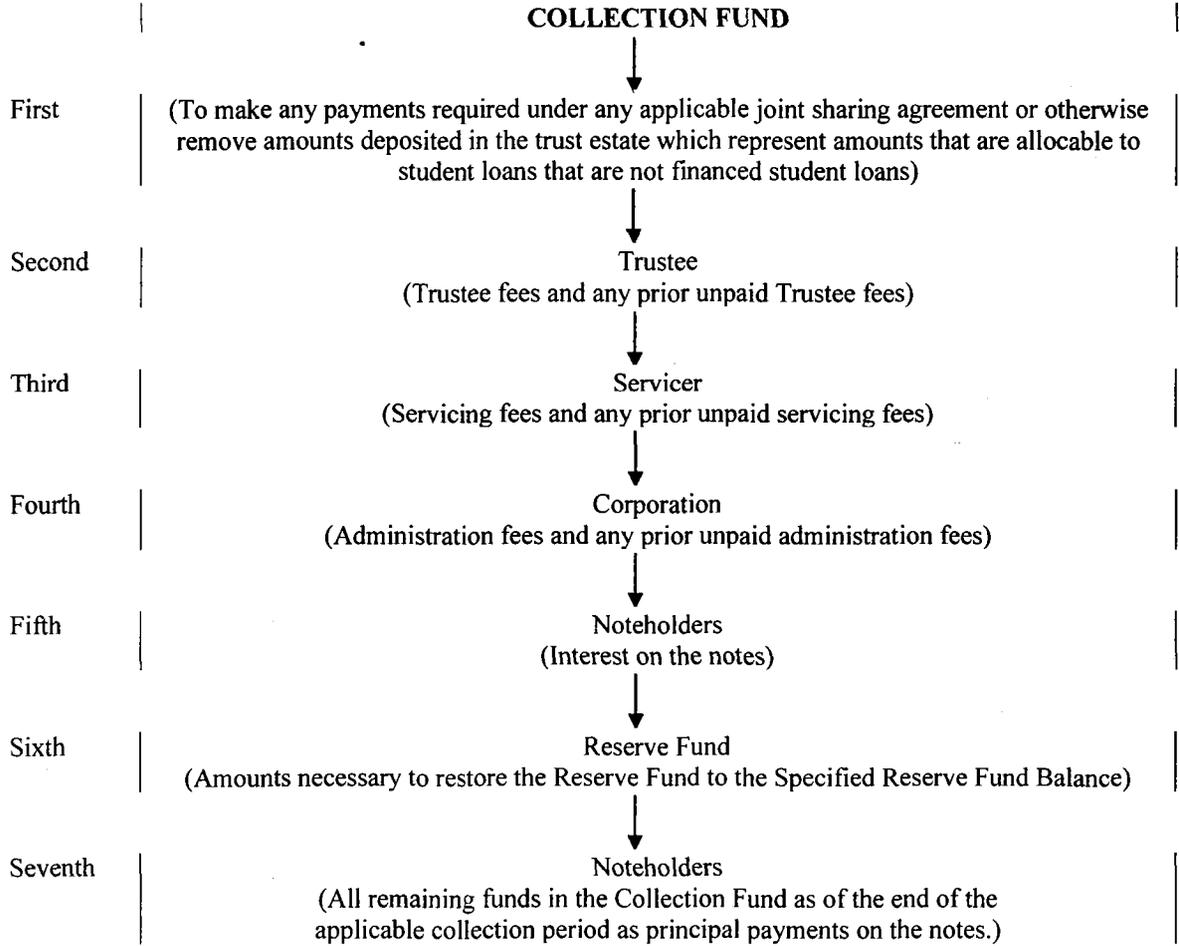
Characteristics of the Student Loan Portfolio. The Corporation will pledge to the Trustee under the Indenture a portfolio of student loans originated under the FFELP, having, as of the statistical cut-off date, an aggregate outstanding principal balance of approximately \$144,286,889 (which does not include total accrued interest to be capitalized of approximately \$3,299,333). As of the statistical cut-off date (and based on the outstanding principal balances of the financed student loans as of such date), the weighted average annual interest rate of the student loans expected to be pledged to the Trustee (excluding special allowance payments) was approximately 5.98% and their weighted average remaining term to scheduled maturity was approximately 135 months. The portfolio of student loans expected to be pledged by the Corporation to the Trustee is described more fully below under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein.

In the event that the principal amount of student loans required to provide collateral for the notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain the expected ratings on the notes (see "—Ratings of the Notes" below), the rate of amortization or prepayment on the portfolio of student loans from the statistical cut-off date to the date of issuance varying from the rates that were anticipated, or otherwise, the portfolio of student loans to be pledged to the Trustee may

consist of a subset of the pool of student loans described herein or may include additional student loans not described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein.

The Corporation believes that the information set forth in this Offering Memorandum with respect to the student loans as of the statistical cut-off date is representative of the characteristics of the financed student loans as they will exist on the date of issuance of the notes.

Flow of Funds. Administration fees and servicing fees will be paid to the Corporation and the Servicer on each monthly distribution date from money available in the Collection Fund. The amounts of the initial administration fee and servicing fee payable in clauses third and fourth below and program fees are specified under the caption "FEES AND EXPENSES" herein and are subject to increase upon receipt of a Rating Agency Condition and providing at least 45 days' notice to S&P of such increase. In addition, each month money available in the Collection Fund will be used to pay amounts when due with respect to the financed student loans to the Department of Education and to the guaranty agencies, to make any payments required under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, to repurchase financed student loans in the limited circumstances described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds" herein, to transfer amounts required to be deposited into the Department SAP Rebate Fund and to pay extraordinary trustee fees and expenses. On each monthly distribution date, prior to an event of default, money in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available, as set forth in the following chart:



Flow of Funds After Events of Default and Acceleration. Following the occurrence of an event of default that results in an acceleration of the maturity of the notes and after the payment of certain fees and expenses, payments of interest and then principal on the notes will be made, ratably, without preference or priority of any kind, until the notes are repaid in full. See the caption "SUMMARY OF THE INDENTURE PROVISIONS—Remedies on Default" herein.

Credit Enhancement

Credit enhancement for the notes will consist of overcollateralization, excess spread and cash on deposit in the *Capitalized Interest Fund* and the *Reserve Fund* as described under the caption "CREDIT ENHANCEMENT" herein.

Servicing and Administration

All of the financed student loans will, when pledged under the Indenture, be serviced by the Commission. The Commission services the FFELP loans owned by the Corporation, except to the extent that certain collection activities are delegated to private contractors. The Corporation may from time to time enter into other servicing agreements and arrangements in accordance with the terms of the Indenture. The Servicer will assume responsibility for servicing and making collections on the financed student loans, and will be paid monthly servicing fees not to exceed the amounts set forth under the caption "FEES AND EXPENSES" herein.

The Corporation will act as the administrator of the trust estate and will be paid a monthly administration fee not to exceed the amount set forth under the caption "FEES AND EXPENSES" herein.

Optional Prepayment of Notes When Pool Balance is 10% or Less of Initial Pool Balance

The Corporation shall have the option to release the financed student loans from the lien of the Indenture on the monthly distribution date next succeeding the last day of the collection period on which the then outstanding Pool Balance is 10% or less of the initial Pool Balance, and on any monthly distribution date thereafter. If this option is exercised, the financed student loans and any other remaining assets of the trust estate will be released to the Corporation free from the lien of the Indenture.

If the Corporation exercises its release option, the Corporation must deposit in the

Collection Fund an amount that, when combined with amounts on deposit in the other funds and accounts held under the Indenture, would be sufficient to:

- reduce the outstanding principal amount of the notes then outstanding on the related monthly distribution date to zero;
- pay to the noteholders the interest payable on the related monthly distribution date; and
- pay any rebate fees and other amounts payable to the Department of Education, pay amounts payable under any joint sharing agreements or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, and pay unpaid administration fees, servicing fees, trustee fees and expenses and program fees.

"Pool Balance" means, for any date, the aggregate principal balance of the financed student loans on that date, including accrued interest that is expected to be capitalized, after giving effect to the following, without duplication:

- all payments received by the Corporation through that date from borrowers;
- all amounts received by the Corporation through that date from purchases of financed student loans from the lien of the Indenture;
- all liquidation proceeds and realized losses on the financed student loans through that date;
- the amount of any adjustment to balances of the financed student loans that the Servicer makes under its related servicing agreement, if any, recorded through that date; and
- the amount by which guaranty agency reimbursements of principal on defaulted student loans through

that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

Book-Entry Registration

The notes will be delivered in book-entry form through The Depository Trust Company, and through Clearstream, Luxembourg and Euroclear as participants in The Depository Trust Company. Purchasers of the notes will not receive a certificate representing their notes except in very limited circumstances. See the caption "BOOK-ENTRY REGISTRATION" herein.

Federal Income Tax Consequences

In the opinion of Ballard Spahr LLP, note counsel, interest on the notes is not excludable from gross income for purposes of federal income tax. Note counsel is also of the opinion that, under current law, interest on the notes is exempt from taxation by the State of Alaska except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. See the caption "TAX MATTERS" herein.

ERISA Considerations

Fiduciaries of employee benefit plans and other entities in which the assets of such plans are invested ("Plans") should review carefully with their legal advisors whether the purchase and holding of the notes could give rise to a transaction prohibited under ERISA, the Code or other law. Plans which are not subject to ERISA may nevertheless be subject to similar prohibitions under federal, state or local law. Generally speaking, both ERISA and the Code prohibit a broad range of transactions involving benefit Plan assets and persons or entities which have certain specified relationships to such Plans (called "parties in interest" or "disqualified persons), and impose substantial penalties for engagement in such prohibited transactions. For example, a prohibited transaction could arise if the issuer or underwriter of the notes, or any of their respective affiliates, is or becomes a party in interest or disqualified person with respect to a Plan. In some cases, adherence to a statutory or administrative exemption will permit a prohibited transaction to be avoided. It is the responsibility of each purchaser (and each subsequent transferee) of the notes to ensure that its purchase, holding and transfer of the notes is consistent with its legal obligations and is either not a prohibited

transaction, or satisfies an exemption therefrom. See the caption "ERISA CONSIDERATIONS" herein.

Ratings of the Notes

The notes are expected to be rated as follows:

Fitch: AAAsf

S&P: AA+(sf)

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. See the caption "RATINGS" herein.

CUSIP Number*

011855 CM3

International Securities Identification Number ("ISIN")*

US 011855 CM39

* The CUSIP and ISIN numbers have been assigned by an independent company not affiliated with the parties to this note transaction and are included solely for the convenience of the holders of the notes. None of the Corporation, the Trustee nor the Underwriter is responsible for the selection or use of such CUSIP and ISIN numbers, and no representation is made as to their correctness on the notes or as indicated above.

RISK FACTORS

Potential investors in the notes should consider the following risk factors together with all other information in this Offering Memorandum in deciding whether to purchase the notes. The following discussion of possible risks is not meant to be an exhaustive list of the risks associated with the purchase of the notes and does not necessarily reflect the relative importance of the various risks. Additional risk factors relating to an investment in the notes are described throughout this Offering Memorandum, whether or not specifically designated as risk factors. There can be no assurance that other risk factors will not become material in the future.

Purchasers may have difficulty selling their notes

There currently is no secondary market for the notes. 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 for their investment. If a secondary market for the notes does develop, the spread between the bid price and the asked price for the notes may widen, thereby reducing the net proceeds to investors from the sale of their notes. The Corporation does not intend to list the notes on any exchange, including any exchange in either Europe or the United States. Under current market conditions, investors may not be able to sell their notes when they want to do so (and may be required to bear the financial risks of an investment in the notes for an indefinite period of time) or they may not be able to obtain the price that they wish to receive and, as a result, they may suffer a loss on their investment. The market values of the notes may fluctuate and movements in price may be significant.

The notes are not a suitable investment for all investors

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

The notes are a long-term investment but are based upon a LIBOR short term index plus a spread

The interest rate on the notes is based on one-month LIBOR plus a fixed spread, as described herein. As a result, the interest rate on the notes is based on a short-term interest rate that is recalculated monthly on each LIBOR determination date, as described herein, plus a fixed spread. See the caption "DESCRIPTION OF THE NOTES—Interest Payments" herein for more information on how interest payments on the notes are calculated. The interest rate on the notes may fluctuate significantly over the life of the notes.

The notes, however, are a long term investment in that there is currently no secondary market for the notes, and they are not subject to any optional tender or liquidity devices. Furthermore, there are no assurances that a secondary market will develop or, if it does develop, that it will continue or be available at any time in the future.

Geographic concentration of borrowers may result in greater defaults on the student loans

As of the statistical cutoff date, approximately 75% of the financed student loans by outstanding principal balance had a current billing address in the State of Alaska. Because of this concentration, any adverse economic conditions adversely and disproportionately affecting the State of Alaska may result in a greater number of defaults on the financed student loans than if such concentrations did not exist.

Purchasers of the notes may be unable to reinvest principal payments at the yield earned on the notes

Asset-backed securities usually produce increased principal payments to investors when market interest rates fall below the interest rates on the collateral—the financed student loans in this case—and decreased principal payments when market interest rates rise above the interest rates on the collateral. As a result, holders of the notes may receive more money to reinvest at a time when other investments generally are producing lower yields than the

yield on the notes. Similarly, noteholders may receive less money to reinvest when other investments generally are producing higher yields than the yield on the notes.

The notes are payable solely from the trust estate and investors will have no other recourse against the Corporation

Interest and principal on the notes will be paid solely from the funds and assets held in the discrete trust estate created under the Indenture. Except for any repurchase of student loans that were previously financed from a guaranty agency or a servicer as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds" herein, there will be no subsequent acquisitions of or recycling of student loans into the trust estate after the date of issuance. No insurance or guarantee of the notes will be provided by any government agency or instrumentality, by any insurance company or by any other person or entity. Therefore, an investor's receipt of payments on the notes will depend solely on:

- the amount and timing of payments and collections on the financed student loans and interest paid or earnings on the funds held in the accounts established pursuant to the Indenture; and
- amounts on deposit in the Collection Fund, the Capitalized Interest Fund, the Reserve Fund and other funds and accounts held in the trust estate.

Investors will have no recourse against any party if the trust estate created under the Indenture is insufficient for repayment of the notes.

Limited recourse to Servicer and Backup Servicer

The Commission, as Servicer, is required under the Custodian/Servicing Agreement (as defined herein) to service the financed student loans in a prudent and diligent manner and in compliance with all applicable required law, including the Alaska Student Loan Program, the Higher Education Act, and any other program under which a financed student loan was made; however the Commission is not obligated under the Custodian/Servicing Agreement to reimburse the Trust Estate for any financed student loans that have been rejected by the Guarantor or the Secretary. To the extent permitted by law, the Corporation is required to use certain legally available funds to reimburse the Trust Estate for each financed student loan that is unable to be submitted to a Guarantor or the Secretary for guarantee payment and for which a guarantee claim has been rejected or refused (for any reason, including any origination or servicing error) in an amount equal to all or such portion of the principal and interest (and Interest Benefit Payment and Special Allowance Payments with respect thereto) which are not guaranteed. The Corporation may not, however, have sufficient available funds to satisfy this obligation. See the caption "SUMMARY OF THE INDENTURE PROVISIONS—Obligation to Make Deposit from Outside of Trust Estate" herein.

Pursuant to the Backup Servicing Agreement, the Backup Servicer agrees to pay the Corporation for any claim, loss, liability or expense incurred by the Corporation which arises out of or relates to the Backup Servicer's failure to perform its obligations under the Backup Servicing Agreement, where the final determination of liability on the part of the Backup Servicer is established by a court of law with competent jurisdiction over the Backup Servicer, or by way of settlement agreed to by the Backup Servicer; provided however, that for financed student loans that were first disbursed on or after October 1, 1993, the Backup Servicer's liability for the principal amount of any financed student loan is limited to a percentage no greater than the amount that would have been paid by the Guarantor.

State not liable with respect to the notes

The notes are special, limited obligations of the Corporation, and except to the extent payable from proceeds of the notes and income from the investment thereof (until used as provided in the Indenture), are payable solely out of the revenues, assets and funds pledged therefor under the Indenture. In addition, the notes do not constitute a debt, liability or obligation of the State of Alaska or any political subdivision thereof (other than the

Corporation) or a pledge of the faith and credit of the State of Alaska or any political subdivision thereof. The Corporation has no taxing power.

The ratings of the notes are not a recommendation to purchase and may change

It is a condition to issuance of the notes that they be rated as indicated under the caption “SUMMARY OF TERMS—Ratings of the Notes” herein. Ratings are based primarily on the creditworthiness of the underlying financed student loans, the amount of credit enhancement and the legal structure of the transaction. The ratings are not a recommendation to any investor to purchase, hold or sell the notes inasmuch as the ratings do not comment as to the market price or suitability for any investor. An additional rating agency may rate the notes, and that rating may not be equivalent to the initial rating described in this Offering Memorandum. Ratings may be increased, lowered or withdrawn by any rating agency at any time if in the rating agency’s judgment circumstances so warrant. A downgrade in the rating of the notes is likely to decrease the price a subsequent purchaser will be willing to pay for an investor’s notes.

Certain actions affecting the financed student loans and the trust estate, including actions relating to the servicing of the financed student loans and the administration of the trust estate, including changes in the fees for such servicing, administration and program, may be taken by the Corporation or the Trustee upon the receipt of a Rating Agency Condition (as defined under the caption “GLOSSARY OF TERMS” herein) and providing at least 45 days’ notice to S&P. Such notice would not limit the ability of S&P to downgrade its rating on the basis of such action by the Corporation.

S&P is expected to assign a rating of “AA+(sf)” to the notes. The S&P rating is a result of S&P’s August 5, 2011 action lowering the long-term sovereign debt rating of the United States of America (the “United States”) to “AA+” from “AAA.” S&P has identified the notes as being of a type that are impacted by the United States’ credit rating due to the notes being secured by financed student loans originated under the FFEL Program. There can be no assurance that the ratings of the notes will not be downgraded or placed on negative watch by S&P or any other rating agency in the future. Fitch is expected to assign a rating of “AAAsf” to the notes, with a negative outlook. Fitch has also identified the notes as being of a type that are impacted by the United States’ credit rating and there can be no assurance that their rating of the notes will not be downgraded in the future.

No subordinate notes will be issued and, therefore, the notes will bear all losses not covered by available credit enhancement

Credit enhancement for the notes will consist of overcollateralization, excess interest, if any, and cash on deposit in the Collection Fund, Capitalized Interest Fund and the Reserve Fund. The Corporation is not issuing any other notes that are on a parity with or subordinate to the notes. Therefore, to the extent that the credit enhancement described above is exhausted, the notes will bear any risk of loss.

Funds available in the Reserve Fund and Capitalized Interest Fund are limited and, if depleted, there may be shortfalls in payments to noteholders

The Reserve Fund and the Capitalized Interest Fund will each be funded on the date of issuance. Amounts on deposit in the Reserve Fund will be replenished to the extent of available funds so that the amount on deposit in the Reserve Fund will be maintained at the Specified Reserve Fund Balance. The Capitalized Interest Fund will not be replenished and will be available only for a limited period of time. Funds may be transferred out of the Reserve Fund and the Capitalized Interest Fund from time to time as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES” herein. In the event that the funds on deposit in the Capitalized Interest Fund and the Reserve Fund are exhausted and there are insufficient available funds in the Collection Fund, the notes will bear any risk of loss.

Certain amendments to the Indenture and other actions may be taken with Rating Agency Condition and rating agency notification or by less than all of the noteholders

The Indenture permits the Corporation and the Trustee to make certain amendments to the Indenture or take certain other actions based upon the receipt of a Rating Agency Condition and providing at least 45 days' notice to S&P, without the consent of the noteholders. Subject to the limitations described in "SUMMARY OF THE INDENTURE PROVISIONS—Supplemental Indentures—Supplemental Indentures Requiring Consent of Registered Owners," changes may be made to the Indenture or other actions taken without the consent of the noteholders. See the caption "SUMMARY OF THE INDENTURE PROVISIONS—Supplemental Indentures—Supplemental Indentures Not Requiring Consent of Registered Owners" herein.

Under the Indenture, holders of specified percentages of the aggregate principal amount of the notes may amend or supplement or waive provisions of the Indenture without the consent of the other holders. Investors have no recourse if the required percentage of holders vote and other investors disagree with the vote on these matters. The holders may vote in a manner which impairs the ability to pay principal and interest on the notes.

Rights to waive defaults may adversely affect noteholders

Generally, the noteholders of at least a majority of the outstanding amount of the notes have the ability, with specified exceptions, to waive certain defaults under the Indenture, including defaults that could materially and adversely affect the noteholders who did not vote to waive such default.

The rate of payments on the financed student loans may affect the maturity and yield of the notes

Financed student loans may be prepaid at any time without penalty. If the Corporation receives prepayments on the financed student loans, those amounts will be used to make principal payments as described below under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds" herein, which could shorten the average life of the notes. Factors affecting prepayment of loans include general economic conditions, prevailing interest rates and changes in the borrower's job, including transfers and unemployment. Refinancing opportunities that may provide more favorable repayment terms, including those offered under consolidation loan programs and borrower incentive programs, also affect prepayment rates.

Scheduled payments with respect the financed student loans may be reduced and the maturities of financed student loans may be extended as authorized by the Higher Education Act. Also, periods of deferment and forbearance may lengthen the remaining term of the student loans and the average life of the notes.

The rate of principal payments to investors on the notes will be directly related to the rate of payments of principal on the financed student loans. Changes in the rate of prepayments may significantly affect investors' actual yield to maturity, even if the average rate of principal prepayments is consistent with investors' expectations. In general, the earlier a prepayment of principal of a loan, the greater the effect may be on an investor's yield to maturity. The effect on an investor's yield as a result of principal payments occurring at a rate higher or lower than the rate anticipated by an investor during the period immediately following the issuance of the notes may not be offset by a subsequent like reduction, or increase, in the rate of principal payments on the notes. Investors will bear entirely any reinvestment risks resulting from a faster or slower incidence of prepayment of the financed student loans.

Different rates of change in interest rate indexes may affect trust estate cash flow

The interest rate on the notes will fluctuate from one interest accrual period to another in response to changes in the specified index rate. The student loans that will be refinanced with the proceeds from the sale of the notes bear interest either at fixed rates or at rates which are generally based upon the bond equivalent yield of the 91-day U.S. Treasury Bill rate. In addition, the financed student loans are entitled to receive special allowance payments from the Department of Education based upon a one-month LIBOR rate. See "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" and "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" in APPENDIX A hereto. If there is a decline in the rates payable on financed student loans, the

amount of funds representing interest deposited into the Collection Fund may be reduced. If the interest rate payable on the notes does not decline in a similar manner and time, the Corporation may not have sufficient funds to pay interest on the notes when due. Even if there is a similar reduction in the rate applicable to the notes, there may not necessarily be a reduction in the other amounts required to be paid by the Corporation, such as administrative expenses, causing interest payments to be deferred to future periods. Similarly, if there is a rapid increase in the interest rate payable on the notes without a corresponding increase in rates payable on the financed student loans, the Corporation may not have sufficient funds to pay interest on the notes when due. Sufficient funds may not be available in future periods to make up for any shortfalls in the current payments of interest on the notes or expenses of the trust estate created under the Indenture.

For student 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 student loan rate exceeds the special allowance support level. However, lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006, and are required to rebate any such “excess interest” to the federal government on a quarterly basis. This modification effectively limits lenders’ returns to the special allowance support level and could require a lender to rebate excess interest accrued but not yet received. For fixed rate loans, the excess interest owed to the federal government will be greater when the one-month LIBOR rate is relatively low, causing the special allowance support level to fall below the student loan rate. There can be no assurance that such factors or other types of factors will not occur or that, if they occur, such occurrence will not materially adversely affect the sufficiency of the trust estate established under the Indenture to pay the principal of and interest on the notes, as and when due. See “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” and “DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM” in APPENDIX A hereto.

Turmoil in the credit markets

There have been changes in the national credit markets since the fall of 2007 that have dramatically changed the way that the Corporation does business. From its inception in 1987 the Corporation regularly financed its student loan activities on a long-term basis through the issuance of revenue bonds secured by the student loans it has originated or purchased with the proceeds of such bonds. Due to the turmoil in the credit markets, the cost of asset-backed financings has increased and their availability has decreased. Some of the issues that have made asset-backed borrowings more difficult include: the collapse of the auction rate securities market; the downgrade of national bond insurers; limited availability of credit support and liquidity in the market; the requirement by those credit and liquidity providers that are in the market of higher amounts of equity and higher fees payable to such credit and liquidity providers; the establishment by the credit rating agencies of significantly more rigorous cash flow assumptions and requirements; and the downgrading of the long-term sovereign credit rating on the obligations of the United States by S&P. In addition to the turmoil in the credit markets, the changes in the FFEL Program imposed by the College Cost Reduction and Access Act (as discussed herein) have adversely impacted the profitability of financing FFELP loans. In addition, the elimination of the FFEL Program described below will impact the Corporation’s future business.

Due to the limited recourse nature of the trust estate created under the Indenture for the notes, the turmoil in the credit markets should not impact the payment of the notes unless it causes erosion in the finances of the Corporation to such an extent that it cannot honor any administration or similar obligations under the Indenture.

Recent investigations and litigation related to LIBOR may affect your notes

The interest rate payable on the notes is variable, based on a spread over one-month LIBOR, as set forth on the cover of this Offering Memorandum. The London Interbank Offered Rate, or LIBOR, serves as a global benchmark for home mortgages, student loans and what various lenders and issuers pay to borrow money. Certain financial institutions have announced settlements with certain regulatory authorities with respect to, among other things, allegations of manipulating LIBOR or have announced that they are involved in investigations by regulatory authorities relating to, among other things, the manipulation of LIBOR. In addition to the ongoing investigations, several plaintiffs have filed lawsuits against various banks in federal court seeking damages arising from alleged LIBOR manipulation. On September 28, 2012, a top official at the U.K.’s Financial Services Authority unveiled his recommendations calling for a sweeping overhaul of LIBOR and removing it from the control of the British Bankers’ Association. The Underwriter, or an affiliate of the Underwriter, is a reference bank for the purpose of

setting LIBOR. Neither the Underwriter nor any affiliate of the Underwriter has entered into any of the settlements described above, and they are not involved in any current investigations with respect to LIBOR manipulation. The Corporation cannot predict what effect, if any, these events will have on the use of LIBOR as a global benchmark going forward, or on the notes.

New rules could adversely affect the asset-backed securities market and the value of the notes

In response to the recent financial crisis, the United States Congress passed the Dodd-Frank Act in July of 2010. The Dodd-Frank Act requires the creation of new federal regulatory agencies, and grants additional authorities and responsibilities to existing regulatory agencies, to identify and address emerging systemic risks posed by the activities of financial services firms. The Dodd-Frank Act also provides for enhanced regulation of derivatives, restrictions on executive compensation and enhanced oversight of credit rating agencies.

The effects of the Dodd-Frank Act will depend significantly upon the content and implementation of the rules and regulations issued pursuant to its provisions. It is not yet clear how the Dodd-Frank Act and its associated rules and regulations will affect the asset-backed securities market generally, or the Corporation and the financed student loans, in particular. No assurance can be given that the new regulations will not have an adverse effect on the value or liquidity of the notes.

Changes to the Higher Education Act, including the enactment of the Health Care and Education Reconciliation Act of 2010, changes to other applicable law and other Congressional action may affect investors' notes and the financed student loans

On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 ("HCERA" or the "Reconciliation Act") was enacted into law. Effective July 1, 2010, the Reconciliation Act eliminated the origination of new FFELP loans after June 30, 2010. All loans made under the Higher Education Act beginning on July 1, 2010 have been, and in the future will be, originated under the Federal Direct Student Loan Program (the "Direct Loan Program"). The terms of existing FFELP loans are not materially affected by the Reconciliation Act. The changes implemented by the Reconciliation Act have adversely affected and are expected to continue to adversely affect the revenues of the Corporation, the Servicer, and the Guarantor due to the elimination of the origination of new FFELP loans.

In addition to the passage of the Reconciliation Act, Title IV of the Higher Education Act and the regulations promulgated by the Department of Education thereunder have been the subject of frequent and extensive amendments and reauthorizations in recent years. See "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" in APPENDIX A hereto for more information on the Higher Education Act and various amendments thereto. There can be no assurance that the Higher Education Act or other relevant federal or state laws, rules and regulations may not be further amended or modified in the future in a manner that could adversely affect the Corporation or its student loan programs, the trust estate created under the Indenture, the financed student loans, or the financial condition of or ability of the Corporation, the Servicer, or the guaranty agencies, including the Guarantor, to comply with their obligations under the various transaction documents or the notes offered hereby. Future changes could also have a material adverse effect on the revenues received by the guaranty agencies that are available to pay claims on defaulted financed student loans in a timely manner. In addition, if legislation were to be passed in the future requiring the sale of the financed student loans held in the trust estate to the federal government, proceeds from such sale would be deposited to the Collection Fund and used to pay the notes in advance of their current expected maturity date. No assurance can be given as to the amount that would be received from such sale or whether such amount would be sufficient to pay all principal and accrued interest due on the notes, as there is no way to know what purchase price would be paid by the federal government for the financed student loans.

The Corporation cannot predict whether any other changes will be made to the Higher Education Act or other relevant federal laws, and rules and regulations promulgated by the Secretary of Education in future legislation, or the effect of such legislation on the Corporation, the Servicer, or the guaranty agencies, including the Guarantor, the financed student loans or the Corporation's loan programs.

Competition from the Federal Direct Student Loan Program

The Direct Loan Program was established under the Student Loan Reform Act of 1993. Under the Direct Loan Program, approved institutions of higher education, or alternative loan originators approved by the Department of Education, make loans to students or parents without application to or funding from outside lenders or guaranty agencies. The Department of Education provides the funds for such loans, and the program provides for a variety of flexible repayment plans, including consolidations under the Direct Loan Program of existing FFEL Program student loans. Such consolidation permits borrowers to prepay existing student loans and consolidate them into a Federal Direct Consolidation Loan under the Direct Loan Program. As a result of the enactment of the Reconciliation Act, no FFELP loans have been, or in the future will be, originated after June 30, 2010, and all loans made under the Higher Education Act will be originated under the Direct Loan Program. The Direct Loan Program may result in prepayments of financed student loans if such financed student loans are consolidated under the Direct Loan Program.

Because of the limited recourse nature of the trust estate created under the Indenture for the notes, competition from the Direct Loan Program should not impact the payment of the notes unless it causes (a) erosion in the finances of the Corporation to such an extent that they cannot honor any administration or similar obligations under the Indenture or (b) prepayments of financed student loans if such financed student loans are consolidated under the Direct Loan Program. See “RISK FACTORS—The rate of payments on the financed student loans may affect the maturity and yield of the notes.”

The Corporation did not request a Voluntary Closing Agreement with the IRS

On March 20, 2012 the Internal Revenue Service (“IRS”) announced a Voluntary Closing Agreement Program (“VCAP”) initiative with respect to student loan revenue bonds (“Announcement 2012-14”). Announcement 2012-14 asserts that the methodology used for many years by the student loan industry for tracking student loans acquired with the proceeds of tax-exempt student loan bonds is inconsistent with Treasury Regulations. Announcement 2012-14 defines a resolution which includes a payment computed as defined in the announcement. The Corporation believes that it has not made any allocations of its student loans in the manner contemplated by the VCAP and that it has acted in a manner that complies with the applicable IRS requirements, and therefore chose not to enter into the VCAP. Nevertheless, the Corporation recognizes that the IRS has provided little guidance in this area and the IRS may take a position contrary to the Corporation’s view.

The Corporation received a notification dated January 2, 2013, from the Internal Revenue Service (the “IRS”) that certain of the Corporation’s tax-exempt bonds under one of its existing indentures have been selected by the IRS for examination. The Corporation has provided the information requested by the IRS and is awaiting a further response from the IRS. See “ALASKA STUDENT LOAN CORPORATION—IRS Audit,” herein.

The Corporation is aware that the VCAP and Announcement 2012-14, as well as audits of student loan bond issues, may have an impact on the student loan industry. Purchasers of the notes should recognize that this may negatively impact the market for student loans and obligations secured by student loans.

Other litigation risks

The Corporation may be subject to various claims, lawsuits, tax audits and proceedings that arise from time to time.

The Corporation may be subject to student loan industry investigations

Since 2007, a number of state attorneys general have announced or are reportedly conducting broad investigations of possible abuses in the student loan industry by various lenders and higher education institutions (“institutions”). The primary issues under review appear to include revenue sharing arrangements between lenders and institutions, the limiting by institutions of a borrower’s ability to borrow from the lender of their choice, lenders’ undisclosed plans to sell student loans to other lenders, undisclosed agreements between lenders and institutions regarding “opportunity loans” to students with little or no credit history, potential conflicts of interest in connection

with the placement of lenders on “preferred lender” lists at institutions, and other arrangements between lenders and institutions which could adversely affect student borrowers. “Preferred lender lists” are lists of lenders recommended by the institutions’ financial aid departments or other organizations to students and parents seeking financial aid.

The Attorney General of New York was the first official to conduct such investigations and has reported agreements with dozens of institutions and several lenders. Other states followed quickly thereafter. The Alaska Attorney General has been consistently aware of activities related to the administration of the student loan program in Alaska. The Attorney General has not observed any situation or relationship that would give rise to the need to conduct an investigation into the activities of schools or lenders. The Corporation holds loans issued to students across the country, and has not been contacted by any attorney general to respond to or to provide information relative to any such investigation.

The Department of Education has adopted regulations that impact the practices which are the subject of the foregoing investigations. See the caption “—Changes to the Higher Education Act, including the enactment of the Health Care and Education Reconciliation Act of 2010, changes to other applicable law and other Congressional action may affect investors’ notes and the financed student loans.”

General economic conditions

The United States economy experienced a downturn that started in 2008. Although there have been some indications that the downturn might be slowing, leveling off, or reversing, it is unclear at this time whether the downturn or slower growth has ended or if it may return or worsen. A downturn in the economy resulting in substantial layoffs either regionally or nationwide may result in an increase in delays by borrowers in paying financed student loans, thus causing increased default claims to be paid by guaranty agencies. It is impossible to predict the status of the economy or unemployment levels or at what point a downturn in the economy would significantly reduce revenues to the Corporation or the Guarantor’s ability to pay default claims. General economic conditions may also be affected by other events including the prospect of increased hostilities abroad. Certain of such events may have other effects, the impacts of which are difficult to project.

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

A build-up of the United States military would increase the number of citizens who are in active military service. The Servicemembers Civil Relief Act limits the ability of a lender under the FFELP to take legal action against a borrower during the borrower’s period of active duty and, in some cases, during an additional three-month period thereafter.

The Corporation does not know how many student loans have been or may be affected by the application of the Servicemembers Civil Relief Act. Payments on financed student loans may be delayed as a result of these requirements, which may reduce the funds available to the Corporation to pay principal and interest on the notes.

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

The Higher Education Relief Opportunities for Students Act of 2003 (“HEROS Act of 2003”), signed into law on August 18, 2003, authorizes the Secretary of Education to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary for the benefit of “affected individuals” who:

- are serving on active military duty or performing qualifying national guard duty during a war or other military operation or national emergency;
- reside or are employed in an area that is declared by any federal, state or local office to be a disaster area in connection with a national emergency; or

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

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

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

The number and aggregate principal balance of student loans that may be affected by the application of the HEROS Act of 2003 is not known at this time. Accordingly, payments the Corporation receives on financed student loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers become eligible for the relief provided under the HEROS Act of 2003, there could be an adverse effect on the total collections on the financed student loans and the Corporation's ability to pay principal and interest on the notes.

Consumer protection laws may affect enforceability of financed student loans

Numerous federal and state consumer protection laws, including various state usury laws and related regulations, impose substantial requirements upon lenders and servicers involved in consumer finance. Some states impose finance charge ceilings and other restrictions on certain consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liability that could affect an assignee's ability to enforce consumer finance contracts such as the financed student loans. In addition, the remedies available to the Trustee or the noteholders upon an event of default under the Indenture may not be readily available or may be limited by applicable state and federal laws.

Investors will rely on the Servicer for the servicing of the financed student loans

Investors will be relying on the Commission, as a Servicer, to service all of the financed student loans. The cash flow projections relied upon by the Corporation in structuring the issuance of the notes were based upon assumptions with respect to servicing costs which the Corporation based upon the Servicer's costs to service the financed student loans that it services under its servicing agreement with the Corporation. No assurance can be made that the costs to the Corporation for servicing the financed student loans will not increase, or that the Corporation would be successful in entering into servicing agreements with other servicers that would be acceptable to the rating agencies at the assumed level of servicing cost. Although the Servicer is obligated to service the financed student loans in accordance with the Higher Education Act and the Indenture, the timing of payments to be actually received with respect to the financed student loans will be dependent upon the ability of the Servicer to adequately service the financed student loans. In addition, the noteholders will be relying on the Servicer's compliance with applicable federal and state laws and regulations.

A default by a Servicer could adversely affect the notes

If the Commission defaults on its obligations to service the financed student loans, a successor servicer would become the Servicer for those financed student loans. In the event of a default by a third-party Servicer or the removal of any Servicer, and the appointment of a successor servicer, there may be additional costs associated with the transfer of servicing to the successor servicer, including but not limited to, an increase in the servicing fees the successor servicer charges. In addition, the Corporation cannot predict the ability of the successor servicer to perform the obligations and duties under any servicing agreement. If any such successor third-party servicer defaults on its obligations to service the loans serviced by it, the Corporation may remove the third-party successor servicer.

Failure to comply with loan origination and servicing procedures for financed student loans may result in loss of guarantee and other benefits

The Corporation has originated the financed student loans pledged to the trust estate. The Corporation must meet various requirements in order to maintain the federal guarantee on the financed student loans. These requirements establish servicing requirements and procedural guidelines and specify school and borrower eligibility criteria.

A guaranty agency (including the Guarantor) may reject a student loan for claim payment due to a violation of the FFEL Program due diligence collection and servicing requirements. In addition, a guaranty agency may reject claims under other circumstances, including, for example, if a claim is not timely filed or adequate documentation is not maintained. Once a financed student loan ceases to be guaranteed, it is ineligible for federal interest benefit and special allowance payments. If a financed student loan is rejected for claim payment by a guaranty agency, the Corporation continues to pursue the borrower for payment or institutes a process to reinstate the guarantee. Guaranty agencies may reject claims as to portions of interest for certain violations of the due diligence collection and servicing requirements even though the remainder of a claim may be paid.

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

Limitation on enforceability of remedies against the Corporation could result in payment delays or losses

The remedies available to the Trustee or the noteholders 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, the remedies specified by the Indenture and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the notes and the Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

The use of master promissory notes for the financed student loans may compromise the Trustee's security interest

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

A student loan evidenced by a master promissory note may be sold independently of the other student loans governed by the master promissory note. If the Corporation originated a student loan governed by a master promissory note and does not retain possession of the master promissory note, other parties could claim an interest

in the student loan. This could occur if the holder of the master promissory note were to take an action inconsistent with the Corporation's rights to a financed student loan, such as delivery of a duplicate copy of the master promissory note to a third party for value. Although such action would not defeat the Corporation's rights to the financed student loan or impair the security interest held by the Trustee for the investors' benefit, it could delay receipt of principal and interest payments on the student loan.

Investors may incur losses or delays in payment on their notes if borrowers do not make timely payments or default on their financed student loans

For a variety of economic, social and other reasons all the payments that are actually due on financed student loans may not be made or may not be made in a timely fashion. Borrowers' failure to make timely payments of the principal and interest due on the financed student loans will affect the revenues of the trust estate created under the Indenture for the Corporation, which may reduce the amounts available to pay principal and interest due on the notes.

The cash flow from the financed student loans and the Corporation's ability to make payments due on the notes will be reduced to the extent interest is not currently payable on the financed student loans. The borrowers on most student loans are not required to make payments during the period in which they are in school and for certain authorized periods thereafter, as described in the Higher Education Act. The Department of Education will make all interest payments while payments are deferred under the Higher Education Act on certain subsidized student loans that qualify for interest benefit payments. For all other student loans, interest generally will be capitalized and added to the principal balance of the student loans. The financed student loans will consist of student loans for which payments are deferred as well as student loans for which the borrower is currently required to make payments of principal and interest. The proportions of the financed student loans for which payments are deferred and currently in repayment will vary during the period that the notes are outstanding.

In general, a guaranty agency reinsured by the Department of Education will guarantee 98% of each student loan originated after October 1, 1993 and before July 1, 2006, and 97% of each student loan originated on or after July 1, 2006. As a result, if a borrower of a financed student loan defaults, the Corporation will experience a loss of approximately 2% or 3% of the outstanding principal and accrued interest on each of the defaulted loans depending upon when it was first disbursed. The Corporation does not have any right to pursue the borrower for the remaining portion that is not subject to the guarantee. If defaults occur on the financed student loans and the credit enhancement described herein is not sufficient, investors may suffer a delay in payment or a loss on their investment.

The Trustee may be forced to sell the financed student loans at a loss after an event of default

Generally, if an event of default occurs under the Indenture, the Trustee may sell, and, at the direction of noteholders (in varying percentages as specified in the Indenture), will sell the financed student loans. However, the Trustee may not find a purchaser for the financed student loans or the market value of the financed student loans plus other assets in the trust estate created under the Indenture might not equal the principal amount of outstanding notes plus accrued interest. Competition currently existing in the secondary market for student loans made under the FFEL Program also could be reduced, resulting in fewer potential buyers of the financed student loans and lower prices available in the secondary market for the financed student loans. Investors may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the financed student loans sufficient to pay the principal amount of the notes plus accrued interest.

The notes may be repaid early due to an optional redemption, which may affect their yield, and investors will bear reinvestment risk

The notes may be repaid before investors expect them to be in the event of an optional release (when the Pool Balance is 10% or less of the initial Pool Balance) of the financed student loans as described under the caption "DESCRIPTION OF THE NOTES—Optional Prepayment of Notes when Pool Balance is 10% or Less of Initial Pool Balance" herein. Such event would result in the early retirement of the notes outstanding on that date. If this happens, the yield on the notes may be affected and investors will bear the risk that they cannot reinvest the money they receive in comparable notes at an equivalent yield.

The characteristics of the portfolio of financed student loans may change

The characteristics of the pool of student loans expected to be pledged to the Trustee are described herein as of the statistical cut-off date. The aggregate characteristics of the entire pool of student loans, including the composition of the student loans and the related borrowers, the related guaranty agencies, the distribution by student loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining term to scheduled maturity, may vary from the information presented herein, since the information presented herein is as of the statistical cut-off date, and the date that the financed student loans will be pledged to the Trustee under the Indenture will occur after that date.

The Corporation believes that the information set forth in this Offering Memorandum with respect to the pool of student loans as of the statistical cut-off date is representative of the characteristics of the pool of student loans as they will exist on the date of issuance for the notes. However, investors should consider potential variances when making their investment decision concerning the notes. See the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein.

Student loans are unsecured and the ability of a guaranty agency to honor its guarantees may become impaired

The Higher Education Act requires that all FFELP loans be unsecured. As a result, the only security for payment of the financed student loans are the guarantees provided by a guaranty agency.

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

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

Commingling of payments on student loans could prevent the Corporation from paying the full amount of the principal and interest due on the notes

Payments received on the financed student loans generally are deposited into an account in the name of the Corporation or the Servicer each business day. Payments received on the financed student loans may not always be segregated from payments the Corporation or the Servicer receives on other student loans it owns (with respect to the Corporation) or services, and payments received on the financed student loans that are part of the trust estate created under the Indenture may not be segregated from payments received on the Corporation's other student loans that are not part of the trust estate created under the Indenture. Such amounts that relate to the financed student loans once identified by the Corporation or Servicer as such are transferred to the Trustee for deposit into the Collection Fund within two business days of receipt. If the Corporation or Servicer fails to transfer such funds to the Trustee, noteholders may suffer a loss.

Incentive or borrower benefit programs may affect the notes

Certain of the financed student loans are subject to borrower incentive programs. Any incentive program that effectively reduces borrower payments or principal balances on financed student loans may result in the principal amount of financed student loans amortizing faster than anticipated. The Corporation may discontinue or modify such benefits at any time, but only subject to the provisions of the Indenture. The Corporation cannot accurately predict the number of borrowers that will utilize the borrower benefits provided under the rate relief programs currently offered by the Corporation. The greater the number of borrowers that utilize such benefits with respect to financed student loans, the lower the total loan receipts on such financed student loans. See the caption "ALASKA STUDENT LOAN CORPORATION—Borrower Benefits Program" herein.

The notes are expected to be issued only in book-entry form

The notes are expected to be initially represented by one or more certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in any investor's name or the name of any investor's nominee. Unless and until definitive securities are issued, holders of the notes 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 notes will only be able to exercise the rights of registered owners indirectly through DTC and its participating organizations. See the caption "BOOK-ENTRY REGISTRATION" herein.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

The Alaska Commission on Postsecondary Education (the "Commission" or "Servicer") was established in 1974 by the State legislature to centralize planning for higher education and administer the State's financial aid programs. In 1987, the State legislature established and capitalized the Corporation to provide a mechanism to fund the Commission's programs through tax-exempt bond sales. Pursuant to a Custodian/Servicing Agreement (the "Custodian/Servicing Agreement"), the Commission will agree to apply all benefits received under the Higher Education Act with respect to the financed student loans for the benefit of the Corporation and the Trustee.

General Information

The Commission's primary purposes are to enable residents of the State to evaluate their postsecondary educational needs and available resources, to enable State residents to make informed decisions regarding the disposition of those resources, and to assure State residents of the opportunity to satisfy those postsecondary needs and goals. The Commission has no bond issuing authority.

The Commission consists of fourteen members representing public and private postsecondary education institutions in the State, advisory groups, and members of the Legislature. The Commission appoints an Executive Director. The Executive Director then appoints persons to staff positions authorized by the Commission.

The Commission has offices in Juneau and Anchorage, Alaska. The principal office for the Commission is located at 3030 Vintage Boulevard, Juneau, Alaska 99801-7109. The mailing address of the Commission is P.O. Box 110505, Juneau, Alaska 99811-0505 and the telephone number is (907) 465-6740. The Attorney General of the State serves as counsel to the Commission.

Staffing of the Commission

The Commission includes five divisions which are managed by a six-member professional team. These individuals direct the affairs of the staff and report to the Executive Director. The five divisions are Finance, Loan Operations, Information Support Services, Outreach, and the Executive Office. Ms. Charlene Morrison supervises the Finance Division, which is responsible for asset management, financing activities, payment processing, and accounting. She is assisted by Ms. Elizabeth McDonough. The Loan Operations Division is directed by Ms. Stephanie Butler. This Division is responsible for loan origination, customer service, deferment and forgiveness processing, skip tracing, due diligence activity on delinquent loans, staff training, quality assurance and procedure development, other student aid programs, institutional authorization, and policy research and analysis. The

Information Support Services Division is directed by Mr. Kenneth Dodson. All development and support functions related to the management of the automated loan servicing system software, hardware, mainframe and internet connectivity reside within this Division. Mr. Dodson also directs the Outreach unit which is responsible for citizen outreach, early intervention, program marketing initiatives, and strategic analysis. The fifth division is the Executive Office, which in addition to the Executive Director, is staffed by the Human Resources Administrative Officer, Worth Barthel, and the Internal Auditor, Kerry Thomas. This division is responsible for overall agency management and specifically for internal audit, human resource management, procurement, records management, and, in conjunction with the Quality Assurance unit within Loan Operations, procedural compliance with all relevant State and federal statutes, regulation and subregulatory policies.

As of December 31, 2012, the Commission had 106 staff positions. These positions are assigned as follows: 8 to the Executive Office, 16 to Finance, 44 to Loan Operations, 22 to Outreach, and 16 to Information Support Services.

Executive and Senior Staff of the Commission

Ms. Diane Barrans, Executive Director of the Commission. Ms. Barrans assumed the duties of Executive Director of the Commission and Executive Officer of the Corporation on July 10, 1995. Ms. Barrans joined the staff in January 1983 and held several positions with the agency, most recently serving as Program Coordinator from 1989 to 1993 and Director of Student Financial Aid Programs from 1994 to 1995. Originally appointed in 1996, Ms. Barrans is currently serving in her fifth term representing Alaska on the Western Interstate Commission on Higher Education (WICHE). Ms. Barrans served as WICHE chair in 2005 and currently serves on its executive committee. Ms. Barrans also jointly serves with the President of the University of Alaska as the State Higher Education Executive Officers (SHEEO) for the State. She served as SHEEO chair in 2006 and currently serves on the organization's executive committee. Ms. Barrans is also currently serving on the executive committee of the Education Finance Council, the Washington DC-based trade association representing state agency and affiliated not-for-profit lenders. Ms. Barrans received a bachelor of arts degree in history from Barnard College of Columbia University in 1982.

Ms. Charlene Morrison, Chief Finance Officer. Ms. Morrison originally served the Commission and the Corporation in this capacity from 1994 through 1998. She returned to that position in March 2007. During the intervening years she worked as Chief Finance Officer for the True North Federal Credit Union (formally Alaska State Employees Federal Credit Union); as the Accountant for the State of Alaska's Enterprise Technology Services Division (formerly Information Technology Group); as Assistant Comptroller for the Treasury Division within the Department of Revenue; and, most recently as the Chief Finance Officer for the Division of Retirement and Benefits in the Department of Administration where she was responsible for the financial aspects of seven separate pension plans and two separate health plans for the State and other participating public employers. Prior to 1994, Ms. Morrison was an audit manager with the firm of KPMG LLP. Ms. Morrison received a bachelor of science in business administration with an accounting emphasis from the University of Montana and is a Certified Public Accountant.

Ms. Elizabeth McDonough, Senior Accountant. Ms. McDonough originally joined the Commission in 1988 and served in the finance unit in a variety of capacities through 1993. From 1988 to 1991 she worked as an Accountant, from 1991 to 1992 she was the Finance Manager, and from 1992 to 1993 she was the Principal Analyst in charge of system projects. Ms. McDonough again joined the Commission in 1994 and since that time has been the Senior Accountant in the Finance Division. Ms. McDonough received a bachelor of science in business administration with an accounting emphasis from California State University, Long Beach in 1983.

Ms. Stephanie Butler, Director of Loan Operations. Ms. Butler joined the Commission in August 1997 as Institutional Authorization Program Coordinator. She was promoted to Director of Institutional Relations in June 1998. In October 2001 she accepted her current position. Prior to coming to the Commission, she worked for the University of Alaska Anchorage as Administrative Manager from November 1992 to 1997 and Information/Support Services Manager from 1990 to 1992. Ms. Butler is a Certified Internal Auditor through the International Institute for Internal Auditing and a Certified Government Professional. Ms. Butler received a master of science in business administration/management from Boston University in 1987 and a bachelor of arts in English from Barry University in Miami, Florida, in 1983.

Mr. Kenneth Dodson, Director of Information Support Services and Outreach. Mr. Dodson joined the Commission in September 1994 as Director of Information Support Services. Prior to coming to the Commission he was employed from 1988 until 1994 by UNIPAC Service Corporation in Denver, Colorado, first as a Programmer in 1988 and advancing to Information Services Supervisor in 1990. In September of 1991 Mr. Dodson assumed the role as Information Services Supervisor of Regulation and Compliance Support where his team successfully implemented the changes required by the 1992 Reauthorization Act as well as the FFELP loan rebate provisions. Mr. Dodson served on the steering committee for the Rocky Mountain Chapter of the Project Management Workbench Users Group and was on the planning committee for the Guaranteed Student Loan Users Group. The Commission services the Corporation's loan portfolio using the Higher Education Loan Management System ("HELMS"). Mr. Dodson is past President and a current member of the HELMS User Group. (The HELMS User Group is comprised of software provider representatives and student loan servicers currently using HELMS.) Mr. Dodson received a certificate in Computer Information Systems from Tucumcari Area Vocational School in Tucumcari, New Mexico, in 1988.

Mr. Worth Barthel, Human Resources Administrative Officer. Mr. Barthel joined the Commission in July 2010 as the Human Resource Administrative Officer. Prior to joining the Commission, Mr. Barthel was the Assistant Human Resources Manager for six State of Alaska executive branch departments. Mr. Barthel has worked in various human resources capacities since 1999 in both the private and government sectors. Mr. Barthel received a bachelor of arts in psychology from Seattle University in 1998, and a master of business administration with an emphasis in management from San Diego State University in 2005. Mr. Barthel is also a certified Senior Professional in Human Resources (SPHR).

Ms. Kerry Thomas, Internal Auditor. Ms. Thomas joined the Commission staff in June 2007. Prior to joining the Commission, Ms. Thomas worked as an accountant with the State Department of Health and Social Services. She also worked in the State Department of Transportation and Public Facilities as an accountant and accounting supervisor, and was a staff accountant and auditor with Walsh, Kelliher & Sharp APC of Fairbanks, Alaska. Ms. Thomas graduated Summa Cum Laude from the University of Alaska Fairbanks with a bachelor of science in business administration with a concentration in accounting in 2001 and received her master of business administration from the University of Alaska Southeast in 2012.

ALASKA STUDENT LOAN CORPORATION

General

In 1987, State law created the Corporation. The statute creating the Corporation is codified at Alaska Statutes 14.42.100 through 14.42.990, as amended. Pursuant to the Authorizing Act, the Corporation is a "public corporation and government instrumentality within the Department of Education and Early Development but having a legal existence independent of and separate from the state." Its primary purpose is to finance student loans. The Corporation's program for the financing of loans for postsecondary education, including the acquisition of student loans, is herein referred to as the "Program." A combination of revenues generated from the issuance of debt and loan repayments fund the Program. The Corporation is an "eligible lender" under Title IV of the Higher Education Act.

The Corporation is governed by a board of directors (the "Board"). The supervision of the administration of the Corporation is delegated to the Executive Officer of the Corporation (the "Executive Officer"), who is also the Executive Director of the Commission.

The principal office of the Corporation is located at 3030 Vintage Boulevard, Juneau, Alaska 99801-7109. The mailing address for all general correspondence of the Corporation is P.O. Box 110505, Juneau, Alaska 99811-0505. The telephone number for the Corporation is (907) 465-6740. The Attorney General of the State serves as counsel to the Corporation.

The table below lists the outstanding bonded indebtedness of the Corporation as of January 31, 2013:

	Indenture	Original Amount	Outstanding
Education Loan Revenue Bonds	June 1, 2002	\$476,865,000	\$112,960,000
State Project Revenue Bonds	March 1, 2005	88,305,000	10,000,000
Education Loan Revenue Refunding Bonds, Series 2012A ⁽¹⁾⁽²⁾	September 1, 2012(A)	53,120,000	53,120,000 ⁽²⁾
Education Loan Revenue Refunding Bonds, Series 2012B-1 ⁽¹⁾	September 1, 2012 (B-1 & B-2)	78,435,000	78,435,000
Education Loan Revenue Refunding Bonds, Series 2012B-2 ⁽¹⁾⁽²⁾	September 1, 2012 (B-1 & B-2)	15,000,000	15,000,000 ⁽²⁾

⁽¹⁾ These bonds were issued to refund the Corporation's outstanding auction rate securities.

⁽²⁾ These bonds will be refunded with a portion of the proceeds from the notes.

The above-referenced bonds are not issued under the Indenture and will not be payable from the Trust Estate securing the notes.

The Corporation previously entered into a Loan Agreement dated July 17, 2009, pursuant to which the State of Alaska Department of Revenue, on behalf of the State, loaned the Corporation \$67,500,000, of which as of January 31, 2013, approximately \$18,013,000 was outstanding.

In 2010, the Corporation borrowed moneys through its participation in the Department of Education's asset-backed commercial paper conduit program, Straight-A Funding, LLC (the "Conduit Program"). The Corporation pledged approximately \$118.8 million of fully disbursed eligible FFELP loans to the Conduit Program in June of 2010. As of January 31, 2013, the Corporation has an outstanding principal balance of FFELP loans in the Conduit Program of approximately \$80,312,700, plus accrued interest.

Proceeds of the notes described herein will be used by the Corporation to refund and retire (i) all amounts owed to the Conduit Program; (ii) all of the Series 2012A Bonds; and (iii) all of the Series 2012B-2 Bonds.

IRS Audit

The Corporation received a notification dated January 2, 2013, from the IRS that certain of the Corporation's tax-exempt bonds in one of its existing indentures have been selected by the IRS for examination (the "Audit"). The Corporation has provided the information requested by the IRS and is awaiting a further response from the IRS. The Corporation cannot predict the outcome of the Audit. As part of the Audit, the IRS may disagree with the Corporation's accounting method or raise other issues related to the subject bonds. If that were to occur and a settlement between the Corporation and the IRS cannot be reached, the IRS may act to impose tax on the holders of such tax-exempt bonds issued by the Corporation with respect to the interest received by such holders. While a settlement with the IRS or a declaration of taxability of interest on such bonds would not affect the student loans pledged under the Indenture, it could subject the Corporation to liabilities that could impair the Corporation's ability to service and administer the financed student loans.

Corporation Membership

The Board consists of two members of the Commission, the Commissioner of Revenue, the Commissioner of Administration, and the Commissioner of Commerce, Community and Economic Development. The members of the Board who represent the Commission serve on the Board at the pleasure of the Governor, subject to their incumbency on the Commission.

The table below identifies the current members of the Corporation's Board (and, where applicable, their first delegates to the Board).

Name and Location	Principal Occupation
Lydia Wirkus, Chair (Chugiak)	Retired Educator
Randy Weaver, Vice Chair (Fairbanks)	Executive Vice President of Denali State Bank
Susan Bell (Juneau)	Commissioner, Alaska Department of Commerce, Community and Economic Development
Lorene Palmer, Designee (Juneau)	Director of Economic Development, Alaska Department of Commerce, Community and Economic Development
Bryan Butcher (Juneau)	Commissioner, Alaska Department of Revenue
Angela Rodell, Designee (Juneau)	Deputy Commissioner, Alaska Department of Revenue
Becky Hultberg (Juneau)	Commissioner, Alaska Department of Administration
Michael Barnhill, Designee (Juneau)	Deputy Commissioner, Alaska Department of Administration

Ms. Lydia H. Wirkus, Chair. Alaska Commission on Postsecondary Education. Lydia Wirkus of Chugiak serves as one of two Commission members of the Corporation Board. Ms. Wirkus was appointed to the Commission as a representative of the general public by Governor Sarah Palin in March 2007 and reappointed in June 2009. Ms. Wirkus was a professional educator in the Matanuska Susitna Borough School District for almost fourteen years at both Wasilla High School and Burchell High School, formerly Mat Su Alternative School. She created and taught several governmental courses, with an emphasis in special education and learning disabled student participation. She was successful in obtaining several federal and state grants on behalf of the school district. At the time of her departure from teaching, she became involved in activities surrounding the Governor's campaign. Ms. Wirkus is a graduate of Florida State University, with a bachelor of arts in International Affairs. She has a master of science in Special Education from Florida International University, and a master of education in Foods and Nutrition from the University of North Carolina.

Mr. Randy Weaver, Vice Chair. Alaska Commission on Postsecondary Education. Randy Weaver of Fairbanks is one of two Commission members who also serve on the Corporation Board. Mr. Weaver was appointed to the Commission by Governor Sean Parnell in July 2012 as a representative of the general public. Mr. Weaver is currently Executive Vice President and Chief Financial Officer at Denali State Bank. He previously held Controller and Director of Internal Audit positions at the University of Alaska. Mr. Weaver is a graduate of the University of Alaska, Fairbanks, with a bachelor's degree in business administration and accounting. Mr. Weaver is continuing his education in accounting and auditing, balance sheet management, interest rate risk management and bank investment portfolio management.

Ms. Susan Bell, Commissioner of Commerce, Community and Economic Development. Susan Bell was appointed Commissioner of the Department of Commerce, Community and Economic Development in July 2010. Ms. Bell previously served as special assistant to Governor Parnell in tourism industry matters, developing an expertise through her work with the Juneau Convention and Visitors Bureau and Goldbelt, Inc. She has worked on economic development projects throughout the State, and gained a statewide perspective from research work with Juneau's McDowell Group. As Commissioner, Ms. Bell oversees seven divisions and seven independent agencies, including the Alaska Aerospace Development Corporation, the Alaska Seafood Marketing Institute, and the Alaska Energy Authority, with a mutual mission to encourage and contribute to the State's economic growth through business development and investments in State, national, and international markets, as well as to promote independent sustainable communities, with a focus on rural Alaska. Ms. Bell received a bachelor's degree from the University of Alaska.

Ms. Lorene Palmer, Director of the Division of Economic Development in the Department of Commerce, Community and Economic Development. Ms. Palmer was appointed Director of Economic Development in November 2012. As director of Economic Development, Ms. Palmer is responsible for leading development and finance staff in creating demand for the State's resources, products, and services; educating Alaskans about the programs and tools available to start new businesses or expand existing businesses; and coordinating with public and private entities to invest in the State economy. Ms. Palmer works closely with other Department of Commerce,

Community and Economic Development agencies, including the Alaska Seafood Marketing Institute, Alaska Industrial Development and Export Authority, and the Alaska Railroad. Ms. Palmer previously served for ten years as president and CEO of the Juneau Convention & Visitors Bureau, was owner of Cornerstone Consulting, was an Assistant Professor at the University of Alaska Southeast, and was the Executive Director of the Southeast Alaska Tourism Council. Ms. Palmer received a bachelor's degree in business administration from the University of Hawaii.

Mr. Bryan Butcher, Commissioner of Revenue. Bryan Butcher was appointed Commissioner of Revenue by Governor Parnell in November 2010. Prior to his appointment, he was the director of governmental relations and public affairs at the Alaska Housing Finance Corporation (AHFC), and advised Governor Parnell on economic development issues. He also served as vice president of the Alaska Gasline Development Corporation, and he coordinated Governor Parnell's transition advisory teams. Before joining AHFC in 2003, Commissioner Butcher worked as a finance aide for the State House and Senate finance committees for 12 years. He holds a bachelor of arts in speech communications from the University of Oregon.

Ms. Angela Rodell, Deputy Commissioner of Revenue, Designee. Ms. Rodell was appointed Deputy Commissioner of Revenue in September 2011. Formerly, Ms. Rodell served as financial advisor to more than \$30 billion of transactions for states and state authorities in Alaska, Arkansas, California, Illinois, New Jersey, New York, North Carolina, Rhode Island and Virginia. Such transactions included general obligation, pension obligation, public power, tobacco securitization, single family housing, multifamily housing, military housing, toll road and transportation financings. Prior to becoming a financial advisor, Ms. Rodell served as the finance officer to the Kentucky Housing Corporation. She has a bachelor of arts degree from Marquette University, Milwaukee, Wisconsin and a master of public administration from the University of Kentucky, Lexington, Kentucky. Ms. Rodell is a Registered Representative of the Financial Industry Regulatory Authority with licenses as a General Securities Representative (Series 7), Uniform Securities Agent (Series 63) and Investment Banking Representative (Series 79).

Ms. Becky Hultberg, Commissioner of Administration. Becky Hultberg was named Commissioner of Administration by Governor Parnell in November 2010. Prior to her appointment, she worked for Providence Health & Services, leading the organization's efforts in communications, marketing, community relations and web communications. Before joining Providence, Commissioner Hultberg was vice president of public relations and strategy for Bradley Reid & Associates, a marketing and public relations firm. Her prior service for the State included press secretary, special assistant, and boards and commissions director under the Murkowski Administration. In those roles she handled a variety of statewide policy and communications issues. Commissioner Hultberg earned a bachelor of arts in history from Abilene Christian University, with minors in economics and public service.

Mr. Michael Barnhill, Deputy Commissioner of Administration Designee. Mr. Barnhill was appointed Deputy Commissioner of Administration in January 2011 and was designated to the Board in March 2011. Mr. Barnhill manages a total of seven divisions within the department including Finance, Retirement and Benefits, the Office of Public Advocacy and Public Defender Agency. Prior to his appointment he served as assistant attorney general with the Alaska Department of Law for twelve years and has been a practicing attorney in Alaska for seventeen years. Mr. Barnhill has a bachelor of arts in history and religious studies from College of Wooster and a juris doctor from Cornell School of Law.

Staffing of the Corporation

The staff of the Commission also serves as staff of the Corporation in accordance with the Authorizing Act. The Corporation does not have the authority to hire staff independently. See "THE ALASKA COMMISSION ON POSTSECONDARY EDUCATION—Staffing of the Commission" above.

Authority of the Corporation

The Authorizing Act grants the Corporation various corporate powers, including, among others, the authority to: (i) make and execute agreements, contracts, and other instruments necessary or convenient in the exercise of the powers and functions of the Corporation, including contracts with a person or governmental entity;

(ii) borrow money to carry out its corporate purposes and issue its obligations as evidence of the borrowing; (iii) collect from a borrower amounts owed with respect to a student loan the Corporation has purchased; (iv) service student loans held by the Corporation; (v) purchase, or participate in the purchase, of student loans; (vi) contract in advance for the purchase or sale of student loans; (vii) sell, or participate in the sale, either public or private and on terms authorized by the Board, of student loans to other purchasers; (viii) collect and pay reasonable fees and charges in connection with the purchase, sale and servicing of student loans; (ix) enter into agreements with the Commission relating to student loans, the administration of the education loan fund created under the Authorizing Act, and the payment of and security for bonds of the Corporation; and (x) perform acts that may be necessary or appropriate to carry out effectively the general objectives and purposes of the Corporation under the Authorizing Act.

Dividend Plan of the Corporation

In 2000, an amendment to the Authorizing Act became effective which permits the Corporation, as approved by the Board, to pay the State a return of capital payment or a dividend for each base fiscal year that the Corporation's net income equals or exceeds \$2,000,000. The payment amount may not be less than ten percent (10%) nor more than thirty-five percent (35%), as approved by the Board, of the Corporation's net income for the base fiscal year, and is subject to the provisions of any applicable bond indentures of the Corporation. The base fiscal year is the fiscal year ending two years before the fiscal year in which payment is made available.

The Board of the Corporation has approved and paid from its net income return of capital payments to the State of \$32.4 million, between fiscal years 2001 and 2009.

Financial and Other Information

The audited financial statements of the Corporation as of and for the years ended June 30, 2012 and 2011 are attached hereto as APPENDIX D. The Corporation's financial statements include information with respect to its loan programs generally and other information regarding the Corporation. These financial statements are included for general background purposes only. Since the notes are limited obligations of the Corporation, payable solely from the financed student loans and other assets pledged under the Indenture, the overall financial status of the Corporation's loan programs or that of its other programs does not indicate and does not affect whether the trust estate created under the Indenture will be sufficient to fund the timely and full payment of principal and interest on the notes.

Teaming Arrangement for Direct Loan Servicing by the Corporation

The Student Aid and Fiscal Responsibility Act of 2009 ("SAFRA"), Title II of the Reconciliation Act, became law on March 30, 2010. SAFRA requires the Secretary of the Department of Education to contract with each eligible and qualified not-for-profit servicer (each, a "NFP servicer") to service loans within the Federal Direct Loan Program. The Department began the process to identify eligible NFP servicers by issuing a sources sought notice, the SAFRA Not-for-profit Eligibility Information Request—Solicitation Number: NFP-SS-2010, requesting interested organizations to submit information demonstrating eligibility against the criteria specified in SAFRA (e.g., the organization was a NFP servicer entity and serviced FFELP loans on July 1, 2009). The Department is expected to allocate 100,000 borrower accounts to each qualified NFP servicer.

The Corporation responded to the sources, sought notice, and was one of the servicers that the Department determined met the NFP servicer eligibility criteria under SAFRA. However, the Corporation did not seek a Memorandum of Understanding to pursue an Authorization to Operate and a contract award as an NFP servicer. On September 26, 2011, the Corporation entered into an Agreement for Teaming Arrangement to Service Student Loans pursuant to the Department Solicitation Number NFP-SS-2010 with the Missouri Higher Education Loan Authority (MOHELA). As of January 31, 2013, MOHELA is servicing 96,985 borrower accounts representing \$1,745,832,791 of Federal Direct loans for the Corporation.

The AlaskAdvantage® Loan Program

The Corporation continues to provide low-interest, non-federal loans to Alaskans pursuing education and training at a postsecondary level and to other qualified individuals attending postsecondary institutions in the State through its AlaskAdvantage® Loan Program. The AlaskAdvantage® Loan Program has grown from annually serving just over 1,000 Alaskans in the 1971-72 academic year to serving more than 41,000 borrowers in the 2011-12 academic year.

Loans are provided to eligible Alaskans and may be used only to offset allowable educational costs as defined by statute. The loans may be used for attendance at any accredited or approved college, university, or vocational-technical program. There are four types of loans available through the AlaskAdvantage® Loan Program: (i) Supplemental Education Loans, which include student loans for students enrolled in half-time or greater status; (ii) Alaska Family Education Loans; (iii) Teacher Education Loans; and (iv) Alternative Consolidation Loans. Substantially all loans financed by the Corporation prior to July 2002 were Supplemental Education Loans.

Borrower Benefits Program

The Corporation has approved various programs to provide incentives and rewards for borrowers. Under the Borrower Benefit Program, borrowers with qualified loans held by the Corporation are eligible for certain reductions in interest and/or principal rebates on any such loans. Borrower benefits include a 1% or 2% interest rate reduction after 48 on-time payments depending on loan type and origination date and a 0.25% interest rate reduction for making electronic loan payments. Certain FFELP loans are eligible under the Corporation's Borrower Benefit Program. As of January 31, 2013, FFELP loans qualified and receiving the 48 on-time payments benefit total approximately \$6.4 million or 4.3% of the total portfolio. FFELP loans disqualified or otherwise ineligible for this benefit total approximately \$24.5 million or 16.7% of the total portfolio and approximately \$34.2 million or 79% of the total portfolio remains eligible but not currently receiving such benefit. FFELP loans receiving the electronic loan payment benefit comprise approximately \$34.2 million or 23.3% of the total portfolio. The Borrower Benefit Program is subject to the availability of funds and annual modification or termination by the Corporation in its discretion.

Loan Origination Activity

The following table indicates the Corporation's historical loan volume for both its FFELP loans and alternative loans.

Fiscal Year	Historical Loan Volume		
	Alternative Loans	FFELP Loans	Total
2002	\$51,957,545	–	\$51,957,545
2003	93,192,811	\$9,861,391	103,054,202
2004	74,017,492	16,177,754	90,195,247
2005	71,065,518	24,516,218	95,581,735
2006	70,887,255	30,892,184	101,779,438
2007	60,229,767	34,208,719	94,438,486
2008	54,413,977	40,651,873	95,065,850
2009	45,775,599	47,974,029	93,749,628
2010	21,131,028	51,741,945	72,872,973
2011	13,027,356	255,502	13,282,858
2012	9,528,050	–	9,528,050
Total	\$565,226,399	\$256,279,614	\$821,506,013

As of January 31, 2013, the current outstanding principal balance of the Corporation's loan portfolio by loan type was as follows:

Loan Type	Principal Balance	% of Total
FFELP Loans:		
Stafford	\$123,352,245	22.0%
Plus	5,105,724	0.9
Consolidation	18,385,218	3.3
Alternative Loans	414,441,923	<u>73.8</u>
Total	\$561,285,111	<u>100.0%</u>

GUARANTOR

The financed student loans are guaranteed (with respect to payments of principal and interest) by the Northwest Education Loan Association, as the Guarantor, and reinsured by the Secretary under the Higher Education Act. The guarantee provided by the Guarantor is an obligation solely of the Guarantor and is not supported by the full faith and credit of the federal or any state government. However, the Higher Education Act provides that if the Secretary determines that a guaranty agency (including the Guarantor) is unable to meet its insurance obligations, the Secretary shall assume responsibility for all functions of that guaranty agency under its loan insurance program. Additional discussion that relates to guaranty agencies generally under the FFEL Program is included in "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM" herein.

The Guarantor

Northwest Education Loan Association (NELA). NELA (the "Guarantor") was organized as a private, non-profit corporation in November 1978 under the General Corporation Law of the State of Washington. In accordance with its Articles of Incorporation, NELA (i) maintains facilities for the provision of guarantee services with respect to approved education loans made to or for the benefit of eligible students who are enrolled at or plan to attend approved educational institutions, (ii) guarantees education loans made pursuant to the Higher Education Act loan programs and (iii) serves pursuant to designation as the guaranty agency for the Federal Family Education Loan Programs in Washington and Idaho. Effective December 13, 2004, United Student Aid Funds, Inc. ("USA Funds") became the sole member of NELA.

NELA contracts with Sallie Mae, Inc., a wholly owned subsidiary of SLM Corporation. NELA also contracts with Student Assistance Corporation, a wholly owned subsidiary of SLM Corporation. SLM Corporation and its subsidiaries are not sponsored by nor are they agencies of the United States of America.

For the purpose of providing loan guarantees under the Higher Education Act, NELA has entered into various agreements with the Secretary (collectively, the "Federal Reinsurance Agreements"). Pursuant to the Federal Reinsurance Agreements, NELA serves as a "Guaranty Agency" as defined in Section 435(j) of the Higher Education Act. Under the terms of the Federal Reinsurance Agreements, reinsurance is paid to NELA by the Secretary of Education in accordance with a formula based on the annual default rate of loans guaranteed by NELA under the Higher Education Act. Under the Higher Education Act, certain reserve funds of a guarantee agency are considered the property of the United States and recalls of reserves may occur.

On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), which ended the origination and guarantee of new loans under the Federal Family Education Loan Program, effective for loans whose first disbursement was after June 30, 2010. As a result of the new statute, NELA will continue to administer a portfolio of outstanding FFELP loans, but no longer may guarantee new federal student loans.

As of September 30, 2012, NELA administered total assets of slightly under \$17 million in the Federal Reserve fund.

NELA's "reserve ratio" complies with the U.S. Department of Education definition, which is determined by dividing the fund balance reserves, including non-cash allowance and other non-cash charges, in a guarantor's federal reserve fund by the total principal amount of loans outstanding. Following this formula, the reserve ratio for the federal reserve fund administered by NELA for the last five fiscal years was as follows: 2012 – 0.40 percent; 2011 – 0.42 percent; 2010 – 0.45 percent; 2009 – 0.41 percent; 2008 – 0.35 percent; 2007 – 0.31 percent.

NELA's "claims rate" represents the percentage of default claims (based on dollar value) submitted as reinsurance claims to the Department of Education, less amounts remitted to the Secretary for defaulted loans which are rehabilitated relative to its existing portfolio of loans in repayment at the start of the federal fiscal year. Past "claims rates" were as follows: 2012 – 1.53 percent; 2011 – 1.54 percent; 2010 – 1.82 percent; 2009 – 1.95 percent; 2008 – 1.76 percent; 2007 – 1.58 percent.

NELA will provide a copy of its most recent annual report upon receipt of a written request directed to its headquarters at P.O. Box 22029, Seattle Washington 98122 - Attention: Executive Director.

Reimbursement

The original principal amount of loans guaranteed by a guaranty agency which are in repayment for purposes of computing reimbursement payments to a guaranty agency means the original principal amount of all loans guaranteed by a guaranty agency less: (1) guarantee payments on such loans, (2) the original principal amount of such loans that have been fully repaid, and (3) the original amount of such loans for which the first principal installment payment has not become due.

In addition, the Secretary may withhold reimbursement payments if a guaranty agency makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. The guarantee agreements are subject to annual renegotiation and to termination for cause by the Secretary. The Corporation has no knowledge as to whether any of the guarantee agreements will be renegotiated or, if renegotiated, whether they will be renegotiated on the same terms or terms different from those that are currently in effect.

Under the guarantee agreements, if a payment on a FFELP loan guaranteed by a guaranty agency is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the payment.

The Corporation (or any other holder of a FFELP loan) is required to exercise due care and diligence in the servicing of the FFELP loan and to utilize practices which are at least as extensive and forceful as those utilized by financial institutions in the collection of other consumer loans. If a guaranty agency has probable cause to believe that the holder has made misrepresentations or failed to comply with the terms of its agreement for guarantee, the guaranty agency may take reasonable action including withholding payments or requiring reimbursement of funds. Prior to the end of the initial term (or any renewal period), termination of the agreement by the guarantor would entail notice and the opportunity for a hearing. The Guarantor has other interim remedies, including emergency suspension, and the Secretary has independent remedies.

SERVICING OF THE FINANCED STUDENT LOANS

The Corporation is required under the Higher Education Act and the Indenture to use due diligence in the servicing and collection of the financed student loans and to use collection practices no less extensive and forceful than those generally in use among financial institutions with respect to other consumer debt. The Higher Education Act also requires the exercise of reasonable care and diligence in the servicing of FFELP loans originated under the Higher Education Act and provides that the Secretary may disqualify an "eligible lender" (which could include the Corporation or the Trustee as a holder of FFELP loans originated under the Higher Education Act) from further federal insurance if the Secretary is not satisfied that the foregoing standards have been or will be met. An eligible lender may not relieve itself of its responsibility for meeting these standards by delegation of its responsibility to any servicing agent and, accordingly, if any servicer fails to meet such standards, the Corporation's ability to realize the benefits of insurance may be adversely affected.

The Higher Education Act requires that a guaranty agency ensure that due diligence will be exercised by an eligible lender in making and servicing FFELP loans originated under the Higher Education Act guaranteed by such guaranty agency. Each guaranty agency establishes procedures and standards for due diligence to be exercised by the servicer and by eligible lenders which service loans subject to such guaranty agencies' guarantee. If any Servicer does not comply with the established due diligence standards, the Corporation's ability to realize the benefits of any guarantee may be adversely affected.

The Servicer

The Commission, as Servicer, services the student loans owned by the Corporation, including all FFELP loans. The Corporation may from time to time enter into other servicing agreements and arrangements in accordance with the terms of the Indenture.

The Commission services loans for the Corporation using the Higher Education Loan Management System ("HELMS"), a 5820 Solutions ("5820") product. The Commission contracts with 5820 to provide HELMS maintenance ensuring compliance with FFELP-related regulations. 5820 is a wholly owned subsidiary of Nelnet, Inc. The purchase of the software included the source code, the possession of which enables the Commission programming staff to enhance reporting capabilities and to service financed student loans and alternative loans on a single servicing platform. The notes evidencing the FFELP loans are secured in fire proof cabinets maintained at the offices of the Commission, which are also the offices of the Corporation.

Pursuant to the Custodian/Servicing Agreement, the Commission agrees to act as servicer and as custodian of the financed student loans and, in such capacity, hold the original notes evidencing the financed student loans in a safe place on its premises in trust for the benefit of the Trustee and, further, will maintain complete and current accounting records with respect to each of the financed student loans. The Commission agrees to service all financed student loans in a prudent and diligent manner and in compliance with all applicable required law, including the Alaska Student Loan Program, the Higher Education Act, and any other program under which the financed student loan was made. The Commission will handle all required borrower contact functions and will meet all servicing "due diligence" requirements, as that term is used under the Higher Education Act and implementing regulations, to the extent applicable to the financed student loans. The Commission will post to each borrower's account all payments of principal and interest by such borrower under the related student loan. All collections made under the Custodian/Servicing Agreement, including all payments from any applicable guarantors, will be remitted to the Collection Fund within two business days after receipt thereof. The Corporation and the Trustee may at any time by joint action release the Commission from its duties under the Custodian/Servicing Agreement, but only if the Corporation and the Trustee determine that they have obtained a successor capable of performing the functions contemplated by the Custodian/Servicing Agreement in a manner consistent with the operations of the Corporation. In the event of a default by the Commission, the Corporation and Trustee may appoint a successor to the Commission. The Custodian/Servicing Agreement will terminate at the time mutually agreed upon by the Trustee and the Corporation and, in any event, upon the discharge of the Indenture in accordance with the terms thereof. Upon termination of the Custodian/Servicing Agreement other than upon discharge of the Indenture, the Commission will transfer all financed student loan payments, investment earnings and other amounts then held by it under the Custodian/Servicing Agreement to the Trustee.

The following table sets forth the Commission's loan servicing volume as of the end of fiscal years 2004 through 2012:

Loan Servicing Volume: 2004 to Present⁽¹⁾

<u>Dec. 31,</u>	<u>Alternative</u>	<u>FFELP</u>	<u>Total</u>
2004	\$568,113,792	\$34,623,203	\$602,736,995
2005	568,146,936	53,149,830	621,296,766
2006	572,695,024	72,445,152	645,140,176
2007	575,441,280	96,220,462	671,661,743
2008	550,671,382	131,708,246	682,379,628
2009	538,038,929	185,066,644	723,105,573
2010	505,647,765	191,282,908	696,930,672
2011	462,120,614	175,241,192	637,361,806
2012	416,761,354	148,543,055	565,304,409

⁽¹⁾ See also "ALASKA STUDENT LOAN CORPORATION—Teaming Arrangement for Direct Loan Servicing by the Corporation" herein.

Set forth in the table below are the historical claim submissions and rejected claims for the Commission for the past ten fiscal years. During that period, only two claims were rejected by the Guarantor and the Commission is attempting to cure those rejections. One additional claim submission has been rejected in the current fiscal year, which the Commission is also attempting to cure.

Static Analysis of Claims and Rejects

<u>Year</u>	<u>\$ Amount of Claims Basis</u>			<u>Number of Claims Basis</u>		
	<u>Total Amount of Claims Filed</u>	<u>Net Amount of Claims Rejected</u>	<u>Net Claim Reject Rate</u>	<u>Total Claims Filed</u>	<u>Net Claims Rejected</u>	<u>Net Claim Reject Rate</u>
2012	\$6,992,530	\$13,911	0.20%	2,197	1	0.05%
2011	3,666,457	1,300	0.04	1,239	1	0.08%
2010	2,432,304	—	—	877	—	—
2009	1,596,423	—	—	631	—	—
2008	1,495,203	—	—	591	—	—
2007	1,147,560	—	—	501	—	—
2006	693,140	—	—	277	—	—
2005	404,690	—	—	194	—	—
2004	68,525	—	—	38	—	—
2003	—	—	—	—	—	—
Total	\$6,992,530	<u>\$13,911</u>	<u>0.20%</u>	<u>6,545</u>	<u>2</u>	<u>0.01%</u>
10-Yr. Avg.	\$3,666,457	\$1,300	0.04%	2,197	1	0.05%

Backup Servicer and Backup Servicing Agreement

The Corporation, the Commission, and PHEAA, as the Backup Servicer, are in final negotiations to enter into a Backup Third-Party Servicing Agreement (the "Backup Servicing Agreement") which will set forth the terms and conditions under which the financed student loans serviced by the Commission would be converted to the Backup Servicer's system to be serviced pursuant to a FFELP Servicing Agreement between the Corporation and PHEAA. While such agreements are not yet final, the parties expect to finalize them in the very near future prior to the issuance of the notes.

Pursuant to the Backup Servicing Agreement, the Corporation, the Commission, and the Backup Servicer agree to cooperate in transferring the servicing of the financed student loans being serviced by the Commission to the Backup Servicer (a “Portfolio Conversion”) if a Servicer Transfer Trigger occurs with respect to the Commission. (See the definition of “Servicer Transfer Trigger” under the caption “GLOSSARY OF TERMS” herein.) Upon the occurrence of a Servicer Transfer Trigger and within 120 days’ receipt of written notice from the Corporation, the Backup Servicer will become the successor Servicer for the financed student loans serviced by the Commission in accordance with the requirements of the Backup Servicing Agreement.

The Backup Servicing Agreement has an initial term of five years, unless terminated, and shall extend for five successive one year periods, unless prior to any Portfolio Conversion either party terminates the Backup Servicing Agreement by written notice provided to such other party at least 180 days prior to the next scheduled termination date.

The following information has been furnished by PHEAA for use in this Offering Memorandum. Neither the Corporation, the Commission, nor the Underwriter make any guarantee or any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of PHEAA subsequent to the date hereof.

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

As of December 31, 2012, PHEAA had approximately 2,900 employees. PHEAA’s two principal servicing products are its full servicing operation (in which it performs all student loan servicing functions on behalf of its customers) and its remote servicing operation (in which it provides only data processing services to its customers that have their own servicing operations). As of December 31, 2012, PHEAA services approximately 7.7 million student loan accounts representing an aggregate of approximately \$152.0 billion outstanding principal amount for its full servicing customers which consist of national and regional banks and credit unions, secondary markets, and government entities, including \$95.2 billion serviced for the Department. Under PHEAA’s remote servicing operation, the remote clients service approximately 2.3 million student borrowers representing approximately \$41.0 billion outstanding principal amount, including \$27.2 billion owned by the Department.

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

FFELP Net Reject Rate		
<u>Year</u>	<u>Loans</u>	<u>Dollars</u>
2012	0.021%	0.044%
2011	0.027	0.016
2010	0.005	0.002

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

PHEAA’s most recent audited financial reports are available at www.pheaa.org. The website is not incorporated into and shall not be deemed to be a part of this Offering Memorandum.

FEES AND EXPENSES

The maximum program fees payable by the Corporation under the Indenture are set forth in the table below. The priority of payment of such fees and expenses is described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds" herein.

<u>Fees</u>	<u>Recipient</u>	<u>Amount</u>
Administration	The Corporation	0.10% per annum ⁽¹⁾
Servicing	The Commission	0.65% per annum ⁽²⁾
Program Fees	Various Parties	\$50,000 annually ⁽³⁾
Trustee	U.S. Bank National Association	0.003% per annum ⁽⁴⁾

- (1) As a percentage of the outstanding principal amount of the financed student loans, payable monthly in arrears.
- (2) As a percentage of the outstanding principal amount of the financed student loans, payable monthly in arrears, with a minimum monthly fee of \$2.50 per borrower.
- (3) Includes (a) fees and expenses due to the Rating Agencies and the Backup Servicer and (b) other fees of the Program (including compliance audits).
- (4) As a percentage of the outstanding principal amount of the notes, payable annually in advance, with a minimum annual fee of \$2,500. In addition, up to \$20,000 annually may be used to pay extraordinary trustee fees and expenses and to the extent not used such amount may be used in later years.

USE OF PROCEEDS

The estimated sources and uses with respect to the notes are expected to be applied as follows. All amounts reflected in the table below are estimates and the final amounts will not be determined until the date of issuance.

Source of Funds:

Proceeds of the notes.....	\$
 Total	 \$

Uses:

Transferred to Conduit*	\$
Deposit to Series 2012A Bond Fund*	
Deposit to Series 2012B-2 Bond Fund*	
Deposit to Capitalized Interest Fund.....	
Deposit to Reserve Fund	
Deposit to Collection Fund	
Costs of Issuance.....	
 Total	 \$

* Used to refinance approximately \$ _____ aggregate principal amount, plus accrued interest, of student loans from the Conduit; approximately \$ _____ aggregate principal amount, plus accrued interest, of student loans held under the trust estate for the Series 2012A Bonds; and approximately \$ _____ aggregate principal amount, plus accrued interest, of student loans held under the trust estate for the Series 2012B-2 Bonds.

CHARACTERISTICS OF THE FINANCED STUDENT LOANS

The student loans expected to be pledged to the Trustee are loans made to finance post-secondary education made under the FFEL Program. Loans that meet the foregoing criteria are sometimes referred to in this Offering Memorandum as “financed student loans.” As of January 31, 2013, the statistical cut-off date, the characteristics of the pool of student loans the Corporation expects to pledge to the Trustee pursuant to the Indenture on the date of issuance were collectively as described below. The aggregate outstanding principal balance of the financed student loans in each of the following tables includes the principal balance due from borrowers, which does not include total accrued interest of approximately \$4,285,690 (of which approximately \$3,299,333 is expected to be capitalized upon commencement of repayment). The percentages set forth in the tables below may not always add to 100% and the balances may not always add to \$144,286,889 due to rounding.

The aggregate characteristics of the entire pool of student loans expected to be pledged on the date of issuance, including the composition of the student loans and the related borrowers, the distribution by student loan type, the distribution by interest rate, the distribution by SAP index, the distribution by principal balance and the distribution by remaining term to scheduled maturity, may vary from the information presented below since the information presented below is as of the statistical cut-off date, and the date that the financed student loans will be pledged to the Trustee under the Indenture will occur after that date.

The Consolidated Appropriations Act of 2012 authorized eligible lenders under the FFEL Program to make an irrevocable election to permanently convert the index upon which Special Allowance Payment calculations would be based, effective April 1, 2012, for all FFELP loans owned by an electing lender that were disbursed after January 1, 2000 (except for excluded FFELP loans as to which a third party had a contractual right to approve such an election, if such approval had not been obtained). The Special Allowance Payment calculations for FFELP loans to which such an election applies are based on the one-month London Interbank Offered Rate for United States dollars in effect for each day of the applicable calendar quarter, as compiled and released by the British Bankers Association (“SAP One-Month LIBOR”), rather than on the three-month commercial paper (financial) rate, which remains applicable with respect to other FFELP loans that were disbursed after January 1, 2000. The Corporation elected to permanently convert its FFELP loans that were disbursed after January 1, 2000 to a SAP One-Month LIBOR basis. The Corporation has been advised by the Department that the FFELP loans to which such election applies are now eligible to receive Special Allowance Payments that are calculated on a SAP One-Month LIBOR basis. Certain such FFELP loans are expected to be included in the financed student loans.

The Corporation offers a variety of borrower incentive programs for student loans originated or acquired by it that, among other things, provide for an interest rate reduction for borrowers that make payments on their loans electronically. See the caption “ALASKA STUDENT LOAN CORPORATION—Borrower Benefits Program” herein.

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COMPOSITION OF THE FINANCED STUDENT LOAN PORTFOLIO
(AS OF THE STATISTICAL CUT-OFF DATE)

Aggregate Outstanding Principal Balance	\$144,286,889
Accrued Interest to be Capitalized	\$3,299,333
Number of Borrowers ⁽¹⁾	11,556
Average Outstanding Principal Balance Per Borrower	\$12,486
Number of Loans	37,614
Average Outstanding Principal Balance Per Loan	\$3,836
Weighted Average Remaining Term to Scheduled Maturity (Months) ⁽²⁾	135
Weighted Average Payments Made (Months) ⁽³⁾	23
Weighted Average Annual Borrower Interest Rate ⁽⁴⁾	5.98%
Weighted Average Special Allowance Payment Repayment Margin to 1- Month LIBOR ⁽⁵⁾	2.14%

- (1) A single borrower can have more than one account if such borrower had different types of underlying FFELP loans with certain characteristics.
- (2) The weighted average remaining term to scheduled maturity shown in the table above was determined from the statistical cut-off date to the stated maturity date of the applicable student loan, but without giving effect to any current deferral or forbearance periods or any deferral or forbearance periods that may be granted in the future.
- (3) For student loans currently in repayment only.
- (4) The weighted average annual borrower interest rate shown in the table above was calculated based on the current borrower interest rate, without giving effect to any borrower benefits.
- (5) For LIBOR based loans only.

DISTRIBUTION OF THE FINANCED STUDENT LOANS BY LOAN TYPE
(AS OF THE STATISTICAL CUT-OFF DATE)

Loan Type	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
Stafford Unsubsidized	\$71,866,770	49.8%	18,624
Stafford Subsidized	49,518,487	34.3	16,753
Consolidation Unsubsidized	10,060,749	7.0	839
Consolidation Subsidized	7,859,490	5.4	829
PLUS Unsubsidized	4,981,393	3.5	569
Total	\$144,286,889	<u>100.0%</u>	<u>37,614</u>

DISTRIBUTION OF THE FINANCED STUDENT LOANS BY RANGE OF
ANNUAL BORROWER INTEREST RATE
(AS OF THE STATISTICAL CUT-OFF DATE)

Range of Annual Borrower Interest Rate	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
Less than 3.00%	\$18,667,749	12.9%	7,158
3.00% to 3.49%	1,629,849	1.1	221
3.50% to 3.99%	971,688	0.7	62
4.00% to 4.49%	107,675	0.1	15
4.50% to 4.99%	4,159,585	2.9	406
5.00% to 5.49%	1,562,965	1.1	214
5.50% to 5.99%	13,106,235	9.1	3,838
6.00% to 6.49%	11,661,997	8.1	3,773
6.50% to 6.99%	83,801,408	58.1	21,087
7.00% or more	8,617,739	<u>6.0</u>	<u>840</u>
Total	\$144,286,889	<u>100.0%</u>	<u>37,614</u>

DISTRIBUTION OF THE FINANCED STUDENT LOANS BY SCHOOL TYPE
(AS OF THE STATISTICAL CUT-OFF DATE)

School Type	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
4-Year +	\$114,374,714	79.3%	32,172
2- or 3-Year	7,446,066	5.2	2,813
Vocational/Proprietary	1,746,920	1.2	631
Other/Unknown	20,719,190	<u>14.4</u>	<u>1,998</u>
Total	\$144,286,889	<u>100.0%</u>	<u>37,614</u>

DISTRIBUTION OF THE FINANCED STUDENT LOANS BY SAP INTEREST RATE INDEX
(AS OF THE STATISTICAL CUT-OFF DATE)

SAP Interest Rate Index	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
One-Month LIBOR*	\$144,286,889	<u>100.0%</u>	<u>37,614</u>
Total	\$144,286,889	<u>100.0%</u>	<u>37,614</u>

* Reflects the effect of the affirmative elections made by the Corporation under Public Law 112-74 (described under "Appendix A – Description of the Federal Family Education Loan Program – Special Allowance Payments"), whereby the Corporation permanently changed the index for special allowance payment calculations on substantially all FFELP loans in its portfolios disbursed after January 1, 2000 from the three-month commercial paper rate to the one-month LIBOR index, commencing with the special allowance payment calculations for the calendar quarter beginning on April 1, 2012.

DISTRIBUTION OF THE FINANCED STUDENT LOANS BY BORROWER PAYMENT STATUS
(AS OF THE STATISTICAL CUT-OFF DATE)

Borrower Payment Status	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
School	\$13,739,354	9.5%	3,550
Grace	2,899,439	2.0	736
Deferment	25,543,231	17.7	6,520
Forbearance	15,657,674	10.9	3,679
Repayment:			
0 to 12 Payments Made	39,800,214	27.6	10,013
13 to 24 Payments Made	14,286,249	9.9	3,621
25 to 36 Payments Made	10,913,600	7.6	3,027
37 to 48 Payments Made	7,340,375	5.1	2,148
49 to 60 Payments Made	4,718,986	3.3	1,475
61 to 72 Payments Made	3,283,176	2.3	1,060
More than 72 Payments Made	5,220,616	<u>3.6</u>	<u>1,559</u>
Total Repayment	85,563,215	59.3	22,903
Claim	883,977	<u>0.6</u>	<u>226</u>
Total	\$144,286,889	<u>100.0%</u>	<u>37,614</u>

DISTRIBUTION OF THE FINANCED STUDENT LOANS BY NUMBER OF DAYS DELINQUENT
(AS OF THE STATISTICAL CUT-OFF DATE)

Number of Days Delinquent	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
Not in Repayment or Claims Status	\$57,839,698	40.1%	14,485
0-30 days	72,296,239	50.1	19,106
31-60 days	4,569,318	3.2	1,298
61-90 days	3,002,709	2.1	848
91-120 days	2,129,534	1.5	557
121-150 days	1,119,801	0.8	350
151-180 days	925,442	0.6	287
181 days and above*	2,404,150	<u>1.7</u>	<u>683</u>
Total	\$144,286,889	<u>100.0%</u>	<u>37,614</u>

* Includes student loans in claims status.

DISTRIBUTION OF THE FINANCED STUDENT LOANS BY DATE OF DISBURSEMENT
(DATES CORRESPOND TO CHANGES IN SPECIAL ALLOWANCE PAYMENT)
(AS OF THE STATISTICAL CUT-OFF DATE)*

Date of Disbursement	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
On or after October 1, 2007	\$87,864,295	60.9%	22,117
April 1, 2006 - September 30, 2007	35,654,841	24.7	8,333
Before April 1, 2006	20,767,753	<u>14.4</u>	<u>7,164</u>
Total	\$144,286,889	<u>100.0%</u>	<u>37,614</u>

* For FFELP loans disbursed on or after April 1, 2006 and before July 1, 2010, if the stated interest rate is higher than the rate applicable to such FFELP loan including Special Allowance Payments, the holder of the FFELP loan must credit the difference to the Department of Education. FFELP loans disbursed on or after October 1, 2007 have a higher SAP margin for eligible not-for-profit lenders such as the Corporation than for for-profit lenders, but have a 40 bps to 70 bps lower Special Allowance Payment margin than loans originated on or after January 1, 2000 and before October 1, 2007.

DISTRIBUTION OF THE FINANCED STUDENT LOANS BY DATE OF DISBURSEMENT
(DATES CORRESPOND TO CHANGES IN GUARANTY PERCENTAGES)
(AS OF THE STATISTICAL CUT-OFF DATE)*

Date of Disbursement	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
On or After July 1, 2006 (97%)	\$121,007,450	83.9%	29,918
October 1, 1993 - June 30, 2006 (98%)	23,279,440	16.1	7,696
Before October 1, 1993 (100%)	0	<u>0.0</u>	<u>0</u>
Total	\$144,286,889	<u>100.0%</u>	<u>37,614</u>

* Student loans disbursed prior to October 1, 1993 are 100% guaranteed by the guaranty agency. Student loans disbursed on or after October 1, 1993 and before July 1, 2006 are 98% guaranteed by the applicable guaranty agency. Student loans for which the first disbursement is made on or after July 1, 2006 and before July 1, 2010 are 97% guaranteed by the applicable guaranty agency.

DISTRIBUTION OF THE FINANCED STUDENT LOANS BY RANGE OF
OUTSTANDING PRINCIPAL BALANCE
(AS OF THE STATISTICAL CUT-OFF DATE)

Range of Outstanding Principal Balance	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
Less than \$1,000	\$ 2,468,306	1.7%	4,139
\$1,000 to \$1,999	10,418,274	7.2	6,931
\$2,000 to \$2,999	17,879,606	12.4	7,266
\$3,000 to \$3,999	22,695,292	15.7	6,509
\$4,000 to \$5,999	35,747,150	24.8	7,331
\$6,000 to \$7,999	19,703,875	13.7	2,892
\$8,000 to \$9,999	9,230,652	6.4	1,049
\$10,000 to \$14,999	11,164,447	7.7	920
\$15,000 to \$19,999	4,174,903	2.9	247
\$20,000 to \$24,999	3,123,224	2.2	140
\$25,000 to \$29,999	1,768,772	1.2	65
\$30,000 to \$34,999	1,610,062	1.1	50
\$35,000 to \$39,999	949,762	0.7	25
\$40,000 or more	3,352,563	2.3	50
Total	\$144,286,889	<u>100.0%</u>	<u>37,614</u>

DISTRIBUTION OF THE FINANCED STUDENT LOANS BY
REMAINING TERM TO SCHEDULED MATURITY
(AS OF THE STATISTICAL CUT-OFF DATE)

Range of Remaining Term to Scheduled Maturity (in months)	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
0 to 24	\$ 320,979	0.2%	573
25 to 36	590,694	0.4	594
37 to 48	1,062,331	0.7	859
49 to 60	2,080,354	1.4	1,186
61 to 72	4,403,012	3.1	1,905
73 to 84	8,011,203	5.6	2,829
85 to 96	13,429,032	9.3	4,171
97 to 108	19,531,880	13.5	5,180
109 to 120	66,257,617	45.9	16,429
121 to 180	5,433,505	3.8	984
181 to 240	3,725,121	2.6	397
241 to 300	12,639,087	8.8	1,972
Over 300	6,802,076	4.7	535
Total	\$144,286,889	<u>100.0%</u>	<u>37,614</u>

DESCRIPTION OF THE NOTES

General

The notes will be issued pursuant to the terms of the Indenture between the Corporation and U.S. Bank National Association, as trustee. The Indenture and the notes will each be governed by the laws of the State. The following summary describes the material terms of the notes and related provisions of the Indenture. However, it is not complete and is qualified in its entirety by the actual provisions of the Indenture and the notes. Certain other provisions of the Indenture are described under the captions "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" and "SUMMARY OF THE INDENTURE PROVISIONS" herein.

Interest Payments

Interest will accrue on the notes at the interest rate described below during each interest accrual period. The initial interest accrual period for the notes begins on the date of issuance and ends on May 27, 2013. For all other monthly distribution dates, the interest accrual period will begin on the prior monthly distribution date and end on the day before such monthly distribution date.

Interest on the notes will be payable to the noteholders on each monthly distribution date commencing May 28, 2013. Monthly distribution dates for the notes will be on the twenty-fifth day of each calendar month, or if any such day is not a business day, the next business day. Interest accrued but not paid on any monthly distribution date will be due on the next monthly distribution date together with an amount equal to interest on the unpaid amount at the rates per annum described below.

The interest rate on the notes for each interest accrual period, except the initial interest accrual period, will be equal to one-month LIBOR plus ____%. The interest rate for the notes for the initial interest accrual period will be determined by reference to the following formula:

$$x + [(a / b * (y-x)] + \text{____}\%$$

where:

x = two-month LIBOR;

y = three-month LIBOR;

a = [____] the actual number of days from the maturity date of two-month LIBOR to the first monthly distribution date; and

b = [____] the actual number of days from the maturity date of two-month LIBOR to the maturity date of three-month LIBOR.

The Trustee will calculate the rate of interest on the notes on the LIBOR determination date described below. The amount of interest distributable to holders of the notes for each \$1,000 in principal amount will be calculated by applying the interest rate applicable for the interest accrual period to the principal amount of \$1,000, multiplying that product by the actual number of days in the interest accrual period divided by 360, and rounding the resulting figure to the fifth decimal point.

Calculation of LIBOR

For each interest accrual period, LIBOR will be obtained by the Trustee by reference to the London interbank offered rate for deposits in U.S. Dollars having a maturity of one-month which appears on Reuters LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related LIBOR determination date. The LIBOR determination date will be the second business day before the beginning of each interest accrual period. If this rate

does not appear on Reuters LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. Dollars, having the relevant maturity and in a principal amount of not less than U.S. \$1,000,000, are offered at approximately 11:00 a.m., London time, on that LIBOR determination date, to prime banks in the London interbank market by four major banks selected by the Corporation. The Trustee will request the principal London office of each bank to provide a quotation of its rate. If the banks provide at least two quotations, the rate for that day will be the arithmetic mean of the quotations. If the banks provide fewer than two quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Trustee, at approximately 11:00 a.m., New York time, on that LIBOR determination date, for loans in U.S. Dollars to leading European banks having the relevant maturity and in a principal amount of not less than U.S. \$1,000,000. If the banks selected as described above are not providing quotations, one-month LIBOR in effect for the applicable interest accrual period will be one-month LIBOR in effect for the previous accrual period.

“*Business day*” means:

- for purposes of calculating LIBOR, any day on which banks in New York, New York and London, England are open for the transaction of international business; and
- for all other purposes, any day other than a Saturday, Sunday or other day on which the Federal Reserve Bank or banks located in the city in which the principal corporate trust office of the Trustee is located are not required or are authorized by law to remain closed.

Principal Distributions

The final maturity date for the notes will be the August 25, 2031* monthly distribution date.

The actual date on which the final distribution on the notes will be made is expected to be earlier than the final maturity date set forth above as a result of a variety of factors. Principal payments will be made to the noteholders on each monthly distribution date in an amount equal to the funds available for the payment of principal as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds” herein.

Amounts on deposit in the Reserve Fund in excess of the Specified Reserve Fund Balance will be transferred to the Collection Fund and will be applied as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds” herein. Principal payments due on the notes will be made from the Reserve Fund only (a) on the final maturity date for the notes, or (b) on any monthly distribution date when the market value of securities and cash in the Reserve Fund and the Collection Fund is sufficient to pay the remaining principal amount of and interest accrued on the notes.

Optional Prepayment of Notes When Pool Balance is 10% or Less of Initial Pool Balance

The Corporation shall have the option to release all of the financed student loans in whole on the monthly distribution date next succeeding the last day of the collection period on which the then outstanding Pool Balance is 10% or less of the initial Pool Balance and on any monthly distribution date thereafter. If this release option is exercised, the financed student loans and other remaining trust assets will be released to the Corporation free from the lien of the Indenture.

If the Corporation exercises this release option, the Corporation must deposit in the Collection Fund an amount that, when combined with amounts on deposit in the other funds and accounts held under the Indenture, would be sufficient to:

- reduce the outstanding principal amount of the notes then outstanding on the related monthly distribution date to zero;

• Preliminary; subject to change.

- pay to the noteholders the interest payable on the related monthly distribution date; and
- pay any rebate fees and other amounts payable to the Department of Education, pay amounts payable under any joint sharing agreements or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, and pay unpaid administration fees, servicing fees, trustee fees and program fees.

“*Pool Balance*” for any date means the aggregate principal balance of the financed student loans pledged by the Corporation on that date, including accrued interest that is expected to be capitalized, after giving effect to the following, without duplication:

- all payments received by the Corporation through that date from borrowers;
- all amounts received by the Corporation through that date from purchases of financed student loans from the lien of the Indenture;
- all liquidation proceeds and realized losses on the financed student loans through that date;
- the amount of any adjustment to balances of the financed student loans that the Servicer makes under its related servicing agreement, if any, recorded through that date; and
- the amount by which guarantor reimbursements of principal on defaulted student loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

Prepayment, Yield and Maturity Considerations

Generally, all of the financed student loans are pre-payable in whole or in part, without penalty, by the borrowers at any time, or as a result of a borrower’s default, death, disability or bankruptcy and subsequent liquidation or collection of guarantee payments with respect to such loans. The rates of payment of principal on the notes and the yield on the notes may be affected by prepayments of the financed student loans. Because prepayments generally will be paid through to noteholders as distributions of principal, it is likely that the actual final payments on the notes will occur prior to the final maturity date of the notes. Accordingly, in the event that the financed student loans experience significant prepayments, the actual final payments on the notes may occur substantially before the final maturity date, causing a shortening of the weighted average life of the notes. Weighted average life refers to the average amount of time that will elapse from the date of issuance of a note until each dollar of principal of such note will be repaid to the investor.

The rate of prepayments on the financed student loans cannot be predicted and may be influenced by a variety of economic, social and other factors. Generally, the rate of prepayments may tend to increase to the extent that alternative financing becomes available on more favorable terms or at interest rates significantly below the interest rates payable on the financed student loans. In addition, the Corporation is obligated to purchase from the trust estate created under the Indenture (or substitute a similar student loan) any financed student loan that is determined to be encumbered by a lien other than the lien of the Indenture and if the same is not cured within the applicable cure period.

However, scheduled payments with respect to the financed student loans may be reduced and the maturities of financed student loans may be extended, including pursuant to grace periods, deferral periods and forbearance periods. The rate of payment of principal on the notes and the yield on the notes may also be affected by the rate of defaults resulting in losses on the financed student loans that may have been liquidated, by the severity of those losses and by the timing of those losses, which may affect the ability of the guaranty agencies to make guarantee payments on such financed student loans. In addition, the maturity of certain of the financed student loans may extend beyond the final maturity date for the notes.

More information on weighted average lives, expected maturities and percentages of original principal remaining at certain monthly distribution dates is set forth in "WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT CERTAIN MONTHLY DISTRIBUTION DATES FOR THE NOTES" in APPENDIX C hereto.

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

General

The notes will be limited obligations of the Corporation secured by and payable solely from the discrete trust estate pledged by the Corporation to the Trustee under the Indenture. The following assets will serve as security for the notes:

- financed student loans deposited to the Student Loan Fund;
- revenues, consisting of all principal and interest payments, proceeds, charges and other income received by the Trustee or the Corporation on account of any financed student loan, including payments of and any insurance proceeds with respect to, guarantee payments, interest, interest benefit payments and any special allowance payments with respect to any financed student loan, and investment income from all funds created under the Indenture and any proceeds from the sale or other disposition of the financed student loans;
- all moneys and investments held in the funds created under the Indenture; and
- the rights of the Corporation in and to any Servicing Agreement, any Backup Servicing Agreement, the Joint Sharing Agreement, any Custodian Agreement, and the guarantee agreements as the same relate to the financed student loans.

Funds

The following funds will be created by the Trustee under the Indenture for the benefit of the registered owners:

- Student Loan Fund;
- Capitalized Interest Fund;
- Collection Fund;
- Department SAP Rebate Fund; and
- Reserve Fund.

Money transferred from the Corporation or any other Servicer to the Trustee on account of the financed student loans will be deposited into the Collection Fund for distribution in accordance with the terms of the Indenture. The Trustee will invest money held in funds created under the Indenture in investment securities at the direction of the Corporation. Investment securities may be purchased by or through the Trustee and its affiliates. Money in any fund created under the Indenture may be pooled for purposes of investment.

Fund Deposits

As described under "USE OF PROCEEDS," certain of the proceeds from the sale of the notes will be used to make the initial deposits to the Capitalized Interest Fund and the Reserve Fund described below and to pay costs of issuance. Certain of the remaining proceeds will be used to refinance certain FFELP loans presently pledged by the Corporation under the Conduit and its indentures relating to the Series 2012A and Series 2012B-2 Bonds. Such

refinanced FFELP loans will be pledged to the Trustee and credited to the trust estate in the books and records of the Servicer. Such FFELP loans expected to be pledged on or about the date of issuance have been identified and are described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein.

Student Loan Fund; Deposit of Student Loans

Proceeds of the notes will be transferred to the Conduit and the bond funds for the Series 2012A Bonds and the Series 2012B-2 Bonds in order to refinance certain student loans. On the date of issuance, student loans will be deposited into the Student Loan Fund created under the Indenture as described under the caption "USE OF PROCEEDS" herein. An estimate of the amount of student loans to be deposited in the Student Loan Fund on the date of issuance is set forth under the caption "USE OF PROCEEDS" herein. Student loans deposited in the Student Loan Fund that are pledged to the trust estate created under the Indenture will be held by the Trustee or its agent or bailee and accounted for as a part of the Student Loan Fund.

Reserve Fund

On the date of issuance, a deposit will be made to the Reserve Fund in an amount equal to \$361,825,* which is approximately 0.25% of the original principal amount of the notes. On each monthly distribution date, to the extent that money in the Collection Fund is not sufficient to pay the interest then due on the notes, the amount of the deficiency will be transferred from the Reserve Fund to the Collection Fund to the extent moneys are not available to be transferred to the Collection Fund from the Capitalized Interest Fund. Additionally, if on a note final maturity date the principal amount of such notes will not be reduced to zero after giving effect to the distribution of the available funds on such note final maturity date, the Corporation will instruct the Trustee to withdraw from the Reserve Fund an amount equal to the amount needed to reduce the principal amount of notes to zero and to deposit such amount in the Collection Fund for application to payment of the outstanding amount of such notes. Money withdrawn from the Reserve Fund will be restored through transfers from the Collection Fund as available. The Reserve Fund is subject to a Specified Reserve Fund Balance equal to the greater of (a) 0.25% of the outstanding principal amount of the notes as of the close of business on the last day of the related collection period; and (b) 0.15% of the original principal amount of the notes, or such lesser amount as may be agreed to by the rating agencies as evidenced by the receipt of a Rating Agency Condition and upon providing S&P with at least 45 days' notice of such reduction.

The Reserve Fund is intended to enhance the likelihood of timely distributions of interest to the noteholders and to decrease the likelihood that the noteholders will experience losses. In some circumstances, however, the Reserve Fund could be reduced to zero. Amounts on deposit in the Reserve Fund in excess of the Specified Reserve Fund Balance will be transferred to the Collection Fund and will be applied as described under the caption "— Collection Fund; Flow of Funds" below. Other than such excess amounts, principal payments due on the notes will be made from the Reserve Fund only (a) on the final maturity date for the notes, or (b) on any monthly distribution date when the market value of securities and cash in the Reserve Fund and the Collection Fund is sufficient to pay the remaining principal amount of and interest accrued on the notes.

The Authorizing Act provides that if the assets in any capital reserve fund (including the Reserve Fund) are less than the amount currently required in a Corporation resolution or indenture to be on deposit, the Chairperson of the Corporation shall, annually by January 15, certify to the Governor and to the State Legislature the amount necessary to restore the assets of the fund to the required amount. The Authorizing Act further provides that the State Legislature may, but is not required to, appropriate such amounts.

In the Indenture, the Corporation has covenanted to maintain in the Reserve Fund an amount equal to the Specified Reserve Fund Balance and to do and perform or cause to be done and performed each and every act and thing with respect to the Reserve Fund to be done or performed by or on behalf of the Corporation or the Trustee under the terms and provisions of the Indenture and the Authorizing Act, including requesting from the State any amount necessary to restore the Specified Reserve Fund Balance in the Reserve Fund.

* Preliminary; subject to change.

Capitalized Interest Fund

On the date of issuance, \$500,000* will be deposited into the Capitalized Interest Fund. If on any monthly distribution date, money on deposit in the Collection Fund is insufficient to pay amounts owed to the Department of Education and to the guaranty agencies, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay administration fees, servicing fees, trustee fees, program fees and interest on the notes, then money on deposit in the Capitalized Interest Fund will be transferred to the Collection Fund to cover the deficiency, prior to any amounts being transferred from the Reserve Fund. Amounts released from the Capitalized Interest Fund will not be replenished. Any amounts on deposit in the Capitalized Interest Fund on the March 25, 2014* monthly distribution date will be transferred from the Capitalized Interest Fund to the Collection Fund.

Department SAP Rebate Fund

The Trustee will establish the Department SAP Rebate Fund as part of the trust estate created under the Indenture. The Higher Education Act requires holders of student loans first disbursed on or after April 1, 2006 to rebate to the Department of Education interest received from borrowers on such loans that exceeds the applicable special allowance support levels. The Corporation expects that the Department of Education will reduce the special allowance and interest benefit payments payable to the Corporation by the amount of any such rebates owed by the Corporation. However, in certain circumstances the Corporation may owe a payment to the Department of Education or to another trust if amounts were deposited into the trust estate that represent amounts that are allocable to student loans that are not financed student loans. If the Corporation believes that it is required to make any such payment, the Corporation will direct the Trustee to deposit into the Department SAP Rebate Fund from the Collection Fund the estimated amounts of any such payments. Money in the Department SAP Rebate Fund will be transferred to the Collection Fund to the extent amounts have been deducted by the Department of Education from payments otherwise due to the Corporation, or will be paid to the Department of Education or another trust if necessary to discharge the Corporation's rebate obligation. See "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" in APPENDIX A hereto.

Collection Fund; Flow of Funds

The Trustee will credit to the Collection Fund all revenues derived from financed student loans; all proceeds of any sale of financed student loans; all amounts received under any joint sharing agreement; any amounts transferred from the Student Loan Fund, Capitalized Interest Fund, the Reserve Fund, and the Department SAP Rebate Fund; and any earnings on investment of funds and accounts established under the Indenture as they are earned.

Administration fees and servicing fees will be paid to the Corporation, the Servicer and other various parties on each monthly distribution date from money available in the Collection Fund. The amounts of the initial servicing fee, administration fee and program fee are specified under the caption "FEES AND EXPENSES" herein and each such fee is subject to increase upon receipt of a Rating Agency Condition and providing at least 45 days' notice to S&P. Moneys in the Collection Fund may be used on any date to pay, when due, any program fees. In addition, each month, money available in the Collection Fund will be used to pay amounts due to the Department of Education with respect to financed student loans and amounts required to be deposited into the Department SAP Rebate Fund and to pay extraordinary trustee fees and expenses.

On each monthly distribution date, prior to an event of default, money available in the Collection Fund as of the end of the applicable collection period will be used to make the following deposits and distributions to the extent funds are available:

* Preliminary; subject to change.

- to make any payments required under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans;
- to the Trustee, the trustee fees and any prior unpaid trustee fees;
- to the Servicer, any servicing fee due and any remaining unpaid servicing fees;
- to the Corporation, any administration fees due and remaining unpaid administration fees;
- to the noteholders, on a pro rata basis, to pay interest due on the notes;
- to the Reserve Fund, the amount, if any, necessary to restore the Reserve Fund to the Specified Reserve Fund Balance; and
- to the noteholders, on a pro rata basis, all remaining funds in the Collection Fund as of the end of the applicable collection period as payments of principal to the noteholders until paid in full.

Flow of Funds After Events of Default and Acceleration

Following the occurrence of an event of default that results in an acceleration of the maturity of the notes and after the payment of certain fees and expenses, payments of interest and then principal on the notes will be made, ratably, without preference or priority of any kind, until the notes are paid in full. See the caption “SUMMARY OF THE INDENTURE PROVISIONS—Remedies on Default” herein.

Investment of Funds Held by Trustee

The Trustee will invest amounts credited to any fund established under the Indenture in investment securities described in the Indenture pursuant to orders received from the Corporation. In the absence of an order, and to the extent practicable, the Indenture requires the Trustee to invest amounts held under the Indenture in direct obligations of, and obligations fully guaranteed as to timely repayment by, the United States of America.

The Trustee is not responsible or liable for any losses on investments made by it or for keeping all funds held by it fully invested at all times, unless any such losses are the result of the Trustee’s negligence or willful misconduct in failing to comply with the investment instructions.

BOOK-ENTRY REGISTRATION

General

The following information concerning DTC and DTC’s book-entry system has been obtained from information made publicly available by DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the Corporation and the Underwriter take no responsibility for the accuracy of such statements.

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

Principal and interest payments on the notes are to be made to Cede & Co. DTC’s practice is to credit direct participant’s accounts upon receipt of funds and corresponding detail information from the Corporation on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by participants to beneficial owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and shall be the responsibility of the

participant and not of DTC, the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. is the responsibility of the Corporation, or the Trustee. Disbursement of such payments to direct participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants. Under a book-entry format, noteholders may experience a delay in their receipt of payments, since payments will be forwarded by the Trustee to Cede & Co., which will forward the payments to its participants who will then forward them to indirect participants or noteholders.

Redemption notices shall be sent to DTC.

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

Neither DTC nor Cede & Co. will consent or vote with respect to the notes. Under its usual procedures, DTC mails an omnibus proxy to the Corporation, or the Trustee, as appropriate, as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the notes are credited on the record date.

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

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

Form, Denomination and Trading. The notes will be issued in minimum denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof, and may be held and transferred, and will be offered and sold, in original face amounts of not less than these minimum denominations.

Interests in the notes will be represented by one or more global note certificates held through DTC (each, a "U.S. global note certificate"). On or about the date of issuance for the issuance of the notes, the Corporation will deposit a U.S. global note certificate for the notes with the applicable DTC custodian, registered in the name of Cede & Co., as nominee of DTC.

At all times the global note certificates will represent the outstanding principal balance, in the aggregate, of the notes. At all times, with respect to the notes, there will be only one U.S. global note certificate for such notes.

DTC will record electronically the outstanding principal balance of the notes represented by a U.S. global note certificate held within its system. DTC will hold interests in a U.S. global note certificate on behalf of its account holders through customers' securities accounts in DTC's name on the books of its depository. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's name on the books of its respective depository which in turn will hold positions in customers' securities accounts in such depository's name on the books of DTC. Citibank N.A. will act as depository for Clearstream and JP Morgan Chase will act as depository for Euroclear. Except as described below, no person acquiring a book-entry note will be entitled to receive a physical certificate representing the notes. Unless and until

definitive certificates are issued, it is anticipated that the only holder of global note certificates will be Cede & Co., as nominee of DTC.

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

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

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

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

Identification Numbers and Payments to the Global Certificates. The Corporation will apply to DTC for acceptance in its book-entry settlement systems of the notes. The notes will have the CUSIP numbers and ISINs, as applicable, set forth in under the caption "SUMMARY OF TERMS" herein. Payments of principal, interest and any other amounts payable under each global note certificate will be made to or to the order of the relevant clearing system's nominee as the registered owner of such global note certificate.

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

Depository Institutions. The Depository Trust Company, or DTC, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" with the meaning of the 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 under Section 17A of the Securities Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants, known as direct participants, deposit with DTC. DTC also facilitates the post-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 certificates. Direct participants include U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and other organizations, including Euroclear and Clearstream. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding corporation 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 as an indirect participant. DTC has been rated "AA+" by S&P. The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. These websites are not incorporated into and shall not be deemed to be a part of this Offering Memorandum.

Purchases of the notes under the DTC system must be made by or through direct participants, which receive a credit for the notes on DTC records. The ownership interest of each actual purchaser of notes, or beneficial owner, is in turn to be recorded on the direct and indirect participants' records. Beneficial owners shall not receive written confirmation from DTC of their purchase. 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 notes 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 notes, except in the event that use of the book-entry system for the series of any notes is discontinued.

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

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the notes are to 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 or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of DTC, the Corporation or the Trustee, 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 name as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, 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.

Clearstream Banking, société anonyme, Luxembourg ("Clearstream"), is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream

interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (the "CSSF"). Clearstream participants are recognized financial institutions around the world, including Underwriter, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Euroclear was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in numerous currencies, including United States Dollars. The Euroclear System includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transactions with DTC described above. Euroclear is operated by Euroclear Bank S.A./NV.

All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks, central banks, securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

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

Distributions with respect to notes held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depository. Those distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations (see the caption "TAX MATTERS" herein). Clearstream or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a noteholder under the Indenture on behalf of a Clearstream participant or Euroclear participant only in accordance with the relevant rules and procedures and subject to the relevant depository's ability to effect such actions on its behalf through DTC.

Global Clearance, Settlement and Tax Document Procedures

For additional information on the global clearance, settlement and tax documents procedures with respect to book-entry securities, see "GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES" in APPENDIX B hereto.

TRUSTEE

The Corporation will issue the notes pursuant to the Indenture by and between the Corporation and U.S. Bank National Association, as trustee.

The following information has been furnished by the Trustee for use in this Offering Memorandum. Neither the Corporation nor the Underwriter guarantees or makes any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of the Trustee subsequent to the date hereof.

The Corporation has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Offering Memorandum or for the recitals contained in the Indenture or the notes, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Corporation of any of the notes authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such notes by the Corporation. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Notes and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the notes, or the investment quality of the notes, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

The mailing address of the Trustee is U.S. Bank National Association, 1420 Fifth Avenue, Seventh Floor, Seattle, WA 98101, Attn: Global Corporate Trust Services. Additional information about the Trustee may be found at its website at <http://www.usbank.com/corporatetrust>. Neither the information on U.S. Bank's website, nor any links from that website, is a part of this Offering Memorandum, nor should any such information be relied upon to make investment decisions regarding the notes.

Subject to the terms of the Indenture, the Trustee will act on behalf of the noteholders and represent their interests in the exercise of its rights under the Indenture. See the caption "SUMMARY OF THE INDENTURE PROVISIONS—The Trustee" herein for additional information regarding the responsibilities of the Trustee. The Trustee will not have any obligation to administer, service, or collect the financed student loans or to maintain or monitor the administration, servicing or collection of those financed student loans.

SUMMARY OF THE INDENTURE PROVISIONS

The following is a summary of some of the provisions in the Indenture. This summary does not cover every detail contained in the Indenture and reference should be made to the Indenture and is subject to all of the terms and conditions of the Indenture in its entirety for a full and complete statement of its provisions.

Parity and Priority of Lien

The provisions of the Indenture are generally for the equal benefit, protection and security of the registered owners under the Indenture.

THE NOTES, TOGETHER WITH INTEREST THEREON, ARE NOT A GENERAL OBLIGATION OF THE CORPORATION BUT ARE A SPECIAL LIMITED OBLIGATION AND ARE PAYABLE SOLELY FROM THE TRUST ESTATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE NOTES. THE NOTES SHALL NOT BE A DEBT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT FOR THE CORPORATION), AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON (EXCEPT FOR THE CORPORATION), AND IN NO EVENT SHALL THE NOTES BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN FROM THE SOURCES PLEDGED UNDER THE INDENTURE. THE CORPORATION HAS NO TAXING POWER.

The revenues and other money, financed student loans and other assets the Corporation pledges under the Indenture will be free and clear of any pledge, lien, charge or encumbrance, other than that created by the Indenture. If any financed student loan is found to have been subject to a lien at the time such financed student loan was pledged to the trust estate created under the Indenture, the Corporation will cause such lien to be released, will purchase such financed student loan from the trust estate for a purchase price equal to its principal amount plus any unamortized premium, if any, and interest accrued thereon or will replace such financed student loan with another student loan with substantially identical characteristics which replacement student loan will be free and clear of liens at the time of such replacement.

Except as otherwise provided in the Indenture, the Corporation:

- will not create or voluntarily permit to be created any debt, lien or charge on the financed student loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture;
- will not take any action or fail to take any action that would result in the lien of the Indenture or the priority of that lien for the notes thereby secured being lost or impaired; and
- will 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 student loans.

Representations and Warranties

The Corporation will represent and warrant in the Indenture that:

- it is duly authorized to issue the notes and to execute and deliver the Indenture and to make the pledge to the payment of notes under the Indenture;
- all necessary action for the issuance of the notes and the execution and delivery of the Indenture has been duly and effectively taken; and
- the notes in the hands of the registered owners are and will be valid and enforceable obligations of the Corporation secured by and payable solely from the trust estate created under the Indenture.

Sale of Financed Student Loans

Except under limited circumstances described in the Indenture, financed student loans may not be sold, transferred or otherwise disposed of by the Trustee free from the lien of the Indenture while any notes are outstanding. However, if necessary for administrative purposes, the Corporation may sell financed student loans free from the lien of the Indenture, so long as the sale price for any financed student loan is not less than the amount required to prepay in full such financed student loan under the terms thereof, including all accrued interest thereon and any unamortized premium, the collective aggregate principal balance of all such sales does not exceed 5% of the initial Pool Balance and the collective aggregate principal balance of all such sales in any calendar year does not exceed 1% of the Pool Balance as of the first date of such calendar year (or as of the date of issuance with respect to the first calendar year).

Further Covenants

Upon written request of the Trustee, the Corporation will permit the Trustee or its agents, accountants and attorneys, to examine and inspect the property, books of account, records, reports and other data relating to the financed student loans, and will furnish the Trustee such other information as it may reasonably request. The Trustee will be under no duty to make any examination unless requested in writing to do so by the registered owners of at least 66-2/3% of the principal amount of the notes at the time outstanding, and unless those registered owners have offered the Trustee security and indemnity satisfactory to it against any costs, expenses and liabilities which might be incurred in making any examination.

The Corporation will keep and maintain proper books of account relating to its Program including all dealings or transactions of or in relation to the business and affairs of the Corporation which relate to the notes. Within 180 days of the close of each fiscal year, the Corporation will receive an audit of the Corporation by an independent certified public accountant. A copy of the audit report showing in reasonable detail the financial condition of the Corporation as at the close of each fiscal year will be filed with the Trustee within 60 days after it is received by the Corporation and will be available for inspection by any registered owner.

Statements to Noteholders

Two Business Days preceding a monthly distribution date, the Corporation shall prepare and provide a report to the Trustee and post such report on the Corporation's website. The Trustee will direct any requesting registered owner to this report setting forth information with respect to the notes and financed student loans posted on the Corporation's website, including the following:

- descriptions of portfolio characteristics;
- identification of remaining note balances;
- descriptions of amounts of the distribution allocable to principal and interest of the notes;
- changes in Pool Balance over the distribution period;
- fees paid by the trust estate; and
- limited descriptions of activity in the Reserve Fund, Collection Fund and Student Loan Fund.

Servicing and Enforcement of the Servicing Agreements

The Corporation will at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs under the Program and will establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel.

The Corporation will cause to be diligently enforced and taken all reasonable steps, actions and proceedings necessary for the enforcement of, all material terms, covenants and conditions of all servicing agreements, including, without limitation, the prompt payment of all principal and interest payments and all other amounts due the Corporation thereunder. Except to the extent expressly permitted by the Indenture, the Corporation:

- will not permit the release of any material obligations of the Servicer under the servicing agreement, except in conjunction with amendments or modifications permitted by the Indenture and will defend, enforce, preserve and protect the material rights of the Corporation and the Trustee thereunder;
- will not consent or agree to or permit any amendment or modification of the servicing agreement which will materially adversely affect the rights or security of the Trustee or the noteholders; and
- will duly and punctually perform and observe each of its obligations to the Servicer under the servicing agreement in accordance with the terms thereof.

Notwithstanding the foregoing, the Indenture does not prevent the Corporation from taking any action to replace the Servicer or from consenting or agreeing to, or permitting, any amendments, modifications to, or waivers with respect to, the servicing agreement, subject to the conditions set forth in the Indenture.

If at any time the Servicer fails in any material respect to perform its obligations under its servicing agreement or under the Higher Education Act or if any servicing audit shows any material deficiency in the servicing of financed student loans by the Servicer, the Corporation will, or will cause the Servicer to, cure the failure to perform or the material deficiency or remove such Servicer and appoint another Servicer.

The Corporation covenants to maintain a Backup Servicing Agreement with a third-party servicer and agrees to pay the fees and expenses associated therewith from moneys available as provided in the Indenture.

Additional Covenants With Respect to the Higher Education Act

The Corporation is responsible for the following actions, among others, with respect to the Higher Education Act:

- administering, operating and maintaining the Program with respect to FFELP loans in such manner as to ensure that the Program and the financed student loans will benefit from the benefits available under the Higher Education Act and the federal program of reimbursement for student loans pursuant to the Higher Education Act, or from any other federal statute providing for such federal program;
- entering into, or causing the Trustee to enter into on its behalf, any guarantee agreement, maintaining such guarantee agreement and diligently enforcing its rights thereunder and not voluntarily consenting to or permitting any rescission of or consenting to any amendment to or otherwise taking any action under or in connection with any guarantee agreement which in any manner would materially adversely affect the rights of the noteholders under the Indenture;
- causing to be diligently enforced, and causing to be taken all reasonable steps necessary or appropriate for the enforcement of all terms, covenants and conditions of all financed student loans and agreements in connection with the financed student loans, including the prompt payment of all principal and interest payments and all other amounts due to the Corporation thereby and not releasing the obligations of any borrower or agreeing to, permitting, allowing or causing any amendment or modification of any financed student loan except to the extent permitted by the Indenture;
- maintaining and causing the benefits of the guarantee agreements, promissory notes and notices of guarantee, the interest benefit payments and the special allowance payments to be held for the benefit of the Trustee and enforcing its rights under the guarantee agreements and not voluntarily permitting or consenting to any amendment or rescission or taking any action that would adversely affect the registered owners;
- complying in all material respects with all United States and State statutes, rules, and regulations which apply to the Program and to the financed student loans and
- administering and collecting (or causing to be administered and collected) all financed student loans in a competent, diligent, and orderly fashion and in accordance with all applicable requirements of the Higher Education Act, the Secretary, the regulations of the Secretary and each guaranty agency, and the Indenture.

The Trustee will have no obligation to administer, service, or collect the financed student loans or to maintain or monitor the administration, servicing or collection of those loans.

Obligation to Make Deposit from Outside of Trust Estate

To the extent permitted by law, the Corporation will deposit into the Collection Fund, from funds of the Corporation, legally available therefor other than (x) funds held under the Indenture or (y) funds pledged by the Corporation under another indenture or legal document related to the Corporation's outstanding debt, the aggregate amount, for (i) each financed eligible loan determined incapable of being submitted for a guarantee claim, (ii) each financed eligible loan submitted for claim to a Guaranty Agency or the Secretary for guarantee payment and for which a guarantee claim has been rejected or refused (for any reason, including any origination or servicing error) equal to all outstanding principal and interest (and Interest Benefit Payment and Special Allowance Payment) with respect thereto, and (iii) for each financed eligible loan submitted for claim to a Guaranty Agency or the Secretary for guarantee payment and for which a guarantee claim has been (or is anticipated to be timely) paid equal to that portion of the principal and interest (and Interest Benefit Payment and Special Allowance Payments with respect thereto) which is not guaranteed.

Events of Default

The Indenture will define the following events as events of default:

- default in the due and punctual payment of any interest on any note when the same becomes due and payable and such default will continue for a period of five days;
- default in the due and punctual payment of the principal of any note when the same becomes due and payable on the final maturity date of the note;
- default in the performance or observance of any other of the Corporation's covenants, agreements or conditions contained in the Indenture or in the notes, and continuation of such default for a period of 90 days after written notice thereof is given to the Corporation by the Trustee; and
- the occurrence of an event of bankruptcy in respect of the Corporation.

Remedies on Default

Possession of Trust Estate. Upon the happening of any event of default relating to the Corporation, the Trustee may (except with respect to an event of default described in the third bullet (covenant default) under "Events of Default" above), upon its receipt of security or indemnity satisfactory to it, as described herein, and with respect to a payment event of default or at the written direction of the registered owners of not less than a majority of the aggregate principal amount of the notes outstanding, will enter into and upon and take possession of any portion of the trust estate of the Corporation created under the Indenture that may be in the custody of others, and all property comprising the trust estate, may exclude the Corporation wholly therefrom and may have, hold, use, operate, manage and control those assets. The Trustee may also, in the name of the Corporation or otherwise, conduct such Corporation's business and collect and receive all charges, income and revenues of the trust estate. After deducting all expenses incurred and all other proper outlays authorized in the Indenture, and all payments which may be made as reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, the Trustee will apply the rest and residue of the money received by the Trustee as follows:

FIRST, to the Department of Education, any department SAP rebate interest amount and monthly consolidation rebate fee due and owing thereto, to any guaranty agency amounts due and owing to such guaranty agency, and to any party to any joint sharing agreement to which the Corporation may be a party or to any other person entitled to any amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, any amounts due and owing thereto;

SECOND, to the Trustee for fees and any costs and out-of-pocket expenses of the Trustee due and owing;

THIRD, to (a) the Servicer, any servicing fee due and remaining unpaid; (b) the Corporation, any administration fee due and remaining unpaid; and (c) to the persons due any program fees, any remaining unpaid program fees;

FOURTH, to the noteholders for amounts due and unpaid on the notes for interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the notes for such interest;

FIFTH, to noteholders for amounts due and unpaid on the notes for principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the notes for principal until paid in full; and

SIXTH, to the Corporation, but only after all payments have been made pursuant to the Indenture.

Sale of Trust Estate. Upon the happening of any event of default and if the principal of all of the outstanding notes will have been declared due and payable, then the Trustee may, and at the written direction of the registered owners of not less than a majority of the principal amount of the notes outstanding, will, sell the trust estate created under the Indenture to the highest bidder in accordance with the requirements of applicable law. In addition, the Trustee may proceed to protect and enforce the rights of the Trustee and the registered owners in the manner as counsel for the Trustee may advise, 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 therein granted, or for the enforcement of such other appropriate legal or equitable remedies as may in the opinion of such counsel, be more effectual to protect and enforce the rights aforesaid. The Trustee is required to take any of these actions if requested to do so in writing by the registered owners of at least a majority of the principal amount of the notes outstanding under the Indenture.

However, the Trustee is prohibited from selling the financed student loans following an event of default (whether or not the principal of all outstanding notes will have been declared due and payable), other than a default in the payment of any principal or any interest on any note, unless:

- the registered owners of all of the notes at the time outstanding consent to such sale;
- the proceeds of such sale are sufficient to discharge all outstanding notes at the date of such sale pursuant to terms of the Indenture describing discharge of the Indenture; or
- the Corporation determines that the collections on the financed student loans would not be sufficient on an ongoing basis to make all payments on such notes as such payments would have become due if such notes had not been declared due and payable, and the Trustee obtains the consent of the registered owners of at least 66-2/3% in aggregate principal amount of the notes outstanding to such sale.

Appointment of Receiver. If an event of default occurs, and all of the outstanding notes under the Indenture have been declared due and payable, and if 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 will be entitled to the appointment of a receiver for the trust estate created under the Indenture.

Accelerated Maturity. If an event of default occurs and is continuing except with respect to an event of default described in the third bullet (covenant default) under “Events of Default” above, the Trustee may or the registered owners of not less than a majority in aggregate principal amount of the notes then outstanding under the Indenture may declare the principal of all notes issued under the Indenture, and then outstanding, and the interest thereon, immediately due and payable. Such declaration of acceleration may be rescinded before a judgment or decree for the payment of the money due has been obtained by the Trustee if a majority of the registered owners of the notes then outstanding provide written notice to the Corporation and the Trustee and (a) if the Corporation has paid or deposited with the Trustee amounts sufficient to pay all principal and interest due on all notes and all other amounts that would then be due under the Indenture upon such notes if the event of default giving rise to such acceleration had not occurred and all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, any Servicer, and their agents and counsel; and (b) any other event of default has been cured or waived.

Direction of Trustee. If an event of default occurs, the registered owners of a majority in aggregate principal amount of the notes then outstanding under the Indenture, upon indemnifying the Trustee for its fees and expenses, will have the right 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 created under the Indenture, 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 discontinued or delayed.

Right to Enforce in Trustee. No registered owner will have any right as a 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 thereunder or for the appointment of a receiver or for any other remedy under the Indenture. All rights of action

under the Indenture are vested exclusively in the Trustee, unless and until the Trustee fails for 30 days to institute an action, suit or proceeding after the registered owners of the requisite principal amount of the notes then outstanding:

- will have given to the Trustee written notice of a default under the Indenture, and of the continuance thereof;
- will have made written request upon the Trustee and the Trustee will have been afforded reasonable opportunity to institute such action, suit or proceeding in its own name; and
- will have offered indemnity and security satisfactory to the Trustee against the costs, expenses, and liabilities to be incurred in or by an action, suit or proceeding in its own name.

Waivers of Events of Default. The Trustee will waive an event of default under the Indenture and its consequences and rescind any declaration of acceleration of the notes due under the Indenture upon the written request of the registered owners of at least a majority in aggregate principal amount of the notes then outstanding under the Indenture. However, any event of default in the payment of the principal or interest due on any note issued under the Indenture may not be waived unless prior to the waiver or rescission, provision will have been made for payment of all arrears of interest or all arrears of payments of principal and all expenses of the Trustee in connection with such default. A waiver or rescission of one default will not affect any subsequent or other default, or impair any rights or remedies consequent to any subsequent or other default.

The Trustee

Acceptance of Trust. The Trustee will accept the trusts imposed upon it by the Indenture and will perform those trusts, but only upon and subject to the following terms and conditions:

- except during the continuance of an event of default, the Trustee undertakes to perform only those duties as are specifically set forth in the Indenture;
- except during the continuance of an event of default 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 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 will be under a duty to examine the same to determine whether or not they conform as to form with the requirements of the Indenture and whether or not they contain the statements required under the Indenture;
- 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, will use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs;
- before taking any action under the Indenture requested by registered owners, the Trustee may require that it be furnished an indemnity note or other indemnity and security satisfactory to it by the registered owners, as applicable, for the reimbursement of all expenses to which it may be put and to protect it against liability arising from any action taken by the Trustee; and
- the permissive right of the Trustee to take actions permitted by, or do things enumerated in, the Indenture shall not be construed as an obligation or duty.

Indenture Trustee May Act Through Agents. The Trustee may execute any of the trusts or powers under the Indenture and perform any duty thereunder, either itself or by or through its attorneys, agents, or employees; provided the Trustee shall not be responsible for the misconduct or negligence of any agent appointed with due care.

The Corporation will pay all reasonable costs incurred by the Trustee and all reasonable compensation to all such persons as may reasonably be employed in connection with the trusts of the Indenture.

Duties of the Trustee. The Trustee will not make any representations as to the title of the Corporation in the trust estate created under the Indenture or as to the security afforded thereby and by the Indenture, or as to the validity or sufficiency of the Indenture or the notes issued thereunder. If no event of default as defined in the Indenture has occurred, the Trustee is required to perform only those duties specifically required of it under the Indenture. The Trustee will be protected in acting upon any notice, resolution, request, consent, order, instructions, directions, certificate, report, appraisal, opinion, or document of the Corporation or a Servicer or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with experts and with counsel (who may but need not be counsel for the Corporation, for the Trustee, or for a registered owner), and the opinion of such counsel 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.

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 in taking such action. The Trustee is 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. The Trustee will not be liable with respect to any action taken, suffered or omitted to be taken in good faith in accordance with the Indenture or any other transaction document or at the direction of the registered owners evidencing the appropriate percentage of the aggregate principal amount of the outstanding notes 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 document.

Indemnification of Trustee. The Trustee is generally under no obligation or duty to perform any act at the request of registered owners or to institute or defend any suit to protect the rights of the registered owners under the Indenture unless properly indemnified and provided with security to its satisfaction. The Trustee is not required to take notice, or be deemed to have knowledge, of any default or event of default of the Corporation under the Indenture (other than an event of default described in the first two bullet points under the caption “—Events of Default” above) unless and until it will have been specifically notified in writing of the default or event of default by the registered owners or the Corporation as set forth in the Indenture.

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. In that case, the Trustee will be reimbursed or indemnified by the registered owners requesting that action, if any, or by the Corporation in all other cases, for all reasonable and documented fees, expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred unless such reasonable and documented fees, expenses, liabilities, outlays and counsel fees and other reasonable disbursements are adjudicated to have resulted from the negligence or willful misconduct of the Trustee. The Trustee will not be liable for, and will be held harmless by the Corporation from, any liability arising from following any Corporation orders, instructions or other directions upon which it is authorized to rely under the Indenture.

The Corporation will agree to indemnify the Trustee for, and to hold it harmless against, any loss, liability or reasonable expenses incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts under the Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture arising from the trust estate created under the Indenture or the exercise of its rights. The Corporation will indemnify and hold harmless the Trustee against any and all claims, demands, suits, actions or other proceedings and all liabilities, costs and expenses whatsoever caused by any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering document distributed in connection with the issuance of the Corporation's notes or caused by any omission or alleged omission from such offering document of any material fact required to be stated therein or necessary in order to make the statements made therein in the light of the circumstances under which they were made, not misleading.

Compensation of Trustee. The Corporation will pay to the Trustee compensation agreed to in writing by the Corporation for the services rendered by the Trustee under the Indenture, and also all of the Trustee's advances, reasonable counsel fees and other expenses reasonably made or incurred in and about the execution and administration of the trust created by the Indenture, but solely from funds available under the Indenture. Any successor Trustee may not materially increase the trustee fee without obtaining a Rating Agency Condition and providing at least 45 days' notice to S&P. The Trustee will also be entitled to extraordinary trustee fees and expenses in connection with any extraordinary services performed consistent with the duties under the Indenture, or any Servicing Agreement, any Backup Servicing Agreement, the Joint Sharing Agreement, any Custodian Agreement, the guarantee agreements, or any other documents and certificates delivered in connection with any thereof which extraordinary trustee fees and expenses shall be paid from the Collection Fund upon written direction from the Corporation and shall not be a part of the trustee fees or program fees.

Resignation of Trustee. The Trustee and any successor to the Trustee may resign and be discharged by giving the Corporation notice in writing specifying the date on which the resignation is to take effect; provided, however, that such resignation will only take effect on the day specified in such notice if a qualified successor Trustee will have been appointed pursuant to the Indenture. If no successor Trustee has been appointed by that date or within 60 days of the Corporation receiving the Trustee's notice, whichever is longer, then the Trustee may either (a) appoint a temporary successor Trustee meeting the eligibility requirements of a trustee under the Indenture; or (b) request a court of competent jurisdiction to (i) require the Corporation to appoint a successor Trustee, or (ii) appoint a successor Trustee itself meeting the eligibility requirements of the Indenture.

Removal of Trustee. The Trustee or any successor to the Trustee may be removed:

- at any time by the Corporation for cause or upon the sale or other disposition of the Trustee or its trust functions; or
- by the Corporation without cause so long as no event of default exists or has existed within the last 30 days.

In the event the Trustee is removed, removal will not become effective until:

- a successor Trustee will have been appointed; and
- the successor Trustee has accepted that appointment.

Successor Trustee. If the Trustee or any successor to the Trustee resigns, is dissolved, is removed or otherwise is disqualified to act or is incapable of acting, or in case control of the Trustee or of any successor to the Trustee or of its officers is taken over by any public officer or officers, the Corporation may appoint a successor Trustee. The Corporation will cause notice of the appointment of a successor Trustee to be mailed to the registered owners at the address of each registered owner appearing on the note registration books maintained by the Trustee, as registrar.

Every successor Trustee will be required to meet the following eligibility criteria (which also apply to the initial Trustee):

- will 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;
- have a reported capital and surplus of not less than \$50,000,000;
- will be authorized under the law to exercise corporate trust powers in the State, be subject to supervision or examination by a federal or state authority; and

- will be an eligible lender under the Higher Education Act so long as such designation is necessary to maintain guarantees and federal benefits under the Higher Education Act with respect to the financed student loans.

Merger of the Trustee. 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 will be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, will be the successor of the Trustee under the Indenture, provided such corporation will 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 thereto. The Trustee shall promptly notify the Corporation in writing of any merger or consolidation as described in the Indenture.

Force Majeure. Notwithstanding any provision of the Indenture to the contrary, in no event shall the Trustee be liable for any failure or delay in the performance of its obligations under the Indenture because of circumstances beyond its control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, strikes or work stoppages for any reason, embargo, government action, including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by the Indenture, inability to obtain material, equipment or communications or computer facilities, or the failure of equipment or interruption of communications or computer facilities, and other causes beyond its control whether or not of the same class or kind as specifically named above but only where a substantial and material part of the Trustee's operations are affected by such event.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Registered Owners. The Corporation can agree with the Trustee to enter into any indentures supplemental to the Indenture for any of the following purposes without notice to or the consent of noteholders:

- to cure any ambiguity, inconsistency 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 thereto in such manner as to permit the qualification of the Indenture or any indenture supplemental thereto under the Trust Indenture Act of 1939 or any similar federal statute or to permit the qualification of the notes 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 thereto 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, or any additional or substitute guaranty agency or Servicer;
- to add such provisions to or to amend such provisions of the Indenture as may be necessary or desirable to assure implementation of the student loan business in conformance with the Higher Education Act if along with such supplemental indenture there is filed a counsel's opinion addressed to the Corporation 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 notes;

- to make any change as may be necessary in order to obtain and maintain for any of the notes an investment grade rating from a nationally recognized rating service, if along with such supplemental indenture there is filed a counsel's opinion addressed to the Corporation and the Trustee to the effect that such changes will not materially adversely impact the existing security of the registered owners of any outstanding notes;
- to make any changes necessary to comply with or to obtain more favorable treatment under any current or future law, rule or regulation, including, but not limited to, the Higher Education Act or the regulations thereunder;
- to create any 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 note or other financial guaranty instrument in lieu of cash and/or investment securities in all or any portion of the Reserve Fund, so long as such action will not adversely affect the ratings of any of the notes; or
- to make any other change (other than changes with respect to any matter requiring a Rating Agency Condition unless such Rating Agency Condition has been delivered to the Trustee and S&P has been given at least 45 days' prior written notice of any such change) which is not materially adverse to the registered owners of any notes outstanding under the Indenture if, along with such supplemental indenture, there is filed a counsel's opinion addressed to the Corporation and the Trustee to the effect that such changes will not materially adversely impact the existing security of the registered owners of any outstanding notes.

Supplemental Indentures Requiring Consent of Registered Owners. Any amendment of the Indenture other than those listed above must be approved by the registered owners of not less than a majority of the collective aggregate principal amount of the notes then outstanding under the Indenture, provided that the changes described below may be made in a supplemental indenture only with the consent of the registered owners of all notes then outstanding (except for the second bullet below which only requires the consent of the registered owners of the affected notes):

- an extension of the maturity date of the principal of or the interest on any note;
- a reduction in the principal amount of any note or the rate of interest thereon;
- a privilege or priority of any note under the Indenture over any other note except as otherwise provided in the Indenture;
- a reduction in the principal amount of the notes required for consent to such supplemental indenture; or
- the creation of any lien other than a lien ratably securing all of the notes at any time outstanding under the Indenture except as otherwise provided in the Indenture.

Additional Limitation on Modification of Indenture. None of the provisions of the Indenture permit amending the Indenture to provide for the transfer of all or part of the financed student loans or the granting of an interest therein to any person other than an eligible lender under the Higher Education Act or a Servicer, unless the Higher Education Act or regulations promulgated thereunder are modified so as to permit the same.

Trusts Irrevocable

The trust created by the Indenture is irrevocable until the notes and interest thereon and all other payment obligations under the Indenture are fully paid or provision is made for their payment as provided in the Indenture.

Satisfaction of Indenture

If the registered owners are paid all the principal of and interest due on their notes at the times and in the manner stipulated in the Indenture and if all other persons are paid any other amounts payable and secured under the Indenture, then the pledge of the trust estate will thereupon terminate and be discharged. The Trustee will execute and deliver to the Corporation instruments to evidence the discharge and satisfaction, and the Trustee will pay all money held by it under the Indenture to the party entitled to receive it under the Indenture.

Notes will be considered to have been paid if money for their payment or redemption has been set aside and is being held in trust by the Trustee. Any outstanding note will be considered to have been paid if the note is to be redeemed on any date prior to its stated maturity and notice of redemption has been given as provided in the Indenture and on said date there will have been deposited with the Trustee either money or certain non-callable governmental obligations which are unconditionally and fully guaranteed by the United States of America or any agency or instrumentality thereof, the principal of and the interest on which when due will provide money which, together with any money deposited with the Trustee at the time, will be sufficient to pay when due the principal of and interest to become due on the note on and prior to the redemption date or stated maturity, as the case may be.

Optional Release of All Financed Student Loans

The Corporation shall certify to and notify the Trustee in writing, within 15 days after the last Business Day of each collection period in which the then outstanding Pool Balance is 12% or less of the Initial Pool Balance, of the percentage that the then outstanding Pool Balance bears to the Initial Pool Balance. The Corporation shall have the option to release all of the financed student loans from the lien of the Indenture on the monthly distribution date next succeeding the last day of the collection period on which the then outstanding Pool Balance is 10% or less of the Initial Pool Balance and on each monthly distribution date thereafter (each, an "Optional Redemption Date"). To exercise the option described in this paragraph, the Corporation shall deposit in the Collection Fund on or before the Optional Redemption Date, an amount that is sufficient to redeem all of the notes, and pay any due and owing administration fees, servicing fees, program fees, and trustee fees attributable to the notes, as well as any other expenses that may be due at the time or following the payment of the notes, less any amounts on deposit in the Funds and Accounts. Upon exercise of the option to release all of the financed student loans pursuant to this paragraph, the same shall be released from the lien of the Indenture.

CREDIT ENHANCEMENT

Credit enhancement for the notes will consist of overcollateralization, excess spread and cash on deposit in the Capitalized Interest Fund and the Reserve Fund. "Excess spread" is created when interest collections received on the student loans held in the trust estate during a collection period and related investment earnings exceed the interest on the notes at the related note interest rates and certain fees and expenses of the Corporation. There can be no assurance as to the rate, timing or amount, if any, of excess interest.

As described under the caption "USE OF PROCEEDS" herein, on the date of issuance, certain of the proceeds from the sale of the notes will be deposited by the Corporation to the credit of the Reserve Fund and the Capitalized Interest Fund. Certain of the remaining proceeds will be used to pay costs of issuance of the notes and to refinance FFELP loans and other assets presently pledged by the Corporation under the Conduit and the Corporation's indentures relating to the Series 2012A Bonds and Series 2012B-1 Bonds. Such refinanced FFELP loans will be pledged to the Trustee upon such refinancing. After giving effect to the issuance of the notes, deposits to the Capitalized Interest Fund and Reserve Fund and the pledge of the financed student loans to the Trustee on the date of issuance, the Parity Ratio will be approximately 103.25%.* The FFELP loans expected to be refinanced from the Conduit and the Corporation's indentures relating to the Series 2012A Bonds and Series 2012B-1 Bonds and pledged under the Indenture on the date of issuance have been identified and are described herein under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein.

On the date of issuance, deposits in the amounts of \$500,000* and \$361,825* will be made to the Capitalized Interest Fund and the Reserve Fund, respectively. See the caption "SECURITY AND SOURCES

* Preliminary; subject to change.

OF PAYMENT FOR THE NOTES” herein. The Reserve Fund and Capitalized Interest Fund are intended to enhance the likelihood of timely distributions of interest to the noteholders and to decrease the likelihood that the noteholders will experience losses. To the extent of available funds, the Reserve Fund will be replenished so that amounts on deposit therein do not fall below the Specified Reserve Fund Balance. Amounts withdrawn from the Capitalized Interest Fund will not be replenished.

The amount of the financed student loans to be deposited into the Student Loan Fund on the date of issuance, together with the cash to be deposited on the date of issuance into the Capitalized Interest Fund and the Reserve Fund will exceed the original principal balance of the notes to be issued by the Corporation, which excess will represent the initial overcollateralization for the trust estate created under the Indenture and a portion of the credit enhancement.

Credit enhancement will not provide protection against all risks of loss and may not guarantee payment to noteholders of all amounts to which they are entitled. If losses or shortfalls occur that exceed the amount covered by the credit enhancement or that are not covered by the credit enhancement, noteholders will bear their allocable share of deficiencies. The Corporation is not issuing any subordinate notes. To the extent that the credit enhancement described above is exhausted, the notes will bear any risk of loss.

LEGALITY FOR INVESTMENT IN ALASKA

The Authorizing Act provides, subject to any applicable federal requirement or limitation, that the bonds of the Corporation are securities in which public officers and bodies of the State, municipalities, insurance companies, insurance associations, other persons carrying on an insurance business, banks, bankers, trust companies, savings banks, savings associations, building and loan associations, investment companies, other persons carrying on a banking business, administrators, guardians, executors, trustees, other fiduciaries, and other persons who are authorized to invest in bonds or other obligations of the State, may properly and legally invest funds including capital in their control or belonging to them. The Authorizing Act further states that, notwithstanding any other provisions of law, the bonds of the Corporation are also securities that may be deposited with and may be received by public officers and bodies of the State and municipalities for any purpose for which the deposit of bonds or other obligations of the State is now or may be authorized.

TAX MATTERS

The material under this caption “TAX MATTERS” concerning the tax consequences of ownership of the notes was written to support the marketing of the notes, and each noteholder should seek advice based on the noteholder’s particular circumstances from an independent tax advisor. This material was not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer.

Introduction

The following discussion summarizes the material United States federal income tax consequences generally applicable to the purchase, ownership and disposition of the notes by the beneficial owners thereof (“Owners”). The discussion is limited to the tax consequences to the initial Owners of the notes who purchase the notes at the issue price within the meaning of Section 1273 of the Internal Revenue Code of 1986 (the “Code”) and does not address the tax consequences to subsequent purchasers of the notes. The discussion does not purport to be a complete analysis of all of the potential United States federal income tax consequences relating to the purchase, ownership and disposition of the notes, nor does this discussion describe any federal estate or gift tax consequences. Furthermore, the discussion does not address all aspects of taxation that might be relevant to particular purchasers in light of their individual circumstances. For instance, the discussion does not address the alternative minimum tax provisions of the Code or special rules applicable to certain categories of purchasers including dealers in securities or foreign currencies, insurance companies, regulated investment companies, real estate mortgage investment conduits, financial institutions, tax-exempt entities, Owners whose functional currency is not the United States dollar and, except to the extent discussed below, Foreign Owners (as defined below). The discussion does not address the special rules applicable to purchasers who hold the notes as part of a hedge, straddle, conversion, constructive

ownership or constructive sale transaction or other risk reduction transaction. The discussion does not address foreign taxes.

The discussion is based on the provisions of the Code, the regulations of the Department of the Treasury, and administrative and judicial interpretations, all as in effect today and all of which are subject to change, possibly on a retroactive basis. The discussion assumes that the notes are held as capital assets within the meaning of Section 1221 of the Code.

Tax Character of Notes

Ballard Spahr LLP will deliver its opinion, subject to the assumptions and qualifications set forth therein, that under the Internal Revenue Code as presently enacted and construed, that the notes are indebtedness for federal tax purposes. This conclusion is based on the transaction documents, assuming compliance therewith, and the facts and circumstances of the transaction including the specific maturity date of the notes and the revenue sources of the Corporation.

The Corporation and the noteholders will express in the Indenture their intent that for federal income tax purposes the notes will be indebtedness of the Corporation secured by the revenues, assets and funds pledged therefor under the Indenture. The Corporation and the noteholders, by accepting the notes, have agreed to treat the notes as indebtedness of the Corporation for federal income tax purposes. The Corporation intends to treat this transaction as a financing reflecting the notes as its indebtedness for tax and financial accounting purposes.

Tax Consequences to United States Owners

Interest on the notes is taxable to a United States Owner as ordinary income at the time the interest accrues or is received in accordance with the United States Owner's method of accounting for United States federal income tax purposes. A "United States Owner" is an Owner of a note that is, for United States federal income tax purposes: (1) a citizen or resident of the United States, (2) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (3) an estate, the income of which is subject to United States federal income taxation regardless of its source, or (4) a trust, the administration of which is subject to the primary supervision of a court within the United States and which has one or more United States persons with authority to control all substantial decisions, or a trust that was in existence on August 20, 1996 and has elected to continue to be treated as a United States trust. If a partnership (or an entity taxable as a partnership) holds the notes, the United States federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership.

Original Issue Discount. Any note issued at an issue price less than its principal amount will have "original issue discount," a portion of which will accrue as taxable income to the Owner in each taxable year in addition to taxation of regular stated interest, regardless of whether the Owner uses the cash or accrual method of accounting and regardless of the fact that the Owner receives no actual payment of the original issue discount until the maturity of the note. Taxation of original issue discount in this manner is subject to a de minimis exception based on the amount of the original issue discount in relation to the maturity of the note. Owners should consult their tax advisors regarding the accrual of original issue discount or amortization of any original issue premium and the effect of accruals or amortization on their tax basis for their notes.

Tax-Exempt Organizations. Income or gain from notes held by a tax-exempt organization will be subject to the tax on unrelated business taxable income if the notes are "debt-financed property" of the organization under Section 514(b) of the Code.

Sale, Exchange, Redemption or Retirement of the Notes. In general, upon the sale, exchange, redemption or retirement of a note, a United States Owner will recognize capital gain or loss equal to the difference between the amount realized on such sale, exchange, redemption or retirement (not including any amount attributable to accrued but unpaid interest that the United States Owner has not already included in gross income) and such United States Owner's adjusted tax basis in the note. Any amount attributable to accrued but unpaid interest that the Owner has not already included in gross income will be treated as a payment of interest. A United States Owner's adjusted tax

basis in a note generally will equal the cost of the note to such United States Owner, reduced by any principal payments received by such United States Owner and increased by any accrued but unpaid interest the United States Owner has included in taxable income.

Backup Withholding. Owners will be subject to “backup withholding” of Federal income tax in the event they fail to furnish a taxpayer identification number to the Paying Agent or there are other, related compliance failures.

Market Discount. A holder who acquires a note in a secondary market transaction at a price below the principal amount may be subject to Federal income tax rules providing that accrued market discount will be subject to taxation as ordinary income on the sale or other disposition of a “market discount bond.” Dispositions subject to this rule include a redemption or retirement of a note. The market discount rules may also limit a holder’s deduction for interest expense for debt that is incurred or continued to purchase or carry a note. A market discount bond is defined generally as a debt obligation purchased subsequent to issuance, at a price that is less than the principal amount of the obligation, subject to a de minimis rule. The Code allows a taxpayer to compute the accrual of market discount by using a ratable accrual method or a constant interest rate method. Also, a taxpayer may elect to include the accrued discount in gross income each year while holding the bond, as an alternative to including the total accrued discount in gross income at the time of a disposition.

Tax Consequences to Foreign Owners

Payments of interest on a note to an Owner that is not a United States Owner (a “Foreign Owner”) are not subject to United States federal income tax or withholding tax, provided that:

- the Foreign Owner is not actually or constructively a “10-percent shareholder” under Section 871(h) or 881(c)(3)(B) of the Code;
- the Foreign Owner is not, for United States federal income tax purposes, a controlled foreign corporation with respect to which the Corporation is a “related person” within the meaning of Section 881(c)(3)(C) of the Code;
- the Foreign Owner is not a bank receiving interest described in Section 881(c)(3)(A) of the Code;
- the certification requirements under Section 871(h) or 881(c) of the Code and regulations (summarized below) are met; and
- the note interest is not effectively connected with the conduct by the Foreign Owner of a trade or business in the United States under Section 871(b) or Section 882 of the Code.

In order to obtain the exemption from income and withholding tax, either (1) the Foreign Owner must provide its name and address, and certify, under penalties of perjury on Internal Revenue Service Form W-8BEN, W-8IMY or W-8EXP, as applicable, to the Corporation or its paying agent, as the case may be, that such Owner is a Foreign Owner or (2) a securities clearing organization, bank or other financial institution that holds customers’ securities in the ordinary course of its trade or business (“Financial Institution”) and holds a note on behalf of the Foreign Owner must certify, under penalties of perjury, to the Corporation or its paying agent that such certificate has been received from the Owner by it or by any intermediary Financial Institution and must furnish the Corporation or its paying agent with a copy of the certificate. A certificate is effective only with respect to payments of interest made to the certifying Foreign Owner after issuance of the certificate in the calendar year of its issuance and the two immediately succeeding calendar years. A Foreign Owner who does not satisfy the exemption requirements is generally subject to United States withholding tax on payments of interest or accrual of original issue discount.

Interest on a note that is effectively connected with the conduct of a United States trade or business by the Foreign Owner is generally subject to United States federal income tax in the same manner as with a United States Owner, except to the extent otherwise provided under an applicable tax treaty. Effectively connected interest

income received by a corporate Foreign Owner may also, under certain circumstances, be subject to an additional branch profits tax. Effectively connected interest income will not be subject to withholding tax if the Foreign Owner delivers a properly completed Internal Revenue Service Form W-8ECI to the Corporation or its paying agent.

Sale, Exchange, Redemption or Retirement of the Notes. In general, a Foreign Owner of a note will not be subject to United States federal income or withholding tax on the receipt of payments of principal on a note and will not be subject to United States federal income tax on any gain recognized on the sale, exchange, redemption, retirement or other taxable disposition of such note unless:

- the Foreign Owner is a nonresident alien individual who is present in the United States for 183 or more days in the taxable year of disposition and certain other conditions are met under Section 871(a)(2) of the Code;
- the Foreign Owner is required to pay tax pursuant to the provisions of United States tax law applicable to certain United States expatriates; or
- the gain is effectively connected with the conduct of a United States trade or business by the Foreign Owner (or pursuant to an applicable tax treaty is attributable to a United States permanent establishment of the Foreign Owner).

Other Matters. Special rules not discussed in this summary may apply to certain Foreign Owners that are classified for federal income tax purposes as a “controlled foreign corporation,” “passive foreign investment company,” “expatriate,” “foreign personal holding company,” or a corporation that accumulates earnings to avoid United States federal income tax.

State of Alaska Taxation

In the opinion of Ballard Spahr LLP, note counsel, under currently existing law, interest on the notes is exempt from taxation by the State of Alaska except for inheritance and estate taxes and taxes on transfers by or in contemplation of death.

A complete copy of the proposed form of opinion of note counsel is set forth in APPENDIX E hereto.

ERISA CONSIDERATIONS

The notes may be purchased by an “employee benefit plan” (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) subject to Title I of ERISA, a “plan” covered by Section 4975 of the Code or an entity deemed to hold assets of either of the foregoing (each, a “Plan”) subject to certain limitations. Before acquiring any note, a fiduciary of a Plan must determine that the acquisition of such note is consistent with its fiduciary duties under ERISA and the terms of the applicable Plan documents and will not result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (a “Prohibited Transaction”). Additionally, employee benefit plans which are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the Code, but may be subject to similar restrictions under state, local or other laws (“Similar Law”) and may be subject to Section 503 of the Code. Before acquiring any note, a fiduciary or other person authorizing the purchase of a note by any such governmental or church plan must determine that the acquisition of such note is consistent with all applicable law, including Similar Law.

By virtue of activities unrelated to the issuance and purchase of the notes, under certain circumstances, the Corporation, the Underwriter and its affiliates may be considered to be, with respect to a Plan, “parties in interest,” within the meaning of Section 3(14) of ERISA, or “disqualified persons,” within the meaning of Section 4975(e)(2) of the Code (collectively, “Parties in Interest”). Thus, an acquisition of notes by such a Plan may constitute a Prohibited Transaction. Additionally, under regulations of the Department of Labor (the “DOL”), set forth in 29 C.F.R. 2510.3 101, as modified by Section 3(42) of ERISA (the “Plan Asset Regulations”), if the notes are treated as having substantial equity features, a Plan’s purchasing of a note could be treated as having acquired a direct interest

in the Trust Estate securing the notes, which could give rise to one or more Prohibited Transactions involving persons other than the Corporation, the Underwriter and its affiliates who may be considered Parties in Interest with respect to the Plan. It appears that all notes will be treated as debt obligations without substantial equity features for purposes of the Plan Asset Regulations. Accordingly, a Plan that acquires a note should not be treated as having acquired a direct interest in the assets of the Trust Estate. However, there can be no complete assurance that the notes will be treated as debt obligations without substantial equity features for purposes of the Plan Asset Regulations. Therefore, a Plan fiduciary should consult its counsel prior to making such purchase.

Regardless of whether the notes are treated as debt or equity for purposes of the Plan Asset Regulations, the DOL has issued a number of administrative exemptions that may exempt a Plan's purchase, holding and disposition of the notes or an interest in the notes where it might otherwise be a Prohibited Transaction. If a purchase of notes would constitute a Prohibited Transaction, a Plan may not purchase such notes unless one of the following Prohibited Transaction class exemptions, as each may be amended (each a "PTCE") applies and the conditions thereof are satisfied: PTCE 96 23 (relating to transactions effectuated at the sole discretion of an "in house asset manager" (an "INHAM")); PTCE 95-60 (relating to transactions effectuated on behalf of an insurance company general account); PTCE 91-38 (relating to transactions involving bank collective investment funds); PTCE 90 1 (relating to transactions involving insurance company pooled separate accounts); or PTCE 84 14 (relating to transactions effectuated at the sole discretion of a "qualified professional asset manager" (a "QPAM")); or there is some other basis on which the purchase, holding and disposition of the Notes is not prohibited, such as the exemption under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code, commonly referred to as the "Service Provider Exemption," for certain transactions with non-fiduciary service providers for transactions that are for adequate consideration. The availability of each of these PTCEs is subject to a number of important conditions which the Plan's fiduciary must consider in determining whether such exemptions apply. These administrative exemptions will not apply if the QPAM, INHAM, insurance company or bank directing the investment is the Corporation, the Underwriter or any of its affiliates. Therefore, a Plan fiduciary considering an investment in the notes should consult with its counsel prior to making such purchase.

EACH INVESTOR IN THE NOTES (OR AN INTEREST THEREIN) WILL BE DEEMED TO HAVE REPRESENTED THAT EITHER (A) IT IS NOT (AND IS NOT USING THE ASSETS OF) A PLAN OR IT IS NOT A GOVERNMENTAL OR CHURCH PLAN THAT IS SUBJECT TO A SIMILAR LAW; OR (B) ITS PURCHASE, HOLDING AND DISPOSITION OF A NOTE (OR AN INTEREST THEREIN) WILL NOT RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF CODE OR A VIOLATION OF SIMILAR LAW.

ADDITIONAL INFORMATION; REPORTS TO NOTEHOLDERS

Monthly financial information concerning the Corporation and the notes will be made available by the Corporation. These monthly reports will contain information concerning the financed student loans and certain activities of the Corporation during the period since the previous report. These reports may be found at http://acpe.alaska.gov/Home/Investor/Investor_Relations.aspx. The website is not incorporated into and shall not be deemed to be a part of this Offering Memorandum.

UNDERWRITING

Subject to the terms and conditions set forth in a Note Purchase Agreement between the Corporation and RBC Capital Markets, LLC (the "Underwriter"), the Underwriter has agreed to purchase the notes at a price equal to the principal amount of the notes. The Underwriter will be paid a fee of \$ _____ from proceeds of the notes. After the initial offering, the prices of the notes may change.

Until the initial distribution of notes is completed, the rules of the SEC may limit the ability of the Underwriter to bid for and purchase the notes. As an exception to these rules, the Underwriter is permitted to engage in transactions that stabilize the price of the notes. These transactions consist of bids of purchase for the purpose of pegging, fixing or maintaining the price of the notes. Purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of those purchases. Neither the Corporation nor the Underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the notes.

In addition, neither the Corporation nor the Underwriter makes any representation that the Underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The Underwriter has advised the Corporation that they propose initially to offer the notes to the public at the prices listed on the cover, and to certain other dealers at this price less a concession not in excess of 0.250%. The Underwriter and those dealers may reallow to other dealers a concession not in excess of 0.125%. After the initial public offering, these prices and concessions may be changed.

In the ordinary course of their respective businesses, the Underwriter and its affiliates have engaged and may in the future engage in investment banking or commercial banking transactions with the Corporation.

During and after the offering, the Underwriter may engage in transactions, including open market purchases and sales, to stabilize the prices of the notes. The Underwriter, for example, may over-allot the notes for the account of the underwriting syndicate to create a syndicate short position by accepting orders for more notes than are to be sold.

In general, over allotment transactions and open market purchases of the notes for the purpose of stabilization or to reduce a short position could cause the price of a note to be higher than it might be in the absence of those transactions.

The Underwriter or its affiliates may retain a material percentage of the notes for their own accounts. The retained notes may be resold by such Underwriter or such affiliates at any time in one or more negotiated transactions at varying prices to be determined at the time of sale.

FINANCIAL ADVISOR

First Southwest Company is serving as financial advisor to the Corporation in connection with the issuance of the notes.

LEGAL PROCEEDINGS

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the notes are subject to the approving opinion of Ballard Spahr LLP, note counsel, which opinion will be in substantially the form set forth in APPENDIX E hereto. Copies of such opinion will be available at the time of delivery of the notes. Certain legal matters will be passed upon for the Corporation by its counsel, the Attorney General of the State of Alaska, and for the Underwriter by its counsel, Kutak Rock LLP.

PLEDGE AND AGREEMENT OF THE STATE

In the Authorizing Act, the State pledges to, and agrees with, registered owners of notes issued by the Corporation that the State will not limit or alter the rights and powers vested in the Corporation under Alaska Statutes, Sections 14.42.100 through 14.42.990, to fulfill the terms of a contract made by the Corporation with the noteholders or in any way impair the rights and remedies of the noteholders until the notes, together with the interest on them with interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the noteholders, are fully met and discharged. In accordance with the Authorizing Act, the Corporation has included this pledge and agreement of the State in the Indenture.

RATINGS

The notes are expected to be assigned the ratings of “AAAsf” (outlook negative) by Fitch and “AA+(sf)” by S&P.

On August 5, 2011, S&P lowered the long-term sovereign debt rating of the United States to “AA+” from “AAA,” citing its concern with the fiscal, economic, and political challenges the government of the United States is facing. The S&P expected rating is a result of this action. The notes will be secured by the trust estate including the financed student loans, which consist of a pool of student loans originated under the FFEL Program. As such, the financed student loans are eligible to receive certain federal benefits, such as special allowance payments and interest subsidies, and the guarantee agencies for the financed student loans receive reinsurance benefits to certain levels for guarantee payments that they make, and other federal benefits.

On August 16, 2011, Fitch affirmed the long-term sovereign debt rating of the United States at “AAA,” with a stable outlook. In December 2011, Fitch revised its stable outlook to a negative outlook. While the assignment of an “AAA” rating from Fitch is required for the issuance of the notes, there is no assurance that Fitch will not subsequently lower the rating on the notes or place the notes on negative credit watch.

A securities rating addresses the likelihood of the receipt by owners of the notes of payments of principal and interest with respect to their notes from assets in the trust estate created under the Indenture. The rating takes into consideration the characteristics of the financed student loans, and the structural, legal and tax aspects associated with the rated notes.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Neither the Corporation nor the Underwriter has undertaken any responsibility either to bring to the attention of the holders of the affected notes any proposed change in or withdrawal of such ratings or to oppose any such proposed revision. Any such change in or withdrawal of the ratings could have an adverse effect on the market price of the affected notes. See the caption “CONTINUING DISCLOSURE” herein.

CONTINUING DISCLOSURE

In connection with the issuance of the notes, the Corporation will deliver a Continuing Disclosure Agreement in the form as set forth in APPENDIX F hereto, wherein the Corporation will agree for the benefit of the owners of the notes to provide certain annual financial information and operating data and to provide notices of occurrence of certain enumerated events relating to the notes, if material. The Continuing Disclosure Agreement is being executed by the Corporation to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”). The Corporation has complied with the Rule in all material respects with regard to its previous undertakings.

OTHER MATTERS

The information set forth herein has been obtained from Corporation records and other sources which are considered reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Offering Memorandum are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information. Reference is made to official documents in all respects. Any statement in this Offering Memorandum involving any matter of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact. No representation is made that any such opinion will actually be borne out. This Offering Memorandum is not to be construed as a contract or agreement between the Corporation or the Underwriter and the purchasers or Registered Owners of any of the notes. Prospective purchasers of the notes are also cautioned that the accuracy of any statistical, demographic or economic projection or analysis contained herein is not guaranteed and therefore investors are urged to consult their own advisors concerning such projections or analysis.

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

This Offering Memorandum is approved and was deemed to be final (except for permitted omissions) for the purposes of complying with rule 15c2-12 of the Securities and Exchange Commission, and the execution and delivery of this Offering Memorandum authorized, by resolution of the Corporation.

ALASKA STUDENT LOAN CORPORATION

By

Executive Officer

GLOSSARY OF TERMS

Some of the terms used in this Offering Memorandum are defined below. The Indenture contains the definition of other terms used in this Offering Memorandum and reference is made to the Indenture for those definitions.

“Accepted Servicing Procedures” shall mean with respect to any financed student loan, servicing procedures (including collection procedures) that comply with applicable federal (including but not limited to the Higher Education Act), state and local law and that are in accordance with standards set by the Secretary and the accepted student loan servicing practices of prudent lending institutions that service student loans of the same type in the United States.

“Administration Fee” shall mean the monthly fee for administering the duties of the Corporation under the Indenture. Such fee, for each calendar month, shall be equal to the aggregate outstanding principal balance of the financed student loans as of the close of business on the last day of the calendar month, multiplied by 1/12 of 0.10%. Such fee may be increased with a Rating Agency Condition, and the Corporation shall provide prior written notice to S&P at least 45 days prior to any such additional increase in Administration Fee.

“Book-Entry Form” or “Book-Entry System” shall mean a form or system under which (a) the beneficial right to principal and interest may be transferred only through a book entry; (b) physical securities in registered form are issued only to a securities depository or its nominee as registered owner, with the securities “immobilized” to the custody of the securities depository; and (c) the book entry is the record that identifies the owners of beneficial interests in that principal and interest.

“Cash Flow Certificate” shall mean a certificate of an authorized representative of the Corporation establishing that for the current year and each subsequent year until all notes are no longer Outstanding, earnings and other amounts received with respect to the trust estate in each such year are anticipated to be fully sufficient to pay when due principal of and interest on all notes Outstanding, as well as Department SAP Rebate Interest Amounts, Monthly Consolidation Rebate Fees, Administration Fees, Servicing Fees, Trustee Fees, Program Fees, and any servicing conversion fees for each such year, which certificate may rely upon data and computations made on behalf of the Corporation.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“Collection Period” shall mean, with respect to the first monthly distribution date, the period beginning on the Date of Issuance and ending on April 30, 2013, and with respect to each subsequent monthly distribution date, the Collection Period shall mean the calendar month immediately preceding each monthly distribution date.

“Commission” shall mean the Alaska Commission on Postsecondary Education.

“Corporation” shall mean the Alaska Student Loan Corporation.

“Eligible Lender” shall mean the Corporation and all other entities which are “eligible lenders,” as defined in the Higher Education Act (including, but not limited to, “eligible lender trustees”) which have received an eligible lender number or other designation from the Secretary with respect to student loans made under the Higher Education Act.

“Event of Bankruptcy” shall mean (a) the Corporation or a Servicer, as applicable, 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 or a Servicer, as applicable, 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 60 days.

“Extraordinary Services” means and includes, but not by way of limitation, services, actions and things carried out and all expenses incurred by the Trustee, in respect of or to prevent default under the Indenture including any reasonable attorneys’ or agents’ fees and expenses and other litigation costs that are entitled to reimbursement and other actions taken and carried out by the Trustee which are not expressly set forth in the Indenture.

“Extraordinary Trustee Fees and Expenses” means all those fees, expenses (including reasonable attorneys’ fees and expenses) or indemnity amounts payable to, earned or incurred by the Trustee as described in the Indenture for Extraordinary Services as set forth in a detailed invoice to the Corporation. The Extraordinary Trustee Fees and Expenses shall not be designated as Program Fees.

“FFELP loan” shall mean any loan made to finance post-secondary education that is made under the Higher Education Act.

“Financed” or “Financing” when used with respect to FFELP loans, shall mean or refer to FFELP loans (a) 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, including, without limitation, the student loans referenced under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Student Loan Fund; Deposit of Student Loans” herein; and (b) FFELP loans substituted or exchanged for financed student loans, but does not include FFELP loans released from the lien of the Indenture and sold or transferred, to the extent permitted by the Indenture.

“Fitch” shall mean Fitch, Inc., Fitch Ratings Ltd., its subsidiaries and its successors and assigns.

“Guarantee” or “Guaranteed” shall mean, with respect to a student loan, the insurance or guarantee by a guaranty agency pursuant to such guaranty agency’s guarantee agreement of the maximum percentage of the principal of and accrued interest on such FFELP loan allowed by the terms of the Higher Education Act with respect to such FFELP loan at the time it was originated and the coverage of such FFELP loan by the federal reimbursement contracts, providing, among other things, for reimbursement to a guaranty agency for payments made by it on defaulted FFELP loan insured or guaranteed by a guaranty agency of at least the minimum reimbursement allowed by the Higher Education Act with respect to a particular student loan.

“Guarantee Agreements” shall mean a guarantee or lender agreement with any Guaranty Agency, and any amendments thereto.

“Guaranty Agency” shall mean the Northwest Education Loan Association and its successors and any entity authorized to guarantee student loans under the Higher Education Act and with which the Corporation maintains a Guarantee Agreement.

“Higher Education Act” shall mean the Higher Education Act of 1965, as amended or supplemented from time to time, or any successor federal act and all regulations, directives, bulletins, and guidelines promulgated from time to time thereunder.

“Indenture” shall mean the indenture of trust between the Corporation and the Trustee, including all supplements and amendments thereto.

“Interest Benefit Payment” shall mean an interest payment on FFELP loans received pursuant to the Higher Education Act and an agreement with the federal government, or any similar payments.

“Investment Securities” shall mean:

(a) direct obligations of, and obligations fully guaranteed as to timely payment by, the United States of America and having maturities of not more than 365 days;

(b) senior bonds, debentures, notes, discount notes, short-term obligations or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation; the Export-Import Bank of the United States; the Federal National Mortgage Association; Federal Home Loan Banks; or any agency or instrumentality of the United States of America which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefore; provided such obligation, or the issuer or guarantor of such obligation, is rated “AA+” by S&P and “AAA” by Fitch (if rated by Fitch) and, if applicable and/or available, rated “A-1+” by S&P and “F1+” by Fitch and having maturities of not more than 365 days;

(c) demand deposits, time deposits or certificates of deposit of any depository institution or trust company incorporated under the laws of the United States of America or any State (or any domestic branch of a foreign bank) having maturities of not more than 365 days and subject to supervision and examination by federal or state banking or depository institution authorities (including depository receipts issued by any such institution or trust company as custodian with respect to any obligation referred to in clause (a) above or portion of such obligation for the benefit of the holders of such depository receipts); provided, however, that at the time of the investment or contractual commitment to invest therein (which shall be deemed to be made again each time funds are reinvested following each monthly distribution date), the commercial paper or other short-term senior unsecured debt obligations (other than such obligations the rating of which is based on the credit of a Person other than such depository institution or trust company) thereof shall have a rating of “A-1+” from S&P and “F1+” from Fitch (if rated by Fitch); or deposits that are fully insured by the Federal Deposit Insurance Corporation;

(d) domestic commercial paper having, at the time of the investment or contractual commitment to invest therein, a rating of “A-1+” from S&P and “F1+” from Fitch (if rated by Fitch) which matures not more than 365 days after the date of purchase;

(e) investments in money market funds having a rating of “AAAm” or “AAAm-G” from S&P and a rating of “AAAmf” from Fitch, if rated by Fitch, and each of the other Rating Agencies rating such fund, in the highest investment category granted by such Rating Agency applicable to money market funds (including funds for which the Trustee, the Servicer or the Corporation or any of their respective Affiliates is investment manager or advisor) and having maturities of not more than 365 days;

(f) bankers’ acceptances issued by any depository institution or trust company referred to in clause (c) above and having maturities of not more than 365 days;

(g) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States of America, in either case entered into with a depository institution or trust company (acting as principal) described in clause (b) above, which repurchase obligations shall be replaced within 60 days if the rating thereon falls below a rating of “A” from S&P; and

(h) any other guaranteed investment contract, repurchase agreement or investment agreement or any other investment made in connection with the original issuance of notes. The Corporation shall provide prior written notice to Fitch (if rated by Fitch) and S&P at least 45 days prior to the execution of such other contract.

No obligation having an “r” highlighter affixed to its rating at the time of investment shall be considered an Investment Security. Investment Securities shall not include interest-only securities. Each Investment Security may be purchased by the Trustee or through an Affiliate of the Trustee.

“Joint Sharing Agreement” shall mean the Joint Sharing Agreement dated as of September 1, 2012, as may be supplemented and amended, or any successor agreement thereto between the Corporation and the Trustee and other trustees to properly pay to or from the correct trust estate or indenture amounts which should be reallocated to reflect payments (or liabilities) on the student loans securing each such trust estate or indenture.

“Noteholder” shall mean the registered owner of a note.

“Parity Ratio” shall mean, on any monthly distribution date, (a) the Pool Balance (including all accrued interest on the financed student loans) and all other amounts held on deposit in the Funds and Accounts under the Indenture, as determined at the end of each Collection Period; divided by (b) the sum of the Outstanding Amount of the notes, including accrued interest, plus accrued but unpaid Administration Fees, Program Fees, Servicing Fees, Monthly Consolidation Rebate Fees and Department SAP Rebate Interest Amount, as determined at the end of each Collection Period. The Parity Ratio shall be calculated by the Corporation and certified to the Trustee upon which the Trustee may conclusively rely with no duty to further examine or determine such information.

“Participant” shall mean a member of, or participant in, the depository.

“Pool Balance” shall mean the aggregate principal balance of the financed student loans on such date (including accrued interest thereon to the extent such interest is expected to be capitalized), after giving effect to the following, without duplication: (a) all payments received by the Corporation through such date from or on behalf of obligors on such financed student loans; (b) all Purchase Amounts on financed student loans received by the Corporation through such date from a Servicer or otherwise deposited by the Corporation; (c) all Liquidation Proceeds and Realized Losses on financed student loans liquidated through such date; (d) the aggregate amount of adjustments to balances of financed student loans permitted to be effected by the Servicer under its related Servicing Agreement, if any, recorded through such date; and (e) the aggregate amount by which reimbursements by Guarantee Agencies of the unpaid principal balance of defaulted financed student loans through such date are reduced from 100% to 97%, or other applicable percentage as required by the risk sharing provisions of the Higher Education Act. The Pool Balance shall be calculated by the Corporation at the end of the Collection Period as part of the monthly distribution date Certificate, upon which the Trustee may conclusively rely with no duty to further examine or determine such information.

“Program” shall mean the Corporation’s program with respect to FFELP loans pursuant to the Indenture, as the same may be modified from time to time.

“Program Fees” shall mean any fees and expenses up to \$50,000 per annum (i) due to the Rating Agencies, (ii) due in connection with any financial or compliance audit of the Program or the Corporation, (iii) due to the Backup Servicer (while the Backup Servicer is acting in the backup servicing capacity), and (iv) any other fees related to the Program (not including Trustee Fees, Administration Fees and Servicing Fees). The Program Fees may only be additionally increased if the Trustee shall first receive a Rating Agency Condition and a Cash Flow Certificate. The Corporation shall also provide 45-day written notice to S&P of any such additional increase in Program Fees. If the actual Program Fees paid in any one year are less than \$50,000, the unpaid portion for that year is available and can be used, in addition to the \$50,000, per annum allocated pursuant to the first sentence of this definition, to pay Program Fees in any subsequent year until used in full.

“Rating Agency” shall mean Fitch and S&P or any other rating agency requested by the Corporation to maintain a rating on any of the notes.

“Rating Agency Condition” shall mean, as of any date, a letter addressed to the Trustee or the Corporation, or public notice from each Rating Agency other than S&P confirming that the action proposed to be taken by the Corporation as described in such letter or notice will not, in and of itself, result in a downgrade of such Rating Agency’s rating on any notes outstanding or cause such Rating Agency to suspend or withdraw its rating on any notes outstanding.

“Registered Owner” shall mean the person in whose name a note is registered in the note registration books of the Trustee, and which initially shall be Cede & Co., as nominee of The Depository Trust Company.

“S&P” shall mean Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services, LLC business, its successors and assigns.

“Secretary” shall mean the Secretary of the Department of Education or any successor to the pertinent functions thereof under the Higher Education Act.

“Servicer” shall mean the Commission and any other additional Servicer or successor Servicer with which the Corporation has entered into a servicing agreement with respect to financed student loans and for which the Corporation has obtained a Rating Agency Condition. The Corporation shall provide prior written notice to S&P at least 45 days prior to a change in a Servicer.

“Servicer Compliance Report” shall mean (a) any report generated by the U.S. Department of Education Office of the Inspector General, specifically relating to a Servicer; and (b) a third-party review of a Servicer conducted under the provisions of the Statement on Auditing Standards No. 70, “Reports on the Processing of Transactions by Service Organizations” or an A-133 Higher Education Act annual compliance audit, as applicable, in either case, performed annually by a firm of independent public accountants.

“Servicer Transfer Trigger” shall mean one of the following events:

(a) the Servicer determines that it will no longer service any financed student loans and provides written notice to the Backup Servicer as required under the Backup Servicing Agreement and prompt written notice to the Trustee of the transfer of servicing pursuant to the Backup Servicing Agreement;

(b) a material weakness regarding the Servicer has been identified in any Servicer Compliance Report related to the Servicer and such material weakness shall not have been cured within a period of 90 days after the Servicer’s receipt of such report identifying such material weakness and the noteholders of a majority of the Outstanding principal amount of the notes has directed the Trustee in writing to proceed with a transfer of servicing pursuant to the Backup Servicing Agreement;

(c) the Servicer is in a material violation of its duties as a Servicer under the Indenture, the Servicing Agreement or under the Higher Education Act and such material violation shall not have been cured within a period of 90 days after the Servicer becomes aware of such material violation, and the noteholders of a majority of the Outstanding principal amount of the notes has directed the Trustee in writing to proceed with a transfer of servicing pursuant to the Backup Servicing Agreement; or

(d) an Event of Bankruptcy of the Servicer.

“Servicing Fee” shall mean the monthly fee due to any Servicer (other than the Backup Servicer while acting in the backup servicing capacity) for servicing the financed student loans. Such Servicing Fee, for each calendar month, shall be equal to the aggregate outstanding principal balance of the financed student loans as of the close of business on the last day of that calendar month, multiplied by 1/12 of 0.65%; subject to a minimum of \$2.50 per borrower each month. Such Servicing Fee may also be increased with a Rating Agency Condition, and the Corporation shall provide prior written notice to S&P at least 45 days prior to any such additional increase in such Servicing Fee.

“Special Allowance Payments” shall mean the special allowance payments authorized to be made by the Secretary by Section 438 of the Higher Education Act, or similar allowances, if any, authorized from time to time by federal law or regulation.

“Specified Reserve Fund Balance” shall mean the greater of (a) 0.25% of the Outstanding Amount of notes as of the close of business on the last day of the related Collection Period; and (b) 0.15% of the original principal amount of the notes, provided that in no event will such balance exceed the sum of the Outstanding Amount of the notes and provided further that such Specified Reserve Fund Balance may be reduced upon receipt of a Rating Agency Condition. The Specified Reserve Fund Balance shall be calculated by the Corporation and certified to the

Trustee at the time of any change therein, upon which certification the Trustee may conclusively rely with no duty to further examine or determine such information. The Corporation shall provide prior written notice to S&P at least 45 days prior to any reduction in the Specified Reserve Fund Balance. The Specified Reserve Fund Balance shall constitute a Capital Reserve Fund Requirement under Section 14.42.240 of the Alaska Statutes.

“Supplemental Indenture” shall mean an agreement supplemental to the Indenture executed pursuant to the Indenture.

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APPENDIX A

DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

Beginning on July 1, 2010, FFELP Loans made pursuant to the Higher Education Act may no longer be originated, and all new federal student loans will be originated solely under the Federal Direct Student Loan Program (the "Direct Loan Program"). However, FFELP Loans originated under the Higher Education Act prior to July 1, 2010 which have been acquired by the Corporation continue to be subject to the provisions of the FFEL Program. The following description of the FFEL Program has been provided solely to explain certain of the provisions of the FFEL Program applicable to FFELP Loans made on or after July 1, 1998 and prior to July 1, 2010. Notwithstanding anything herein to the contrary, after June 30, 2010, no new FFELP Loans (including Consolidation Loans) may be made or insured under the FFEL Program, and no funds are authorized to be appropriated, or may be expended, under the Higher Education Act to make or insure loans under the FFEL Program (including Consolidation Loans) for which the first disbursement is after June 30, 2010, except as expressly authorized by an act of Congress.

The following summary of the FFEL Program, as established by the Higher Education Act, does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the text of the Higher Education Act and the regulations thereunder.

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

The Higher Education Act has been subject to frequent amendments and federal budgetary legislation, the most significant of which has been the passage of H.R. 4872 (the "Health Care & Education Affordability Reconciliation Act of 2010" or "HCEARA") which terminated originations of FFELP Loans under the FFEL Program after June 30, 2010 such that all new federal student loans originated on and after July 1, 2010 are originated under the Direct Loan Program.

Federal Family Education Loans

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

Generally, a FFELP Loan was made only to a United States citizen or permanent resident or otherwise eligible individual under federal regulations who (a) had been accepted for enrollment or was enrolled and was maintaining satisfactory progress at an eligible institution; (b) was carrying at least one-half of the normal full-time academic workload for the course of study the student was pursuing, as determined by such institution; (c) agreed to notify promptly the holder of the loan of any address change; (d) was not in default on any federal education loans; (e) met the applicable "need" requirements; and (f) had not committed a crime involving fraud or obtaining funds under the Higher Education Act which funds had not been fully repaid. Eligible institutions included higher educational institutions and vocational schools that complied with certain federal regulations. With certain exceptions, an institution with a cohort default rate that was equal to or greater than 25% for each of the three most recent fiscal years for which data was available was not an eligible institution under the Higher Education Act.

Subsidized Stafford Loans

The Higher Education Act provides for federal (a) insurance or reinsurance of eligible Subsidized Stafford Loans, (b) interest benefit payments for borrowers remitted to eligible lenders with respect to certain eligible Subsidized Stafford Loans, and (c) special allowance payments representing an additional subsidy paid by the Secretary to such holders of eligible Subsidized Stafford Loans.

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

Subject to these limits, Subsidized Stafford Loans were available to borrowers in amounts not exceeding their unmet need for financing as provided in the Higher Education Act.

Unsubsidized Stafford Loans

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

PLUS Loan Program

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

The Consolidation Loan Program

The Higher Education Act authorized a program under which certain borrowers were permitted to consolidate their various student loans into a single loan insured and reinsured on a basis similar to Subsidized Stafford Loans. The authority to make such Consolidation Loans expired on June 30, 2010. Consolidation Loans were made in an amount sufficient to pay outstanding principal, unpaid interest and late charges on certain federally insured or reinsured student loans incurred under and pursuant to the Federal Family Education Loan Program (other than Parent PLUS Loans) selected by the borrower, as well as loans made pursuant to the Perkins Loan Program, the Health Professions Student Loan Programs and the Direct Loan Program. Consolidation Loans made pursuant to the Direct Loan Program must conform to the eligibility requirements for Consolidation Loans under the Federal Family Education Loan Program. The borrowers could have been either in repayment status or in a grace period preceding repayment, but the borrower could not still be in school. Delinquent or defaulted borrowers were eligible to obtain Consolidation Loans if they agreed to re-enter repayment through loan consolidation. Borrowers were permitted to add additional loans to a Consolidation Loan during the 180-day period following origination of the Consolidation Loan. Further, a married couple who agreed to be jointly and severally liable was treated as one borrower for

purposes of loan consolidation eligibility. A Consolidation Loan was federally insured or reinsured only if such loan was made in compliance with the requirements of the Higher Education Act.

The Higher Education Act authorizes the Secretary to offer the borrower a Direct Consolidation Loan with repayment provisions authorized under the Higher Education Act and terms consistent with a Consolidation Loan made pursuant to the FFEL Program. In addition, the Secretary may offer the borrower of a Consolidation Loan a Direct Consolidation Loan for one of three purposes: (a) providing the borrower with an income contingent repayment plan (or income-based repayment plan as of July 1, 2009) if the borrower's delinquent loan has been submitted to a Guaranty Agency for default aversion (or, as of July 1, 2009, if the loan is already in default); (b) allowing the borrower to participate in a public service loan forgiveness program offered under the Direct Loan Program; or (c) allowing the borrower to use the no accrual of interest for active duty service members benefit offered under the Direct Loan Program for not more than 60 months for loans first disbursed on or after October 1, 2008. In order to participate in the public service loan forgiveness program, the borrower must not have defaulted on the Direct Loan; must have made 120 monthly payments on the Direct Loan after October 1, 2007 under certain income based repayment plans, a standard 10-year repayment plan for certain Direct Loans, or a certain income contingent repayment plan; and must be employed in a public service job at the time of forgiveness and during the period in which the borrower makes each of his 120 monthly payments. A public service job is defined broadly and includes working at an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended and restated (the "IRC"), which is exempt from taxation under Section 501(a) of the IRC. No borrower may, however, receive a reduction of loan obligations under both the public service loan forgiveness program offered under the Direct Loan Program and the following programs: (a) the loan forgiveness program for teachers offered under both the FFEL Program and the Direct Loan Program; (b) the loan forgiveness program for service in areas of national need offered under the FFEL Program; and (c) the loan repayment program for civil legal assistance attorneys offered under the FFEL Program.

Federal Direct Student Loan Program

The Student Loan Reform Act of 1993 established the Direct Loan Program. The first loans under the Direct Loan Program were made available for the 1994-1995 academic year. Under the Direct Loan Program, approved institutions of higher education, or alternative loan originators approved by the United States Department of Education (the "Department of Education"), make loans to students or parents without application to or funding from outside lenders or Guaranty Agencies. The Department of Education provides the funds for such loans, and the program provides for a variety of flexible repayment plans, including extended, graduated and income contingent repayment plans, forbearance of payments during periods of national service and consolidation under the Direct Loan Program of existing student loans. Such consolidation permits borrowers to prepay existing student loans and consolidate them into a Federal Direct Consolidation Loan under the Direct Loan Program. The Direct Loan Program also provides certain programs under which principal may be forgiven or interest rates may be reduced. Direct Loan Program repayment plans, other than income contingent plans, must be consistent with the requirements under the Higher Education Act for repayment plans under the FFEL Program. Due to the enactment of HCEARA, FFELP Loans made pursuant to the Higher Education Act are no longer originated, and as of July 1, 2010 new federal student loans are originated solely under the Direct Loan Program.

Interest Rates

Subsidized and Unsubsidized Stafford Loans. Subsidized and Unsubsidized Stafford Loans made on or after October 1, 1998 but before July 1, 2006 which are in in-school, grace and deferment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 1.70%, with a maximum rate of 8.25%. Subsidized Stafford Loans and Unsubsidized Stafford Loans made on or after October 1, 1998 but before July 1, 2006 in all other payment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 2.30%, with a maximum rate of 8.25%. The rate is adjusted annually on July 1.

Subsidized Stafford Loans disbursed on or after July 1, 2006 and before July 1, 2010 bear interest at progressively lowered rates described below. Subsidized Stafford Loans made on or after July 1, 2006 but before July 1, 2008 bear interest at a rate equal to 6.80% per annum. Subsidized Stafford Loans made on or after July 1, 2008 but before July 1, 2009 bear interest at a rate equal to 6.00% per annum. Subsidized Stafford Loans made on or after July 1, 2009 but before July 1, 2010 bear interest at a rate equal to 5.60% per annum.

Unsubsidized Stafford Loans made on or after July 1, 2006 and before July 1, 2010 bear interest at a rate equal to 6.80% per annum.

PLUS Loans. PLUS Loans made on or after October 1, 1998 but before July 1, 2006 bear interest at a rate equivalent to the 91-day T-Bill rate plus 3.10%, with a maximum rate of 9.00%. The rate is adjusted annually on July 1. PLUS Loans made on or after July 1, 2006 and before July 1, 2010 bear interest at a rate equal to 8.50% per annum.

Consolidation Loans. Consolidation Loans for which the application was received by an eligible lender on or after October 1, 1998 and that was disbursed before July 1, 2010 bear interest at a fixed rate equal to the lesser of (a) the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest 1/8 of 1.00%; or (b) 8.25%.

Servicemembers Civil Relief Act—6.00% Interest Rate Limitation. As of August 14, 2008, FFELP Loans incurred by a servicemember, or by a servicemember and the servicemember's spouse jointly, before the servicemember enters military service may not bear interest at a rate in excess of 6.00% during the period of military service. It is not clear at this time, however, if this interest rate limitation applies to a servicemember's already existing student loans or only to new student loans incurred by the servicemember on or after August 14, 2008 but prior to the servicemember's military service.

Loan Disbursements

The Higher Education Act generally required that Stafford Loans and PLUS Loans made to cover multiple enrollment periods, such as a semester, trimester, or quarter, be disbursed by eligible lenders in at least two separate disbursements. The Higher Education Act also generally required that the first installment of such loans made to a student who was entering the first year of a program of undergraduate education and who had not previously obtained a FFEL Program loan (a "First FFEL Student") must have been presented by the institution to the student 30 days after the First FFEL Student begins a course of study. However, certain institutions whose cohort default rate was less than 10% prior to October 1, 2011 and less than 15% on or after October 1, 2011 for each of the three most recent fiscal years for which data was available were permitted to (a) disburse any such loan made in a single installment for any period of enrollment that was not more than a semester, trimester, quarter, or four months; and (b) deliver any such loan that was to be made to a First FFEL Student prior to the end of the 30-day period after the First FFEL Student began his or her course of study at the institution.

Loan Limits

A Stafford Loan borrower was permitted to receive a subsidized loan, an unsubsidized loan, or a combination of both for an academic period. Generally, the maximum amount of Stafford Loans, made prior to July 1, 2007, for an academic year was not permitted to exceed \$2,625 for the first year of undergraduate study, \$3,500 for the second year of undergraduate study and \$5,500 per year for the remainder of undergraduate study. The maximum amount of Stafford Loans, made on or after July 1, 2007, for an academic year was not permitted to exceed \$3,500 for the first year of undergraduate study and \$4,500 for the second year of undergraduate study. The aggregate limit for undergraduate study was \$23,000 (excluding PLUS Loans). Dependent undergraduate students were permitted to receive an additional unsubsidized Stafford Loan of up to \$2,000 per academic year, with an aggregate maximum of \$31,000. Independent undergraduate students were permitted to receive an additional Unsubsidized Stafford Loan of up to \$6,000 per academic year for the first two years and up to \$7,000 per academic year thereafter, with an aggregate maximum of \$57,500. The maximum amount of subsidized loans for an academic year for graduate students was \$8,500. Graduate students were permitted to borrow an additional Unsubsidized Stafford Loan of up to \$12,000 per academic year. The Secretary had discretion to raise these limits by regulation to accommodate highly specialized or exceptionally expensive courses of study.

The total amount of all PLUS Loans that (a) parents were permitted to borrow on behalf of each dependent student, or (b) graduate or professional students were permitted to borrow for any academic year was not permitted to exceed the student's estimated cost of attendance minus other financial assistance for that student as certified by the eligible institution which the student attends.

Repayment

General. Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student, but generally begins six months after the date a borrower ceases to pursue at least a half-time course of study (the six-month period is the "Grace Period"). Repayment of interest on an Unsubsidized Stafford Loan begins immediately upon disbursement of the loan; however, the lender may capitalize the interest until repayment of principal is scheduled to begin. Except for certain borrowers as described below, each loan generally must be scheduled for repayment over a period of not more than 10 years after the commencement of repayment. The Higher Education Act currently requires minimum annual payments of \$600, including principal and interest, unless the borrower and the lender agree to lesser payments. Regulations of the Secretary require lenders to offer borrowers standard, graduated, income-sensitive, or, as of July 1, 2009 for certain eligible borrowers, income-based repayment plans. Use of income-based repayment plans may extend the 10-year maximum term.

Effective July 1, 2009, a new income-based repayment plan became available to certain FFEL Program borrowers and Direct Loan Program borrowers. To be eligible to participate in the plan, the borrower's annual amount due on loans made to a borrower prior to July 1, 2010 with respect to FFEL Program borrowers and prior to July 1, 2014 with respect to Direct Loan Program borrowers (as calculated under a standard 10-year repayment plan for such loans) must exceed 15% of the result obtained by calculating the amount by which the borrower's adjusted gross income (and the borrower's spouse's adjusted gross income, if applicable) exceeds 150% of the poverty line applicable to the borrower's family size. With respect to any loan made to a new Direct Loan Program borrower on or after July 1, 2014, the borrower's annual amount due on such loans (as calculated under a standard 10-year repayment plan for such loans) must exceed 10% of the result obtained by calculating the amount by which the borrower's adjusted gross income (and the borrower's spouse's adjusted gross income, if applicable) exceeds 150% of the poverty line applicable to the borrower's family size. Such a borrower may elect to have his payments limited to the monthly amount of the above described result. Furthermore, the borrower is permitted to repay his loans over a term greater than 10 years. The Secretary will repay any outstanding principal and interest on eligible FFEL Program loans and cancel any outstanding principal and interest on eligible Direct Loan Program loans for borrowers who participated in the new income-based repayment plan and, for a period of time prescribed by the Secretary (but not more than 25 years for a borrower whose loan was made prior to July 1, 2010 with respect to FFEL Program loans and prior to July 1, 2014 with respect to Direct Loan Program loans and not more than 20 years for a Direct Loan Program borrower whose loan was made on or after July 1, 2014), have (a) made certain reduced monthly payments under the income-based repayment plan, (b) made certain payments based on a 10-year repayment period when the borrower first made the election to participate in the income-based repayment plan, (c) made certain payments based on a standard 10-year repayment period, (d) made certain payments under an income-contingent repayment plan for certain Direct Loan Program loans, or (e) have been in an economic hardship deferment.

Borrowers of Subsidized Stafford Loans and of the subsidized portion of Consolidation Loans, and borrowers of similar subsidized loans under the Direct Loan Program receive additional benefits under the new income-based repayment program: the Secretary will pay any unpaid interest due on the borrower's subsidized loans for up to three years after the borrower first elects to participate in the new income-based repayment plan (excluding any periods where the borrower has obtained economic hardship deferment). For both subsidized and unsubsidized loans, interest is capitalized when the borrower either ends his participation in the income-based repayment program or begins making certain payments under the program calculated for those borrowers whose financial hardship has ended.

PLUS Loans enter repayment on the date the last disbursement is made on the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. The first payment is due within 60 days after the loan is fully disbursed, subject to deferral. For parent borrowers whose loans were first disbursed on or after July 1, 2008, it is possible, upon the request of the parent, to begin repayment on the later of (a) six months and one day after the student for whom the loan is borrowed ceases to carry at least one-half of the normal full-time academic workload (as determined by the school); and (b) if the parent borrower is also a student, six months and one day after the date such parent borrower ceases to carry at least one-half such a workload. Similarly, graduate and professional student borrowers whose loans were first disbursed on or after July 1, 2008 may begin repayment six months and one day after such student ceases to carry at least one-half the normal full-time academic workload (as determined by the school). Repayment plans are the same as in the Subsidized and Unsubsidized Stafford Loan

Program for all PLUS Loans except those PLUS Loans which are made, insured, or guaranteed on behalf of a dependent student; such excepted PLUS Loans are not eligible for the income-based repayment plan which became effective on July 1, 2009. Furthermore, eligible lenders were permitted to determine for all PLUS Loan borrowers (a) whose loans were first disbursed on or after July 1, 2008 that extenuating circumstances existed if between January 1, 2007 through December 31, 2009, a PLUS Loan applicant (i) was or had been delinquent for 180 days or less on the borrower's residential mortgage loan payments or on medical bills; and (ii) did not otherwise have an adverse credit history, as determined by the lender in accordance with the regulations promulgated under the Higher Education Act prior to May 7, 2008; and (b) whose loans were first disbursed prior to July 1, 2008 that extenuating circumstances existed if between January 1, 2007 through December 31, 2009, a PLUS Loan applicant (i) was or had been delinquent for 180 days or less on the borrower's residential mortgage loan or on medical bills and (ii) was not and had not been delinquent on the repayment of any other debt for more than 89 days during the period.

Consolidation Loans enter repayment on the date the loan is disbursed. The first payment is due within 60 days after all holders of the loan have discharged the liabilities of the borrower on the loan selected for consolidation. Consolidation Loans which are not being paid pursuant to income-sensitive repayment plans (or, as of July 1, 2009, income-based repayment plans) must generally be repaid during a period agreed to by the borrower and lender, subject to maximum repayment periods which vary depending upon the principal amount of the borrower's outstanding student loans (but no longer than 30 years). Consolidation Loans may also be repaid pursuant to the new income-based repayment plan which became effective on July 1, 2009. However, Consolidation Loans which have been used to repay a PLUS Loan that has been made, insured, or guaranteed on behalf of a dependent student were not eligible for this new income-based repayment plan.

FFEL Program borrowers who accumulate outstanding FFELP Loans on or after October 7, 1998 totaling more than \$30,000 were permitted to receive an extended repayment plan, with a fixed annual or graduated payment amount paid over a longer period of time, not to exceed 25 years. A borrower may accelerate principal payments at any time without penalty. Once a repayment plan is established, the borrower may annually change the selection of the plan.

Deferment and Forbearance Periods. No principal repayments need to be made during certain periods prescribed by the Higher Education Act ("Deferment Periods") but interest accrues and must be paid. Generally, Deferment Periods include periods (a) when the borrower has returned to an eligible educational institution on a half-time basis or is pursuing studies pursuant to an approved graduate fellowship or an approved rehabilitation training program for disabled individuals; (b) not in excess of three years while the borrower is seeking and unable to find full-time employment; (c) while the borrower is serving on active duty during a war or other military operation or national emergency, is performing qualifying National Guard duty during a war or other military operation or national emergency, and for 180 days following the borrower's demobilization date for the above described services; (d) during the 13 months following service if the borrower is a member of the National Guard, a member of a reserve component of the military, or a retired member of the military who (i) is called or ordered to active duty, and (ii) is or was enrolled within six months prior to the activation at an eligible educational institution; (e) if the borrower is in active military duty, or is in reserve status and called to active duty; and (f) not in excess of three years for any reason which the lender determines, in accordance with regulations, has caused or will cause the borrower economic hardship. Deferment periods extend the maximum repayment periods. Under certain circumstances, a lender may also allow periods of forbearance ("Forbearance") during which the borrower may defer payments because of temporary financial hardship. The Higher Education Act specifies certain periods during which Forbearance is mandatory. Mandatory Forbearance periods include, but are not limited to, periods during which the borrower is (i) participating in a medical or dental residency and is not eligible for deferment, (ii) serving in a qualified medical or dental internship program or certain national service programs, or (iii) determined to have a debt burden of certain federal loans equal to or exceeding 20% of the borrower's gross income. In other circumstances, Forbearance may be granted at the lender's option. Forbearance also extends the maximum repayment periods.

Master Promissory Notes

Since July 2000, all lenders were required to use a master promissory note (the "MPN") for new Stafford Loans. Unless otherwise notified by the Secretary, each institution of higher education that participated in the FFEL Program was permitted to use a master promissory note for FFELP Loans. The MPN permitted a borrower to obtain

future loans without the necessity of executing a new promissory note. Borrowers were not, however, required to obtain all of their future loans from their original lender, but if a borrower obtains a loan from a lender which does not presently hold an MPN for that borrower, that borrower was required to execute a new MPN. A single borrower may have several MPNs evidencing loans to multiple lenders. If multiple loans have been advanced pursuant to a single MPN, any or all of those loans may be individually sold by the holder of the MPN to one or more different secondary market purchasers.

Interest Benefit Payments

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

Special Allowance Payments

The Higher Education Act provides for special allowance payments to be made by the Secretary to eligible lenders. The rates for special allowance payments are based on formulas that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax-exempt or taxable). Loans made or purchased with funds obtained by the holder from the issuance of tax-exempt obligations issued prior to October 1, 1993 have an effective minimum rate of return of 9.50%. Amounts derived from recoveries of principal on loans made prior to October 1, 1993 may only be used to originate or acquire additional loans by a unit of a state or local government, or non-profit entity not owned or controlled by or under common ownership of a for-profit entity and held directly or through any subsidiary, affiliate or trustee, which entity has a total unpaid balance of principal equal to or less than \$100,000,000 on loans for which special allowances were paid in the most recent quarterly payment prior to September 30, 2005. Such entities were permitted to originate or acquire additional loans with amounts derived from recoveries of principal until December 31, 2010. The special allowance payments payable with respect to student loans acquired or funded with the proceeds of tax-exempt obligations issued after September 30, 1993 are equal to those paid to other lenders.

Public Law 112-74, dated December 23, 2011, amended the Higher Education Act, reflecting financial market conditions, to allow FFELP lenders to make an affirmative election to permanently change the index for Special Allowance Payment calculations on all FFELP loans in the lender's portfolio (with certain limited exceptions) disbursed after January 1, 2000 from the Three Month Commercial Paper Rate (as hereafter defined) to the One Month LIBOR Rate (as hereafter defined), commencing with the Special Allowance Payment calculations for the calendar quarter beginning on April 1, 2012. Such election to permanently change the index for Special Allowance Payment calculations must be made by April 1, 2012 and must also waive all contractual, statutory or other legal rights to the Special Allowance Payment calculation formula in effect at the time the loans were first disbursed

Subject to the foregoing, the formulas for special allowance payment rates for Subsidized and Unsubsidized Stafford Loans are summarized in the following chart. The term "T-Bill" as used in this table and the following table, means the average 91-day treasury bill rate calculated at a "bond equivalent rate" in the manner applied by the Secretary as referred to in Section 438 of the Higher Education Act. The term "Three Month Commercial Paper Rate" means the 90-day commercial paper index calculated quarterly and based on an average of the daily 90-day commercial paper rates reported in the Federal Reserve's Statistical Release H-15. The term "One Month LIBOR Rate" means the one-month London Interbank Offered Rate for United States dollars in effect for each of the days in such quarter as compiled and released by the British Bankers Association.

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after July 1, 1995	T-Bill Rate less Applicable Interest Rate + 3.10% ⁽¹⁾
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 2.80% ⁽²⁾
On or after January 1, 2000 (and before September 30, 2007)	Three Month Commercial Paper Rate ⁽⁶⁾ less Applicable Interest Rate + 2.34% ⁽³⁾
On or after October 1, 2007 and before July 1, 2010 if an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate ⁽⁶⁾ less Applicable Interest Rate + 1.94% ⁽⁴⁾
On or after October 1, 2007 and before July 1, 2010 if an eligible lender other than an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate ⁽⁶⁾ less Applicable Interest Rate + 1.79% ⁽⁵⁾

- (1) Substitute 2.50% in this formula while such loans are in the in-school or grace period.
- (2) Substitute 2.20% in this formula while such loans are in the in-school or grace period.
- (3) Substitute 1.74% in this formula while such loans are in the in-school or grace period.
- (4) Substitute 1.34% in this formula while such loans are in the in-school or grace period.
- (5) Substitute 1.19% in this formula while such loans are in the in-school or grace period.
- (6) Substitute "One Month LIBOR Rate" for "Three Month Commercial Paper Rate" in this formula where lenders made the affirmative election by no later than April 1, 2012 under Public Law 112-74, dated December 23, 2011, to permanently change the index for Special Allowance Payment calculations for all loans in the lender's portfolio.

The formulas for special allowance payment rates for PLUS Loans are as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after January 1, 2000 (and before September 30, 2007)	Three Month Commercial Paper Rate* less Applicable Interest Rate +2.64%
On or after October 1, 2007 and before July 1, 2010 if an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate* less Applicable Interest Rate + 1.94%
On or after October 1, 2007 and before July 1, 2010 if an eligible lender other than an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate* less Applicable Interest Rate + 1.79%

* Substitute "One Month LIBOR Rate" for "Three Month Commercial Paper Rate" in this formula where lenders made the affirmative election by no later than April 1, 2012 under Public Law 112-74, dated December 23, 2011, to permanently change the index for Special Allowance Payment calculations for all loans in the lender's portfolio.

The formulas for special allowance payment rates for Consolidation Loans are as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after January 1, 2000 (and before September 30, 2007)	Three Month Commercial Paper Rate* less Applicable Interest Rate + 2.64%
On or after October 1, 2007 and before July 1, 2010 if an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate* less Applicable Interest Rate + 2.24%
On or after October 1, 2007 and before July 1, 2010 if an eligible lender other than an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate* less Applicable Interest Rate + 2.09%

* Substitute "One Month LIBOR Rate" for "Three Month Commercial Paper Rate" in this formula where lenders made the affirmative election by no later than April 1, 2012 under Public Law 112-74, dated December 23, 2011, to permanently change the index for Special Allowance Payment calculations for all loans in the lender's portfolio.

Special allowance payments are generally payable, with respect to variable rate FFELP Loans to which a maximum borrower interest rate applies, only when the maximum borrower interest rate is in effect. The Secretary offsets interest benefit payments and special allowance payments by the amount of origination fees and lender loan fees described under the caption "—Loan Fees" below.

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

The Higher Education Act provides that for FFELP Loans first disbursed on or after April 1, 2006 and before July 1, 2010, lenders must remit to the Secretary any interest paid by a borrower which is in excess of the special allowance payment rate set forth above for such loans.

Loan Fees

Insurance Premium. For loans guaranteed before July 1, 2006, a Guaranty Agency was authorized to charge a premium, or guarantee fee, of up to 1.00% of the principal amount of the loan, which may be deducted proportionately from each installment of the loan. Generally, Guaranty Agencies had waived this fee since 1999. For loans guaranteed on or after July 1, 2006 that are first disbursed before July 1, 2010, a federal default fee equal to 1.00% of principal was required to be paid into such Guaranty Agency's Federal Student Loan Reserve Fund (hereinafter defined as the "Federal Fund").

Origination Fee. Lenders were authorized to charge borrowers of Subsidized Stafford Loans and Unsubsidized Stafford Loans an origination fee in an amount not to exceed: 3.00% of the principal amount of the loan for loans disbursed prior to July 1, 2006; 2.00% of the principal amount of the loan for loans disbursed on or after July 1, 2006 and before July 1, 2007; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before August 1, 2008; 1.00% of the principal amount of the loan for loans disbursed on or after August 1, 2008 and before July 1, 2009; and 0.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010. The Secretary is authorized to charge borrowers of Direct Loans 4.00% of the principal amount of the loan for loans disbursed prior to February 8, 2006. A lender was permitted to charge a lesser origination fee to Stafford Loan borrowers so long as the lender did so consistently with respect to all borrowers who resided in or attended school in a particular state. For borrowers of Direct Loans other than Federal Direct Consolidation Loans and Federal Direct PLUS Loans, the Secretary may charge such borrowers as follows: 3.00% of the principal amount of the loan for loans disbursed on or after February 8, 2006 and before July 1, 2007;

2.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before August 1, 2008; 2.00% of the principal amount of the loan for loans disbursed on or after August 1, 2008 and before July 1, 2009; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010; and 1.00% of the principal amount of the loan for loans disbursed on or after July 1, 2010. These fees must be deducted proportionately from each installment payment of the loan proceeds prior to payment to the borrower. The lenders were required to pass the origination fees received under the FFEL Program on to the Secretary.

Lender Loan Fee. The lender of any FFELP Loan was required to pay to the Secretary an additional origination fee equal to 0.50% of the principal amount of the loan for loans first disbursed on or after October 1, 1993, but prior to October 1, 2007. For all loans first disbursed on or after October 1, 2007 and before July 1, 2010, the lender was required to pay an additional origination fee equal to 1.00% of the principal amount of the loan.

The Secretary collects from the lender or subsequent holder of the loan the maximum origination fee authorized (regardless of whether the lender actually charges the borrower) and the lender loan fee, either through reductions in interest benefit payments or special allowance payments or directly from the lender or holder of the loan.

Rebate Fee on Consolidation Loans. The holder of any Consolidation Loan for which the first disbursement was made on or after October 1, 1993, is required to pay to the Secretary a monthly rebate fee equal to .0875% (1.05% per annum) of the principal amount plus accrued unpaid interest on the loan. However, for Consolidation Loans for which applications were received from October 1, 1998 to January 31, 1999, inclusive, the monthly rebate fee is approximately equal to .0517% (.62% per annum) of the principal amount plus accrued interest on the loan.

Insurance and Guarantees

A Guaranty Agency guarantees Federal Family Education Loans made to students or parents of students by eligible lenders. A Guaranty Agency generally purchases defaulted student loans which it has guaranteed with its reserve fund (as described under the caption "Guaranty Agency Reserves" below). A Federal Family Education Loan is considered to be in default for purposes of the Higher Education Act when the borrower fails to make an installment payment when due, or to comply with other terms of the loan, and if the failure persists for 270 days in the case of a loan repayable in monthly installments or for 330 days in the case of a loan repayable in less frequent installments. If the loan is guaranteed by a Guaranty Agency in accordance with the provisions of the Higher Education Act, the Guaranty Agency is to pay the holder a percentage of such amount of the loss subject to a reduction (as described in 20 U.S.C. § 1075(b)) within 90 days of notification of such default. The default claim package submitted to a Guaranty Agency must include all information and documentation required under the Federal Family Education Loan Program regulations and such Guaranty Agency's policies and procedures.

The Higher Education Act gives the Secretary of Education various oversight powers over the Guaranty Agencies. These include requiring a Guaranty Agency to maintain its reserve fund at a certain required level and taking various actions relating to a Guaranty Agency if its administrative and financial condition jeopardizes its ability to meet its obligations.

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

Guarantees. If the loan is guaranteed by a Guaranty Agency in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the Guaranty Agency for a statutorily set percentage (98% for loans first disbursed prior to July 1, 2006 and 97% for loans first disbursed on or after July 1, 2006 but

before July 1, 2010) of the unpaid principal balance of the loan plus accrued unpaid interest on any defaulted loan so long as the eligible lender has properly serviced such loan. Under the Higher Education Act, the Secretary enters into a guarantee agreement and a reinsurance agreement (the "Guarantee Agreements") with each Guaranty Agency which provides for federal reimbursement for amounts paid to eligible lenders by the Guaranty Agency with respect to defaulted loans.

Guarantee Agreements. Pursuant to the Guarantee Agreements, the Secretary is to reimburse a Guaranty Agency for the amounts expended in connection with a claim resulting from the death of a borrower; bankruptcy of a borrower; total and permanent disability of a borrower (including those borrowers who have been determined by the Secretary of Veterans Affairs to be unemployable due to a service-connected condition); inability of a borrower to engage in any substantial, gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, has lasted continuously for at least 60 months, or can be expected to last continuously for at least 60 months; the death of a student whose parent is the borrower of a PLUS Loan; certain claims by borrowers who are unable to complete the programs in which they are enrolled due to school closure; borrowers whose borrowing eligibility was falsely certified by the eligible institution; or the amount of an unpaid refund due from the school to the lender in the event the school fails to make a required refund. Such claims are not included in calculating a Guaranty Agency's claims rate experience for federal reimbursement purposes. Generally, educational loans are non-dischargeable in bankruptcy unless the bankruptcy court determines that the debt will impose an undue hardship on the borrower and the borrower's dependents. Further, the Secretary is to reimburse a Guaranty Agency for any amounts paid to satisfy claims not resulting from death, bankruptcy, or disability subject to reduction as described below. See the caption "—Education Loans Generally Not Subject to Discharge in Bankruptcy" below.

The Secretary may terminate Guarantee Agreements if the Secretary determines that termination is necessary to protect the federal financial interest or to ensure the continued availability of loans to student or parent borrowers. Upon termination of such Guarantee Agreements, the Secretary is authorized to provide the Guaranty Agency with additional advance funds with such restrictions on the use of such funds as is determined appropriate by the Secretary, in order to meet the immediate cash needs of the Guaranty Agency, ensure the uninterrupted payment of claims, or ensure that the Guaranty Agency will make loans as the lender-of-last-resort. On May 7, 2008, Treasury funds were further authorized to be appropriated for emergency advances to Guaranty Agencies to ensure such Guaranty Agencies are able to act as lenders-of-last-resort and to assist Guaranty Agencies with immediate cash needs, claims, or any demands for loans under the lender-of-last-resort program.

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

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

Claims Rate	Guaranty Agency Reinsurance Rate for Loans made prior to October 1, 1993	Guaranty Agency Reinsurance Rate for Loans made between October 1, 1993 and September 30, 1998	Guaranty Agency Reinsurance Rate for Loans made on or after October 1, 1998 and prior to July 1, 2010
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5% and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% up to 9%; 78% of claims 9% and over	95% of claims up to 5%, 85% of claims 5% up to 9%; 75% of claims 9% and over

Student loans made pursuant to the lender-of-last resort program have an amount of reinsurance equal to 100%; student loans transferred by an insolvent Guaranty Agency have an amount of reinsurance ranging from 80% to 100%.

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

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

Under the Guarantee Agreements, if a payment by the borrower on a FFELP Loan guaranteed by a Guaranty Agency is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the borrower's payment. The Secretary's equitable share of the borrower's payment equals the amount remaining after the Guaranty Agency has deducted from such payment: (a) the percentage amount equal to the complement of the reinsurance percentage in effect when payment under the Guarantee Agreement was made with respect to the loan; and (b) as of October 1, 2007, 16% of the borrower's payments (to be used for the Guaranty Agency's Operating Fund (hereinafter defined)). The percentage deduction for use of the borrower's payments for the Guaranty Agency's Operating Fund varied prior to October 1, 2007; from October 1, 2003 through and including September 30, 2007, the percentage in effect was 23% and prior to October 1, 2003, the percentage in effect was 24%. The Higher Education Act further provides that on or after October 1, 2006, a Guaranty Agency may not charge a borrower collection costs in an amount in excess of 18.50% of the outstanding principal and interest of a defaulted loan that is paid off through consolidation by the borrower; provided that the Guaranty Agency must remit to the Secretary a portion of the collection charge equal to 8.50% of the outstanding principal and interest of the defaulted loan. In addition, on or after October 1, 2009, a Guaranty Agency must remit to the Secretary any collection fees on defaulted loans paid off with consolidation proceeds by the borrower which are in excess of 45% of the Guaranty Agency's total collections on defaulted loans in any one federal fiscal year.

Lender Agreements. Pursuant to most typical agreements for guarantee between a Guaranty Agency and the originator of the loan, any eligible holder of a loan insured by such a Guaranty Agency is entitled to reimbursement from such Guaranty Agency, subject to certain limitations, of any proven loss incurred by the holder of the loan resulting from default, death, permanent and total disability, certain medically determinable physical or mental impairment, or bankruptcy of the student borrower at the rate of 98% for loans in default made on or after October 1, 1993 but prior to July 1, 2006 and 97% for loans in default made on or after July 1, 2006 but prior to July 1, 2010. Certain holders of loans may receive higher reimbursements from Guarantee Agencies. For example, lenders of last resort may receive reimbursement at a rate of 100% from Guarantee Agencies.

Guarantee Agencies generally deem default to mean a student borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the student borrower no longer intends to honor the repayment obligation and

for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments. When a loan becomes at least 60 days past due, the holder is required to request default aversion assistance from the applicable Guaranty Agency in order to attempt to cure the delinquency. When a loan becomes 240 days past due, the holder is required to make a final demand for payment of the loan by the borrower. The holder is required to continue collection efforts until the loan is 270 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable Guaranty Agency all right accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a Guaranty Agency from filing a claim for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon.

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

Rehabilitation of Defaulted Loans. Under the Higher Education Act, the Secretary of Education is authorized to enter into an agreement with each Guaranty Agency pursuant to which a Guaranty Agency sells defaulted student loans that are eligible for rehabilitation to an eligible lender. For a defaulted student loan to be rehabilitated, the borrower must request rehabilitation and the applicable Guaranty Agency must receive an on-time, voluntary, full payment each month for 12 consecutive months. However, effective July 1, 2006, for a student loan to be eligible for rehabilitation, the applicable Guaranty Agency must receive nine payments made within 20 days of the due date during 10 consecutive months. Upon rehabilitation, a student loan is eligible for all the benefits under the Higher Education Act for which it would have been eligible had no default occurred.

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

Loans Subject to Repurchase. The Higher Education Act requires a lender to repurchase student loans from a Guaranty Agency, under certain circumstances, after a Guaranty Agency has paid for the student loan through the claim process. A lender is required to repurchase: (a) a student loan found to be legally unenforceable against the borrower; (b) a student loan for which a bankruptcy claim has been paid if the borrower's bankruptcy is subsequently dismissed by the court or, as a result of the bankruptcy hearing, the student loan is considered non-dischargeable and the borrower remains responsible for repayment of the student loan; (c) a student loan which is subsequently determined not to be in default; or (d) a student loan for which a Guaranty Agency inadvertently paid the claim.

Guaranty Agency Reserves

Each Guaranty Agency is required to establish a Federal Fund which, together with any earnings thereon, is deemed to be property of the United States. Each Guaranty Agency is required to deposit into the Federal Fund any reserve funds plus reinsurance payments received from the Secretary, a certain percentage of default collections equal to the complement of the reinsurance percentage in effect when payment under the Guarantee Agreement was made, insurance premiums, 70% of payments received after October 7, 1998 from the Secretary for administrative cost allowances for loans insured prior to that date, and other receipts as specified in regulations. A Guaranty Agency is authorized to transfer up to 180 days' cash expenses for normal operating expenses (other than claim payments) from the Federal Fund to the Operating Fund at any time during the first three years after establishment of the fund. The Federal Fund may be used to pay lender claims and to pay default aversion fees into the Operating Fund. A Guaranty Agency is also required to establish an operating fund (the "Operating Fund"), which, except for funds transferred from the Federal Fund to meet operating expenses during the first three years after fund establishment, is the property of the Guaranty Agency. A Guaranty Agency was permitted to deposit into the Operating Fund loan processing and issuance fees equal to 0.40% of the total principal amount of loans insured

during the fiscal year for loans originated on or after October 1, 2003 and first disbursed before July 1, 2010, 30% of payments received after October 7, 1998 for the administrative cost allowances for loans insured prior to that date, the account maintenance fee paid by the Secretary for Direct Loan Program loans in the amount of .06% of the original principal amount of the outstanding loans insured, any default aversion fee that is paid, the Guaranty Agency's 16% retention on collections of defaulted loans and other receipts as specified in the regulations. An Operating Fund must be used for application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities. For Subsidized and Unsubsidized Stafford Loans guaranteed on or after July 1, 2006 and first disbursed before July 1, 2010, Guarantee Agencies were required to collect and deposit a federal default fee to the Federal Fund equal to 1.00% of the principal amount of the loan.

The Higher Education Act provides for a recall of reserves from each Federal Fund in certain years, but also provides for certain minimum reserve levels which are protected from recall. The Secretary is authorized to enter into voluntary, flexible agreements with Guarantee Agencies under which various statutory and regulatory provisions can be waived; provided, however, the Secretary is not authorized to waive, among other items, any deposit of default aversion fees by Guarantee Agencies. In addition, under the Higher Education Act, the Secretary is prohibited from requiring the return of all of a Guaranty Agency's reserve funds unless the Secretary determines that the return of these funds is in the best interest of the operation of the FFEL Program, or to ensure the proper maintenance of such Guaranty Agency's funds or assets or the orderly termination of the Guaranty Agency's operations and the liquidation of its assets. The Higher Education Act also authorizes the Secretary to direct a Guaranty Agency to: (a) return to the Secretary all or a portion of its reserve fund which the Secretary determines is not needed to pay for the Guaranty Agency's program fees and contingent liabilities; and (b) cease any activities involving the expenditure, use or transfer of the Guaranty Agency's reserve funds or assets which the Secretary determines is a misapplication, misuse or improper expenditure.

Secretary's Temporary Authority To Purchase Stafford Loans and PLUS Loans

On May 7, 2008, the Ensuring Continued Access to Student Loans Act temporarily granted the Secretary the authority to purchase Stafford Loans and PLUS Loans from eligible lenders which were first disbursed on or after October 1, 2003, but prior to July 1, 2009 on such terms as are, subject to certain other conditions, in the best interest of the United States. On October 7, 2008, P.L. 110-350 became law and additionally granted the Secretary the power to purchase Stafford Loans and PLUS Loans from eligible lenders which were first disbursed on or after July 1, 2009, but prior to July 1, 2010. On July 1, 2009, P.L. 111-39 became law and further expanded the Secretary's purchase authority to include FFELP Loans rehabilitated pursuant to 20 U.S.C. § 1078-6.

In order to purchase loans (other than rehabilitated loans), the Secretary was required to make a determination that adequate loan capital is not available to meet demand for Stafford Loans and PLUS Loans. However, any purchase of loans by the Secretary was not permitted to create any net cost for the United States government (including any servicing costs associated with the loans). The Secretary was required to additionally fulfill various other requirements in order to purchase loans, including a notice with certain details which must be published in the Federal Register prior to any purchase. Eligible lenders, in turn, were required to use the funds provided by the Secretary to ensure their continued participation in the FFEL Program, to originate new FFELP Loans to students, and, with respect to funds received from rehabilitated FFELP Loan sales to the Secretary, to purchase such rehabilitated FFELP Loans pursuant to 20 U.S.C. § 1078-6(a). Pursuant to P.L. 110-350, the Secretary's authority to purchase loans expired on July 1, 2010.

Through certain "Dear Colleague" letters issued to members of the higher education lending community, the Secretary has created three programs to utilize its temporary purchasing authority, two of which have expired. The third program, the Asset-Backed Commercial Paper Conduit Program, is defined and described below.

Asset-Backed Commercial Paper Conduit Program. In a November 10, 2008 "Dear Colleague" letter, the Secretary announced that, due to stagnation in the credit markets and the billions of dollars of student loans which remain on bank balance sheets, the Department of Education would develop an asset-backed commercial paper conduit program (the "Asset-Backed Commercial Paper Conduit Program") to purchase fully disbursed FFELP Loans (other than Consolidation Loans) awarded between October 1, 2003 and July 1, 2009. Each conduit would be

privately created by an eligible lender trustee and would contain the ownership rights of lenders to their eligible FFELP Loans. The conduit would issue commercial paper to investors and secure the repayment of the commercial paper with the conduit's FFELP Loan pool. The funds provided by investors would be paid to the student lenders who transferred the ownership rights in their eligible FFELP Loans to the conduit. The Department of Education would, pursuant to the Ensuring Continued Access to Student Loans Act, enter into forward purchase commitments with each eligible lender trustee participating in the Asset-Backed Commercial Paper Conduit Program and commit to purchasing at a date in the future eligible FFELP Loans at a certain price from the conduit if the conduit lacks sufficient funds to repay its investors as the commercial paper becomes due. A single conduit borrower, Straight-A Funding, LLC, was established pursuant to the Asset-Backed Commercial Paper Conduit Program. The ability to finance eligible FFELP Loans under the Asset-Backed Commercial Paper Conduit Program terminated on June 30, 2010. The Asset-Backed Commercial Paper Conduit Program currently terminates in January of 2014. Any FFELP Loans not refinanced by a lender will be put to the Department upon the expiration of the Asset-Backed Commercial Paper Conduit Program.

Lender-of-Last-Resort Program

The FFEL Program allowed Guaranty Agencies and certain eligible lenders to act as lenders-of-last-resort before July 1, 2010. A lender-of-last-resort was authorized to receive advances from the Secretary in order to ensure that adequate loan capital exists in order to make loans to students before July 1, 2010. Students and parents of students who were otherwise unable to obtain FFELP Loans (other than Consolidation Loans) were permitted to apply to receive loans from the state's lenders-of-last-resort before July 1, 2010.

Education Loans Generally Not Subject to Discharge in Bankruptcy

Under the U.S. Bankruptcy Code, educational loans are not generally dischargeable. Title 11 of the United States Code at Section 523(a)(8)(A)(i)-(ii) provides that a discharge under Section 727, 1141, 1228(a), 1228(b), or 1328(b) of Title 11 of the United States Code does not discharge an individual debtor from any debt for an education benefit overpayment or loan made, insured, or guaranteed by a governmental unit or made under any program funded in whole or in part by a governmental unit or nonprofit institution, or for an obligation to repay funds received as an educational benefit, scholarship or stipend unless excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor's dependents.

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APPENDIX B

GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES

Except in certain limited circumstances, the securities offered under the Offering Memorandum will be available only in book-entry form as "Global Securities." Investors in the Global Securities may hold such Global Securities through any of DTC, Clearstream or Euroclear and may contact these institutions at: 55 Water Street, New York, New York 10041; 42 Avenue JF Kennedy, L-1855, Luxembourg City, Luxembourg; and 33 Cannon Street, London EC4M 5SB, United Kingdom, respectively. The Global Securities will be tradable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

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

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

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

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

Initial Settlement

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

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

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

Secondary Market Trading

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

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

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

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

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

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

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

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

Trading Between Clearstream or Euroclear Seller and DTC Purchaser. Due to time-zone differences in their favor, Clearstream participants and Euroclear participants may employ their customary procedures for transactions in which Global Securities are to be transferred to the respective clearing system, through the respective depository, to a Depository Trust Company participant. The seller will send instructions to Clearstream or Euroclear through a Clearstream participant or Euroclear participant at least one business day prior to settlement. In these cases Clearstream or Euroclear will instruct the depository, as appropriate, to deliver the Global Securities to the DTC participant's account against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment to and excluding the settlement date, on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days. For transactions settling on the thirty-first of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream participant or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream participant's or Euroclear participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream participant or Euroclear participant have a line of credit with its respective clearing system and elect

to be in debt in anticipation of receipt of the sale proceeds in its account, the back valuation will extinguish any overdraft incurred over that one day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Clearstream Participant's or Euroclear Participant's account would instead be valued as of the actual settlement date.

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

(a) borrowing through Clearstream or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream or Euroclear accounts) in accordance with the clearing system's customary procedures;

(b) borrowing the Global Securities in the U.S. from a DTC participant no later than one day prior to settlement, which would give the Global Securities sufficient time to be reflected in their Clearstream or Euroclear accounts in order to settle the sale side of the trade; or

(c) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream participant or Euroclear participant.

Certain U.S. Federal Income Tax Documentation Requirements

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

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

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

Exemption or Reduced Rate for Non-U.S. Persons Resident in Treaty Countries. (Form W-8BEN). Non-U.S. Persons that are noteowners residing in a country that has a tax treaty with the United States can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing Form W-8BEN.

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

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

The term "U.S. Person" means (a) a citizen or resident of the United States; (b) a corporation or partnership, or other entity taxable as such, organized in or under the laws of the United States or any political subdivision thereof; (c) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source; or (d) a trust other than a "Foreign Trust," as defined in Section 7701(a)(31) of the Code. This summary does not deal with all aspects of U.S. Federal income tax withholding that may be relevant to foreign holders of the Global Securities. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the Global Securities.

APPENDIX C

**WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND
PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT CERTAIN
MONTHLY DISTRIBUTION DATES FOR THE NOTES**

Prepayments on pools of student loans can be measured or calculated based on a variety of prepayment models. The model used to calculate prepayments is the constant prepayment rate (or “CPR”) model.

The CPR model is based on prepayments assumed to occur at a flat, constant percentage rate. CPR is stated as an annualized rate and is calculated as the percentage of the loan amount outstanding at the beginning of a period after applying scheduled payments that are paid during the period. The CPR model assumes that student loans will prepay in each month according to the following formula:

$$\text{Monthly Prepayments} = (\text{Principal Balance after scheduled payments}) \times (1 - (1 - \text{CPR})^{1/12})$$

Accordingly, monthly payment, assuming a \$1,000 balance after scheduled payments would be as follows:

	0% CPR	2% CPR	4% CPR	6% CPR	8% CPR
Monthly Prepayment	\$0.00	\$1.68	\$3.40	\$5.14	\$6.92

The CPR model does not purport to describe historical prepayment experience or to predict the prepayment rate of any actual student loan pool. The student loans will not prepay according to the CPR, nor will all of the student loans prepay at the same rate. Potential investors must make an independent decision regarding the appropriate principal prepayment scenarios to use in making any investment decision.

Cash Flow Assumptions for Structuring Runs

The tables below have been prepared based on the assumptions described below (including the assumptions regarding the characteristics and performance of the rep lines, which will differ from the characteristics and performance of the actual pool of financed student loans) and should be read in conjunction therewith. In addition, the diverse characteristics, remaining terms and loan ages of the financed student loans could produce slower or faster principal payments than implied by the information in these tables, even if the dispersion of weighted average characteristics, remaining terms and loan ages are the same as the characteristics, remaining terms and loan ages assumed. Different assumptions will have a material impact on the information presented in this Appendix, and investors should make an independent assessment of the assumptions used herein.

For the purposes of calculating the information presented in the tables in this Appendix, it is assumed, among other things, that:

- the statistical cutoff date for modeling the financed student loans is January 31, 2013. Accruals on such financed student loans will commence on March 28, 2013;
- the Date of Issuance is March 28, 2013;
- the financed student loans have an initial principal balance at issuance of \$144,286,889.49, an additional \$3,299,333.43 of accrued interest expected to be capitalized on or after the date of issuance of the notes, and an additional \$986,356 of accrued interest not to be capitalized;
- all financed student loans (as grouped in the “rep lines” described below) remain in their current status until their status end date and then move to repayment, with the exception of in-school status loans which have a 6-month grace period before moving to repayment; no financed student loans moves from repayment to any other status;

- the financed student loans that are (i) unsubsidized Stafford loans not in repayment status, (ii) subsidized Stafford loans in forbearance status, (iii) PLUS loans not in repayment status, (iv) unsubsidized Consolidation loans not in repayment status or (v) subsidized Consolidation loans in forbearance status, have interest accrued and capitalized upon entering repayment;
- the financed student loans that are subsidized Stafford loans or subsidized Consolidation loans and are in-school, grace or deferment status have interest paid (Interest Subsidy Payments) by the U.S. Department of Education quarterly, based on a quarterly calendar accrual period;
- there are government payment delays of 60 days for Interest Subsidy Payments and Special Allowance Payments;
- no delinquencies or additional defaults occur on any of the financed student loans, no repurchases occur, and all borrower payments are collected in full;
- index levels for calculation of borrower and government payments are:
 - 91-day Treasury bill bond equivalent rate of 0.08%;
 - One-month LIBOR rate of 0.20%;
- monthly distributions begin on May 25, 2013, and are made monthly on the 25th day of every month thereafter, whether or not the 25th is a business day;
- the initial par amount of the notes and the interest rate for the notes at all times will equal: \$144,730,000 and 0.70%;
- interest accrues on the notes on an actual/360 day count basis;
- a conversion of servicing to a backup servicer does not occur, and the servicing portion of the Administration and Servicing Fees to be paid monthly on each monthly distribution date, beginning May 25, 2013, is equal to 1/12th of 0.65% of the Pool Balance as of the end of the preceding month;
- the administration portion of the Administration and Servicing Fees to be paid monthly on each monthly distribution date, beginning May 25, 2013, is equal to 1/12th of 0.10% of the Pool Balance as of the end of the preceding month;
- Program Fees (which include the Backup Servicing Fee of \$10,000) equal to \$50,000 per annum are paid each May beginning May 25, 2014;
- on May 25, 2014, the Backup Servicing Fee is assumed to be inflated by 8% to \$10,800, and by 8% every year thereafter;
- a Trustee Fee equal to 0.003% per annum of the aggregate outstanding principal amount of the notes as of the end of the immediately preceding annual date payable in advance annually every December beginning December 25, 2013, with a minimum annual fee of \$2,500;
- a Consolidation Loan rebate fee equal to 1.05% per annum of the outstanding principal balance of the financed student loans that are Consolidation loans is paid monthly by the Corporation to the Department of Education and no payment delays are assumed;
- the Reserve Fund has an initial balance equal to \$361,825 and at all times a balance equal to the greater of (i) 0.25% of the outstanding principal amount of the notes and (ii) \$217,095;

- receipts received on the 1st of any month are assumed to be available for distribution on the immediately succeeding distribution date;
- prepayments on the financed student loans are applied monthly in accordance with CPR, as described above;
- a borrower benefit interest rate reduction of 0.14% applies to all of the financed student loans principal balance, and no additional interest rate reductions or other borrower benefits are applied;
- no optional redemption from a sale of financed student loans occurs;
- the Corporation makes no other purchases or originations of student loans;
- no excess cash will be released; and
- the initial pool of financed student loans was grouped into 195 representative loans (“rep lines”), which have been created, for modeling purposes, from individual financed student loans based on combinations of similar individual financed student loans characteristics, which include, but are not limited to, interest rate, loan type, SAP index and applicable margin, repayment status and remaining term.

The tables below have been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the rep lines, which will differ from the characteristics and performance of the actual pool of financed student loans) and should be read in conjunction therewith. In addition, the diverse characteristics, remaining terms and loan ages of the financed student loans could produce slower or faster principal payments than implied by the information in these tables, even if the dispersions of weighted average characteristics, remaining terms and loan ages are the same as the characteristics, remaining terms and loan ages assumed.

WEIGHTED AVERAGE LIVES AND EXPECTED MATURITY
DATES OF THE NOTES AT VARIOUS PERCENTAGES OF THE CPR

<u>0% CPR</u>	<u>2% CPR</u>	<u>4% CPR</u>	<u>6% CPR</u>	<u>8% CPR</u>
Weighted Average Life (Years) *				
5.95	5.47	5.07	4.73	4.43
Expected Maturity Date				
November 25, 2029	July 25, 2027	October 25, 2025	December 25, 2024	March 25, 2024

* The weighted average life of the notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (a) multiplying the amount of each principal payment on the notes by the number of years from the date of issuance to the related monthly distribution date, (b) adding the results, and (c) dividing that sum by the aggregate principal amount of the notes as of the date of issuance.

PERCENTAGES OF ORIGINAL PRINCIPAL BALANCE OF THE NOTES REMAINING AT CERTAIN
MONTHLY DISTRIBUTION DATES AT VARIOUS PERCENTAGES OF THE CPR

<u>Dates</u>	<u>0% CPR</u>	<u>2% CPR</u>	<u>4% CPR</u>	<u>6% CPR</u>	<u>8% CPR</u>
Date of Issuance	100%	100%	100%	100%	100%
10/25/2013	96%	95%	95%	94%	93%
10/25/2014	90%	88%	86%	84%	82%
10/25/2015	81%	78%	75%	72%	69%
10/25/2016	72%	68%	64%	60%	56%
10/25/2017	62%	57%	52%	48%	44%
10/25/2018	51%	46%	42%	37%	33%
10/25/2019	41%	36%	31%	27%	24%
10/25/2020	30%	26%	22%	19%	15%
10/25/2021	22%	18%	15%	12%	9%
10/25/2022	14%	11%	8%	6%	4%
10/25/2023	9%	6%	4%	2%	1%
10/25/2024	6%	4%	2%	0%*	0%
10/25/2025	4%	2%	0%	0%	0%
10/25/2026	3%	1%	0%	0%	0%
10/25/2027	2%	0%	0%	0%	0%
10/25/2028	1%	0%	0%	0%	0%
10/25/2029	0%*	0%	0%	0%	0%
10/25/2030	0%	0%	0%	0%	0%

* Percentage is greater than 0%, but less than 0.5%.

APPENDIX D

**AUDITED FINANCIAL STATEMENTS OF THE
ALASKA STUDENT LOAN CORPORATION
(A COMPONENT UNIT OF THE STATE OF ALASKA)
FISCAL YEARS ENDING JUNE 30, 2011 AND 2012**

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ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Management's Discussion and Analysis and
Financial Statements

June 30, 2012 and 2011

Together with Independent Auditors' Report

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

June 30, 2012 and 2011

Table of Contents

	Pages
Management's Discussion and Analysis	1 – 10
Independent Auditors' Report	11
Balance Sheets	12 – 13
Statements of Revenue, Expenses and Changes in Net Assets	14
Statements of Cash Flows	15 – 16
Notes to Financial Statements	17 – 42

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Alaska Student Loan Corporation's (Corporation) history, financial position at, and financial performance for, the fiscal years ended June 30, 2012 and 2011 is being presented to assist readers in understanding the Corporation's structure, activities and significant financial issues. This information is required supplementary information. Fiscal year 2010 information is shown for comparative purposes. This information should be read in conjunction with the Independent Auditors' Report, the audited financial statements and accompanying notes, all of which follow this discussion and analysis.

History

The State of Alaska (State) Legislature established its first loan program for undergraduate students studying at an accredited institution in 1968. The program was funded directly by the State and administered by the State's then-named Department of Education. This activity was considered a primary government function and financial reporting was included in the governmental fund section of the State's comprehensive annual financial report.

The Alaska Commission on Postsecondary Education (Commission) was created in 1974 by an act of the State Legislature. The Commission was created to be the coordinating agency for postsecondary education, to administer student financial aid programs, to coordinate and plan for postsecondary education in the State, as well as to authorize and regulate postsecondary education institutions in Alaska. The education loan programs administered by the Commission were funded by the State. The Commission resides within the Department of Education and Early Development but is not subject to the direction of the Commissioner of Education and Early Development or the State Board of Education. The Commission's activity is considered a primary government function and financial activity is included in the governmental fund section of the State's comprehensive annual financial report.

The Alaska Student Loan Corporation (ASLC or Corporation) was created in 1987 by an act of the State Legislature. The Corporation is a public corporation and governmental instrumentality within the Department of Education and Early Development with a legal existence independent of and separate from the State. Therefore, the Corporation is not a part of the State's primary government. By statute the Corporation has one employee, the Executive Officer, and the employees of the Commission serve as staff for the Corporation.

The Corporation was created to raise alternative financing for education loans through the issuance of tax-exempt debt. The Corporation's goal is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. In 1987, the Corporation entered into an agreement with the Commission for on-going administrative services related to the loan programs. In April of 1988, by an act of the State Legislature, the assets, liabilities, and equities of the State's existing education loan programs were transferred to the Corporation effective December 1987. The loan programs are currently funded through the issuance of tax-exempt revenue bonds, recycling of loan payments, and proceeds from a State-funded loan. The financial activity related to the Corporation is reported as a discretely presented component unit in the State's comprehensive annual financial report.

The Corporation cannot be terminated as long as it has debt obligations outstanding. Upon termination, the Corporation's rights and property pass to the State.

Under contract with the Corporation, the Commission awards and services education loans under the umbrella title, AlaskAdvantage Loan Program[®] (Program). Additional information about the Program is available at <http://akadvantage.alaska.gov>. The Corporation funds the Commission's expenditures that relate to Program administration as permitted by ASLC statutes and bond indentures.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Program includes various Federal Family Education Loan Program (FFELP) loans (Federal loans) governed by the Higher Education Act (HEA) and State education loans (State loans) governed by State statutes. Loans under the Program include both fixed and variable rate loans.

The Program was structured to provide eligible borrowers with low-cost financial aid options. It encourages students to take advantage of federal aid resources to maximize their grant and lowest cost loan options prior to tapping into alternative loan sources.

Program Highlights

- The lender-based Federal Family Education Loan Program ended effective July 1, 2010 with the passage of the *Health Care and Education Affordability Reconciliation Act* in March, 2010. The Corporation continues to hold and administer its existing FFELP loan portfolio.
- Loan portfolio by program is as follows:

Fiscal Year and Loan Program	Net loans as a percentage of total loans	Gross awards as a percentage of total awards
2012		
State	67	100
Federal	33	-
2011		
State	67	100
Federal	33	-
2010		
State	67	25
Federal	33	75

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Loans are pledged to various trusts or held by the Corporation free and clear (non-pledged) as follows:

	State	Principal balance Federal	Total	Principal balance as a percentage of total
2002 Trust	\$ 266,639	27,760	294,399	49
2004 Trust	13,582	-	13,582	2
2005 Trust	36,208	-	36,208	6
Loan payable to the State	23,870	40,863	64,733	11
Funding Note Purchase Agreement	-	89,224	89,224	15
Non-pledged	96,483	5,039	101,522	17
Total	\$ 436,782	162,886	599,668	100

- State loans were made to borrowers meeting the following credit criteria:

	Principal Balance	Principal balance as a percentage of total
FICO of 680 or greater	\$ 34,065	8
Good payment history	59,451	14
Credit Ready	280,724	64
No credit criteria	62,542	14
Total	\$ 436,782	100

FICO score requirements were implemented on all Alaska Supplemental Education Loans first disbursed on or after July 1, 2009. The borrower or a co-signor must have the qualifying FICO score.

Good payment history requirements were implemented on all State Consolidated Loans reflecting good repayment activity in the eighteen months prior to consolidation or a FICO score of at least 720 on or before October 6, 2010 and 680 thereafter.

No adverse credit history was required on loans first disbursed on or after April 1, 1997 and before July 1, 2009.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- **Financing education loans**

The Corporation last issued education loan revenue bonds, for the purpose of financing education loans, in June 2007 and has used internal liquidity and proceeds from a loan payable to the State to finance education loans through June 30, 2012. Due to the elimination of the FFELP and the implementation of stricter underwriting criteria, annual loan volume is anticipated to continue to be between \$7 million and \$10 million. Management believes it has internal cash available to meet loan demand through fiscal 2013. Thereafter, Management anticipates using equity in the 2002 Trust or issuing fixed rate bonds to meet loan demand.

- **Refinancing loan portfolios to redeem auction rate securities and repay other debt payable**

All auction rate securities (ARS) issued by the Corporation were issued under the 2002 Trust. The Corporation has \$106 million in ARS outstanding at June 30, 2012. Auctions on these bonds have failed since the failure of the ARS market in February 2008. Auction failure does not constitute a default on the bonds, and all principal and interest payments on bonds have been made when due. Despite the ARS market failure, the Corporation's pledged loan portfolio credit quality remains strong. All bonds, including the ARS, issued under the 2002 Trust remain rated AAA by both Fitch (rating watch negative, affirmed June 2012) and Standard and Poor's (affirmed December 2011).

Education loans made with ARS and FFELP loans made with proceeds from a loan payable to the State were refinanced on September 12, 2012. The proceeds from such refinancing were used to redeem the Corporation's ARS at par and to make a \$41 million payment on the loan payable to the State.

The balance on the loan payable to the State is due July 17, 2013. Management anticipates using equity in the 2002 Trust or issuing fixed rate bonds to refinance the loan portfolio pledged to the loan payable to the State. Proceeds from such refinancing will be used to pay the balance on the loan payable to the State on or prior to its due date.

The balance on the Funding Note Purchase Agreement (FNPA) is due November 19, 2013. The corporation continues to evaluate its options relative to refinancing loans pledged to the FNPA and is currently anticipating refinancing with a LIBOR floating rate note (FRN). Proceeds from such refinancing will be used to pay the balance on the FNPA on or prior to its due date.

Information related to the Corporation's debt is contained in the footnote section of the financial statements. In addition, trust monitoring reports are prepared quarterly, the most current of which is available at: http://akadvantage.alaska.gov/Research/Investor_Relations/Trust_Documents.aspx.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

The Corporation's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. Under the accrual method of accounting, the same method used by private sector businesses, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The three basic financial statements of the Corporation are as follows:

Balance Sheets - This statement presents information regarding the Corporation's assets, liabilities and net assets at a point in time. Net assets represent the total amount of assets less the total amount of liabilities. This statement reflects the Corporation's financial health at the end of the year. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

Assets and liabilities are classified as current or noncurrent on the Balance Sheets. Current assets are those available and reasonably expected to be used to pay current liabilities or cover the cost of operations in the next fiscal year. Current liabilities are those expected to be satisfied in the next fiscal year. Assets and net assets are further classified as either restricted or unrestricted. The restricted classification is used when constraints are imposed by external sources or enabling legislation. Restricted assets are classified as noncurrent unless the restriction is short lived (less than a year).

Statements of Revenues, Expenses, and Changes in Net Assets – This statement measures the activities of the Corporation's operations over the past year and presents the operating income and change in net assets. It also reflects the results of non-operating activities and capital returned to the State. This statement can be used to determine whether the Corporation has successfully recovered its costs through education loan and investment income.

Statements of Cash Flows – This statement provides information about the sources and uses of the Corporation's cash and the change in the cash balance during the fiscal year. This statement presents cash receipts, cash payments and net changes resulting from operations and capital activities.

In addition to the basic financial statements, the Notes to Financial Statements provide information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

- The Corporation's total assets at June 30, 2012, 2011, and 2010 were \$0.7, \$0.7, and \$0.8 billion, respectively. The change in assets from fiscal year 2011 to 2012 was a decrease of \$83 million or 11%, and the change between fiscal year 2010 to 2011 was a decrease of \$81 million or 10%.
- The Corporation's net education loans receivable was \$496, \$561, and \$604 million, at June 30, 2012, 2011 and 2010, respectively. These balances represent a decrease in fiscal year 2012 of \$65 million or 12% and a decrease in fiscal year 2011 of \$43 million or 7%.
- The Corporation's debt at June 30, 2012, 2011, and 2010 was \$423, \$502, and \$589 million, respectively. The change in debt from fiscal year 2011 to 2012 was a decrease of \$79 million or 16%, and the change in debt from fiscal year 2010 to 2011 was a decrease of \$87 million or 15%.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The assets of the Corporation exceed its liabilities (reported as net assets) at the close of fiscal year 2012, 2011 and 2010 by \$218, \$217, and \$205 million, respectively. These balances represent an increase in fiscal year 2012 of \$1 million or 1% and an increase in fiscal year 2011 of \$12 million or 6%.
- The Corporation's operating revenue was \$36, \$38, and \$37 million at June 30, 2012, 2011 and 2010, respectively. These balances represent a decrease in fiscal year 2012 of \$2 million or 5% and an increase in 2011 of \$1 million or 3%.
- The Corporation's interest expense was \$12, \$14, and \$15 million during fiscal years 2012, 2011 and 2010, respectively. These balances represent a decrease in fiscal year 2012 of \$2 million or 14%, and a decrease in 2011 of \$1 million or 6%.
- The Corporation's other operating expense was \$25, \$16, and \$20 million during fiscal years 2012, 2011 and 2010. These balances represent an increase in fiscal year 2012 of \$9 million or 56% and a decrease in fiscal year 2011 of \$4 million or 20%.
- The following condensed financial information reflects changes during the fiscal year:

Balance Sheets (in thousands)

	2012	2011	\$ Change	% Change	2010
Assets:					
Current	\$ 76,087	86,833	(10,746)	(12)	79,326
Noncurrent	577,384	649,921	(72,537)	(11)	738,447
Total assets	653,471	736,754	(83,283)	(11)	817,773
Liabilities:					
Current	63,956	73,279	(9,323)	(13)	65,279
Noncurrent	371,222	446,647	(75,425)	(17)	547,884
Total liabilities	435,178	519,926	(84,748)	(16)	613,163
Net assets:					
Unrestricted	93,146	97,674	(4,528)	(5)	122,482
Restricted	125,147	119,154	5,993	5	82,128
Total net assets	218,293	216,828	1,465	1	204,610
Total liabilities and net assets	\$ 653,471	736,754	(83,283)	(11)	817,773

The fiscal year 2012 decrease in current assets was due to the decrease in unrestricted cash and restricted investments. The corporation invested the majority of its cash in one of the State's fixed income pools at year end instead of holding cash uninvested as it did at the end of 2011. Investment opportunities were better in 2012 than they were in 2011. The decrease in restricted investments at year end, which represents the majority of the decrease in current assets, was due to the fact that investments, regardless of current or noncurrent classification, declined overall. This decline is due to loans being originated with internal cash and other cash outlays such as debt service and administrative expenses being in excess of education loan payments received.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The fiscal year 2012 decrease in noncurrent assets was also due in part to the overall decrease in investments; however, the majority of the noncurrent asset decline was due to a decrease in education loans receivable. Loans receivable continues to decrease as principal payments received exceed originations and capitalized interest. Management expects this decline to continue in the years to come.

Fiscal year 2012 current liabilities decreased because return of capital payable declined. The return of capital payable represents bond proceeds payable to State agencies whose capital projects are funded by the Corporation's capital project bond proceeds. No new projects are being funded by the Corporation, therefore reimbursements to State agencies for capital project expenditures reduce the return of capital payable. State projects funded by the Corporation are near completion; therefore, this balance is declining. In addition, current liabilities are declining because scheduled debt service payments in fiscal year 2013 are expected to be lower than they were in fiscal year 2012.

Noncurrent liabilities in fiscal year 2012 decreased due to payments on debt being made with no new debt being incurred.

Unrestricted net assets decreased because administrative expenses exceed unrestricted monies generated for such expenditure in fiscal year 2012. Administrative expenses are funded by draws on the Corporation's trusts, direct loan servicing fees and unrestricted investments. Unrestricted investments include loan payments received on the non-pledged loan portfolio.

Restricted net assets increased in fiscal year 2012 due to the reduction of the return of capital payable and restricted debt exceeding the reduction in restricted loans receivable and investments. Restricted debt was reduced because scheduled debt payments were made and no new debt was incurred. Restricted loans are declining because principal loan payments are higher than loan originations. Restricted investments are used to make debt payments as well as return of capital payments.

The fiscal year 2011 increase in current assets is due to the increase in unrestricted cash and loans receivable. Cash held at year end increased due to poor year end investment opportunities. The increase in loans receivable at year end is the increase in expected principal payments due to historical trends.

The fiscal year 2011 decrease in noncurrent assets was due to a decrease in investments and loans receivable. Investments were unusually high at the end of fiscal year 2010 due to the receipt of proceeds from refinancing FFELP loans on June 29, 2010. Those proceeds were used to purchase outstanding auction rate securities. In addition, the Corporation used investments held at the beginning of the year to finance a large portion of the current year's loan originations. Loans receivable is decreasing as originations and capitalized interest are no longer exceeding principal payments received.

Fiscal year 2011 current liabilities increased because payments on other debt are coming due for the first time in fiscal year 2012.

Noncurrent liabilities in fiscal year 2011 decreased due to payments on debt being made with no new debt being incurred.

Unrestricted net assets decreased in fiscal year 2011 due to the reduction in unrestricted loans receivable. Unrestricted loans receivable is declining due to the fact that principal loan payments are higher than loan originations.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Restricted net assets increased in fiscal year 2011 due to the reduction of restricted debt being higher than the reduction in restricted loans receivable and investments. Restricted debt was reduced in fiscal year 2011 as debt payments were made and no new debt was incurred. Restricted loans are declining due to the fact that principal loan payments are higher than loan originations. Restricted investments were used for loan originations and to make debt payments in fiscal year 2011.

Statements of Revenue, Expense and Changes in Net Assets (in thousands)

	2012	2011	\$ Change	% Change	2010
Operating revenue	\$ 35,514	37,636	(2,122)	(6)	37,233
Operating expense	(34,873)	(27,432)	(7,441)	27	(31,742)
Non-operating revenue	1,580	-	1,580	-	-
Non-operating expense	(1,982)	(2,647)	665	(25)	(3,224)
Income before change in estimate, special item and return of capital	239	7,557	(7,318)	(97)	2,267
Change in accounting estimate	-	-	-	-	4,342
Gain on cancellation of bonds	1,289	4,734	(3,445)	(73)	17,406
Return of capital	(63)	(73)	10	(14)	(54)
Change in net assets	1,465	12,218	(10,753)	(88)	23,961
Net assets - beginning	216,828	204,610	12,218	6	180,649
Net assets - ending	\$ 218,293	216,828	1,465	1	204,610

Operating revenue, which represents interest on education loans and earnings on investments, decreased in fiscal year 2012 due to a reduction in education loan interest revenue. As the education loan portfolio decreases so will interest earnings on the portfolio. The net education loan portfolio decreased 12% in fiscal year 2012 and the resulting decrease in education loan interest income was 8%. The average return on gross loans in fiscal year 2012 was 4.50% which was a slight improvement over the average return in fiscal year 2011 of 4.48%. The return on invested assets improved as well from 1.37% in fiscal year 2011 to 2.07% in fiscal year 2012.

Operating expense increased in 2012 due to the increase in the provision related to education loans. The provision represents the expense associated with the change in the allowance for doubtful loans, a significant estimate contained in the financial statements. The allowance for doubtful loans increased from 26% of gross State loans in fiscal year 2011 to 29% of gross State loans in fiscal year 2012. This increase is the result of two new cohorts (year in which State loans first enter repayment) of loans being included in the loan loss rate used to develop the allowance. Once a cohort of loans pays down to 25% of the original disbursed amount, it is included in the development of the loan loss rate. The two new cohorts included in the calculation for fiscal year 2012 had actual loss rates significantly higher than the average of the previous cohorts used resulting in an increase in the loan loss allowance and related provision. It is impossible to predict the status of the economy or unemployment levels or at which point a downturn will significantly reduce revenues. However, management believes that the economy downturn that started in 2008 negatively impacted the two new cohort of loans causing them to have a

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

higher loss rate than past cohorts. While the next cohort of loans has not paid down to 25% of the original loan amount disbursed, the loss rate on that cohort is tracking with the average loss rate on cohorts used prior to fiscal year 2012 meaning that over time, loss rates are anticipated to return to the level experienced in fiscal year 2011 and prior.

Non-operating revenue consists of federal direct loan servicing fees. The Corporation qualified as a not-for-profit servicer (NFP servicer) for the Federal Direct Loan Program pursuant to The Student Aid and Fiscal Responsibility Act of 2009 ("SAFRA"), Title II of the Reconciliation Act, that became law on March 30, 2010. SAFRA required the Secretary of the U.S. Department of Education to contract with each eligible and qualified NFP servicer to service loans within the Federal Direct Loan Program. The Corporation chose not to service their federal direct loan allocation directly and on September 26, 2011 entered into an Agreement for Teaming Arrangement to Service Student Loan with the Missouri Higher Education Loan Authority (MOHELA). MOHELA is currently servicing the Corporation's allocation of Federal Direct Loan borrower accounts for the Corporation. Non-operating revenue consists of the Corporation's share of the servicing fee paid by the U.S. Department of Education as well as the one-time conversion fee paid to NFP servicers at the time loans were initially allocated.

Non-operating expense declined in 2012 due to the reduction in interest expense on bonds issued to finance State capital projects as a result of the reduction of debt outstanding during the year. This trend will continue as management does not anticipate issuing additional capital project bonds.

Operating revenue increased in fiscal year 2011 due to a slight increase in investment returns. This increase is also attributable to the reduction in borrower benefits effective for the 2010-2011 academic year. The average return on gross loans was 4.48% and 4.51% in fiscal years 2011 and 2010, respectively. The return on invested assets increased from 0.85% in fiscal year 2010 to 1.37% in fiscal year 2011. The Corporation continued to invest in zero coupon State and Local Government Securities ("SLGS") or non-interest bearing money market accounts in fiscal year 2011 to reduce yield restriction and arbitrage rebate liabilities associated with past earnings on tax-exempt bond proceeds.

Operating expense declined in 2011 due to the reduction in administrative costs, the provision related to loan losses and cumulative investment earnings rebatable to the federal government. Administrative costs have declined due to the elimination of the lender-based Federal Family Education Loan Program. Prior to the elimination of that program, the Corporation paid a lender fee and, for Stafford loan borrowers, the origination fee. Administrative costs are also down due to a reduction in costs associated with the significant decline in loan volume as a result of the elimination of FFELP as well as the implementation of stricter underwriting standards for the State loan program.

Non-operating expense declined in 2011 due to the reduction in interest expense on bonds issued to finance State capital projects as a result of the reduction of debt outstanding during the year.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)
MANAGEMENT'S DISCUSSION AND ANALYSIS

Borrower Benefits

The Board has approved various loan benefits that provide incentives and rewards to borrowers who participate in the Program. The benefit package, intended to lower the cost of interest and fees, is subject to annual approval by the Board and changes are subject to a confirmation from rating agencies rating the Corporation's outstanding education loan revenue bonds. The rating confirmation must indicate that the change to the borrower benefit package will not have a negative impact on ratings previously issued. Borrower benefits awarded in fiscal years 2012, 2011 and 2010 cost \$1.1, \$1.1, and \$2.8 million, respectively. The cost of such benefits is offset against education loan interest income. Benefits available to eligible borrowers are available online at http://akadvantage.alaska.gov/Loans/Borrower_Benefits.aspx.

Contacting the Corporation

This financial report is designed to provide borrowers, investors, creditors and other readers with a general overview of the Corporation's finances. If you have questions about this report or need additional financial information, contact the Corporation at (907) 465-6740.

ELGEE REHFELD MERTZ, LLC

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Alaska Student Loan Corporation
Juneau, Alaska

We have audited the accompanying financial statements of the Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska, as of and for the years ended June 30, 2012, and 2011, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of June 30, 2012, and 2011, and the results of its operations and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2012 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 1 through 10 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



September 30, 2012

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Balance Sheets

June 30, 2012 and 2011

(in thousands)

Assets	2012	2011
Current assets:		
Cash (note 3)	\$ 750	4,410
Other	322	101
Interest receivable - investments	89	103
Interest receivable - loans	1,207	1,390
Investments (note 3)	1,770	1,066
Loans receivable (notes 4 and 10)	13,894	12,364
Restricted investments (note 3)	58,055	67,399
Total current assets	76,087	86,833
Noncurrent assets:		
Interest receivable - loans, net (note 5)	1,691	1,566
Loans receivable, net (notes 4, 5 and 10)	50,265	54,595
Investments (note 3)	24,809	23,715
Restricted:		
Cash (note 3)	4,575	5,199
Other	398	203
Due from State of Alaska	-	113
Arbitrage rebate receivable (note 9)	781	813
Interest receivable - investments	497	587
Interest receivable - loans, net (note 5)	15,591	18,096
Investments (note 3)	44,745	48,392
Loans receivable, net (notes 4, 5 and 10)	432,001	494,078
Debt issue cost, net (note 8)	2,031	2,564
Total noncurrent assets	577,384	649,921
Total assets	\$ 653,471	736,754

See accompanying Notes to Financial Statements.

(Continued)

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Balance Sheets

June 30, 2012 and 2011

(in thousands)

Liabilities and Net Assets	2012	2011
Liabilities:		
Current:		
Payable from unrestricted assets:		
Due to State of Alaska	\$ 487	642
Due to U.S. Dept of Education (note 10)	356	370
Warrants outstanding (note 4)	136	36
Accounts payable	673	588
Payable from restricted assets:		
Due to State of Alaska	4	-
Due to U.S. Dept of Education (note 10)	844	915
Warrants outstanding (note 4)	12	22
Accounts payable	40	71
Arbitrage rebate payable (note 9)	496	999
Return of capital payable (note 12)	5,413	10,016
Interest payable	2,893	3,464
Bonds payable (note 6)	41,390	46,065
Other debt payable (note 7)	11,212	10,091
Total current liabilities	63,956	73,279
Noncurrent-payable from restricted assets:		
Arbitrage rebate payable (note 9)	55	111
Return of capital payable (note 12)	735	672
Deferred credit (note 2)	7	11
Bonds payable, net (note 6)	223,281	283,338
Loan payable to State of Alaska (note 7)	67,500	67,500
Other debt payable (note 7)	79,644	95,015
Total noncurrent liabilities	371,222	446,647
Total liabilities	435,178	519,926
Commitments and contingencies (note 12)	-	-
Net assets:		
Unrestricted (note 2)	93,146	97,674
Restricted	125,147	119,154
Total net assets	218,293	216,828
Total liabilities and net assets	\$ 653,471	736,754

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Statements of Revenue, Expenses
and Changes in Net Assets

Years ended June 30, 2012 and 2011

(in thousands)

	2012	2011
Operating revenue:		
Interest - loans	\$ 32,443	35,366
Investment income	3,071	2,270
Total operating revenue	35,514	37,636
Operating expenses:		
Interest	10,134	11,713
Administration	12,566	12,776
Provision (note 5)	12,332	3,404
Amortization and retirement of debt issue costs (note 8)	368	471
Arbitrage rebate (note 9)	(527)	(932)
Total operating expenses	34,873	27,432
Operating income	641	10,204
Nonoperating revenue - other	1,580	-
Nonoperating expense:		
Interest	1,784	2,399
Administration	33	83
Amortization of debt issue costs (note 8)	165	165
Total nonoperating expense	1,982	2,647
Nonoperating loss	(402)	(2,647)
Income before special item and return of capital	239	7,557
Special item - gain on cancellation of bonds (note 6)	1,289	4,734
Return of capital (note 12)	(63)	(73)
Change in net assets	1,465	12,218
Total net assets - beginning	216,828	204,610
Total net assets - ending	\$ 218,293	216,828

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Statements of Cash Flows

Years ended June 30, 2012 and 2011

(in thousands)

	2012	2011
Cash flows from operating activities:		
Principal payments received on loans	\$ 76,040	66,986
Interest received on loans	18,442	18,895
Other receipts	668	339
Loans originated	(7,764)	(12,164)
Administration	(12,740)	(12,592)
Interest paid on debt	(11,234)	(12,802)
Principal paid on debt	(60,281)	(68,895)
Proceeds from State loan and other debt	-	4,500
Debt issue costs	-	(45)
Income received on investments	2,636	469
Investments matured or sold	385,258	662,165
Investments purchased	(373,526)	(617,258)
Net cash provided by operating activities	17,499	29,598
Cash flows from capital activities:		
Other receipts	1,558	-
Administration	(71)	(35)
Interest paid on debt	(2,522)	(3,298)
Principal paid on debt	(16,145)	(16,820)
Return of capital payments	(4,603)	(2,293)
Net cash used by capital activities	(21,783)	(22,446)
Net increase (decrease) in cash	(4,284)	7,152
Cash at beginning of period	9,609	2,457
Cash at end of period	\$ 5,325	9,609

See accompanying Notes to Financial Statements.

(Continued)

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Statements of Cash Flows

Years ended June 30, 2012 and 2011

(in thousands)

	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 641	10,204
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in other assets	(394)	120
Decrease (increase) in interest receivable - investments	104	(664)
Decrease in net interest receivable - loans	2,563	1,134
Decrease in investments	11,193	44,401
Decrease in net loans receivable	64,877	43,418
Decrease in net debt issue costs	368	486
Increase (decrease) in due to U.S. Dept of Education	(85)	109
Increase (decrease) in net due to State of Alaska	(38)	5
Increase (decrease) in warrants outstanding	90	(230)
Increase in accounts payable	92	107
Decrease in net arbitrage rebate payable	(527)	(1,563)
Decrease in interest payable	(198)	(12)
Decrease in deferred credit	(4)	(2,444)
Decrease in bonds payable	(46,933)	(59,829)
Increase in loan payable to State	-	4,500
Decrease in other debt payable	(14,250)	(10,144)
Total adjustments	16,858	19,394
Net cash provided by operating activities	\$ 17,499	29,598
Summary of noncash capital activities that affect recognized assets and liabilities:		
Debt issue cost amortization	\$ 165	165
Return of capital payable	63	73
Interest payable	2,149	2,900
Bond premium amortization	(365)	(500)

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2012 and 2011

(in thousands)

(1) Authorizing Legislation and Organization

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska (State), was created in 1987 by an act of the State Legislature (Legislature). The purpose of the Corporation is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. The Corporation is authorized, with certain limitations, to issue bonds and other obligations necessary to provide sufficient funds for carrying out its purpose. The State Governor appoints the Corporation's Board of Directors (Board).

The Corporation contracts with the Alaska Commission on Postsecondary Education (Commission) to service its loan portfolio and to provide staff support for the Corporation. The Commission, a component of a separate legal entity, is responsible for staff costs; therefore, the Corporation has no pension disclosure.

(2) Summary of Significant Accounting Policies

(a) Fund Accounting

The financial activities of the Corporation, which are restricted by the Corporation's various debt instruments and State statutes, are recorded in various funds as necessitated by sound fiscal management. The funds are combined for financial statement purposes and there are no significant interfund transactions. The Corporation's funds are considered to be enterprise funds for financial reporting purposes with revenues recognized when earned and expenses when incurred.

(b) Fiscal Year

The Corporation's fiscal year begins July 1 and ends June 30, consistent with the State's fiscal year.

(c) Operating Revenues and Expenses

The Corporation was created with the authority to issue bonds and other obligations in order to finance education loans to qualified borrowers. Its operating revenue is derived from interest on education loans and earnings on investments. The cost of financing and servicing education loans is recorded as an operating expense.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(d) *Management Estimates*

In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts. Actual amounts could differ from estimates. The significant accounting and reporting estimates applied in the preparation of the accompanying financial statements are discussed below.

(e) *Loans*

Loans represent education loans issued through the AlaskAdvantage Loan Program[®] which include Supplemental Education, Alternative Consolidation, Teacher Education (TEL), Family Education (FEL), (collectively referred to as State loans), federally guaranteed Stafford (subsidized and unsubsidized), PLUS, and Consolidation (subsidized and unsubsidized) loans (collectively referred to as Federal loans). Loan terms vary depending on the year of origination and loan type. Interest accrues at fixed and variable rates ranging from 1.76% to 9% and is generally determined by loan type and year of origination.

(f) *Interest on Loans*

Interest on loans is accrued when earned. For federally guaranteed subsidized loans, interest from the disbursement date of the loan until a date that is six months after the borrower withdraws from school (plus any authorized deferment and eligible income-based repayment periods) is paid by the U.S. Department of Education (Department) under the Federal Family Education Loan Program. The borrower is responsible for interest accruing subsequent to that date.

For federally guaranteed non-subsidized loans and for all State loans (other than TEL) awarded after June 30, 2002, interest accruing from the disbursement date is the responsibility of the borrower. For TELs awarded after June 30, 2002, interest accruing from the date the borrower ceases to be enrolled in school is the responsibility of the borrower.

State loans (other than FEL) awarded prior to July 1, 2002, are non-interest bearing while the borrower is completing eligible studies. State loans (other than FEL) awarded prior to July 1, 1996, are non-interest bearing during approved periods of deferment. State loans (other than FEL) awarded prior to July 1, 1987, are also non-interest bearing during a one-year grace period following completion of studies and a six-month grace period following an approved deferment. For FELs awarded prior to July 1, 2002, interest accruing from the disbursement date is the responsibility of the borrower.

Non-interest bearing loans were approximately \$3,654 and \$3,846 at June 30, 2012 and 2011, respectively.

The cost of borrower benefits awarded to eligible borrowers is recorded as a reduction in interest income on loans. The borrower benefit offerings are approved by the Board annually and may vary from year-to-year.

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(g) *Allowances and Provision*

The allowances represent management's estimate, based on experience, of loans, and accrued interest on loans that will ultimately be uncollectible or forgiven. The Corporation writes off State loans upon death, bankruptcy, total disability, or when payment activity ceases and the loan is no longer credit reportable. The Corporation writes off the portion of Federal loan balances not guaranteed and deemed uncollectible. Accrued unpaid interest is written off when the related loan is written off.

A borrower of a TEL can obtain up to 100% forgiveness of loan principal and interest if the borrower teaches in rural Alaska for periods specified by the program. A borrower of a State loan (other than TEL) awarded prior to July 1, 1987, can obtain up to 50% forgiveness of loan principal and interest if the borrower meets conditions specified by the program.

(h) *Deferred Credit*

Borrowers of State loans originated after June 30, 1994, are subject to an origination fee at disbursement of 1%, 3%, or 5%, generally determined by year of origination. Loan origination fees, recognized as a deferred credit, must be used by the Corporation to offset losses incurred as a result of death, disability, default, or bankruptcy of the borrower as required by State statute. The allowance for doubtful loans has been reduced by the deferred credit balance, if any.

(i) *Debt Issue Costs*

Debt issue costs include underwriters' fees and other costs incurred in connection with the issuance of debt and are amortized over the life of the debt using the straight-line method.

(j) *Bond Premiums*

The Corporation uses the effective method of amortization to amortize bond premiums over the life of the bond. The effective method more closely matches premium amortization with bond interest expense, maintaining a constant effective rate of interest over the life of the bonds.

(k) *Income Taxes*

The Corporation, as a governmental instrumentality, is exempt from federal and state income taxes.

(l) *Investments*

Investments are carried at fair value and trades are recorded on a trade-date basis. Securities are valued at least monthly using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type.

(m) *Unrestricted Net Assets*

Unrestricted net assets represent assets not pledged as collateral to secure payment of debt or restricted by state statute.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments

(a) Cash

(1) Cash summarized by classification at June 30 is shown below:

	2012	2011
Current, unrestricted	\$ 750	4,410
Noncurrent, restricted	4,575	5,199
Total	\$ 5,325	9,609

(2) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. The Corporation has not established a custodial credit risk policy for its deposits.

At June 30, 2012, the Corporation had no cash exposed to custodial credit risk.

(b) Investments

(1) The fair value at June 30, of the Corporation's investments, by classification, is shown below:

	2012	2011
Current:		
Unrestricted	\$ 1,770	1,066
Restricted	58,055	67,399
Noncurrent:		
Unrestricted	24,809	23,715
Restricted	44,745	48,392
Total	\$ 129,379	140,572

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) **Cash and Investments (cont.)**

(b) ***Investments***

(2) Investment Policies

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested.

Restricted funds, other than those restricted by State statute, are invested according to the terms outlined in their respective debt instruments which generally mandate the purchase of relatively short-term, high quality fixed income securities. Investments are managed by a contracted external investment manager, or by the State of Alaska's Department of Revenue, Treasury Division (Treasury). The following securities are eligible for investment of restricted funds under the Corporation's investment policy:

- Under the 2002 and 2004 Master Indentures, the 2009 Loan Trust, and the 2010 Funding Note Purchase Agreement (FNPA), direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States (U.S.) or any agency thereof, provided such obligations are backed by the full faith and credit of the U.S. Under the 2005 Master Indenture, direct obligations of the U.S.
- Under the 2005 Master Indenture, senior debt obligations, rated AAA by Standard and Poor's (S&P), issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation, senior debt obligations of the Federal Home Loan Bank, and senior debt obligations of any government sponsored agencies approved by the bond insurer.
- Under the 2002 and 2004 Master Indentures, U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of at least A-1+ by S&P and P-1 by Moody's and maturing no more than 360 days after the date of purchase. Under the 2005 Master Indenture, such investments are allowed if the rating from S&P is A-1 or better on the date of purchase.
- Under the 2002 and 2004 Master Indentures, commercial paper which is rated, at the time of purchase, at least A-1+ by S&P and P-1 by Moody's. Under the 2005 Master Indenture, such investments are allowed if rated A-1+ or better by S&P at the time of purchase and if the investment matures not more than 270 days after the date of purchase. Under the FNPA, such investments are allowed if rated A-1+ by S&P and F1+ or higher by Fitch at the time of purchase.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(2) Investment Policies

- Under the 2009 Loan Trust, short-term investments with domestic commercial banks maturing not more than 365 calendar days after the date of purchase, provided, however, that such investments are unconditionally guaranteed by the U.S.; or fully collateralized by securities which are unconditionally guaranteed by the U.S. or that the long-term unsecured debt obligations of such depository institution or trust company at and during the term of such investment are rated at least in the second highest rating category possible.
- Under the FNPA, demand deposits, including interest-bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits and certificates of deposit or bankers acceptances of depository institutions having a long-term rating equivalent of AAA or higher by S&P and Fitch at the time of and during investment.
- Under the 2002 and 2004 Master Indentures, investments in money market funds rated AAAM or AAAM-G or better by S&P and Aaa by Moody's. Under the 2005 Master Indenture, such investments are allowed if rated AAAM or AAAM-G or better by S&P. Under the 2009 Loan Trust, such investments are allowed if rated at least "Aaa" by S&P or otherwise in the highest rating category of S&P for money market funds and at least "AA" or "F-1+" by Fitch if the money market fund has the ability to maintain a stable one dollar net asset value per share and the shares are freely transferable on a daily basis. Under the FNPA, such investments are allowed if rated in the highest investment category granted thereby from S&P and Fitch.
- Under the 2002 and 2004 Master Indentures, general obligations of any state or municipality with a rating of at least A by S&P and Aaa by Moody's. Under the 2005 Master Indenture, general obligations of states with a rating of A or higher by S&P.
- Under the 2004 and 2005 Master Indentures, repurchase agreements for 30 days or less provided they are with banks, or primary dealers on the Federal Reserve reporting dealer list, rated A or better by S&P and Moody's. Under the FNPA, repurchase and reverse repurchase agreements collateralized with obligations fully and unconditionally guaranteed as to timely payment by, the U.S. government or any agency, instrumentality, or establishment of the U.S. government.
- Under the 2002 Master Indenture, guaranteed investment contracts, investment agreements and repurchase agreements secured by collateral. Under the 2004 Master Indenture, such contracts or agreements must be acceptable to the bond insurer.

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(2) Investment Policies

- Under the 2005 Master Indenture, investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least AA by S&P and Aa by Moody's.
- Under the 2002 Master Indenture, unsecured guaranteed investment contracts or investment agreements with any bank, bank holding company, corporation or any other financial institution meeting the following:

Maturity	Ratings			
	Commercial Paper		Unsecured Long-term Debt	
	S&P's	Moody's	S&P's	Moody's
12 months or less	A-1+	P-1	-	-
24 months or less	A-1+	P-1	A-	Aa3
More than 24 months	A-1+	P-1	AA-	Aa3

Contracts or agreements with an insurance company whose claims paying ability is so rated, is also allowable.

Under the 2004 Master Indenture, such contracts and agreements must be acceptable to the bond insurer.

- Under the 2009 Loan Trust, holdings in any of the various fixed-income pools managed by Treasury.
- Under the 2002 Master Indenture, any other investment approved in writing by S&P and Moody's. Under the 2004 Master Indenture, any other investment approved in writing by S&P, Moody's and the bond insurer.

Unrestricted funds and funds restricted by State statute may be invested in the various fixed-income pools managed by Treasury. Investments in the State's fixed-income investment pools are made in accordance with the State's General Investment Policy. These investments represent an ownership share of the pool's securities rather than ownership of specific securities themselves. Actual investing is performed or managed by Treasury's investment officers.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(2) Investment Policies

A complete description of the investment policy for each of the State's fixed-income investment pools is included in the Department of Revenue, Treasury Division's, Policies and Procedures.

In addition to the State's fixed-income investment pools, the following securities are eligible for investment of unrestricted funds and funds restricted by State statute under the Corporation's investment policy:

- Direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.
- Bonds, notes or other evidences of indebtedness rated "AAA/Aaa" and issued by federal agencies which do not represent the full faith and credit of the U.S.
- Bonds, notes or other evidences of indebtedness rated "A" or better and issued by domestic municipalities.
- Corporate bonds and convertible securities rated "A" or better.
- Collateralized mortgage obligations originated from a federal agency.
- Collateralized investment contracts and repurchase agreements.
- Uncollateralized investment contracts as long as the investment provider's long-term rating is and remains the highest possible throughout the contract term.
- Fixed income money or mutual funds rated "A" or better.
- Certificates of deposit and term deposits of U.S. domestic financial institutions or trust companies which are members of the Federal Deposit Insurance Corporation as long as collateralized at 100% of principal and accrued unpaid interest or that the long-term unsecured debt obligations of such depository institution or trust company at and during the term of such investment are rated at least in the second highest rating category possible.
- Short-term domestic corporate promissory notes (commercial paper) payable in U.S. dollars as long as the provider's short-term rating is of the highest rating possible throughout the investment term.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) **Cash and Investments (cont.)**

(b) *Investments*

(3) Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Corporation mitigates its credit risk by limiting investments to those permitted in the investment policies, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities.

The fair value of the Corporation's investments by type and credit quality, using S&P's rating scale without modifiers, at June 30 are shown below:

Investment Type	Ratings	2012	2011
U.S. government agency discount notes	Not rated	\$ 944	4,000
Mortgage-backed securities (agencies)	AAA	-	63,686
Mortgage-backed securities (agencies)	AA	50,502	-
Money market funds	AAA	47,364	5,558
Money market mutual funds	Not rated	-	2,633
Money market deposit account	Not rated	-	29,700
Guaranteed investment contracts	Not rated	6,688	8,253
Corporate bonds	AA	3,414	5,550
Corporate bonds	A	5,290	5,304
Internal investment pools	Next schedule	8,002	7,420
U.S. treasury securities	No credit exposure	7,175	8,468
Total		\$ 129,379	140,572

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) *Investments*

(3) Credit Risk

Treasury's investment policy for the State's internal investment pools has the following limitations with regard to credit risk.

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities are limited to those rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: S&P, Moody's and Fitch.

Intermediate-term Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of the three rating agencies previously mentioned.

Asset-backed and non-agency mortgage securities may be purchased by either pool if rated AAA or equivalent by one of the rating agencies previously mentioned.

The Corporation invests in the State's internally managed Intermediate-term Fixed Income Pool and the General Fund and Other Non Segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's internally managed Short-term and Intermediate-term Fixed Income Pools.

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) **Cash and Investments (cont.)**

(b) **Investments**

(3) **Credit Risk**

The fair value of the Corporation's share of the State's internal investment pools by type and credit quality, using S&P's rating scale without modifiers, at June 30 are below:

Investment Type	Rating	Short-term	Intermediate-term	Totals	
				2012	2011
Commercial paper	A-1	\$ -	-	-	207
Commercial paper	Not rated	162	2	164	36
U.S. government agency	AAA	-	-	-	257
U.S. government agency	AA	57	125	182	-
U.S. government agency	A	-	2	2	-
U.S. gov. agency discount notes	Not rated	-	-	-	84
Mortgage-backed	AAA	22	46	68	171
Mortgage-backed	AA	-	34	34	3
Mortgage-backed	BBB	-	-	-	1
Mortgage-backed	CCC	-	1	1	-
Mortgage-backed	Not rated	18	16	34	12
Other asset-backed	AAA	1,273	7	1,280	969
Other asset-backed	AA	92	-	92	-
Other asset-backed	A	4	-	4	2
Other asset-backed	CCC	-	-	-	1
Other asset-backed	Not rated	307	3	310	108
Overnight sweep account	Not rated	-	-	-	27
Corporate bonds	AAA	-	20	20	1,161
Corporate bonds	AA	240	229	469	90
Corporate bonds	A	175	107	282	238
Corporate bonds	BBB	-	37	37	62
Corporate bonds	Not rated	17	2	19	173
Yankees:					
Government	AA	-	15	15	29
Government	Not rated	-	1	1	2
Corporate	AAA	-	-	-	43
Corporate	AA	69	-	69	60
Corporate	A	30	-	30	21
Corporate	BBB	-	-	-	10
Corporate	Not rated	-	-	-	2
No credit exposure:					
U.S. treasury notes		-	1,742	1,742	3,085
U.S. treasury bills		2,916	210	3,126	478
U.S. treasury strip		-	2	2	3
Pool related net assets		19	-	19	85
Total		\$ 5,401	2,601	8,002	7,420

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

3) Cash and Investments (cont.)

(b) Investments

(4) Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of investments in a single investment provider.

For investment contracts, the investment providers will be limited to providing investments to the lesser of \$50,000 or 5% of total investments at the time the investment is made. These diversification standards are not applicable to contracts with investments in direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and are also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.

Investment Holdings Greater than Five Percent of Total Investments

The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's policy and investments which have no established concentration limits.

At June 30, 2012, the Corporation had investment balances greater than five percent of the Corporation's total investments with the following investment providers:

	Fair Value	Percent of Total Investments
Federated Investors, Inc	\$ 41,023	31.67%
Federal National Mortgage Association	28,856	22.28%
Federal Home Loan Mortgage Corporation	19,266	14.88%
FSA Management Services, LLC	6,688	5.16%

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(5) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation mitigates interest rate risk by structuring maturities to meet cash requirements.

Duration

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a portfolio is the average fair value weighted duration of each security in the portfolio taking into account all related cash flows.

The Corporation's investment management contractor uses industry-standard analytical software developed by CMS Bond Edge and Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the duration calculation.

At June 30, 2012, the weighted average modified duration of investments, other than investments in the State's internal investment pools, is shown below:

U.S. government agency discount notes	0.14
Mortgage-backed securities (agencies)	2.37
Guaranteed investment contracts	9.83
Corporate bonds	4.18
U.S. treasury securities	2.58
Portfolio modified duration	3.25

The Corporation has not established an interest rate risk policy for such investments.

Through its investment policy, Treasury manages exposure to fair value losses arising from increasing interest rates by limiting effective duration of its Intermediate-term Fixed Income Pool to $\pm 20\%$ of the Merrill Lynch 1-5 year Government Bond Index. At June 30, 2012, the effective duration for the Merrill Lynch 1-5 year Government Bond Index was 2.66 years.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(5) Interest Rate Risk

At June 30, 2012, the Intermediate-term Fixed Income Pool's effective duration, by investment type, is shown below:

Commercial paper	0.26
U.S. government agency	1.24
Mortgage-backed	1.28
Other asset-backed	2.43
Corporate bonds	1.62
Yankees:	
Government	1.72
Corporate	2.63
U.S. treasury notes	2.78
U.S. treasury bills	0.30
U.S. treasury strip	5.26
 Portfolio effective duration	 2.23

As a means of limiting the Short-term Fixed Income Pool's exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life at purchase. Floating rate securities are limited to three years in maturity or three years expected average life at purchase. Treasury utilizes the actual maturity date for commercial paper and twelve month prepay speeds for other securities. At June 30, 2012, the expected average life of fixed rate securities held in the Short-term Fixed Income Pool ranged from one day to one year and the expected average life of floating rate securities ranged from eight days to fourteen years.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

- (c) Cash and investments include amounts specifically designated for financing education loans at June 30, as follows:

	2012	2011
Current:		
Unrestricted	\$ 61	444
Restricted	190	176
Total	\$ 251	620

(4) Loans Receivable

- (a) The loan portfolio summarized by classification at June 30 is shown below:

	2012		2011	
	State	Federal	State	Federal
Current, unrestricted	\$ 13,419	475	12,131	233
Noncurrent:				
Unrestricted	83,064	4,564	88,510	2,815
Restricted	340,299	157,847	380,242	180,367
Total	\$ 436,782	162,886	480,883	183,415

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(4) **Loans receivable (cont.)**

(b) Loans are financed by the issuance of tax-exempt revenue bonds, recycled loan payments, and proceeds from a State-funded loan. The loan portfolio summarized by program at June 30, is shown below:

	2012	2011
State Loans		
Supplemental Education	\$ 365,862	397,644
Consolidation	59,980	71,172
Teacher Education	7,444	7,701
Family Education	3,496	4,366
Total State Loans	436,782	480,883
Federal Family Education Loans		
Stafford	137,051	154,438
PLUS	19,922	7,238
Consolidation	5,913	21,739
Total Federal Loans	162,886	183,415
Total	\$ 599,668	664,298

(c) The loan portfolio summarized by status at June 30, follows:

		2012		2011	
		State	Federal	State	Federal
Enrollment	\$	28,371	18,356	39,396	30,783
Grace		10,055	7,199	15,007	14,977
Repayment		344,584	96,645	368,230	94,766
Deferment		52,305	24,853	56,159	26,381
Forbearance		1,467	15,833	2,091	16,508
Total	\$	436,782	162,886	480,883	183,415

(d) Included in loans receivable are \$10 and \$42 of loan warrants issued but not redeemed at June 30, 2012 and 2011, respectively. Redemption is contingent upon the borrower meeting certain eligibility requirements.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(4) Loans receivable (cont.)

(e) Loans awarded not disbursed at June 30, are shown below:

	2012	2011
State Loans		
Supplemental Education	\$ 227	572
Family Education	24	48
Total State Loans	\$ 251	620

(5) Allowances and Provision

A summary of activity in the allowances at June 30 follows:

	2012	2011
Balance at beginning of period	\$ 126,767	140,134
Provision	12,332	3,404
Balances charged off	(12,882)	(16,771)
Balance at end of period	\$ 126,217	126,767

	2012	2011
Allowance for doubtful loans	\$ 101,567	101,360
Allowance for principal forgiveness	1,941	1,901
Allowance for doubtful interest	22,328	23,185
Allowance for interest forgiveness	381	321
	\$ 126,217	126,767

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Bonds Payable

(a) Bonds payable at June 30 consist of the following:

	Type	Original Amount	Amount Outstanding	
			2012	2011
2002 Master Indenture, Education Loan:				
2003: Series A-1, due 2013 to 2016	Auction	\$ 16,500	2,500	4,900
Series A-2, due 2038	Auction	30,500	30,300	30,300
2004: Series A-1, due 2044	Auction	45,500	25,000	32,100
Serial bonds, Series A-3, rates ranging from 5.0% to 5.25%, due 2013 to 2017	Fixed	22,015	8,710	15,730
2005: Serial bonds, Series A, rate 5.0%, due 2013 to 2018	Fixed	58,250	35,250	41,750
2006: Series A-1, due 2040	Auction	30,000	19,700	30,000
Serial bonds, Series A-2, rate 5.0%, due 2013 to 2018	Fixed	55,000	37,500	43,000
2007: Series A-1, due 2042	Auction	41,500	28,500	28,500
Serial bonds, Series A-2, rate 5.0%, due 2013 to 2019	Fixed	18,500	15,500	17,000
Serial bonds, Series A-3, rate 5.0%, due 2013 to 2014	Fixed	49,000	16,000	23,000
Sub-total		\$ 366,765	218,960	266,280

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Bonds Payable (cont.)

		Amount Outstanding		
	Type	Original Amount	2012	2011
2004 Master Indenture, Series A Capital Project				
Serial bonds, rate 4.0%, due 2012 to 2016	Fixed	69,910	19,450	26,595
Term bonds, rate 4.0%, due 2018	Fixed	5,230	5,230	5,230
Sub-total		75,140	24,680	31,825
2005 Master Indenture, Series A State Projects:				
Serial bonds, rates ranging from 5% to 5.5%, due 2012 to 2014	Fixed	88,305	18,500	27,500
Total bonds payable		\$ 530,210	262,140	325,605
Unamortized premium			2,531	3,798
Net bonds payable			\$ 264,671	329,403
Current			\$ 41,390	46,065
Noncurrent			223,281	283,338
Total			\$ 264,671	329,403

- (b) In February 2008, the auction rate securities market collapsed. With the exception of the 2007 Series auction rate bonds/securities which auction every seven days, the Corporation's outstanding auction rate securities (ARS) continue to auction every thirty-five days. The Corporation's first auction failure occurred on February 12, 2008 and failures have continued through June 30, 2012. The supplemental indenture related to each series of ARS defines the maximum rate of interest to be assigned to the bonds when an auction fails.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Bonds Payable (cont.)

The following definitions exist for the Corporation's ARS:

Bonds	Maximum Rate (rounded to the nearest one thousandth of 1%)	Rate at June 30, 2012 by Series	
		A-1	A-2
2003	lesser of: (a) 150% of the higher of (i) the after-tax equivalent rate or (ii) the Kenny index; or (b) the Treasury bill cap; or (c) the commercial paper cap; or (d) the lesser of (i) 14% or (ii) the maximum rate permitted by State law (10.5%)	0.465%	0.525%
2004	same as 2003 bonds	0.510%	-
2006	same as 2003 bonds	0.510%	-
2007	same as 2003 bonds except 12% replaces 14% in	0.510%	-

(c) The minimum payments and sinking fund installments for the five years subsequent to June 30, 2012, and thereafter are as follows:

Period Ending June 30	Principal	Interest	Total
2013	\$ 41,390	7,985	49,375
2014	39,730	6,022	45,752
2015	21,710	4,169	25,879
2016	20,020	3,211	23,231
2017	21,540	2,378	23,918
2018-2022	14,250	3,400	17,650
2023-2027	-	2,662	2,662
2028-2032	-	2,662	2,662
2033-2037	-	2,662	2,662
2038-2042	50,000	2,268	52,268
2043-2044	53,500	583	54,083
Total	\$ 262,140	38,002	300,142

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Bonds Payable (cont.)

- (d) Each Master Indenture represents a limited obligation trust which secures payment for the outstanding revenue bonds issued therein. The bonds are payable from assets pledged to the respective trust including principal and interest payments on pledged loans. The bonds do not constitute general obligations of the Corporation or of the State. The 2002 Master Indenture Bonds are private activity revenue bonds. The 2004 and 2005 Master Indenture Bonds are governmental purpose revenue bonds. Debt service payments are due as follows:

Master Indenture	Principal	Interest
2002	June 1 *	June 1 and December 1
2004	July 1 and January 1	July 1 and January 1
2005	July 1 and January 1	July 1 and January 1

* The principal payments on the 2004 series auction rate bonds are due April 1st.

Certain bonds are subject to early redemption features, both mandatory and at the option of the Corporation. In addition, the bond indentures contain covenants relative to restrictions on additional indebtedness.

The 2004 Capital Project Revenue Bonds are insured by National Public Finance and the 2005 State Projects Revenue Bonds are insured by Assured Guaranty Municipal.

- (e) The Corporation purchased \$10,300 of its outstanding auction rate securities on November 30, 2011, for \$9,579. On December 6, 2011, the Corporation cancelled the bonds purchased resulting in a gain on the cancellation of \$721.

The Corporation purchased \$5,000 of its outstanding auction rate securities on December 2, 2011, for \$4,600. On December 6, 2011, the Corporation cancelled the bonds purchased resulting in a gain on the cancellation of \$400.

The Corporation purchased \$2,100 of its outstanding auction rate securities on March 21, 2012 for \$1,932. On March 21, 2012, the Corporation cancelled the bonds purchased resulting in a gain on the cancellation of \$168.

(7) Other Debt Payable

- (a) On July 17, 2009, the Corporation entered into a Trust and Loan Agreement with the State's Department of Revenue (acting on behalf of the State). The Loan Agreement provides up to \$100 million to the Corporation for the purpose of financing education loans. The loan is a four-year bullet loan accruing interest on the outstanding principal balance using a variable rate of interest equal to the most current rolling five-year average return on the State's general fund. The interest rate is reset annually and was 4.16% and 4.40% for the years ended 2012 and 2011, respectively. Interest is payable semi-annually in January and July. The loan is a limited

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(7) Other Debt Payable (cont.)

obligation secured by pledged assets. The Corporation has the right to prepay the loan, in whole or in part, at any time, without penalty or premium.

The Trust Agreement was entered into to secure payment of the loan. Loan proceeds drawn are deposited in the trust until education loans are originated. Education loans originated with loan proceeds, payments received on those loans, and earnings on pledged assets are all pledged to the trust.

Loan payable was \$67,500 and \$67,500 at June 30, 2012 and 2011.

- (b) The Corporation refinanced \$118.8 million in Federal Family Education Loan Program (FFELP) loans through participation in the Asset-Backed Commercial Paper Conduit Put Program (Program) authorized by the HEA, as amended by the Ensuring Continued Access to Student Loans Act of 2008. To participate in the Program, the Corporation entered into a variable Funding Note Purchase Agreement (FNPA) dated June 9, 2010, with Straight-A Funding, LLC, who, on June 29, 2010, purchased the variable funding note at 97% of loans pledged.

The FNPA represents a limited obligation secured by pledged loans and other pledged assets, including principal and interest payments on pledged loans. Principal payments will be made from pledged assets as needed to maintain the required asset coverage ratio with the final payment due no later than November 19, 2013. The Corporation has the right to prepay the balance, in whole or in part, at any time, without penalty or premium.

Program financing costs, which include costs associated with commercial paper issued for the Program by Straight-A Funding, LLC, and other Program costs such as liquidity fees, administrative fees, managerial fees and put option fees, are allocated to Program participants monthly based on the participant's prorata share of total FNPA balances at month end. Program financing costs are paid monthly from pledged assets. Financing costs paid by the Corporation was approximately 0.74% and 0.66% of the Corporation's FNPA balance for the years ended 2012 and 2011, respectively.

The FNPA balance was \$90,856 and \$105,106 at June 30, 2012, and 2011, respectively.

The minimum payments for years subsequent to June 30, 2012 are as follows:

Period Ending June 30	Principal	Interest	Total
2013	11,212	673	11,885
2014	79,644	228	79,872
Total	\$ 90,856	901	91,757

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(8) Debt Issue Cost

A summary of debt issue cost activity at June 30 follows:

	2012	2011
Balance at beginning of period	\$ 2,564	3,215
Reimbursements	-	(15)
Retirements	(110)	(211)
Amortization	(423)	(425)
Balance at end of period	\$ 2,031	2,564

(9) Yield Restriction and Arbitrage Rebate

Education loans financed with proceeds of tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than 2% over the bond yield. Education loans not financed by but pledged to secure tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than the bond yield. Earnings on non-loan investments pledged to bond indentures are subject to rebate provisions or restricted to the related bond yield. These restrictions are in effect over the lives of the bonds. As required by the Internal Revenue Service (IRS), the Corporation calculates and analyzes loan yields every ten years or earlier if necessitated by calling, cancelling or defeasing bonds. Investment yields are calculated and analyzed annually. These analyses are used to determine both compliance with IRS provisions and the arbitrage rebate liability. The amount accrued for arbitrage rebate liability represents the amount due to the IRS for earnings in excess of allowable yields. The amount recorded as arbitrage rebate receivable represents amounts paid to the IRS in past years that has now become refundable due to cumulative earnings no longer being in excess of those allowable.

(10) Federal Family Education Loan Program

Beginning with fiscal year 2003, the AlaskAdvantage program offerings expanded to include loans governed by the Higher Education Act (HEA), specifically federally guaranteed Stafford (subsidized and unsubsidized), PLUS and Consolidation (subsidized and unsubsidized) loans. To accommodate the Federal Family Education Loan Program (FFELP), the Corporation secured the status of "eligible lender" and entered into various agreements with Northwest Education Loan Association (NELA), which serves as the "eligible" guarantor. The lender-based FFELP was eliminated effective July 1, 2010, with the passage of the *Health Care and Education Affordability Reconciliation Act*. Therefore, fiscal year 2010 was the last year of federal loan guarantees for the Corporation.

As a holder of federal loans, the Corporation receives claim, special allowance and interest subsidy payments and pays excess interest, and rebate fees on federally guaranteed loans as specified in the HEA.

Claim payments are received from the guarantor when a borrower dies, becomes totally and permanently disabled, or defaults on a Federal loan. The lender is eligible for these payments provided they adhere to servicing requirements outlined in the HEA. Failure to fulfill the requirements may result in an interest penalty or loss of guarantee. In the case of a default claim, unpaid principal and interest are guaranteed at

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(10) Federal Family Education Loan Program (cont.)

98% if first originated prior to July 1, 2006, and 97% if first originated after June 30, 2006. Claims as a result of a borrower's death or becoming totally and permanently disabled are guaranteed at 100%.

Special allowance rates through the quarter ended March 31, 2012 were calculated quarterly based on the quarter's daily average three-month commercial paper rate (CPR) as established by the Department, plus a predetermined factor that varies according to loan type, disbursement date, loan status, and not-for-profit eligibility of the lender less the loan's applicable interest rate. Beginning with the quarter ended June 30, 2012 the Corporation elected to change the index used for calculating special allowance from the three-month CPR to the one-month London Interbank Offered Rate (LIBOR). When the calculated rate is positive special allowance payments are received from the Department, when the calculated rate is negative the Corporation pays excess interest to the Department on loans first disbursed after April 1, 2006.

Interest subsidies are received quarterly from the Department on behalf of a qualified subsidized Stafford or subsidized Consolidation loan borrower during periods of enrollment, grace, deferment and eligible income-based repayment periods.

A rebate fee, equal to 0.0875% of the unpaid principal and interest on consolidation loans, is paid monthly to the Department.

An origination fee was paid to the Department for Stafford and PLUS loans guaranteed through June 30, 2010 and disbursed by September 30, 2010. The fee was equal to a percentage of the disbursed amount. Borrowers of PLUS loans were charged 3% and borrowers of Stafford loans were charged 0.5%. The Corporation elected to pay the Stafford origination fee on behalf of the borrower.

Payment of a lender fee was required on federal loans guaranteed through June 30, 2010 and disbursed by September 30, 2010 in an amount equal to 1.0% of the disbursed amount. Origination and lender fees were paid quarterly to the Department.

Default fees were paid monthly to the guarantor for loans guaranteed through June 30, 2010 and disbursed by September 30, 2010. The fee, in the amount of 1.0% of the disbursed amount, was charged on Stafford and PLUS loans and paid on behalf of the borrower.

(11) Subsequent Event

On September 12, 2012 the Corporation issued \$53,120 of Education Loan Revenue Refunding Bonds, Senior Series 2012A, to retire \$11,301 of auction rate securities, pay \$40,987 of the other debt payable, fund a required reserve account and pay debt issue costs. The bonds are variable rate demand bonds with a weekly interest rate reset maturing December 1, 2043. Interest is payable semiannually on each June 1 and December 1 until maturity or redemption, commencing December 1, 2012. Principal and interest on the 2012A bonds are supported by an irrevocable direct-pay letter of credit.

On September 12, 2012 the Corporation issued \$93,435 of Education Loan Revenue Refunding Bonds which represents \$78,435 of Senior Series 2012B-1 bonds and \$15,000 of Senior Series 2012B-2 bonds. These bonds are variable rate demand bonds and were issued to retire \$92,408 of auction rate securities, fund a required reserve account and pay debt issue costs. The 2012B-1 bonds are term rate bonds whose

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(11) Subsequent Event (cont.)

interest rate resets annually each June 1. The 2012B-2 bonds are weekly interest rate reset bonds. The 2012B bonds mature on December 1, 2043. Interest is payable semiannually on each June 1 and December 1 until maturity or redemption, commencing December 1, 2012. Principal and interest on the 2012B bonds are supported by an irrevocable direct-pay letter of credit. In addition, principal and interest on the 2012B bonds that are tendered by bond holders and purchased by the letter of credit provider are supported by a stand-by bond purchase agreement issued by the State of Alaska, Department of Revenue acting on behalf of the State.

On September 17, 2012 the Corporation made a \$40,987 principal payment on the loan payable to the State of Alaska.

On September 18, 2012 the Corporation redeemed auction rate securities at par in the amount of \$57,800.

On October 10, 2012 the Corporation will redeem auction rate securities at par in the amount of \$48,200.

(12) Commitments and Contingencies

(a) Operations

The Corporation will fund approximately \$12,880 of the Commission's fiscal year 2013 operating budget for loan servicing and staff support. In addition, the Corporation will fund expenditures related to the Commission's fiscal year 2012 operating and capital project budgets of approximately \$589. The Commission's budget is subject to review and approval from both the executive and legislative branches of the State. Amounts funded by the Corporation will be based on expenditures paid by the Commission.

(b) Return of Capital

State statutes indicate that the Board may elect to pay the State a return of contributed capital or dividend annually based on net income. If the Board elects to make such a payment, the amount may not be less than 10%, or greater than 35%, of the Corporation's income before transfers when it equals or exceeds \$2,000 for the Base Fiscal Year. The Base Fiscal Year is defined as the fiscal year ending two years before the end of the fiscal year in which the payment is made.

On November 29, 2011 and October 27, 2010, the Board chose not to return capital, based on income, to the State in fiscal year 2012 and 2011, respectively.

As an additional means of returning capital, State statutes allow the Corporation to issue bonds to finance State capital projects. No bonds have been issued since 2005 for this purpose. In fiscal years 2005 and 2004, the Corporation issued \$163,445 of capital project bonds to finance State capital projects. Bond documents related to the 2004 capital project bonds require earnings on bond proceeds to be used to finance State capital projects. The Corporation reimburses the State for expenditures related to projects funded with Corporation capital project bond proceeds and

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

(12) Commitments and Contingencies (cont.)

related earnings. Restricted investments include amounts specifically designated for financing State capital projects totaling \$6,148 and \$10,688 at June 30, 2012 and 2011, respectively.

(c) *State Permanent Fund Dividend Garnishment*

The Alaska Permanent Fund (Permanent Fund), established in the State Constitution in 1976, is held and managed by the State. The State deposits a percentage of oil and gas royalties into the Permanent Fund. By statute, the State pays a portion of the earnings of the Permanent Fund annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. Permanent Fund Dividend (PFD) payments could be eliminated or reduced by an amendment to State statutes. The Commission may garnish a borrower's PFD payment, if any, to satisfy the balance of a defaulted loan pursuant to State statutes. The Commission has garnishment priority over all other executors except State child support enforcement and any court ordered restitution. There is no assurance that any particular borrower will apply or qualify for a PFD payment.

PFD garnishments were approximately \$3,309 and \$3,322 for the years ended June 30, 2012 and 2011, respectively.

(d) *Legislation*

The State education loan program has traditionally been the subject of legislative action by the State. The laws governing the program have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the State program cannot be determined.

(e) *Non Investment Interest Rate Risk*

The Corporation is subject to interest rate risk relating to its variable rate bonds and variable rate loans. The bonds are subject to an interest rate cap of 10.50% while the loans are subject to an interest rate cap of 8.25% to 9.00% depending on loan type. The Corporation has various strategies available to manage the risk that the bond rate may rise above the loan rate.

APPENDIX E

FORM OF OPINION OF NOTE COUNSEL

Alaska Student Loan Corporation
Juneau, Alaska

§
Alaska Student Loan Corporation
Taxable Education Loan Backed Notes
Series 2013A

We have acted as note counsel to the Alaska Student Loan Corporation (the "Corporation") in connection with the issuance by the Corporation of its \$ Taxable Education Loan Backed Notes, Series 2013A (the "Series 2013A Notes"). The Series 2013A Notes are authorized to be issued under an Indenture of Trust, dated as of March 1, 2013 (the "Indenture"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings specified in the Indenture.

In such connection, we have reviewed the Indenture, certificates of the Corporation, the Trustee and others, opinions of counsel to the Corporation and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the Corporation. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the immediately preceding paragraph hereof. Furthermore, we have assumed compliance with the covenants and agreements contained in the Indenture.

Based upon and subject to the foregoing and in reliance thereon, as of the date hereof, it is our opinion that:

1. The Corporation is a public corporation and government instrumentality created and existing under the laws of the State of Alaska and has authority to issue the Series 2013A Notes.
2. The Series 2013A Notes constitute valid and binding special limited obligations of the Corporation and do not constitute a debt or liability of the State of Alaska or any political subdivision thereof other than the Corporation.
3. The Indenture has been duly executed and delivered by the Corporation and is a valid and legally binding obligation of the Corporation. The Indenture creates a valid pledge to secure payment of the principal of and interest on the Series 2013A Notes, subject to the uses specified in the Indenture, of the Trust Estate.
4. Interest on the Series 2013A Notes is not excludable from gross income for federal income tax purposes.
5. Under the laws of the State of Alaska as enacted and construed on the date hereof, interest on the Series 2013A Notes is exempt from taxation by the State of Alaska except for inheritance and estate taxes and taxes on transfers by or in contemplation of death.

In rendering our opinion, we wish to advise you that:

- (a) the rights of the holders of the Series 2013A Notes and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights

heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we express no opinion herein as to the accuracy, adequacy or completeness of the Offering Memorandum or any other offering material relating to the Series 2013A Notes; and

(c) except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013A Notes.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made as of _____, 2013 by the Alaska Student Loan Corporation (the "Issuer") acting by its undersigned officer, duly authorized, in connection with the issuance of \$ _____ Taxable Education Loan Backed Notes, Series 2013A (the "Notes") and U.S. Bank National Association, as Trustee for the Notes (the "Trustee"). The Notes are being issued pursuant to an Indenture of Trust dated as of March 1, 2013 (the "Indenture"). The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Beneficial Owners of the Notes and in order for the underwriter referred to in the Offering Memorandum (the "Underwriter") to be in compliance with SEC Rule 15c2-12(b)(5) (the "Rule"). The Trustee shall have no obligation for the Issuer's compliance hereunder. The Issuer is the only "obligated person" within the meaning of the Rule. The financial information and operating data forming the basis of the annual reporting requirements set forth in Sections 3 and 4 of this Agreement are derived from the Offering Memorandum. As required by the Rule, this Agreement is enforceable by Beneficial Owners of the Notes pursuant to Section 11 of this Agreement.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes, including persons holding Notes through nominees or depositories.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GAAS" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"Issuer Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Agreement.

"Listed Events" shall mean any of the events with respect to the Notes listed in Section 5 of this Agreement.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Offering Memorandum" shall mean the official statement of the issuer prepared in connection with the Notes.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 215 days after the close of the Issuer's fiscal year, commencing with the report for the 2012-2013 fiscal year, provide to each Repository, an Issuer Annual Report in compliance with the requirements of Section 4 of this Agreement.

(b) If the Issuer fails to provide each Repository an Issuer Annual Report when due, the Issuer shall file a notice with the Repositories as set forth in Exhibit A.

(c) The Issuer Annual Report and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

(d) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

Section 4. Content of Annual Reports.

(a) The Issuer Annual Report shall contain or cross-reference the following:

Item 1. The audited financial statements of the Issuer for the most recently ended fiscal year. If the audited financial statements are not completed by the filing date in Section 3(a) following the end of such fiscal year, the Issuer Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Offering Memorandum, and the audited financial statement of the Issuer shall be submitted to the Repositories promptly upon completion; and

Item 2. Information of the type appearing or incorporated by reference under the heading "ALASKA STUDENT LOAN CORPORATION—General," "—Corporation Membership," "—Staffing of the Corporation," and under the heading "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" in the Final Offering Memorandum.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference in the Issuer Annual Report.

(b) The Issuer's annual financial statements for each fiscal year shall be prepared in accordance with GAAP, unless applicable accounting principles are otherwise disclosed in the Offering Memorandum, and audited by an independent accounting firm in accordance with GAAS. The Issuer reserves the right (i) to modify from time to time the format of the presentation of such information or data and (ii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that the exercise of any such right will be done in a manner consistent with the Rule

Section 5. Reporting of Significant Events.

(a) The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Notes:

(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 Notes, or other material events affecting the tax status of the Notes;
- (vii) modifications to rights of holders of the Notes, if material;
- (viii) Note calls, if material and tender offers;
- (ix) Note defeasances;
- (x) release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 6. Management Discussion of Items Disclosed in the Issuer Annual Report or as Significant Events. If an item required to be disclosed in the Issuer's Annual Report under Section 4, or as a Listed Event under Section 5, would be misleading without discussion, the Issuer shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in light of the circumstances in which it is made.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

Section 8. Substitution of Obligated Person. The Issuer shall not transfer its obligations under the Indenture unless the transferee agrees to assume all the obligations of the Issuer under this Agreement.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the Issuer, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

Section 10. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Issuer Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Issuer Annual Report or notice of occurrence of an event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Issuer Annual Report or notice of occurrence of a Listed Event.

Section 11. Default.

(a) In the event of a failure of the Issuer to provide to the Repositories the Issuer Annual Report as undertaken by the Issuer in this Agreement, the Trustee may (and, at the request of any Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Notes, shall) or any Holder or Beneficial Owner of any Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide Issuer Annual Reports under this Agreement.

(b) Notwithstanding the foregoing, no Beneficial Owner of the Notes shall have the right to challenge the content or adequacy of the information provided pursuant to Sections 3, 4 or 5 of this Agreement by mandamus, specific performance or other equitable proceedings unless Beneficial Owners of Notes representing at least 25% aggregate principal amount of outstanding Notes shall join in such proceedings.

(c) A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

Section 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Issuer, the Trustee and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____, 2013.

ALASKA STUDENT LOAN CORPORATION,
as Issuer

By:

Its:

Accepted by:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By:
Authorized Officer

EXHIBIT A
NOTICE OF MATERIAL EVENT

Name of Issuer: Alaska Student Loan Corporation

Name of Issue: Taxable Education Loan Backed Notes, Series 2013A

Date of Issuance: , 2013

CUSIP: 011855 CM3

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Notes as required by the Continuing Disclosure Agreement dated , 2013 between the Issuer and U.S. BANK NATIONAL ASSOCIATION. [The Issuer anticipates that the Annual Report will be filed by .]

Dated:

ALASKA STUDENT LOAN
CORPORATION, as the Issuer

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