

**NEW ISSUE
BOOK-ENTRY ONLY**

RATINGS: *Fitch Ratings: AAA
Standard & Poor's: AAA
(See the captions "INSURANCE ON THE
2005 BONDS" AND "RATINGS" herein)*

In the opinion of Wohlforth, Johnson, Brecht, Cartledge & Brooking, P.C., Bond Counsel, based on an analysis of existing statutes, regulations, rulings, and court decisions, and assuming, among other things, compliance by the Corporation with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, interest on the 2005 Bonds (i) is not includable in gross income of Holders thereof for federal income tax purposes and (ii) is not treated as a specific preference item to be included in calculating the alternative minimum tax on individuals and corporations, but such interest is included in calculating the "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax. Interest on the 2005 Bonds 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. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2005 Bonds. See "TAX EXEMPTION" herein.

\$88,305,000
ALASKA STUDENT LOAN CORPORATION
State Projects Revenue Bonds
2005 Series A

Dated: Date of Delivery

Due: See Inside Cover

The Alaska Student Loan Corporation State Projects Revenue Bonds, 2005 Series A (the "2005 Bonds") will be issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof. The 2005 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2005 Bonds. Individual purchases of interests in the 2005 Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof within a maturity. Purchasers of such interests will not receive certificates representing their interests in the 2005 Bonds. See "APPENDIX VI--INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY--Book-Entry System" herein. Principal and interest are payable directly to DTC by U.S. Bank National Association, Seattle, Washington, as trustee (the "Trustee"). Principal is payable on the dates set forth on the inside cover of this Official Statement. Interest on the 2005 Bonds is payable on July 1, 2005, and semi-annually on each January 1 and July 1 thereafter. Upon receipt of payments of principal and interest, DTC will in turn remit such principal and interest to DTC participants for subsequent disbursement to the purchasers of beneficial interests in the 2005 Bonds, as described herein.

The proceeds of the 2005 Bonds, together with other available funds of the Corporation, will be used (i) by the State of Alaska for project expenditures; (ii) to satisfy the Capital Reserve Requirement; and (iii) to pay costs of issuance of the 2005 Bonds. (See "SOURCES AND USES TABLE" herein).

The 2005 Bonds will be issued under an Indenture dated as of March 1, 2005, by and between the Corporation and the Trustee (the "Master Indenture"), as supplemented by a First Supplemental Indenture dated as of March 1, 2005, by and between the Corporation and the Trustee (the "First Supplemental Indenture," and together with the Master Indenture, the "Indenture"). The 2005 Bonds will be special, limited obligations of the Corporation secured solely by a pledge of (i) all Pledged Loans, Pledged Receipts and Pledged Loan Notes credited to the Pledged Loan Fund under the Indenture, which include a portfolio of loans contributed by the Corporation to be delivered simultaneously with the issuance of the 2005 Bonds, (ii) all payments on such Pledged Loans, and the right to receive the same, and (iii) all other property credited to the funds and accounts established under the Indenture (including cash contributed by the Corporation) subject to the terms and provisions of the Indenture governing the application thereof, including the Corporation's right to withdraw, free and clear of the lien created by the Indenture, Pledged Loans, Pledged Receipts, Pledged Loan Notes, cash, and other property credited to the Indenture. See "PLAN OF FINANCING" herein.

THE 2005 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION AND ARE PAYABLE SOLELY FROM THE REVENUES, ASSETS AND FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. IN ADDITION, THE 2005 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THE CORPORATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CORPORATION, THE STATE OF ALASKA OR ANY POLITICAL SUBDIVISION THEREOF. ISSUANCE OF THE 2005 BONDS DOES NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATE THE STATE OR A POLITICAL SUBDIVISION OF THE STATE TO APPLY MONEY FROM, OR LEVY OR PLEDGE, ANY FORM OF TAXATION TO THE PAYMENT OF THE 2005 BONDS. THE CORPORATION HAS NO TAXING POWER.

The scheduled payment of principal of and interest on the 2005 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2005 Bonds by FINANCIAL SECURITY ASSURANCE INC.



The 2005 Bonds are not subject to redemption prior to their respective scheduled maturities.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Prospective investors must read the entire Official Statement (including Appendices) to obtain information essential to the making of an informed investment decision.

The 2005 Bonds are offered when, as, and if issued and received by the Underwriter and subject to the approving legal opinion of Wohlforth, Johnson, Brecht, Cartledge & Brooking, P.C., Anchorage, Alaska, Bond Counsel, as to validity, and subject to certain other conditions. Certain legal matters will be passed upon for the Corporation by the Attorney General of the State of Alaska and for the Underwriter by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah. It is expected that the 2005 Bonds, in book-entry form will be available for delivery to the Trustee by Fast Automated Securities Transfer on behalf of DTC on or about March 30, 2005.



March 22, 2005

\$88,305,000 State Projects Revenue Bonds, 2005 Series A

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip Number</u> <u>011856⁽¹⁾</u>
January 1, 2006	\$6,305,000	5.00%	2.60%	BC4
July 1, 2006	6,000,000	5.00	2.65	BD2
January 1, 2007	6,000,000	5.00	2.81	BE0
July 1, 2007	6,000,000	5.00	2.89	BF7
January 1, 2008	5,500,000	5.00	3.02	BG5
July 1, 2008	5,500,000	5.00	3.08	BH3
January 1, 2009	5,500,000	5.00	3.18	BJ9
July 1, 2009	5,000,000	5.50	3.26	BK6
January 1, 2010	5,000,000	5.00	3.37	BL4
July 1, 2010	5,000,000	5.50	3.42	BM2
January 1, 2011	5,000,000	5.00	3.53	BN0
July 1, 2011	4,500,000	5.00	3.60	BP5
January 1, 2012	4,500,000	5.25	3.69	BQ3
July 1, 2012	4,250,000	5.25	3.74	BR1
January 1, 2013	4,250,000	5.25	3.84	BS9
July 1, 2013	4,000,000	5.25	3.88	BT7
January 1, 2014	3,000,000	5.25	3.93	BU4
July 1, 2014	3,000,000	5.25	3.97	BV2

(1) CUSIP numbers have been assigned to the 2005 Bonds by Standard & Poor's CUSIP Service Bureau, a division of the McGraw Hill Companies, Inc., and are included solely for the convenience of the owners of the 2005 Bonds. The Corporation is not responsible for the selection or correctness of the CUSIP numbers set forth above.

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 Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor is there authorized to be any sale of the 2005 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. This Official Statement is not to be construed as a contract with purchasers or registered owners of the 2005 Bonds.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth in this Official Statement has been provided by the Corporation and other official sources, all of which are believed by the Corporation to be reliable. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or that the other information or opinions are correct as of any time subsequent to the date of this Official Statement. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

IN CONNECTION WITH THIS OFFERING OF THE 2005 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2005 BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AND, IF DISCONTINUED, THEN RECOMMENCED AT ANY TIME.

UPON ISSUANCE, THE 2005 BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE, OR OTHER GOVERNMENTAL ENTITY OR AGENCY HAVE PASSED UPON THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE 2005 BONDS FOR SALE. THE INDENTURE WILL NOT BE QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED.

Other than with respect to information concerning Financial Security Assurance Inc. ("FSA") contained under the caption "INSURANCE ON THE 2005 BONDS" and Appendix VII- "FORM OF MUNICIPAL BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by FSA and FSA makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the 2005 Bonds; or (iii) the tax exempt status of the interest on the 2005 Bonds.

This Official Statement is submitted by the Corporation in connection with the sale of the 2005 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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SUMMARY STATEMENT

(This Summary Statement is subject in all respects to the more complete information contained elsewhere in this Official Statement.)

No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement.

Definitions

Capitalized terms not otherwise defined in this Summary Statement have the meanings set forth in the definitional subsection of Appendices II and III of this Official Statement entitled "THE INDENTURE" and "FIRST SUPPLEMENTAL INDENTURE," respectively.

The Corporation

The Alaska Student Loan Corporation (the "Corporation") is a public corporation and governmental instrumentality within the Department of Education and Early Development of the State of Alaska (the "State"), but having a legal existence independent of and separate from the State. The Corporation was created by State law in 1987.

Authority

The 2005 Bonds will be issued and secured pursuant to the Alaska Statutes 14.42.100 through 14.42.990, as amended (the "Act") and a resolution of the Corporation adopted February 24, 2005, and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank National Association, Seattle, Washington (the "Trustee"), dated March 1, 2005 (the "Master Indenture") and the First Supplemental Indenture, dated March 1, 2005, by and between the Corporation and the Trustee (the "First Supplemental Indenture," and together with the Master Indenture, the "Indenture").

Purpose of the 2005 Bonds

The proceeds of the 2005 Bonds, together with other available funds of the Corporation, will be used (i) by the State of Alaska for project expenditures; (ii) to satisfy the Capital Reserve Requirement, and (iii) to pay the 2005 Bond issuance costs.

Form of the 2005 Bonds

The 2005 Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2005 Bonds. Purchases of beneficial ownership interests in the 2005 Bonds will be initially made in book-entry form only, in principal amounts of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing such beneficial interests in the 2005 Bonds purchased. So long as DTC, or its nominee, Cede & Co., is the registered owner (the "Holder") of all the 2005 Bonds, upon receipt of payments of principal and interest, DTC will in turn remit such principal and interest to DTC participants for subsequent disbursement to the purchasers of beneficial interests in the 2005 Bonds. See "APPENDIX VI--INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY--Book Entry System" herein.

Class and Bond Characteristics

The Master Indenture provides that the Corporation may designate Classes of Bonds in any Supplemental Indenture. Unless otherwise designated, any Bond is presumed to be of the highest Class and such highest Class will be referred to as Class I. The 2005 Bonds are designated Class I Bonds. The Corporation reserves the right to issue

additional Bonds under the Master Indenture with Class designation the same as, or different from, the designations given to the 2005 Bonds.

Interest Payments

Interest on the 2005 Bonds will be payable semi-annually on January 1 and July 1 of each year, with the first interest payment date being July 1, 2005.

Bond Insurance

Payment of the regularly scheduled principal of and interest on the 2005 Bonds when due, will be insured by a municipal bond insurance policy (the "Policy") to be issued concurrently with the delivery of the 2005 Bonds by Financial Security Assurance Inc. ("FSA"). See "APPENDIX III - FIRST SUPPLEMENTAL INDENTURE - ARTICLE VI - RIGHTS OF THE BOND INSURER."

Security for the 2005 Bonds

The 2005 Bonds will be special, limited obligations of the Corporation payable solely from the Trust Estate (as such term is defined herein). The 2005 Bonds will be secured on an equal and ratable basis under the Indenture by a pledge of all right, title, and interest of the Corporation in (i) Pledged Loans, Pledged Receipts, and Pledged Loan Notes including all extensions and renewals of the terms thereof, if any, together with all right, title, and interest of the Corporation therein, including, but without limiting the generality of the foregoing, the present and continuing right to claim, collect, and receive any of the moneys, income, revenues, issues, profits, and other amounts payable or receivable thereunder, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Corporation is or may become entitled to do under the Pledged Loan Notes; (ii) all Funds and Accounts and moneys and securities held by the Trustee including, but not limited to, undisbursed proceeds of the 2005 Bonds, amounts held under the Indenture, and any and all other real or personal property of every name and nature by delivery or by writing of any nature conveyed, mortgaged, pledged, assigned, or transferred as and for additional security under the Indenture, to the extent so conveyed, mortgaged, pledged, assigned, or transferred by the Corporation or by anyone on its behalf, or with its written consent, to the Trustee; and (iii) any and all proceeds of the foregoing, subject, in all cases, to the terms and provisions of the Indenture governing the use and application of all such property and rights in property. See "SECURITY FOR THE 2005 Bonds" herein.

Upon compliance with certain requirements specified in the Indenture, the Corporation may modify and/or withdraw, free and clear of the lien created by the Indenture, Pledged Loans, cash, and other property credited to the Indenture. See "SECURITY FOR THE 2005 Bonds--Funds and Accounts Under the Indenture" herein.

Capital Reserve Fund

The Indenture establishes a Capital Reserve Fund that secures the 2005 Bonds. The Capital Reserve Fund will contain amounts deposited therein from proceeds of the 2005 Bonds, amounts transferred from the Revenue Fund and other Funds and Accounts established under the Indenture and other available sources. The Indenture requires that amounts held in the Capital Reserve Fund be maintained at the "Capital Reserve Fund Requirement." Under the terms of the Indenture, all or any portion of the Capital Reserve Fund Requirement may be satisfied by the deposit with the Trustee of Eligible Capital Reserve Assets. See "APPENDIX III - FIRST SUPPLEMENTAL INDENTURE - ARTICLE I - Definitions."

The Capital Reserve Fund Requirement means, at any time, Eligible Capital Reserve Assets in an amount equal to the least of the following: (i) 10% of the stated principal of Bonds then Outstanding; (ii) 125% of the average annual principal and interest requirements on all Bonds then Outstanding; or (iii) the maximum annual principal and interest requirements on all Bonds then Outstanding. The Capital Reserve Fund Requirement is expected to be approximately \$8,830,500 million upon issuance of the 2005 Bonds.

Tax Status

The 2005 Bonds will be accompanied by an opinion of Wohlforth, Johnson, Brecht, Cartledge & Brooking, P.C., Bond Counsel, to the effect that, under existing statutes, regulations, rulings, and court decisions, interest on the 2005 Bonds (i) is not includable in gross income of Holders thereof for federal income tax purposes and (ii) is not treated as a specific preference item to be included in calculating the alternative minimum tax on individuals and corporations, but such interest is included in calculating the "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax. Interest on the 2005 Bonds 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 "TAX EXEMPTION" herein.

Moral Obligation

The statute creating the Corporation requires that the Chairperson of the Board of Directors of the Corporation certify in writing to the Governor and the State Legislature, by January 15 of each year, if any amount is required to restore the Capital Reserve Fund to the Capital Reserve Fund Requirement. The State Legislature may, but is not obligated to, appropriate to the Corporation the amount certified by the Chairperson; however, this legislative option does not create a debt or liability of the State. The Corporation is required to deposit the amounts so appropriated in the Capital Reserve Fund.

Redemption

The 2005 Bonds are not subject to redemption prior to their respective scheduled maturities.

OFFICIAL STATEMENT

Relating to

Alaska Student Loan Corporation \$88,305,000 State Projects Revenue Bonds 2005 Series A

INTRODUCTION

This Official Statement, including the cover page and Appendices, sets forth information concerning the Alaska Student Loan Corporation (the "Corporation"), the Alaska Student Loan Program (the "Program"), and the issuance by the Corporation of its \$88,305,000 State Projects Revenue Bonds, 2005 Series A (the "2005 Bonds"). All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings set forth in "APPENDIX II - THE INDENTURE" or in "APPENDIX III - FIRST SUPPLEMENTAL INDENTURE."

The 2005 Bonds will be issued and secured under the Indenture, dated as of March 1, 2005 (the "Master Indenture") by and between the Corporation and U.S. Bank National Association, Seattle, Washington, as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture dated as of March 1, 2005, by and between the Corporation and the Trustee (the "First Supplemental Indenture," and together with the Master Indenture, the "Indenture"). The Trustee is also the Paying Agent and Registrar for the 2005 Bonds.

The Corporation will issue the 2005 Bonds and use the proceeds, together with other available funds of the Corporation, to (i) pay for State of Alaska project expenditures, (ii) satisfy the Capital Reserve Requirement, and (iii) to pay costs of issuance of the 2005 Bonds.

The 2005 Bonds are special, limited obligations of the Corporation and are payable solely from the revenues, assets and funds pledged therefor under the Indenture. The 2005 Bonds do not constitute an indebtedness or other liability of the State of Alaska or of any political subdivision, thereof, except the Corporation, or a pledge of the faith and credit of the Corporation, the State of Alaska, or any political subdivision thereof. Issuance of the 2005 Bonds does not directly, indirectly, or contingently obligate the State or a political subdivision of the State to apply money from, or levy or pledge, any form of taxation to the payment of the 2005 Bonds. The Corporation has no taxing power. See "SECURITY FOR THE 2005 BONDS."

DESCRIPTION OF THE 2005 BONDS

The following is a summary of certain provisions of the 2005 Bonds. For additional detailed information relating to the 2005 Bonds, see "APPENDIX II - THE INDENTURE" or "APPENDIX III - FIRST SUPPLEMENTAL INDENTURE."

General

The 2005 Bonds will be dated, will mature, and will bear interest per annum as set forth on the inside cover page of this Official Statement. The 2005 Bonds will bear interest from their dated date until maturity or date of redemption. Interest on the 2005 Bonds will be calculated on the basis of a three hundred sixty (360) day year consisting of twelve thirty (30) day months. Interest on the 2005 Bonds will be payable semiannually on January 1 and July 1 of each year, with the first Interest Payment Date being July 1, 2005. The 2005 Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and held in DTC's book-entry system (the "Book-Entry System"). Individual purchases of interest in the 2005 Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof within a maturity. So long as the 2005 Bonds are held in the Book-Entry System, DTC (or a successor securities depository) or its nominee will be the registered

owner of the 2005 Bonds for all purposes of the Indenture, the 2005 Bonds, and this Official Statement, and payments of principal of and interest on the 2005 Bonds will be made solely through the facilities of DTC. See, "APPENDIX VI-- INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY--Book-Entry System" herein.

Delivery of Bond Certificates

In the event the Corporation, in its sole discretion, determines that the actual purchaser of each 2005 Bond should obtain bond certificates, the Corporation may, at its own expense, execute and deliver the 2005 Bonds in the form of fully registered certificates, which would be available for distribution to such purchasers or their nominees. In such event, principal, redemption price (if any), and interest with respect to the 2005 Bonds will be payable to Bondholders in accordance with terms of the Indenture.

Redemption Provisions

The 2005 Bonds are not subject to redemption prior to their respective scheduled maturities.

Additional Bonds

The Corporation may issue additional Series of Bonds under the Master Indenture from time to time, payable on a lien basis senior to, on a parity with or subordinate to a Class or Classes of Outstanding Bonds. The issuance of Additional Bonds is subject to, among other things, consent of the Insurer, and receipt of Rating Confirmation (including confirmation of shadow rating) prior to issuance.

The Trustee

The Corporation has appointed U.S. Bank National Association, Seattle, Washington, as Trustee for the 2005 Bonds. The Trustee is to carry out such duties as are assigned to it under the Indenture. In entering into and negotiating the terms of the Indenture, the Trustee is not acting in any fiduciary capacity, the Trustee acts solely for itself and in its own interests rather than on behalf of the Bondholders or prospective Bondholders. After issuance of the 2005 Bonds, the Trustee acts pursuant to the specific terms of the Indenture. In doing so, the Trustee is a fiduciary only for the limited purposes of carrying out those responsibilities explicitly described in the Indenture. The Trustee does not at any time assume any other duties or become or agree to act as a general fiduciary with respect to the Bondholders. Except for the contents of this paragraph, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy, or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the 2005 Bonds, or for the validity, sufficiency, or legal effect of any such documents. The Trustee has no oversight responsibility, and is not accountable, for the use or application by the Corporation of any of the 2005 Bonds authenticated or delivered pursuant to the Indenture or the use or application of the proceeds of such 2005 Bonds by the Corporation except for amounts in the Reserve Fund. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the 2005 Bonds and makes no representation and has reached no conclusion, regarding the value or condition of any assets pledged or assigned as security for the 2005 Bonds, or the investment quality of the 2005 Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

PLAN OF FINANCING

General

The primary purpose of the issuance of the 2005 Bonds is to provide monies to the State of Alaska for capital project expenditures. 2005 Bond proceeds will also be used to make a Capital Reserve Fund deposit and pay costs of issuance of the 2005 Bonds.

In connection with the issuance of the 2005 Bonds, the Corporation will deposit certain non-federal education loans (in an approximate principal amount of \$90 million) into the Pledged Loan Fund. The Corporation will also

transfer certain cash and investments to the Capital Reserve Fund which, together with a portion of the 2005 Bond proceeds, will satisfy the Capital Reserve Fund Requirement. See, "SOURCES AND USES TABLE" herein.

Assumptions Considered in Structuring the 2005 Bonds

In structuring the 2005 Bonds, the Corporation examined the existing education loan portfolio to be credited to the Pledged Loan Fund under the Indenture. The Corporation then made certain assumptions regarding such loans which the Corporation believes to be reasonable based upon its experience and which are not controverted by actual facts known to the Corporation. The material assumptions made by the Corporation are summarized below. For additional information on Pledged Loans, see "SECURITY FOR THE 2005 Bonds – The Pledged Loans" herein.

Characteristics of Pledged Loans. The characteristics of the Pledged Loans described in the following charts pertain only to those Pledged Loans as of December 31, 2004, and has been prepared by the Corporation:

<u>Borrower Payment Status</u>	Characteristics of Pledged Loans	
	<u>Amount</u>	<u>Percentage</u>
School	\$5,826,096	6.8%
Grace	942,175	1.1
Deferment	14,564,336	17.1
Repayment	<u>63,777,894</u>	<u>75.0</u>
TOTAL	<u>\$85,110,501</u>	<u>100%</u>

<u>Interest Rate Category</u>	Characteristics of Pledged Loans	
	<u>Amount</u>	<u>Percentage</u>
7.8%	\$15,026,026	17.7%
8%	35,307,862	41.5
8.60%	7,345,627	8.6
8.90%	9,586,462	11.3
9%	<u>17,844,524</u>	<u>20.9</u>
TOTAL	<u>\$85,110,501</u>	<u>100%</u>

The characteristics of Pledged Loans held under the Indenture will change over time. No assurance can be given that such changes will not be significant or that they will not be adverse. See "SECURITY FOR THE 2005 BONDS - The Pledged Loans."

Loan Delinquencies and Defaults

The Pledged Loans are deemed to be in default when payments become one hundred eighty (180) days past due. The current default rate for all Pledged Loans is 9.3% as of December 31, 2004. The Corporation has assumed a default rate of 14% for management cash flow purposes.

The following table summarizes the delinquency rates for the Pledged Loans in repayment.

<u>Aging Category</u>	<u>Actual</u>	<u>Percentage</u>
Current	\$37,659,290	59.1%
30-59 days	8,322,988	13.0
60-89 days	4,081,526	6.4
90-119 days	2,162,610	3.4
120-170 days	3,624,576	5.7
180 or more	<u>7,926,904</u>	<u>12.4</u>
Total	<u>\$63,777,894</u>	<u>100%</u>

Program Expenses. It has been assumed that annual program expenses of the Corporation for Pledged Loans held under the Indenture, which include the Corporation's administrative expenses, the cost of servicing the Pledged Loans, and the fees and expenses of the Trustee will be approximately one and one-quarter of one percent (1.25%) of the aggregate principal amount of Pledged Loans.

Borrower Benefits. It has been assumed that the Corporation will provide an interest rebate on the outstanding principal balance on Pledged Loans that will range from three-tenths of one percent (.3%) to seven-tenths of one percent (.7%) for all loans that carry an interest rate higher than eight and three-tenths of one percent (8.3%).

It has also been assumed that the Corporation will offer a quarter of one percent (.25%) interest rate reduction on Pledged Loans being repaid using the Corporation's Serial Easy Pay Plan ("SEPP") or any successor program. The SEPP allows borrowers to repay Pledged Loans using an electronic recurring payment option.

INSURANCE ON THE 2005 BONDS

Set forth below is a brief summary of certain information concerning Financial Security Assurance Inc. (referred to herein as "FSA" or "Insurer") and the terms of the municipal bond insurance policy (defined below as the "Municipal Bond Insurance Policy"). Information with respect to FSA has been supplied by FSA and no representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. PURSUANT TO THE TERMS OF THE INDENTURE, FOR SO LONG AS THE POLICY SHALL BE IN EFFECT WITH RESPECT TO THE 2005 BONDS, THE INSURER SHALL BE CONSIDERED TO BE THE OWNER OF THE 2005 BONDS FOR PURPOSES OF VOTING OR GIVING CONSENTS UNDER THE INDENTURE. For a more complete description of the rights of the Bond Insurer see "APPENDIX III - FIRST SUPPLEMENTAL INDENTURE."

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2004 Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,255,933,000 and its total unearned premium reserve was approximately \$1,561,771,000 in accordance with statutory accounting practices. At September 30, 2004, Financial Security's total shareholder's equity was approximately \$2,612,989,000 and its total net unearned premium reserve was approximately \$1,286,985,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

SECURITY FOR THE 2005 BONDS

General

The 2005 Bonds will be special, limited obligations of the Corporation secured solely from the payment of a pledge of, or lien on, the Trust Estate for the 2005 Bonds provided by the Indenture on an equal and ratable basis.

Property of the Corporation not expressly subject to the lien of the Indenture, including property withdrawn by the Corporation from the Indenture free and clear of the lien created by the Indenture, may be applied by the Corporation to any lawful purpose it shall elect, and none of the Holders of 2005 Bonds or the Trustee shall have any right or authority to question or restrict such application. The Corporation may modify and/or withdraw, free and clear of the lien created by the Indenture, Pledged Loans, cash and other property credited to the Indenture upon compliance with certain requirements specified in the Indenture.

THE 2005 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION AND ARE PAYABLE SOLELY FROM THE REVENUES, ASSETS AND FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. IN ADDITION, THE 2005 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THE CORPORATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CORPORATION, THE STATE OF ALASKA OR ANY POLITICAL SUBDIVISION THEREOF. ISSUANCE OF THE 2005 BONDS DOES NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATE THE STATE OR A POLITICAL SUBDIVISION OF THE STATE TO APPLY MONEY FROM, OR LEVY OR PLEDGE, ANY FORM OF TAXATION TO THE PAYMENT OF THE 2005 BONDS. THE CORPORATION HAS NO TAXING POWER.

The 2005 Bonds are secured on an equal and ratable basis under the Indenture by a pledge of all right, title, and interest of the Corporation in, to, and under (i) the Pledged Loans, Pledged Receipts, and Pledged Loan Notes including all extensions and renewals of the terms thereof, if any, together with all right, title, and interest of the Corporation therein, including, but without limiting the generality of the foregoing, the present and continuing right to claim, collect, and receive any of the moneys, income, revenues, issues, profits, and other amounts payable or receivable thereunder, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Corporation is or may become entitled to do under the Pledged Loan Notes; (ii) all Funds and Accounts and moneys, investments, and securities held by the Trustee including, but not limited to, undisbursed proceeds of the 2005 Bonds, and any and all other real or personal property of every name and nature by delivery or by writing of any nature conveyed, mortgaged, pledged, assigned, or transferred as and for additional security under the Indenture, to the extent so conveyed, mortgaged, pledged, assigned, or transferred by the Corporation or by anyone in its behalf, or with its written consent, to the Trustee; and (iii) any and all proceeds of the foregoing, subject, in all cases, to the terms and provisions of the Indenture governing the use and application of all such property and rights in property, including the Corporation's right to withdraw, free and clear of the lien created by the Indenture, Pledged Loans, cash, and other property held under or credited to the Indenture. The foregoing security is collectively referred to as the "Trust Estate."

Payments of principal and interest on the 2005 Bonds is further secured by the Capital Reserve Fund. See "SECURITY FOR THE 2005 BONDS – Capital Reserve Fund" herein.

Funds and Accounts Under the Indenture

The Indenture creates the State Projects Account as a special account within the Education Loan Trust Fund. The Indenture creates within the State Projects Account, the following trust funds: the State Projects Fund, the Revenue Fund, the Capital Reserve Fund, and the Pledged Loans Fund.

State Projects Fund. A State Projects Fund is established under the Indenture. Amounts held in the State Projects Fund will only be used to pay (i) costs of the State Projects, (ii) Costs of Issuance of the Bonds, (iii) the principal of or Redemption Price, if any, and interest on the Bonds, or (iv) for such other purpose as the Corporation may direct in writing.

Revenue Fund. Pledged Receipts, together with all other funds received under the Indenture and not otherwise directed under the Indenture, will be credited to the Revenue Fund, except that Pledged Receipts which are investment earnings of the Capital Reserve Fund will be credited to the Capital Reserve Fund. Funds credited to the Revenue Fund will be transferred at any time in the order and amounts prescribed below:

(1) to the Corporation, the amount certified in writing by the Corporation as necessary to make any rebate payments or Yield Reduction Payments required to comply with the Indenture;

(2) to the Interest Account, the amount necessary to increase the amount in such Account so that it at least equals unpaid interest on the Outstanding Bonds of the highest class coming due within the next Business Day (or to honor any reimbursement or payment obligation under any Credit Enhancement or Interest Rate Exchange Agreement corresponding to the payment of such interest);

(3) to the Principal Account, the amount necessary to increase the amount in such Account so that it at least equals the unpaid Principal Installment on the Outstanding Bonds of the highest class coming due within the next Business Day (or to honor any reimbursement or payment obligation under any Credit Enhancement or Interest Rate Exchange Agreement corresponding to the payment of such principal);

(4) to the Interest Account first and Principal Account second to make the payments described in (2) and (3) above, By Class in Descending Order of Priority with respect to any Outstanding Bonds other than Class I Bonds;

(5) to the Capital Reserve Fund, the amount, if any, necessary to cause the amount in such fund to equal the Capital Reserve Requirement;

(6) to the Corporation, as directed in writing, for the payment of Program Expenses, or the establishment of reserves therefor, the amount needed and required to pay a portion of the reasonable and necessary Program Expenses; provided that the amount so paid to the Corporation or set aside in reserve during any Fiscal Year for the payment of Program Expenses may not exceed 1.25% of the average principal amount of Pledged Loans outstanding during the preceding Fiscal Year or such greater or lesser amount as may be set forth in a Supplemental Indenture and supported with a Rating Conformation;

(7) any remaining amounts shall be held in the Revenue Fund and applied as provided in the foregoing paragraphs or otherwise as provided in the Indenture.

Interest Account and Principal Account. The Indenture creates within the Revenue Fund the Interest Account and Principal Account.

The Trustee will pay out of the Interest Account to the Paying Agent for the Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of interest due on the Outstanding Bonds on such date and (ii) on or before the redemption date or date of purchase, the amounts required for the payment of accrued interest on the Bonds redeemed or purchased for retirement, unless the payment of such accrued interest is otherwise provided for.

The Trustee will pay out of the Principal Account to the Paying Agent for the Bonds on or before each Principal Installment Date the amount, if any, required for the payment of principal due on such date, and such amount will be applied by the Paying Agent to such payment.

Capital Reserve Fund. The Act provides that, for the purpose of securing one or more issues of bonds of the Corporation, the Board may establish one or more special funds, called "Capital Reserve Funds," and may pay into those capital reserve funds the proceeds of the sale of bonds and other money made available to the Corporation for the purposes of the capital reserve funds. The Capital Reserve Fund established under the Indenture is such a "capital reserve fund." A capital reserve fund may be established only if the Board determines that the establishment of the fund would enhance the marketability of the bonds. The Board has so found with respect to the 2005 Bonds.

Money in the Capital Reserve Fund may be used as required only for the (i) payment of the principal of, and interest on, the Bonds or of the Sinking Fund Installments with respect to the Bonds; (ii) purchase or redemption of Bonds; or (iii) payment of a redemption premium required to be paid when Bonds are redeemed before maturity. However, money in the Capital Reserve Fund may not be withdrawn if the withdrawal would reduce the amount therein to less than the "Capital Reserve Fund Requirement," except for the purpose of making payment, when due, of principal of or interest or redemption premiums on Bonds.

All income earned or gains realized as a result of investments of amounts on deposit in the Capital Reserve Fund will remain therein unless the Trustee determines there is an excess of the Capital Reserve Fund Requirement and transfers such excess to the Revenue Fund.

Upon redemption of Bonds of a particular Series with amounts other than those on deposit in the Capital Reserve Fund, the Trustee will calculate the amount by which the amount on deposit in the Capital Reserve Fund exceeds the Capital Reserve Fund Requirement immediately following the redemption of Bonds and such excess will on the redemption date be transferred into the Revenue Fund.

The Capital Reserve Fund Requirement for the Bonds, including the 2005 Bonds, is an amount equal to the least of the following (i) 10% of the stated principal of Bonds then Outstanding; (ii) 125% of the average annual principal and interest requirements on all Bonds then Outstanding; or (iii) the maximum annual principal and interest requirements on all Bonds then Outstanding. The Capital Reserve Fund Requirement is expected to be approximately \$8,830,500 million upon issuance of the 2005 Bonds.

The Indenture permits the Corporation to fund the Capital Reserve Fund with Eligible Capital Reserve Assets, which include, among other things, letters of credit, surety bonds, and investment agreements.

The Act requires that the Chair of the Board certify in writing to the Governor and the State Legislature, by January 15 of each year, if any amount is required to restore a Capital Reserve Fund to the Capital Reserve Fund Requirement. The State Legislature may, but is not obligated to, appropriate to the Corporation the amount certified by the Chair. The Corporation is required to deposit the amounts appropriated during a fiscal year in the proper capital reserve fund. This feature of the Act does not create a debt or liability of the State.

Pledged Loans Fund. (A) Upon payment or redemption of all the Outstanding 2005 Bonds and payment in full to FSA of all amounts due under the Insurance Agreement, the balance, if any, remaining in the Pledged Loans Fund will be transferred to the Corporation free and clear of the lien and pledge of the Indenture. At any time, the Corporation may direct the Trustee to withdraw Pledged Loans or other property from the Pledged Loan Fund, and the Trustee shall withdraw such Pledged Loans or other property and deliver them to the Corporation free and clear of the lien and pledge of the Indenture, provided that:

- (i) the Trustee and FSA receives a Rating Confirmation taking into consideration such withdrawal of Pledged Loans or other property;
- (ii) the Trustee and FSA receives from the Corporation a Certificate that no Event of Default and no payment default with respect to the 2005 Bonds exists or remains uncured, and no Event of Default or payment default with respect to the 2005 Bonds as to which the Trustee has knowledge shall exist and remain uncured (unless the withdrawal shall cure the Event of Default or payment default);
- (iii) the Capital Reserve Fund will be funded to at least the Capital Reserve Requirement after giving effect to the withdrawal; and
- (iv) the Corporation certifies to the Trustee and FSA that all conditions precedent to the withdrawal of Pledged Loans and other property pursuant the Indenture will have been satisfied.

(B) The Corporation may at any time sell, assign, transfer or otherwise dispose of a Pledged Loan at a price (i) at least equal to the principal amount thereof (plus accrued interest) (a) when the amounts on deposit in the Funds created by the Indenture are at least equal to the principal amount of the Outstanding 2005 Bonds or (b) to pay current debt service on the 2005 Bonds; or (ii) lower than the principal amount thereof (plus accrued interest) if the Corporation delivers to the Trustee a Rating Confirmation taking into consideration such sale, assignment, transfer, or other disposition of such Pledged Loan at such lower price. The Corporation will sell Pledged Loans if necessary to prevent the occurrence of an Event of Default. The Corporation will also sell Pledged Loans if necessary to prevent a default in the payment of the principal of or interest on any of the 2005 Bonds when due, unless such sale would cause an Event of Default to occur.

Creation of Additional Funds, Accounts and Subaccounts. The Trustee will establish within any Fund such Accounts, in addition to the Accounts established under the terms of the Indenture, for the purposes of such Fund as the Corporation may direct in writing and will in like manner establish within any Account such additional subaccounts for the purposes of such Account as the Corporation so determines.

The Pledged Loans

General

The Pledged Loans consist of alternative loans originated from July 1, 1987 through June 30, 2002. Borrower eligibility criteria varied depending on the year of origination.

Loans made July 1, 1987 through June 30, 1995, do not bear interest while a student is in academic good standing and is enrolled or in deferment as described below. These loans do, however, accrue interest during a twelve-month grace period following termination of eligible enrollment, although such interest is not due and payable during such period.

Loans made on or after July 1, 1995 through June 30, 1996 do not bear interest while a student is in academic good standing and enrolled or in deferment as described below. These loans accrue interest during a six-month grace period following termination of full-time enrollment, although it is not due and payable during such period. The Corporation capitalizes unpaid accrued interest on these loans at the end of the grace period.

Loans made on or after July 1, 1996 through June 30, 2002 do not bear interest while a student-borrower is in academic good standing and continuously enrolled at least half-time. These loans accrue interest during deferment as described below and during a six-month grace period following termination of half-time enrollment. The Corporation capitalizes unpaid accrued interest at the end of the grace and deferment periods for these loans.

The Corporation credits the first loan payments in the repayment period to accrued interest. During this time, interest continues to accrue on the loans but not on the accrued interest.

Repayment of the principal of, and interest on, a loan begins no later than one year after the borrower's eligible enrollment terminates for loans made on or before June 30, 1995, and six months after such termination for loans made after June 30, 1995 through June 30, 2002. Full-time Pledged Loans awarded on or before June 30, 1996, provided for repayment of the total amount owed in periodic installments over ten years from the commencement of repayment, except as provided below with respect to deferments, and full-time Pledged Loans awarded after June 30, 1996, provide for repayment of the total amount owed in periodic installments over 15 years from the commencement of repayment, except as provided below with respect to deferments. If the Commission and the borrower agree to a different repayment schedule, the borrower is required to repay the loan in accordance with such agreement. A borrower may make payments earlier than required.

Pledged Loans may be eligible for various loan deferments. Periodic installments of principal and interest are deferred on all loans (except as provided in the next paragraph) during the deferment periods described in the next sentence and, for loans made prior to July 1, 1996, interest also does not accrue during such periods. These deferment periods apply while a student-borrower is: (1) returned to enrolled student status at an accredited institution; (2) serving an initial period of up to six years of active duty as a member of the armed forces or public health services of the United States; (3) serving up to three years as a full-time volunteer under the Peace Corps Act; (4) serving up to three years as a full-time volunteer under the Domestic Volunteer Service Act of 1973; (5) seeking and unable to find employment in the United States (but only for a one-time period of up to twelve months); and (6) any period during which borrower is fifty percent (50%) or more disabled as certified by a competent medical authority. For Pledged Loans made on or before June 30, 1996, there is a six-month grace period following any of the deferment periods. However, interest accrues during that six-month grace period following deferment on loans made July 1, 1987 through June 30, 1995. For Pledged Loans made after June 30, 1996, the Program provides for a loan deferment for up to two years if the borrower serves as a full-time volunteer under the National and Community Service Trust Act of 1993 (AmeriCorps). Periodic installments of principal and interest are deferred and interest will accrue during that deferment period on all loans. There is no grace period following this deferment.

For loans made on or after July 1, 1996, periodic installments of principal and interest are deferred during the periods described in the preceding paragraph; however, interest accrues during those periods and (1) the deferment period is limited to three years during the borrower's active duty as a member of the armed forces of the United States (rather than six years); and (2) a borrower must be 100% disabled as certified by a competent medical authority (rather than 50% or more disabled). There is no grace period following the deferment periods on loans made after June 30, 1996.

In case of hardship, the Commission may extend repayment of a loan for an additional period of up to five years. Additionally, the Commission may provide the borrower with a loan forbearance or alternative repayment schedule to provide short- or long-term payment relief.

Half-Time Education Loans. In 1991 an amendment to the Act allowed the Commission to award loans to half-time students beginning July 1, 1991. Eligibility requirements for half-time Pledged Loans are similar to that of full-time Pledged Loans, except that the student: (1) must be or intend to be enrolled at an eligible in-State institution, or enrolls in an out-of-state institution but is physically present in the State when attending the program; (2) must be or intend to

be enrolled as at least a half-time student (a minimum of six undergraduate or graduate hours or a minimum of fifteen hours per week or a minimum of twelve weeks for vocational students) during the period for which the loan is requested. Deferment rights are similar to full-time Pledged Loans.

SOURCES AND USES TABLE

In connection with the issuance of the 2005 Bonds, the following table details the application of the 2005 Bond proceeds and the transfer by the Corporation of education loans and cash.

SOURCES

Principal Amount of the 2005 Bonds	\$88,305,000
Corporation Contribution (education loans) ^(*)	85,110,501
Corporation Contribution (cash)	650,340
Premium/Discount	<u>5,949,660</u>
 Total	 <u>\$180,015,501</u>

USES

Deposit to State Projects Fund	\$85,000,000
Deposit to the Capital Reserve Fund	8,830,500
Deposit to Pledged Loans Fund	85,110,501
Underwriter's Discount and Issuance Costs (**)	971,355
Deposit to Revenue Fund	<u>103,145</u>
 Total	 <u>\$180,015,501</u>

(*) Excludes Accrued Interest on Student Loans
 (**) Includes bond insurance premium.

Collateralization. Upon the issuance of the 2005 Bonds, and after giving effect to the contribution of education loans and cash by the Corporation described above under "Use of Funds," it is anticipated that the principal amount of Pledged Loans and the value of other assets pledged under the Indenture will be equal to approximately 112% of the aggregate principal amount of the 2005 Bonds. The Indenture does not require that any level of collateralization be maintained but does require that certain tests be satisfied prior to the removal of assets from the lien of the Indenture.

THE ALASKA STUDENT LOAN CORPORATION/ALASKA COMMISSION ON POSTSECONDARY EDUCATION

Commission - General Information

State law established the Alaska Commission on Postsecondary Education (the "Commission") in 1974. The Commission's primary purpose is 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 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 telephone number for the Commission is (907) 465-6740. The Attorney General of the State serves as counsel to the Commission.

Staffing of the Commission

The Commission includes four 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 four divisions are Finance, Loan Operations and Outreach, Information Support Services, and the Executive Office. Ms. Sheila King supervises the Finance Division, which is composed of accounting and procurement. She is assisted by Ms. Elizabeth McDonough. The Loan Operations and Outreach Division is directed by Ms. Stephanie Butler. This Division is responsible for citizen outreach and program marketing initiatives, strategic analysis, loan origination, customer service, deferment and forgiveness processing, skip tracing, due diligence activity on delinquent loans, records, and other specialized student aid programs. 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. The fourth division is the Executive Office, which in addition to the Executive Director, is managed by the two other members of the professional team, Administrative Officer Frank Love, and the Internal Auditor (the Internal Auditor position is currently vacant). This division is responsible for overall agency management and specifically for internal audit, human resource management, institutional authorization, and procedural compliance with all relevant State and federal statutes, regulation and subregulatory policies.

As of January 1, 2005, the Commission had one hundred and four employees. These positions are assigned as follows: six to the Executive Office, twelve to Finance, seventy to Loan Operations and Outreach, and sixteen 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 in 1994/95. Originally appointed in 1996, in 2003 Ms. Barrans was re-appointed by Governor Frank Murkowski to serve on the Western Interstate Commission on Higher Education. Ms. Barrans currently serves as Chair of the Western Interstate Commission for the 2004-2005 term. Ms. Barrans also jointly serves with the President of the University of Alaska as the State Higher Education Executive Officers for the State. Ms. Barrans currently serves as Chair-Elect of the State Higher Education Officers Organization. Ms. Barrans received a bachelor of arts degree from Barnard College of Columbia University in 1982.

Ms. Sheila King, CPA, Chief Financial Officer. Ms. King joined the Commission in May 1998. Prior to joining the Commission, Ms. King was the Accountant IV/Controller for the Alaska Industrial Development and Export Authority from May 1994 to April 1998 and worked as a Supervising Senior Auditor for KPMG LLP (formerly known as KPMG Peat Marwick LLP) from February 1990 to May 1994. From 1983 to 1990, Ms. King worked in the accounting field in a variety of capacities. Ms. King received a bachelor of science degree in business administration from University of Texas at Dallas in 1989.

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 degree in business administration with an accounting emphasis from California State University, Long Beach in 1983.

Ms. Stephanie Butler, Director of Loan Operations and Outreach. 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. 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 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 Rebate Eligible Loans 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. Frank Love, Administrative Officer. Mr. Love joined the Commission in July 1997. Prior to joining the Commission, Mr. Love's professional life was substantially spent as a 32-year career member of the United States Coast Guard. For the latter eighteen years of his service, Mr. Love served in various capacities as a human resources manager, engaged in personnel management, employee relations, career development, and staff training initiatives. Mr. Love has received certificates in Human Relations from the Defense Equal Opportunity Management Institute and Chief Petty Officer Training from the U.S. Coast Guard Training Center in addition to receiving ongoing training in Human Resources issues.

Corporation - General Information

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 (the "Act"). Pursuant to the 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 education loans. A combination of revenues generated from the issuance of bonds and loan repayments fund the Program.

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 telephone number for the Corporation is (907) 465-6740. The Attorney General of the State serves as counsel to the Corporation.

The Corporation has previously issued the following bonds: (i) \$673,770,000 principal amount of Student Loan Revenue Bonds under a trust indenture dated as of May 1, 1988, as amended and supplemented, of which \$267,950,000 amount is currently outstanding, (ii) \$224,615,000 principal amount of Education Loan Revenue Bonds under a master indenture dated as of June 1, 2002, as amended and supplemented, of which \$198,215,000 amount is currently outstanding, and (iii) \$75,140,000 principal amount of Capital Project Revenue Bonds under an indenture dated February 1, 2004, of which \$69,175,000 is currently outstanding.

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).

<u>Name and Location</u>	<u>Principal Occupation</u>
Randy Simmons, Chair Anchorage, Alaska	Vice President, JL Properties, Inc. Commission Member
Bobette Bush, Vice Chair Aniak, Alaska	School District Superintendent, Retired Commission Member
William A. Corbus Juneau, Alaska	Commissioner Alaska Department of Revenue
Tom Boutin, First Delegate Juneau, Alaska	Deputy Commissioner Alaska Department of Revenue
Ray Matiashowski Juneau, Alaska	Commissioner Alaska Department of Administration
Edgar Blatchford Juneau, Alaska	Commissioner Alaska Department of Commerce, Community and Economic Development
Greg Winegar, First Delegate Juneau, Alaska	Director of the Alaska Division of Investments

Mr. Randy Simmons, Chair of the Corporation and Member of the Commission. Mr. Simmons was appointed to the Commission in 2001 by the Governor and to the Board of the Corporation that same year. Mr. Simmons currently is the Vice President of operations at JL Properties, Inc. in Anchorage, where he oversees the management of commercial and residential properties and promotes the development of new projects. He previously served as Development and Finance Manager of the Alaska Industrial Development and Export Authority, coordinating economic development projects and the development of policy, and was promoted to Chief Executive Officer with the responsibility for encouraging economic development and diversification in the State. As CEO, he also served as the CEO of the Alaska Energy Authority, a billion-dollar State corporation responsible for State-owned energy projects, State energy policy, and rural energy programs. He has served as comptroller for the Alaska Department of Transportation and Public Facilities where he was promoted to Deputy Commissioner of Finance and Management, responsible for the administrative and financial functions of the department, as well as oversight of the Alaska Marine Highway System and International Airport System. Prior to his public sector service, Mr. Simmons was a tax manager and supervisor at Coopers & Lybrand, CPA's, in Anchorage. Mr. Simmons earned his juris doctorate in 1979 from the University of Oregon, School of Law, and his bachelor of science in business administration in 1974. He is a certified public accountant and a member of the Alaska State Bar.

Ms. Bobette D. Bush, Vice Chair of the Corporation and Member of the Commission. Ms. Bush was appointed to the Commission in 1993 and was reappointed in 1997. Ms. Bush is retired, previously serving as the superintendent of the Kuspuk School District in Aniak, Alaska. She received her bachelor of arts degree in 1969 from Whitman College in Walla Walla, Washington, and a master of education degree in 1988 from the University of Alaska-Fairbanks. Her professional experience includes 11 years of teaching, serving as curriculum coordinator and curriculum staff development director in the Kuspuk School District, principal of Aunti Mary Nicoli Elementary, and interim superintendent in the Kuspuk School District prior to being named superintendent. Ms. Bush currently serves as a member of the College of Rural Alaska Council, Bethel Broadcasting, Incorporated, and the Kuskokwim College Council.

Mr. Ray Matiashowski, Commissioner, Department of Administration. Mr. Matiashowski was appointed Commissioner in 2004. Previously in his role as Deputy Commission of the Department, Mr. Matiashowski oversaw the divisions of Administrative Services, Alaska Longevity Programs, Finance, General Services, Information Technology Group, Retirement and Benefits, Senior Services, and the Oil and Gas Conservation Commission. Prior to Mr. Matiashowski's appointment as Deputy Commissioner, he owned and operated a real estate company in Ketchikan, Alaska. Mr. Matiashowski has considerable experience in sales, having worked for a number of sales-oriented organizations. He also served as legislative aide and Chief of Staff to Senator Lloyd Jones. Mr. Matiashowski is a member of Omicron Delta Epsilon and the International Honor Society in economics. He earned his Bachelor of Arts in economics from the University of Washington, and is a 1983 graduate of the institute on comparative political and economic systems, Georgetown University.

Mr. William A. Corbus, Commissioner, Department of Revenue. Mr. Corbus was appointed Commissioner on December 9, 2002. Mr. Corbus recently retired as president of Alaska Electric Light and Power Company, the electrical utility for Juneau, where he had worked since 1970. Mr. Corbus served on the Alaska State Pension Investment Board from 1993 to 1999, and on several bank boards in Alaska. He holds a bachelor's degree in industrial engineering from Stanford University and a master's degree in business administration from the Amos Tuck Graduate School at Dartmouth College. Mr. Corbus is a Navy veteran, and worked in financial planning and accounting at a New York City firm after leaving the Navy in the 1960s. As Revenue Commissioner, Mr. Corbus serves on the Board of Trustees of the Alaska Permanent Fund Corporation, in addition to overseeing the tax, investment and public service functions of the 900-employee Department of Revenue.

Mr. Tom Boutin, Deputy Commissioner, Department of Revenue, Treasury and Tax Division (Mr. Boutin serves on the Board as the First Delegate of William Corbus). Mr. Boutin was appointed Deputy Commissioner in February 2003. Mr. Boutin spent his first 22 years in New Hampshire, logging and working for dairies. He then moved to Alaska, working as a logging engineer for Ketchikan Pulp Co. and as a timber faller, rigging slinger and equipment operator for various logging and road building firms. He bought and sold logs, lumber, veneer and plywood for North Pacific Lumber Company, and was Chief Financial Officer and then President and Chief Financial Officer for Klukwan, Inc., an Alaska Native Claims Settlement Act corporation involved in forest products and money management. His government service experience consists of State Debt Manager for the Alaska Department of Revenue, Alaska State Forester, and currently, Deputy Commissioner for the Alaska Department of Revenue. Mr. Boutin has a Bachelor of Science from the University of New Hampshire, and an MBA in Finance from the University of Oregon. He has lived in Juneau for the past 21 years.

Mr. Edgar Blatchford, Commissioner, Department of Commerce, Community and Economic Development. Mr. Blatchford was appointed Commissioner of the Department of Commerce, Community and Economic Development in January 2003. At the time of his appointment, he was an Associate Professor of Journalism and Public Communications at the University of Alaska-Anchorage. Previously, under Governor Walter J. Hickel, he served as Commissioner of Community and Regional Affairs from 1990-1994. Mr. Blatchford earned a Bachelor of Arts degree from Alaska Methodist University in 1973, a Juris Doctor degree from the University of Washington School of Law in 1976 and a Masters of Arts degree in journalism from Columbia University in 1988. He is a former Mayor of Seward, and has served on the Board of Directors of Chugach Alaska Corporation, including numerous terms as chairman. As Commissioner of the Department of Commerce, Community and Economic Development, Mr. Blatchford oversees 14 divisions whose mutual mission is to encourage and contribute to the state's economic growth through business development and investments in Alaska, the Lower 48, and international opportunities.

Greg Winegar, Director of the Division of Investments. (Mr. Winegar serves as the First Delegate of Edgar Blatchford.) Mr. Winegar was appointed Director of the Division of Investments in May 2000. This Division administers various direct lending programs for the State and services loans for other State agencies, representing approximately 3,500 accounts totaling \$250 million. Prior to his appointment as Director, Mr. Winegar served as the Division of Investment's Lending Branch Manager for 21 years. Mr. Winegar received his bachelors degree from the Evergreen State College in 1973. In addition to his work as Lending Branch Manager, he also served as a Loan Officer for the Department for five years where his responsibilities included credit analysis and recommendations for commercial, multi-family, residential and consumer loan requests.

Staffing of the Corporation

The staff of the Commission also serves as staff of the Corporation in accordance with the Act. The Corporation does not have the authority to hire staff independently. See "Staffing of the Commission" above.

Authority of the Corporation

The 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 an education loan the Corporation has purchased; (iv) service education loans held by the Corporation; (v) purchase, or participate in the purchase, of education loans; (vi) contract in advance for the purchase or sale of education loans; (vii) sell, or participate in the sale, either public or private and on terms authorized by the Board, of education loans to other purchasers; (viii) collect and pay reasonable fees and charges in connection with the purchase, sale and servicing of education loans; (ix) enter into agreements with the Commission relating to education loans, the administration of the education loan fund created under the 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 Act.

LOAN SERVICING AND COLLECTION

General

The Commission services education loans owned by the Corporation except to the extent that certain collection activities are delegated to private contractors. The Pledged Loan Notes evidencing the Pledged Loans will be secured in fireproof cabinets maintained at the offices of the Commission, which are also the offices of the Corporation. As described under "THE ALASKA STUDENT LOAN CORPORATION/ALASKA COMMISSION ON POSTSECONDARY EDUCATION," the Corporation does not have its own independent staff; the staff of the Commission serves as staff of the Corporation.

The Commission presently uses education loan servicing software from Charter Accounts Systems, Inc. to service the Pledged Loans. The purchase of the software included the source code, the possession of which enables the Commission programming staff to enhance the reporting capabilities.

Servicing of Pledged Loans

The Commission services the portfolio of Pledged Loans owned by the Corporation. The Corporation may, in the future, use any other entity or person to service its loans. The Corporation expects that all Pledged Loans pledged as security for payment of the 2005 Bonds will be serviced by the Commission or another servicer. The servicer will maintain custody of the Pledged Loans pursuant to a Custody Agreement with the Corporation and the State of Alaska.

Loan Repayment. Provided the borrower continues to make scheduled monthly payments, the borrower receives a monthly bill from the Commission and remains in the repayment cycle until the Pledged Loan is paid in full. At that time, a "paid in full" letter and the cancelled promissory note is sent to the borrower.

Activity Prior to Default. When a borrower fails to make a payment when due, the borrower's next billing statement contains text reminding the borrower that the payment is delinquent. The past due status is reflected in each subsequent monthly billing until the Pledged Loan is brought current. In addition, during the time that the scheduled payment is between thirty (30) and one hundred eighty (180) days past due, due diligence staff make attempts, by telephone and regular mail, to contact the borrower in each 30-day period. If the borrower fails to respond to the contact or fails to bring the account current, or if the borrower makes arrangements to bring the account current but fails to keep the arrangement, the Pledged Loan will be manually reviewed by staff. If the following criteria are met, the Pledged Loan is eligible for transfer to a collection agency for further collection action: (i) the Pledged Loan is at least two hundred seventy (270)¹ days past due; (ii) the borrower has failed to contact the Commission to make alternate payment arrangements or has made alternate payment arrangements but has not kept the arrangement; (iii) the Commission has exhausted all administrative measures for collection; and (iv) the borrower has received all appropriate past due notices including a demand letter.

Collection

The Commission has authority to facilitate collection on accounts, with respect to Pledged Loans, that are at least one hundred eighty days (180) past due without the need to secure a judgment issued by a court using various administrative collection tools including wage garnishment in Alaska, withholding the renewal of an Alaska occupational license, seizure of the State of Alaska Permanent Fund Dividend, and issuing a lien against real property.

The Alaska State Permanent Fund (the "Permanent Fund") is a fund held and managed by the State, which was established by an amendment to the State Constitution in 1976. A percentage of the State's oil and gas royalties is deposited each year into the Permanent Fund. Currently, a portion of the Permanent Fund's earnings is paid annually to qualifying State residents who apply for it (the "Permanent Fund Dividend"). The Commission may seize a borrower's Permanent Fund Dividend, if any, to satisfy the balance of a defaulted Pledged Loan. There can be no assurance that the Permanent Fund Dividend program will continue. The Permanent Fund Dividend can be eliminated or reduced by an amendment to the Alaska Statutes, by failure of the Legislature to appropriate the amount produced by the statutory formula, or by other Legislative action to divert either principal or earnings of the Permanent Fund.

¹ The Commission may provide a borrower with alternative repayment schedules, loan deferrals, and loan forbearance options subsequent to the 180th day of delinquency, but not later than the 270th day of delinquency.

TAX EXEMPTION

In the opinion of Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions and assuming, among other things, compliance with certain covenants, interest on the 2005 Bonds (i) is not includable in gross income of Holders thereof for federal income tax purposes and (ii) is not treated as a specific preference item to be included in calculating the alternative minimum tax on individuals and corporations, but such interest is included in calculating the "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax.

Bond Counsel is also of the opinion based on existing laws of the State as enacted and construed that interest on the 2005 Bonds is excluded from taxation by the State except for inheritance and estate taxes and taxes on transfers by or in contemplation of death and except to the extent that inclusion of said interest in computing the corporate alternative minimum tax under the Code may affect the corresponding provisions of the State corporate income tax.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2005 Bonds. The Corporation has covenanted to comply with certain restrictions designed to assure that interest on the 2005 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 2005 Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2005 Bonds may adversely affect the tax status of interest on the 2005 Bonds.

Although Bond Counsel has rendered an opinion that interest on the 2005 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, such 2005 Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2005 Bonds.

A description of the proposed opinion of Bond Counsel is set forth in Appendix IV hereto and such opinion is to be delivered with the 2005 Bonds.

Original Issue Premium

The 2005 Bonds are being sold at a premium. An amount equal to the excess of the issue price of the 2005 Bonds over their stated redemption price at maturity constitutes premium on such 2005 Bonds. An initial purchaser of a 2005 Bond must amortize any premium over such 2005 Bond's term using constant yield principles, based on the purchaser's yield to maturity or, in the case of 2005 Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the purchaser's basis in such 2005 Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such 2005 Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the 2005 Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a 2005 Bond.

THE TRUSTEE

The Corporation has appointed U.S. Bank National Association, Seattle, Washington, as Trustee for the 2005 Bonds. The Trustee is to carry out such duties as are assigned to it under the Indenture and the Continuing Disclosure Certificate.

The Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy, or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the 2005 Bonds, or for the validity, sufficiency, or legal effect of any such documents.

CONTINUING DISCLOSURE

In accordance with Section (b)(5) of the Securities and Exchange Commission Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time (the "Rule") the Corporation has covenanted for the benefit of the beneficial owners of the 2005 Bonds to provide certain financial information and operating data relating to the Corporation on or before 215 days after the end of each fiscal year commencing in 2006 for the fiscal year ended June 30, 2005 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the Corporation to be material. The Corporation will file the Annual Report with each Nationally Recognized Municipal Securities Information Repository and to the state information depository for the State (if one is created). The specific nature of the information to be contained in the Annual Report and the notices of material events is summarized in "APPENDIX V—FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Certificate is an action to compel specific performance of the undertakings of the Corporation, and no person, including a registered owner or beneficial owner of the Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Certificate, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Corporation reserves the right to file its Annual Report, in accordance with the Securities and Exchange Commission Interpretive Letter dated September 7, 2004, with www.DisclosureUSA.org.

The Corporation has never failed to comply in any material respect with any previous undertaking with respect to the Rule to provide annual financial information or notices of material events.

ABSENCE OF LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2005 Bonds or in any way contesting or affecting the validity of the 2005 Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof or the pledge or application of any moneys or securities provided for the payment of 2005 Bonds or the existence or powers of the Corporation.

UNDERWRITING

The 2005 Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the 2005 Bonds at a price of \$94,254,660.15 representing the aggregate principal amount of the 2005 Bonds plus a net original issue premium of \$5,949,660.15. The Underwriter will be paid a fee of approximately \$497,157.15 with respect to the 2005 Bonds. The Bond Purchase Agreement provides that the Underwriter will purchase all of the 2005 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement. The initial public offering prices or yields set forth on the inside cover page of this Official Statement hereof may be changed by the Underwriter from time to time without notice. The 2005 Bonds may be offered and sold to certain dealers (including RBC Dain Rauscher and other dealers depositing such 2005 Bonds into investment trusts) at prices or yields lower than the public offering prices or yields shown on the cover. Although there can be no assurance that any market will commence or be maintained, the Underwriter expects to make a market in the 2005 Bonds

after the initial public offering. It is likely that any market that develops will be at prices different from the initial offering prices or yields.

FINANCIAL ADVISOR

Public Financial Management, Minneapolis, Minnesota, has been retained by the Corporation to serve as financial advisor with respect to the 2005 Bonds. The financial advisor has assisted the Corporation in matters relating to the planning, structuring and issuance of the 2005 Bonds and various other debt related matters.

FINANCIAL STATEMENTS OF THE CORPORATION

The financial statements of the Corporation included in this Official Statement as APPENDIX I have been audited by Elgee Rehfeld Mertz, LLC, Independent Auditors, to the extent and for the periods indicated in their report thereon.

LEGAL INVESTMENT IN ALASKA

The 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 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.

PLEDGE AND AGREEMENT OF THE STATE

In the Act, the State pledges to, and agrees with, registered owners of bonds 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 bondholders or in any way impair the rights and remedies of the bondholders until the bonds, 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 bondholders, are fully met and discharged. In accordance with the Act, the Corporation has included this pledge and agreement of the State in the Indenture.

RATINGS

Fitch Ratings and Standard & Poor's Corporation are expected to assign their municipal bond rating of "AAA," and "AAA," respectively, to the 2005 Bonds, with the understanding that, upon delivery of the 2005 Bonds, FSA will issue its Municipal Bond Insurance Policy. Such ratings reflect only the views of the rating organizations and explanation of the significance of the ratings may be obtained from the rating agencies as follows: Fitch Ratings, One State Street Plaza, New York, New York 10004, (212) 908-0500; Standard & Poor's Corporation, 55 Water Street, New York, New York 10041, (212) 208-8000.

The Corporation has furnished and will furnish to such rating agencies certain information and materials, some of which have not been included in this Official Statement. Generally, a rating agency bases its rating on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agency. There is no assurance that any such rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant.

A rating is not a recommendation to buy, sell or hold the Bonds and any such rating should be evaluated independently. Each rating is subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the 2005 Bonds. The Underwriter has undertaken no responsibility either to bring to the attention of the Holders of the 2005 Bonds any proposed change in or withdrawal of any rating of the 2005 Bonds or to oppose any such change or withdrawal.

MISCELLANEOUS

All quotations from, and summaries and explanations of the State or federal laws, the Indenture (including supplements thereto) and the other documents and agreements contained herein do not purport to be complete and reference is made to said laws, documents and agreements for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Indenture and the other documents and agreements described herein may be obtained upon request directed to Alaska Student Loan Corporation, Attn: Executive Officer, 3030 Vintage Boulevard, Juneau, Alaska 99801-7109 or to the Trustee, U.S. Bank National Association, 1301 Fifth Avenue Street, Suite 3410, Seattle, Washington, Attn: Corporate Trust Department.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the purchasers or holders of the 2005 Bonds.

EXECUTION OF OFFICIAL STATEMENT

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

ALASKA STUDENT LOAN CORPORATION

By: /s/ Diane Barrans
Diane Barrans
Executive Officer

APPENDIX I

Audited Basic Financial Statements of the Corporation - June 30, 2004 and 2003

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

Management's Discussion and Analysis and
Financial Statements

June 30, 2004 and 2003

Together with Independent Auditors' Report

Alaska Student Loan Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Alaska Student Loan Corporation (Corporation) functions as a lender and servicer of education loans. The following is a discussion and analysis of the Corporation's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2004. This discussion and analysis contains other supplementary information in addition to the basic financial statements for the year ended June 30, 2004. Please read it in conjunction with the Corporation's financial statements and the notes to financial statements, which follow this section.

Financial Highlights

- The Corporation's total assets at June 30, 2004 were approximately \$980.6 million, which is an increase of \$146.8 million or 18% over June 30, 2003.
- The Corporation's long-term debt increased by \$146.6 million during fiscal year 2004, which represents the net difference between new issues and payments and refunding of outstanding debt. During the year the Corporation issued bonds in the amount of \$190.2 million.
- The assets of the Corporation exceeded its liabilities at the close of the fiscal year by \$251.5 million (reported as net assets), a decrease in net assets of \$71.5 million or 22% over June 30, 2003.
- The Corporation's education loans receivable was \$577.2 million at year-end, an increase of \$11.1 million during the year.
- The Corporation's operating revenue was \$38.7 million, an increase of \$1.5 million during the year.
- The Corporation's interest expense was \$19.7 million during the year.
- The Corporation's expenses related to operations was \$8.9 million during fiscal year 2004.

Overview of the Financial Statements

The Corporation is an enterprise fund of the State of Alaska. As such, the Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States as applied on an accrual basis. 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:

Alaska Student Loan Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

Balance Sheets - This statement presents information regarding the Corporation's assets, liabilities and net assets. Net assets represent the total amount of assets less the total of liabilities. The Balance Sheets classify assets, liabilities, and net assets as current, non-current, and restricted.

Statement of Revenues, Expenses, and Changes in Net Assets - This statement presents the Corporation's interest income, costs of funds, operating expenses, and changes in net assets for the fiscal year.

Statement of Cash Flows - This statement presents cash flows from operations, non-capital financing, capital, and investing activities. The Corporation presents its cash flows statement using the direct method of reporting operating cash flows.

Financial Analysis

The following condensed financial information was derived from the Corporation's financial statements and reflects the Corporation's changes during the fiscal year:

	<u>2004</u>	<u>2003</u>	<u>Percentage Change</u>
Assets:			
Current assets	\$ 33,673,030	31,020,362	9%
Restricted assets	946,898,907	802,709,476	18%
Total assets	<u>980,571,937</u>	<u>833,729,838</u>	18%
Liabilities:			
Current liabilities payable from unrestricted assets	16,863,415	19,680,723	(14%)
Current liabilities payable from restricted assets	173,057,240	42,130,819	311%
Non-current liabilities payable from restricted assets	<u>539,175,590</u>	<u>448,885,517</u>	20%
Total liabilities	<u>729,096,245</u>	<u>510,697,059</u>	43%
Net assets:			
Restricted net assets	235,966,077	311,693,140	(24%)
Unrestricted net assets	<u>15,509,615</u>	<u>11,339,639</u>	37%
Total net assets	<u>\$ 251,475,692</u>	<u>323,032,779</u>	(22%)

Origination fees of \$1.4 million were collected on loan fundings during the year, however, the annual transfer from the origination fee fund to reimburse the trust funds for write-offs did not occur until after June 30, 2004. Origination fees in the amount \$4.2 million were used to cover loan losses and as a result, reduced the deferred credit account under the current liabilities section.

Alaska Student Loan Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

Restricted assets, current liabilities payable from restricted assets, and non-current liabilities payable from restricted assets increased from the prior year as a result of increased bonding activity during the year and a total of \$80.6 million return of capital payable to the State in FY2005.

The Corporation issued the 2004 Series bonds in the amount of \$115.1 million to refund outstanding bonds and provide funding for the Corporation's loan programs. The refundings included \$13.1 million for the early redemption of the 1994 Series A bonds dated July 1, 1994 and \$26.4 million for the early redemption of a portion of the 2002 Senior Series A bonds dated June 4, 2002.

The Corporation issued Capital Project Revenue Bonds 2004 Series A in the amount of \$75.1 million to pay for \$75 million of capital projects for the State. This payment is a return of capital provided by the State for the creation of the Corporation.

Beginning in FY2003, the Corporation changed its method of amortizing bond issuance costs from the effective interest method to the straight-line method as management believes the straight-line method is more understandable given the nature of the Corporation's variable rate bonds. The cumulative effect of the change in amortization method recognized in FY2003 was \$1.6 million.

In FY2003 the Corporation modified the loan allowance estimate for more mature loans in the portfolio to better recognize the positive impact of ongoing loan servicing and collection improvements. The cumulative effect of this change was a reduction in the allowance for loan loss of \$10.4 million in FY2003.

	2004	2003	Percentage Change
Operating revenue-loan interest income	\$ 38,657,784	37,154,043	4%
Operating expenses	(13,821,508)	(10,335,689)	(33%)
Non-operating expense, net	(15,793,363)	(1,928,305)	(719%)
Income before cumulative effect	9,042,913	24,890,049	(64%)
Cumulative effect of change in accounting methods	—	1,620,730	(100%)
Income before special items	9,042,913	26,510,779	(66%)
Special item, return of capital	(80,600,000)	(5,000,000)	(1500%)
Increase in net assets	(71,557,087)	21,510,779	(433%)
Net assets – beginning	323,032,779	301,522,000	7%
Net assets – ending	\$ 251,475,692	323,032,779	(22%)

The Corporation provided borrowers with an interest cost reduction for all loans with interest rates exceeding 8.3% for the third year in a row. The aggregate benefit resulted in a reduction in income of \$883,000 and \$1.1 million in FY2004 and FY2003, respectively.

Alaska Student Loan Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

Interest income from investments, which is reported as a non-operating item, fell \$4 million from the previous year as a result of low market interest rates.

The net non-operating expense amount in FY2003 was impacted by an allowance for loan loss adjustment.

Special item, return of capital, represents payments to the State of Alaska as allowed for by statute. An annual payment as determined by the Corporation's Board of Directors is based on the amount of the Corporation's income before special items during the fiscal year ending two years before the end of the fiscal year in which the payment is to be made. Additionally, the Corporation issued bonds in FY2004 to finance capital projects of the State of Alaska.

Corporation Activities and Conditions Affecting Financial Position

The Alaska Commission on Postsecondary Education (Commission) administers the Corporation's programs. Operating expenditures of the Commission are subject to budgetary appropriation. The Corporation reimburses the Commission for such expenditures that relate to the program administration and are permitted under the bond indentures of the Corporation.

The purpose of the loan program is to provide low cost loans to Alaskans pursuing education and training at a postsecondary level and to other qualified individuals attending postsecondary institutions in the State.

Historically, the Corporation has provided various alternative education loan programs under the umbrella title of the Alaska Student Loan Program. The Corporation modified and broadened its program offerings beginning in the 2002-2003 academic year by implementing a successor program, the AlaskAdvantage® Loan Program, which includes Federal Family Education Loan Program (FFELP) loans governed by the Higher Education Act. The Corporation also replaced its fixed rate alternative loan, the Alaska Student Loan, with a new variable rate alternative loan, the Alaska Supplemental Education Loan (ASEL).

To accommodate FFELP lending, the Commission secured the status of "eligible lender" under the Higher Education Act and entered into various agreements with Northwest Education Loan Association, to serve as the Commission's "eligible guarantor" under the Higher Education Act. Loans authorized under the Higher Education Act which the Corporation is funding include Subsidized Stafford, Unsubsidized Stafford, and PLUS loans. The Higher Education Act provides for federal (i) insurance or reinsurance of eligible loans, (ii) interest subsidy payment to eligible lenders with respect to certain Subsidized Stafford loans, and (iii) special allowance payments representing an additional subsidy paid by the Secretary of the U.S. Department of Education to holders of eligible loans. For a loan loss to be eligible for reimbursement to a lender by a

Alaska Student Loan Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

guarantor the loan must be serviced according to standards set by federal statutes and regulations.

The interest rate on FFELP loans is variable, reset annually on each July 1. Subsidized Stafford and unsubsidized Stafford loans which are in in-school, grace, and deferment periods bear interest at a rate equivalent to the 91-day T-bill rate plus 1.7%, with a maximum rate of 8.25%. Subsidized Stafford and unsubsidized Stafford loans in all other periods bear interest at a rate equivalent to the 91-day T-bill rate plus 2.3%, with a maximum rate of 8.25%. PLUS loans bear interest at a rate equivalent to the 91-day T-bill rate plus 3.1%, with a maximum of 9%.

In April 2004, the Corporation began offering a new federal consolidation loan for any borrower already having a loan with the Corporation. Federal consolidation loans bear interest at a rate equal to the weighted average of the interest rates of the loans consolidated, rounded to the nearest higher one-eighth of 1%, with a maximum rate of 8.25%.

The interest rate for the ASEL is adjusted annually on or after June 1 and effective for the next twelve months beginning July 1. According to State statute, the variable interest rates are to be based on the bond equivalent rate of 91-day T-bill auctioned at the final auction held before June 1 of the loan year plus up to 2.8% and are to be capped at 8.25%.

In fiscal year 2003, the Corporation offered a new supplemental consolidation loan to borrowers who had two or more fixed rate Alaska Student Loans. The supplemental consolidation loan criteria has been expanded to include any supplemental loan of the Corporation except the Family Education Loan. The supplemental consolidation loans accrue interest at fixed rates between 5.8% and 6%.

The AlaskAdvantage® Program was structured to provide eligible student 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. The federal loan program allows borrowers to create a serialized note with a given lender.

Between fiscal year 2003 and 2004, the Corporation saw a 10% increase in loan originations and had the highest volume of federal loan awards in the state as compared to other federal education loan providers in Alaska. Federal loan originations increased by 64% between fiscal year 2003 and 2004.

AlaskAdvantage® Financing:

To facilitate financing the program, the Corporation issued \$115.1 million of tax-exempt, limited obligation, education loan revenue bonds under the 2002 Master Trust Indenture.

Alaska Student Loan Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

The bond issuance included refunding bonds, which included \$13.1 million for the early redemption of the 1994 Series A Bonds and \$26.4 million for the early redemption of a portion of the Senior Series 2002 A Bonds.

AlaskAdvantage® Borrower Benefits:

Under the AlaskAdvantage® Program the Corporation's Board of Directors has approved various loan benefit features that provide incentives and rewards to borrowers who participate in the program.

Under the AlaskAdvantage® Borrower Benefit Program, effective July 1, 2004 through June 30, 2005, borrowers with qualified loans held by the Corporation are eligible for certain interest rate reductions or rebates on any such loan.

Borrower Benefit Program offerings are subject to the availability of funds and annual modifications or termination by the Corporation at its discretion provided, however, that any changes do not adversely effect the credit rating of certain bonds issued by the Corporation.

Contacting the Corporation's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for its assets. If you have any questions about this report or need additional financial information, contact the Finance Officer of the Corporation at (907) 465-6757.

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789-3178 • FAX 907.789.7128 • www.ermcpa.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Alaska Student Loan Corporation:

We have audited the accompanying basic 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, 2004, and 2003, as listed in the table of contents. These financial statements are the responsibility of the management of the Corporation. 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 financial position of the Alaska Student Loan Corporation as of June 30, 2004, and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 6, is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 3, 2004, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



September 3, 2004

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Balance Sheets

Years ended June 30, 2004 and 2003

Assets	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and cash equivalents (note 3)	\$ 17,064,103	9,492,828
Investments (note 4)	16,441,312	21,386,775
Accrued interest receivable	167,615	140,759
Total current assets	<u>33,673,030</u>	<u>31,020,362</u>
Restricted assets:		
Cash and cash equivalents (note 3)	10,911,267	9,903,333
Investments (note 4)	438,231,737	307,342,838
Loans receivable (note 5)	577,248,263	566,146,551
Less allowance for:		
Doubtful loans (note 6)	(99,333,011)	(96,229,397)
Forgiveness (note 7)	<u>(2,396,055)</u>	<u>(2,292,031)</u>
Net loans receivable	<u>475,519,197</u>	<u>467,625,123</u>
Accrued interest receivable, net of forgiveness allowance of \$708,964 and \$698,651 in 2004 and 2003, respectively	15,979,993	12,299,783
Due from U.S. Department of Education	390,266	128,282
Bond issuance cost, net of accumulated amortization of \$4,742,811 and \$4,093,522 in 2004 and 2003, respectively	<u>5,866,447</u>	<u>5,410,117</u>
Total restricted assets	<u>946,898,907</u>	<u>802,709,476</u>
Total assets	<u>\$ 980,571,937</u>	<u>833,729,838</u>

(Continued)

See accompanying notes to the financial statements

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Balance Sheets

Years ended June 30, 2004 and 2003

Liabilities and Net Assets	<u>2004</u>	<u>2003</u>
Liabilities:		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 153,263	209,495
Due to State of Alaska	418,868	357,150
Warrants outstanding	97,718	91,209
Deferred credit (note 2)	10,593,566	14,022,869
Return of capital payment declared (note 12)	<u>5,600,000</u>	<u>5,000,000</u>
Total current unrestricted liabilities	<u>16,863,415</u>	<u>19,680,723</u>
Current liabilities payable from restricted assets:		
Accounts payable	37,100	—
Due to State of Alaska	69,773	23,614
Warrants outstanding (note 5)	489,548	567,918
Return of capital payment declared (note 12)	75,000,000	—
Bond interest payable	9,742,396	9,970,298
Current portion of arbitrage rebate payable (note 9)	258,423	448,989
Current portion of bonds payable (note 8)	<u>87,460,000</u>	<u>31,120,000</u>
Total current liabilities	<u>173,057,240</u>	<u>42,130,819</u>
Noncurrent liabilities payable from restricted assets:		
Arbitrage rebate payable (note 9)	596,969	553,399
Bonds payable, net of bond premiums/discounts (note 8)	<u>538,578,621</u>	<u>448,332,118</u>
Total noncurrent liabilities	<u>539,175,590</u>	<u>448,885,517</u>
Total liabilities	<u>729,096,245</u>	<u>510,697,059</u>
Commitments and contingencies (note 12)	—	—
Net assets:		
Restricted net assets	235,966,077	311,693,140
Unrestricted net assets (note 2)	<u>15,509,615</u>	<u>11,339,639</u>
Total net assets	<u>251,475,692</u>	<u>323,032,779</u>
Total liabilities and net assets	\$ <u>980,571,937</u>	\$ <u>833,729,838</u>

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, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenue - interest income - student loans	\$ 38,657,784	37,154,043
Operating expenses:		
Provision for:		
Loan losses (note 6)	4,439,205	1,229,039
Forgiveness (note 7)	418,148	451,788
Operations	8,964,155	8,654,862
Total operating expenses	<u>13,821,508</u>	<u>10,335,689</u>
Operating income	<u>24,836,276</u>	<u>26,818,354</u>
Nonoperating revenue (expense), excluding special item:		
Interest income from investments	5,318,342	9,261,130
Interest expense	(19,651,902)	(20,740,722)
Arbitrage rebate expense	(301,993)	(142,048)
Amortization of bond issuance costs	(1,157,810)	(678,580)
Change in estimate of doubtful loan allowance (note 6)	—	10,371,915
Net nonoperating expense	<u>(15,793,363)</u>	<u>(1,928,305)</u>
Income before cumulative effect	9,042,913	24,890,049
Cumulative effect of change in accounting method (note 2)	—	1,620,730
Income before special item ("statutory net income")	9,042,913	26,510,779
Special item, return of capital (note 12)	<u>(80,600,000)</u>	<u>(5,000,000)</u>
Change in net assets	<u>(71,557,087)</u>	<u>21,510,779</u>
Total net assets-beginning	<u>323,032,779</u>	<u>301,522,000</u>
Total net assets-ending	\$ <u><u>251,475,692</u></u>	<u><u>323,032,779</u></u>

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, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Principal repayments received on loans	\$ 50,393,983	57,574,847
Interest received on loans	27,433,141	28,022,052
Other cash receipts	1,372,929	1,386,190
Loans originated	(60,632,108)	(55,120,991)
Cash paid to Alaska Commission on Postsecondary Education for operating expenses	(8,899,131)	(8,772,512)
Net cash provided by operating activities	9,668,814	23,089,586
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds	116,058,226	47,000,000
Bond issue costs	(850,350)	(445,558)
Interest paid on bonds	(19,855,326)	(22,073,467)
Principal payments on bonds	(47,005,000)	(51,715,000)
Net cash provided by (used for) noncapital financing activities	48,347,550	(27,234,025)
Cash flows from investing activities:		
Interest received on investments	5,833,083	9,929,283
Investments matured	1,475,928,788	898,777,783
Investments purchased	(1,602,944,035)	(893,710,906)
Net cash provided by (used for) investing activities	(121,182,164)	14,996,160
Cash flows from capital activities:		
Proceeds from issuance of bonds	77,508,799	—
Bond issue costs	(763,790)	—
Return of capital payments	(5,000,000)	(5,250,000)
Net cash provided by (used for) return of capital	71,745,009	(5,250,000)
Net increase in cash and cash equivalents	8,579,209	5,601,721
Cash and cash equivalents at beginning of period	19,396,161	13,794,440
Cash and cash equivalents at end of period	\$ 27,975,370	19,396,161

(Continued)

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, 2004 and 2003

	2004	2003
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 24,836,276	26,818,354
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase in net loans receivable	(7,894,074)	(3,861,640)
Increase in net accrued interest receivable on loans	(3,598,985)	(2,527,318)
Decrease in due to State of Alaska	107,877	3,148,073
Increase in other assets	(261,984)	(128,282)
Decrease in accounts payable	(19,132)	(85,330)
Decrease in warrants outstanding	(71,861)	(157,059)
Decrease in deferred credit	(3,429,303)	(117,212)
	(15,167,462)	(3,728,768)
Net cash provided by operating activities	\$ 9,668,814	23,089,586
Summary of noncash transactions that affect recognized assets and liabilities:		
Provision for loan loss and forgiveness	\$ (4,857,353)	(1,680,827)
Provision for lost interest and forgiveness	(1,392,766)	(4,747,978)
Write-off of uncollectible loans	5,828,682	3,430,854
Forgiveness granted - principal	(314,123)	(506,292)
Forgiveness granted - interest	(77,651)	(129,823)
Bond discount amortization	(24,478)	(135,587)
Bond issuance cost amortization	(1,157,810)	(678,580)
Deferred credit used for loan loss	4,493,091	1,092,841
Deferred credit amortization	262,782	354,397
Interest capitalization	7,747,246	7,603,853
Unrealized gain (loss) on investments	(1,071,811)	488,980
Change in estimate doubtful loans	—	10,371,915
Cumulative effect of change in accounting method	—	1,620,730

See accompanying notes to financial statements

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

Notes to Financial Statements

June 30, 2004 and 2003

(1) **Authorizing Legislation and Organization**

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska, was created in 1987 by an act of the State of Alaska Legislature (Legislature). The purpose of the Corporation is to provide low-interest education loans to Alaskans. The Corporation is authorized, with certain limitations, to issue its own bonds and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. All obligations so issued shall not be deemed to constitute a debt of the State of Alaska (State).

The State Governor appoints the Corporation's Board of Directors and the staff of the Alaska Commission on Postsecondary Education (Commission) administers the Corporation. The Commission's budget provides for reimbursement from the Corporation for operating and capital expenses. The Commission's budget is subject to review and approval from both the executive and legislative branches of the State.

The State has provided education loans through various programs since 1968. Prior to the creation of the Corporation, substantially all such loans were recorded in the Scholarship Revolving Loan Fund and Teacher Scholarship Loan Fund (Funds) of the State. In April 1988, by act of the Legislature, the assets, liabilities, and equities of the Funds were transferred to the Corporation effective December 30, 1987.

Loans are financed through the issuance of tax-exempt bonds or with recycled principal and interest repayments. The bonds outstanding are payable, primarily from interest and principal repayments on the financed loans as specified in the underlying resolutions authorizing the sale of bonds.

(2) **Summary of Significant Accounting Policies**

(a) ***Fund Accounting***

The financial activities of the Corporation, which are restricted by the Corporation's bond indentures and the requirements of the Legislature, are recorded in various funds as specified in such instruments or necessitated by appropriation requirements or 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) ***Standard Application***

As allowed by the Government Accounting Standards Board Statement No. 20 (GASB 20), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Corporation has elected not to apply Statements and Interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

(c) ***Fiscal Year***

The Corporation's fiscal year begins July 1 and ends June 30, consistent with the State's fiscal year.

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

Notes to Financial Statements

June 30, 2004 and 2003

(d) *Management Estimates*

In preparing the financial statements in accordance with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual amounts could differ from those estimates. The more significant accounting and reporting policies applied in the preparation of the accompanying financial statements are discussed below.

(c) *Loans*

Loans represent education loans issued through the Alaska Advantage[®] Loan Programs, which include Alaska Supplemental Loans, Teacher Education Loans (TEL), Family Education Loans (FEL), (collectively referred to as supplemental loans), and federally guaranteed Stafford, PLUS and Consolidated loans. The terms of the loans vary depending on the year of inception and loan type. Interest accrues at fixed and variable rates ranging from 2.625% to 9% and is generally determined by loan type and issue date. The Corporation offers borrower benefits, which reduce the interest costs for eligible borrowers. The borrower benefit offerings are approved by the Corporation Board of Directors annually and may vary from year-to-year.

Borrowers of 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.

For certain supplemental loans awarded prior to July 1, 1987, borrowers can obtain forgiveness for up to 50% of loan principal and interest if the borrower resides in Alaska for specified periods upon successful completion of the program of study for which the loan was awarded.

(f) *Allowance for Doubtful Loans*

The allowance for doubtful loans represents management's estimate, based on experience, of all loans that will ultimately be uncollectible. The Corporation charges off supplemental loans to the allowance upon death, bankruptcy as allowed by law, total disability of the borrower, or when a payment has not been received for five years on loans not in deferment. In fiscal year 2003, management changed the allowance estimate for older loan program years to better reflect the impact of ongoing loan servicing and collection improvements. To determine the change, management analyzed default data on matured loan pools and cohort default declines since calendar year 1997. These analyses were used to estimate reserve rates for loans outstanding as of June 30, 2003. Included in the older program years are the loans that were brought back for in-house servicing due to termination of the collection agency contracts in 1998, 2001 and 2003.

(g) *Interest on Education Loans*

Interest on education loans is accrued when earned. For federally guaranteed subsidized loans, interest from the start date of the loan until a date that is six months after the student withdraws from school (plus any authorized deferment periods) is billed to and paid by the U.S. Department of Education under the Federal Family Education Loan Program. The borrower pays interest

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

Notes to Financial Statements

June 30, 2004 and 2003

subsequent to that date. For non-subsidized federally guaranteed loans and for all supplemental loans issued after June 30, 2002 interest from the disbursement date is paid by the borrower.

Certain supplemental loans are non-interest bearing while the borrower is completing eligible studies. All state guaranteed loans issued prior to July 1, 1996 are non-interest bearing during approved periods of deferment and postponement. Loans issued prior to July 1, 1987 are also non-interest bearing during a one-year grace period following completion of studies and a six-month sub-grace period following an approved deferment. Non-interest bearing loans are approximately \$38,476,179 at June 30, 2004.

Historical rates are used to determine the allowance for doubtful interest. The allowance for doubtful interest is approximately \$21,500,000 and \$21,900,000 as of June 30, 2004 and 2003, respectively. The provision for doubtful interest is a reduction of interest income and was approximately \$1,340,000 and \$4,739,000 for the years ended June 30, 2004 and 2003, respectively.

(h) ***Deferred Credit***

Borrowers who received supplemental loans after June 30, 1994 were charged an origination fee of 1%, 3% or 5%, generally determined by loan issue date. Its purpose is to offset loan losses due to death, disability, bankruptcy or default of borrowers charged the origination fee. The origination fee is recognized as revenue using the straight-line method equal to the loan repayment period and assumes repayment begins the year following origination. The allowance for doubtful loans has been reduced by the unamortized deferred credit.

(i) ***Allowance for Forgiveness***

The allowance for forgiveness represents management's estimate, based on experience of the loan forgiveness that will ultimately be applied for and granted.

(j) ***Bond Issuance Costs***

Bond issuance costs include underwriters' fees and other costs incurred in connection with the issuance of bonds. Effective for the year ended June 30, 2003, the Corporation changed its method of amortizing bond issuance costs from the effective interest method to the straight-line method. The cumulative effect of the change is \$1,620,731.

(k) ***Bond Discounts/Premiums and Deferred Amounts on Refundings***

Effective for the year ended June 30, 2004, the Corporation changed its method of amortizing bond discounts, premiums and deferred amounts on refundings from the effective interest method to the straight-line method. There is no cumulative effect of this change.

(l) ***Income Taxes***

The Corporation, as a government instrumentality, is exempt from federal and state income taxes.

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

Notes to Financial Statements

June 30, 2004 and 2003

(m) *Investments*

The Corporation carries all investments at fair value.

(n) *Unrestricted Net Assets*

Unrestricted net assets represent assets of the Corporation not pledged as collateral for specific bond indentures. GASB 34 requires assets restricted by statute to be reported as unrestricted. Assets restricted by statute are approximately \$29,200,000 and \$28,100,000 at June 30, 2004 and 2003, respectively.

(3) **Cash and Cash Equivalents**

The statement of cash flows is presented to reflect the activity resulting in a change in cash and cash equivalents. For purposes of the statement of cash flows, the Corporation considers its equity in the State's Treasury Pools to be cash and cash equivalents. The Corporation's equity consists of cash, Short-term and Intermediate-term Fixed Income Pools, and repurchase agreements held by the State as the custodian for the Corporation.

Government Accounting Standards Board Statement No. 3 (GASB 3) and GASB Technical Bulletin 87-1 require deposits and investments to be categorized to indicate the level of risk assumed by the Corporation at the end of the period. Category 1 consists of investments that are insured or registered and held by the Corporation or its custodian in the Corporation's name. Category 2 consists of uninsured and unregistered investments held by the Corporation or its custodian in the Corporation's name. Category 3 includes uninsured and unregistered investments held by the Corporation or its custodian not in the Corporation's name.

A summary of cash and cash equivalents at June 30 follows:

	<u>Risk Category</u>	<u>2004</u>	<u>2003</u>
Fixed Income pools	—	\$ 16,374,182	10,189,270
Deposits, collateralized	1	3,448,777	4,506,875
Repurchase agreements	1	8,152,411	4,692,735
Deposits, uncollateralized	3	—	7,281
		<u>\$ 27,975,370</u>	<u>19,396,161</u>

Equity in the Fixed Income pools cannot be categorized because it represents the Corporation's share of ownership in the pool rather than ownership of specific securities.

Cash and cash equivalents in the amount of \$10,911,266 and \$9,903,333 for fiscal years 2004 and 2003, respectively, are subject to certain restrictions as specified in the bond indentures.

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

Notes to Financial Statements

June 30, 2004 and 2003

Securities Lending

The Fixed Income pool participates in the Department of Revenue's securities lending program (Program) as allowed by Alaska Statute 37.10.071. Under the Program, fixed income securities are loaned to broker agents or other entities for collateral in the form of cash or securities, with simultaneous agreement to return the collateral for the same securities in the future.

Collateral securities may not be pledged or sold unless the borrower defaults. Security loans are fully collateralized at not less than 102 percent of their fair value. There are no restrictions on the amount of the loans that can be made under the program. There is limited credit risk associated with the lending transactions since loss indemnification is provided if resulting from counterparty failure or default (subject to certain limitations).

At June 30, 2004 and 2003, the fair value of securities on loan allocable to the Corporation totaled \$3,243,043 and \$1,909,142, respectively. There were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities during either fiscal year 2004 or fiscal year 2003.

Additional investment information is disclosed in the financial schedules issued by the Department of Revenue, Treasury Division. These financial schedules are available through the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405 or at www.revenue.state.ak.us/treasury/Publications.htm.

(4) Investments

Allowable restricted investments are specified in the bond indenture, as are certain restrictions. Substantially all investments are held, in trust, for the benefit of the Corporation and the bondholders.

The Corporation's investments at June 30 are shown below:

	<u>Risk Category</u>	<u>2004</u>	<u>2003</u>
Categorized investments:			
U.S. government and federal agency securities	1	\$ 196,580,925	120,930,342
Repurchase agreements	1	38,421,000	41,257,379
Forward delivery agreements	1	26,819,796	13,000,644
Corporate Bonds	1	2,933,408	—
Bank investment contracts	3	—	9,340,000
		<u>264,755,129</u>	<u>184,528,365</u>
Non-categorized investments:			
Money market pool — Government securities	—	189,917,920	144,201,248
Total investments		<u>\$ 454,673,049</u>	<u>328,729,613</u>

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

Notes to Financial Statements

June 30, 2004 and 2003

Pooled investments cannot be categorized because they represent the Corporation's share of ownership in the pool rather than ownership of specific securities.

The carrying value of investments at June 30, 2004, by contractual maturity, are shown below:

Due in one year or less	\$	315,247,849
Due within one to five years		98,594,814
Due in five years or more		<u>40,830,386</u>
	\$	<u>454,673,049</u>

Investments include amounts specifically designated for financing education loans. At June 30, 2004 and 2003 the investments available for financing education loans total \$148,165,230 and \$133,485,683 respectively. The funds are available to the Corporation only if certain cash flow tests are met. The remaining investments held by the Trustee are restricted for debt service, capital reserve and rebate requirements.

(5) Restricted Loans Receivable

A summary of restricted loans receivable, all of which are installment loans to individuals, at June 30 follows:

		<u>2004</u>	<u>2003</u>
Alaska Supplemental Loans	\$	534,089,988	537,252,920
Teacher Education Loans		9,062,785	9,332,715
Family Education Loans		9,122,020	9,743,222
Federal Family Education Loans		<u>24,973,470</u>	<u>9,817,694</u>
	\$	<u>577,248,263</u>	<u>566,146,551</u>

The loan portfolio summarized by loan status at June 30 follows:

		<u>2004</u>	<u>2003</u>
Enrollment	\$	101,318,896	94,222,923
Grace		27,699,282	28,585,428
Repayment		384,615,869	376,195,576
Deferment		<u>63,614,216</u>	<u>67,142,624</u>
	\$	<u>577,248,263</u>	<u>566,146,551</u>

Loans awarded and not disbursed at June 30, 2004 and 2003 total \$13,511,526 and \$8,723,521 respectively.

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

Notes to Financial Statements

June 30, 2004 and 2003

Included in loans receivable are \$450,894 and \$541,356 of loan warrants issued but not yet redeemed by the borrowers at June 30, 2004 and 2003, respectively. Redemption is contingent upon the borrowers meeting certain eligibility requirements.

Restricted loans receivables are pledged to the Corporation's outstanding bonds.

(6) **Allowance for Doubtful Loans**

A summary of the activity in the allowance for doubtful loans at June 30 follows:

	<u>2004</u>	<u>2003</u>
Balance at beginning of period	\$ 96,229,397	107,710,286
Provision for loan losses	4,439,205	1,229,039
Net loans charged off	(1,335,591)	(2,338,013)
Change in estimate (note 2(f))	—	(10,371,915)
Balance at end of period	<u>\$ 99,333,011</u>	<u>96,229,397</u>

(7) **Allowance for Forgiveness**

As described in note 2, the Corporation disburses loans of which principal and interest become eligible for forgiveness under certain conditions.

A summary of the activity in the allowance for forgiveness at June 30 follows:

	<u>2004</u>	<u>2003</u>
Balance at beginning of period	\$ 2,292,031	2,346,535
Provision for forgiveness	418,148	451,788
Forgiveness granted	(314,124)	(506,292)
Balance at end of period	<u>\$ 2,396,055</u>	<u>2,292,031</u>

ALASKA STUDENT LOAN CORPORATION

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Notes to Financial Statements

June 30, 2004 and 2003

(8) **Bonds Payable**

(a) Bonds payable at June 30 consist of the following:

	Original Amount	Amount outstanding	
		2004	2003
Outstanding under the 1988 Master Indenture:			
1993 Series A Student Loan Revenue Bonds serial bonds	\$ 43,400,000	—	20,495,000
1994 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 5.875% to 6.0%, due 2005 to 2008	50,000,000	19,680,000	23,740,000
1995 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 5.5% to 5.75%, due 2005 to 2009	55,000,000	29,270,000	35,470,000
1996 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 5.75% to 6.35%, due 2005 to 2013	38,000,000	31,000,000	33,500,000
1997 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 5.15% to 5.75%, due 2005 to 2015	75,000,000	73,000,000	75,000,000
1998 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 4.6% to 5.3%, due 2005 to 2016	88,570,000	60,000,000	70,000,000
1999 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 4.6% to 5.45%, due 2005 to 2017	40,000,000	36,750,000	38,500,000
2000 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 5.3% to 6.05%, due 2005 to 2018	32,140,000	32,140,000	32,140,000
term bonds, 6.0%, due July 1, 2016	7,860,000	7,860,000	7,860,000
2001 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 3.95% to 4.65%, due 2004 to 2011	33,345,000	33,345,000	33,345,000
	<u>\$ 463,315,000</u>	<u>323,045,000</u>	<u>370,050,000</u>
Less bond discounts		(14,812)	(97,882)
Sub-total 1988 Master Indenture		<u>\$ 323,030,188</u>	<u>369,952,118</u>

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

June 30, 2004 and 2003

	Original Amount	Amount outstanding	
		2004	2003
Outstanding under the 2002 Master Indenture:			
2002 Series A and B Education Loan Revenue Bonds auction variable rate bonds, due 2009 to 2037	\$ 62,500,000	62,500,000	62,500,000
2003 Series A-1 and A-2 Education Loan Revenue Bonds auction variable rate bonds, due 2011 to 2038	47,000,000	47,000,000	47,000,000
2004 Series A-1, A-2, A-3 Education Loan Revenue Bonds auction variable rate bonds due 2044 serial bonds, fixed rate ranging from 5.0% to 5.25%, due 2011 to 2017	93,100,000	93,100,000	--
	22,015,000	22,015,000	--
	\$ 224,615,000	224,615,000	109,500,000
Plus bond premium		934,957	
Sub-total 2002 Master Indenture		\$ 225,549,957	109,500,000

	Original Amount	Amount outstanding	
		2004	2003
Outstanding under the 2004 Indenture:			
2004 Series A Capital Project Revenue Bonds serial bonds, fixed rates ranging from 2.0% to 4.0%, due 2005 to 2017	\$ 69,910,000	69,910,000	--
term bonds, 4.0%, due July 1, 2018	5,230,000	5,230,000	--
	\$ 75,140,000	75,140,000	--
Plus bond premium		2,318,476	--
Sub-Total 2002 Indenture		\$ 77,458,476	--
Bonds Payable		\$ 622,800,000	479,550,000
Plus bond premium/ Less bond discounts		3,238,621	(97,880)
		626,038,621	479,452,118

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

June 30, 2004 and 2003

- (b) The minimum payments and sinking fund installments related to the each indenture for the five years subsequent to June 30, 2004 and thereafter are as follows:

1988 Master Indenture

Period ending June 30	Principal	Interest	Total
2005	\$ 55,095,000	15,834,631	70,929,631
2006	25,500,000	13,788,132	39,288,132
2007	23,125,000	12,550,967	35,675,967
2008	25,800,000	11,288,459	37,088,459
2009	27,250,000	9,895,668	37,145,668
2010-2014	104,080,000	30,946,265	135,026,265
2015-2019	62,195,000	4,642,126	66,837,126
	\$ <u>323,045,000</u>	<u>98,946,248</u>	<u>421,991,248</u>

2002 Master Indenture

Period ending June 30	Principal	Interest	Total
2005	\$ 26,400,000	3,582,685	29,982,685
2006	—	3,544,200	3,544,200
2007	—	3,544,200	3,544,200
2008	—	3,544,200	3,544,200
2009	—	3,544,200	3,544,200
2010-2014	48,670,000	15,017,850	63,687,850
2015-2019	5,645,000	10,129,800	15,774,800
2020-2044	143,900,000	44,850,220	188,750,220
	\$ <u>224,615,000</u>	<u>87,757,355</u>	<u>312,372,355</u>

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Notes to Financial Statements

June 30, 2004 and 2003

2004 Indenture Bonds

Period ending June 30		Principal	Interest	Total
2005	\$	5,965,000	1,957,406	7,922,406
2006		5,770,000	2,320,850	8,090,850
2007		5,925,000	2,204,650	8,129,650
2008		6,080,000	2,085,400	8,165,400
2009		6,245,000	1,963,000	8,208,000
2010-2014		33,530,000	5,956,100	39,486,100
2015-2019		11,625,000	1,162,200	12,787,200
	\$	<u>75,140,000</u>	<u>17,649,606</u>	<u>92,789,606</u>

Total for all Bonds

Period ending June 30		Principal	Interest	Total
2005	\$	87,460,000	21,374,722	108,834,722
2006		31,270,000	19,653,182	50,923,182
2007		29,050,000	18,299,817	47,349,817
2008		31,880,000	16,918,059	48,798,059
2009		33,495,000	15,402,868	48,897,868
2010-2014		186,280,000	51,920,215	238,200,215
2015-2019		79,465,000	15,934,126	95,399,126
2020-2044		143,900,000	44,850,220	188,750,220
	\$	<u>622,800,000</u>	<u>204,353,209</u>	<u>827,153,209</u>

- (c) The 1988 and 2002 Master Indenture Bonds are private activity bonds. The 2004 Indenture Bonds are not private activity bonds. All of the bonds pay interest semiannually. The bonds are secured by education loans and other assets of the Corporation and are not obligations of the State.

All of the bonds are subject to certain 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.

All of the bonds outstanding under the 1988 Master Indenture are insured by Ambac Assurance Corporation. The 2004 Capital Project Revenue Bonds outstanding under the 2004 Indenture are insured by MBIA Insurance Corporation.

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

June 30, 2004 and 2003

- (d) On June 5, 2003, the Corporation issued \$47,000,000 in education loan revenue bonds, of which \$15,885,000 was for the purpose of refunding the outstanding 1993 Series A bonds at par. The refunding occurred on July 1, 2004.

The refunding portion of the Series 2003A-2 bonds was issued as auction variable rate certificates in which the interest is reset every 35 days and the principal payment due June 1, 2038. The initial interest rate on the Series 2003A-2 bonds was 1.12%. The refunded 1993 Series A bonds interest rates were fixed rates ranging from 5.5% to 5.625% and were due in level debt service payments, with the final payment due July 1, 2006. The refunding resulted in aggregate debt service payments over the next seven years in a total amount of approximately \$400,000 less than the debt service payments which would have been due on the refunded bonds. Based on the Series 2003A-2 bonds' initial interest rate of 1.12%, there will be an estimated economic gain of \$900,000. Economic gain is calculated as the net difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid.

- (e) On May 19, 2004, the Corporation issued \$115,115,000 in education loan revenue bonds, of which \$13,055,000 was for the purpose of refunding the outstanding 1994 Series A bonds and \$26,400,000 was for the purpose of refunding a portion of the Series 2002 A bonds, both at par.

The 1994 Series A refunding occurred on July 1, 2004. The refunding portion of the Series 2004A-2 bonds was issued as auction variable rate certificates in which the interest is reset every 35 days and the principal payment due June 1, 2044. The initial interest rate on the Series 2004A-2 bonds was 1.18%. The refunded 1994 Series A bonds interest rates were fixed rates ranging from 5.875% to 6% and were due in level debt service payments, with the final payment due July 1, 2007. The refunding resulted in aggregate debt service payments over the next seven years in a total amount of approximately \$700,000 less than the debt service payments which would have been due on the refunded bonds. Based on the Series 2004A-2 bonds' initial interest rate of 1.18%, there will be an estimated economic gain of \$740,000.

- (f) The Series 2002 A refunding occurred on August 16, 2004. The refunding portion of the Series 2004 A-1 was issued as auction variable rate certificates in which the interest is reset every 35 days and the principal payment due June 1, 2044. The initial interest rate on the Series 2004 A-1 bonds was 1.20%. The refunded Series 2002 A bonds were issued as auction variable rate certificates in which the interest rate reset every 35 days and the principal payments were due June 1, 2009 and 2010. The refunding was effected to extend the maturity dates of these bonds to June 1, 2044. There is no expected economic gain or change in debt service payments over the next six years.

(9) **Arbitrage Rebate Payable**

In connection with the Corporation's tax-exempt bond issues, the Corporation is subject to rebatable arbitrage when bond proceeds are invested in investments and education loans. Interest income from investments and education loans is limited by the U.S. Treasury regulations. The amount accrued for

ALASKA STUDENT LOAN CORPORATION
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June 30, 2004 and 2003

arbitrage rebate liability at June 30, 2004 and 2003, represents the amount of arbitrage rebate due to the federal government for excess earnings on the bond proceeds.

(10) Student Loan Interest and Special Allowance on Federally Guaranteed Loans

The U.S. Department of Education makes quarterly interest subsidy payments on behalf of qualified students until the student is required under provisions of the Higher Education Act to begin repayment. Repayment on Stafford Education loans normally begins within six months after students complete their course of study, leave school, or cease to carry at least one-half the normal full-time academic load as determined by the educational institution. Repayment of PLUS loans normally begins within sixty days from the date of loan disbursement unless a deferment of payments has been granted. In these cases, full repayment of principal and interest would resume at the expiration of the deferment. Interest accrues during this deferment period.

The U.S. Department of Education provides a special allowance payment to lenders participating in the Stafford, PLUS, and Consolidation loan programs. Special allowance is paid based on a rate that is established quarterly. For loans first disbursed after June 30, 1999 and financed with obligations issued after October 1, 1993, the rate is based on the average rate established in the auction of the three-month Financial Commercial Paper, plus a predetermined factor, less the interest rate on the loan. Loans made or purchased with funds obtained through the issuance of tax-exempt obligations issued before October 1, 1993 are eligible for one-half of the special allowance rate, subject to a minimum return of 9.5%. Loans originated or purchased with funds obtained through the issuance of tax-exempt obligations originally issued after October 1, 1993 are eligible for full special allowance and are not subject to a minimum return.

(11) Retirement Plan

Effective July 1, 1997, the Commission adopted the provisions of Government Accounting Standards Board Statement No. 27 (GASB 27), *Accounting for Pensions by State and Local Government Employers*. There was no impact on the financial statements as a result of GASB 27.

(a) Plan Description

The Commission and its employees participate in the State of Alaska Public Employees' Retirement System (PERS), as a defined benefit, agent multiple-employer public employee retirement system which was established and is administered by the State to provide pension, post-employment healthcare, and death and disability benefits to eligible employees. All full-time employees are required to participate in PERS. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

Employees hired prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age fifty-five or early retirement age fifty. For employees hired after June 30, 1986 the normal retirement age is sixty and the early retirement age is fifty-five. The normal annual pension benefit for the first ten years of service is equal to 2% per year of the member's highest three-year average yearly compensation, 2.25% per year for the second ten years of service, and 2.5% per year thereafter. All service earned prior to

ALASKA STUDENT LOAN CORPORATION
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June 30, 2004 and 2003

July 1, 1986 is calculated using the 2% multiplier. Employees with thirty or more years of credited service may retire at any age and receive a normal benefit. Major medical benefits are provided without cost to all retirees first hired before July 1, 1986. Members with five or more years of credited service first hired after June 30, 1986, but before July 1, 1996, may elect major medical benefits. Members first hired after June 30, 1996 must obtain at least ten years of credited service to be eligible to elect major medical benefits.

Each fiscal year, PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203 Juneau, Alaska 99211-0203 or by calling (907) 465-4460.

(b) *Fund Policy and Annual Pension Cost*

Employees are required, by State statute, to contribute 6.75% of their gross wage to the plan. The funding policy for PERS provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Covered payroll for the period ended June 30, 2004, was approximately \$4,361,000 constituting substantially all of the Commission's payroll. The Commission's annual pension cost for the current year and the related information is as follows:

Contribution rates:

Employee	6.75%
Employer	7.65%

Annual Pension cost to date	\$ 333,540
Contributions made	\$ 333,540

Actuarial valuation date	June 30, 2003
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Amortization period	25-year Fixed
Asset valuation method	5-year smoothed market

Actuarial assumptions:

Inflation rate	3.50% per year
Investment return	8.25% per year, compounded annually, net of expense.

Projected salary increase:

Inflation	3.50%
Productivity and merit	2.00%

Health cost trend	12.00%
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ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

June 30, 2004 and 2003

In the current year, the Commission determined, in accordance with provisions of GASB 27, that no pension liability (asset) existed to PERS and there was no previously reported liability (asset).

(12) **Commitments and Contingencies**

(a) ***Operations***

The Commission included approximately \$9,600,000 in its budget for fiscal year 2005 as reimbursement from the Corporation for administrative and capital expenses incurred on the Corporation's behalf. Amounts paid by the Corporation will be subject to revision based upon actual expenses incurred by the Commission.

(b) ***Payment to the State of Alaska***

During fiscal year 2000 the Alaska legislature passed a bill that allows the Corporation to pay the State a return of contributed capital or dividend annually based on net income. If the Corporation's Board of Directors elects to make such a payment, the amount may not be less than 10%, nor greater than 35%, of the Corporation's income before transfers when it equals or exceeds \$2,000,000 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 September 23, 2004, the Corporation's Board of Directors approved a \$5,600,000 Return of Capital payment to the State which will be paid during the fiscal year 2005.

During fiscal year 2004 the Alaska legislature passed a bill allowing the Corporation an additional means to pay the State a return of contributed capital. The Corporation is now permitted to use its bonding authority to return capital invested in the loan program back to the State. By year-end, a Capital Project Revenue account was established and funded with \$75,000,000 for use in financial various State capital projects.

(c) ***Interest Cost Reduction***

On December 4, 2000, the Corporation Board of Directors authorized an interest cost reduction for loans awarded with interest rates of 9%, 8.9%, and 8.6%. The amount of the reduction will range from three-tenths percent (.3%) to seven-tenths percent (.7%) of the outstanding principal balance of the loan. The aggregate cost reduction in fiscal year 2004 was approximately \$883,000. The Corporation expects the cost to continue to decline each year, reaching a final reduction of approximately \$40,000 by year 2022.

(d) ***State Permanent Fund Dividend Seizure***

The Alaska Permanent Fund (Permanent Fund) is a fund held and managed by the State and was established in the Alaska State Constitution in 1976. 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 (PFD) annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. The annual PFD paid to each eligible resident for the years 2003 and 2002 was \$1,108 and \$1,541 respectively. There can be no assurance that payments will continue. PFD payments could be eliminated or reduced

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Notes to Financial Statements

June 30, 2004 and 2003

by an amendment to the Alaska Statutes. The Commission may seize a borrower's Permanent Fund Dividend (PFD) payment, if any, to satisfy the balance of a defaulted loan pursuant to Alaska Statutes 14.43.145 and 43.23.067. To do so, the Commission issues certified claim letters to all borrowers of defaulted loans applying for PFD, notifying them of the Commission's claim. The Commission has seizure priority over all other executors except State child support enforcement and any court ordered restitution. There is no assurance that any particular borrower will qualify or apply for a PFD payment.

PFD seizures collected by the Commission were approximately \$4,900,000 and \$6,800,000 for the years ended June 30, 2004 and 2003, respectively.

The Legislature and the Governor have, from time to time, considered various alternative measures including reducing or restricting the size of the PFD. The Corporation cannot predict whether any such measure will be enacted or the impact any such measure would have on loan collections through PFD seizures.

(e) *General*

The 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 program cannot be determined.

The Corporation is subject to interest rate risk relating to its variable rate bonds and the loans funded with bond proceeds. The bonds are subject to an interest rate cap of 14% while the loans are subject to an interest rate cap of 8.25% to 9.5% depending on the loan type. The Corporation has various strategies available to manage the risk that the bond rate may rise above the loan rate cap.

(13) **Subsequent Event**

As further described in Note 8, on May 19, 2004, the Corporation issued \$115,115,000 in education loan revenue bonds in part for refunding at par \$13,055,000 of the outstanding Series 1994 A bonds and \$26,400,000 of the Series 2002 A bonds. The Series 1994 A refunding will occur on July 1, 2004 and the Series 2002 A refunding will occur on August 16, 2004.

The Indenture

ALASKA STUDENT LOAN CORPORATION

and

U.S. BANK NATIONAL ASSOCIATION

INDENTURE

Dated as of March 1, 2005

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THIS INDENTURE, made and entered into as of March 1, 2005, by and between the ALASKA STUDENT LOAN CORPORATION, a public corporation and government instrumentally created and existing under the laws of the State of Alaska (herein called the "Corporation" or the "Issuer"), and U.S. BANK NATIONAL ASSOCIATION organized and existing under the laws of the United States, as Trustee (herein called the "Trustee").

WITNESSETH:

WHEREAS, the Corporation is authorized by the Act (as herein defined) to issue its bonds for the purpose of returning capital contributions to the State of Alaska; and

WHEREAS, the Corporation has determined to enter into this Indenture with the Trustee to secure its Bonds (as herein defined) as the Corporation may elect to issue such Bonds from time to time in accordance with the terms of this Indenture and of any Supplemental Indenture executed pursuant to this Indenture; and

WHEREAS, the Bonds shall be special, limited obligations of the Corporation, and the principal and redemption premium, if any, of and interest on the Bonds shall be payable solely from the Trust Estate (as defined herein), subject to the

provisions of this Indenture authorizing the Corporation to create security interests in said Trust Estate in favor of Credit Enhancement Agencies (as defined herein) and counterparties to Interest Rate Exchange Agreements and, further, subject to the provisions of this Indenture authorizing the Corporation to create Classes (as defined herein) and to grant security interests in the Trust Estate that are prioritized based upon such Classes; and

WHEREAS, in connection with the issuance of any Bonds, the Corporation may obtain Credit Enhancement or enter into Interest Rate Exchange Agreements (as such terms are defined herein) and may secure its obligations under such Credit Enhancement or Interest Rate Exchange Agreements by a pledge of the Trust Estate described below, and such pledge may be of a priority less than, equal to, or greater than the pledge of the Trust Estate to any class or Series of Bonds; and

WHEREAS, the time of issuance of any Series of Bonds, the form of Bonds, and other relevant terms of Bonds are to be specified in the Supplemental Indenture pertaining to such Bonds; and

WHEREAS, the execution and delivery of this Indenture have been authorized by Resolution 2005-01 of the Corporation, a certified copy of which has been delivered to the Trustee; and

WHEREAS, all things necessary to make the Bonds, when authorized pursuant to a duly adopted Supplemental Indenture and authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal special, limited obligations of the Corporation according to the import thereof, and to constitute this Indenture a valid pledge and assignment of the Trust Estate to the payment of the principal or redemption price, if any, of and interest on the Bonds and all other amounts due in connection therewith (subject to the provisions of this Indenture authorizing the Corporation to create a security interest in the Trust Estate in favor of Credit Enhancement Agencies and counterparties to Interest Rate Exchange Agreements) have been done and performed, and the creation, execution and delivery of this Indenture and the creation, execution and issuance of the Bonds subject to the

terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS

GRANTING CLAUSES

That the Corporation, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Bondholders, and for good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal or Redemption Price, if any, of and interest on the Bonds and the obligations of the Corporation arising under any Credit Enhancement facility and any Interest Rate Exchange Agreement (but only if and to the extent that the Corporation expressly grants a security interest under this Indenture in favor of such Credit Enhancement facility or Interest Rate Exchange Agreement in the Supplemental Indenture authorizing the Bonds to which such Credit Enhancement facility or Interest Rate Exchange Agreement relates), all according to their tenor and effect and all other amounts due in connection therewith and the performance and observance by the Corporation of all the covenants expressed or implied herein and in the Bonds, in such Credit Enhancement facilities, and in such Interest Rate Exchange Agreements, does hereby grant, bargain, sell, convey, pledge and assign unto, and grant a first priority security interest in and to the Trustee, and unto its respective successors in trust, and to their respective assigns, forever, for the securing of the performance of the obligations of the Corporation hereinafter set forth, the following (herein, the "Trust Estate"):

I.

The Pledged Loans, Pledged Receipts, and Pledged Loan Notes (all as the same are defined herein) including all extensions and renewals of the term thereof, if any, together with all right, title and interest of the Corporation therein, including, but without limiting the generality of the foregoing, the present and continuing right to claim, collect and receive any of the moneys, income, revenues, issues, profits and other amounts payable or receivable thereunder, to bring actions and proceedings thereunder or for

the enforcement thereof, and to do any and all things which the Corporation is or may become entitled to do under the Pledged Loan Notes; provided, however, that the foregoing pledge is subject to the Corporation's right to modify the terms of, or to take other actions which may affect, the Pledged Loans, Pledged Receipts, and Pledged Loan Notes pursuant to Section 707 herein.

II.

All Funds and Accounts (except any Credit Enhancement Fund) and moneys and investments therein including, but not limited to, undisbursed proceeds of Bonds and amounts held under the Custodian/Depository/Servicing Agreement;

III.

Any and all service or support agreements by and between the Corporation and either the Alaska Commission on Postsecondary Education, including without limitation the agreement governing the administration of the Education Loan Trust Fund established in the Corporation by the Act to the extent they relate to any Pledged Loans;

IV.

All moneys and securities from time to time held by the Trustee under the terms of this Indenture (except moneys and securities in any Credit Enhancement Fund) and any and all other real or personal property of every name and nature concurrently herewith or from time to time hereafter by delivery or by writing of any nature conveyed, mortgaged, pledged, assigned or transferred as and for additional security under this Indenture for the Bonds, to the extent so conveyed, mortgaged, pledged, assigned or transferred by the Corporation or by anyone in its behalf, or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof; and

V.

Any and all proceeds of the foregoing, subject, in all cases, to the terms and provisions of this Indenture governing the use and application of all such property and rights in property including

the Corporation's right to withdraw, free and clear of the lien of this Indenture, Pledged Loans, cash and other property held hereunder or credited hereto subject to the requirements hereof;

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors and assigns in trust forever to its and their own proper use and behalf but;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the Bonds from time to time issued and to be issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds except to the extent that any privilege, priority, or distinction may be created pursuant to the terms of this Indenture with respect to the creation of Classes (as defined herein);

PROVIDED, HOWEVER, that if the Corporation, its successors or assigns, shall well and truly pay, or cause to be paid, the principal or Redemption Price, if any, of and interest on, the Bonds due or to become due thereon, and all other amounts due thereunder, at the times and in the manner mentioned in the Bonds according to their tenor and in accordance herewith, and shall cause the payments to be made on the Bonds as required under Article V and Article VII hereof, or shall provide, as permitted hereby, for the payment thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then upon the final payment thereof this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the property, rights and interests, including, without limitation, the loan payments and other amounts hereby assigned and pledged are to be dealt with

and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Corporation has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective holders of the Bonds as follows:

ARTICLE I DEFINITIONS AND INTERPRETATIONS

Section 101 - Definitions. In this Indenture, unless the context otherwise requires, the following words and terms shall have the meanings set forth in this Section:

"Account" shall mean one of the special accounts created and established pursuant to Section 501 or Section 510 of this Indenture.

"Accountant" shall mean a certified public accountant or firm of independent certified public accountants selected by the Corporation and may be the accountant or firm of accountants that regularly audits the books of the Corporation.

"Act" shall mean Sections 14.42.100 through 14.42.990 of the Alaska Statutes, as amended.

"Additional Bonds" shall mean Bonds other than the first series of Bonds authenticated and delivered under this Indenture.

"Authorized Newspaper" shall mean a newspaper or financial journal printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, which is of general circulation in the Borough of Manhattan, City and State of New York.

"Authorized Officer" shall mean the Chairman or Executive Officer of the Corporation and, in the case of an act to be performed or a duty to be discharged, any member, officer or employee of the Corporation then authorized by the Chairman or Executive Officer or by action of the Board of Directors of the Corporation to perform such act or discharge such duty.

"Bond" shall mean one of the bonds, notes, or other evidences of indebtedness authenticated and delivered under this Indenture.

"Bond Counsel" shall mean any firm of attorneys selected by the Corporation and acceptable to the Trustee that is recognized nationally as expert in the area of municipal finance and tax-exempt obligations.

"Bondholder" or "holder" or words of similar import, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds issued in fully registered form or the bearer of any Bond or Bonds issued in bearer form or registered to bearer.

"Bond Payment Date" shall mean any day on which interest, principal, redemption premium or any other payment on a Bond is required to be made, whether at maturity, redemption or otherwise.

"Bond Year" shall mean the twelve-month period beginning on July 1 of any year (but not including any year in which there are no Bonds or Parity Obligations outstanding) and ending on June 30 of the following year.

"Business Day" shall mean any day other than a Saturday or Sunday or any other day on which banks in New York, Alaska, or the state or states in which any Trustee appointed hereunder performs its duties hereunder are authorized or required to be closed or are closed.

"By Class in Descending Order of Priority" shall mean that any action to be so taken shall be taken first with respect to the Bonds that are designated as the highest priority Class of Bonds Outstanding until there is no such action required for such Bonds and then such action shall be taken for each lower priority Class of Bonds Outstanding in order until such action shall no longer be required for each such Class.

"Capital Reserve Fund" shall mean the capital reserve fund created pursuant to Section 501 and described as such under the Act.

"Capital Reserve Fund Requirement," shall mean, at any time, Eligible Capital Reserve

Assets in an amount equal to the least of the following: (1) 10% of the stated principal amount of the Bonds then Outstanding; (2) 125% of the average annual principal and interest requirements on all Bonds then Outstanding; or (3) the maximum annual principal and interest requirements on all Bonds then Outstanding.

"Certificate" shall mean a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined by an Authorized Officer pursuant to this Indenture.

"Class" shall mean one or more Series of Bonds, Credit Enhancement facilities, and Interest Rate Exchange Agreements having the same security interest with respect to the Trust Estate.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commission" shall mean the Alaska Commission on Postsecondary Education.

"Continuing Disclosure Certificate" shall mean, for each Series, the continuing disclosure certificate or agreement, if any, executed by the Corporation for the purpose of satisfying the continuing disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission with respect to such Series, as such continuing disclosure certificate or agreement is originally executed and as it may be amended from time to time in accordance with its terms.

"Corporation" shall mean the Alaska Student Loan Corporation, a public corporation and government instrumentality created and existing pursuant to the Act.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable or reimbursable by or to the Corporation and related to the authorization, sale, or issuance of Bonds, including, but not limited to, printing costs; costs of preparation and reproduction of documents; filing and recording fees; initial fees and charges of any Fiduciary and its counsel; legal fees and charges; underwriting compensation; placement agent compensation; fees and disbursements of consultants and professionals; costs of credit

ratings; fees and charges of any Credit Enhancement Agency in connection with providing Credit Enhancement for any of the Bonds; fees and charges for preparation, execution, transportation and safekeeping of Bonds; costs and expenses of refunding; premiums for the insurance of the payment of Bonds; and any other cost, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to state and municipal financing (who may be counsel to the Corporation) selected by the Corporation and acceptable to the Trustee.

"Credit Enhancement" shall mean a letter of credit, a line of credit, a credit facility, a surety bond, bond insurance, or any other instrument or arrangement obtained in connection with the issuance of a Series of Bonds to further secure the payment of the Bonds of such Series or the payment of any Pledged Loans.

"Credit Enhancement Agency" shall mean any bank or other institution that provides Credit Enhancement.

"Credit Enhancement Fund" shall mean a Fund or Account authorized to be created by the Corporation under Section 510(B) for the purposes of holding and disbursing the proceeds of, or holding only, Credit Enhancement.

"Custodian/Depository/Servicing Agreement" shall mean that certain agreement with respect to custody of a portion of the Trust Estate by and among the Corporation, the Trustee, and the State through the Commission and through its Department of Revenue, dated March 1, 2005.

"Debt Service" shall mean, for a Series of Bonds Outstanding and for any Parity Obligations Outstanding, the scheduled amount of interest and Principal Installments payable on the Bonds of such Series or on such Parity Obligations (or substantially equivalent payments due on Parity Obligations) during the period of computation.

"Default Payment" shall mean all amounts (in any form) received by the Corporation, by the

Trustee acting on behalf of the Bondholders, or by any agent of either of them as a result of the acceleration of the due date of any Pledged Loan because of an event of default with respect to such Pledged Loan.

"Depository" shall mean the State or any bank or trust company or national banking association selected by the Trustee or the Corporation as a depository of moneys or securities held under the provisions of this Indenture, and may include the Trustee, if such party agrees to hold such money or securities as an agent of the Trustee.

"Event of Default" shall mean any of the events specified in clauses (1) through (7) of Section 1002.

"Excess Coverage" shall mean, as of any date of calculation, and except as otherwise provided in a Supplemental Indenture, the amount by which the sum of the value of (a) the Pledged Loans (valued at par plus accrued interest and accrued Special Allowance Payments, as such term is defined in the Higher Education Act, if any) credited to the Education Loan Fund and (b) all cash and Investment Securities held in the Funds and Accounts (valued as set forth herein or in the pertinent Supplemental Indenture, plus accrued interest, but excluding amounts irrevocably set aside to pay particular Bonds pursuant to Section 1201) shall exceed all of the following sums taken individually and not as an aggregate: (x) 107% of the sum of the principal and accrued interest on all Outstanding Class I Bonds; and (y) 101.5% of the sum of the principal of and accrued interest on all Outstanding Bonds; all as evidenced in a Certificate, upon which the Trustee may conclusively rely.

"Fiduciary" shall mean the Trustee, Registrar or any Paying Agent or any Co-Paying Agent or Co-Registrar for the Bonds or any Series of Bonds.

"Fitch" means Fitch, Inc. and its successors and assigns.

"Fund" shall mean one of the special trust funds established pursuant to Section 501(A) or Section 510.

"Guarantor" shall mean any entity which has entered into an agreement with the Corporation to guarantee education loans under the Higher Education Act or other federal law and has entered into an agreement with the Secretary for reinsurance of its guarantees of education loans.

"Higher Education Act" shall mean Title IV of the Higher Education Act of 1965, as amended, or any successor federal act, and the regulations, directives, bulletins, and guidelines promulgated thereunder.

"Indenture" shall mean this Indenture as from time to time amended and supplemented in accordance with the terms hereof.

"Interest Payment Date" shall mean any date upon which interest on any Bonds is payable in accordance with the terms of the Bonds and the terms of this Indenture or any Supplemental Indenture.

"Interest Rate Exchange Agreement" shall mean a contract entered into by the Corporation or by the Trustee on behalf of the Corporation providing for an interest rate cap, floor, or swap with respect to any Bonds or Pledged Loans.

"Investment Securities" shall have the meaning, with respect to any Class, set forth in any of the Supplemental Indentures authorizing a Series of Bonds of such Class if any of the Bonds of such Class and Series are Outstanding at the time of reference, provided that if more than one Series of Bonds of a particular Class has Bonds Outstanding and the meanings in the Supplemental Indentures are different, Investment Securities shall mean only those investments appearing in both or all Supplemental Indentures for Bonds of such Series and Class (in the determination of the Trustee, which shall be conclusive).

"Letter of Instructions" shall mean a letter or other written communication from Bond Counsel relating to the satisfaction of any Code provisions or Regulations applicable to any Bonds.

"Original Purchaser" shall mean with respect to each Series the first purchaser or

purchasers of the Bonds of such Series from the Corporation.

"Outstanding", when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Indenture except:

- (1) Any Bonds canceled by the Corporation or the Trustee at or prior to such date;
- (2) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to this Indenture; and
- (3) Bonds deemed to have been paid as provided in subsection (B) of Section 1201.

"Parity Obligations" shall mean bonds, notes, or other obligations so described in Section 209(A) hereof and issued under or secured by a Parity Obligation Instrument.

"Parity Obligation Instrument" shall mean the indenture, resolution, or other instrument securing any Parity Obligation and under which the Parity Obligation was issued.

"Paying Agent" shall mean any bank or trust company, which may include the Trustee, designated by the Corporation as paying agent or co-paying agent for the Bonds of any Series, and its or their successor or successors hereafter appointed in the manner herein provided.

"Permitted Spread" shall mean the maximum spread between the yield on the Bonds of a Series and the yield on the Pledged Loans financed with proceeds of, or, under the Code or the Regulations, allocable to, the Series permitted under the Code and the Regulations without adversely affecting the tax-exempt status of such Bonds.

"Pledged Loan" shall mean any loan held in or credited to the Pledged Loan Fund under this Indenture.

"Pledged Loan Fund" shall mean the Pledged Loan Fund established pursuant to Section 501.

"Pledged Loan Note" shall mean the promissory note or other documentation evidencing a Pledged Loan.

"Pledged Receipts" shall mean (i) all revenues pledged by the Corporation in any Supplemental Indenture (ii) all amounts, including principal and interest payments, paid or payable or otherwise received under or pursuant to or with respect to any Pledged Loan (monthly or otherwise) including, without limitation, both timely and delinquent payments with late charges, fees and charges, special allowance payments, insurance or guaranty payments, subsidy payments, and all other revenues and income paid to the Trustee, the Corporation, or any agent of either on account of or in connection with any Pledged Loan, (iii) all Recoveries of Principal, and (iv) all interest paid or payable or any gain realized upon the investment or deposit of amounts in any Fund or Account, but shall not include any amount retained by any Servicer of any Pledged Loan (other than the Corporation, the Commission, or any related entity) as compensation for services rendered.

"Prepayment" shall mean any amount received or recovered as a prepayment of the principal amount of any Pledged Loan, including any prepayment penalty, fee, premium or other such additional charge, less the amount retained by any Servicer of such Pledged Loan, other than the Corporation, as additional compensation resulting from such prepayment.

"Principal Installment" shall mean, as of any date of calculation and with respect to the Outstanding Bonds of any Series, (i) the principal amount of such Bonds which are due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with this Indenture of Sinking Fund Payments payable before such future date for the retirement of such Bonds or (ii) the unsatisfied balance, determined as provided in subsection 505(E), of any Sinking Fund Payment due on a certain future date for such Bonds, plus the aggregate amount of the premiums, if any,

which would be applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds, unsatisfied balance and applicable premiums, if any or (iv) for any particular Series of Bonds the amount specified in the Supplemental Indenture authorizing such Series of Bonds.

"Principal Installment Date" shall mean any date upon which a Principal Installment is payable on any Bond in accordance with its terms and the terms of this Indenture.

"Program Expenses" shall mean all the Corporation's expenses in carrying out and administering its Education Loan Program, insofar as they are fairly allocable to all Pledged Loans, and in servicing the Pledged Loans; "Program Expenses" shall include, without limiting the generality of the foregoing, expenses incurred in the collection of Pledged Loans; salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; insurance premiums; legal, accounting, management, consulting and banking services and expenses; the fees and expenses of the Trustee and its agents and counsel; the fees and expenses of Depositories and Paying Agents; Costs of Issuance not paid from proceeds of Bonds; and payments for pension, retirement, health and hospitalization and life and disability insurance benefits, all to the extent properly allocable to the Education Loan Program insofar as they are fairly allocable to Pledged Loans.

"Purchase Agreement" shall mean the agreement between the Corporation and the original purchaser or underwriter of any Series of Bonds relating to the issuance of such Bonds by the Corporation and the purchase of such Bonds by such original purchaser or underwriter.

"Rating Agency" shall mean any securities rating agency but only if and during the times that such agency shall have assigned, at the request of the Corporation or in connection with any Credit Enhancement obtained by the Corporation, and have in effect a rating for any of the Outstanding Bonds. The Corporation may at any time and in its discretion determine that any such rating agency

shall not be a "Rating Agency" under this definition, and upon such determination such rating agency shall cease to be a "Rating Agency."

"Rating Confirmation" shall mean a letter from each Rating Agency then providing a rating for any Bonds confirming that the action proposed to be taken will not, in and of itself, have the effect of (i) reducing or withdrawing the rating then applicable to those Bonds if those Bonds are not secured by Credit Enhancement, or (ii) if those Bonds are secured by Credit Enhancement which requires that the ratings on the Bonds (without regard to Credit Enhancement) be maintained at a certain minimum rating, reducing their rating to a rating below such minimum rating without regard to the rating of the Credit Enhancement Agency or withdrawing the rating. In the event that all Bonds issued hereunder are secured by Credit Enhancement and there is no public rating published at the request of the Corporation with respect to the Bonds, the letter from each Rating Agency referred to above may include a letter to the Credit Enhancement Agency from each Rating Agency that has provided the Credit Enhancement Agency with a rating for the Bonds (for purposes of the Credit Enhancement Agency's capital requirements or otherwise), that such rating will not be reduced or withdrawn.

"Record Date" shall have the meaning set forth in the Supplemental Indenture authorizing the particular Series of Bonds.

"Recoveries of Principal" shall mean all amounts received by the Corporation as a recovery of the principal amount of any Pledged Loan, including any Default Payment, Prepayment or Sale Payment.

"Redemption Date" shall mean the date on which any Bonds are subject to redemption.

"Redemption Account" shall mean the Redemption Account of the Revenue Fund established pursuant to Section 501.

"Redemption Price" shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond, this Indenture, or the Supplemental

Indenture that authorized the issuance of such Bond.

"Refunding Bonds" shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance for the purpose of refunding Bonds or other obligations of the Corporation and all Bonds thereafter authenticated and delivered upon the transfer or exchange of or in lieu of or in substitution for such Bonds pursuant to this Indenture.

"Registrar" shall mean the person or entity responsible for maintaining the registration books of the Corporation with respect to the Bonds.

"Regulations" shall mean temporary and permanent regulations promulgated under the Code.

"Revenue Fund" shall mean the Revenue Fund established pursuant to Section 501.

"Sale Payment" shall mean any amount received by the Corporation from the sale, assignment, endorsement or other disposition of any Pledged Loan, except Prepayments or Default Payments; provided that withdrawal of a Pledged Loan pursuant to Section 507(B) shall not be considered a disposition leading to a Sale Payment.

"Secretary" shall mean the Secretary of the United States Department of Education.

"Series" shall mean all the Bonds authenticated and delivered on original issuance pursuant to a Supplemental Indenture and designated as a Series therein and any Bonds thereafter authenticated and delivered upon the transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as herein provided, regardless of variations in maturity, interest rate, Sinking Fund Payments, or other provisions.

"Series Account" shall mean, for each Series, the Series State Projects Account established for such Series pursuant to Section 502.

"Servicer" shall mean the Corporation, the Commission, or, if there has been filed with the Trustee a Rating Confirmation reflecting the servicing of any Pledged Loan by another institution pursuant to a Servicing Agreement, any such institution.

"Servicing Agreement" shall mean a contractual agreement of the Corporation with a Servicer other than the Corporation for the servicing of Pledged Loans by the Servicer.

"Sinking Fund Installment" shall mean, as of any particular date of calculation and with respect to the Outstanding Bonds of any Series, the amount required to be paid at all events by the Corporation on a single future date for the retirement of Bonds of such Series which mature after said future date, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

"S&P" shall mean Standard & Poor's Rating Group.

"State" shall mean the State of Alaska.

"State Projects" means projects identified by Alaska law as eligible for financing with proceeds of the Bonds.

"Subordinate Obligations" shall mean bonds, notes, or other obligations described in Section 209(B).

"Supplemental Indenture" shall mean an indenture supplemental to or amendatory of this Indenture, executed by the Corporation and effective as provided in Article VIII.

"Surplus Revenues" shall mean amounts held at any time in the Revenue Fund and described in Paragraph Seventh of Section 503(C) hereof.

"Trustee" shall mean the trustee appointed pursuant to Article XI and any successor or successors to it or any other person at any time substituted in its place pursuant to this Indenture.

"Trust Estate" shall have the meaning provided in the Granting Clauses of this Indenture.

"Yield Reduction Payment" shall mean the minimum amounts payable to the United States Treasury as described in Treas. Reg. §1.148-5(c).

Section 102 - Interpretations. (A) In this Indenture, unless the context otherwise requires:

(1) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Indenture;

(2) The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of its execution;

(3) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(4) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(5) Words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond;

(6) Any headings preceding the texts of the several Articles and Sections of this Indenture, and table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect;

(7) If a Supplemental Indenture authorizes coupon Bonds it shall make provisions for publication of notices required to be mailed hereafter in an Authorized Newspaper. The notices shall be published and contain the same information as notices required to be mailed. If, because of the temporary or permanent suspension of the publication or general circulation of all Authorized Newspapers or for any other reason, it is impossible or impractical to publish any notice pursuant to this Indenture in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice;

(8) With respect to any Bond that bears interest at a stated rate, compounded periodically, first payable (i) at maturity or prior redemption or (ii) commencing as of a date more than one year after the initial authentication and delivery thereof, for all purposes of this Indenture and of any Supplemental Indenture adopted pursuant to this Indenture, unless the context or the related Supplemental Indenture otherwise requires, the "principal amount" of such Bond as of any date of calculation shall be deemed to be equal to the sum of (x) the stated principal amount of such Bond upon original issuance plus (y) an amount equal to interest thereon accrued (and not currently payable) and compounded at the applicable rate to the Bond Payment Date or other date specified in the related Supplemental Indenture which most immediately precedes or corresponds to the date of calculation;

(9) This Indenture shall be governed by and construed in accordance with the applicable laws of the State;

(10) Any requirement for amounts to be deposited in any Fund or Account shall be considered satisfied upon the crediting of such amounts to such Fund or Account; and

(11) Any requirement herein or in any Supplemental Indenture for the payment of any money or the taking of any other action on a particular date may, unless otherwise specifically required, be taken on the Business Day following such date if such date is not a Business Day and such requirement shall thereupon be satisfied with the same effect as if the payment was made or the action taken on the date required.

(B) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Corporation, the Fiduciaries, the Credit Enhancement Agencies and the counterparties to Interest Rate Exchange Agreements to which the Corporation has expressly granted an interest herein and then only to the extent of that interest, and the holders of the Bonds any right, remedy or claim under or by reason of this Indenture or any covenant, conditions or stipulation thereof. All the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the Corporation, the Fiduciaries, such Credit Enhancement Agencies and counterparties to Interest Rate Exchange Agreements, and the holders of the Bonds.

Section 103 - Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Indenture on the part of the Corporation or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements, shall be deemed separable from the remaining covenants and agreements hereof, and shall in no way affect the validity of the other provisions of this Indenture or of the Bonds.

ARTICLE II AUTHORIZATION, OBLIGATION AND ISSUANCE OF BONDS

Section 201 - Authorization for Indenture. This Indenture is authorized and executed by virtue of and pursuant to the provisions of the Act. The Corporation has ascertained and hereby determines and declares that execution of this Indenture is necessary to carry out the powers and

duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of the Corporation in accordance with the Act and to carry out powers expressly given in the Act and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful and convenient to carry out and effectuate the corporate purposes of the Corporation under the Act.

Section 202 - Indenture to Constitute Contract. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this Indenture shall be a part of the contract of the Corporation with the holders of Bonds and shall be deemed to be and shall constitute a contract between the Corporation, the Trustee and the holders from time to time of the Bonds. The pledge hereof and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Corporation shall be for the benefit, protection and security of the holders of any and all of such Bonds. Each Bond, Credit Enhancement facility, and Interest Rate Exchange Agreement of a Class, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other Bond, Credit Enhancement facility, or Interest Rate Exchange Agreement of such Class except as expressly provided in this Indenture.

Section 203 - Obligation of Bonds. This Indenture authorizes the Corporation to create one or more series of bonds of the Corporation and creates a continuing pledge and lien to secure the full and final payment of the principal or Redemption Price of and interest on such bonds, and any Sinking Fund Installments for the retirement thereof. The Bonds shall be special, limited obligations of the Corporation, and the principal or Redemption Price, if any, thereof and the interest thereon shall be payable solely from the Trust Estate, subject to the provisions of Section 510(D) hereof authorizing the Corporation to create a security interest in the Trust Estate in favor of Credit Enhancement Agencies and counterparties to Interest Rate Exchange Agreements. The Bonds shall contain on their

face a statement that neither the faith and credit nor the taxing power of the State or of any political subdivision of the State is pledged to the payment of the principal thereof or the interest thereon.

Section 204 - Authorization of Bonds. In order to provide funds to finance State Projects, bonds of the Corporation are hereby authorized to be issued from time to time without limitation as to amount except as herein provided or as may be limited by law, and such bonds shall be issued subject to the terms, conditions, and limitations established in this Indenture and any Supplemental Indenture applicable to such bonds and in one or more Series and in such Classes as hereinafter provided.

Section 205 - Issuance and Delivery of Bonds; Classes of Obligations. (A) After their authorization by a Supplemental Indenture, Bonds of a Series may be executed by or on behalf of the Corporation and delivered to the Trustee for authentication and, upon compliance by the Corporation with the requirements, if any, set forth in such Supplemental Indenture and with the requirements of Section 206 or, in the case of Refunding Bonds, Section 207, the Trustee shall thereupon authenticate and deliver such Bonds to or upon the order of the Corporation.

(B) The Corporation may designate Classes of Bonds and may also include Credit Enhancement facilities and Interest Rate Exchange Agreements in such Classes. Unless otherwise designated, any Bond shall be presumed to be of the highest Class, and such highest Class shall be referred to as "Class I." Lower Classes shall be designated by successive roman numerals. Except as otherwise provided in a Supplemental Indenture relating to any Series or Class of Bonds, the Trustee and the Corporation are obligated to apply the Trust Estate to the payment of amounts due By Class in Descending Order of Priority.

Section 206 - Conditions Precedent to Delivery of a Series of Bonds. All (but not less than all) the Bonds of a Series (other than Refunding Bonds) shall be executed by the Corporation for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Corporation or upon its order, but only upon satisfaction of

Section 708 hereof and the receipt by the Trustee of:

(1) A Counsel's Opinion to the effect that (i) the Corporation has the right and power to execute and deliver this Indenture and the Supplemental Indenture authorizing such Series under the Act as amended to the date of such Opinion; (ii) this Indenture and such Supplemental Indenture has been duly and lawfully executed and delivered by the Corporation, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other laws affecting creditors' rights generally from time to time in effect); (iii) this Indenture and such Supplemental Indenture creates the valid pledge and assignment which it purports to create of the Trust Estate, subject to the application thereof to the purposes and on the conditions permitted by this Indenture; (iv) the Bonds of such Series are valid and binding special, limited obligations of the Corporation, enforceable in accordance with their terms and the terms of this Indenture and such Supplemental Indenture; and (v) the Bonds of such Series have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such Opinion, and in accordance with this Indenture;

(2) A written order as to the delivery of such Bonds, signed by an Authorized Officer;

(3) Either an original of the Supplemental Indenture authorizing such Series or a copy thereof certified by an Authorized Officer, which Supplemental Indenture shall specify:

(a) The authorized principal amount and Series designation of such Bonds; if such Bonds are of a Class lower

than Class I, the Supplemental Indenture must include such designation as well;

(b) The purposes for which such Series is being issued, which shall be one or more of the following: (i) financing State Projects; (ii) financing any program or activity of the Corporation; (iii) making deposits into any Fund or Account, (iv) refunding any Bonds, or (v) paying Costs of Issuance;

(c) The date, and the maturity date or dates, of the Bonds of such Series or the method of determining the same;

(d) (i) The interest rate or rates (if any) or maximum interest rate of the Bonds of such Series, or the manner of determining such rate or rates (which may be determinable at one or more specified times set forth in the Supplemental Indenture, which may accrete or compound with such frequencies or in such manner as shall be specified in such Supplemental Indenture and which shall be as otherwise specified in the Supplemental Indenture), and the Interest Payment Dates and Record Dates therefor and (ii) a manner of calculating accreted value or compounded principal value during all or any part of the term of the Series of Bonds being authorized, if interest is not payable currently and the Corporation determines that it is necessary or appropriate;

(e) The Paying Agent or Paying Agents and the place or places of payment of the principal and Redemption Price, if any, of, and interest on, the Bonds of such Series or the

manner of appointing and designating the same;

(f) The Redemption Price or Prices, if any, and, subject to the provisions of Article VI, the redemption terms for the Bonds of such Series;

(g) The amount and due date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series;

(h) The forms of the Bonds of such Series and of the Trustee's certificate of authentication;

(i) If, at the time of issuance of the Bonds of such Series, an Interest Rate Exchange Agreement will apply to such Bonds or such Bonds are to be secured by Credit Enhancement, the form of Credit Enhancement or Interest Rate Exchange Agreement to be obtained, the identity of the Credit Enhancement Agency or of the counterparty to the Interest Rate Exchange Agreement, and the substantial form of the significant documents relating to the Credit Enhancement or Interest Rate Exchange Agreement;

(j) If Bonds of such Series are to contain any tender or put options or the like, whether such Bonds are to be remarketed and, if so, the identity of any remarketing agent and the substantial form of any remarketing agreement relating to such Bonds;

(k) Whether interest on the Bonds of such Series is intended to be excludible from gross income for federal income tax purposes pursuant to Section

103(a) of the Code or any successor statute thereto;

(l) Any other provisions deemed advisable by the Corporation as shall not conflict with the provisions hereof; and

(m) Such additional matters as may be necessary or appropriate to cause interest on the Bonds of the Series to be issued pursuant to such Supplemental Indenture to be exempt from federal income taxation pursuant to Section 103(a) of the Code if it is intended that interest on the Bonds be so exempt and to prevent the issuance of such Series from adversely affecting the federal income tax treatment of any Outstanding Bonds and the interest thereon intended to be so exempt;

(4) The amount of the proceeds of such Series to be deposited in any Fund or Account held by the Trustee pursuant to Section 501;

(5) A Certificate that no Event of Default or a payment default relating to any Bonds exists or remains uncured or will result from such additional issuance, unless such additional issuance will cure such Event of Default or such payment default; and

(6) Such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Indenture adopted pursuant to Article VIII.

Section 207 - Conditions Precedent to Delivery of a Series of Refunding Bonds. (A) All Refunding Bonds of a Series shall be executed by the Corporation for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Corporation or upon its order, but only if the applicable financial

tests and other requirements of Sections 208 and 708 hereof are satisfied and only upon the receipt by the Trustee of:

(1) The documents and moneys, if any, referred to in paragraphs (1), (2), (3), (4), (5) and (6) of Section 206;

(2) Either (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds or other obligations to be refunded, together with accrued interest on such Bonds or other obligations to the redemption date, or (ii) direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America which are not subject to redemption prior to the dates on which amounts will be needed to make payments on the Bonds or other obligations to be refunded and the principal of and interest on which when due, together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable Redemption Price of the Bonds or other obligations to be refunded, together with accrued interest on such Bonds or other obligations to the redemption date, which moneys or Investment Securities shall be held by the Trustee or any one or more of the Paying Agents or an escrow agent or trustee for other obligations in a separate account irrevocably in trust for and assigned to the respective holders of the Bonds or other obligations to be refunded; and

(3) Such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Indenture adopted pursuant to Article VIII.

(B) Neither Investment Securities nor moneys deposited with the Trustee or an escrow agent or trustee for other obligations pursuant to

paragraph (A) (2) of this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the applicable Redemption Price of the Bonds or other obligations to be refunded, together with accrued interest on such Bonds or other obligations to the redemption date, and any cash received from such principal or interest payments, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Securities as are described in clause (ii) of said paragraph maturing at times and in amounts sufficient to pay when due the applicable Redemption Price of such Bonds or other obligations, together with such accrued interest.

Section 208 - Requirements for the Issuance of Additional Bonds. Additional Bonds may not be issued unless, in addition to the requirements of Section 206 or Section 207, whichever is applicable, the following requirements are satisfied:

(i) if any Bonds are Outstanding prior to the issuance of the Additional Bonds and will remain Outstanding after the issuance of the Additional Bonds, the Trustee receives a Rating Confirmation taking into consideration the issuance of such Additional Bonds,

(ii) no Event of Default under this Indenture, or payment default with respect to any Bonds, as to which the Trustee has knowledge shall exist and remain uncured (unless the issuance of the Additional Bonds and the application of the proceeds thereof will cure the Event of Default or payment default),

(iii) the Capital Reserve Fund, immediately after the issuance of such Additional Bonds, will be funded to at least the Capital Reserve Fund Requirement, and

(iv) any additional requirements imposed by a Supplemental Indenture are satisfied.

Section 209 - Parity Obligations; Subordinate Obligations. (A) The Corporation may issue Parity Obligations under instruments other

than this Indenture for any lawful purpose of the Corporation, provided that the requirements of this Indenture for the issuance of Additional Bonds would be met if the term "Parity Obligation" were substituted for the term "Additional Bonds" appearing therein and in the defined terms therein (other than any requirement with respect to funding the Capital Reserve Fund) and as if the Parity Obligations were being issued hereunder, and subject to any additional limitations that may be set forth in a Supplemental Indenture authorizing a Series of Bonds. Parity Obligations shall equally and ratably rank with all Bonds, Credit Enhancement facilities, and Interest Rate Exchange Agreements of the same Class as the Parity Obligations except as to the Capital Reserve Fund, in which they shall have no rights whatsoever. Parity Obligations shall be subject to the following additional conditions:

(1) The Trustee shall act as trustee under any Parity Obligation Instrument.

(2) The Parity Obligations must be secured by a lien on any property financed with the proceeds of the Parity Obligations.

(3) If any Parity Obligations are to be secured by any lien, mortgage or security interest on property that is not part of the Trust Estate, the Corporation shall grant a lien, mortgage or security interest on such property (other than any capital reserve fund comparable to the Capital Reserve Fund) to the Trustee as security for the Bonds on a parity with the lien, mortgage or security interest which will secure such Parity Obligations; the Bonds shall share in such security interest by Class.

(4) Any default under or with respect to any Parity Obligation Instrument shall be a default under this Indenture only if and to the extent that a similar event with respect to a Bond of the

same Class as such Parity Obligation would be an Event of Default, and there shall be included in any Parity Obligation Instrument a provision that any Event of Default under this Indenture shall automatically be a default under such Parity Obligation Instrument.

(5) According to the terms of any Parity Obligation or Parity Obligation Instrument, the Trustee shall have substantially the same duties, obligations, rights and remedies in connection with events of default and security for or with respect to the Parity Obligations as it has in connection with Events of Default and the Trust Estate hereunder.

(6) Any Parity Obligation Instrument shall include such other provisions, reasonably satisfactory to the Trustee, as shall be necessary to permit the Trustee to perform any duties and obligations and exercise its rights and remedies under this Indenture and any Parity Obligation Instrument.

If there occurs an Event of Default under this Indenture, including an Event of Default based upon an event of default with respect to a Parity Obligation, and the Trustee applies the Trust Estate to the payment of the Bonds, all collateral held as security by the Trustee for the payment of the Bonds (other than the Capital Reserve Fund), and all collateral held as security for the Parity Obligations (other than any reserve fund comparable to the Capital Reserve Fund) shall be aggregated and applied equally and ratably to the payment of the Bonds and Parity Obligations of the same Class.

(B) The Corporation may issue Subordinate Obligations from time to time under instruments other than this Indenture subject to the conditions set forth below in this Section 209(B) and subject to any additional conditions that may be set forth in a Supplemental Indenture

authorizing a Series of Bonds. Subordinate Obligations may be secured by such assets as may be described in the instrument authorizing the issuance of the Subordinate Obligations, but Subordinate Obligations shall have no security in or pledge or lien on or rights of any kind whatsoever with respect to the Trust Estate that is greater than the security, pledge, lien, or rights of the Bonds of the lowest Class Outstanding.

ARTICLE III GENERAL TERMS AND PROVISIONS OF BONDS

Section 301 - Title and Date of Bonds. Subject to the provisions of Section 303, each Bond shall be entitled "State Projects Revenue Bonds" and shall bear such additional letter or number Series designation as shall be determined in the Supplemental Indenture authorizing the Bonds of the Series of which such Bond is one. The Bonds of each Series shall be dated as of and bear interest from the date specified in the Supplemental Indenture that authorized such Series, which date may be contemporaneous with or prior to or after the date of issuance of such Bonds.

Section 302 - Principal Installment and Interest Payment Dates. The date upon which each Principal Installment with respect to any Bond is payable and the dates upon which interest on such Bond shall be payable shall be specified in the Supplemental Indenture authorizing the Series of which such Bond is a part.

Section 303 - Legends. The Bonds of each Series shall contain or have endorsed thereon a statement to the effect that the State shall not be liable thereon and that such Bond shall not be a debt of the State and may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with custom or otherwise as may be determined by the Corporation prior to delivery thereof.

Section 304 - Place and Medium of Payment. The interest on, and the principal (and premium, if any) of each Bond of any Series shall be payable at the principal corporate trust office of the Trustee in St. Paul, Minnesota or at such other

location and subject to any terms and conditions as may be specified in the Supplemental Indenture authorizing the Series of which such Bond is a part. Payment of interest on and principal (and premium, if any) of each Bond of any Series shall be made in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Section 305 - Form and Denominations; Payment of Interest. The Bonds of each Series may be issued in the form of fully registered Bonds without coupons or, if the Corporation and the Trustee enter into a Supplemental Indenture to provide necessary terms under Section 801(5), in the form of bearer Bonds with coupons. Interest on Bonds shall be payable to the registered owner thereof as of the applicable Record Date as shown on the registry books of the Corporation kept for such purpose by the Trustee.

Section 306 - Negotiability, Transfer and Registry. (A) Each Bond shall be transferable only upon the books of the Corporation, which shall be kept for the purpose by the Trustee or any co-registrars specified in a Supplemental Indenture, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Bond, the Corporation shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, Series, Class, maturity, and interest rate as the surrendered Bond.

(B) The Corporation and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the Corporation as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Corporation nor any Fiduciary shall be affected by any notice to the contrary. The Corporation agrees to indemnify

and save each Fiduciary harmless from and against any and all loss, cost, charge, expense judgment or liability incurred by it, acting in good faith and without negligence under this Indenture, in so treating any such registered owner.

Section 307 - Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Corporation shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, the Corporation or the Trustee may, as a condition precedent to the privilege of making such exchange or transfer, make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Corporation nor the Trustee shall be required (i) to transfer or exchange Bonds of any Series during the 15 days (or such other period of time as may be specified in the Supplemental Indenture authorizing such Series) preceding an Interest Payment Date on the Bonds of such Series or preceding any selection of Bonds of such Series to be redeemed or (ii) to transfer or exchange any Bonds previously called for redemption.

Section 308 - Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Corporation shall execute, and thereupon the Trustee shall authenticate and deliver a new Bond of like Series, Class, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Corporation and the Trustee that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Corporation and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Corporation and the Trustee may prescribe and paying such expenses as the Corporation and Trustee may incur. All Bonds so surrendered to the Trustee shall be cancelled by it. Any such new

Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Corporation, regardless of whether the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Indenture, in any moneys or securities held by the Corporation or the Fiduciaries for the benefit of the Bondholders. If a bondholder satisfies the conditions set forth in this section for the replacement of a mutilated Bond or a Bond alleged to be destroyed, stolen, or lost and such Bond has matured or all principal thereof and interest thereon shall become due for any other reason, then the Trustee may pay such principal of and interest on such Bond without issuing a replacement Bond.

Section 309 - Preparation of Definitive Bonds, Temporary Bonds. (A) Until the definitive Bonds of any Series are prepared, the Corporation may execute, in the same manner as is provided in Section 311, and, upon the request of the Corporation, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds except as to the denominations thereof and as to interchangeability thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in such denominations as may be authorized by the Corporation, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Corporation at its own expense shall prepare and execute and, upon the surrender therefor of such temporary Bonds, the Trustee shall authenticate and, without charge to the holder thereof, deliver in exchange therefore, definitive Bonds of the same aggregate principal amount, Series, Class, and maturity as the temporary Bonds surrendered. Until so exchanged the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to this Indenture.

(B) If the Corporation shall authorize the issuance of temporary Bonds in more than one denomination, the holder of any temporary Bond or

Bonds may, at his option, surrender the same to the Trustee in exchange for another temporary Bond or Bonds of like aggregate principal amount, Series, Class, and maturity of any other authorized denomination or denominations, and thereupon the Corporation shall execute and the Trustee shall authenticate and, in exchange for the temporary Bond or Bonds so surrendered and upon payment of the taxes, fees and charges provided for in Section 307, shall deliver a temporary Bond or Bonds of like aggregate principal amount, Series, Class, and maturity in such other authorized denomination or denominations as shall be requested by such holder.

(C) All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

Section 310 - Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may, at any time, be cremated or otherwise destroyed by the Trustee, who shall execute a Certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed Certificate shall be filed with the Corporation and the other executed Certificate shall be retained by the Trustee.

Section 311 - Execution and Authentication. (A) After their authorization by a Supplemental Indenture, Bonds of a Series may be executed by or on behalf of the Corporation and delivered to the Trustee for authentication. The Bonds shall be executed in the name and on behalf of the Corporation by the manual or facsimile signature of the Chairman or Executive Officer of the Corporation, and the corporate seal of the Corporation (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of any other Authorized Officer, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of

the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices or be so employed. Any Bond of a Series may be signed and sealed on behalf of the Corporation by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by the Corporation, although at the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Indenture authorizing such Bond, executed manually by the Trustee or by an agent of the Trustee approved by the Corporation. No Bond shall be entitled to any right or benefit under this Indenture or shall be valid or obligatory shall for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Corporation shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered under this Indenture and that the holder thereof is entitled to the benefits hereof.

ARTICLE IV APPLICATION OF BOND PROCEEDS, PLEGDED RECEIPTS, AND OTHER AMOUNTS

Section 401 - Application of Bond Proceeds, Accrued Interest and Premium. (A) The proceeds of sale of the Bonds of each Series shall, except to the extent that such Bonds shall be Refunding Bonds, as soon as practicable upon the delivery of such Bonds by the Trustee pursuant to Section 206, be applied as follows:

(1) The amount, if any, necessary to cause the amount on deposit in the Capital Reserve Fund to equal the Capital Reserve Fund Requirement immediately after such delivery shall be deposited in the Capital Reserve Fund;

(2) The amount, if any, to be deposited therein pursuant to the Supplemental Indenture authorizing the issuance of such Series shall be deposited in the Interest Account;

(3) The balance remaining after all other deposits required by this Section have been made shall be deposited in the Series Account within the State Projects Fund established for such Series.

(B) The proceeds of sale of the Bonds of a Series of Refunding Bonds or the proceeds of the Refunding Bonds of any Series which includes Refunding Bonds, shall be deposited in the Redemption Account or shall be applied as otherwise provided in the Supplemental Indenture authorizing the issuance of such Series of Bonds; provided, however, that if the amount in the Capital Reserve Fund is, or will be at the time of issuance of such Refunding Bonds, less than the Capital Reserve Fund Requirement, then the Corporation must deposit in the Capital Reserve Fund the amount necessary to cure such deficiency or, if the Corporation fails to make such deposit on the date of issuance of such Refunding Bonds, such amount must be so deposited from proceeds of such Refunding Bonds.

Section 402 - Application of Pledged Receipts and Other Amounts. (A) Pledged Receipts shall, promptly upon their receipt, be deposited with a Depositary (who shall hold the same in a custodial account as agent for the Trustee subject to the provisions of Section 511) and transmitted to the Trustee at least monthly; such Pledged Receipts, together with all Pledged Receipts collected by the Trustee, shall be credited to the Revenue Fund, except for Pledged Receipts which are investment earnings of the Capital Reserve Fund, which shall be credited to the Capital Reserve Fund in accordance with Section 506(B). Upon receipt by the Trustee or any Depositary of any Pledged Receipts, such Pledged Receipts shall be deemed to be credited to the Revenue Fund, except for Pledged Receipts which are investment earnings of the Capital Reserve Fund, which shall be deemed to be credited to the Capital Reserve Fund in accordance with Section 506(B).

(B) The Corporation may make a deposit of money or any other assets to any Fund or Account, and the Trustee shall accept such deposit for such Fund or Account. When such deposit is made, such money or other assets shall be held for the purpose or purposes of such Fund or Account and otherwise subject to all of the terms and conditions of this Indenture.

ARTICLE V FUNDS AND ACCOUNTS

Section 501 - Establishment of Funds and Accounts. (A) The Corporation hereby establishes and creates the State Projects Account as a special account within the Education Loan Trust Fund to be held by the Trustee in trust hereunder. Within the State Projects Account, the Corporation also hereby establishes and creates the following special trust funds and within such funds the following accounts (all to be held by the Trustee in trust hereunder):

- (1) State Projects Fund;
 - (a) Series State Projects Accounts;
- (2) Revenue Fund;
 - (a) Interest Account;
 - (b) Principal Account;
 - (c) Redemption Account;
- (3) Capital Reserve Fund;
- (4) Pledged Loans Fund.

(B) Any amounts held by a Depositary as agent for the Trustee and all amounts held under the Custodian/Depositary/Servicing Agreement shall be deemed to be held by the Trustee in the appropriate Fund or Account hereunder. All moneys or securities deposited with the Trustee or any Depositary pursuant to this Indenture shall be held in trust and applied only in accordance with the provisions hereof and shall be considered trust funds for the purposes of this Indenture.

Section 502 - State Projects Fund. (A) The Corporation shall create or identify in the Supplemental Indenture authorizing a Series of

Bonds a Series State Projects Account within the State Projects Fund applicable to such Series of Bonds. Each such Series Account shall be identified by inserting in the designation therefor the year, letter, or other designation of the Bonds of such Series.

(B) Except as permitted by subsection (F) of this Section, amounts in any Series Account shall be expended only (i) to pay the cost of acquiring or financing State Projects (ii) to pay reasonable and necessary Costs of Issuance of any Bonds, subject to any limitation on such use that may be established in any Supplemental Indenture, (iii) to pay the principal or Redemption Price, if any, of and interest on the Bonds when due by transfer to the appropriate account of the Revenue Fund, as applicable, (iv) to pay any costs associated with any of the foregoing, or (v) for such other purposes as the Corporation may direct in writing, including, but not limited to, the payment of Program Expenses. Investment Securities acquired with amounts in a Series State Projects Account shall be credited to that Series State Projects Account.

(C) The Trustee shall pay out and permit the withdrawal of amounts on deposit in the State Projects Fund at any time for the purposes set forth in (B) of this Section, but only upon receipt of a Certificate of an Authorized Officer of the Corporation setting forth (i) the amount to be paid, (ii) the person or persons to whom such payment is to be made (which may be or include the Corporation or the State), (iii) in reasonable detail the purpose or purposes of such withdrawal and stating that such withdrawal from any Series State Projects Account is a proper charge thereon, and (iv) if the withdrawal is for payment of a cost of State Projects, a reference to the State law that permits the use of proceeds of the Bonds for such cost.

(D) At any time that Bonds of a Series shall be subject to mandatory redemption or payment and amounts in the Redemption Account in the case of a redemption, or in the Interest Account and Principal Account in the case of a payment, are insufficient for such purposes, unless otherwise directed by the Corporation, the Trustee shall transfer the amounts necessary for such purposes first from the Series State Projects Account for such Bonds, then from any other

Series State Projects Account to the Redemption Account or to the Interest Account and Principal Account, for redemption or payment of such Bonds as the case may be, or apply such amounts directly to the redemption, purchase or retirement of such Bonds in accordance with their terms and the provisions of Article VI. If, after making any transfer required pursuant to the preceding sentence there remains an insufficiency, the Trustee shall apply amounts in the Capital Reserve Fund in accordance with and subject to the terms of Section 506 hereof to satisfy such insufficiency. Except as otherwise provided in a Supplemental Indenture authorizing the issuance of a Series or Class of Bonds, any redemption or payment under this Section shall be made By Class in Descending Order of Priority.

(E) RESERVED

(F) Upon the payment or redemption of all of the Outstanding Bonds of any Series, the balance, if any, remaining in the Series State Projects Account established for such Series shall be transferred to the Revenue Fund.

Section 503 - Revenue Fund. (A) Pledged Receipts, together with all other funds received hereunder and not otherwise directed hereunder, shall be credited to the Revenue Fund as required by Section 402 hereof, except that Pledged Receipts which are investment earnings of the Capital Reserve Fund shall be credited to the Capital Reserve Fund as provided in Section 506(B) hereof.

(B) Amounts in the Revenue Fund shall be applied only for the purpose of making the payments or transfers provided in (C) of this Section.

(C) The Trustee shall make payments from the Revenue Fund at any time in the order and amounts prescribed below:

First: To the Corporation, the amount certified in writing by the Corporation as necessary to make any rebate payments or Yield Reduction Payments required to comply with its covenant contained in Section 714.

Second: To the Interest Account, the amount necessary to increase the amount in such Account so that it at least equals unpaid interest on the Outstanding Bonds of the highest Class coming due within the next Business Day (or to honor any reimbursement or payment obligation under any Credit Enhancement or Interest Rate Exchange Agreement corresponding to the payment of such interest), unless otherwise specified with respect to any Series of Bonds in the Supplemental Indenture authorizing the Series of Bonds.

Third: To the Principal Account, the amount necessary to increase the amount in such Account so that it at least equals the amount of unpaid Principal Installments which will become due on the Outstanding Bonds of the highest Class within the next Business Day (or to honor any reimbursement or payment obligation under any Credit Enhancement or Interest Rate Exchange Agreement corresponding to the payment of such principal), unless otherwise specified with respect to any Series of Bonds in the Supplemental Indenture authorizing such Series of Bonds.

Fourth: To the Interest Account first and the Principal Account second the amounts necessary to make the payments described in Paragraphs Second and Third of this Section 503(C) By Class in Descending Order of Priority with respect to any Outstanding Bonds other than the Class I Bonds; provided, however, that in each case described in this paragraph Fourth if any such principal or interest amount has been paid through a Credit Enhancement facility or Interest Rate Exchange Agreement, then to that extent any Pledged Receipts which would otherwise have been applied to such payments shall, instead, be applied to honor any reimbursement or payment obligation under any such instrument corresponding to any such payment.

Fifth: To the Capital Reserve Fund, the amount, if any, necessary to

cause the amount in such fund to equal the Capital Reserve Fund Requirement.

Sixth: To the Corporation, as directed in writing, for the payment of Program Expenses, or the establishment of reserves therefor, the amount needed and required to pay a portion of the reasonable and necessary Program Expenses and, in addition, any amount needed to pay fees and expenses with respect to any Credit Enhancement, any Interest Rate Exchange Agreement, or any Auction Agent or broker dealer; provided that the amount so paid to the Corporation or set aside in reserve during any fiscal year of the Corporation for the payment of Program Expenses may not exceed 1.25% of the average principal amount of Pledged Loans outstanding during the preceding Fiscal Year or such greater or lesser amount as may be set forth in a Supplemental Indenture, provided that the Corporation must provide the Trustee with a Rating Confirmation that reflects any greater amount before establishing any such greater amount in a Supplemental Indenture.

Seventh: Any remaining amounts shall be held in the Revenue Fund and applied as provided in the foregoing paragraphs or applied to payments described in Section 502(D), Section 506(A), or Section 508.

Section 504 - Interest Account and Principal Account. (A) The Trustee shall pay out of the Interest Account to the respective Paying Agents for the Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of interest due on the Outstanding Bonds on such date and (ii) on or before the redemption date or date of purchase, the amounts required for the payment of accrued interest on the Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for. In each such case, such amounts shall be applied by such Paying Agents to such payments; provided, however, that each payment shall be made By Class in Descending Order of Priority, beginning with Class I Bonds, if

any, unless otherwise provided in the Supplemental Indenture authorizing the issuance of a Series or Class of Bonds; and provided, further, that, unless otherwise provided in the Supplemental Indenture authorizing the issuance of a Series or Class of Bonds, interest payments with respect to any lower Class of Bonds shall be made only if and to the extent that principal amounts due with respect to any higher Class of Bonds have been set aside in accordance with the requirements of paragraph Fourth of Section 503(C).

(B) From the amount accumulated in the Principal Account for each Principal Installment with respect to Bonds the Trustee shall pay to the respective Paying Agents on or before each Principal Installment Date the amount, if any, required for the payment of principal due on such date, and such amounts shall be applied by the Paying Agents to such payments; provided, however, that, unless otherwise provided in the Supplemental Indenture authorizing the issuance of a Series or Class of Bonds, each payment shall be made By Class in Descending Order of Priority, beginning with Class I Bonds, if any.

(C) The amount accumulated in the Principal Account for each Sinking Fund Payment may and, if so directed in writing by the Corporation, shall be deposited in the Redemption Account (together with amounts accumulated in the Interest Account with respect to interest on such Bonds for which such Sinking Fund Payment was established) and applied by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Payment as follows:

(1) to the purchase pursuant to Section 505(B) of Bonds of the Series and maturity for which such Sinking Fund Payment was established; or

(2) to the redemption of such Bonds pursuant to Section 602 or Section 603, if then redeemable by their terms, at the Redemption Price which would be payable for such Bonds upon redemption by application of such Sinking Fund Payment plus unpaid interest accrued to the date of redemption.

(D) Notwithstanding the foregoing provisions of this Section 504, if interest or principal with respect to any Bond is paid from Credit Enhancement and such payment is required to be reimbursed, then amounts held in the Interest Account and in the Principal Account shall be used to make such reimbursement in lieu of making such interest or principal payments in accordance with the terms of the instrument creating the Credit Enhancement.

Section 505 - Redemption Account. (A) There shall be deposited in the Redemption Account any amounts which are required to be deposited therein pursuant to this Indenture or any Supplemental Indenture and any other amounts available therefor and determined by the Corporation to be deposited therein. Subject to the provisions of this Indenture or of any Supplemental Indenture requiring the application thereof to the purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of any of the Bonds (or to the reimbursement of any Credit Enhancement provider for amounts advanced by Credit Enhancement to pay for such purchase or redemption) at the times and in the manner provided in this Section and in Section 602 or Section 603, as applicable.

(B) At any time prior to the forty-fifth day prior to the day upon which Bonds are to be redeemed from such amounts, the Trustee shall, upon the written direction of the Corporation, apply amounts in the Redemption Account to the purchase of any of the Bonds which may be redeemed by application of amounts on deposit in the Redemption Account, except that the Corporation may, by delivery of written instructions to such effect signed by an Authorized Officer, require or prohibit such purchases in the discretion of the Corporation. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as the Corporation shall from time to time direct in writing. The purchase price paid (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with this Indenture on any date within thirteen months after such purchase in which event such purchase price shall

not exceed the highest Redemption Price payable on any such date upon the redemption of such Bond. In the event the Trustee is able to purchase a principal amount of Bonds equivalent to the sum of the deposits in the Redemption Account for the redemption of such Bonds at a purchase price less than the sum of such deposits, excluding the applicable transfers from the Interest Account, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee shall transfer the balance of such moneys remaining in the Redemption Account to, and deposit the same in, the Revenue Fund.

(C) The Corporation may, from time to time by written instructions, direct the Trustee to make purchases under subsection (B) above. No purchase of Bonds shall be made by the Trustee from amounts in the Redemption Account within the period of forty-five days next preceding any date on which such Bonds are subject to redemption.

(D) Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the Redemption Account, there shall be credited toward all future Sinking Fund Payments thereafter to become due and any payment upon final maturity with respect to such Bonds, on a pro rata basis among all such Sinking Fund Payments and payment upon final maturity, an amount equal to the total principal amount of such Bonds so purchased or redeemed. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds, then such Sinking Fund Payments shall be credited as shall be provided in such instructions, but only if the Corporation shall have filed with the Trustee a Rating Confirmation reflecting such crediting method.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to Section 603, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of Bonds of such Series and maturity in the principal amount equal to the

amount of the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption without regard to whether it then has moneys in the Redemption Account sufficient to pay the applicable Redemption Price thereof to the redemption date.

(F) The Trustee shall pay out of the Redemption Account to the Paying Agents for such Bonds on or before the redemption date thereof, the amounts required for the payment on such date by such Paying Agents, respectively, of the Redemption Price of any Bonds to be redeemed and the Paying Agents shall apply such amounts to the redemption of such Bonds on and after such date. If at any date there shall be moneys in the Redemption Account and there shall be Outstanding none of the Bonds of the Series for the redemption of which such moneys were deposited in the Redemption Account, such moneys shall be withdrawn therefrom and deposited in the Revenue Fund.

(G) Except for amounts which are required to be retained therein for the redemption of Bonds for which notice of redemption shall have been given as provided in Article VI or for which the Trustee has received irrevocable instructions to give such a notice on a future date, amounts in the Redemption Account may, upon the written request of the Corporation, signed by an Authorized Officer, be transferred to the Revenue Fund.

Section 506 - Insufficient Revenues; Capital Reserve Fund. (A) If, one Business Day before any Interest Payment Date, the amount in the Principal Account or the Interest Account (taking into account amounts scheduled to be received from Investment Securities at any time before such Interest Payment Date) shall be less than the amount required for the payment of all Principal Installments and interest on Outstanding Bonds of a Class due on such Interest Payment Date, the Trustee shall apply all Surplus Revenues and then amounts in the related Series Accounts and then from any other Series Accounts to satisfy such insufficiency and, if an insufficiency remains thereafter, shall immediately notify the Corporation of such event and shall apply amounts from the Capital Reserve Fund to the extent necessary to make good the deficiency. Amounts so applied shall be applied By Class in Descending Order of

Priority. If on any Redemption Date (or any date for the purchase of Bonds under Section 505(B)), the amount in the Redemption Account and the Interest Account shall be less than the amount required for the payment of the Redemption Price (or purchase price) and interest accrued on such Bonds to be redeemed (or purchased) on such date the Trustee shall apply all Surplus Revenues and then amounts in the related Series Accounts and then from any other Series Accounts to satisfy such insufficiency and, if an insufficiency remains thereafter, shall immediately notify the Corporation of such event and shall apply amounts from the Capital Reserve Fund to the extent necessary to make good the deficiency. Amounts so applied shall be applied By Class in Descending Order of Priority. If, on any date specified in this Section 506(A) for the application of amounts in the Capital Reserve Fund, there are insufficient amounts for such application, or if, at any time, the amount in the Capital Reserve Fund is less than the Capital Reserve Fund Requirement, the Trustee shall immediately notify the Corporation of such event and, upon the written direction of the Corporation, shall immediately transfer to the Capital Reserve Fund from assets of the Corporation made available for such purpose by the Corporation or from any other Fund or Account (provided that the Trustee shall make any such transfer from a Series Account only after transferring any available assets of the Corporation and any amounts in all other Funds and Accounts, excluding any Credit Enhancement Fund, and then on a pro rata basis among the amounts available in all the Series Accounts unless a different allocation is required for Federal tax reasons as set forth in a Letter of Instructions, or to pay principal or interest on any Bonds) amounts necessary to increase the amount in the Capital Reserve Fund to the amount needed for the intended application or to the Capital Reserve Fund Requirement, as the case may be. In determining whether the amount in the Capital Reserve Fund is at least equal to the Capital Reserve Fund Requirement, the Trustee shall include the amount of cash and the principal amount of Investment Securities held in the Capital Reserve Fund, together with the amount of interest earned or accrued thereon as of the date of valuation, and shall also include, but only if any other requirement therefor specified in a Supplemental Indenture has been satisfied, the principal component of any Credit Enhancement then on deposit in the Capital Reserve Fund.

(B) All income earned or gains realized as a result of the investment of amounts on deposit in the Capital Reserve Fund shall be deposited therein and constitute a part thereof. Except as provided in subsection (C) of this Section, if, concurrently with any allocation from the Revenue Fund pursuant to subsection (C) of Section 503, the amount on deposit in the Capital Reserve Fund shall be in excess of the Capital Reserve Fund Requirement, the Trustee shall transfer the amount of such excess to the Revenue Fund.

(C) Whenever the Corporation shall deliver instructions to the Trustee to redeem Bonds of a particular Series or the redemption of Bonds of a particular Series is required by a Supplemental Indenture (other than by application of Sinking Fund Payments) and such redemption is to be made from amounts then on deposit in any Fund or Account other than the Capital Reserve Fund, the Trustee shall calculate the amount by which the amount on deposit in the Capital Reserve Fund will exceed the Capital Reserve Fund Requirement immediately following the redemption of the Bonds specified in such instructions (and to be redeemed from such amounts) and such excess amount shall on the redemption date specified in such instructions, be transferred into the Revenue Fund. In making the aforesaid calculation, the Trustee shall also take into account, as nearly as practicable, the additional amount by which the amount on deposit in the Capital Reserve Fund will exceed the Capital Reserve Fund Requirement as a result of the redemption of Bonds from the amounts to be so withdrawn. The Trustee shall give notice of the redemption of such Bonds and shall select the particular Bonds to be so redeemed in such manner as the Corporation shall specify in written instructions (subject to the terms of this Indenture and any Supplemental Indenture) or, failing such instructions, as the Trustee shall, in its sole discretion, deem advisable.

(D) Whenever the amount in the Capital Reserve Fund, together with the amount in the Interest Account and Principal Account, is sufficient to fully pay the principal of and interest on all Outstanding Bonds of a Series in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), and immediately thereafter the amount on deposit in

the Capital Reserve Fund shall at least equal the Capital Reserve Fund Requirement, such amount shall, at the written direction of the Corporation, be transferred from the Capital Reserve Fund to the Revenue Fund. Prior to any such transfer, investments held in the Capital Reserve Fund in an amount necessary to make said transfer shall be liquidated.

(E) The Trustee shall sell or redeem Investment Securities to the extent necessary to provide money to make any required payment pursuant to this Section and, at the written direction of the Corporation, shall sell or redeem Investment Securities to make any deposit, purchase, payment or redemption as permitted pursuant to this Section.

Section 507 - Pledged Loans Fund. (A) The Corporation may deposit loans and other assets in any amount in the Pledged Loans Fund at any time. Upon the payment or redemption of all of the Outstanding Bonds of a Series and payment to the insurer of all amounts due under the Insurance Agreement, if any, relating to such Series, the balance, if any, remaining in the Pledged Loans Fund for that Series shall be transferred to the Corporation.

(B) At any time the Corporation may direct the Trustee to withdraw Pledged Loans or other property from the Pledged Loans Fund, and the Trustee shall so withdraw such Pledged Loans or other property and deliver such Pledged Loans or other property to the Corporation free and clear of the lien and pledge of this Indenture; provided that

(i) the Trustee receives a Rating Confirmation taking into consideration such withdrawal of Pledged Loan or other property;

(ii) the Trustee receives from the Corporation a Certificate that no Event of Default and no payment default with respect to any Bonds exists or remains uncured, and no Event of Default or payment default with respect to any Bonds as to which the Trustee has knowledge shall exist and remain uncured (unless the withdrawal

shall cure the Event of Default or payment default);

(iii) the Capital Reserve Fund will be funded to at least the Capital Reserve Fund Requirement after giving effect to the withdrawal;

(iv) any additional requirements imposed by a Supplemental Indenture are satisfied; and

(v) the Corporation shall certify to the Trustee that all conditions precedent to the withdrawal of Pledged Loans and other property pursuant to this Section 504(C) and pursuant to any other applicable provisions of this Indenture or any Supplemental Indenture shall have been satisfied.

The Corporation may expend any amounts paid to it or transfer or use any Pledged Loans or other property transferred to it for any lawful purpose.

(C) The Corporation may at any time sell, assign, transfer or otherwise dispose of a Pledged Loan at a price (i) at least equal to the principal amount thereof (plus accrued interest) (a) when the amounts on deposit in the Funds created in Section 501(A) are at least equal the principal amount of the Outstanding Bonds or (b) to pay current debt service on the Bonds; or (ii) lower than the principal amount thereof (plus accrued interest) if the Corporation delivers to the Trustee a Rating Confirmation taking into consideration such sale, assignment, transfer, or other disposition of such Pledged Loan at such lower price. The Corporation shall sell Pledged Loans if necessary to prevent the occurrence of an Event of Default. The Corporation shall also sell Pledged Loans if necessary to prevent a default in the payment of the principal of or interest on any of the Bonds when due, unless such sale would cause an Event of Default to occur.

Section 508 - Excess Coverage. At any time, but no more frequently than once every month, the Corporation may deliver to the Trustee a Certificate, evidencing the fact that there is then Excess Coverage on deposit hereunder and

specifying the amount thereof and stating that no Event of Default or payment default exists hereunder. Promptly upon the Trustee's receipt of that Certificate with a Rating Confirmation reflecting the release of any Excess Coverage, the Trustee shall release such Excess Coverage to the Corporation from the Pledged Loans Fund or from the Revenue Fund, as set forth in such Certificate, for any of its corporate purposes, including, without limitation, the deposit of said amounts in any Fund or Account or the acquisition of additional loans for transfer to any Fund. The Trustee may conclusively rely upon such Certificate without further duty to examine or investigate the accuracy thereof.

Section 509 - Obtaining Credit Enhancements and Interest Rate Exchange Agreements. Except as otherwise provided in a Supplemental Indenture authorizing the issuance of a Series or Class of Bonds, the Corporation may obtain Credit Enhancement or an Interest Rate Exchange Agreement with respect to such Bonds either at the time of issuance of the Bonds or any time thereafter, provided that, in any case, the Corporation shall have filed with the Trustee a Rating Confirmation reflecting such Credit Enhancement or Interest Rate Exchange Agreement. The Class ranking of such Credit Enhancement or Interest Rate Exchange Agreement shall be determined as provided in Section 510(D).

Section 510 - Creation of Additional Funds, Accounts and Subaccounts; Separate Credit Enhancement Funds; Pledge of Trust Estate with Respect to Credit Enhancements and Interest Rate Exchange Agreements. (A) The Trustee shall establish within any Fund such Accounts in addition to the Accounts herein established as the Corporation shall by Supplemental Indenture determine and shall in like manner establish within any Account such additional subaccounts for the purposes of such Account as the Corporation shall so determine.

(B) The Corporation may at any time by execution of a Supplemental Indenture establish a Fund or Account in which to hold any Credit Enhancement and the proceeds thereof or drawings thereunder (a "Credit Enhancement Fund") for the benefit of any Series of Bonds to which such Credit Enhancement has been

pledged, which pledge may be (but is not required to be) exclusively for the benefit of such Series of Bonds or certain designated Series of Bonds and not equally and ratably among all the Series of Bonds and Parity Obligations Outstanding. Amounts held in a Credit Enhancement Fund shall not be considered a part of the Trust Estate but, rather, shall be subject to such lien and pledge as may be created in the Supplemental Indenture creating such Credit Enhancement.

(C) If the Corporation creates a Credit Enhancement Fund, the Corporation may direct, in the Supplemental Indenture creating such Credit Enhancement Fund, that the Trustee pay, and if so directed in writing by the Corporation the Trustee shall pay, principal (including premium, if any) of and interest on the Bonds secured by such Credit Enhancement Fund directly from amounts in such Credit Enhancement Fund and that the Trustee reimburse, and if so directed in writing by the Corporation the Trustee shall so reimburse, such Credit Enhancement Fund for such payment from the Credit Enhancement Fund; provided, however, that the Corporation may, in the Supplemental Indenture authorizing the Series of Bonds to be secured by Credit Enhancement, treat any, or any part of any, obligation owed or which may in the future be owed to the Credit Enhancement Agency pursuant to the Credit Enhancement Instrument as Additional Bonds of the same Class as the Bonds secured by such Credit Enhancement if the Corporation, at the time of issuance of said Series of Bonds and at the time of the creation of any such obligation satisfies the requirements of Section 208, in which case the Trustee shall pay the principal of and interest on any such obligations in accordance with the terms of this Indenture treating such obligations as Additional Bonds. In a Supplement Indenture authorizing Additional Bonds secured by a Credit Enhancement Fund the Corporation may fix provisions relating to such Fund different from the provisions of Section 511. In addition to the foregoing, the Corporation may agree to permit a Credit Enhancement Agency to be subrogated to the rights of any Bondholders whose Bonds are secured by the Credit Enhancement provided that such Credit Enhancement Agency is not in default under such Credit Enhancement and provided that such Credit Enhancement, if it has been assigned a Class as provided above, is in a Class at least as high as the Class of the Bonds it secures.

(D) If the Corporation enters into an Interest Rate Exchange Agreement or obtains Credit Enhancement with respect to any Series or Class of Bonds, the Corporation may grant a security interest in the Trust Estate to secure performance of the Corporation's obligations under such Credit Enhancement or Interest Rate Exchange Agreement. The Corporation may identify the Class ranking of the Credit Enhancement or Interest Rate Exchange Agreement in the Supplemental Indenture authorizing the Bonds secured by such Credit Enhancement or Interest Rate Exchange Agreement or in the agreement creating the Credit Enhancement or Interest Rate Exchange Agreement. The Class ranking of the Credit Enhancement or Interest Rate Exchange Agreement may be equal to or greater or lesser than the Class ranking of any Bonds issued under this Indenture, including the Bonds secured by the Credit Enhancement or Interest Rate Exchange Agreement.

Section 511 - Deposits and Investments.

(A) All amounts in any Fund or Account held under this Indenture (including amounts described in the Custodian/Depository/Servicing Agreement and any other amounts held in any fund or account created by or on behalf of any such Fiduciary or Depository for the receipt of amounts held under this Indenture) by any Fiduciary or Depository shall be held in trust for the benefit of the Trustee if not held by the Trustee and shall be continuously and fully secured for the benefit of the Corporation and the holders of the Bonds either (i) by lodging Investment Securities as collateral with the Trustee as custodian, having a market value (exclusive of accrued interest) not less than the amount of such moneys or (ii) in such other manner as may then be required by applicable federal or state laws and regulations and applicable state laws and regulations of the state in which such Fiduciary or Depository (as the case may be) is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; except that it shall not be necessary for a Fiduciary or Depository to give security under this subsection for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal or Redemption Price of or interest on any Bonds, or for any Fiduciary or Depository to give security for any moneys which shall be represented by obligations or certificates of deposit

purchased as an investment of such moneys. All amounts deposited with the Trustee and each Depository (including amounts received by the State of Alaska under the Custodian/Depository/Servicing Agreement) shall immediately be credited to the particular Fund or Account to which such amounts belong. Until such time as such amounts are expended for the purposes authorized by this Indenture or any Supplemental Indenture or are transferred to another Fund or Account as provided in this Indenture or any Supplemental Indenture, the Trustee or Depository shall invest such amounts as provided in (B) of this Section. Neither the Trustee nor any Depository shall be responsible for any losses resulting from the investment of moneys in the funds and accounts created hereunder, so long as such investments are made in accordance with this Indenture and the written direction of the Corporation or, in the case of the State acting under the Custodian Agreement, in accordance with the Custodian Agreement. The Trustee may make any and all investments permitted by the provisions of this Section 511 through its own investment department or that of its affiliates. The Corporation acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Corporation the right to receive brokerage confirmations of security transactions, the Corporation waives receipt of such confirmations.

(B) Upon the deposit of any amounts in any Fund or Account, the Corporation may furnish the Trustee with a schedule of dates on which it is estimated by the Corporation that such moneys in said Fund or Account will be required to be expended. The Corporation may from time to time amend the schedule so furnished. Upon receipt of such schedule or amended schedule, the Corporation shall direct the Trustee or Depository, in writing, to invest and reinvest in Investment Securities the moneys in said Fund or Account so that the maturity date or date of redemption at the option of the holder of such obligations shall coincide as nearly as practicable with the times at which moneys are needed by the Corporation to be so expended, except that (i) with respect to the Capital Reserve Fund such Investment Securities shall include only such investments as are permitted pursuant to any Supplemental Indenture authorizing a Series of

Bonds as to which any Bonds remain Outstanding at the time of such investment; (ii) the average maturities of investments purchased with amounts in the Capital Reserve Fund may be limited pursuant to the provisions of a Supplemental Indenture; and (iii) investments purchased with amounts in the Principal Account must mature or be redeemable at the option of the holder no later than the day before the Interest Payment Date on which amounts used to purchase such investments are needed to pay principal of the Bonds, and investments purchased with amounts in the Interest Account must mature or be redeemable at the option of the holder no later than the day before the Interest Payment Date on which amounts used to purchase such investments are needed to pay interest on the Bonds. The obligations purchased shall be held by the Trustee and shall be deemed at all times to be part of such Fund or Account, and the Trustee shall keep the Corporation advised as to the details of all such investments.

(C) Except as otherwise provided in this Indenture, obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of this Indenture shall be deemed at all times to be a part of such Fund or Account, but the income or interest earned and gains realized in excess of losses suffered by a Fund or Account, other than the Capital Reserve Fund, due to the investment thereof shall be deposited upon receipt as Pledged Receipts into the Revenue Fund.

(D) The Trustee shall advise the Corporation in writing, on or before the tenth day of each calendar month, of the details of all investments held for the credit of each Fund and Account in its custody under the provisions of this Indenture as of the end of the preceding month.

Section 512 - Use of Funds in Event of Default. If an Event of Default described in Section 1002(1) or (2) occurs and is continuing, the Trustee may use moneys from any Fund or Account created hereunder to make payments required hereunder.

ARTICLE VI REDEMPTION OF BONDS

Section 601 - Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such terms as may be specified in such Bonds, in this Indenture and in the Supplemental Indenture authorizing such Series. Nothing in this Indenture or in any Supplemental Indenture shall require the redemption of Bonds in amounts less than Authorized Denominations. If amounts are available for the redemption of Bonds but such amounts are less than an Authorized Denomination of the Bonds to be redeemed, the Trustee shall so notify the Corporation and, at the written direction of the Corporation, shall deposit such Fund or Account as such written direction shall indicate.

Section 602 - Redemption at the Election or Direction of the Corporation. In the case of any redemption of Bonds other than as provided in Section 603, the Corporation shall give written notice at least 45 days before the redemption date to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which redemption date, Series, maturities and principal amounts thereof to be redeemed shall be determined by the Corporation in its sole discretion, subject to any limitations with respect thereto contained in this Indenture and any Supplemental Indenture) and of any moneys to be applied to the payment of the Redemption Price. Upon the giving of such notice, the Corporation, if it holds the amounts to be applied to the payment of the Redemption Price, shall pay to the Trustee for deposit in the Redemption Account an amount in cash which, in addition to other moneys, if any, available therefor held herein, will be sufficient to redeem on the redemption date at the Redemption Price thereof, all of the Bonds to be redeemed.

Section 603 - Redemption Otherwise Than at Corporation's Election or Direction. Whenever by the terms of this Indenture the Trustee is required to redeem Bonds otherwise than at the election or direction of the Corporation, and

subject to and in accordance with the terms of this Article, the Supplemental Indenture authorizing the Series of Bonds of which the Bonds to be redeemed are part, and, to the extent applicable, Article V, the Trustee shall select the redemption date of the Bonds to be redeemed and give notice of the redemption in the manner prescribed by Section 605.

Section 604 - Selection of Bonds to be Redeemed by Lot. In the event of redemption of less than all the Outstanding Bonds of like Series, Class, and maturity, the Trustee shall select the Bonds to be redeemed, from all Bonds or portions thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem fair and appropriate.

Section 605 - Notice of Redemption. When the Trustee shall receive notice from the Corporation of its election or direction to redeem Bonds pursuant to Section 602, and when redemption of Bonds is required by this Indenture pursuant to Section 603, unless otherwise required for a Series of Bonds by the Supplemental Indenture authorizing the same, the Trustee shall give notice in the name of the Corporation, regardless of whether the Trustee has sufficient money available to pay the applicable Redemption Price with accrued interest on the Bonds to be redeemed, of the redemption of such Bonds, which notice shall specify the Series, Class, and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series, Class, and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue and be payable; provided, however, that if the Trustee does not have available money in an

amount sufficient to pay such amounts on such date, then such notice of redemption shall be null and of no effect. The Trustee shall mail a copy of such notice, postage prepaid, at least 10 days but not more than 30 days before the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of Bonds.

Section 606 - Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 605, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. If there shall be drawn for redemption less than all of a Bond, the Corporation shall execute and the Trustee shall authenticate and the Paying Agent deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered at the option of the owner thereof, Bonds of like Series and maturity in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by any Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE VII
PARTICULAR COVENANTS

The Corporation covenants and agrees with the Trustee and the holders of the Bonds as follows:

Section 701 - Payment of Bonds. The Corporation shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.

Section 702 - Extension of Payment of Bonds. The Corporation shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefit of this Indenture or to any payment out of the Funds or Accounts established pursuant to this Indenture, including the investments, if any, thereof, or out of any assets or revenues pledged hereunder (except moneys held in trust for the payment of particular Bonds or claims for interest pursuant to this Indenture) prior to benefits accorded to or the payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Corporation to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 703 - Office for Servicing Bonds. The Corporation shall at all times maintain an office or agency where Bonds may be presented for transfer or exchange, and where notices, presentations and demands upon the Corporation in respect of the Bonds or of this Indenture may be served. The Corporation hereby appoints the

Trustee as its agent to maintain such office or agency for the transfer or exchange of Bonds and for the service of such notices, presentations and demands upon the Corporation and may appoint one or more co-registrars for such purposes. The Corporation hereby appoints the Trustee as Paying Agent and hereby appoints the Paying Agent as its agent to maintain such offices or agencies for the payment of Bonds.

Section 704 - Further Assurance. At any and all times the Corporation shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, assets, revenues and other moneys, securities, funds and property hereby pledged or assigned, or intended so to be, or which the Corporation may become bound to pledge or assign.

Section 705 - Power to Issue Bonds and Pledge Revenues, Funds and Other Property. The Corporation is duly authorized under all applicable laws to authorize and issue the Bonds for the purposes herein authorized and to execute and deliver this Indenture and to pledge the Trust Estate purported to be pledged hereby in the manner and to the extent herein provided. The Trust Estate so pledged is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with, or subordinate to, the pledge created hereby, other than any pledge or lien granted as security for Parity Obligations in conformity with the terms and provisions of this Indenture, and all corporate or other action on the part of the Corporation to that end has been and will be duly and validly taken. The Bonds and the provisions of this Indenture are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of this Indenture. The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Loans, Pledged Loan Notes, Pledged Receipts, and other assets and revenues constituting the Trust Estate, including rights therein pledged under this Indenture and all the rights of the Bondholders

under this Indenture against all claims and demands of all persons whomsoever.

Section 706 - Accounts and Reports. (A)

The Corporation shall annually, within 120 days after the close of each fiscal year of the Corporation, file with the Trustee, and with such officials of the State, if any, as may be required by the Act, financial statements of the Corporation for such fiscal year setting forth in reasonable detail: (a) a statement of its revenues, expenses, and changes in net assets; (b) its balance sheet or statement of net assets showing its assets and liabilities at the end of such fiscal year; and (c) its statement of cash flows for such fiscal year. The financial statements shall be accompanied by an Accountant's Certificate stating to the general effect that the financial statements examined present fairly the financial position of the Corporation at the end of the fiscal year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles.

(B) A copy of each Accountant's Certificate shall be mailed promptly thereafter by the Corporation to each Bondholder who shall have filed his name and address with the Corporation for such purpose.

Section 707 - Pledged Loans Fund. (A)

The Corporation shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and its regulations and other applicable provisions of law from time to time in effect, the provisions of this Indenture and sound banking practices and principles, (i) do all such acts and things as shall be necessary to receive and collect Pledged Receipts (including diligent enforcement of the prompt collection of any delinquencies) sufficient to pay the Program Expenses and the principal or Redemption Price, if any, of and interest on the Bonds and apply such amounts in a manner consistent with such purpose, and (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to enforce, all terms, covenants and conditions of the Pledged Loans, including, without limitation, any action or proceeding necessitated by any State legislation purporting to waive or relax any of the terms and provisions

thereof. Notwithstanding the foregoing, the Corporation may modify the terms of any Pledged Loan or Pledged Loan Note or any group of Pledged Loans or Pledged Loan Notes or take any other action it chooses which may have the effect of modifying the terms of any Pledged Loans or Pledged Loan Notes, provided that the Corporation (i) obtains the Insurer's written consent to such modification or other action, and (ii) files with the Trustee Rating Confirmation reflecting such modification or other action.

(B) The Corporation hereby represents and warrants that it has the experience to administer and service the Pledged Loans in accordance with the requirements of the Act and covenants that it shall at all times take all action to ensure that the administering and servicing of the Pledged Loans complies with the requirements of the Act.

Section 708 - Issuance of Additional Obligations. (A) The Corporation shall not hereafter create or permit the creation of or issue any obligations or create any indebtedness which will be secured by a lien on the Trust Estate except as provided in Sections 206, 207, 208 and 209.

(B) The Corporation shall not issue any Series of Bonds under this Indenture unless:

(1) the principal amount of the Bonds then to be issued, together with the principal amount of the bonds, notes and other obligations of the Corporation theretofore issued (less any Bonds to be refunded thereby and deemed not Outstanding) will not in the opinion of Bond Counsel exceed in aggregate principal amount any limitation thereon imposed by law; and

(2) upon the issuance and delivery of such Bonds, the amount credited to the Capital Reserve Fund shall not be less than the Capital Reserve Fund Requirement.

Section 709 - The Capital Reserve Fund. (A) The Corporation shall at all times maintain the Capital Reserve Fund created and established by Section 501 and do and perform or cause to be done and performed each and every act and thing

with respect to the Capital Reserve Fund provided to be done or performed by or on behalf of the Corporation or the Trustee or the Paying Agents under the terms and provisions of Article V hereof.

(B) In order to better secure the Bonds and to make them more marketable and to maintain in the Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement, in the event that the Capital Reserve Fund falls below the Capital Reserve Fund Requirement, the Corporation shall, in compliance with the provisions of the Act, cause the Chairman of the Board of Directors of the Corporation annually, on or before January 15 of each year, to certify in writing to the Governor of the State and the Chairmen of the House and Senate Finance Committees the amount, if any, required to restore the Capital Reserve Fund to the Capital Reserve Fund Requirement. A copy of such Certificate shall be promptly delivered to the Trustee. All moneys received by the Corporation from the State in accordance with the provisions of the Act pursuant to any such certification shall be paid to the Trustee for deposit and credit to the Capital Reserve Fund. In addition, if 15 days prior to the end of each calendar quarter during which the Bonds are Outstanding, the amount in the Capital Reserve Fund is not equal to the Capital Reserve Requirement or there is not sufficient money otherwise available in all Funds and Accounts established hereunder to pay Principal Installments and interest coming due on the next Interest Payment Date, the Chairman of the Board shall certify in writing to the Governor the amount, if any, required to restore the Capital Reserve Fund to the Capital Reserve Fund Requirement or to pay such Principal Installment and interest coming due, as the case may be.

(C) Notwithstanding any other provision of this Indenture, the Trustee shall not permit amounts to be withdrawn from the Capital Reserve Fund other than pursuant to Section 506.

Section 710 - Compliance with Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by this Indenture to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, or will have happened or been performed, and such Bonds,

together with all other indebtedness of the Corporation shall be within every debt and other limit prescribed by law.

Section 711 - General. The Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of the Act and this Indenture in accordance with the terms of such provisions.

Section 712 - Waiver of Laws. The Corporation shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law is hereby expressly waived by the Corporation.

Section 713 - Pledge and Agreement of the State. As authorized by the Act, the following pledge and agreement of the State of Alaska is made:

The State pledges to, and agrees with, registered owners of the Bonds 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 contracts made by the Corporation with the Bondholders or in any way impair the rights and remedies of the Bondholders until the Bonds, 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 bondholders, are fully met and discharged.

Section 714 - Tax Covenants. (A) The Corporation shall not knowingly take or cause any action to be taken which would cause interest on any Bonds to become taxable for federal income tax purposes. The Corporation shall at all times do and perform all acts and things necessary or desirable, including, but not limited to, complying with the rebate provisions of Section 148 of the Code, as applicable, and complying with the provisions of any letter of instructions from Bond Counsel, in order to assure that interest paid on Bonds shall, for purposes of federal income taxation, be excludable from the gross income of

the recipients thereof and exempt from taxation. The Corporation shall not permit at any time or times any proceeds of any Bonds or any amounts held hereunder to be used, directly or indirectly, in a manner which would result in the exclusion of any Bond from the treatment afforded by subsection (a) of Section 103 of the Code.

(B) This Section shall not apply to any Bonds the interest on which is intended by the Corporation not to be excluded from gross income for federal income tax purposes under Section 103 of the Code; provided, that no such Bonds shall be issued unless a Bond Counsel's opinion is filed with the Trustee stating that the issuance of such Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any previously issued Bond.

Section 715 - Continuing Disclosure: Bankruptcy. (A) The Corporation hereby covenants and agrees that it will comply with and carry out all the provisions of each Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Corporation to comply with any Continuing Disclosure Certificate shall not be considered an Event of Default, and any Bondholder may take such actions only as may be provided in such Continuing Disclosure Certificate.

(B) The Corporation hereby covenants and agrees that it will notify the Rating Agencies of any change in the Act which would permit it or require it to declare bankruptcy under the Bankruptcy Code.

ARTICLE VIII SUPPLEMENTAL INDENTURES

Section 801 - Supplemental Indentures Effective Upon filing With the Trustee. For any one or more of the following purposes and at any time or from time to time following written notice to the Rating Agencies, a Supplemental Indenture may be entered into by and between the Corporation and the Trustee:

(1) To close this Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Indenture

on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Corporation in this Indenture other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(3) To add to the limitations and restrictions in this Indenture other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of this Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in this Indenture;

(5) To authorize Bonds of a Series and, in connection therewith, (A) to specify and determine the matters and things referred to in, or otherwise take the actions described in, Sections 206, 302, 306(A), 307, 401(A)(2), 401(B), 510, 511, 601, 602, 603, 605, and 1102 and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Indenture as theretofore in effect, (B) to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds or (C) to add such provisions to this Indenture and, if necessary, amend the provisions of this Indenture as may be necessary to permit and provide for the issuance of such Bonds as bearer Bonds;

(6) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or

to be created by, this Indenture, of the Trust Estate;

(7) To modify any of the provisions of this Indenture in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding, and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; and

(8) To make such additions, deletions, or modifications as may be necessary to assure compliance with Section 148(d)(3) of the Code or Section 148(f) of the Code or the Higher Education Act or to obtain a satisfactory rating on a Series or Class of Bonds from a Rating Agency, provided, that no such additions, deletions or modifications intended to obtain a satisfactory rating shall cause reduction in any ratings assigned by a Rating Agency to Bonds then Outstanding.

Section 802 - Supplemental Indentures Effective Upon Consent of Trustee. (A) For any one or more of the following purposes and at any time or from time to time following written notice to the Rating Agencies, a Supplemental Indenture may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer, and (ii) the filing with the Trustee and the Corporation of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture; or

(2) To insert such provisions clarifying matters or questions arising under this Indenture as are necessary or

desirable and are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(3) To provide for additional duties of the Trustee in connection with the Pledged Loans; or

(4) To make any change that is accompanied by a Rating Confirmation reflecting such change or any change approved by a Credit Enhancement Agency if the change will only affect Bonds secured by Credit Enhancement issued by such Credit Enhancement Agency.

(B) Any such Supplemental Indenture may also contain one or more of the purposes specified in Section 801, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Indenture as shall contain one or more of the purposes set forth in subsection (A) of this Section.

Section 803 - Supplemental Indentures Effective With Consent of Bondholders. At any time or from time to time, a Supplemental Indenture may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article IX, which Supplemental Indenture, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer and upon compliance with the provisions of Article IX, shall become fully effective in accordance with its terms as provided in said Article.

Section 804 - General Provisions. (A) This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of the Corporation to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 704 or the right or obligation of the Corporation to execute and deliver to any Fiduciary any instrument which elsewhere in this Indenture it is provided shall be delivered to said Fiduciary.

(B) Any Supplemental Indenture referred to and permitted or authorized by Sections 801 and 802 may be adopted by the Corporation without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Indenture filed with the Trustee shall be accompanied by a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and is valid and binding upon the Corporation and enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other laws affecting creditors' rights generally from time to time in effect).

(C) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Indenture referred to permitted or authorized by Sections 801, 802 or 803 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Counsel's Opinion) that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture.

(D) No Supplemental Indenture shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE IX AMENDMENTS

Section 901 - Mailing of Notice of Amendment. Any provision in this Article for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid only (i) to each registered owner of Bonds then Outstanding at such registered owner's address, if any, appearing upon the registry books of the Corporation, (ii) to each holder of any coupon Bond who shall have filed with the Trustee within two years preceding such mailing an address for notices, and (iii) to the Trustee.

Section 902 - Powers of Amendment. Any modification or amendment of this Indenture or of

the rights and obligations of the Corporation and of the holders of the Bonds and coupons (if any) hereunder, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in Section 903, (i) of the holders of at least two-thirds in principal amount of the Bonds of the highest Class Outstanding at the time such consent is given, (ii) in case less than all of the several Series or Classes of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series or Class so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series, Class, and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, Class, and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section, a Series or Class shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the holders of Bonds of such Series or Class. In determining whether in accordance with the foregoing powers of amendment Bonds of any particular Series, Class, or maturity would be affected by any modification or amendment hereof the Trustee shall request a Counsel's Opinion, on which it shall rely, and any such Counsel's Opinion shall be binding and conclusive on the Corporation and all holders of Bonds.

Section 903 - Consent of Bondholders.

(A) The Corporation may at any time adopt a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 902, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto), together with a request to Bondholders for their consent thereto, shall be mailed by the Corporation to Bondholders. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Bonds specified in Section 902 and (b) a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully adopted and filed by the Corporation in accordance with the provisions of this Indenture, is authorized or permitted hereby and is valid and binding upon the Corporation and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter provided in this Section.

(B) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1114. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 1114 shall be conclusive that the consents have been given by the holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (regardless of whether such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1114. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with

the Trustee to the effect that no revocation thereof is on file with the Trustee.

(C) At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Corporation and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Indenture adopted by the Corporation on a stated date, a copy of which is on file with the Trustee, has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section, may be given to Bondholders by the Corporation by mailing such notice to Bondholders at least once not more than ninety days after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture and the written statement of the Trustee hereinabove provided for is filed. The Corporation shall file with the Trustee proof of the publication of such notice and, if the same shall have been mailed to Bondholders, of the mailing thereof. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Fiduciaries and the holders of all Bonds at the expiration of forty days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for purpose commenced within such forty day period; except that any Fiduciary and the Corporation during such forty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

Section 904 - Modifications by Unanimous Consent. The terms and provisions of this

Indenture and the rights and obligations of the corporation and of the holders of the Bonds may be modified or amended in any respect upon the adoption and filing by the Corporation of a Supplemental Indenture and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in Section 903 except that no notice to Bondholders either by mailing or publication shall be required; but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary unless there shall have been filed with the Trustee such Fiduciary's written assent thereto in addition to the consent of the Bondholders.

Section 905 - Exclusion of Bonds. Bonds owned or held by or for the account of the Corporation shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Corporation shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Corporation shall furnish the Trustee a Certificate of an Authorized Officer of the Corporation, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 906 - Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article VIII or this Article provided may, and, if the Corporation so determines, shall bear a notation by endorsement or otherwise in form approved by the Corporation and the Trustee as to such action, and in that case upon demand of the holder of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the principal office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the Corporation or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Corporation to conform to such action shall be prepared, authenticated and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then

Outstanding, upon surrender of such Bonds with all unpaid coupons, if any, appertaining thereto.

ARTICLE X DEFAULTS AND REMEDIES

Section 1001 - Trustee to Exercise Powers of Statutory Trustee. The Trustee shall be and hereby is vested with all of the rights, powers and duties of a trustee permitted to be appointed by the Corporation pursuant to Section 14.42.230 of the Act.

Section 1002 - Events of Default. Each of the following events is hereby declared an "Event of Default", that is to say if:

(1) the Corporation shall default in the payment of the principal or Redemption Price, if any, of any Bond of the highest Class Outstanding when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

(2) payment of any installment of interest on any of the Bonds of the highest Class Outstanding shall not be made when the same shall become due;

(3) the Corporation shall fail or refuse to comply with the provisions of this Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Indenture or the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than twenty-five per centum (25%) in principal amount of the Bonds of the highest Class Outstanding;

(4) the Corporation shall commence 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 consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(5) an involuntary case or other proceeding shall be commenced against the Corporation 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, and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of 60 days; or an order for relief shall be entered against the Corporation under the Federal bankruptcy laws as now or hereafter in effect;

(6) any event of default shall have occurred and remain uncured under any Parity Obligation Instrument if there shall then be issued and outstanding thereunder Parity Obligations and if such Parity Obligations shall be of a Class at least equal to the highest Class of any Outstanding Bonds; and

(7) any event designated an Event of Default by a Supplemental Indenture shall have occurred and remain uncured.

The Trustee shall be deemed to have actual knowledge of an Event of Default described in (4) through (7) above only upon receipt by a Corporate Trust Officer of the Trustee of a written notice thereof.

Section 1003 - Remedies. (A) Upon the happening and continuance of any Event of Default specified in paragraph (1), (2) or (3) of Section 1002 as to which the Trustee has knowledge, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (4), (5), (6) or (7) of Section 1002 as to which the Trustee has knowledge, the Trustee may proceed, and upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the highest Class, shall proceed, in its own name, subject to the provisions of Section 1103, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all of the Bondholders' rights, including the right of the Trustee on behalf of the Bondholders to receive and collect all Pledged Receipts and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the owners of the Bonds and then take such action with respect to the Pledged Loans and related documents as the Trustee shall deem necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the Pledged Loans and related documents, including the sale of part or all of the Pledged Loans.

(4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

(5) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written

consent of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the highest Class Outstanding, by annulling such declaration and its consequences; or

(6) by pursuing any rights or privileges it may have with respect to security for the Bonds under any Parity Obligation Instrument.

(B) In the enforcement of any rights and remedies under this Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation for principal, Redemption Price, Program Expenses, interest or otherwise, under any provision of this Indenture or a Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Section 1004 - Priority of Payments After Default. (A) In the event that upon the happening and continuance of any Event of Default, the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, of and interest then due on the Bonds, such funds and any other moneys received or collected by the Trustee acting pursuant to the Act and this Article or with respect to Parity Obligations or Parity Obligation Instruments, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Indenture, shall be applied as follows:

(1) Unless the principal of all of the Bonds shall have come or have been declared due and payable, the Trustee shall make the following payments within the highest Class of Bonds Outstanding and, only after making all such payments within such Class, shall then make such payments within the next lower Class and, thereafter, shall make such payments within each succeeding lower Class:

FIRST: To the payment to person entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except with respect to Classes as described above; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference except with respect to Classes as described above.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, the Trustee shall make the following payments within the highest Class of Bonds Outstanding and, only after making all such payments, shall then make such payments within the next lower Class and, thereafter, shall make such payments within each succeeding lower Class: to the payment of the principal and interest then due and unpaid upon the Bonds of a Class without

preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Class over any other Bond of such Class, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and coupons (if any).

(B) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Corporation, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any unpaid coupon or any Bond unless such coupon or Bond shall be presented to the Trustee for appropriate endorsement or cancellation.

Section 1005 - Termination of Proceedings. In case of any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the

Corporation, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 1006 - Bondholders' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds of the highest Class then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction or would adversely affect the Trustee. The Trustee may rely on an Opinion of Counsel that such direction would adversely affect Bondholders.

Section 1007 - Limitation on Rights of Bondholders. (A) No holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Indenture or any right under law unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than twenty-five per centum (25%) in principal amount of the Bonds of the highest Class then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be insured therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification,

request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Indenture or for any other remedy hereunder or under law. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under law with respect to the Bonds of this Indenture, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the Outstanding Bonds. Nothing in this Article contained shall affect or impair the right of any Bondholder to enforce the payment of the principal or Redemption Price, if any, of and interest on such Bondholder's Bonds, or the obligation of the Corporation to pay the principal or Redemption Price, if any, of and interest on each Bond issued hereunder to the holder thereof at the time and place in said Bond expressed.

(B) Notwithstanding anything to the contrary contained in this Section, or any other provision of this Indenture, each holder of any Bond by such holder's acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Indenture or any Supplemental Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in principal amount of the Bonds of the highest Class Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Section 1008 - Possession of Bonds by Trustee Not Required. All rights of action under this Indenture or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Bonds, subject to the provisions of this Indenture.

Section 1009 - Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 1010 - No Waiver of Default. No delay or omission of the Trustee or of any holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 1011 - Notice to Bondholders. The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice shall be given by the Trustee by mailing written notice thereof to all registered holders of Bonds, as the names and addresses of such holders appear upon the books for registration and transfer of Bonds as kept by the Trustee purpose and to such other persons as is required by law.

ARTICLE XI CONCERNING THE FIDUCIARIES

Section 1101 - Trustee. U.S. Bank National Association, a trust company or bank having the powers of a trust company doing business and having a corporate trust office in

Seattle, Washington, is hereby appointed as Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing the certificate of authentication endorsed upon the Bonds, and, by executing such certificate upon any Bond, the Trustee shall be deemed to have accepted such duties and obligations not only with respect to the Bond so authenticated, but with respect to all the Bonds thereafter to be issued; but only, however, upon the terms and conditions set forth in this Indenture.

Section 1102 - Appointment and Acceptance of Duties of Paying Agents. (A) The Corporation shall appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Indenture authorizing such Bonds or shall appoint such Paying Agent or Paying Agents by resolution of the Corporation adopted prior to the authentication and delivery of such Bonds, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in Section 1113 for the appointment of a successor Paying Agent.

(B) Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by written instrument of acceptance executed and delivered to the Corporation and the Trustee.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agencies of the Corporation for the payment of the interest on and principal or Redemption Price of the Bonds.

Section 1103 - Responsibility of Fiduciaries. (A) The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Corporation and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Indenture or of any Bonds or coupons issued thereunder or in respect of the security afforded by this Indenture or the Trust Estate, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to any other

Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless indemnified to its satisfaction. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others or the use or application by the Corporation of the Bonds or the proceeds thereof.

(B) Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee, and, in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinion expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture.

(C) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and 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 own affairs.

(D) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that (1) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, (2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority in principal amount of the Outstanding Bonds 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 this

Indenture, and (3) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Except as otherwise expressly provided herein, the Trustee shall determine whether any conditions or requirements set forth herein for any purpose have been met, and such determination by the Trustee shall be conclusive.

(E) Regardless of whether it is therein expressly so provided, every provision of this Indenture, any Supplemental Indenture, Parity Obligation Instrument, Credit Enhancement or any related document relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

(F) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Bondholders pursuant to this Indenture, unless such Bondholders shall have offered to the Trustee security or indemnity to its satisfaction against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(G) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document.

(H) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(I) The Trustee shall have no responsibility for or liability in connection with assuring that all of the procedures or conditions to closing set forth in the Purchase Agreement have been met on the Closing Date to the parties are

actually delivered, except its own responsibility to receive the proceeds of the sale, deliver the Bonds, and deliver and receive other certificates and documents expressly required to be delivered by it and its counsel. The Trustee may assume that parties to the Purchase Agreement have waived their rights to receive documents or to require the performance of procedures if the parties to whom such documents are to be delivered or for whom such procedures are to be performed do not require delivery or performance on or prior to the Closing Date.

(J) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(K) In accepting the trusts hereby created, the Trustee acts solely as Trustee for the Bondholders and not in its individual capacity and all persons, including, without limitation, the Bondholders and the Corporation having any claim against the Trustee arising from this Indenture shall look only to the funds and accounts held by the Trustee or its agent hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

(L) The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. The Trustee shall not be responsible for the recording or filing of any document relating to this Indenture or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents or further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

(M) If, as a result of the occurrence of an Event of Default, the Corporation or the Trustee employs attorneys or incurs other fees and expenses for the collection of payments due hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Corporation, the Corporation will, on demand, reimburse the Trustee for the reasonable fees of such attorneys and such other reasonable fees and expenses so incurred; provided,

however, that amounts in the Trust Estate shall first be applied as provided in Section 1004.

(N) In no event shall the Trustee be responsible for and it makes no representations or warranty, express or implied, with respect to, compliance with the Act, the making of loans, the servicing of loans, or the sufficiency of the promissory notes or other instruments or documentation related thereto.

(O) The Trustee's rights to indemnification and payment of its fees, expenses, losses and liabilities shall survive its resignation or removal and final payment of the Bonds.

(P) The Trustee makes no representation as to the correctness or completeness of any information contained in any offering document or other offering material pertaining to, and prepared in furtherance of the sale of, any Series of Bonds.

Section 1104 - Evidence on Which Fiduciaries May Act. Each Fiduciary may rely and shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Corporation, and the opinion of such shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in reliance thereon. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, including payment of moneys out of any Fund or Account, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction

required or permitted to be furnished pursuant to any provision hereof by the Corporation to any Fiduciary shall be sufficient if executed in the name of the Corporation by an Authorized Officer.

Section 1105 - Compensation. The Corporation shall pay to the Trustee and to each Paying Agent from time to time reasonable compensation for all services rendered under this Indenture, and also all reasonable fees, expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under this Indenture. The Corporation further agrees to indemnify and save the Trustee and each Paying Agent harmless against any liabilities, losses, expenses, and advances which it may incur in the exercise and performance of its powers and duties hereunder, which are not due to its negligence or willful misconduct.

Section 1106 - Permitted Acts and Functions. The Trustee and any Paying Agent may become the owner of any Bonds and coupons, with the same rights it should have if it were not such Trustee or Paying Agent. The Trustee and any Paying Agent may act as Depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, regardless of whether any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding.

Section 1107 - Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Indenture by giving not less than ninety days written notice to the Corporation and to the registered owners of the Bonds, specifying the date when such resignation shall take effect. If any Bonds are Outstanding in bearer form, the Trustee shall also publish such notice once in an Authorized Newspaper. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been

appointed, as provided in Section 1109, in which event such resignation shall take effect immediately on the appointment of such successor. Notwithstanding any of the foregoing, no registration of the Trustee shall be effective until a successor has been appointed.

Section 1108 - Removal of Trustee. The Trustee shall be removed by the Corporation if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Corporation, and signed by the holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Corporation. The Corporation may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the Corporation by filing with the Trustee an instrument signed by an Authorized Officer of the Corporation.

Section 1109 - Appointment of Successor Trustee. (A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Corporation covenants and agrees that it will thereupon appoint a successor Trustee. The Corporation shall provide written notice of such appointment to the registered owners of the Bonds and, if any Bonds are Outstanding in bearer form, shall also publish notice of such appointment in an Authorized Newspaper, such notice to be given and publication to be made within twenty days after such appointment.

(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to the Corporation written notice, as provided in Section 1107, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem

proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank in good standing having the powers of a trust company within or outside the State and subject to examination by federal or state authority, having a capital and surplus aggregating at least Seventy-Five Million Dollars (\$75,000,000) and acceptable to each Credit Enhancement if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

Section 1110 - Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Indenture, shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Corporation, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the request of the Corporation, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonable be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Corporation be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Corporation. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee. The

Corporation shall pay the expenses of effecting a transfer under this Section.

Section 1111 - Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 1110 or Section 1113 and shall be authorized by law to perform all the duties imposed upon it by this Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 1112 - Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Indenture provided that the certificate of the Trustee shall have.

Section 1113 - Resignation or Removal of the Paying Agents and Appointment of Successors. (A) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty days' written notice to the Corporation and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Corporation. Any successor Paying Agent shall be appointed by the Corporation and shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least Three Million Dollars (\$3,000,000), and willing and able to accept the office of Paying Agent on reasonable and customary terms and authorized by law to

perform all the duties imposed upon it by this Indenture.

(B) In the event of the resignation or removal of any Paying Agent, such Paying Agency shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 1114 - Evidence of Signatures of Bondholders and Ownership of Bonds. (A) Any request, consent or other instrument which this Indenture may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds or coupons appertaining thereto shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(1) The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which she purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary;

(2) The amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by an officer of a trust company, bank, financial institution or other depository or member of the National Association of Securities Dealers, Inc. wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depository the Bonds described in such certificate. Continued ownership after the date stated in such certificate may be proved by the presentation of such certificate if the certificate contains a statement by such officer that the depository held that Bonds therein referred to on the date of the certificate and that they will not be surrendered without the surrender of the certificate to the depository, except with the consent of the Trustee, and a certificate of the Trustee, which need not be acknowledged or verified, that such consent has not been given.

(B) Except in the case of Bonds transferable by delivery only, the ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Corporation or any Fiduciary in accordance therewith.

Section 1115 - Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of this Indenture or any Supplemental Indenture shall be retained in its possession until six (6) years after the final payment of principal of the Bonds becomes due and payable and shall be subject at all reasonable times to the inspection of the Corporation, any other Fiduciary and any Bondholder and their agents and their

representatives, any of whom may make copies thereof.

Section 1116 - Administration of Education Loan Program. The Corporation agrees that the Trustee shall have no responsibility whatsoever for monitoring, or any other activity, with respect to the Corporation's administration of loan programs or the servicing of loans.

Section 1117 - Power to Appoint Co-Trustee. (A) At any time after an Event of Default, if necessary to meet the legal requirements of any applicable jurisdiction, the Trustee shall have power to appoint one or more co-trustees under this Indenture, with such powers as may be provided in the instrument of appointment, and to vest in such person or persons any property, title, right or power deemed necessary or desirable, subject to the remaining provisions of this Section.

(B) Each co-trustee shall, to the extent permitted by applicable law, be appointed subject to the following terms:

(i) The Bonds shall be authenticated and delivered solely by the Trustee, and all rights, powers, duties and obligations hereunder in respect of the custody of Investment Securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder shall be exercised solely by the Trustee.

(ii) The rights, powers duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and co-trustee jointly, as shall be provided in the instrument appointing such co-trustee, except to the extent that, under any law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised by such co-trustee.

(iii) The Trustee may at any time, by an instrument in writing executed by it, accept the resignation of or remove any co-trustee appointed under this Section.

(iv) No power given to any co-trustee shall be separately exercised hereunder by such co-trustee except with the consent in writing of the Trustee, anything contained in this Section to the contrary notwithstanding.

(C) Should any written instrument from the Corporation be required by any co-trustee so appointed for more fully confirming to such co-trustee such rights, powers, duties and obligations, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Corporation forthwith.

(D) The rights, powers and duties of the Corporation with respect to any co-trustee shall be the same as its rights, powers and duties with respect to the Trustee.

ARTICLE XII MISCELLANEOUS

Section 1201 - Defeasance. (A) If the Corporation shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Indenture, and also shall pay or cause to be paid all other sums payable hereunder by the Corporation, including any amounts payable to the United States, then the pledge of any revenues and assets hereby pledged and all other rights granted hereby shall, at the election of the Corporation (evidenced by a certificate of an Authorized Officer filed with the Trustee, signifying the intention of the Corporation to discharge all such indebtedness and this Indenture and any Supplemental Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, be discharged and satisfied. In such event, the Trustee shall, upon the written request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all moneys or securities held by them pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(B) If funds shall have been set aside and shall be held in trust by Fiduciaries for the payment of principal, interest and Redemption Price (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or upon the date upon which such Bonds have been duly called for redemption thereof, such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section. All Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish as provided in Article VI notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either funds in an amount which

shall be sufficient, or Investment Securities which are not subject to redemption prior to the dates on which amounts will be needed to make payments on the Bonds defeased and the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient in the opinion of an Accountant delivered to the Trustee, to pay when due the principal or Redemption Price, if any, and interest due and to become due on said Bonds on any date prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of said Bonds and (iv) a Counsel's Opinion stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, the defeasance complies with the terms of this Indenture, and the defeasance will not adversely affect the tax status of the Bonds. Neither Investment Securities or moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

(C) If, through the deposit of moneys by the Corporation or otherwise, the Fiduciaries

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

(D) Anything in this Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for one year after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for one year after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged.

Section 1202 - Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the holders of the Bonds entitled thereto. If any such amount remains unclaimed for a period of one year after such date, the Trustee shall pay over such amount, together with all investment earnings thereon and all investment earnings on any investment earnings, to the Corporation.

Section 1203 - No Recourse Under Indenture or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Corporation contained in this Indenture shall be deemed to be the covenants, stipulation, promises, agreements and obligations of the Corporation and not of any member, officer or employee of the Corporation in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the

Bonds or for any claim based thereon or on this Indenture against any member, officer or employee of the Corporation or any natural person executing the Bonds.

Section 1204 - Notices to Rating Agencies and to Credit Enhancement Agency. The Trustee shall give prompt notice to the Rating Agencies and any Credit Enhancement Agency of the resignation of the Trustee or the appointment of any successor Trustee, of any amendment to or modification of this Indenture or the execution of any Supplemental Indenture or when there are no longer any Bonds remaining Outstanding. All notices to a Rating Agency or a Credit Enhancement Agency hereunder shall be sent by first class mail to the address provided to the Trustee by such Rating Agency or Credit Enhancement Agency.

Section 1205 - Conflict. All resolutions or parts of resolutions or other proceedings of this Corporation in conflict herewith be and the same are repealed insofar as such conflict exists.

Section 1206 - Governing Law. This Indenture and the Bonds shall be construed in accordance with, and governed by, the laws of the State of Alaska.

Section 1207 - Effective Date. This Indenture shall take effect immediately upon its execution.

IN WITNESS WHEREOF, ALASKA STUDENT LOAN CORPORATION has caused this Indenture to be executed by its Executive Officer and U.S. Bank National Association has caused this Indenture to be executed by its Assistant Vice President, all as of the day and year first above written.

ALASKA STUDENT LOAN CORPORATION

By _____
DIANE BARRANS
Executive Officer

U.S. BANK NATIONAL ASSOCIATION

By _____
GREG SKUTNIK
Assistant Vice President

EXHIBIT A

CUSTODIAN/DEPOSITARY/SERVICING
AGREEMENT

First Supplemental Indenture

First Supplemental Indenture

between

ALASKA STUDENT LOAN CORPORATION

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of March 1, 2005

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FIRST SUPPLEMENTAL INDENTURE

THIS FIRST SUPPLEMENTAL INDENTURE, made and entered into as of March 1, 2005, by and between the ALASKA STUDENT LOAN CORPORATION, a public corporation and government instrumentality created and existing under the laws of the State of Alaska (herein called the "Corporation"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States, as Trustee (herein called the "Trustee").

WITNESSETH:

WHEREAS, the Corporation and U.S. Bank National Association entered into an Indenture dated as of March 1, 2005 (the "Indenture") to secure issues of the Corporation's Student Loan Revenue Bonds; and

WHEREAS, under the terms of the Indenture, the Corporation and the Trustee may enter into a supplemental indenture from time to time to authorize the issuance of a Series of the Corporation's State Projects Revenue Bonds; and

WHEREAS, it is the purpose of this First Supplemental Indenture to authorize the issuance of the Corporation's State Projects Revenue Bonds, 2005 Series A, in the aggregate principal amount of \$88,305,000 (the "Series A Bonds"); and

WHEREAS, the Corporation is authorized to issue its Series A Bonds for the purpose, among other things, of funding State Projects; and

WHEREAS, all conditions, things, and acts required by the Constitution and statutes of the State of Alaska to exist, happen, and be performed precedent to and in connection with the issuance of the Series A Bonds exist, have happened, and have been performed in due time, form, and manner as required by law, and the Corporation is now duly authorized and empowered, pursuant to each and every requirement of law, to issue the Series A Bonds

for the purpose, in the manner, and upon the terms herein and in the Indenture provided; and

WHEREAS, in order to provide for the authentication and delivery of the Series A Bonds, to establish and declare the terms and conditions upon which the Series A Bonds are to be issued and secured, and to secure the payment of the principal thereof and of the interest thereon, the Corporation has authorized the execution and delivery of this Supplemental Indenture; and

WHEREAS, the Series A Bonds and the Trustee's certificate of authentication are to be in substantially the following forms with such insertions or variations as to any redemption or amortization provisions and interest rate provisions, and with such other necessary or appropriate variations, omissions, and insertions, as the Corporation's Chair or Executive Officer may approve and as may be permitted or required by the Indenture or this First Supplemental Indenture:

[FORM OF BOND]

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to [Paying Agent, City, State], or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

Maturity Date: _____ 1, _____ No. R-
Interest Rate: _____ % C U S I P
No.: _____
Principal Amount: \$ _____

ALASKA STUDENT LOAN CORPORATION

STATE PROJECTS REVENUE BONDS

2005 Series A

Alaska Student Loan Corporation (hereinafter called the "Corporation"), a public corporation and government instrumentality of

the State of Alaska (herein called the "State") created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay, but solely from the revenues and assets pledged therefor pursuant to the hereinafter defined Indenture, to CEDE & Co., or registered assigns, the principal amount specified above on the maturity date specified above, upon the presentation and surrender hereof, and to pay interest on said principal sum, but solely from the aforementioned pledged revenues and assets, to the registered owner of this Bond from March 30, 2005, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, until the Corporation's obligation with respect to the payment of said principal sum shall be discharged, at the rate per annum specified above, payable July 1, 2005, and semi-annually thereafter on the first day of July and on the first day of January (the "Interest Payment Dates"). The principal of this Bond is payable when due upon presentation and surrender hereof at the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota, as Trustee, or as otherwise directed by the Trustee. Interest on this Bond shall be paid by mailing a check on the Interest Payment Date for such interest payable to or upon the written order of the person entitled thereto (such person being the holder of record on the Record Date, as defined below, applicable to such Interest Payment Date) at such person's address as it appears on the bond register of the Corporation; provided, however, that the registered owner of this Bond may request payment of interest at the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota, on any Interest Payment Date if such registered owner notifies the Trustee in writing not later than 30 days before such Interest Payment Date of such registered owner's election to so receive such payment of interest; and provided, further, that the registered owner of \$1,000,000 or more in principal amount of the Series A Bonds shall be paid interest by wire transfer to an account in the United States if such registered owner makes a written request to the Trustee at least 30 days before the Interest Payment Date on which such wire transfer payments are to begin, specifying the account address; provided, however, that while this Bond is held in a Book Entry System,

principal of and interest on this Bond shall be paid as provided in the hereinafter described First Supplemental Indenture. Interest on this Bond will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Payment shall be made in lawful money of the United States of America.

This Bond is one of the Bonds of the Corporation designated "Alaska Student Loan Corporation, State Projects Revenue Bonds, 2005 Series A" (herein called the "Bonds"), authorized to be issued under and pursuant to Sections 100 -- 390 of Chapter 42 of Title 14 of the Alaska Statutes, as amended (herein called the "Act"), and an Indenture by and between the Corporation and U.S. Bank National Association, as Trustee, (said Trustee thereto under the Indenture and the First Supplemental Indenture herein called the "Trustee") dated as of March 1, 2005, and the First Supplemental Indenture by and between the Corporation and the Trustee dated as of March 1, 2005 (herein called the "Indenture" and the "First Supplemental Indenture", respectively) which together set forth the terms upon which the Bonds are issued and describe the security therefor. Unless otherwise defined herein, capitalized words used herein shall have the meaning assigned to them in the Indenture or First Supplemental Indenture.

The Record Date in respect of any Interest Payment Date on this Bond shall be the 15th day of the month immediately preceding such Interest Payment Date, regardless of whether such day is a Business Day.

The Bonds are issued in the aggregate principal amount of \$88,305,000 under the Indenture and First Supplemental Indenture in denominations of \$5,000 and any integral multiple thereof, in fully registered form only. Copies of the Indenture and First Supplemental Indenture are on file at the office of the Corporation in Juneau, Alaska, and at the corporate trust office of the Trustee, and reference to the Indenture and the First Supplemental Indenture and any and all supplements, modifications, and amendments to either of them and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent, and manner of enforcement of such pledges, the

rights and remedies of the registered owners of the Bonds with respect thereto, and the terms and conditions upon which the Bonds have been issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture or any indenture amendatory thereof or supplemental thereto (including the First Supplemental Indenture) may be modified or amended by the Corporation. The holder of this Bond shall have no right to enforce the provisions of the Indenture or the First Supplemental Indenture, to institute action to enforce the provisions of the Indenture or the First Supplemental Indenture, or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the Indenture and the First Supplemental Indenture. In certain events, on the conditions, in the manner, and with the effect set forth in the Indenture and the First Supplemental Indenture, all or part of the principal of the Bonds, with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

The Bonds are not transferable when held in the Book Entry System except out of the Book Entry System under the conditions described in the First Supplemental Indenture. This Bond is transferable, as provided in the Indenture, only upon the bond register of the Corporation kept by the Trustee, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate principal amount, interest rate, and maturity shall be issued to the transferee in exchange therefor as provided in the Indenture and upon the payment of charges, if any, as therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes whatsoever.

This Bond is a special, limited obligation of the Corporation payable solely from revenues and assets pledged under the Indenture and any

supplemental indentures (including, but not limited to, the First Supplemental Indenture) adopted under the Indenture. The Bonds do not constitute a debt, liability, or other obligation of the State or of any political subdivision of the State other than the Corporation. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof (including the Corporation) is pledged to the payment of the principal of or interest on the Bonds. The Corporation has no taxing power.

This Bond is not subject to redemption prior to its scheduled maturity.

Neither the members of the Corporation nor any person executing this Bond shall be liable personally hereon or shall be subject to any personal liability or accountability by reason of its execution.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture or the First Supplemental Indenture until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts, conditions, and things required by the Constitution and statutes of the State and the Indenture and the First Supplemental Indenture to exist, to have happened, and to have been performed precedent to and in the issuance of this Bond exist, have happened, and have been performed in due time, form, and manner as required by law and that the issue of the Bonds, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Alaska Student Loan Corporation has caused this Bond to be executed in its name by the manual signature of its Chair or Executive Officer, attested by the manual signature of an Authorized Officer, and its corporate seal to be affixed, imprinted, engraved, or otherwise reproduced hereon.

ALASKA STUDENT LOAN CORPORATION

By _____
[S E A L]
Chair

A T T E S T :

Authorized Officer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned First Supplemental Indenture and is one of the State Projects Revenue Bonds, 2005 Series A, of the Alaska Student Loan Corporation.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____

Authorized Signatory

Date of Authentication:

and

WHEREAS, all acts and proceedings required by law necessary to make the Series A Bonds, when executed and duly issued by the Corporation and authenticated and delivered by the Trustee, the valid, binding, and legal obligations of the Corporation and to constitute the Indenture and this First Supplemental Indenture a valid and binding agreement for the uses and purposes therein and herein set forth, in accordance with their terms, have been done and taken; and the execution and delivery of the

Indenture and this First Supplemental Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the interest on, all Series A Bonds at any time issued and outstanding under this First Supplemental Indenture, according to their tenor, and to secure the performance and observance of all the covenants therein and herein set forth, and to declare the terms and conditions upon and subject to which the Series A Bonds are to be issued and received, and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series A Bonds by the holders thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Corporation covenants and agrees with the Trustee, for the benefit of the respective holders from time to time of the Series A Bonds, as follows:

**ARTICLE ARTICLE I
DEFINITIONS**

Section 101 - Definitions. In this First Supplemental Indenture, unless the context otherwise requires, the following words and terms shall have the meanings set forth in this Section:

"Beneficial Owner" shall mean either the person in whose name a Series A Bond is recorded as the beneficial owner of such Series A Bond by the respective systems of DTC Participants or, if the Series A Bond is not then registered in the name of Cede & Co. and held in the Book Entry System, the Bondholder of the Series A Bond.

"Book Entry System" shall mean the system in which the Series A Bonds (represented by one Series A Bond certificate for each maturity of the Series A Bonds) are delivered into the possession of DTC and are issued and fully-registered as to principal and interest in the name of Cede & Co., and whereby beneficial interests in the Series A Bonds are purchased by investors through DTC Participants, such interests shown and transfers thereof effected only through the records

maintained by the respective DTC Participants from whom each such investor acquired such beneficial interest.

"Bond Insurer" shall mean Financial Security Assurance Inc., a New York Stock insurance company, or any successor thereto or assignee thereof.

"Capital Reserve Fund Requirement" shall mean, at any time, Eligible Capital Reserve Assets in a principal amount equal to the least of the following amounts: (1) 10% of the stated principal amount of the Series A Bonds; (2) 125% of average annual principal and interest payments required for the Series A Bonds; or (3) the maximum annual principal and interest required for the Series A Bonds.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series A Bonds.

"Closing Date" shall mean March 30, 2005.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Certificate" shall mean the Continuing Disclosure Certificate between the Corporation and the Trustee dated March 30, 2005, as originally executed and as it may be amended from time to time in accordance with its terms.

"DTC" shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"DTC Participants" shall mean trust companies, banks, brokers, dealers, clearing corporations, and certain other organizations that are participants of DTC.

"Eligible Capital Reserve Assets" shall mean (i) cash, (ii) Investment Securities, (iii) a non-cancelable surety bond issued by an insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on

behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such surety bond, is rated in the highest rating category by any Rating Agency and if the Corporation files with the Trustee a Rating Confirmation reflecting such surety bond, and (iv) an irrevocable letter of credit issued by a financial institution which maintains an office, agency or branch in the United States and, as of the time of issuance of such letter of credit, is rated in one of the two highest long-term rating categories by one or more of the Rating Agencies, but only if the Corporation files with the Trustee a Rating Confirmation reflecting such letter of credit.

"Indenture" shall mean the Indenture between the Corporation and U.S. Bank National Association, as Trustee, dated as of March 1, 2005, and securing the Corporation's State Projects Revenue Bonds.

"Interest Payment Date" shall mean each January 1 and each July 1, commencing with July 1, 2005.

"Investment Securities" for all purposes other than (i) investments in escrow accounts and (ii) investing, and receiving credit for, accrued and capitalized interest shall mean:

- (a) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;
- (b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America:
 - Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Rural Economic Community Development Administration (formerly known as Farmers Home Administration)

- General Services Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - Government National Mortgage Association (GNMA)
 - U.S. Department of Housing & Urban Development (PHA's)
 - Federal Housing Administration
 - Federal Financing Bank;
- (f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's, including money market funds from which the Trustee or its affiliate derives a fee for investment advisory or other services to the fund;
- (g) Pre-refunded municipal obligations defined as follows:
- Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's; or (B)(i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the
- (c) Senior debt obligations rated "AAA" by Standard & Poor's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, obligations of the Resolution Funding Corporation (REFCORP), senior debt obligations of the Federal Home Loan Bank System, and senior debt obligations of any government sponsored agencies approved by Financial Security Assurance Inc.;
- (d) U.S. Dollar denominated deposit accounts, federal funds, and bankers' acceptances with domestic commercial banks (including any affiliate of the Trustee) which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and maturing no more than 360 days after the date of purchase (for purposes of this definition, the rating of a holding company shall not be considered the rating of any bank held by such holding company);
- (e) Commercial paper which is rated at the time of purchase "A-1+" by Standard & Poor's and which matures not more than 270 days after the date of purchase;

- maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (h) general obligations of states with a rating of at least "A2/A" or higher by Standard & Poor's.
- (i) Repurchase agreements for 30 days or less provided the following criteria are met:
- (i) the agreement must be between the Corporation, the Trustee, or third party acting as agent for the Corporation or the Trustee, and a dealer bank or securities firm, which may only include:
- 1) primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's and Moody's, or
 - 2) banks rated "A" or above by Standard & Poor's and Moody's;
- (ii) the written contract must include the following:
- 1) securities which are acceptable for transfer are Investment Securities
- described in (a), (b) and (c) above;
- 2) the term of the agreement may be up to 30 days;
 - 3) the collateral must be delivered to the Corporation, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee before or simultaneously with payment;
 - (4) the securities must be valued weekly, marked-to-market at current market price plus accrued interest; the value of the collateral must be equal to 104% of the amount of cash transferred by the Corporation or the Trustee to the dealer bank or security firm under the agreement plus accrued interest; if the value of the securities held as collateral is, at any time, below 104% of the value of the cash transferred by the Corporation or the Trustee, then additional cash or acceptable securities (as described in (ii)(1)

of this paragraph) must be transferred; if, however, the securities used as collateral are FNMA or FHLMC obligations, then the value of collateral must equal 105%; and

- (iii) the Corporation or the Trustee must receive a legal opinion stating that the form of the agreement, which shall be attached to such opinion, meets guidelines under State law for legal investment of public funds; provided, however, that the opinion described in this clause (iii) is required to be delivered only on the date of issuance of the Bonds and on the date the Corporation or Trustee enters into a repurchase agreement that is in a form materially different from the form for which an opinion has previously been given pursuant to this clause (iii)."
- (j) 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 Standard & Poor's and "Aa" by Moody's; provided that, by the

terms of the investment agreement:

- (i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;
- (ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Corporation and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- (iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its

other unsecured and unsubordinated creditors;

(iv) the Corporation or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Corporation and the Bond Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Bond Insurer;

(v) the investment agreement shall provide that if during its term:

1) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable

state and federal laws (other than by means of entries on the provider's books) to the Corporation, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

2) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or

falls below "A-
" or "A3",
respectively,
the provider
must, at the
direction of the
Corporation or
the Trustee
(who shall
give such
direction if so
directed by the
Bond Insurer),
within 10 days
of receipt of
such direction,
repay the
principal of
and accrued
but unpaid
interest on the
investment, in
either case
with no
penalty or
premium to
the
Corporation or
Trustee, and

(vi) The investment
agreement shall state
and an opinion of
counsel shall be
rendered, in the event
collateral is required to
be pledged by the
provider under the
terms of the
investment agreement,
at the time such
collateral is delivered,
that the Holder of the
Collateral has a
perfected first priority
security interest in the
collateral, any
substituted collateral
and all proceeds
thereof (in the case of
bearer securities, this
means the Holder of

the Collateral is in
possession);

(vii) the investment
agreement must
provide that if during its
term:

1) the provider
shall default in
its payment
obligations,
the provider's
obligations
under the
investment
agreement
shall, at the
direction of the
Corporation or
the Trustee
(who shall
give such
direction if so
directed by the
Bond Insurer),
be accelerated
and amounts
invested and
accrued but
unpaid interest
thereon shall
be repaid to
the
Corporation or
Trustee, as
appropriate,
and

2) the provider
shall become
insolvent, not
pay its debts
as they
become due,
be declared or
petition to be
declared
bankrupt, etc.
("event of
insolvency"),
the provider's
obligations

s h a l l
automatically
be accelerated
and amounts
invested and
accrued but
unpaid interest
thereon shall
be repaid to
t h e
Corporation or
Trustee, as
appropriate.

If Additional Bonds are issued and Investment Securities are defined differently in the supplemental indenture or Indenture, then only those investments appearing in both or all definitions shall be Investment Securities.

"Letter of Instructions" shall mean a letter of instructions from the Corporation to the Trustee, accompanied by an opinion of Bond Counsel to the effect that compliance with the provisions of such Letter of Instructions (or amendment or supplement thereto) is necessary under Section 148 of the Code and Regulations adopted thereunder.

"Letter of Representations" shall mean the Blanket Issuer Letter of Representations dated July 26, 1995, from the Corporation to DTC, which shall be the binding obligation of the Corporation.

"Municipal Bond Insurance Policy" shall mean the municipal bond insurance policy issued by Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series A Bonds when due.

"Payment Date" shall mean any Interest Payment Date and any other date on which a payment of principal of or interest on the Series A Bonds is due hereunder or under the Indenture.

"Purchasers" shall mean RBC Dain Rauscher Inc. and the other underwriters, if any, identified in the Bond Purchase Agreement dated March 22, 2005, relating to the sale of the Series A Bonds.

"Record Date" shall mean, with respect to any Interest Payment Date for the Series A Bonds, the 15th day of the month preceding such Interest Payment Date, regardless of whether such day is a Business Day.

"Regulations" shall mean the regulations adopted under the Code.

"Series A Bonds" shall mean the Corporation's \$88,305,000 State Projects Revenue Bonds, 2005 Series A.

"Standard & Poor's" shall mean Standard & Poor's Ratings Group or any successor thereto.

"Supplemental Indenture" shall mean this First Supplemental Indenture.

Unless otherwise expressly provided herein, capitalized terms used herein shall have the meanings assigned to them in the Indenture.

Section 102 - Conflict with Indenture. In the event of a conflict between the provisions of this Supplemental Indenture and the Indenture or any other supplemental indenture, the provisions of this Supplemental Indenture shall govern for so long as any of the Series A Bonds remain Outstanding (except as may be otherwise provided herein).

ARTICLE II AUTHORIZATION, TERMS AND ISSUANCE

Section 201 - Authorization, Principal Amount, Designation, and Series; Creation of Funds and Accounts. A Series of State Projects Bonds (denominated the "Series A Bonds") is hereby authorized to be issued in the aggregate principal amount of \$88,305,000. The Corporation has ascertained and hereby determines and declares that the issuance of the Series A Bonds is authorized by the Act and is necessary or convenient to carry out the powers and duties expressly provided by the Act and to carry out and effectuate the purposes of the Corporation in accordance with the Act. In addition to the title "State Projects Revenue Bond" the Series A Bonds shall bear the additional designation "2005 Series A" after said title, and each as so designated shall be entitled

"State Projects Revenue Bond, 2005 Series A" the Corporation hereby designates the Series A Bonds as Class 1 Bonds. The Series A Bonds may be issued only in fully registered form. There is hereby created in connection with the issuance of the Series A Bonds the 2005 Series A State Projects Account within the State Projects Fund and the 2005 Series A Pledged Loans Account within the Pledged Loans Fund, each of said accounts to be maintained and used in accordance with the Indenture and this Supplemental Indenture.

Section 202 - Purposes. The Series A Bonds are being issued for the purpose of funding State Projects.

Section 203 - Date of Series A Bonds. The Series A Bonds shall be dated March 30, 2005.

Section 204 - Maturities and Interest Rates; Other Terms. (A) The Series A Bonds shall mature on January 1 and July 1 of the following years in the principal amounts set forth opposite each such date, and the Series A Bonds maturing on each such date shall bear interest from March 30, 2005, or from the most recent Interest Payment Date to which interest has been paid, payable semi-annually on each Interest Payment Date, commencing July 1, 2005, at the rate set opposite such date in the following table:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
January 2006	\$6,305,000	5.00%
July 1, 2006	6,000,000	5.00
January 1, 2007	6,000,000	5.00
July 1, 2007	6,000,000	5.00
January 1, 2008	5,500,000	5.00
July 1, 2008	5,500,000	5.00
January 1, 2009	5,500,000	5.00
July 1, 2009	5,000,000	5.50
January 1, 2010	5,000,000	5.00
July 1, 2010	5,000,000	5.50
January 1, 2011	5,000,000	5.00
July 1, 2011	4,500,000	5.00
January 1, 2012	4,500,000	5.25
July 1, 2012	4,250,000	5.25
January 1, 2013	4,250,000	5.25
July 1, 2013	4,000,000	5.25
January 1, 2014	3,000,000	5.25
July 1, 2014	3,000,000	5.25

Interest on the Series A Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(B) The Series A Bonds will be secured by Credit Enhancement in the form of the Municipal Bond Insurance Policy and will not include any tender or put options.

Section 205 - Denominations, Numbers, and Letters. The Series A Bonds maturing in each year shall initially be issued in global book entry form registered in the name of Cede & Co., as nominee for DTC, and, subject to Section 208, may thereafter be issued in fully registered form in denominations of \$5,000, or any whole multiple thereof not exceeding the aggregate principal amount of Series A Bonds maturing in such year. The Series A Bonds shall be numbered separately from 1 consecutively upwards in such order as the Trustee in its discretion shall determine.

Section 206 - Paying Agents; Method of Payment. (A) The Trustee is hereby appointed the Paying Agent for the Series A Bonds pursuant to Section 1102 of the Indenture.

(B) While the Series A Bonds are held in the Book Entry System, payment of principal thereof and interest thereon shall be made by wire transfer of same day funds or in such other manner as permitted by the Letter of Representations to the account of Cede & Co. on the Payment Date at the address indicated for Cede & Co. in the bond register kept by the Trustee.

(C) While the Series A Bonds are not held in the Book Entry System, principal of and interest on the Series A Bonds shall be paid by mailing a check on the Payment Date on which such principal or interest is due, payable to or upon the written order of the Bondholders, as of each Record Date, of the Series A Bonds at their addresses as they appear on the bond register; provided, however, that (i) any such Bondholder may request such payment in person at the principal corporate trust office of the Trustee on any Payment Date if such Bondholder notifies the Trustee in writing not later than 30 days before such Interest Payment Date of such Bondholder's election so to receive

such payment of interest; and (ii) a registered owner of \$1,000,000 or more in principal amount of the Series A Bonds shall be paid interest by wire transfer to an account in the United States if such Bondholder makes a written request to the Trustee at least 30 days before the Interest Payment Date on which such wire transfer payments are to begin specifying the account address.

(D) All payments under (B) or (C) of this Section shall be accompanied by CUSIP number identification (with appropriate dollar amount of payment pertaining to each CUSIP number in case there is more than one CUSIP number in connection with a payment) for the Series A Bonds to which the payment pertains. Payment of principal of the Series A Bonds under (B) or (C) of this Section shall be made when due upon presentation and surrender of the Series A Bonds to which such payment pertains at the principal corporate trust office of the Trustee in St. Paul, Minnesota, or at such other location as directed by the Trustee.

(E) For purposes of Section 503(C), paragraph Fourth, of the Indenture, in determining the amounts to be paid into the Principal Account pursuant to said paragraph, principal of the Series A Bonds shall be deemed to accrue each month in an amount equal to the principal amount of the Series A Bonds scheduled to mature on the next maturity date as set forth in Section 204(A) divided by the number of whole months between the month in which such deposit is to be made and the said maturity date (inclusive of both such months).

Section 207 - Redemption. The Series A Bonds are not subject to redemption prior to their respective scheduled maturities.

Section 208 - Book Entry Series A Bonds. (A) So long as the Series A Bonds are held in the Book Entry System the holder of all of the Series A Bonds shall be DTC, and the Series A Bonds shall be registered in the name of Cede & Co., as nominee for DTC. The Letter of Representations is incorporated herein by reference.

(B) The Series A Bonds shall be initially issued in the form of a single fully

registered certificate in the amount of each separate stated maturity of the Series A Bonds. Upon initial issuance, the ownership of such Series A Bonds shall be registered in the registry books of the Corporation kept by the Trustee in the name of Cede & Co., as nominee of DTC. The Trustee and the Corporation may treat DTC (or its nominee) as the sole and exclusive holder of the Series A Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Series A Bonds, selecting the Series A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Indenture or this Supplemental Indenture, registering the transfer of Series A Bonds, and obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Trustee nor the Corporation shall be affected by any notice to the contrary. Neither the Trustee nor the Corporation shall have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Series A Bonds under or through DTC or any DTC Participant, or any other person not shown on the registration books kept by the Trustee as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any DTC Participant, the payment by DTC or any DTC Participant of any amount in respect of the principal or Redemption Price of or interest on the Series A Bonds; any notice permitted or required to be given to Bondholders under this Indenture; the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Series A Bonds; or any consent given or other action taken by DTC as Bondholder. The Trustee shall pay from moneys available hereunder all principal of and premium, if any, and interest on the Series A Bonds only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as adopted in the State), and all such payments shall be valid and effective to fully satisfy and discharge the Corporation's obligations with respect to the principal of and premium, if any, and interest on the Series A Bonds to the extent of the sum or sums so paid. So long as the Series A Bonds are held in the Book Entry System, no person other than DTC shall receive an authenticated Series A Bond certificate. Upon delivery by DTC to the Trustee

of DTC's written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of the Indenture and this Supplemental Indenture with respect to transfers of Series A Bonds, the term "Cede & Co." in this Supplemental Indenture shall refer to such new nominee of DTC.

Section 209 - Delivery of Series A Bond Certificates. At any time, the Corporation may notify DTC and the Trustee, whereupon DTC will notify the DTC Participants, of the availability through DTC of Series A Bond certificates. In such event, the Trustee shall issue, transfer, and exchange, at the Corporation's expense, fully registered Series A Bond certificates as requested in writing by DTC in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series A Bonds at any time by giving written notice to the Corporation and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if no successor securities depository is appointed by the Corporation), the Corporation and the Trustee shall be obligated to deliver Series A Bond certificates as described in the Indenture and this Supplemental Indenture, provided that the expenses in connection therewith shall be paid by the Corporation. In the event Series A Bond certificates are issued, the provisions of the Indenture and this Supplemental Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and premium, if any, and interest on such certificates. Whenever DTC requests the Corporation to do so, the Corporation will cooperate with DTC in taking appropriate action after written notice (a) to make available one or more separate certificates evidencing the Series A Bonds to any DTC Participant having Series A Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series A Bonds.

ARTICLE ARTICLE III EXECUTION AND DELIVERY

Section 301 - Execution. The Series A Bonds shall be executed by the manual or

facsimile signature of the Chair, Executive Officer, or Finance Officer of the Corporation, with such signature attested by the manual or facsimile signature of an

Authorized Officer, and the seal of the Corporation (or a facsimile thereof) shall be affixed, engraved, imprinted, or otherwise reproduced thereon.

Section 302 - Delivery. After their execution as hereinabove provided, the Series A Bonds to be delivered to the Purchasers shall be authenticated by the Trustee and, upon satisfaction of the conditions contained in the Indenture, shall be delivered to the Purchasers.

ARTICLE ARTICLE IV DISPOSITION OF PROCEEDS

Section 401 - Series A State Projects Account; Capital Reserve Fund. Upon receipt of the proceeds of sale of the Series A Bonds, the Corporation shall deposit (i) all of said proceeds in the Series A State Projects Account, and (ii) Eligible Capital Reserve Assets in an amount at least equal to the Capital Reserve Requirement in the Capital Reserve Fund. The Corporation may, at any time, satisfy the Capital Reserve Requirement by depositing into the Capital Reserve Fund, either in addition to other assets then in the Capital Reserve Fund or in replacement thereof, Eligible Capital Reserve Assets.

Section 402 - [RESERVED].

Section 403 - Application of Proceeds. The Trustee shall apply amounts in the Series A State Projects Account at the direction of the Corporation (a) to the payment of reasonable and necessary costs of issuance of the Series A Bonds and (b) to the payment of costs of Series A State Projects.

ARTICLE ARTICLE V TAX MATTERS

Section 501 - Rebate Procedures. (A) For purposes of complying with the arbitrage rebate requirements of Section 148 of the Code and Section 1.148-3 of the Regulations, the Corporation or its designee shall calculate rebatable arbitrage in accordance with this

Section and shall assure payment, or shall direct the Trustee to pay (but, with respect to the Trustee, only from amounts in Funds and Accounts as provided in the Indenture or this Supplemental Indenture or, if such amounts are insufficient or unavailable for such purpose, from amounts delivered for such purpose to the Trustee from the Corporation), such rebatable arbitrage to the United States in accordance with this Section. The Trustee shall not be responsible for calculating rebate amounts, for the adequacy or correctness of any rebate reports, or for enforcing compliance with rebate filing or reprinting requirements.

(B) The Corporation shall calculate and pay, or cause to be paid, the rebatable arbitrage described in (A) of this Section in the manner, at the times, and otherwise in accordance with the procedures set forth in Section 1.148-3 of the Regulations. For purposes of such Regulations, the computation dates shall be June 30, 2005, and June 30 of every fifth year thereafter until all of the Series A Bonds have been discharged within the meaning of said Regulations.

(C) The Corporation covenants that it will engage professionally competent advisors recognized in the field of municipal finance and arbitrage rebate computation to assist it in complying with the arbitrage rebate computations required by Section 148 of the Code and by this Section.

(D) To the extent of any conflict between this Section 501 and any Letter of Instructions respecting the method of calculating any amount to be rebated to the United States, the Letter of Instructions shall control.

Section 502 - Tax Covenants. (A) The Corporation shall not directly or indirectly use or permit the use of any proceeds of the Series A Bonds or any other funds of the Corporation or take or omit to take any action that would cause the Series A Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and Regulations promulgated thereunder. To that end, the Corporation will comply with all requirements of Section 148(a) of the Code to the extent applicable to the Series A Bonds. In the event that for purposes of this Section 502 it

is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Corporation shall so instruct the Trustee in writing, and the Trustee shall take such action as directed. The Corporation specifically covenants that the Corporation will pay or cause to be paid to the United States at the times and in the amounts determined under this Supplemental Indenture the rebate amounts described herein. The Corporation further covenants and agrees that it will take all action necessary to assure that interest on the Series A Bonds shall be excludable from gross income for purposes of Federal income taxation.

(B) Terms used in this Section and not otherwise defined herein shall have the meanings assigned to such terms under the Code and Regulations.

ARTICLE ARTICLE VI RIGHTS OF THE BOND INSURER

The provisions of Sections 601 shall remain in effect so long as the Municipal Bond Insurance Policy shall be in effect.

Section 601 - Capital Reserve Fund. The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any Credit Enhancement provided in lieu of a cash deposit into the Capital Reserve Fund. In addition, if the Corporation fails to comply with the certification requirement of Section 709(b) of the Indenture, the Bond Insurer shall be entitled to direct the Trustee to exercise remedies of enforcement found in Section 1003(A)(I) of the Indenture.

Section 602 - Voting Right or Privilege. The Bond Insurer shall be deemed to be the sole holder of the Series A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series A Bonds are entitled to take pursuant Article IX and Article X of the Indenture.

Section 603 - Acceleration. Payment of the Series A Bonds insured by the Bond Insurer shall not be accelerated without the consent of the Bond Insurer. In the event payment of the

Series A Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay the accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Corporation) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Series A Bonds shall be fully discharged.

Section 604 - Covenant Default. No grace period for a covenant default shall exceed 30 days, nor be extended for more than 60 days, without the prior written consent of the Bond Insurer.

Section 605 - Third Party Beneficiary. The Bond Insurer is deemed a third party beneficiary to the Indenture so long as the Series A Bonds are insured by the Bond Insurer.

Section 606 - Amendment or Modification to Indenture. No modification or amendment to the Indenture or this First Supplemental Indenture may become effective except upon obtaining the prior written consent of the Bond Insurer. Copies of any modification or amendment to the Indenture or this First Supplemental Indenture shall be sent to Fitch and Standard & Poor's at least 10 days prior to the effective date thereof.

Section 607 - Event of Default. Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or the occurrence and continuance of an event which with notice or lapse of time or both would constitute an Event of Default amounts on deposit in the Series A State Projects Account shall not be disbursed but shall instead be applied to the payment of debt service or redemption price of the Series A Bonds.

Section 608 - Rights of the Bond Insurer. The rights granted to the Bond Insurer under the Indenture and this First Supplemental Indenture to request, consent to, or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by the

Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders nor does such action evidence any position of the Bond Insurer, positive or negative, as to whether Bondholder consent is required in addition to consent of the Bond Insurer.

Section 609 - Defeasance of the Series A Bonds. The Series A Bonds shall be defeased in the manner set forth in Section 1201 of the Indenture, provided however, so long as the Series A Bonds are insured by the Bond Insurer, the following additional requirements must also be satisfied unless otherwise approved by the Bond Insurer:

(A) The Corporation irrevocably sets aside in a special account the following investment securities pledged to affect such redemption or retirement of the Series A Bonds: (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated "AAA" and "Aaa" by Standard & Poor's and Moody's, respectively or (5) securities eligible for "AAA" defeasance under then existing criteria of Standard & Poor's or any combination thereof;

(B) The Corporation secures a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer (the "Accountant") verifying the sufficiency of the escrow established to pay the Series A Bonds in full on the maturity or redemption date (the "Verification");

(C) The Bond Insurer accepts the form and substance of the escrow deposit agreement;

(D) A defeasance opinion of nationally recognized bond counsel is rendered in connection with the redemption or retirement of the Series A Bonds; and

(E) The Trustee shall execute a certificate of discharge in connection with the redemption or retirement of the Series A Bonds.

The Bond Insurer shall be provided with final drafts of the items (B) - (E) above not less than five Business Days prior to funding the defeasance escrow.

Section 610 - Bond Insurer Payments.

Amounts paid by the Bond Insurer under the Municipal Bond Insurance Policy shall not be deemed paid for purposes of the Indenture and shall remain outstanding and continue to be due and owing until paid by the Corporation in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

Section 611 - Corporation and Trustee Covenants. The Corporation and the Trustee hereby covenant and agree to take such action as is necessary from time to time to preserve the priority of the pledge of Trust Estate under applicable law.

Section 612 - Claims Upon the Municipal Bond Insurance Policy and Payments by and to the Bond Insurer. If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series A Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series A Bonds due on such Payment Date, the Trustee shall make a claim under the Municipal Bond

Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series A Bonds and the amount required to pay principal of the Series A Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Municipal Bond Insurance Policy.

The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any Series A Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Municipal Bond Insurance Policy the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Series A Bonds under the sections hereof regarding payment of Series A Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary otherwise set forth in the Indenture, and to the extent permitted by law, in the event amounts paid under the Insurance Policy are applied to claims for payment of principal of or interest on

the Series A Bonds, interest on such principal of and interest on such Series A Bonds shall accrue and be payable from the date of such payment at the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate plus 3%, and (ii) the then applicable rate of interest on the Series A Bonds provided that in no event shall such rate exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Bond Insurer.

Section 613 - Bond Insurer Payments. The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy. The obligations to the Bond Insurer shall survive discharge or termination of the Indenture.

Section 614 - Reimbursement to Bond Insurer. To the extent permitted by law, the Corporation shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture; (ii) the pursuit of any remedies under the Indenture or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture whether or not executed or completed, (iv) the violation by the Corporation of any law, rule or regulation, or any judgment, order or decree applicable to it, or (v) any litigation or other dispute in connection with the Indenture or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Bond

Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

Section 615 - Application of Fund Upon Default. After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to payment of expenses of the Corporation or rebate only after the payment of debt service due, and past due, on the Series A Bonds, together with replenishment of the Capital Reserve Fund.

Section 616 - Payments By the Bond Insurer. The Bond Insurer shall be entitled to pay principal or interest on the Series A Bonds that shall become Due for Payment but shall be unpaid by reason of nonpayment by the Corporation (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series A Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Bond Insurer has received a notice of nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

Section 617 - Address of Bond Insurer. The notice address of the Bond Insurer is: Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing Director- Surveillance, Re: Policy No. , Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

Section 618 - Submission of Information to Bond Insurer. The Bond Insurer shall be provided with the following information:

- (i) Annual audited financial statements within 150 days after the end of the Corporation's fiscal year (together with a certification of the Corporation that it is not

- aware of any default or Event of Default under the Indenture), and the Corporation's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;
- (ii) Notice of any draw upon the Capital Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Capital Reserve Requirement and (ii) withdrawals in connection with a refunding of Series A Bonds;
 - (iii) Notice of any default known to the Trustee or the Corporation within five Business Days after knowledge thereof;
 - (iv) Prior notice of the advance refunding or redemption of any of the Series A Bonds, including the principal amount, maturities and CUSIP numbers thereof;
 - (v) Notice of the resignation or removal of the Trustee and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;
 - (vi) Notice of the commencement of any proceeding by or against the Corporation commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
 - (vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential

transfer of any payment of principal of, or interest on, the Series A Bonds; and

- (viii) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Indenture, other than a Supplemental Indenture authorizing a new Series of Bonds.

Section 619 - Trustee's Consideration.

In determining whether any amendment, consent or other action to be taken, or any failure to act, under the Indenture would adversely affect the security for the Series A Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, action or inaction as if there were no Municipal Bond Insurance Policy.

Section 620 -Written Consent.

(i) The Corporation shall secure the written consent of the Bond Insurer prior to the following events:

- (a) issuance of Additional Bonds;
- (b) release of Excess Coverage; or
- (c) sale of any Pledged Loan at a price lower than the principal amount thereof.

The Corporation shall also provide the Trustee with Rating Confirmation prior to the occurrence of the events described above.

- (ii) No contract shall be entered into nor any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Series A Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

Section 621 Shadow Rating. For purposes of the Series A Bonds, the rating

provided to the Bond Insurer (as described in the last sentence of the definition of Rating Confirmation) shall mean an "A" rating by S&P and Fitch, or such other rating as shall be agreed to by the Corporation and the Bond Insurer.

ARTICLE ARTICLE VII
MISCELLANEOUS

Section 701 - [RESERVED].

Section 702 - No Recourse Against Members or Other Persons. No recourse shall be had for the payment of the principal of or interest on the Series A Bonds or for any claim based thereon or on this Supplemental Indenture against any member of the Corporation or any person executing the Series A Bonds and neither the members of the Corporation nor any person executing the Series A Bonds shall be liable personally on the Series A Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 703 - [RESERVED].

Section 704 - Reports; Future Issues; Continuing Disclosure. (A) As long as Fitch or Standard & Poor's Ratings Group is a Rating Agency with respect to the Series A Bonds, the Corporation covenants to provide Fitch or Standard & Poor's Ratings Group, respectively, with reasonably requested and required reports concerning the Corporation's finances and operations in a timely manner, provided that the request for any such report is in writing and is specific.

(B) As long as Standard & Poor's Ratings Group is a Rating Agency with respect to the Series A Bonds, the Corporation covenants to provide Standard & Poor's Ratings Group, prior to all future bond issues under the Indenture, with all reasonably required information necessary for Standard & Poor's Ratings Group to review and affirm their rating on the Series A Bonds.

(C) The Corporation hereby covenants and agrees that it will comply with and carry out all of the provisions of the

Continuing Disclosure Certificate. Notwithstanding any other provision of this Supplemental Indenture or of the Indenture, failure of the Corporation to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the request of any Purchaser or the holders of at least 25% aggregate principal amount of Outstanding Series A Bonds and upon receipt of indemnity satisfactory to it and payment of its fees and expenses, including attorneys fees, or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its obligations under this Section 704(C).

Section 705 - [RESERVED].

Section 706 - Effective Date. This First Supplemental Indenture shall be effective as of the date first above written.

IN WITNESS WHEREOF, the ALASKA STUDENT LOAN CORPORATION has caused this Supplemental Indenture to be executed by its Executive Officer, and U.S. BANK NATIONAL ASSOCIATION has caused this Supplemental Indenture to be executed by an authorized representative, all as of the day and year first above written.

ALASKA STUDENT LOAN CORPORATION

By _____
DIANE BARRANS
Executive Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
GREG SKUTNIK
Assistant Vice President

**WOHLFORTH, JOHNSON, BRECHT,
CARTLEDGE & BROOKING**
A PROFESSIONAL CORPORATION

ERIC A. AUTEN
JULIUS J. BRECHT
CHERYL RAWLS BROOKING
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March 30, 2005

Members of the Board of Directors of
the Alaska Student Loan Corporation
Juneau, Alaska 99811

Dear Members:

We have examined the Constitution and laws of the State of Alaska and a record of proceedings relating to the issuance of \$88,305,000 aggregate principal amount of State Projects Revenue Bonds, 2005 Series A (herein called the "Bonds") of the Alaska Student Loan Corporation (herein called the "Corporation"), a public corporation and government instrumentality of the State of Alaska created by and existing under Alaska Statutes 14.42.100-14.42.990, as amended (herein called the "Act").

The Bonds bear interest at the rates per annum and mature on the following dates in each of the following years in the respective amounts set forth opposite such year:

Maturity Date	<u>Principal Amount</u>	<u>Interest Rate</u>
January 1, 2006	\$6,305,000	5.00%
July 1, 2006	6,000,000	5.00
January 1, 2007	6,000,000	5.00
July 1, 2007	6,000,000	5.00
January 1, 2008	5,500,000	5.00
July 1, 2008	5,500,000	5.00
January 1, 2009	5,500,000	5.00
July 1, 2009	5,000,000	5.50
January 1, 2010	5,000,000	5.00
July 1, 2010	5,000,000	5.50
January 1, 2011	5,000,000	5.00
July 1, 2011	4,500,000	5.00
January 1, 2012	4,500,000	5.25
July 1, 2012	4,250,000	5.25
January 1, 2013	4,250,000	5.25
July 1, 2013	4,000,000	5.25
January 1, 2014	3,000,000	5.25
July 1, 2014	3,000,000	5.25

The Bonds are being issued in fully registered form only. Interest on the Bonds is payable on July 1, 2005, and semiannually thereafter on January 1 and July 1 in each year. The Bonds are not subject to redemption prior to their scheduled maturities.

In connection with the issuance of the Bonds, we have reviewed the Indenture (as hereinafter defined) and the tax certificate of the Corporation dated the date hereof (the "Tax Certificate"), certificates of the Corporation, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) by any parties other than the Corporation 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, accuracy of the factual matters represented, warranted or certified in the documents, referred to in the preceding paragraph. Furthermore, we have assumed compliance with the covenants and agreements contained in the Indenture (as hereinafter defined) and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we express no opinion as to the Official Statement or other offering material relating to the Bonds.

The Bonds are authorized to be issued pursuant to the Act and pursuant to the Indenture, dated as of March 1, 2005 (the "Master Indenture"), between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of March 1, 2005 (the "First Supplemental"), between the Corporation and the Trustee. On February 24, 2005, the Board of Directors of the Corporation adopted a resolution authorizing, among other things, the execution and delivery of the Indenture and the 2005 Bonds (the "Resolution").

The Master Indenture and the First Supplemental are collectively referred to herein as the "Indenture." Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Indenture.

Based on the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State, the Corporation has been duly created and organized and validly exists as a public corporation and government instrumentality in good standing under the laws of the State of Alaska, performing an essential public function with full corporate power and authority, among other things, to issue and sell the Bonds and to perform its obligations under the terms and conditions of the Indenture.

2. The Indenture has been duly authorized, executed, and delivered and constitutes a legal, valid, and binding instrument enforceable against the Corporation in accordance with its terms.

3. The Bonds are legal, valid, and binding special, limited obligations of the Corporation for the payment of which, in accordance with their terms, the Trust Estate (as defined in the Indenture) has been legally and validly pledged, and the Bonds are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture.

4. Interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code under existing statutes and court decisions. Such interest is not treated as a specific preference item to be included in calculating the federal alternative minimum taxes imposed on individuals and corporations by the Code, but such interest is included in calculating the "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax. The opinion set forth above in this paragraph is subject to the condition that the Corporation comply with certain arbitrage and rebate requirements set forth in Section 148 of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Corporation has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The Bonds, the interest on them, the income from them, and the transfer of them, and all assets, income, and receipts pledged to secure the payment of the Bonds, or

Members of the Board of Directors of
the Alaska Student Loan Corporation
March 30, 2005
Page 4

interest on them, are exempt from taxation by or under the authority of the State, except for inheritance and estate taxes and taxes on transfers by or in contemplation of death.

Sincerely yours,

WOHLFORTH, JOHNSON, BRECHT,
CARTLEDGE & BROOKING, P.C.

Cynthia L. Cartledge

FORM OF CONTINUING DISCLOSURE CERTIFICATE

There follows a summary of certain provisions of the Continuing Disclosure Certificate. This summary is not comprehensive and reference should be made to the full text of the Continuing Disclosure Certificate, which in all events governs matters relating to the terms and provisions of the Continuing Disclosure Certificate.

The Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Alaska Student Loan Corporation (the "Issuer") and U.S. Bank National Association (the "Dissemination Agent") in connection with the issuance of \$88,305,000 aggregate principal amount of the Issuer's State Projects Revenue Bonds, 2005 Series A (the "Bonds"). The Bonds are being issued pursuant to the Indenture dated as of March 1, 2005, by and between the Issuer and U.S. Bank National Association, as trustee (the "Trustee") and the First Supplemental Indenture, dated March 1, 2005, by and between the Corporation and the Trustee (the "First Supplemental Indenture," and together with the Master Indenture, the "Indenture").

Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Beneficial Owners in complying with the Rule (as defined below).

Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined, the following capitalized terms will have the following meanings:

"Accounting Principles" means the accounting principles applied from time to time in the preparation of the Issuer's annual financial statements, which initially are generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board of the American Institute of Certified Public Accountants (or its successor).

"Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"Commission" means the United States Securities and Exchange Commission.

"Disclosure Representative" means the Executive Officer of the Issuer or his or her designee.

"Listed Events" means any of the events listed under the caption "Reporting of Significant Events" of the Disclosure Certificate.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule as designated by the Commission.

"Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" means each National Repository and each State Repository, if any, as designated by the Commission and shall also mean Ambac Assurance.

"Rule" means Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and as designated by the Commission. As of the date of the Disclosure Certificate, there is no State Repository.

"Tax-exempt" means that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax.

Provision of Annual Reports.

(a) The Issuer will, on or before 215 days after the end of each fiscal year for the Corporation, (the "Filing Date"), commencing in 2006 for the fiscal year ended June 30, 2005, provide to each Repository an Annual Report. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the Disclosure Certificate.

(b) If the Issuer is unable to provide to the Repository an Annual Report by the date required in subsection (a) above, the Issuer will send a written notice of failure to file an Annual Report to each Repository.

(c) Each year, prior to the date for providing the Annual Report, the Issuer will determine the name and address of each Repository.

(d) Any filing required under the terms of this Disclosure Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Content of Annual Reports. The Issuer's Annual Report will contain or incorporate by reference the annual audited financial statements of the Issuer prepared in accordance with the generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (or its successor) and financial information and operating data generally of the type included in the final official statement for the Bonds under the following headings:

- (a) Characteristics of Pledged Loans;
- (b) Loan Delinquencies and Defaults;
- (c) Borrower Benefits; and
- (d) Program Expenses.

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, the Municipal Securities Rulemaking Board (the "MSRB") or the Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such other document so incorporated by reference.

Reporting of Significant Events and Fiscal Year.

(a) The Issuer will give notice of the occurrence of any of the following events in the manner and to the extent required by (d) and (e) of this Section:

1. Delinquency in payment when due of any principal of or interest on the Bonds.
2. Occurrence of any non-payment Event of Default under and as defined in the Indenture.

3. Amendment to the Indenture modifying the rights of the Holders of the Bonds.
4. Providing notice of redemption of any Bonds.
5. Defeasance of the Bonds or any portion thereof.
6. Any change in any rating on the Bonds.
7. Adverse tax opinions or events affecting the Tax-exempt status of the Bonds.
8. Any unscheduled draw on the Capital Reserve Fund reflecting financial difficulties of the Corporation.
9. Any unscheduled draw on the Financial Security Assurance insurance policy reflecting financial difficulties of the Corporation.
10. Any substitution in the provider of the municipal bond insurance policy, or any liquidity provider* or any failure by the insurer or liquidity provider to perform pursuant to the terms of the insurance policy or relevant documents.
11. The release, substitution or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as such security).
 - (b) The Issuer will give notice of any failure on its part to provide or cause to be provided an Annual Report on or prior to the Filing Date.
 - (c) The Issuer will give notice of any changes in the Fiscal Year of the Issuer in the Annual Report.
 - (d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer will as soon as possible determine if such event would constitute material information for Beneficial Owners of the Bonds.
 - (e) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material, the Issuer will promptly file a notice of such occurrence with the Repositories.

Termination of Reporting Obligation. The Issuer's obligations under the Disclosure Certificate will terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Dissemination Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Default. In the event of a failure of the Issuer to comply with any provision of the Disclosure Certificate any Bondholder or Beneficial Owner of a Bond may compel compliance by specific performance. A default under the Disclosure Certificate will not be deemed an Event of Default under the Indenture, and the sole remedy under the Disclosure Certificate in the event of any failure of the Issuer to comply with the Disclosure Certificate will be an action to compel specific performance.

* The Issuer has not obtained or provided, and does not expect to obtain or provide, any liquidity provider for the Bonds.

SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC--bracketed material may apply only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent 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 [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

FORM OF MUNICIPAL BOND INSURANCE POLICY



**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise) to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)