

In the opinion of Ballard Spahr LLP, Bond Counsel, interest on the Series 2012B Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2012B Bonds is a tax preference item that is subject to the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the Series 2012B 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 and except to the extent that inclusion of said interest in computing the federal alternative minimum tax on corporations may affect the corresponding provisions of the Alaska corporate income tax. See "TAX MATTERS" herein.

\$93,435,000**ALASKA STUDENT LOAN CORPORATION****Education Loan Revenue Refunding Bonds***consisting of***\$78,435,000 Senior Series 2012B-1 (AMT)
(CUSIP: 011855 CG6)******\$15,000,000 Senior Series 2012B-2 (AMT)
(CUSIP: 011855 CH4)******Dated: Date of Delivery****Price: 100%****Stated Maturity: December 1, 2043**

The Education Loan Revenue Refunding Bonds, Senior Series 2012B-1 in the aggregate principal amount of \$78,435,000 (the "Series 2012B-1 Bonds") and Education Loan Revenue Refunding Bonds, Senior Series 2012B-2 in the aggregate principal amount of \$15,000,000 (the "Series 2012B-2 Bonds" and, together with the Series 2012B-1 Bonds, the "Series 2012B Bonds"), are being issued by the Alaska Student Loan Corporation (the "Corporation"). The Series 2012B Bonds shall be in fully registered form only, without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC is to act as securities depository of the Series 2012B Bonds. Individual purchases of the Series 2012B Bonds are to be made in book-entry form only, initially in the principal amount of \$5,000 and any integral multiple thereof, with respect to Series 2012B-1 Bonds, and initially in the principal amount of \$100,000 and in integral multiples of \$1,000 in excess thereof, with respect to Series 2012B-2 Bonds. Purchasers of the Series 2012B Bonds will not receive certificates representing their interest in the Series 2012B Bonds purchased.

The Series 2012B Bonds will be issued pursuant to the 2012B Trust Indenture, dated as of September 1, 2012 (the "Trust Indenture"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), and the 2012B First Supplemental Indenture of Trust, dated as of September 1, 2012 (the "First Supplemental Indenture" and together with the Trust Indenture, collectively referred to herein as the "Indenture"), between the Corporation and the Trustee. The Series 2012B Bonds will be issued by the Corporation primarily to refund certain outstanding obligations of the Corporation.

The Series 2012B-1 Bonds will initially bear interest at a rate to be determined prior to the issuance of the Series 2012B-1 Bonds and to be in effect during the initial Interest Period, which shall commence on the date of delivery and continue to (but not include) June 1, 2013. Thereafter the Series 2012B-1 Bonds are expected to bear interest at a Term Rate commencing on June 1 of each year and continuing to (but not including) June 1 of the following year. The interest rate on the Series 2012B-1 Bonds will be determined by RBC Capital Markets, LLC, as the Series 2012B Remarketing Agent, prior to the commencement of each Interest Period. The Series 2012B-1 Bonds will continue to bear interest at a Term Rate unless, at the direction of the Corporation and subject to the satisfaction of certain conditions precedent described in the Indenture, the interest rate on the Series 2012B-1 Bonds is converted to another interest rate mode. **This Official Statement describes terms and provisions applicable to the Series 2012B-1 Bonds only while they are in the Term Rate Mode. In the event of a conversion to another Mode, the Series 2012B-1 Bonds will be subject to mandatory tender and the potential purchasers of the Series 2012B-1 Bonds will be provided with separate offering materials containing descriptions of the terms applicable to such Series 2012B-1 Bonds in the Mode to which the Series 2012B-1 Bonds will be converted.** The Series 2012B-1 Bonds are subject to optional redemption prior to maturity and to mandatory tender, all as described herein. The Series 2012B-1 Bonds are not subject to optional tender. See the caption "DESCRIPTION OF THE SERIES 2012B BONDS" herein.

The Series 2012B-2 Bonds will initially bear interest at a rate to be determined prior to the issuance of the Series 2012B-2 Bonds and to be in effect during the initial Interest Period, which shall commence on the date of delivery and continue to (but not include) September 20, 2012. Thereafter the Series 2012B-2 Bonds will bear interest at a Weekly Rate. The interest rate on the Series 2012B-2 Bonds will be determined by RBC Capital Markets, LLC, as the Series 2012B Remarketing Agent, and will go into effect on Thursday of each week. The Series 2012B-2 Bonds will continue to bear interest at a Weekly Rate unless, at the direction of the Corporation and subject to the satisfaction of certain conditions precedent described in the Indenture, the interest rate on the Series 2012B-2 Bonds is converted to another interest rate mode. **This Official Statement describes terms and provisions applicable to the Series 2012B-2 Bonds only while they are in the Weekly Rate Mode. In the event of a conversion to another Mode, the Series 2012B-2 Bonds will be subject to mandatory tender and the potential purchasers of the Series 2012B-2 Bonds will be provided with separate offering materials containing descriptions of the terms applicable to such Series 2012B-2 Bonds in the Mode to which the Series 2012B-2 Bonds will be converted.** The Series 2012B-2 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity and to optional and mandatory tender, all as described herein. See the caption "DESCRIPTION OF THE SERIES 2012B BONDS" herein.

The Series 2012B Bonds will be dated their date of delivery and will bear interest from such date until payment of principal has been made or provided for. Interest on the Series 2012B Bonds will be payable semiannually on each June 1 and December 1, commencing December 1, 2012.

Principal of and interest on the Series 2012B Bonds and the purchase price upon tender of the Series 2012B Bonds is payable from an irrevocable direct-pay Letter of Credit to be issued simultaneously with the issuance of the Series 2012B Bonds (the "Series 2012B Letter of Credit") by State Street Bank and Trust Company (the "Series 2012B Credit Provider").

**STATE STREET**

Pursuant to the Series 2012B Letter of Credit and Reimbursement Agreement, dated as of September 1, 2012 (the "Series 2012B Credit Provider Agreement"), between the Corporation and the Series 2012B Credit Provider, the Series 2012B Credit Provider will issue the Series 2012B Letter of Credit in the Original Stated Amount as described herein. Subject to certain limitations and conditions described herein under the caption "THE SERIES 2012B LETTER OF CREDIT AND THE SERIES 2012B CREDIT PROVIDER AGREEMENT" herein, an alternate credit facility may be substituted for the Series 2012B Letter of Credit. The Series 2012B Letter of Credit will expire, unless otherwise extended or renewed or earlier terminated in accordance with its terms, on September 12, 2014.

The Indenture provides that Bonds issued thereunder, including the Series 2012B Bonds, be designated a priority, with Senior Bonds being the highest priority, and the order of priority descending from Senior Bonds to Junior Subordinate Bonds. The Series 2012B Bonds will be issued as Senior Bonds. See the caption "DESCRIPTION OF THE SERIES 2012B BONDS—Additional Bonds" herein.

The Series 2012B Bonds are special, limited obligations of the Corporation payable solely out of the revenues, assets and funds pledged therefor under the Indenture, as described herein, except that while the Series 2012B Letter of Credit is in full force and effect, the principal of and interest on the Series 2012B Bonds (other than Excluded Bonds (as defined herein)) whether at stated maturity, maturity by earlier redemption, by declaration or acceleration, on an interest payment date, or otherwise, will be payable from the proceeds of draws under the Series 2012B Letter of Credit prior to the use of funds from any other source available under the Indenture. **THE SERIES 2012B BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION AND ARE PAYABLE SOLELY FROM THE REVENUES, ASSETS AND FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2012B BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE CORPORATION, OR A PLEDGE OF THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF. ISSUANCE OF THE SERIES 2012B BONDS DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF ALASKA OR A POLITICAL SUBDIVISION THEREOF TO APPLY MONEY FROM, OR LEVY OR PLEDGE, ANY FORM OF TAXATION TO THE PAYMENT OF THE SERIES 2012B BONDS. THE CORPORATION HAS NO TAXING POWER.** See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012B BONDS" herein.

The Series 2012B Bonds are offered when, as and if issued by the Corporation and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and the approval of legality by Ballard Spahr LLP, Bond Counsel. Certain legal matters will be passed upon for the Corporation by its counsel, the Attorney General of the State of Alaska, for the Underwriter by its counsel, Day Pitney LLP, and for the Series 2012B Credit Provider by its counsel, Mayer Brown LLP. It is expected that the Series 2012B Bonds in definitive form will be available for delivery through the facilities of DTC on or about September 12, 2012.

RBC Capital Markets

September 11, 2012.

** The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the parties to this transaction and are included solely for the convenience of the holders of the Series 2012B Bonds. None of the Corporation, the Trustee or the Underwriter is responsible for the selection or uses of such CUSIP number, and no representation is made as to their correctness.

This Official Statement is submitted in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesman, or other person has been authorized by the Corporation or the Underwriter to give any information or make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2012B 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 the Corporation's Official Statement, and the information set forth herein has been obtained from the Corporation, and other sources which the Corporation believes to be reliable. The information under the heading "THE SERIES 2012B LETTER OF CREDIT AND THE SERIES 2012B CREDIT PROVIDER AGREEMENT—The Series 2012B Credit Provider" has been obtained from the Series 2012B Credit Provider for inclusion herein and has not been independently verified by the Corporation, its Financial Advisor, the Underwriter, or their respective counsel, or by Bond Counsel. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation. This Official Statement does not constitute a contract between the Corporation or the Underwriter and any one or more of the Bondholders of the Series 2012B 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 a part of, its responsibilities to investors under the 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 PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2012B BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER SUCH SERIES 2012B BONDS ARE RELEASED FOR SALE, AND SUCH SERIES 2012B BONDS MAY BE OFFERED AND SOLD TO CERTAIN DEALERS (INCLUDING DEALERS DEPOSITING SERIES 2012B BONDS INTO INVESTMENT ACCOUNTS) AND OTHERS AT PRICES LOWER THAN THE INITIAL PUBLIC OFFERING PRICE. IN CONNECTION WITH THE OFFERING OF THE SERIES 2012B BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2012B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

In connection with the offering, the Underwriter may over allot or effect transactions with a view to supporting the market price of the Series 2012B Bonds at levels above that which might otherwise prevail in the open market for a limited period. However, there is no obligation to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

THE SERIES 2012B CREDIT PROVIDER IS PERMITTED, BUT NOT OBLIGATED, TO PURCHASE SERIES 2012B BONDS FOR ITS OWN ACCOUNT AS THOUGH IT WERE NOT SERVING AS THE SERIES 2012B CREDIT PROVIDER, INCLUDING FOR THE PURPOSE OF PREVENTING SUCH SERIES 2012B BONDS FROM BECOMING BANK BONDS.

Upon issuance, the Series 2012B Bonds will not be registered under the Securities Act of 1933 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 will have passed on the accuracy of this Official Statement or approved the Series 2012B Bonds for sale. The Indenture will not be qualified under the Trust Indenture Act of 1939.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IRS CIRCULAR 230 NOTICE

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, THE BONDHOLDERS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFICIAL STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY BONDHOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH BONDHOLDER UNDER THE CODE; (II) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE SERIES 2012B BONDS OR MATTERS ADDRESSED IN THIS OFFICIAL STATEMENT; AND (III) BONDHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Official Statement contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, prospective investors can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “intend,” “potential,” and the negative of such terms or other similar expressions. Forward-looking statements are included in this Official Statement (among others) under the captions “SOURCES AND USES OF FUNDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012B BONDS—Summary of Cash Flow Analysis,” “RISK FACTORS” and “APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM.”

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

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

- changes in the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations that may reduce the costs and yields on education loans;
- changes in the general interest rate environment and in the securitization market for Eligible Loans, which may increase the costs or limit the marketability of financings;
- losses from Eligible Loan defaults; and
- changes in prepayment rates and interest rate spreads.

Many of these risks and uncertainties are discussed in greater detail under the heading “RISK FACTORS” herein.

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

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OFFICIAL STATEMENT

RELATING TO

ALASKA STUDENT LOAN CORPORATION

**\$78,435,000 Education Loan
Revenue Refunding Bonds,
Senior Series 2012B-1 (AMT)**

**\$15,000,000 Education Loan
Revenue Refunding Bonds,
Senior Series 2012B-2 (AMT)**

INTRODUCTION

General

This Official Statement, which includes the cover page and the Appendices attached hereto, sets forth information concerning the issuance by the Alaska Student Loan Corporation (the "Corporation") of its Education Loan Revenue Refunding Bonds, Senior Series 2012B-1 in the aggregate principal amount of \$78,435,000 (the "Series 2012B-1 Bonds") and its Education Loan Revenue Refunding Bonds, Senior Series 2012B-2 in the aggregate principal amount of \$15,000,000 (the "Series 2012B-2 Bonds" and, together with the Series 2012B-1 Bonds, the "Series 2012B Bonds"). All capitalized terms used in this Official Statement, and not otherwise defined, will have the same meanings as in the 2012B Trust Indenture, dated as of September 1, 2012 (as it may be amended, supplemented or otherwise modified, the "Trust Indenture"), between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), and the 2012B First Supplemental Indenture of Trust, dated as of September 1, 2012 (the "First Supplemental Indenture" and together with the Trust Indenture, the "Indenture"), between the Corporation and the Trustee, summarized in "APPENDIX C—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" hereto. The Series 2012B Bonds are authorized to be issued pursuant to Alaska Statutes 14.42.100–14.42.990 (the "Act") and the Indenture.

In order to ensure the availability of funds for the timely payment of the Series 2012B Bonds, the Corporation and State Street Bank and Trust Company (the "Series 2012B Credit Provider"), have entered into a Letter of Credit and Reimbursement Agreement, dated as of September 1, 2012 (the "Series 2012B Credit Provider Agreement"), under which the Series 2012B Credit Provider will issue an irrevocable direct-pay letter of credit (the "Series 2012B Letter of Credit") in support of the Series 2012B Bonds.

The proceeds of the Series 2012B Bonds are to be applied by the Corporation primarily to refund the Refunded Obligations (as defined herein). Upon the issuance of the Series 2012B Bonds and provision for the refunding of the Refunded Obligations, certain loans made under the Alaska State education loan programs described in Alaska Statutes 14.43 ("Alternative Loans") and certain loans originated under the Federal Family Education Loan Program (FFELP) ("FFELP Loans"), are expected to be released from the trust estates for the Refunded Obligations and transferred to and held pursuant to the Indenture. Loans for the financing of postsecondary education that are eligible for purchase by the Corporation under the Indenture include both FFELP Loans as well as Alternative Loans and are together referred to as "Eligible Loans" herein. Eligible Loans transferred to and held pursuant to the Indenture are sometimes referred to herein collectively as "Financed Eligible Loans," consisting of "Financed FFELP Loans" and "Financed Alternative Loans." Proceeds of the Series 2012B Bonds will also be used to fund a deposit to the Reserve Account and pay bond issuance costs as described under the caption "SOURCES AND USES OF FUNDS" herein.

For more information regarding the Financed Eligible Loans, see "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" herein. For a description of FFELP Loans and the FFEL Program, please see APPENDIX A attached hereto. For a description of the Corporation's Alternative Loan Program, please see APPENDIX B attached hereto.

The Corporation's Series 2012A Bonds

Simultaneously with the issuance of the Series 2012B Bonds, the Corporation is expected to issue its \$53,120,000 aggregate principal amount of Education Loan Revenue Refunding Bonds, Senior Series 2012A (the

“Series 2012A Bonds”). The proceeds of the Series 2012A Bonds are to be used by the Corporation to refund and retire certain outstanding obligations of the Corporation. The Series 2012A Bonds are expected to bear interest initially at a weekly rate supported by a direct pay letter of credit. The Series 2012A Bonds will be secured under a separate indenture and will not be payable from the Pledged Assets (defined herein) which secure the Series 2012B Bonds.

Miscellaneous

Descriptions of, among other things, the Series 2012B Bonds, the Corporation, the Series 2012B Letter of Credit, the Series 2012B Credit Provider Agreement, the Financed Eligible Loans and the Indenture are included in this Official Statement. The information and descriptions in this Official Statement do not purport to be complete, comprehensive or definitive. Statements regarding specific documents, including the Indenture, the Series 2012B Letter of Credit, the Series 2012B Credit Provider Agreement and the Series 2012B Bonds, are summaries of, and subject to, the detailed provisions of such documents and are qualified in their entirety by reference to each such document, which will be on file with the Corporation and the Trustee. This Official Statement does not constitute a contract between the Corporation, or the Underwriter, and any one or more owners of the Series 2012B Bonds.

DESCRIPTION OF THE SERIES 2012B BONDS

General Terms of the Series 2012B Bonds

The Series 2012B-1 Bonds will be issued in the aggregate amount of \$78,435,000 and will mature on December 1, 2043, subject to prior redemption. The Series 2012B-2 Bonds will be issued in the aggregate amount of \$15,000,000 and will mature on December 1, 2043, subject to prior redemption. The Series 2012B Bonds will bear interest as described below, payable on each Interest Payment Date (as defined under the caption “Interest—Interest Payment Dates” below).

This Official Statement describes terms and provisions applicable to (i) the Series 2012B-1 Bonds only while they are in the Term Rate Mode and (ii) the Series 2012B-2 Bonds only while they are in the Weekly Rate Mode. In the event that either Series of the Series 2012B Bonds are converted to another Mode, such Series 2012B Bonds, except for Bank Bonds and any Bond registered in the name of, or held by the Trustee for the account of the Corporation (together, the “Excluded Bonds”), will be subject to mandatory tender. Potential purchasers of those converted Series 2012B Bonds will be provided with separate offering materials containing descriptions of the terms of the Series 2012B Bonds applicable to the Mode to which such Series 2012B Bonds are being converted.

The Series 2012B Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as Securities Depository for the Series 2012B Bonds. Individual purchases of the Series 2012B Bonds will be made in book-entry form only in authorized denominations described under the caption “Denomination and Payment” below. Purchasers of the Series 2012B Bonds will not receive certificates representing their interests in the Series 2012B Bonds purchased. See the caption “Book-Entry System” below.

Denomination and Payment

The Series 2012B-1 Bonds are initially being issued in denominations of \$5,000 and any integral multiples thereof and the Series 2012B-2 Bonds are initially being issued in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof (the “Authorized Denominations”). The Authorized Denominations are subject to change if the respective Series is converted to another Mode. Both the principal of and the interest on the Series 2012B Bonds will be payable in any currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. Except as provided in the Indenture, payment of the principal of all Series 2012B Bonds is to be made upon the presentation and surrender of such as the same becomes due and payable.

Other than as provided in the Indenture with respect to the Series 2012B Bonds held in the book-entry system, interest shall be paid with respect to Series 2012B Bonds (i) by wire transfer of immediately available funds by the Trustee to any account within the United States upon written instruction of the Bondholder of \$1,000,000 or more in aggregate principal amount of the Series 2012B Bonds, or (ii) by check mailed on the Interest Payment Date by the Trustee to the Bondholder at the Bondholder's address as it last appears on the registration books kept by the Trustee at the close of business on the applicable Record Date for such Interest Payment Date.

Record Date for Interest Payment

Interest on any Series 2012B Bonds shall be paid on the Interest Payment Date to the Bondholder thereof on the Record Date. The Record Date for the interest payable on any Interest Payment Date on Series 2012B Bonds bearing interest at a Term Rate or a Weekly Rate means the Business Day immediately preceding the Interest Payment Date.

Transfer, Exchange and Registration

In the event the book-entry system is discontinued, the Series 2012B Bonds may be transferred and exchanged on the books of the Corporation, which shall be kept for such purpose at the corporate trust office of the Trustee, by the Bondholder only upon presentation and surrender thereof to the Trustee. Series 2012B Bonds are transferable upon the surrender thereof together with a written instrument of transfer satisfactory to the Trustee. While the Series 2012B-1 Bonds are in a Term Rate Mode, new Series 2012B-1 Bonds registered and delivered in an exchange or transfer will be in denominations of \$5,000 and integral multiples thereof for a like aggregate principal amount as the Series 2012B-1 Bonds surrendered for exchange or transfer. While the Series 2012B-2 Bonds are in a Weekly Rate Mode, new Series 2012B-2 Bonds registered and delivered in an exchange or transfer will be in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof for a like aggregate principal amount as the Series 2012B-2 Bonds surrendered for exchange or transfer. The Corporation is required to execute and the Trustee is required to authenticate and deliver such new Series 2012B Bonds. See the caption "Book-Entry System" below for a description of the system to be utilized initially in regard to ownership and transferability of the Series 2012B Bonds.

Trustee and Tender Agent

The Corporation has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as Trustee and Tender Agent. The obligations of the Trustee and Tender Agent are described in the Indenture. The Trustee has undertaken only those duties and obligations that are expressly set forth in the Indenture. The Trustee has not independently passed upon the validity of the Series 2012B Bonds, the security of the payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or state income tax purposes of the interest on the Series 2012B Bonds, or any other matter with respect to the issuance of the Series 2012B Bonds. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed no responsibility for the nature, content, accuracy, or completeness of the information included in this Official Statement.

The mailing address of the Trustee is U.S. Bank National Association, 1420 Fifth Avenue, Seventh Floor, Seattle, WA 98101, Attention: Global Corporate Trust Services.

Additional information about the Trustee may be found at its website at <http://www.usbank.com/corporatetrust>. The U.S. Bank website is not incorporated into this Official Statement by such reference and is not a part hereof.

Series 2012B Remarketing Agent

RBC Capital Markets, LLC ("RBCCM") has been appointed to serve as the initial remarketing agent (the "Series 2012B Remarketing Agent") for the Series 2012B Bonds. RBCCM may resign or be removed as the Series 2012B Remarketing Agent and a successor may be appointed in accordance with the Indenture, the Series 2012B

Credit Provider Agreement and the Remarketing Agreement, dated as of September 1, 2012 (the "Series 2012B Remarketing Agreement"), between the Corporation and RBCCM. RBCCM may suspend its remarketing efforts as set forth in the Series 2012B Remarketing Agreement. The office of the Series 2012B Remarketing Agent is Three World Financial Center, 200 Vesey Street, 8th Floor, New York, New York 10281-8098; Attention: Short-Term Desk. For additional information regarding the Series 2012B Remarketing Agent's obligations under the Series 2012B Remarketing Agreement, its role in the process of remarketing the Series 2012B Bonds and its ability to terminate its duties and obligations under the Series 2012B Remarketing Agreement, see the caption "RISK FACTORS" herein.

Interest

Calculation of Interest for the Series 2012B-1 Bonds. While the Series 2012B-1 Bonds bear interest at a Term Rate, interest will be calculated on the basis of a 360-day year composed of twelve 30-day months at the applicable Term Rate. Initially, the Series 2012B-1 Bonds will bear interest at a Term Rate from the date of issuance of the Series 2012B-1 Bonds to, but not including, June 1, 2013, at a per annum rate to be established prior to the issuance of the Series 2012B-1 Bonds; and thereafter (unless converted to a new interest rate Mode or unless the Corporation elects to change the Interest Period prior to the end of the initial Interest Period) the Interest Period is expected to be a Term Rate Interest Period commencing June 1 of each year to, but not including, June 1 of the following year. The interest rate for the Series 2012B-1 Bonds in the Term Rate Mode is the rate of interest per annum determined by the Series 2012B Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Series 2012B Remarketing Agent under then-existing market conditions, would result in the sale of the Series 2012B-1 Bonds on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any.

The Series 2012B Remarketing Agent is required to establish each Term Rate no later than 4:00 p.m. on the Business Day next preceding the Mode Change Date or the Purchase Date, as the case may be. If the Series 2012B Remarketing Agent fails or is unable to determine the Term Rate for the Series 2012B-1 Bonds, then the Series 2012B-1 Bonds will be changed automatically to the Weekly Rate Mode on the Mode Change Date or the Purchase Date, as the case may be. Notwithstanding the foregoing, if the Series 2012B-1 Bonds have been in a Term Rate Mode and there has been a failure to pay the Purchase Price of the Series 2012B-1 Bonds on the Purchase Date, such Bonds will continue to bear interest at the then-existing Term Rate until such Purchase Price has been paid.

Calculation of Interest for the Series 2012B-2 Bonds. While the Series 2012B-2 Bonds bear interest at a Weekly Rate, interest will be calculated on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed, based upon the year in which the interest payment is made, at the applicable Weekly Rate. Initially, the Series 2012B-2 Bonds will bear interest at a Weekly Rate; provided, that from the date of issuance of the Series 2012B-2 Bonds to, but not including, September 13, 2012, the Series 2012B-2 Bonds will bear interest at a per annum rate to be established prior to the issuance of the Series 2012B-2 Bonds. The interest rate for the Series 2012B-2 Bonds in the Weekly Rate Mode is the rate of interest per annum determined by the Series 2012B Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Series 2012B Remarketing Agent under then-existing market conditions, would result in the sale of the Series 2012B-2 Bonds on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. Initially, the Rate Determination Date for the Series 2012B-2 Bonds in the Weekly Rate Mode is each Thursday, or the immediately preceding Business Day if Thursday is not a Business Day, to go into effect on such Thursday.

The Series 2012B Remarketing Agent is required to establish each Weekly Rate by 10:00 a.m., New York City time, on the applicable Rate Determination Date, and to make the new rate available after 11:00 a.m., New York City time, on such Rate Determination Date by Electronic Means to the Corporation, the Trustee, the Tender Agent and the Series 2012B Credit Provider. If the Series 2012B Remarketing Agent fails or is unable to determine the Weekly Rate for the Series 2012B-2 Bonds, then the Series 2012B-2 Bonds shall bear interest during each subsequent Interest Period at the previously determined Weekly Rate until such time as the Series 2012B Remarketing Agent determines the Weekly Rate or there is delivered to the Corporation a Favorable Opinion.

Maximum Rate. In no circumstances may interest on the Series 2012B Bonds (other than Bank Bonds) exceed the Maximum Rate. The Maximum Rate means, so long as a Liquidity Facility or Credit Facility is in effect

(including the Series 2012B Letter of Credit), the lesser of either (a) with respect to Series 2012B Bonds which are not Bank Bonds, 12% per annum (or such greater interest rate approved by the Corporation and the Series 2012B Credit Provider) or (b) the maximum lawful nonusurious interest rate allowed under applicable law.

Interest Payment Dates for Series 2012B-1 Bonds. Interest on the Series 2012B-1 Bonds in the Term Rate Mode (other than Bank Bonds) will be paid on (a) each June 1 and December 1, commencing December 1, 2012, (b) the applicable Maturity Date, and (c) each Mode Change Date (each, an “Interest Payment Date”), in an amount equal to the interest accrued during the interest accrual period preceding the applicable Interest Payment Date. If an Interest Payment Date is not a Business Day, interest will be paid on the next Business Day, with the same force and effect as if made on the specified date for such payment without additional interest.

Each interest accrual period commences on (and includes) the last Interest Payment Date for which interest has been paid (or if no interest has been paid, from the date of issuance) and ends on the day preceding the succeeding Interest Payment Date.

Interest Payment Dates for Series 2012B-2 Bonds. Interest on the Series 2012B-2 Bonds in the Weekly Rate Mode (other than Bank Bonds) will be paid on (a) each June 1 and December 1, commencing December 1, 2012, (b) the applicable Maturity Date, and (c) each Mode Change Date (each, an “Interest Payment Date”), in an amount equal to the interest accrued during the interest accrual period preceding the applicable Interest Payment Date. If an Interest Payment Date is not a Business Day, interest will be paid on the next Business Day, with the same force and effect as if made on the specified date for such payment without additional interest.

Each interest accrual period commences on (and includes) the last Interest Payment Date for which interest has been paid (or if no interest has been paid, from the date of issuance) and ends on the day preceding the succeeding Interest Payment Date.

Interest Rate Modes; Conversion

The Series 2012B-1 Bonds. The Indenture permits the Corporation, by complying with certain conditions, to convert the interest rate on the Series 2012B-1 Bonds from a Term Rate to another interest rate, including to a different form of adjustable rate or a rate that is fixed to the maturity of the Series 2012B-1 Bonds. Upon conversion of the Series 2012B-1 Bonds to any Mode, Bondholders will be required to tender their Series 2012B-1 Bonds for purchase at the principal amount thereof plus unpaid accrued interest to the tender date, as described under the caption “Tender Provisions—Mandatory Tender” below. Bondholders of the Series 2012B-1 Bonds will receive notice of such conversion at least 15 days prior to the Mode Change Date. Bondholders will not have the option to retain Series 2012B-1 Bonds that are required to be tendered on such a Mode Change Date.

The Series 2012B-2 Bonds. The Indenture permits the Corporation, by complying with certain conditions, to convert the interest rate on the Series 2012B-2 Bonds from a Weekly Rate to another interest rate, including to a different form of adjustable rate, or a rate that is fixed to the maturity of the Series 2012B-2 Bonds. Upon conversion of the Series 2012B-2 Bonds to any other Mode, Bondholders will be required to tender their Series 2012B-2 Bonds for purchase at the principal amount thereof plus unpaid accrued interest to the tender date, as described under the caption “Tender Provisions—Mandatory Tender” below. Bondholders of the Series 2012B-2 Bonds will receive notice of such conversion at least 15 days prior to the Mode Change Date. Bondholders will not have the option to retain Series 2012B-2 Bonds that are required to be tendered on such a Mode Change Date.

Tender Provisions

Optional Tender. While the Series 2012B-1 Bonds are in a Term Rate Mode, such Series 2012B-1 Bonds are not subject to optional tender at the option of the Bondholder.

While the Series 2012B-2 Bonds are in a Weekly Rate Mode and the Series 2012B Letter of Credit or an Alternate Liquidity Facility is then in effect to pay the Purchase Price of tendered Series 2012B-2 Bonds, the Bondholders of the Series 2012B-2 Bonds (other than Excluded Bonds) may upon seven days’ notice tender their Series 2012B-2 Bonds to the Tender Agent for purchase at the Purchase Price (as defined herein), as summarized

below in the table under the caption “Summary of Certain Provisions of the Series 2012B-2 Bonds” below (each a “Purchase Date”).

The Tender Agent will pay the Purchase Price of Series 2012B-2 Bonds which are tendered to the Tender Agent at the option of the Bondholder, but solely from and to the extent of the funds described under the caption “Remarketing and Purchase” below.

Interest will cease to accrue on the Purchase Date on any Series 2012B-2 Bond that the Bondholder thereof has elected to tender for purchase and that is not tendered on the Purchase Date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof. The Bondholder of such untendered Series 2012B-2 Bond will not be entitled to any payment other than the Purchase Price for such Series 2012B-2 Bond, and such untendered Series 2012B-2 Bond will no longer be Outstanding or entitled to the benefits of the Indenture, except for payment of the Purchase Price from money held by the Tender Agent for such payment.

Mandatory Tender. While the Series 2012B-1 Bonds are in a Term Rate Mode, the Series 2012B-1 Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price, without right of retention, on each Purchase Date, which is the Business Day after the last day of the Interest Period applicable thereto.

While the Series 2012B Bonds are in a Term Rate Mode or a Weekly Rate Mode and the Series 2012B Letter of Credit or an Alternate Liquidity Facility is then in effect to pay the Purchase Price of tendered Series 2012B Bonds, the Series 2012B Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price, without the right of retention, on each of the following dates (each a “Mandatory Purchase Date”):

- (a) each Mode Change Date for the applicable Series 2012B Bonds;
- (b) the second Business Day preceding the Expiration Date of a Credit Facility (including a Direct-Pay Credit Facility) or Liquidity Facility for the Series 2012B Bonds;
- (c) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the Termination Date of a Credit Facility (including a Direct-Pay Credit Facility) or a Liquidity Facility for the Series 2012B Bonds;
- (d) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) following the receipt by the Tender Agent of a written notice from the issuer of a Direct-Pay Credit Facility for the Series 2012B Bonds that such Direct-Pay Credit Facility will not be reinstated (in respect of interest) to an amount equal to the interest component of the Liquidity and Credit Amount required with respect to for the Series 2012B Bonds;
- (e) the Substitution Date for a Credit Facility (including a Direct-Pay Credit Facility) or a Liquidity Facility for the Series 2012B Bonds; and
- (f) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) following the receipt by the Tender Agent of a written notice from the issuer of a Credit Facility (including a Direct-Pay Credit Facility) or Liquidity Facility for the Series 2012B Bonds that pursuant to such Credit Facility or Liquidity Facility the issuer of such Credit Facility or Liquidity Facility is directing at its option that all such Series 2012B Bonds be subject to mandatory tender.

Each Mandatory Purchase Date must be a Business Day.

The Trustee will give notice of such mandatory tender by mail to the affected Bondholders of the Series 2012B Bonds subject to mandatory tender, by the applicable tender notice deadline. If notice of a mandatory tender is given by the Trustee, the failure of any Bondholder to receive such notice for any reason shall not affect the requirement that such Series 2012B Bonds be mandatorily tendered and such Series 2012B Bonds shall be deemed to be mandatorily tendered on the Mandatory Purchase Date at the Purchase Price, shall cease to bear interest, and

shall not be deemed Outstanding for any purpose other than to receive the Purchase Price for such Series 2012B Bonds from the Tender Agent. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Bondholder.

The Tender Agent will pay the Purchase Price of Series 2012B Bonds which are tendered to the Tender Agent as described herein, but solely from and to the extent of the funds described below under the caption "Remarketing and Purchase" below.

Interest on any Series 2012B Bond that is not tendered on a Mandatory Purchase Date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the Mandatory Purchase Date. The Bondholders of such untendered Series 2012B Bonds will not be entitled to any payment other than the Purchase Price for such Series 2012B Bond, and such untendered Series 2012B Bonds will no longer be Outstanding or entitled to the benefits of the Indenture, except for payment of the Purchase Price from money held by the Tender Agent for such payment.

Remarketing and Purchase. In the event a Bondholder exercises its option to tender Series 2012B-2 Bonds, or if any Series 2012B Bond becomes subject to mandatory tender, the Series 2012B Remarketing Agent is required to use its best efforts to sell such Series 2012B Bonds at a price equal to 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming optional tender date or Mandatory Purchase Date, provided the Credit Facility (including the Series 2012B Letter of Credit), an Alternate Credit Facility or a Liquidity Facility is in effect to pay the Purchase Price. The Series 2012B Remarketing Agent will cause the aggregate Purchase Price of tendered Series 2012B Bonds that have been successfully remarketed to be paid to the Tender Agent in immediately available funds for deposit to the Remarketing Proceeds Account of the Purchase Fund. On each Purchase Date, unless the Trustee has received notice from the Series 2012B Remarketing Agent that the Series 2012B Remarketing Agent has remarketed all of the tendered Series 2012B Bonds subject to purchase, the Trustee will, to the extent permitted by the Liquidity Facility (including the Series 2012B Letter of Credit), make a draw under the Liquidity Facility pursuant to the Indenture for the purchase of tendered Series 2012B Bonds (excluding Excluded Bonds) that have not been successfully remarketed. Upon receipt from the Liquidity Facility Issuer of immediately available funds to pay the Purchase Price of Series 2012B Bonds, the Tender Agent will deposit such money in the Liquidity Facility Purchase Account of the Purchase Fund for application to the Purchase Price of the Series 2012B Bonds to the extent that the moneys on deposit in the Remarketing Proceeds Account of the Purchase Fund are not sufficient.

The Purchase Price of Series 2012B Bonds tendered for purchase is required to be paid by the Trustee solely from and to the extent of the following sources in the order of priority indicated: (a) first, from immediately available funds on deposit in the Remarketing Proceeds Account of the Purchase Fund; and (b) second, from immediately available funds on deposit in the Liquidity Facility Purchase Account of the Purchase Fund. The failure to pay the Purchase Price for Series 2012B Bonds shall constitute an Event of Default under the Indenture.

Summary of Certain Provisions of the Series 2012B Bonds

The table below summarizes certain information with respect to Series 2012B-1 Bonds bearing interest at a Term Rate:

	<u>Term Rate</u>
Interest Payment Dates	Each June 1 and December 1
Rate Determination Date	No later than 4:00 p.m. on the Business Day next preceding the Mode Change Date or the Purchase Date, as the case may be.
Rate Period	Term Rate effective to (but not including) June 1, 2013 and thereafter each June 1 to, but not including, June 1 of the following year.
Delivery of and Payment for Series 2012B-1 Bonds Subject to Mandatory Tender	Except as otherwise required or permitted by DTC, Series 2012B-1 Bonds shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, at the designated office of the Tender Agent; payment of the Purchase Price with respect to such purchases shall be made to the Bondholders of tendered Series 2012B-1 Bonds by wire transfer in immediately available funds by the Tender Agent by the close of business on the Purchase Date or Mandatory Purchase Date.
Written Notice of Mode Change Date	The Trustee shall give notice to Bondholders not later than 15 days prior to the Mode Change Date.
Notice of Mandatory Tender	Subject to certain exceptions, the Trustee shall give notice to the Bondholders of the Series 2012B-1 Bonds subject to mandatory tender not less than 15 days prior to Mandatory Purchase Date.
No Optional Tender	Series 2012B-1 Bonds in the Term Rate Mode are not subject to optional tender.

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The table below summarizes certain information with respect to Series 2012B-2 Bonds bearing interest at a Weekly Rate:

	<u>Weekly Rate</u>
Interest Payment Dates	Each June 1 and December 1
Rate Determination Date	Thursday, or if Thursday is not a Business Day, the immediately preceding Business Day.
Rate Period	Weekly Rate effective each Thursday to (but not including) Thursday of next week.
Bondholder's Notice of Optional Tender; Optional Tender Dates	Written notice to the Tender Agent and the Series 2012B Remarketing Agent by Bondholder not later than 4:00 p.m. on any Business Day that is not less than 7 days prior to Purchase Date; the Purchase Date must be on a Business Day.
Delivery of and Payment for Series 2012B-2 Bonds Subject to Optional and Mandatory Tender	Except as otherwise required or permitted by DTC, Series 2012B-2 Bonds shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, at the designated office of the Tender Agent; payment of the Purchase Price with respect to such purchases shall be made to the Bondholders of tendered Series 2012B-2 Bonds by wire transfer in immediately available funds by the Tender Agent by the close of business on the Purchase Date or Mandatory Purchase Date.
Written Notice of Mode Change Date	The Trustee shall give notice to Bondholders not later than 15 days prior to the Mode Change Date.
Notice of Mandatory Tender	Subject to certain exceptions, the Trustee shall give notice to the Bondholders of the Series 2012B-2 Bonds subject to mandatory tender not less than 15 days prior to Mandatory Purchase Date.

All times shown are Eastern time. A "Business Day" means a day other than (i) a Saturday, Sunday or legal holiday, (ii) as applicable, a day on which the Trustee, the Tender Agent, the Series 2012B Remarketing Agent, the Credit Facility Issuer office where payment draws are to be presented, the Liquidity Facility Issuer office where payment draws are to be presented or banks and trust companies in New York, New York are authorized or required to remain closed, (iii) a day on which the New York Stock Exchange is closed, or (iv) a day on which the Federal Reserve is closed.

Redemption Provisions

Optional Redemption. While in a Term Rate Mode, the Series 2012B-1 Bonds may be redeemed in whole or in part on the Purchase Date at the option of the Corporation at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date.

While in a Weekly Rate Mode, any Series 2012B-2 Bond may be redeemed in whole or in part on any Business Day at the option of the Corporation at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date.

Notwithstanding the foregoing, if a Credit Facility is in effect, then unless the Credit Facility Issuer has failed to honor a properly presented and conforming drawing under the Credit Facility (and such failure remains uncured), no notice of optional redemption shall be given by the Trustee until (i) the Corporation has deposited with

the Trustee moneys in an amount sufficient to reimburse the Credit Facility Issuer in accordance with the terms of the Credit Facility then in effect for the amount of any draw which is permitted to be made, if any, on the Credit Facility in connection with such redemption, or (ii) the Trustee has received written consent from the Credit Facility Issuer to such optional redemption.

Unless otherwise approved by the Series 2012B Credit Provider, the Corporation has agreed to redeem Series 2012B Bonds from time-to-time with available revenues after paying certain expenses.

Mandatory Sinking Fund Redemption. The Series 2012B-2 Bonds are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof and accrued interest to the Redemption Date, on each of the dates and in the respective principal amounts set forth below:

<u>Mandatory Sinking Fund Redemption Date</u>	<u>Principal Amount</u>
June 1, 2042	\$2,000,000
December 1, 2043*	13,000,000

* Final maturity.

At the option of the Corporation to be exercised by delivery of a written certificate to the Trustee not less than 45 days next preceding any sinking fund redemption date, it may (i) deliver to the Trustee for cancellation Series 2012B-2 Bonds subject to sinking fund redemption on such date in an aggregate principal amount designated by the Corporation, or (ii) specify a principal amount of such Series 2012B-2 Bonds subject to sinking fund redemption which prior to said date have been redeemed and not theretofore applied as a credit against any sinking fund redemption obligation for such Series 2012B-2 Bonds subject to sinking fund redemption. Each Series 2012B-2 Bond so delivered or previously redeemed shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Corporation on such sinking fund redemption date, and any excess shall be so credited against future sinking fund redemption obligations for such Bonds as directed by the Corporation. If Series 2012B-2 Bonds subject to mandatory sinking fund redemption have been redeemed and the Corporation shall have failed to specify the manner in which such amounts are to be credited pursuant to clause (ii) above, then the Trustee shall apply such credits against the related sinking fund obligations in chronological order.

Priority of Redemption of Bank Bonds. In the event that there are Bank Bonds, such Bank Bonds will be redeemed prior to any Series 2012B Bond that is not a Bank Bond.

Terms Regarding Redemptions. Redemptions of the Series 2012B Bonds shall be made in whole or in part in Authorized Denominations; provided that a Series 2012B Bond may only remain Outstanding in an Authorized Denomination.

Upon surrender of any Series 2012B Bond called for redemption in part only, the Corporation shall execute and the Trustee shall authenticate and deliver to the Bondholder thereof, a new Series 2012B Bond of an Authorized Denomination in an aggregate principal amount equal to the unredeemed portion of the Series 2012B Bond surrendered.

The Series 2012B Bonds shall be redeemed as provided in the Indenture upon notice as provided in the Indenture, provided that notices of redemption shall not be given less than 15 days prior to the Redemption Date with respect to the Series 2012B-1 Bonds in the Term Rate Mode and the Series 2012B-2 Bonds in the Weekly Rate Mode.

While the Series 2012B Letter of Credit is in effect, the redemption price of Series 2012B Bonds shall be payable from the proceeds of draws under the Series 2012B Letter of Credit prior to the use of funds from any other source.

Additional Bonds

The Indenture provides that the Corporation may issue Additional Bonds under the Indenture from time-to-time, and designate such Additional Bonds as Senior Bonds, Senior Subordinate Bonds, Subordinate Bonds or Junior Subordinate Bonds. Senior Bonds are secured by a lien on and payable from the Pledged Assets prior to all other Bonds issued pursuant to the Indenture. The Series 2012B Bonds constitute Senior Bonds under the Indenture. The issuance of Additional Bonds is subject to, among other things, receipt of the written consent of each Credit Provider, including the Series 2012B Credit Provider. See “APPENDIX C—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE” hereto.

Book-Entry System

The information in this section concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC, and the Corporation and the Underwriter take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Series 2012B Bonds. The Series 2012B Bonds are to be issued as fully-registered Series 2012B Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012B Bond certificate will be issued for the Series 2012B Bonds, in the aggregate principal amount of the Series 2012B Bonds, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Direct Participants are on file with the Securities and Exchange Commission. Neither the Corporation nor the Underwriter makes any representation about such information. More information about DTC can be found at www.dtcc.com. This website is not incorporated into and shall not be deemed to be a part of this Official Statement.

Purchases of Series 2012B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012B Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012B Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012B Bonds, except in the event that use of the book-entry system for the Series 2012B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012B Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of Series 2012B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Beneficial Owners of Series 2012B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012B Bond documents. For example, Beneficial Owners of Series 2012B Bonds may wish to ascertain that the nominee holding the Series 2012B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012B Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2012B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect 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 Direct or Indirect Participant and not of DTC nor its nominee, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have the Series 2012B Bonds purchased or tendered, through its Direct Participant, to the Tender Agent, and shall effect delivery of such Series 2012B Bonds by causing the Direct Participant to transfer such Direct Participant's interest in the Series 2012B Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the Series 2012B Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2012B Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2012B Bonds to Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2012B Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012B Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012B Bond certificates are to be printed and delivered to DTC.

NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2012B BONDS; (C) THE DELIVERY BY ANY SUCH PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE BONDHOLDER; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2012B BONDS; OR (E) ANY OTHER ACTION TAKEN BY DTC AS THE BONDHOLDER OF THE SERIES 2012B BONDS.

So long as Cede & Co. or its registered assign is the Bondholder of the Series 2012B Bonds, the Corporation and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Corporation or the Trustee, and the Corporation and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any Beneficial Owner of the Series 2012B Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC.

SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of funds relating to the Series 2012B Bonds:

Sources of Funds:	Estimated Amounts
Series 2012B Bond Proceeds	\$93,435,000
Corporation Funds	<u>2,449,026</u>
Total Sources of Funds	<u>\$95,884,026</u>
Uses of Funds⁽¹⁾:	
Retirement of Refunded Obligations	\$94,476,495
Deposit to the Series 2012B Bonds Subaccount of the Reserve Account	934,350
Cost of Issuance	<u>473,181</u>
Total Uses of Funds	<u>\$95,884,026</u>

⁽¹⁾ Upon the issuance of the Series 2012B Bonds and provision for refunding of the Refunded Obligations, certain Eligible Loans, and accrued interest thereon, currently securing the Refunded Obligations will be transferred to and deposited in the Series 2012B Subaccount of the Loan Account and pledged to secure the Bonds, including Series 2012B Bonds. See the caption "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" herein.

Refunded Obligations

The proceeds of the Series 2012B Bonds along with funds of the Corporation are expected to be used to refund or otherwise retire approximately \$94,476,495 of bonds (the "Refunded Obligations") that were previously issued under the Corporation's Indenture dated as of June 1, 2002. In addition, proceeds of the Series 2012A Bonds along with funds of the Corporation are expected to be used to refund or otherwise retire approximately \$11,523,505 of such bonds and repay approximately \$40,986,895 of a loan to the Corporation from the State of Alaska Department of Revenue, on behalf of the State, pursuant to a Loan Agreement dated as of July 17, 2009.

The Corporation anticipates that in conjunction with the issuance of the Series 2012A Bonds and the Series 2012B Bonds, all of the following bonds will be redeemed:

<u>Series</u>	<u>Amount</u>	<u>Maturity</u>
2003 A-1	\$2,500,000	June 1, 2016
2003 A-2	30,300,000	June 1, 2038
2004 A-1	25,000,000	April 1, 2044
2006 A-1	19,700,000	June 1, 2040
2007 A-1	28,500,000	June 1, 2042

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012B BONDS

General

The Series 2012B Bonds and any Additional Bonds issued pursuant to the Indenture (collectively, the "Bonds") are special, limited obligations of the Corporation payable solely out of the revenues, assets and funds pledged therefor under the Indenture as described under the caption "The Pledged Assets" below, except that while the Series 2012B Letter of Credit is in full force and effect, the principal of and interest on the Series 2012B Bonds (other than Excluded Bonds) whether at stated maturity, maturity by earlier redemption, by declaration or acceleration, on an interest payment date, or otherwise, will be payable from the proceeds of draws under the Series 2012B Letter of Credit prior to the use of funds from any other source available under the Indenture. Under the Indenture, the Corporation may in the future issue Additional Bonds with a lien on the Pledged Assets on a parity with or subordinate to the Series 2012B Bonds on terms and conditions set forth in the Indenture. THE SERIES 2012B BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION AND ARE PAYABLE SOLELY FROM THE REVENUES, ASSETS AND FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2012B BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE CORPORATION, OR A PLEDGE OF THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF. ISSUANCE OF THE SERIES 2012B BONDS DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF ALASKA OR A POLITICAL SUBDIVISION THEREOF TO APPLY MONEY FROM, OR LEVY OR PLEDGE, ANY FORM OF TAXATION TO THE PAYMENT OF THE SERIES 2012B BONDS. THE CORPORATION HAS NO TAXING POWER.

The Pledged Assets

The Bonds and the obligation of the Corporation to repay the Series 2012B Bonds and to reimburse the Series 2012B Credit Provider, will be secured by the assets pledged under the Indenture (collectively, the "Pledged Assets"), which consist of (a) the Financed Eligible Loans and notes evidencing the same and any related servicing agreements; (b) all moneys and securities from time-to-time held by the Trustee under the terms of the Indenture (excluding the Rebate and Excess Interest Account, the Department of Education Payment Account and any other account specifically excluded by the terms of the Indenture, including the terms of any Supplemental Indenture) and any and all other real or personal property of every name and nature, from time-to-time conveyed, mortgaged, pledged, assigned or transferred by delivery or by writing of any kind, as and for additional security under the

Indenture, by the Corporation or by anyone on its behalf or with its written consent to the Trustee, which is authorized under the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture; and (c) all Revenues including all payments, proceeds, charges and other cash income received by the Corporation from or on account of any Financed Eligible Loan, including scheduled, delinquent and advance payments of and any guaranty or insurance proceeds with respect to, interest on any Financed Eligible Loan and any special allowance payment received by the Corporation pursuant to the Higher Education Act with respect to any Financed FFELP Loan, payouts or prepayments, proceeds attributable to principal from insurance or from the sale, assignment or other disposition of such Financed Eligible Loan, any amounts paid by the Corporation from sources outside of the Indenture to purchase Financed Eligible Loans held under the Indenture or to otherwise cover unguaranteed amounts, and any payments representing such principal from the guaranty or insurance of any such Financed Eligible Loan and all interest earned or gain realized from the investment of amounts in any Account (other than amounts required to be deposited to or on deposit in the Rebate and Excess Interest Account or the Department of Education Payment Account), and all amounts received pursuant to any Financial Product.

Series 2012B Letter of Credit

In order to ensure the availability of funds for the timely payment of the Series 2012B Bonds, the Corporation and the Series 2012B Credit Provider have entered into the Series 2012B Credit Provider Agreement under which the Series 2012B Credit Provider will issue the Series 2012B Letter of Credit. The Series 2012B Letter of Credit will be in an original stated amount (the "Original Stated Amount") equal to the principal of and 201 days of accrued interest on the Series 2012B Bonds at a rate of 12% per annum (or such greater interest rate approved by the Corporation and the Series 2012B Credit Provider) based on a year of 365 days for \$15,000,000 of the principal amount and 360 days for \$78,435,000 of the principal amount, unless increased, decreased or reinstated in accordance with the terms of the Series 2012B Credit Provider Agreement and Series 2012B Letter of Credit. With respect to the Series 2012B-1 Bonds, the Series 2012B Letter of Credit may only be drawn upon when the Series 2012B-1 Bonds bear interest at a Term Rate and with respect to the Series 2012B-2 Bonds, the Series 2012B Letter of Credit may only be drawn upon when the Series 2012B-2 Bonds bear interest at Weekly Rate or Monthly Rate. The Series 2012B Letter of Credit is initially scheduled to expire on September 12, 2014, but may be extended, terminated or replaced prior to such expiration in accordance with its terms. The Series 2012B Bonds are subject to mandatory tender for purchase prior to the occurrence of any expiration, termination or replacement of the Series 2012B Letter of Credit. See the captions "DESCRIPTION OF THE SERIES 2012B BONDS—Tender Provisions—Mandatory Tender" and "THE SERIES 2012B LETTER OF CREDIT AND THE SERIES 2012B CREDIT PROVIDER AGREEMENT" herein.

Initial Collateralization

Following the application of the proceeds of the Series 2012B Bonds and the refunding of the Refunded Obligations and transfer of the Financed Eligible Loans, the ratio of the Aggregate Market Value to the aggregate principal amount of the Series 2012B Bonds Outstanding on the date of issuance is expected to be approximately 115%. See the caption "SOURCES AND USES OF FUNDS" herein.

Loan Account

On the date of issuance, the Financed Eligible Loans will be transferred into the Series 2012B Subaccount of the Loan Account created under the Indenture and shall be held by the Servicer (as bailee for the Trustee). See the caption "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" herein for information regarding the Financed Eligible Loans expected to be transferred to the Series 2012B Subaccount of the Loan Account.

Reserve Account

The Series 2012B Bonds are additionally secured by the Reserve Account in an amount equal to the Reserve Account Requirement. Upon the issuance of the Series 2012B Bonds, a deposit of cash into the Reserve Account in an amount equal to 1% of the principal amount of the Series 2012B Bonds outstanding is to be made from the proceeds of the Series 2012B Bonds. The Reserve Account Requirement shall be, as of any particular date of calculation, an amount equal to the greater of 1% of the aggregate principal amount of the Series 2012B Bonds

outstanding or \$500,000. Moneys in the Series 2012B Subaccount of the Reserve Account are to be used in designated priorities, to cure insufficiencies of amounts in the Revenue Account. See also "APPENDIX C—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" hereto.

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

Rebate and Excess Interest Account

The Indenture creates a Rebate and Excess Interest Account, to be held in trust by the Trustee for payment to the Treasury Department of the United States of America, for the purpose of complying with Federal tax law.

Investment of Accounts Held by Trustee

The Trustee shall invest amounts credited to any Account established under the Indenture in investment securities described in the Indenture (the "Permitted Investments") pursuant to directions received from the Corporation. In the absence of a direction, the Trustee shall invest amounts held under the Indenture in Permitted Investments as set forth in the Indenture.

Summary of Cash Flow Analysis

The Corporation has caused RBCCM to prepare a cash flow analysis of the portfolio of existing Eligible Loans that is expected to be acquired on or about the date of issuance of the Series 2012B Bonds in connection with the redemption of the Refunded Obligations (the "Cash Flow Analysis").

Based on certain assumptions, including those described under the caption "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" herein, and recognizing certain factors described under the caption "RISK FACTORS" herein, the Corporation currently expects, and the Cash Flow Analysis indicates, that the Revenues will be sufficient to pay principal of and interest on the Outstanding Bonds when due, or to reimburse the Series 2012B Credit Provider for payment of such amounts, and also to pay the annual cost of all Trustee fees, fees for the Credit Facilities, Program Expenses, servicing costs and other fees and expenses until the final maturity or prior redemption of the Outstanding Series 2012B Bonds. However, there is no assurance that the Revenues will be sufficient for such payments, in which case an Event of Default could occur. If the Trustee had to liquidate all or a portion of the Financed Eligible Loans upon the occurrence of an Event of Default, or for any other reason, it is possible that the Trustee could not sell the Financed Eligible Loans for their full par value. Even though the Pledged Assets may be at or above parity at any given time, it is possible that the Trustee may not be able to sell the Financed Eligible Loans and the other Pledged Assets for a sufficient amount to pay the principal and accrued interest on the Bonds, including the Series 2012B Bonds. See the caption "RISK FACTORS" herein.

CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS

(as of the Statistical Cut-off Date)

The Financed Eligible Loans include Financed FFELP Loans and Financed Alternative Loans. Below are certain characteristics of each group.

As of June 30, 2012, the statistical cut-off date, the characteristics of the pool of Financed Eligible Loans the Corporation expects to pledge to the Trustee pursuant to the Indenture were as described below. The aggregate outstanding principal balance of the Financed Eligible Loans in each of the following tables includes the principal balance due from borrowers, which does not include accrued interest and interest expected to be capitalized upon

commencement of repayment. The percentages set forth in the tables below may not always add to 100% and the balances may not always add to the total amount for each category of Financed Eligible Loans due to rounding.

In the event that the principal amount of Financed Eligible Loans required to provide collateral for the Series 2012B Bonds varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to cause the Series 2012B Credit Provider to issue the Series 2012B Letter of Credit, the pricing of the interest rates on the Series 2012B Bonds, the principal amount of Series 2012B Bonds to be offered, the amount of Refunded Obligations to be refunded, the rate of amortization or prepayment on the portfolio of Financed Eligible Loans from the statistical cut-off date to the date of issuance varying from the rates that were anticipated, or otherwise, the portfolio of Financed Eligible Loans to be pledged to the Trustee may consist of a subset of the pool of Financed Eligible Loans described below or may include additional Eligible Loans not described below.

The aggregate characteristics of the pool of Financed Eligible Loans may vary from the information presented below, since the information presented below is as of the statistical cut-off date, and the date that the Financed Eligible Loans will be pledged to the Trustee under the Indenture will occur after that date. The aggregate characteristics may also vary as a result of the inclusion of Eligible Loans not described below or the exclusion of Financed Eligible Loans that are described below, in each case for the reasons described in the preceding paragraphs under this caption. The information as of the statistical cut-off date set forth under this caption is with respect to the Financed Eligible Loans that are expected to be pledged to the Trustee under the Indenture. The Corporation believes that the characteristics of the pool of Financed Eligible Loans described below is representative of the pool of Eligible Loans that will be pledged to the Trustee under the Indenture on or about the date of issuance.

The Financed Alternative Loans

The Corporation's Alternative Loan program is more fully described in APPENDIX B—THE ALTERNATIVE LOAN PROGRAM attached hereto. As of the Statistical Cut-Off Date, the characteristics of the pool of Financed Alternative Loans expected to be pledged to the Trustee pursuant to the Indenture were as described below.

COMPOSITION OF THE FINANCED ALTERNATIVE LOANS AS OF JUNE 30, 2012

Summary:

Aggregate Outstanding Principal Balance	\$91,205,811
Number of Loans	17,111
Average Outstanding Principal Balance Per Loan	5,330
Weighted Average Remaining Term to Scheduled Maturity (Months) ⁽¹⁾	103
Weighted Average Borrower Interest Rate ⁽²⁾	5.78%

⁽¹⁾ Without giving effect to any current deferment or forbearance periods or any that may be granted in the future.

⁽²⁾ Calculated based on the current borrower interest rate, without giving effect to any borrower benefits.

DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS BY INTEREST RATE TYPE AS OF JUNE 30, 2012

<u>Interest Rate Type</u>	<u>Current Balance</u>	Percent of Loans by <u>Outstanding Principal Balance</u>	<u>Number of Loans</u>
Fixed Rate	\$57,267,828	62.79%	10,229
Variable Rate	33,937,983	37.21	6,882
Total	<u>\$91,205,811</u>	<u>100.00%</u>	<u>17,111</u>

DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS BY RANGE
OF ANNUAL BORROWER INTEREST RATE
AS OF JUNE 30, 2012

<u>Range of Annual Borrower Interest Rate</u>	<u>Current Balance</u>	Percent of Loans by <u>Outstanding Principal Balance</u>	<u>Number of Loans</u>
Less than 3.00%	\$33,937,983	37.21%	6,882
4.50% to 4.99%	48,229	0.05	28
5.00% to 5.49%	278,088	0.30	51
5.50% to 5.99%	273,681	0.30	24
6.00% to 6.49%	128,076	0.14	19
7.00% or more	<u>56,542,754</u>	<u>61.99</u>	<u>10,107</u>
Total	<u>\$91,205,811</u>	<u>100.00%</u>	<u>17,111</u>

DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS BY SCHOOL TYPE
AS OF JUNE 30, 2012

<u>School Type</u>	<u>Current Balance</u>	Percent of Loans by <u>Outstanding Principal Balance</u>	<u>Number of Loans</u>
2- or 3-Year	\$4,152,857	4.55%	953
4-Year +	83,821,181	91.90	15,474
Vocational/Proprietary	1,327,535	1.46	379
Other/Unknown	<u>1,904,237</u>	<u>2.09</u>	<u>305</u>
Total	<u>\$91,205,811</u>	<u>100.00%</u>	<u>17,111</u>

DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS
BY BORROWER LOAN STATUS
AS OF JUNE 30, 2012

<u>Borrower Loan Status</u>	<u>Current Balance</u>	Percent of Loans by <u>Outstanding Principal Balance</u>	<u>Number of Loans</u>
School	\$6,311,785	6.92%	979
Grace	2,709,746	2.97	403
Deferment	17,542,955	19.23	2,449
Forbearance	219,516	0.24	22
Repayment	64,139,339	70.32	13,206
Claim	<u>282,469</u>	<u>0.31</u>	<u>52</u>
Total	<u>\$91,205,811</u>	<u>100.00%</u>	<u>17,111</u>

DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS
BY BORROWER PAYMENT STATUS
AS OF JUNE 30, 2012

<u>Borrower Payment Status</u>	<u>Current Balance</u>	Percent of Loans by Outstanding <u>Principal Balance</u>	<u>Number of Loans</u>
Payments Made:			
0 to 12 Payments Made	\$44,202,189	48.46%	6,366
13 to 24 Payments Made	11,598,616	12.72	1,844
25 to 36 Payments Made	12,065,455	13.23	2,091
37 to 48 Payments Made	7,205,258	7.90	1,494
49 to 60 Payments Made	4,689,562	5.14	1,159
61 to 72 Payments Made	3,546,562	3.89	1,075
More than 73 Payments Made	7,898,169	8.66	3,082
Total	<u>\$91,205,811</u>	<u>100.00%</u>	<u>17,111</u>

DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS
BY RANGE OF DAYS DELINQUENT
AS OF JUNE 30, 2012

<u>Range of Days Delinquency</u>	<u>Current Balance</u>	Percent of Loans by Outstanding <u>Principal Balance</u>	<u>Number of Loans</u>
Not in Repayment	\$26,784,003	29.37%	3,853
0-30 days	61,012,841	66.90	12,675
31-60 days	1,517,577	1.66	269
61-90 days	899,202	0.99	158
91-120 days	992,187	1.09	156
Total	<u>\$91,205,811</u>	<u>100.00%</u>	<u>17,111</u>

DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS
BY RANGE OF OUTSTANDING PRINCIPAL BALANCE
AS OF JUNE 30, 2012

<u>Range of Outstanding Principal Balance</u>	<u>Current Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>	<u>Number of Loans</u>
Less than \$500	\$131,558	0.14%	490
\$500 to \$999	524,403	0.57	703
\$1,000 to \$1,999	2,828,461	3.10	1,856
\$2,000 to \$2,999	5,086,348	5.58	2,031
\$3,000 to \$3,999	6,883,884	7.55	1,977
\$4,000 to \$5,999	16,205,298	17.77	3,298
\$6,000 to \$7,999	16,897,158	18.53	2,413
\$8,000 to \$9,999	24,221,544	26.56	2,740
\$10,000 to \$14,999	16,825,633	18.45	1,519
\$15,000 to \$19,999	1,224,247	1.34	73
\$20,000 to \$24,999	87,776	0.10	4
\$25,000 to \$29,999	28,809	0.03	1
\$30,000 to \$34,999	97,856	0.11	3
\$35,000 to \$39,999	35,385	0.04	1
\$40,000 to \$49,999	45,412	0.05	1
\$80,000 to \$89,999	82,038	0.09	1
Total	<u>\$91,205,811</u>	<u>100.00%</u>	<u>17,111</u>

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DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS BY
RANGE OF REMAINING TERM TO SCHEDULED MATURITY
AS OF JUNE 30, 2012

Range of Remaining Term to Scheduled Maturity (Months)	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
0 to 24	\$257,128	0.28%	360
25 to 36	949,528	1.04	570
37 to 48	2,036,833	2.23	985
49 to 60	3,640,654	3.99	1,390
61 to 72	5,531,905	6.07	1,520
73 to 84	8,942,163	9.80	1,952
85 to 96	13,747,144	15.07	2,455
97 to 108	15,086,975	16.54	2,315
109 to 120	29,170,320	31.98	4,019
121 to 132	2,726,475	2.99	458
133 to 144	2,800,509	3.07	379
145 to 156	2,360,033	2.59	277
157 to 168	1,524,960	1.67	162
169 to 180	1,963,588	2.15	215
181 to 192	134,503	0.15	20
193 to 220	126,379	0.14	16
221 to 260	78,521	0.09	8
Over 300	<u>128,194</u>	<u>0.14</u>	<u>10</u>
Total	<u>\$15,586,911</u>	<u>100.00%</u>	<u>17,111</u>

The Financed FFELP Loans

The FFEL Loan Program is more fully described in APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM attached hereto. As of the Statistical Cut-Off Date, the characteristics of the pool of Financed FFELP Loans expected to be pledged to the Trustee pursuant to the Indenture were as described below.

COMPOSITION OF THE FINANCED FFELP LOANS
AS OF JUNE 30, 2012

Summary:

Aggregate Outstanding Principal Balance	\$15,586,911
Number of Loans	1,395
Average Outstanding Principal Balance Per Loan	11,173
Weighted Average Remaining Term to Scheduled Maturity (Months) ⁽¹⁾	256
Weighted Average Borrower Interest Rate ⁽²⁾	4.99%

(1) Without giving effect to any current deferment or forbearance periods or any that may be granted in the future.

(2) Calculated based on the current borrower interest rate, without giving effect to any borrower benefits.

DISTRIBUTION OF THE FINANCED FFELP LOANS BY LOAN TYPE
AS OF JUNE 30, 2012

<u>Loan Type</u>	<u>Current Balance</u>	Percent of Loans by Outstanding <u>Principal Balance</u>	<u>Number of Loans</u>
Consolidation Unsubsidized	\$8,826,951	56.63%	702
Consolidation Subsidized	<u>6,759,960</u>	<u>43.37</u>	<u>693</u>
Total	<u>\$15,586,911</u>	<u>100.00%</u>	<u>1,395</u>

DISTRIBUTION OF THE FINANCED FFELP LOANS BY RANGE
OF ANNUAL BORROWER INTEREST RATE
AS OF JUNE 30, 2012

<u>Range of Annual Borrower Interest Rate</u>	<u>Current Balance</u>	Percent of Loans by Outstanding <u>Principal Balance</u>	<u>Number of Loans</u>
Less than 3.00%	\$3,100,493	19.89%	297
3.00% to 3.49%	1,387,369	8.90	171
3.50% to 3.99%	604,488	3.88	33
4.00% to 4.49%	186,992	1.20	19
4.50% to 4.99%	3,170,357	20.34	268
5.00% to 5.49%	1,095,562	7.03	139
5.50% to 5.99%	537,700	3.45	25
6.00% to 6.49%	416,436	2.67	40
6.50% to 6.99%	2,169,998	13.92	139
7.00% or more	<u>2,917,516</u>	<u>18.72</u>	<u>264</u>
Total	<u>\$15,586,911</u>	<u>100.00%</u>	<u>1,395</u>

DISTRIBUTION OF THE FINANCED FFELP LOANS
BY BORROWER LOAN STATUS
AS OF JUNE 30, 2012

<u>Borrower Loan Status</u>	<u>Current Balance</u>	Percent of Loans by Outstanding <u>Principal Balance</u>	<u>Number of Loans</u>
School	\$0	0%	0
Grace	0	0	0
Deferment	1,477,111	9.48	152
Forbearance	955,680	6.13	67
Repayment	13,110,822	84.11	1,174
Claim	<u>43,298</u>	<u>0.28</u>	<u>2</u>
Total	<u>\$15,586,911</u>	<u>100.00%</u>	<u>1,395</u>

DISTRIBUTION OF THE FINANCED FFELP LOANS BY SAP INDEX
AS OF JUNE 30, 2012

<u>SAP Index</u>	<u>Current Balance</u>	Percent of Loans by Outstanding <u>Principal Balance</u>	<u>Number of Loans</u>
One-Month LIBOR	\$15,586,911	100.00%	1,395

DISTRIBUTION OF THE FINANCED FFELP LOANS
BY BORROWER PAYMENT STATUS
AS OF JUNE 30, 2012

<u>Borrower Payment Status</u>	<u>Current Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>	<u>Number of Loans</u>
Payments Made:			
0 to 12 Payments Made	\$5,403,370	34.67%	426
13 to 24 Payments Made	1,096,127	7.03	82
25 to 36 Payments Made	1,483,530	9.52	92
37 to 48 Payments Made	1,152,181	7.39	83
49 to 60 Payments Made	1,656,067	10.62	162
61 to 72 Payments Made	1,651,285	10.59	178
More than 73 Payments Made	<u>3,144,351</u>	<u>20.17</u>	<u>372</u>
Total	<u>\$15,586,911</u>	<u>100.00%</u>	<u>1,395</u>

DISTRIBUTION OF THE FINANCED FFELP LOANS
BY RANGE OF DAYS DELINQUENT
AS OF JUNE 30, 2012

<u>Range of Days Delinquent</u>	<u>Current Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>	<u>Number of Loans</u>
Not in Repayment	\$2,432,791	15.61%	219
0-30 days	12,530,621	80.39	1,132
31-60 days	524,536	3.37	32
61-90 days	74,745	0.48	8
91-120 days	<u>24,218</u>	<u>0.16</u>	<u>4</u>
Total	<u>\$15,586,911</u>	<u>100.00%</u>	<u>1,395</u>

DISTRIBUTION OF THE FINANCED FFELP LOANS BY RANGE OF DATE OF DISBURSEMENT
AS OF JUNE 30, 2012 *

<u>Range of Date of Disbursement</u>	<u>Current Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>	<u>Number of Loans</u>
On or After October 1, 2007	\$2,876,397	18.45%	196
April 1, 2006 – September 30, 2007	7,362,457	47.23	653
Before April 1, 2006	<u>5,348,057</u>	<u>34.31</u>	<u>546</u>
Total	<u>\$15,586,911</u>	<u>100.00%</u>	<u>1,395</u>

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

DISTRIBUTION OF THE FINANCED FFELP LOANS BY GUARANTY LEVEL
AS OF JUNE 30, 2012*

<u>Guaranty Level</u>	<u>Current Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>	<u>Number of Loans</u>
On or After July 1, 2006 (97%)	\$8,832,404	56.67%	710
October 1, 1993 – June 30, 2006 (98%)	<u>6,754,507</u>	<u>43.33</u>	<u>685</u>
Total	<u>\$15,586,911</u>	<u>100.00%</u>	<u>1,395</u>

* FFELP Loans disbursed on or after October 1, 1993, and before July 1, 2006, are 98% guaranteed by the guaranty agency. FFELP Loans disbursed on or after July 1, 2006, are 97% guaranteed by the guaranty agency. See the caption "APPENDIX A--DESCRIPTION OF THE FFEL PROGRAM" herein.

DISTRIBUTION OF THE FINANCED FFELP LOANS BY RANGE
OF OUTSTANDING PRINCIPAL BALANCE
AS OF JUNE 30, 2012

<u>Range of Outstanding Principal Balance</u>	<u>Current Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>	<u>Number of Loans</u>
Less than \$500	\$7,323	0.05%	26
\$500 to \$999	26,351	0.17	35
\$1,000 to \$1,999	141,386	0.91	92
\$2,000 to \$2,999	308,441	1.98	123
\$3,000 to \$3,999	317,608	2.04	91
\$4,000 to \$5,999	1,020,340	6.55	205
\$6,000 to \$7,999	1,256,316	8.06	180
\$8,000 to \$9,999	1,256,960	8.06	141
\$10,000 to \$14,999	2,603,018	16.70	214
\$15,000 to \$19,999	1,782,042	11.43	104
\$20,000 to \$24,999	1,321,763	8.48	60
\$25,000 to \$29,999	1,179,590	7.57	43
\$30,000 to \$34,999	846,995	5.43	26
\$35,000 to \$39,999	681,803	4.37	18
\$40,000 to \$49,999	391,914	2.51	9
\$50,000 to \$59,999	489,638	3.14	9
\$60,000 to \$69,999	272,654	1.75	4
\$70,000 to \$79,999	70,756	0.45	1
\$80,000 to \$89,999	503,432	3.23	6
\$90,000 to \$99,999	99,946	0.64	1
\$100,000 to \$109,999	106,036	0.68	1
\$110,000 to \$119,999	112,537	0.72	1
\$120,000 to \$129,999	129,017	0.83	1
\$140,000 to \$149,999	287,091	1.84	2
\$150,000 or more	<u>373,954</u>	<u>2.40</u>	<u>2</u>
Total	<u>\$15,586,911</u>	<u>100.00%</u>	<u>1,395</u>

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DISTRIBUTION OF THE FINANCED FFELP LOANS BY
RANGE OF REMAINING TERM TO SCHEDULED MATURITY
AS OF JUNE 30, 2012

Range of Remaining Term to Scheduled Maturity (Months)	Current Balance	Percent of Loans by Outstanding Principal Balance	Number of Loans
0 to 24	\$7,083	0.05%	14
25 to 36	8,039	0.05	12
37 to 48	16,005	0.10	14
49 to 60	25,002	0.16	15
61 to 72	34,650	0.22	19
73 to 84	113,559	0.73	25
85 to 96	143,060	0.92	46
97 to 108	182,141	1.17	52
109 to 120	299,619	1.92	60
121 to 132	212,782	1.37	49
133 to 144	111,637	0.72	24
145 to 156	327,564	2.10	52
157 to 168	652,350	4.19	91
169 to 180	655,437	4.21	93
181 to 192	1,361,467	8.73	151
193 to 220	975,975	6.26	99
221 to 260	1,960,168	12.58	147
261 to 300	3,134,848	20.11	147
Over 300	<u>5,365,525</u>	<u>34.42</u>	<u>285</u>
Total	<u>\$15,586,911</u>	<u>100.00%</u>	<u>1,395</u>

Additional Financed Eligible Loans

In addition to the Financed Eligible Loans described in the above tables, the Corporation will also pledge to the Trustee under the Indenture certain Alternative Loans which will be released upon the refunding of the Refunded Obligations. The principal balance of these Alternative Loans as of June 30, 2012 was \$14,780,345, with \$2,154,653 of accrued interest.

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THE SERIES 2012B LETTER OF CREDIT AND THE SERIES 2012B CREDIT PROVIDER AGREEMENT

General

The following is a brief description of certain provisions of the Series 2012B Letter of Credit and the Series 2012B Credit Provider Agreement with regard to the Series 2012B Bonds, and is not to be considered as a full statement of the provisions of such documents. This summary is qualified by reference to and is subject to such documents. Capitalized terms used herein and not defined shall have the meanings set forth in the Series 2012B Credit Provider Agreement. The provisions of any substitute or replacement Credit Facility and related Credit Provider Agreement may be different from those summarized below.

The Indenture requires the Trustee to draw upon the Series 2012B Letter of Credit whenever principal or interest is due on the Series 2012B Bonds, whether on any interest payment date or stated maturity date or upon redemption or acceleration. The Trustee is also required under the provisions of the Indenture to draw on the Series 2012B Letter of Credit under certain circumstances including mandatory or optional tender of the Series 2012B Bonds if remarketing proceeds are insufficient to pay the Purchase Price.

The Series 2012B Letter of Credit and the Series 2012B Credit Provider Agreement

General. The Series 2012B Letter of Credit is to be issued by the Series 2012B Credit Provider on September 12, 2012. The initial stated amount of the Series 2012B Letter of Credit is \$99,681,377.88 (the "Available Amount"). The Available Amount of the Series 2012B Letter of Credit will reduce and reinstate in accordance with its terms. The following is a brief summary of certain provisions of the Series 2012B Credit Provider Agreement. The provisions of any future substitute or replacement letter of credit and related reimbursement agreement may be different from those summarized here.

Of the Available Amount, up to \$93,435,000 is available for the payment of the unpaid principal of, or the portion of the Purchase Price corresponding to principal of, the Series 2012B Bonds and up to \$6,246,377.88 is available for the payment of the unpaid interest accrued on, or the portion of the Purchase Price corresponding to interest accrued on, the Series 2012B Bonds (201 days of interest at 12% per annum, based on a year of 365 days for \$15,000,000 of such principal amount, and based on a year of 360 days for \$78,435,000 of such principal amount). "Purchase Price" means, with respect to any Series 2012B Bond tendered for purchase pursuant to the Indenture, an amount equal to the principal amount of such Series 2012B Bond purchased on any Purchase Date (as defined in the Indenture) plus, with respect to any Series 2012B Bond tendered for purchase on a date which is not a scheduled Interest Payment Date (as defined in the Indenture) for such Series 2012B Bond, accrued but unpaid interest to the Purchase Date, in each case, without premium.

Upon any drawing, the Available Amount will be reduced by the amount of such drawing. The Available Amount will also be reduced by an amount by which the Trustee, in a certificate delivered to the Series 2012B Credit Provider, has permanently reduced the amount of the Series 2012B Letter of Credit due to a redemption of less than all of the Series 2012B Bonds outstanding, to the extent such reduction is not already accounted for by a reduction in the available amount pursuant to a drawing on the Series 2012B Letter of Credit.

The amount of any interest drawing will be automatically reinstated on the earlier to occur of (i) the sixth calendar day from the date the Series 2012B Credit Provider honors such interest drawing, unless the Trustee has received notice within five calendar days of the date the Series 2012B Credit Provider honors such interest drawing that the Series 2012B Credit Provider has not been reimbursed in full for such interest drawing or that any other Event of Default (as defined in the Series 2012B Credit Provider Agreement) has occurred and is continuing and as a consequence thereof (A) the amount of such interest drawing will not be so reinstated and (B) the Trustee will either send a notice of mandatory tender for the Series 2012B Bonds or accelerate the Series 2012B Bonds, as directed by the Series 2012B Credit Provider in such notice and (ii) reimbursement in full for such interest drawing. Upon receipt of any such notice described in clause (i) of the preceding sentence, the Trustee will be permitted to make a drawing for all of the Series 2012B Bonds upon such mandatory tender or acceleration in accordance with the terms of the Series 2012B Letter of Credit.

The Series 2012B Credit Provider Agreement requires the Corporation to reimburse the Series 2012B Credit Provider for the full amount of any drawings for interest or principal on the Series 2012B Bonds (other than for a Liquidity Drawing as described below), including upon redemption or acceleration, on the date of payment of each such drawing, together with any applicable draw fees. A "Liquidity Drawing" is a drawing under the Series 2012B Letter of Credit with respect to the payment, upon a tender, of the unpaid principal amount of, and accrued and unpaid interest on, the Series 2012B Bonds which are to be purchased on a Mandatory Purchase Date of a type described in clauses (i), (iii), (iv), (v) or (vi) of the definition thereof. Each Liquidity Drawing will constitute an advance to the Corporation, subject to certain conditions in the Series 2012B Credit Provider Agreement. The Series 2012B Credit Provider Agreement requires the Corporation to reimburse the Series 2012B Credit Provider for any amount paid by the Series 2012B Credit Provider with respect to the portion of any Liquidity Drawing under the Series 2012B Letter of Credit corresponding to the accrued and unpaid interest on the Series 2012B Bonds (the "Interest Portion") on the earliest of (i) the date of the remarketing of Bank Bonds (as defined in the Series 2012B Credit Provider Agreement) purchased with the proceeds of such Liquidity Drawing, (ii) the date Bank Bonds purchased with the proceeds of such Liquidity Drawing become due and payable, whether at stated maturity or upon acceleration, redemption or otherwise, (iii) the date which is 180 days from the date of such Liquidity Drawing, (iv) the date on which the Series 2012B Letter of Credit is replaced by a substitute letter of credit, (v) the Termination Date (as defined below), and (vi) the immediately succeeding Interest Payment Date for the Series 2012B Bonds purchased with the proceeds of such Liquidity Drawing. The Corporation will reimburse the Series 2012B Credit Provider in the manner set forth in the Series 2012B Credit Provider Agreement for any amount paid by the Series 2012B Credit Provider with respect to the portion of any Liquidity Drawing under the Series 2012B Letter of Credit corresponding to the principal on the Series 2012B Bonds (the "Principal Portion") on the earliest of (i) the date of the remarketing of Bank Bonds purchased with the proceeds of such Liquidity Drawing, (ii) the date Bank Bonds purchased with the proceeds of such Liquidity Drawing become due and payable, whether at stated maturity or upon acceleration, redemption or otherwise, (iii) the date which is 180 days from the date of such Liquidity Drawing, (iv) the Termination Date and (v) the date on which the Series 2012B Letter of Credit is replaced by a substitute letter of credit. Each Principal Portion and Interest Portion will constitute an advance to the Corporation and shall bear interest, for the period from the date of the Liquidity Drawing until paid at the applicable rate determined in accordance with the Series 2012B Credit Provider Agreement.

The Series 2012B Letter of Credit, by its terms, will automatically terminate on the termination date (the "Termination Date") which is the earliest of the Series 2012B Credit Provider's close of business on: (a) September 12, 2014 (the "Stated Expiration Date"), (b) the date which is five (5) days following receipt by the Series 2012B Credit Provider from the Trustee of a certificate terminating the Series 2012B Letter of Credit when (i) no Series 2012B Bonds are outstanding; (ii) all drawings required to be made under the Indenture and available under the Series 2012B Letter of Credit have been made and honored or (iii) a replacement letter of credit has been issued; (c) the date on which an Acceleration Drawing (as defined in the Series 2012B Credit Provider Agreement) is honored by the Series 2012B Credit Provider, (d) the date which is fifteen (15) days following receipt by the Trustee of a written notice from the Series 2012B Credit Provider specifying the occurrence of an Event of Default (as defined in the Series 2012B Credit Provider Agreement) under the Series 2012B Credit Provider Agreement and directing the Trustee to accelerate the Series 2012B Bonds and (v) the date which is five (5) days following the conversion of the Series 2012B Bonds to any interest rate other than a Weekly Rate, a Monthly Rate or a Term Rate of not more than one year resetting June 1 of each calendar year (unless otherwise consented to in the Series 2012B Credit Provider).

Events of Default and Remedies Under the Series 2012B Credit Provider Agreement. Certain events shall constitute "Events of Default" under the Series 2012B Credit Provider Agreement, including the downgrade of the long-term credit rating of the State of Alaska below "BBB" or the equivalent by any rating agency. Upon the occurrence and during the continuance of any Event of Default under the Series 2012B Credit Provider Agreement, the Series 2012B Credit Provider, (i) may declare all obligations outstanding under the Series 2012B Credit Provider Agreement (together with accrued interest thereon) to be, and all obligations outstanding under the Series 2012B Credit Provider Agreement (together with accrued interest thereon) will thereupon become, immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are waived by Corporation under the Series 2012B Credit Provider Agreement, (ii) may cure any default, event of default or event of non-performance under the Series 2012B Credit Provider Agreement or under any of the related documents (in which case the Corporation will reimburse the Series 2012B Credit Provider therefor as provided in the Series 2012B Credit Provider Agreement), (iii) may deliver to the Trustee and Tender Agent written notice that an Event of

Default (as defined in the Series 2012B Credit Provider Agreement) has been declared under the Series 2012B Credit Provider Agreement and that the Series 2012B Letter of Credit will terminate fifteen (15) days after receipt of such notice and directing the acceleration of the Series 2012B Bonds, (iv) may deliver to the Trustee and Tender Agent written notice that an Event of Default (as defined in the Series 2012B Credit Provider Agreement) has been declared under the Series 2012B Credit Provider Agreement and that the Series 2012B Letter of Credit will terminate fifteen (15) days after receipt of such notice and directing the mandatory tender of all of the Series 2012B Bonds, (v) may proceed to protect its rights by suit in equity, action at law or other appropriate proceedings, whether for specific performance of any covenant or agreement of the Corporation contained in the Series 2012B Credit Provider Agreement or in and of the exercise of any power or remedy granted to the Series 2012B Credit Provider under any of the related transaction documents or (vi) may exercise any other rights or remedies available under any related transaction documents (including, without limitation, directing the Trustee to sell the Financed Education Loans pursuant to the terms of the Indenture), any other agreement or at law or in equity. If the Series 2012B Bonds are accelerated as described above, the Corporation will immediately reimburse the Series 2012B Credit Provider for all obligations including, without limitation, reimbursement for any drawing related thereto.

The Series 2012B Credit Provider

The following information has been provided by State Street Bank and Trust Company for use in this Official Statement. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Corporation or the Underwriter. This information has not been independently verified by the Corporation or the Underwriter. No representation is made by the Corporation or the Underwriter 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.

Information Concerning State Street Bank and Trust Company. State Street Bank and Trust Company (the “Bank”) is a wholly-owned subsidiary of State Street Corporation (“State Street Corporation”). State Street Corporation (NYSE: STT) is the world's leading provider of financial services to institutional investors including investment servicing, investment management and investment research and trading. With \$21.81 trillion in assets under custody and administration and \$1.86 trillion in assets under management, State Street Corporation operates in 29 countries and more than 100 markets worldwide. The consolidated total assets of the Bank as of December 31, 2011 accounted for approximately 98% of the consolidated total assets of State Street Corporation as of the same date. As of December 31, 2011, State Street Corporation had consolidated total assets of \$216.83 billion, total deposits (including deposits in non-U.S. offices) of \$157.29 billion, total loans and leases, net of unearned income and allowance for loan losses, of \$10.03 billion and total shareholders’ equity of \$19.40 billion.

The Bank’s *Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices Only* – FFIEC 031 at December 31, 2011 (the “Call Reports”), as filed with the Federal Deposit Insurance Corporation, are incorporated by reference in this Appendix and shall be deemed to be a part hereof.

In addition, all Call Reports filed by the Bank pursuant to 12 U.S.C. §324 after the date of this Official Statement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to State Street Corporation and the Bank, is set forth in State Street Corporation’s Annual Report on Form 10-K for the year ended December 31, 2011. The Form 10-K can be found on State Street Corporation’s web site, www.statestreet.com. Such report and all reports filed by State Street Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The Series 2012B Letter of Credit is an obligation of the Bank and not of State Street Corporation.

Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Bank hereby undertakes to provide, without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

Neither the Bank nor its affiliates make any representation as to the contents of this Official Statement (except as to this Appendix to the extent it relates to the Bank), the suitability of the Series 2012B Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations.

RISK FACTORS

Potential investors in the Series 2012B Bonds should consider the risks involved in purchasing the Series 2012B Bonds including the following risk factors, together with all other information in this Official Statement in deciding whether to purchase the Series 2012B Bonds. The following discussion of possible risks is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2012B Bonds and does not necessarily reflect the relative importance of the various risks. Additional risk factors relating to an investment in the Series 2012B Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. There can be no assurance that other risk factors will not become material in the future.

The Series 2012B Credit Provider

On each date on which principal of or interest on the Series 2012B Bonds is payable, whether upon redemption, an acceleration or stated maturity, or a tender and a failed or incomplete remarketing of the Series 2012B Bonds, the Trustee is required by the Indenture to draw moneys under the Series 2012B Letter of Credit (up to the amount available thereunder and in accordance with the terms thereof) in an amount sufficient to pay any principal of or interest due on such Series 2012B Bonds on such date, and is required to apply such moneys to pay such principal and interest when due without further authorization or direction. There can be no assurance that the Series 2012B Credit Provider will have sufficient revenues to enable it to honor its commitments under the Series 2012B Letter of Credit. See the caption "THE SERIES 2012B LETTER OF CREDIT AND THE SERIES 2012B CREDIT PROVIDER AGREEMENT" herein for further information concerning the Series 2012B Credit Provider, the Series 2012B Letter of Credit, and the Series 2012B Credit Provider Agreement. The Series 2012B Credit Provider has the right to consent to, direct and control certain of the remedies taken by the Trustee under the Indenture upon an Event of Default; provided, however, the Series 2012B Credit Provider will not be allowed to waive any Event of Default under the Indenture if the Series 2012B Credit Provider has failed to honor a properly presented and conforming draw under its Series 2012B Letter of Credit. See the caption "APPENDIX C—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE" hereto.

The Series 2012B Bonds Are Not a Suitable Investment for All Investors

The Series 2012B Bonds are not a suitable investment if a Bondholder requires a regular or otherwise predictable schedule of payments of interest or principal on a specific date. The Series 2012B Bonds are complex variable rate investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the prepayment, reinvestment, default and market risk, the tax consequences of an investment, and the interaction of these factors.

Risks Associated With Interest Rates

The interest rates on the Series 2012B Bonds will be variable and will fluctuate from one term rate or weekly rate period to another, as applicable, in response to changes in benchmark rates or general market conditions. The Corporation can make no representation as to what these rates may be in the future. The Financed FFELP Loans, however, generally bear interest at fixed rates with an effective rate (taking into account any special allowance payments) equal to one-month LIBOR, plus a stated margin. The Financed Alternative Loans generally bear interest at fixed rates or at variable rates with an annual reset. See "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS." See the caption "APPENDIX A—DESCRIPTION OF THE FFEL

PROGRAM—Interest Rates” for FFELP Loan interest rate information and “APPENDIX B—THE ALTERNATIVE LOAN PROGRAM,” for Alternative Loan interest rate information.

As a result of the differences between the interest rates on the Series 2012B Bonds and the interest rates on the Financed Eligible Loans, there could be periods of time when the interest payments received on the Financed Eligible Loans are inadequate to cover the interest payments due on the Series 2012B Bonds and expenses required to be paid under the Indenture.

New Rules Could Adversely Affect the Asset-Backed Securities Market and the Value of the Series 2012B Bonds

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

The effects of the Dodd-Frank Act will depend significantly upon the content and implementation of the rules and regulations issued pursuant to its provisions. It is not yet clear how the Dodd-Frank Act and its associated rules and regulations will affect the asset-backed securities market generally or the Corporation and the Financed Eligible Loans in particular. No assurance can be given that the new regulations will not have an adverse effect on the value or liquidity of the Series 2012B Bonds.

Turmoil in the Credit Markets

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

Due to the limited recourse nature of the trust estate created under the Indenture for the Series 2012B Bonds, the turmoil in the credit markets should not impact the payment of the Series 2012B Bonds unless it causes (i) erosion in the finances of the Corporation to such an extent that it cannot honor any administration or similar obligations under the Indenture or (ii) the interest rates on the Series 2012B Bonds to increase more than the interest rates and subsidies received by the Corporation on the Financed Eligible Loans.

Ratings of Other Student Loan Bonds Issued by the Corporation May Be Reviewed or Downgraded

Disruptions in the credit markets, along with concerns over the financial strength of several monoline insurers and banks which provide liquidity and credit support, the widening of interest rate spreads and the collapse of the auction rate securities market caused the rating agencies to announce that they are reviewing or intend to review the ratings assigned to certain securities, including student loan asset-backed securities. These events led to a number of ratings actions on student loan asset-backed securities. Ratings actions may take place at any time. The Corporation cannot predict the timing of any ratings actions, nor can the Corporation predict whether the ratings assigned to the Corporation’s outstanding student loan backed securities or the Series 2012B Bonds offered hereby will be downgraded. Any adverse action by the rating agencies regarding the securities issued previously by the

Corporation may adversely affect the Corporation, the market value of the Series 2012B Bonds or any secondary market for the Series 2012B Bonds that may develop.

Changes to the Higher Education Act, Including the Enactment of the Health Care and Education Reconciliation Act of 2010, Changes to Other Applicable Laws and Other Congressional Action May Affect the Series 2012B Bonds and the Financed FFELP Loans

On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (“HCERA” or the “Reconciliation Act”) was enacted into law. The Reconciliation Act eliminated the FFEL Program effective July 1, 2010 and the origination of new FFELP Loans after June 30, 2010. As of July 1, 2010, all student loans made under the Higher Education Act are originated under the Federal Direct Student Loan Program (the “Direct Loan Program”). The terms of existing FFELP Loans are not affected by the Reconciliation Act.

The curtailment of the FFEL Program could have a material adverse impact on the Servicer, the Corporation’s student loan programs and the Guarantor. For example, the Servicer may experience increased costs due to reduced economies of scale to the extent the volume of loans serviced by the Servicer is reduced. Those cost increases could affect the ability of the Servicer to satisfy their obligations to service the Financed FFELP Loans held in the Pledged Assets securing the Bonds, including the Series 2012B Bonds. FFELP Loan volume reductions could further reduce revenues received by the Guarantor available to pay claims on defaulted FFELP Loans.

In addition to the passage of the Reconciliation Act, Title IV of the Higher Education Act and the regulations promulgated by the United States Department of Education (the “Department of Education”) thereunder have been the subject of frequent and extensive amendments and reauthorizations in recent years. See the caption “APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM” hereto for more information on the Higher Education Act. There can be no assurance that the Higher Education Act or other relevant federal or state laws, rules and regulations may not be further amended or modified in the future in a manner that could adversely affect the Corporation or its student loan programs, the trust estate created under the Indenture, the Financed FFELP Loans, or the financial condition of or ability of the Corporation, the Servicer or the Guarantor to comply with their obligations under the various transaction documents or the Series 2012B Bonds offered hereby. Future changes could also have a material adverse effect on the revenues received by the Guarantor that are available to pay claims on defaulted Financed FFELP Loans in a timely manner.

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

Competition from the Federal Direct Student Loan Program

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

Because of the limited recourse nature of the trust estate created under the Indenture for the Series 2012B Bonds, competition from the Direct Loan Program should not impact the payment of the Series 2012B Bonds unless it causes (i) erosion in the finances of the Corporation to such an extent that they cannot honor any administration or similar obligations under the Indenture, (ii) causes the interest rates on the Series 2012B Bonds to increase more than the interest rates and subsidies (where applicable) received by the Corporation on the Financed FFELP Loans,

or (iii) prepayments of Financed FFELP Loans if such Financed FFELP Loans are consolidated under the Direct Loan Program.

The Corporation May Be Subject to Investigations or the Potential for Litigation in Connection With Its Outstanding Auction Rate Securities

Auction rate securities generally, including student loan auction rate securities, have been the subject of significant scrutiny since the collapse of the auction rate securities market in early 2008. Many auction rate securities broker-dealers and underwriters have reported receiving inquiries and subpoenas from the Securities and Exchange Commission (“SEC”) and state regulators, and a number of such broker-dealers and underwriters have entered into settlements with the SEC stemming from such investigations. It is unclear what impact, if any, these actions may have on the Corporation’s auction rate securities.

Beginning in 2008, several class action lawsuits were filed against many of the investment banking firms who have acted as broker-dealers for auction rate securities and also against issuers of auction rate securities. Among the theories on which such litigation has been based are inadequate disclosure and misrepresentation. Some of the complaints have alleged that auction rate securities were sold to investors as “cash equivalents,” and that auction rate securities are now illiquid.

The Corporation has not been a party to any such lawsuit nor has any such lawsuit been threatened against the Corporation. However, no assurance can be given that such a lawsuit will not be filed against the Corporation or, if such a lawsuit is filed against the Corporation and is successful, what the impact on the Corporation’s ongoing operations and programs might be.

Other Litigation Risks

The Corporation may be subject to various claims, lawsuits, and proceedings that arise from time-to-time. See the caption “LEGAL PROCEEDINGS” herein.

The Corporation May Be Subject to Student Loan Industry Investigations

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

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

The Department of Education has adopted regulations that impact the practices which are the subject of the foregoing investigations. See the caption “Changes to the Higher Education Act, Including the Enactment of the Health Care and Education Reconciliation Act of 2010, Changes to Other Applicable Laws and Other Congressional Action May Affect the Series 2012B Bonds and the Financed FFELP Loans” above.

General Economic Conditions

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

The United States Military Build-Up May Result in Delayed Payments From Borrowers Called to Active Military Service

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

The Corporation does not know how many Financed FFELP Loans have been or may be affected by the application of the Servicemembers Civil Relief Act. Payments on FFELP Loans may be delayed as a result of these requirements, which may reduce the funds available to the Corporation to pay principal and interest on the Series 2012B Bonds.

Higher Education Relief Opportunities for Students Act of 2003 May Result in Delayed Payments From Borrowers

The Higher Education Relief Opportunities for Students Act of 2003 ("HEROS Act of 2003"), authorizes the Secretary of Education to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary for the benefit of "affected individuals" who, (i) are serving on active military duty or performing qualifying national guard duty during a war or other military operation or national emergency; (ii) reside or are employed in an area that is declared by any federal, state or local office to be a disaster area in connection with a national emergency; or (iii) suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary.

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

The number and aggregate principal balance of FFELP Loans that may be affected by the application of the HEROS Act of 2003 is not known at this time. Accordingly, payments the Corporation receives on FFELP Loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers become eligible for the relief provided under the HEROS Act of 2003, there could be an adverse effect on the total collections on the Financed Eligible Loans and the Corporation's ability to pay principal and interest on the Series 2012B Bonds.

Consumer Protection Laws May Affect Enforceability of Financed Eligible Loans

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

Bondholders Will Rely on the Servicer for the Servicing of the Financed Eligible Loans

Bondholders will be relying on the Commission, as Servicer, to service all of the Financed Eligible Loans. The cash flow projections relied upon by the Corporation in structuring the issuance of the Series 2012B Bonds were based upon assumptions with respect to servicing costs which the Corporation based upon the Servicer's costs to service the Financed Eligible Loans that it services under its servicing agreement with the Corporation. No assurance can be made that the costs to the Corporation, for servicing the Financed Eligible Loans will not increase, or that the Corporation would be successful in entering into servicing agreements with other servicers that would be acceptable to the rating agencies or the Series 2012B Credit Provider at the assumed level of servicing cost. Although the Servicer is obligated to service the Financed Eligible Loans in accordance with the Higher Education Act and the Indenture, the timing of payments to be actually received with respect to the Financed Eligible Loans will be dependent upon the ability of the Servicer to adequately service the Financed Eligible Loans. In addition, the Bondholders will be relying on the Servicer's compliance with applicable federal and state laws and regulations.

A Default by a Servicer Could Adversely Affect the Series 2012B Bonds

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

If a Servicer or a Successor Servicer Fails to Comply With the Department of Education's Regulations, Payments on the Series 2012B Bonds Could be Adversely Affected

The Department of Education regulates each servicer of federal student loans. Under these regulations, a third-party servicer is jointly and severally liable with its client lenders (including the Corporation) for liabilities to the Department of Education arising from its violation of applicable requirements. In addition, if any lender or servicer fails to meet standards of financial responsibility or administrative capability included in the regulations, or violates other requirements, the Department of Education may impose penalties or fines and limit, suspend, or terminate the lender's ability to participate in or a servicer's eligibility to contract to service loans originated under the FFEL Program.

If a Servicer were so fined, or its FFEL Program eligibility were limited, suspended or terminated, payment on the Series 2012B Bonds could be adversely affected. If any successor servicer were so fined or held liable, or its eligibility were limited, suspended, or terminated, its ability to properly service the Financed FFELP Loans and to satisfy any remedies owed by it to the Corporation under a servicing agreement relating to Financed FFELP Loans could be adversely affected. In addition, if the Department of Education terminates a Servicer's eligibility, a servicing transfer will take place and there may be delays in collections and temporary disruptions in servicing. Any servicing transfer may temporarily adversely affect payments to the Bondholders.

Failure to Comply With Loan Origination and Servicing Procedures for Financed FFELP Loans May Result in Loss of Guarantee and Other Benefits for FFELP Loans

The Corporation must meet various requirements in order to maintain the federal guarantee on the FFELP Loans. These requirements establish servicing requirements and procedural guidelines and specify school and borrower eligibility criteria.

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

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

Limitation on Enforceability of Remedies Against the Corporation Could Result in Payment Delays or Losses

The remedies available to the Trustee or the Bondholders upon an event of default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Indenture and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2012B Bonds and the Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Certain Factors Relating to Security

The Corporation has covenanted in the Indenture that the assets constituting the Pledged Assets pledged by the Corporation under the Indenture are and will be owned by the Corporation free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges created by the Indenture, and that all action on the part of the Corporation to that end has been duly and validly taken. Notwithstanding the foregoing, under applicable law, security interests in such loans may exist and may not be ascertained by the Corporation. Therefore, no absolute assurance can be given that liens other than the lien of the Indenture do not and will not exist.

The Use of Master Promissory Notes for the FFELP Loans May Compromise the Trustee's Security Interest

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

A FFELP Loan evidenced by a master promissory note may be sold independently of the other FFELP Loans governed by the same master promissory note. If the Corporation originated a FFELP Loan governed by a master promissory note and does not retain possession of the master promissory note, other parties could claim an interest in the FFELP Loan. This could occur if the holder of the master promissory note were to take an action inconsistent with the Corporation's rights to a FFELP Loan, such as delivery of a duplicate copy of the master promissory note to a third-party for value. Although such action would not defeat the Corporation's rights to the

FFELP Loan or impair the security interest held by the Trustee for the Bondholders benefit, it could delay receipt of principal and interest payments on the loan.

Bondholders May Incur Losses or Delays in Payment on the Series 2012B Bonds if Borrowers Do Not Make Timely Payments or Default on Their Financed Eligible Loans

For a variety of economic, social and other reasons all the payments that are actually due on Financed Eligible Loans may not be made or may not be made in a timely fashion. Borrowers' failures to make timely payments of the principal and interest due on the Financed Eligible Loans will affect the Revenues pledged under the Indenture for the Corporation, which may reduce the amounts available to pay principal and interest due on the Series 2012B Bonds.

The cash flow from the Financed Eligible Loans, and the Corporation's ability to make payments due on the Series 2012B Bonds will be reduced to the extent interest is not currently payable on the Financed Eligible Loans. The borrowers on most FFELP Loans are not required to make payments during the period in which they are in school and for certain authorized periods thereafter, as described in the Higher Education Act. The Department of Education will make all interest payments while payments are deferred under the Higher Education Act on certain subsidized FFELP Loans that qualify for interest benefit payments. For all other FFELP Loans, interest generally will be capitalized and added to the principal balance of the FFELP Loans. The Financed FFELP Loans will consist of FFELP Loans for which payments are deferred as well as FFELP Loans for which the borrower is currently required to make payments of principal and interest.

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

The Financed Eligible Loans will also consist of Alternative Loans for which payments are deferred as well as Alternative Loans for which the borrower is currently required to make payments of principal and interest. The proportions of the Financed Eligible Loans for which payments are deferred and currently in repayment will vary during the period that the Series 2012B Bonds are outstanding.

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

Generally, if an Event of Default occurs under the Indenture, the Trustee may sell, and, at the direction of the Series 2012B Credit Provider or the Bondholders (in the percentage specified in the Indenture), will sell the Financed Eligible Loans. However, the Trustee may not find a purchaser for the Financed Eligible Loans or the market value of the Financed Eligible Loans plus other assets pledged under the Indenture might not be sufficient to pay the principal amount of outstanding Series 2012B Bonds plus accrued interest. Competition in the secondary market for loans made under the FFEL Program could also be reduced, resulting in fewer potential buyers of the Financed FFELP Loans and lower prices available in the secondary market for the Financed FFELP Loans. It is uncertain whether a market would be available for the sale of the Financed Alternative Loans. Bondholders may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the Financed Eligible Loans sufficient to pay the principal amount of the Series 2012B Bonds plus accrued interest. See "APPENDIX C—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—Defaults, Acceleration and Remedies" hereto.

The Characteristics of the Portfolio of Financed Eligible Loans May Change

The characteristics of the pool of Eligible Loans expected to be pledged to the Trustee are described under the caption "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" herein and are described herein as of the statistical cut-off date. In the event that the principal amount of Eligible Loans required to provide collateral for the Series 2012B Bonds varies from the amounts anticipated herein, whether by reason of a change in the pricing

of the interest rates on the Series 2012B Bonds, the principal amount of Series 2012B Bonds to be offered, the rate of amortization or prepayment on the portfolio of Eligible Loans from the statistical cut-off date to the date of issuance varying from the rates that were anticipated, or otherwise, the portfolio of Eligible Loans to be pledged to the Trustee may consist of a subset of the pool of Eligible Loans described herein or may include additional Eligible Loans not described under the caption "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" herein.

The characteristics of the pool of Eligible Loans expected to be pledged to the Trustee are described herein as of the statistical cut-off date. The aggregate characteristics of the entire pool of Financed Eligible Loans, including the composition of the Eligible Loans and the related borrowers, the related guarantors, the distribution by Eligible Loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining term to scheduled maturity, may vary from the information presented herein, since the information presented herein is as of the statistical cut-off date, and the date that the Eligible Loans will be pledged to the Trustee under the Indenture will occur after that date. The aggregate characteristics may also vary as a result of the inclusion of Eligible Loans not described herein or the exclusion of Eligible Loans that are described herein, in each case for the reasons described in the preceding paragraph.

The information as of the statistical cut-off date set forth under the caption "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" herein is with respect to Eligible Loans expected to be pledged to the Trustee under the Indenture. The Corporation believes that the characteristics of the pool of Eligible Loans described under the caption "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" herein is representative of the pool of Eligible Loans that will be pledged to the Trustee under the Indenture on or about the date of issuance. The Bondholders should consider potential variances when making an investment decision concerning the Series 2012B Bonds.

FFELP Loans are unsecured and the ability of the Guarantor to honor its guarantees for Financed FFELP Loans may become impaired

The Higher Education Act requires that all FFELP Loans be unsecured. As a result, the only security for payment of the Financed FFELP Loans are the guarantees provided by the Guarantor.

A deterioration in the financial status of the Guarantor and its ability to honor guarantee claims on defaulted Financed FFELP Loans could delay or impair the Guarantor's ability to make claims payments to the Trustee. The financial condition of the Guarantor can be adversely affected if it submits a large number of reimbursement claims to the Department of Education, which results in a reduction of the amount of reimbursement that the Department of Education is obligated to pay a guaranty agency. The Department of Education may also require a guaranty agency (including the Guarantor) to return its reserve funds to the Department of Education upon a finding that the reserves are unnecessary for that guaranty agency to pay its program expenses or to serve the best interests of the FFEL Program. The inability of the Guarantor to meet its guarantee obligations could reduce the amount of money available to pay principal and interest to the Bondholder of the Series 2012B Bonds or delay those payments past their due date.

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

Alternative Loans are unsecured and not guaranteed by the Guarantor

Alternative Loans, including the Financed Alternative Loans, are unsecured and not guaranteed by the Guarantor or any other guarantor.

Payment Offsets by the Guarantor or the Department of Education Could Prevent the Corporation From Paying the Bondholders the Full Amount of the Principal and Interest Due on the Series 2012B Bonds

The Corporation expects to use the same Department of Education lender identification number for the Financed FFELP Loans to be included in the trust estate established under the Indenture as it uses for certain other FFELP Loans it holds. As a consequence, the billings submitted to the Department of Education and the claims submitted to the Guarantor for the Financed FFELP Loans will be consolidated with the billings and claims for payments for FFELP Loans that are not included in the trust estate established under the Indenture but using the same lender identification number. Payments on those billings by the Department of Education as well as claim payments by the Guarantor will be made to the Corporation, or to the Servicer on behalf of the Corporation, in lump sum form. Those payments must be allocated by the Corporation to the trust estate established under the Indenture and to other trust estates or indentures of the Corporation or other FFELP Loans held by the Corporation that use the same lender identification number.

If the Department of Education or the Guarantor determines that the Corporation owes it any amount on any FFELP Loan held by it under a lender identification number, the Department of Education or the Guarantor may seek to collect such amount by offsetting it against any payments due to the Corporation under that lender identification number. If the amount of any such offset exceeds the amount owed to the trust estate or other holder of such FFELP Loan, the offset could reduce the amounts otherwise available for payment in respect of FFELP Loans in the other trust estates, indentures and bond resolutions, including the Financed FFELP Loans pledged to secure the Series 2012B Bonds. Any offsetting or shortfall of payments due to the Corporation could adversely affect the amount of funds available to the trust estate created under the Indenture and the Corporation's ability to pay the Bondholders principal and interest on the Series 2012B Bonds.

Commingling of Payments on Financed Eligible Loans Could Prevent the Corporation From Paying the Bondholders the Full Amount of the Principal and Interest Due on the Series 2012B Bonds

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

Incentive or Borrower Benefit Programs May Affect the Series 2012B Bonds

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

The Series 2012B Bonds are Expected to be Issued Only in Book-Entry Form

The Series 2012B Bonds are expected to be initially represented by one or more certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in the Bondholders' name or the name of their nominee. Unless and until definitive securities are issued, holders of the Series 2012B Bonds will not be recognized by the Trustee as Bondholders as that term is used in the Indenture. Until definitive securities are issued, holders of the Series 2012B Bonds will only be able to exercise the rights of Bondholders indirectly through DTC

and its participating organizations. See the caption “DESCRIPTION OF THE SERIES 2012B BONDS—Book-Entry System” herein.

Possible Loss of Tax-Exemption of the Interest on the Series 2012B Bonds

Provisions of the Internal Revenue Code of 1986, as amended, impose continuing requirements that must be met after the issuance of the Series 2012B Bonds for interest thereon to be and remain excludable from gross income for federal income tax purposes. Noncompliance with such requirements may cause the interest on the Series 2012B Bonds to be includable in gross income for such purposes, either prospectively or retroactively to the date of issuance of the Series 2012B Bonds. See the caption “TAX MATTERS” herein.

The Series 2012B Remarketing Agent is Paid by the Corporation

The Series 2012B Remarketing Agent’s responsibilities include determining the interest rate from time-to-time and using best efforts to remarket Series 2012B Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Series 2012B Remarketing Agreement), as further described in this Official Statement. The Series 2012B Remarketing Agent is appointed by the Corporation and is paid by the Corporation for its services. As a result, the interests of the Series 2012B Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2012B Bonds.

The Series 2012B Remarketing Agent May Purchase Series 2012B Bonds for its Own Account

The Series 2012B Remarketing Agent acts as a remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, may purchase such obligations for its own account. The Series 2012B Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2012B Bonds for its own account and, in its sole discretion, may acquire such tendered Series 2012B Bonds in order to achieve a successful remarketing of the Series 2012B Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2012B Bonds) or for other reasons. However, the Series 2012B Remarketing Agent is not obligated to purchase Series 2012B Bonds, and may cease doing so at any time without notice. The Series 2012B Remarketing Agent may also make a market in the Series 2012B Bonds by purchasing and selling Series 2012B Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Series 2012B Remarketing Agent is not required to make a market in the Series 2012B Bonds. The Series 2012B Remarketing Agent may also sell any Series 2012B Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2012B Bonds. The purchase of Series 2012B Bonds by the Series 2012B Remarketing Agent may create the appearance that there is greater third-party demand for the Series 2012B Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2012B Bonds being tendered in a remarketing.

Series 2012B Bonds May be Offered at Different Prices on any Date Including a Rate Determination Date

Pursuant to the Series 2012B Remarketing Agreement, the Series 2012B Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2012B Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Series 2012B Bonds (including whether the Series 2012B Remarketing Agent is willing to purchase Series 2012B Bonds for its own account). There may or may not be Series 2012B Bonds tendered and remarketed on a Rate Determination Date, the Series 2012B Remarketing Agent may or may not be able to remarket any Series 2012B Bonds tendered for purchase on such date at par and the Series 2012B Remarketing Agent may sell Series 2012B Bonds at varying prices to different investors on such date or any other date. The Series 2012B Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Series 2012B Bonds at the remarketing price. In the event the Series 2012B Remarketing Agent owns any Series 2012B Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2012B Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the Series 2012B Bonds Other Than Through Tender Process May be Limited

The Series 2012B Remarketing Agent may buy and sell Series 2012B Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Series 2012B Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 2012B Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2012B Bonds other than by tendering the Series 2012B Bonds in accordance with the tender process.

Under Certain Circumstances, the Series 2012B Remarketing Agent May be Removed, Resign or Terminate its Obligations Under the Series 2012B Remarketing Agreement

The Series 2012B Remarketing Agent may be removed or resign on 30 days' prior written notice. In either event, the Corporation shall use its best efforts to appoint a successor remarketing agent. Pursuant to the Series 2012B Remarketing Agreement and subject to the following paragraph, the resignation or removal of the Series 2012B Remarketing Agent shall not become effective until such time as a successor has been appointed and has accepted its appointment.

In addition, the Series 2012B Remarketing Agent may suspend its obligations under the Series 2012B Remarketing Agreement by notifying the Corporation, the Trustee and the Series 2012B Credit Provider in writing of its election to do so upon (a) the expiration or termination of the Series 2012B Credit Provider Agreement in accordance with its terms or (b) the occurrence of certain events set forth in the Series 2012B Remarketing Agreement, including but not limited to certain legislative changes, national emergencies or certain credit downgrades associated with the Series 2012B Bonds.

IRS Voluntary Closing Agreement Program Announced for Student Loan Bonds.

On March 20, 2012 the Internal Revenue Service ("IRS") announced a Voluntary Closing Agreement Program (the "VCAP") with respect to student loan revenue bonds. The VCAP relates to the allocation of student loans among tax-exempt student loan bonds of an issuer (such as the Series 2012B Bonds). The Corporation believes that it has not made any allocations of its student loans in the manner contemplated by the VCAP and that it has acted in a manner that complies with the applicable IRS requirements, and therefore chose not to enter into the VCAP. Nevertheless, the Corporation recognizes that the IRS has provided little guidance in this area and the IRS may take a position contrary to the Corporation's view. The Corporation cannot predict at this time what impact, if any, an IRS audit of the Corporation would have on its programs, however, the Corporation does not believe that such an audit or any potential payment resulting from such audit would affect the viability of the Corporation or its ability to meet all obligations with respect to the Series 2012B Bonds.

Proposed Tax Legislation

From time-to-time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2012B Bonds or otherwise prevent holders of the Series 2012B Bonds from realizing the full benefit of the tax-exemption of interest on the Series 2012B Bonds. Further, such proposals may impact the marketability or market value of the Series 2012B Bonds simply by being proposed. See the caption "TAX MATTERS—Changes in Federal and State Tax Laws" herein.

THE ALASKA COMMISSION ON POSTSECONDARY EDUCATION

The Alaska Commission on Postsecondary Education (the "Commission" or "Servicer") was established in 1974 by the State legislature to centralize planning for higher education and administer financial aid programs. In 1987, the State legislature established and capitalized the Corporation to provide a mechanism to fund the Commission's programs through tax-exempt bond sales. Pursuant to a Custodian Depository/Servicing Agreement,

the Commission has agreed to apply all benefits received under the Higher Education Act with respect to the Financed Eligible Loans for the benefit of the Corporation and the Trustee.

General Information

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

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

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

Staffing of the Commission

The Commission includes five divisions which are managed by a six-member professional team. These individuals direct the affairs of the staff and report to the Executive Director. The five divisions are Finance, Loan Operations, Information Support Services, Outreach, and the Executive Office. Ms. Charlene Morrison supervises the Finance Division, which is responsible for asset management, financing activities, payment processing, and accounting. She is assisted by Ms. Elizabeth McDonough. The Loan Operations Division is directed by Ms. Stephanie Butler. This Division is responsible for loan origination, customer service, deferment and forgiveness processing, skip tracing, due diligence activity on delinquent loans, staff training, quality assurance and procedure development, other student aid programs, institutional authorization, and policy research and analysis. The Information Support Services Division is directed by Mr. Kenneth Dodson. All development and support functions related to the management of the automated loan servicing system software, hardware, mainframe and internet connectivity reside within this Division. Mr. Dodson also directs the Outreach unit which is responsible for citizen outreach, early intervention, program marketing initiatives, and strategic analysis. The fifth division is the Executive Office, which in addition to the Executive Director, is staffed by the Human Resources Administrative Officer, Worth Barthel, and the Internal Auditor, Kerry Thomas. This division is responsible for overall agency management and specifically for internal audit, human resource management, procurement, records management, and, in conjunction with the Quality Assurance unit within Loan Operations, procedural compliance with all relevant State and federal statutes, regulation and subregulatory policies.

As of July 1, 2012, the Commission had 105 staff positions. These positions are assigned as follows: 9 to the Executive Office, 16 to Finance, 44 to Loan Operations, 21 to Outreach, and 15 to Information Support Services.

Executive and Senior Staff of the Commission

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

for-profit lenders. Ms. Barrans received a bachelor of arts degree from Barnard College of Columbia University in 1982.

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

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

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

Mr. Kenneth Dodson, Director of Information Support Services and Outreach. Mr. Dodson joined the Commission in September 1994 as Director of Information Support Services. Prior to coming to the Commission he was employed from 1988 until 1994 by UNIPAC Service Corporation in Denver, Colorado, first as a Programmer in 1988 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. Worth Barthel, Human Resources Administrative Officer. Mr. Barthel joined the Commission in July 2010 as the Human Resource Administrative Officer. Prior to joining the Commission, Mr. Barthel was the Assistant Human Resources Manager for six State of Alaska executive branch departments. Mr. Barthel has worked in various human resources capacities since 1999 in both the private and government sectors. Mr. Barthel received a bachelor of arts in psychology from Seattle University in 1998, and a master of business administration with an emphasis in management from San Diego State University in 2005. Mr. Barthel is also a certified Senior Professional in Human Resources (SPHR).

Ms. Kerry Thomas, Internal Auditor. Ms. Thomas joined the Commission staff in June 2007. Prior to joining the Commission, Ms. Thomas worked as an accountant with the State Department of Health and Social Services. She also worked in the State Department of Transportation and Public Facilities as an accountant and

accounting supervisor, and was a staff accountant and auditor with Walsh, Kelliher & Sharp APC of Fairbanks, Alaska. Ms. Thomas graduated Summa Cum Laude from the University of Alaska Fairbanks with a bachelor of science in business administration with a concentration in accounting in 2001 and received her master of business administration from the University of Alaska Southeast in 2012.

THE CORPORATION

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 Eligible Loans. The Corporation's program for the financing of loans for postsecondary education, including the acquisition of Eligible Loans, is herein referred to as the "Loan Program." A combination of revenues generated from the issuance of debt and loan repayments fund the Loan Program. The Corporation is an "eligible lender" under Title IV of the Higher Education Act.

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

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

The 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, as of June 30, 2012, \$0 was outstanding; (ii) \$75,140,000 principal amount of Capital Project Revenue Bonds under an indenture dated as of February 1, 2004, of which, as of June 30, 2012, \$24,680,000 was outstanding; (iii) \$88,305,000 principal amount of State Project Revenue Bonds under an indenture dated as of March 1, 2005, of which, as of June 30, 2012, \$18,500,000 was outstanding; and (iv) \$476,865,000 principal amount of Education Loan Revenue Bonds under an indenture dated as of June 1, 2002, of which, as of June 30, 2012, \$218,960,000 was outstanding. These bonds are not issued under the Indenture and will not be payable from the Pledged Assets securing the Series 2012B Bonds.

The Corporation previously entered into a Loan Agreement dated July 17, 2009, pursuant to which the State of Alaska Department of Revenue, on behalf of the State, loaned the Corporation \$67,500,000. A portion of the proceeds of the Series 2012A Bonds are expected to be used to repay approximately \$41,836,877 of the loan, leaving approximately \$25,663,123 outstanding.

In 2010, the Corporation borrowed moneys through its participation in the Department of Education's asset-backed commercial paper conduit program, Straight-A Funding, LLC (the "Conduit Program"). The Corporation pledged approximately \$118.8 million of fully disbursed eligible FFELP Loans to the Conduit Program in June of 2010. As of June 30, 2012, the Corporation has an outstanding principal balance of FFELP Loans in the Conduit Program of approximately \$89.2 million, plus accrued interest.

Simultaneously with the issuance of the Series 2012B Bonds, the Corporation is expected to issue its \$53,120,000 aggregate principal amount of Education Loan Revenue Refunding Bonds, Senior Series 2012A. The proceeds of the Series 2012A Bonds are to be used by the Corporation to refund and retire certain outstanding obligations of the Corporation. The Series 2012A Bonds are expected to bear interest initially at a weekly rate supported by a direct pay letter of credit. The Series 2012A Bonds will be secured under a separate indenture and will not be payable from the Pledged Assets which secure the Series 2012B Bonds.

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>
Lydia Wirkus, Chair (Chugiak)	Commissioner; Retired Educator
Susan Bell (Juneau)	Commissioner, Alaska Department of Commerce, Community and Economic Development
Daniel O'Tierney, Designee (Juneau)	Deputy Commissioner, Alaska Department of Commerce, Community and Economic Development
Bryan Butcher (Juneau)	Commissioner, Alaska Department of Revenue
Angela Rodell, Designee (Juneau)	Deputy Commissioner, Alaska Department of Revenue
Becky Hultberg (Juneau)	Commissioner, Alaska Department of Administration
Michael Barnhill, Designee (Juneau)	Deputy Commissioner, Alaska Department of Administration

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

Ms. Susan Bell, Commissioner of Commerce, Community and Economic Development. Susan Bell was appointed Commissioner of the Department of Commerce, Community and Economic Development in July 2010. Ms. Bell previously served as special assistant to Governor Parnell in tourism industry matters, developing an expertise through her work with the Juneau Convention and Visitors Bureau and Goldbelt, Inc. She has worked on economic development projects throughout the State, and gained a statewide perspective from research work with Juneau's McDowell Group. As Commissioner, Ms. Bell oversees seven divisions and seven independent agencies, including the Alaska Aerospace Development Corporation, the Alaska Seafood Marketing Institute, and Alaska Energy Authority, with a mutual mission to encourage and contribute to the State's economic growth through business development and investments in the State, the Lower 48, and in international markets, as well as to promote independent sustainable communities, with a focus on rural Alaska. Ms. Bell received a bachelor's degree from the University of Alaska.

Mr. Daniel Patrick O'Tierney, Deputy Commissioner of Commerce, Community and Economic Development. Daniel O'Tierney was appointed Deputy Commissioner of the Department of Commerce, Community, and Economic Development (DCCED) in June 2012. Mr. O'Tierney previously served for eight years as Chief Assistant Attorney General with the Alaska Department of Law. During that time, he established and supervised the Attorney General's Regulatory Affairs and Public Advocacy section advocating on behalf of the public interest in regulated utility matters. Mr. O'Tierney is responsible for the three DCCED regulatory and consumer protection divisions that oversee banking and securities, insurance, corporations, business and professional licensing. He also serves as the liaison for matters related to the Regulatory Commission of Alaska and

the Alcoholic Beverage Control Board. He previously served as a Commissioner on the Alaska Public Utilities Commission, and as Chairman of the Alaska Public Offices Commission. Mr. O'Tierney received a bachelor of arts degree from the University of Alaska Anchorage and a juris doctor from Northeastern University School of Law.

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

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

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

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

Staffing of the Corporation

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

Authority of the Corporation

The 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 Eligible Loan the Corporation has purchased; (iv) service Eligible Loans held by the Corporation; (v) purchase, or participate in the purchase, of Eligible Loans; (vi) contract in advance for

the purchase or sale of Eligible Loans; (vii) sell, or participate in the sale, either public or private and on terms authorized by the Board, of Eligible Loans to other purchasers; (viii) collect and pay reasonable fees and charges in connection with the purchase, sale and servicing of Eligible Loans; (ix) enter into agreements with the Commission relating to Eligible 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.

Dividend Plan of the Corporation

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

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

Financial and Other Information

The audited financial statements of the Corporation as of and for the years ended June 30, 2011 and 2010 are attached hereto as APPENDIX D. The Corporation's financial statements include information with respect to its loan programs generally and other information regarding the Corporation. These financial statements are included for general background purposes only. Since the Series 2012B Bonds are limited obligations of the Corporation, payable solely from the Financed Eligible Loans and other assets pledged under the Indenture, the overall financial status of the Corporation's loan programs or that of its other programs does not indicate and does not affect whether the trust estate created under the Indenture will be sufficient to fund the timely and full payment of principal and interest on the Series 2012B Bonds.

Direct Loan Servicing by the Corporation

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

The Corporation responded to the sources sought notice and was one of the servicers that the Department determined met the NFP servicer eligibility criteria under SAFRA. However, the Corporation did not seek a Memorandum of Understanding to pursue an Authorization to Operate and a contract award as an NFP servicer. On September 26, 2011, the Corporation entered into an Agreement for Teaming Arrangement to Service Student Loans pursuant to the Department Solicitation Number NFP-SS-2010 with the Missouri Higher Education Loan Authority (MOHELA). MOHELA is currently servicing 98,345 borrower accounts for the Corporation.

The AlaskAdvantage® Loan Program

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

Eligible Loans are provided to eligible Alaskans and may be used only to offset allowable educational costs as defined by statute. The loans may be used for attendance at any accredited or approved college, university, or vocational-technical program. See “CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS” for a summary of the Eligible Loans within the Loan Program that are pledged as security for the Series 2012B Bonds.

Borrower Benefits Program

The Corporation has approved various programs to provide incentives and rewards for borrowers. Under the Borrower Benefit Program, borrowers with qualified loans held by the Corporation are eligible for certain reductions in interest and/or principal rebates on any such loans. Certain Eligible Loans will be eligible under the Corporation’s Borrower Benefit Program. The Borrower Benefit Program is subject to the availability of funds and annual modification or termination by the Corporation in its discretion; provided, however, any addition to the Borrower Benefit Program which impacts any Financed Eligible Loan held under the Indenture requires a Credit Confirmation.

GUARANTOR

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

The Guarantor

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

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

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

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

As of September 30, 2011, NELA administered total assets of slightly under \$17 million in the Federal Reserve fund. NELA did not guarantee any new loans for fiscal year 2011.

NELA's "reserve ratio" complies with the U.S. Department of Education definition, which is determined by dividing the fund balance reserves, including non-cash allowance and other non-cash charges, in a guarantor's federal reserve fund by the total amount of loans outstanding. Following this formula, the reserve ratio for the federal reserve fund administered by NELA for the last five fiscal years was as follows: 2011 – 0.42 percent; 2010 – 0.45 percent; 2009 – 0.41 percent; 2008 – 0.35 percent; 2007 – 0.31 percent; 2006 – 0.36 percent.

NELA's "claims rate" represents the percentage of default claims (based on dollar value) submitted as reinsurance claims to the Department of Education, less amounts remitted to the Secretary for defaulted loans which are rehabilitated relative to its existing portfolio of loans in repayment at the start of the federal fiscal year. Past "claims rates" were as follows: 2011 – 1.54 percent; 2010 – 1.82 percent; 2009 – 1.95 percent; 2008 – 1.76 percent; 2007 – 1.58 percent; 2006 – 0.82 percent.

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

Reimbursement

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

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

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

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

SERVICING OF THE FINANCED ELIGIBLE LOANS

The Corporation is required under the Higher Education Act and the Indenture to use due diligence in the servicing and collection of the Financed Eligible Loans and to use collection practices no less extensive and forceful than those generally in use among financial institutions with respect to other consumer debt. The Higher Education Act also requires the exercise of reasonable care and diligence in the making and servicing of Eligible Loans originated under the Higher Education Act and provides that the Secretary may disqualify an "eligible lender" (which could include the Corporation or the Trustee as a holder of Eligible Loans originated under the Higher Education Act) from further federal insurance if the Secretary is not satisfied that the foregoing standards have been or will be met. An eligible lender may not relieve itself of its responsibility for meeting these standards by

delegation of its responsibility to any servicing agent and, accordingly, if any servicer fails to meet such standards, the Corporation's ability to realize the benefits of insurance may be adversely affected.

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

The Servicer

All of the Financed Eligible Loans will, when pledged under the Indenture, be serviced by the Commission (the "Servicer"). The Commission services the Eligible Loans owned by the Corporation, including all AlaskAdvantage® Loans, except to the extent that certain collection activities are delegated to private contractors. The Corporation may from time to time enter into other servicing agreements and arrangements in accordance with the terms of the Indenture.

The Commission presently uses education loan servicing software from Charter Accounts Systems, Inc. to service the Eligible Loans. The purchase of the software included the source code, the possession of which enables the Commission programming staff to enhance reporting capabilities and to service Financed Eligible Loans and Alternative Loans on a single servicing platform. The notes evidencing the Eligible Loans are secured in fire proof cabinets maintained at the offices of the Commission, which are also the offices of the Corporation.

LEGALITY FOR 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.

TAX MATTERS

Federal Income Tax

In the opinion of Ballard Spahr LLP, Bond Counsel, interest on the Series 2012B Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2012B Bonds, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2012B Bonds is a tax preference item that is subject to the federal alternative minimum tax imposed on individuals and corporations.

State of Alaska Income Tax

Bond Counsel is also of the opinion that interest on the Series 2012B 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 and except to the extent that inclusion of said interest in computing the federal alternative minimum tax on corporations may affect the corresponding provisions of the Alaska corporate income tax.

No Further Opinion

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 Series 2012B Bonds.

Changes in Federal and State Tax Laws

From time-to-time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2012B Bonds or otherwise prevent holders of the Series 2012B Bonds from realizing the full benefit of the tax-exemption of interest on the Series 2012B Bonds. Further, such proposals may impact the marketability or market value of the Series 2012B Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time-to-time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2012B Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2012B Bonds would be impacted thereby.

Purchasers of the Series 2012B Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2012B Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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

UNDERWRITING

The Series 2012B Bonds are to be purchased by RBC Capital Markets, LLC (the "Underwriter") pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement"). The Underwriter will purchase the Series 2012B Bonds at an aggregate purchase price equal to \$93,227,334.58 (consisting of the principal amount of the Series 2012B Bonds of \$93,435,000, less an Underwriter's discount of \$207,665.42). The Bond Purchase Agreement provides that the Underwriter will purchase all of the related Series 2012B Bonds if any are purchased. The obligation of the Underwriter to purchase the Series 2012B Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The Underwriter may offer and sell the Series 2012B Bonds to certain dealers (including underwriters and other dealers depositing the Series 2012B Bonds into unit investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The initial offering prices may be changed from time-to-time by the Underwriter.

The Underwriter owns a portion of the Refunded Obligations which will be retired as a result of the issuance of the Series 2012B Bonds. As such the Underwriter has a material financial interest in the sale of the Series 2012B Bonds separate from its interest as Underwriter. The Underwriter did not advise the Corporation with respect to the refunding of the Refunded Obligations.

FINANCIAL ADVISOR

First Southwest Company (the "Financial Advisor"), has served as financial advisor to the Corporation in connection with the issuance of the Series 2012B Bonds. The Financial Advisor neither has nor assumes any responsibility with respect to the information contained in this Official Statement (including all Appendices hereto), and has not reviewed or undertaken to verify any of the information contained therein.

CONTINUING DISCLOSURE

In connection with the issuance of the Series 2012B Bonds, the Corporation will deliver a Continuing Disclosure Agreement in the form as set forth in APPENDIX F hereto, wherein the Corporation will agree for the benefit of the Bondholders of the Series 2012B Bonds to provide certain annual financial information and operating data and to provide notices of occurrence of certain enumerated events relating to the Series 2012B Bonds, if material. The Continuing Disclosure Agreement is being executed by the Corporation to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"). The Series 2012B Bonds are the initial and only Series 2012B Bonds which will be issued under the Indenture, and the Corporation does not have any prior continuing disclosure obligations with respect to the Indenture. The Corporation has complied with the Rule in all material respects with regard to its previous undertakings.

LEGAL PROCEEDINGS

There is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2012B Bonds, or in any way contesting or affecting the validity of the Series 2012B Bonds, any proceedings of the Corporation taken with respect to the issuance or sale, thereof, the pledge or application of any moneys or security provided for the payment of the Series 2012B Bonds, or the existence or powers of the Corporation.

LEGAL MATTERS

An opinion as to the validity of the Series 2012B Bonds (in substantially the form set forth in APPENDIX E hereto) is to be delivered by Ballard Spahr LLP, Bond Counsel. Certain legal matters will be passed on for the Corporation by its counsel, the Attorney General of the State of Alaska, for the Underwriter by its counsel, Day Pitney LLP, and for the Series 2012B Credit Provider by its counsel, Mayer Brown LLP.

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

The Series 2012B Bonds are expected to be given the long-term rating of "AA-" by Standard & Poor's Ratings Group ("S&P") and the short-term rating of "A-1+" by S&P, with the understanding that the Series 2012B Credit Provider will deliver the Series 2012B Letter of Credit simultaneously with the issuance of the Series 2012B Bonds. No application was made to any other rating agency for the purpose of obtaining additional ratings of the Series 2012B Bonds.

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

APPENDIX A

DESCRIPTION OF THE FFEL PROGRAM

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

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

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

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

Federal Family Education Loans

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

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

exceptions, an institution with a cohort default rate that was equal to or greater than 25% for each of the three most recent fiscal years for which data was available was not an eligible institution under the Higher Education Act.

Subsidized Stafford Loans

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

In connection with eligible Subsidized Stafford Loans there were limits as to the maximum amount which could be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. The Secretary had discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Unsubsidized Stafford Loans

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

PLUS Loan Program

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

The Consolidation Loan Program

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

The Higher Education Act authorizes the Secretary to offer the borrower a Direct Consolidation Loan with repayment provisions authorized under the Higher Education Act and terms consistent with a Consolidation Loan made pursuant to the FFEL Program. In addition, the Secretary may offer the borrower of a Consolidation Loan a Direct Consolidation Loan for one of three purposes: (a) providing the borrower with an income contingent repayment plan (or income-based repayment plan as of July 1, 2009) if the borrower's delinquent loan has been submitted to a Guaranty Agency for default aversion (or, as of July 1, 2009, if the loan is already in default); (b) allowing the borrower to participate in a public service loan forgiveness program offered under the Direct Loan Program or (c) allowing the borrower to use the no accrual of interest for active duty service members benefit offered under the Direct Loan Program for not more than sixty months for loans first disbursed on or after October 1, 2008.

Federal Direct Student Loan Program

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

HCEARA additionally temporarily granted the Secretary authority to make a Federal Direct Consolidation Loan to a borrower (a) who had one or more loans in two or more of the following categories: (i) loans made under the Direct Loan Program, (ii) loans purchased by the Secretary pursuant to the provisions of the Ensuring Continued Access to Student Loans Act and (iii) loans made under the FFEL Program that are held by an eligible lender; (b) who had not yet entered repayment on one or more of such loans in any of the categories described in clause (a)(i)-(iii) herein; and (c) whose application for such Federal Direct Consolidation Loan was received by the Secretary on or after July 1, 2010 and before July 1, 2011.

Interest Rates

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

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

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

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

July 1. PLUS Loans made on or after July 1, 2006 and before July 1, 2010 bear interest at a rate equal to 8.50% per annum.

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

Servicemembers Civil Relief Act – 6.00% Interest Rate Limitation. As of August 14, 2008, FFELP Loans incurred by a servicemember, or by a servicemember and the servicemember's spouse jointly, before the servicemember enters military service may not bear interest at a rate in excess of 6.00% during the period of military service.

Loan Limits

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

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

Repayment

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

Effective July 1, 2009, a new income-based repayment plan became available to certain FFEL Program borrowers and Direct Loan Program borrowers. To be eligible to participate in the plan, the borrower's annual amount due on loans made to a borrower prior to July 1, 2010 with respect to FFEL Program borrowers and prior to July 1, 2014 with respect to Direct Loan Program borrowers (as calculated under a standard 10-year repayment plan for such loans) must exceed 15% of the result obtained by calculating the amount by which the borrower's adjusted gross income (and the borrower's spouse's adjusted gross income, if applicable) exceeds 150% of the poverty line applicable to the borrower's family size. With respect to any loan made to a new Direct Loan Program borrower on or after July 1, 2014, the borrower's annual amount due on such loans (as calculated under a standard 10-year

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

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

PLUS Loans enter repayment on the date the last disbursement is made on the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. The first payment is due within 60 days after the loan is fully disbursed, subject to deferral. For parent borrowers whose loans were first disbursed on or after July 1, 2008, it is possible, upon the request of the parent, to begin repayment on the later of (a) six months and one day after the student for whom the loan is borrowed ceases to carry at least one-half of the normal full-time academic workload (as determined by the school) and (b) if the parent borrower is also a student, six months and one day after the date such parent borrower ceases to carry at least one-half such a workload. Similarly, graduate and professional student borrowers whose loans were first disbursed on or after July 1, 2008 may begin repayment six months and one day after such student ceases to carry at least one-half the normal full-time academic workload (as determined by the school). Repayment plans are the same as in the Subsidized and Unsubsidized Stafford Loan Program for all PLUS Loans except those PLUS Loans which are made, insured, or guaranteed on behalf of a dependent student; such excepted PLUS Loans are not eligible for the income-based repayment plan which became effective on July 1, 2009. Furthermore, eligible lenders were permitted to determine for all PLUS Loan borrowers (a) whose loans were first disbursed on or after July 1, 2008 that extenuating circumstances existed if between January 1, 2007 through December 31, 2009, a PLUS Loan applicant (1) was or had been delinquent for 180 days or less on the borrower's residential mortgage loan payments or on medical bills, and (2) did not otherwise have an adverse credit history, as determined by the lender in accordance with the regulations promulgated under the Higher Education Act prior to May 7, 2008 and (b) whose loans were first disbursed prior to July 1, 2008 that extenuating circumstances existed if between January 1, 2007 through December 31, 2009, a PLUS Loan applicant (1) was or had been delinquent for 180 days or less on the borrower's residential mortgage loan or on medical bills and (2) was not and had not been delinquent on the repayment of any other debt for more than 89 days during the period.

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

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

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

Master Promissory Notes

Since July 2000, all lenders were required to use a master promissory note (the “MPN”) for new Stafford Loans. Unless otherwise notified by the Secretary, each institution of higher education that participated in the FFEL Program was permitted to use a MPN for FFELP Loans. The MPN permitted a borrower to obtain future loans without the necessity of executing a new promissory note. Borrowers were not, however, required to obtain all of their future loans from their original lender, but if a borrower obtains a loan from a lender which does not presently hold an MPN for that borrower, that borrower was required to execute a new MPN. A single borrower may have several MPNs evidencing loans to multiple lenders. If multiple loans have been advanced pursuant to a single MPN, any or all of those loans may be individually sold by the holder of the MPN to one or more different secondary market purchasers.

Interest Benefit Payments

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

Special Allowance Payments

The Higher Education Act provides for special allowance payments to be made by the Secretary to eligible lenders. The rates for special allowance payments are based on formulas that differ according to the type of loan,

the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax-exempt or taxable). Loans made or purchased with funds obtained by the holder from the issuance of tax-exempt obligations issued prior to October 1, 1993 have an effective minimum rate of return of 9.50%. The special allowance payments payable with respect to eligible loans acquired or funded with the proceeds of tax-exempt obligations issued after September 30, 1993 are equal to those paid to other lenders.

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

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

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

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

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

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

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

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

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

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

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

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

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

Loan Fees

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

Origination Fee. Lenders were authorized to charge borrowers of Subsidized Stafford Loans and Unsubsidized Stafford Loans an origination fee in an amount not to exceed: 3.00% of the principal amount of the loan for loans disbursed prior to July 1, 2006; 2.00% of the principal amount of the loan for loans disbursed on or after July 1, 2006 and before July 1, 2007; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before August 1, 2008; 1.00% of the principal amount of the loan for loans disbursed on or after August 1, 2008 and before July 1, 2009; and 0.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010. The lenders were required to pass the origination fees received under the FFEL Program on to the Secretary.

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

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

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

Insurance and Guarantees

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

The Higher Education Act gives the Secretary of Education various oversight powers over the Guaranty Agencies. These include requiring a Guaranty Agency to maintain its Federal Fund at a certain required level and

taking various actions relating to a Guaranty Agency if its administrative and financial condition jeopardizes its ability to meet its obligations.

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

Guarantees. If the loan is guaranteed by a Guaranty Agency in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the Guaranty Agency for a statutorily set percentage (98% for loans first disbursed prior to July 1, 2006 and 97% for loans first disbursed on or after July 1, 2006 but before July 1, 2010) of the unpaid principal balance of the loan plus accrued unpaid interest on any defaulted loan so long as the eligible lender has properly serviced such loan. Under the Higher Education Act, the Secretary enters into a guarantee agreement and a reinsurance agreement (the "Guarantee Agreements") with each Guaranty Agency which provides for federal reimbursement for amounts paid to eligible lenders by the Guaranty Agency with respect to defaulted loans.

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

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

If the Secretary has terminated or is seeking to terminate Guarantee Agreements, or has assumed a Guaranty Agency's functions, notwithstanding any other provision of law: (a) no state court may issue an order affecting the Secretary's actions with respect to that Guaranty Agency; (b) any contract entered into by the Guaranty Agency with respect to the administration of the Guaranty Agency's reserve funds or assets purchased or acquired with reserve funds shall provide that the contract is terminable by the Secretary upon 30 days notice to the contracting parties if the Secretary determines that such contract includes an impermissible transfer of the reserve funds or assets or is inconsistent with the terms or purposes of the Higher Education Act; and (c) no provision of

state law shall apply to the actions of the Secretary in terminating the operations of the Guaranty Agency. Finally, notwithstanding any other provision of law, the Secretary's liability for any outstanding liabilities of a Guaranty Agency (other than outstanding student loan guarantees under the Higher Education Act), the functions of which the Secretary has assumed, shall not exceed the fair market value of the reserves of the Guaranty Agency, minus any necessary liquidation or other administrative costs.

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

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

⁽¹⁾ Student loans made pursuant to the lender-of-last-resort program have an amount of reinsurance equal to 100%; student loans transferred by an insolvent Guaranty Agency have an amount of reinsurance ranging from 80% to 100%.

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

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

Under the Guarantee Agreements, if a payment by the borrower on a FFELP Loan guaranteed by a Guaranty Agency is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the borrower's payment. The Secretary's equitable share of the borrower's payment equals the amount remaining after the Guaranty Agency has deducted from such payment: (a) the percentage amount equal to the complement of the reinsurance percentage in effect when payment under the Guarantee Agreement was made with respect to the loan and (b) as of October 1, 2007, 16% of the borrower's payments (to be used for the Guaranty Agency's Operating Fund (hereinafter defined)). The percentage deduction for use of the borrower's payments for the Guaranty Agency's Operating Fund varied prior to October 1, 2007: from October 1, 2003 through and including September 30, 2007, the percentage in effect was 23% and prior to October 1, 2003, the percentage in effect was 24%. The Higher Education Act further provides that on or after October 1, 2006, a Guaranty Agency may not charge a borrower collection costs in an amount in excess of 18.50% of the outstanding principal and interest of a

defaulted loan that is paid off through consolidation by the borrower; provided that the Guaranty Agency must remit to the Secretary a portion of the collection charge equal to 8.50% of the outstanding principal and interest of the defaulted loan. In addition, on or after October 1, 2009, a Guaranty Agency must remit to the Secretary any collection fees on defaulted loans paid off with consolidation proceeds by the borrower which are in excess of 45% of the Guaranty Agency's total collections on defaulted loans in any one federal fiscal year.

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

Guaranty Agencies generally deem default to mean a student borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the student borrower no longer intends to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments. When a loan becomes at least 60 days past due, the holder is required to request default aversion assistance from the applicable Guaranty Agency in order to attempt to cure the delinquency. When a loan becomes 240 days past due, the holder is required to make a final demand for payment of the loan by the borrower. The holder is required to continue collection efforts until the loan is 270 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable Guaranty Agency all right accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a Guaranty Agency from filing a claim for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon.

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

Rehabilitation of Defaulted Loans. Under the Higher Education Act, the Secretary of Education is authorized to enter into an agreement with each Guaranty Agency pursuant to which a Guaranty Agency sells defaulted student loans that are eligible for rehabilitation to an eligible lender. For a defaulted student loan to be rehabilitated, the borrower must request rehabilitation and the applicable Guaranty Agency must receive an on-time, voluntary, full payment each month for 12 consecutive months. However, effective July 1, 2006, for a student loan to be eligible for rehabilitation, the applicable Guaranty Agency must receive 9 payments made within 20 days of the due date during 10 consecutive months. Upon rehabilitation, a student loan is eligible for all the benefits under the Higher Education Act for which it would have been eligible had no default occurred.

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

Loans Subject to Repurchase. The Higher Education Act requires a lender to repurchase student loans from a Guaranty Agency, under certain circumstances, after a Guaranty Agency has paid for the student loan through the claim process. A lender is required to repurchase: (a) a student loan found to be legally unenforceable against the borrower; (b) a student loan for which a bankruptcy claim has been paid if the borrower's bankruptcy is subsequently dismissed by the court or, as a result of the bankruptcy hearing, the student loan is considered non-dischargeable and the borrower remains responsible for repayment of the student loan; (c) a student loan which is

subsequently determined not to be in default; or (d) a student loan for which a Guaranty Agency inadvertently paid the claim.

Guaranty Agency Reserves

Each Guaranty Agency is required to establish a Federal Fund which, together with any earnings thereon, are deemed to be property of the United States. Each Guaranty Agency is required to deposit into the Federal Fund any reserve funds plus reinsurance payments received from the Secretary, a certain percentage of default collections equal to the complement of the reinsurance percentage in effect when payment under the Guarantee Agreement was made, insurance premiums, 70% of payments received after October 7, 1998 from the Secretary for administrative cost allowances for loans insured prior to that date, and other receipts as specified in regulations. A Guaranty Agency is authorized to transfer up to 180 days' cash expenses for normal operating expenses (other than claim payments) from the Federal Fund to the Operating Fund at any time during the first three years after establishment of the fund. The Federal Fund may be used to pay lender claims and to pay default aversion fees into the Operating Fund. A Guaranty Agency is also required to establish an operating fund (the "Operating Fund"), which, except for funds transferred from the Federal Fund to meet operating expenses during the first three years after fund establishment, is the property of the Guaranty Agency. A Guaranty Agency was permitted to deposit into the Operating Fund loan processing and issuance fees equal to 0.40% of the total principal amount of loans insured during the fiscal year for loans originated on or after October 1, 2003 and first disbursed before July 1, 2010, 30% of payments received after October 7, 1998 for the administrative cost allowances for loans insured prior to that date, the account maintenance fee paid by the Secretary for Direct Loan Program loans in the amount of .06% of the original principal amount of the outstanding loans insured, any default aversion fee that is paid, the Guaranty Agency's 16% retention on collections of defaulted loans and other receipts as specified in the regulations. An Operating Fund must be used for application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities. For Subsidized and Unsubsidized Stafford Loans guaranteed on or after July 1, 2006 and first disbursed before July 1, 2010, Guarantee Agencies were required to collect and deposit a federal default fee to the Federal Fund equal to 1.00% of the principal amount of the loan.

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

Lender-of-Last-Resort Program

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

Education Loans Generally Not Subject to Discharge in Bankruptcy

Under the U.S. Bankruptcy Code, educational loans are not generally dischargeable. Title 11 of the United States Code at Section 523(a)(8)(A)(i)-(ii) provides that a discharge under Section 727, 1141, 1228(a), 1228(b), or

1328(b) of Title 11 of the United States Code does not discharge an individual debtor from any debt for an education benefit overpayment or loan made, insured, or guaranteed by a governmental unit or made under any program funded in whole or in part by a governmental unit or nonprofit institution, or for an obligation to repay funds received as an educational benefit, scholarship or stipend unless excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor's dependents.

Secretary's Temporary Loan Consolidation Authority

In October of 2011, President Obama announced a program permitting students with both FFELP Loans and Direct Loan Program loans to consolidate their existing FFELP Loans into the Direct Loan Program beginning January 1, 2012 (with the application period ending June 30, 2012) and providing an interest rate reduction of up to 0.25% on the consolidated FFELP Loan. The terms and conditions of the students' existing student loans would continue. Holders of such FFELP Loans, such as the Corporation, would be paid 100% of the outstanding principal and interest balance on any FFELP Loans consolidated.

APPENDIX B

THE ALTERNATIVE LOAN PROGRAM

General

There are four types of alternative loans available through the Loan Program: (i) Supplemental Education Loans, which include Eligible Loans for students enrolled in half-time or greater status; (ii) Alaska Family Education Loans; (iii) Teacher Education Loans; and (iv) Alternative Consolidation Loans (collectively, the "Alternative Loans"). Substantially all loans financed by the Corporation prior to July 2002 were Supplemental Education Loans.

Following is a table which briefly shows certain characteristics of the Alternative Loans. These characteristics are set by the Act.

	<u>Academic Year Loan Limit</u>	<u>Aggregate Loan Limit*</u>	<u>Repayment Period</u>	<u>Grace Period</u>
Supplemental Education Loan:				
Graduate	\$9,500	\$47,500	120 months	6 months
Undergraduate	8,500	42,500	120 months	6 months
Vocational	6,500	42,500	120 months	6 months
Family Education Loan:				
Graduate	9,500	47,500	120 months	N/A
Undergraduate	8,500	42,500	120 months	N/A
Teacher Education Loan				
Undergraduate	7,500	37,500	180 months	6 months
Alternative Consolidation Loan				
Less than \$30,000	N/A	N/A	120 months	N/A
\$30,000 or more	N/A	N/A	180 months	N/A

* A borrower's overall limit under the Alternative Loans (combining undergraduate and graduate Education Loans) cannot exceed \$60,000.

Supplemental Education Loan

A person is eligible for a Supplemental Education Loan if certain statutory requirements are satisfied, including (i) admission as at least a half-time student into a career education, associate, baccalaureate, or graduate degree program, (ii) State residency and attendance at an approved college, university or vocational technical program, or nonresidency and attendance at an approved college, university or vocational technical program in the State, (iii) determination by the Commission that the person is credit worthy or has secured a credit worthy cosigner, and (iv) certification by the institution at which the person is enrolled that the amount of the loan does not exceed unmet costs of attendance.

To maintain a loan the student must continue to be enrolled, in academic good standing, in a career education program, college or university at least half-time.

Interest accrues on the loan from the time of the initial disbursement until the loan is paid in full. Repayment of the principal of and interest on a loan begins no later than six months after the borrower's graduation or a change in enrollment status to less than half-time. Repayment of the total amount owed is made in periodic installments over ten to fifteen years from the commencement of repayment, except with respect to certain periods of forbearance or deferment. 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.

Pursuant to the Supplemental Education Loan terms for loans originated after June 30, 2002, but prior to July 1, 2006, the borrowers pay a variable rate of interest which is adjusted annually on or after June 1 of each loan year and effective for the next twelve months beginning July 1. The variable interest rates are based on the bond equivalent rate of 91-day United States Treasury bills auctioned at the final auction held before May 1 of the loan year plus up to 2.8% and are capped at 8.25%. For loans originated after June 30, 2006, interest rates are fixed rates set by the Corporation on or after May 1 of each year and based on the current Municipal Market Data scale that most closely reflects the rates the Corporation would obtain on a new bond issue, plus 30 basis points and the most recent five-year average cost of administering the Loan Program. However, such fixed rate of interest set by this formula will not be less than the weighted average true interest cost of the Corporation's outstanding fixed rate debt obligations plus the most recent five-year average cost of administering the Loan Program.

Teacher Education Loans

The Teacher Education Loan Program is designed to support the growth of teaching staffs in rural areas of the State. Historically, the annual loan volume under this program has been less than \$1,500,000. These loans do not bear interest while a student borrower is enrolled in a qualified educational program. Interest rates for Teacher Education Loans are fixed rates set by the Commission and are based on the cost of funds plus the most recent five-year average cost for program administration.

For substantially all of the Teacher Education Loans, repayment of the principal and interest begins six months after the borrower's graduation or change in enrollment status to less than full-time. A borrower may make payments earlier than required.

Borrowers of Teacher Education Loans can obtain up to 100% forgiveness on loans awarded if the borrower teaches in rural Alaska for periods specified by the program. As of June 30, 2012, there was approximately \$7,400,000 in outstanding loan principal eligible for forgiveness; the Corporation anticipates that only 24% of these loans will actually be forgiven.

Family Education Loans

The Alaska Family Education Loan Program is designed to provide financial assistance to families for the postsecondary education of family members. The interest rate for these loans is set at the rate set on the Supplemental Education Loan for the same period of time.

A person is eligible to borrow an Alaska Family Education Loan to assist in paying a family member's costs of education if certain statutory requirements are met, including (i) a determination by the Commission that the person has no recent history of adverse credit, and (ii) the institution certifies the student is enrolled in a certificate or degree program.

Interest accrues on the loan from the time of the initial disbursement until the loan is paid in full. Repayment begins the month following the date of last disbursement for the loan year. A borrower may make payments earlier than required.

Alternative Loan Fees

The Corporation charges a 5% origination fee on all Alternative Loans issued, except on Alternative Consolidation Loans. The purpose of the origination fee is to offset loan losses due to death, disability, bankruptcy or default. These amounts are not pledged under the Indenture and there is no assurance that the amounts will be used to pay for any losses incurred in connection with Financed Eligible Loans held under the Indenture.

Alternative Consolidation Loans

Borrowers with two or more Supplemental Education Loans, which total in the aggregate at least \$3,500 may consolidate those loans under the Alternative Consolidation Loan Program.

Alternative Consolidation Loan applicants are subject to minimum FICO credit score standards or, alternatively, must have made full and timely payments on all loans held by the Commission for the eighteen-month period immediately prior to the application.

Interest rates on the Alternative Consolidation Loans are fixed rates set annually by the Corporation and are set at the rate set on the Supplemental Education Loan for the same period of time.

Repayment of principal and interest begins no later than 60 days from the date the Alternative Consolidation Loan is originated. The repayment term for the Alternative Consolidation Loans is 10 years for loans with a principal balance of less than \$30,000 and 15 years for loans with a principal balance of \$30,000 or more.

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APPENDIX C

EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture contains various covenants and security provisions, certain of which are extracted below. Reference should be made to such documents for a full and complete statement of its provisions.

Definitions

“Account” means any of the trust accounts created and established by the Indenture and, except when the context requires otherwise, the Rebate and Excess Interest Account and the Department of Education Payment Account.

“Accountant” means any independent certified public accountant as may be selected by the Corporation.

“Act” means Sections 14.42.100 through 14.42.990 of the Alaska Statutes.

“Additional Bonds” means Bonds in addition to any Bonds then Outstanding issued pursuant to a Supplemental Indenture and the Trust Indenture.

“Aggregate Market Value” means, on any calculation date, the sum of the Value of all Pledged Assets. “Value” means the value of the Pledged Assets calculated by the Corporation as follows:

(i) with respect to any Loan, the unpaid principal amount, accrued interest and accrued special allowance payments, if any, or such other valuation as shall be specified by the Corporation upon receipt by the Trustee of a Credit Confirmation;

(ii) with respect to any funds on deposit in any commercial bank or with respect to any banker’s acceptance or repurchase agreement or investment agreement, or investments described in paragraph (xi) of the definition of Permitted Investments the amount thereof plus accrued interest thereon;

(iii) with respect to any Permitted Investments of an investment company, the bid price of the shares as reported by the investment company;

(iv) with respect to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times), the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination plus accrued interest thereon; and

(v) with respect to any investment not described in clauses (i) through (iv) above, the lower of (a) the bid prices at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Corporation in its absolute discretion) at the time making a market in such investments or (b) the bid price published by a nationally recognized pricing service, plus in each case, accrued interest thereon.

“Asset Requirement” means that the Asset Requirement Ratio is at least equal to 115% or such lower or higher percentage agreed to by the Corporation and any Credit Providers.

“Asset Requirement Ratio” means (i) while State Street Bank and Trust Company is the Credit Provider, the meaning assigned to “Minimum Asset Ratio” in the related Letter of Credit Reimbursement Agreement, (ii) while another Credit Enhancement is in place that defines an asset requirement ratio, the meaning assigned therein, and (iii) at all other times, the ratio (expressed as a percentage) of the Aggregate Market Value to the aggregate principal amount of the respective Outstanding Bonds and accrued interest thereon, together with accrued Fees and Expenses.

“Authorized Officer” means the Chairman or Executive Officer of the Corporation or, in the case of any act to be performed or duty to be discharged, any other officer, employee or agent of the Corporation then authorized to perform such act or discharge such duty as certified in writing by the Chairman or Executive Officer of the Corporation to the Trustee.

“Beneficial Owner” means, with respect to any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository.

“Bond” means any one of the bonds authenticated and delivered pursuant to a Supplemental Indenture and the Trust Indenture, including Senior Bonds, Senior Subordinate Bonds, Subordinate Bonds and Junior Subordinate Bonds.

“Bond Counsel” means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Corporation.

“Bond Counsel Opinion” means an opinion addressed to the Corporation and signed by Bond Counsel.

“Book-Entry Bond” means any Bond which is then held in book-entry form as provided in the Trust Indenture.

“Certificate” means (i) 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 pursuant to the Indenture or (ii) the report of an Accountant as to audit or other procedures called for by the Indenture.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations, rulings and court decisions promulgated thereunder and pertaining thereto. Such regulations shall also include any successor provision to any existing regulations thereafter promulgated by the Internal Revenue Service pursuant to Section 141 through 150 of the Code applicable to the Bonds.

“Commission” means the Alaska Commission on Postsecondary Education.

“Corporation” means the Alaska Student Loan Corporation, or any body, agency or instrumentality which shall hereafter succeed to the powers, duties and functions thereof.

“Costs of Issuance” means all items of expense, directly or indirectly payable or reimbursable by or to the Corporation and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees, charges and expenses of the Trustee or any Marketing Party, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, costs of mathematical verification of certain computations, fees and charges for preparation, execution, transportation and safekeeping of Bonds, expenses of the Corporation and any other cost, charge or fee in connection with the issuance of any Bonds.

“Counsel’s Opinion” means an opinion signed by the Alaska Attorney General’s office or an attorney or firm of attorneys of recognized standing in the field of law to which such opinion relates, selected by the Corporation.

“Credit Confirmation” means (i) if any Bonds are supported by Credit Enhancement, the written consent of the provider of each such Credit Enhancement, and (ii) if any Bonds are rated and are not supported by Credit Enhancement, a Rating Confirmation.

“Credit Enhancement” means any bond insurance, letter of credit, surety bond, line of credit, purchase agreement or other credit support or liquidity facility (i) providing for the payment of all principal or purchase price of and interest on any series of Bonds, and (ii) identified as such in a Supplemental Indenture and any extension thereof or substitution therefor, including any combination of any of such instruments.

“Credit Enhancement Fees” means any commitment or facility fees payable by the Corporation to a Credit Provider in consideration for the issuance of a Credit Enhancement by such Credit Provider.

“Credit Provider” means the issuer or other provider of any Credit Enhancement.

“Department of Education Payment Account” means a Department of Education Payment Account held by the Trustee. The Department of Education Payment Account is not part of the Pledged Assets.

“Direction” of the Corporation means a written direction, order, request, requisition or similar instrument signed by an Authorized Officer of the Corporation and permitted by the Indenture; and the term “direct” or any form of such verb means the giving by the Corporation of a Direction.

“Eligible Lender” means an Eligible Lender as defined in the Higher Education Act.

“Eligible Loan” means any loan, including but not limited to Guaranteed Loans, that is authorized by the Act or any other qualifying program that may be established by or for the Commission or the Corporation or an entity controlled by either of them as any such program may be administered from time to time by the Commission or the Corporation or such entity.

“Event of Default” means any of the events specified in the Trust Indenture.

“Excess Interest” means, as of the date of computation, the smallest amount that, if treated as a payment for the Loans (i.e., taken into account in calculating yield) paid on that date, would reduce the yield on the Loans financed by a series of Tax-Exempt Bonds to a yield that is not higher than the yield on the Bonds plus the permitted spread under Federal tax law. For purposes of this definition only, yield on the Bonds of any series and yield on the Loans financed by any series of Bonds shall be calculated in accordance with Treas. Reg. §1.148-4 and 1.148-5, respectively, or such other applicable regulations under the Code.

“Excess Interest Calculation Date” means, with respect to each series of Tax-Exempt Bonds, a date as of which Excess Interest is calculated, which shall be no later than ten years after the date of issuance for a series of Bonds and on the same day of each fifth year thereafter while any of the Bonds of the series is Outstanding, and the day upon which the last Bond of such series is retired. A Credit Enhancement may require that such calculations be performed more frequently than required herein.

“Favorable Opinion” means a Bond Counsel Opinion to the effect that the action proposed to be taken is authorized or permitted by the Indenture and will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds which are the subject of such opinion.

“Fees and Expenses” means, collectively, Trustee Fees, Servicing Fees, Credit Enhancement Fees, Remarketing Agent Fees and Program Expenses, without duplication.

“Financial Product” means any agreement with a counterparty providing for an interest rate cap, floor, swap or other similar instrument entered into pursuant to the Trust Indenture.

“Fiscal Year” means a twelve-month period commencing on the first day of July of any year or any other twelve-month period adopted by the Corporation as its fiscal year for accounting purposes.

“Fitch” means Fitch, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

“Guaranteed Loan” means any loan authorized pursuant to the Higher Education Act made to a borrower to finance or refinance, or consolidate loans made to finance or refinance, post-secondary education, which is guaranteed by a Guarantor.

“Guarantor” means the Northwest Education Loan Association and its successors, the Secretary, and any other guarantor designated by the Corporation and authorized to act as such under the Higher Education Act.

“Higher Education Act” means Title IV, Part B of the Higher Education Act of 1965, as amended, and the regulations thereunder.

“Indenture” means the Trust Indenture and any amendments or supplements made in accordance with its terms.

“Interest Payment Date” means any date upon which interest on any Bonds is due and payable in accordance with their terms.

“Joint Sharing Agreement” means the Joint Sharing Agreement dated as of September 1, 2012, between the Corporation and the Trustee, as may be supplemented and amended, or any successor agreement thereto.

“Junior Subordinate Bonds” means any Bonds which are secured by a lien on and payable from the Pledged Assets on a basis subordinate to the Senior Bonds, the Senior Subordinate Bonds and the Subordinate Bonds.

“Loan” means any Eligible Loan deposited in or accounted for in the Loan Account or otherwise constituting a part of the Pledged Assets.

“Loan Account” means the Loan Account established pursuant to the Trust Indenture.

“Long-Term Rate” means a single rate of interest on any Bond which remains in effect for more than one year.

“Marketing Party” means any authenticating agent, determination agent, purchase agent, remarketing agent, underwriter, tender agent or other similar party relating to the marketing or remarketing of the Bonds, or the determination of the interest rate thereon.

“Moody’s” means Moody’s Investors Service Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

“Outstanding,” when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture (including any Bonds paid with amounts received under a Credit Enhancement) except:

- (i) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;
- (ii) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Trust Indenture or Bonds described in the Trust Indenture; and
- (iii) any Bond deemed to have been paid as provided in the Trust Indenture.

“Owner” or “owner” or “Holder” or “holder” or “Bondowner” or “Bondholder” or words of similar import, when used with reference to a Bond, means any person who shall be the registered owner of any Bond as shown on the books of the Trustee.

“Participant” means any direct or indirect participant in the book-entry system of a Securities Depository.

“Payment Account” means the Payment Account established pursuant to the Trust Indenture.

“Permitted Investments” means and includes, unless otherwise specified in the Supplemental Indenture with respect to a series of Bonds, any of the following obligations, to the extent the same are at the time legal for investment of funds of the Corporation under the laws of the State:

(i) marketable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or any agency thereof rated in one of the two highest rating categories by each Rating Agency which rates such obligations, or book-entry interests therein;

(ii) interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts or money market deposit accounts issued by or held in any commercial bank, savings and loan association or trust company (including the Trustee or a Credit Provider and any of their affiliates) whose unsecured short-term obligations are rated Prime-1 or better by Moody’s or A-1 or better by S&P;

(iii) commercial paper which is rated at the time of purchase in the highest short-term rating category by each Rating Agency (without regard to plus or minus or other modifiers), and which matures not more than 270 days after the date of purchase;

(iv) repurchase agreements, in a standard form prescribed by The Securities Industry and Financial Markets Association or similar form, contracted with banks (which may include the Trustee) which are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, in each case rated in the highest rating category by each Rating Agency which rates such debt, which agreements are secured by obligations described in item (i) above and have been delivered to each Rating Agency for review;

(v) shares in an investment company (including any such company for which the Trustee or any affiliate receives compensation with respect to such investment) rated in the highest rating category by each Rating Agency which rates such investment company, and registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933 and whose only investments are obligations described in items (i), (ii), (iii) and/or (iv) above;

(vi) a collective investment fund of the Trustee created pursuant to Regulation 9 of the Office of the Controller of the Currency which is invested in one or more of the types of obligations described in clause (i) above;

(vii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government 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 upon an irrevocable escrow account or fund (the “escrow”), in one of the two highest rating categories of each Rating Agency; or (b) 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 item (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 which escrow is sufficient, as verified by an 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 maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(viii) any investment agreement having a term of not more than 18 months with an entity having outstanding short-term debt rated at least A-1, P-1 or F1+, as applicable, or the equivalent;

(ix) any money market fund, including the Trustee's money market funds, a qualified regulated investment company described in I.R.S. Notice 87-22, each rated by Moody's and S&P not lower than its highest applicable rating category;

(x) any other investment allowed by law and approved in writing in advance by a Credit Confirmation. In determining whether any investment is allowed by law, the Trustee shall be entitled to rely upon the written investment instruction of the Corporation stating to the effect that such investment is at the time legal for investment of funds of the Corporation under the laws of the State.

"Principal Office" means, (i) with respect to the Trustee, its office at the address set forth in the Trust Indenture or such other office as designated in writing to the Corporation; and (ii) with respect to any Marketing Party, the office thereof designated in writing by such Marketing Party to the Corporation and the Trustee.

"Program Expenses" means all of the Corporation's expenses in carrying out and administering its education loan program under the Indenture, including, without limiting the generality of the foregoing, Servicing Fees, fees and expenses for Credit Enhancement, other expenses relating to the Bonds, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, marketing and promotional expenses, fees and expenses of any Marketing Party, Costs of Issuance, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, all to the extent properly allocable to the financing under the Indenture. A Credit Enhancement may limit the amounts that can be paid for Program Expenses.

"Rating Agency" or "Rating Agencies" means at any time any of Fitch, Moody's, and S&P to the extent such agency has been requested by the Corporation to issue and continue a rating on any of the Bonds and such agency has issued and continues to maintain a rating on such Bonds at such time; provided that notwithstanding any outstanding rating by any such agency of any Bonds which are subject to purchase at the demand of the owners thereof, if notice is given at least fifteen (15) days in advance of a modification removing such agency as a Rating Agency under the Trust Indenture, such 15 days includes an opportunity for holders of the Bonds to demand such a purchase and if all demands for purchase of Bonds are honored, such agency will not be deemed to be a "Rating Agency" for purposes of the Indenture thereafter.

"Rating Confirmation" means written confirmation (including a press release or similar announcement) from each Rating Agency that upon the effectiveness of any proposed action, all Outstanding Bonds will continue to be rated at least the same or equivalent ratings (including the same or equivalent numerical or other modifiers within a rating category) by each Rating Agency.

"Rebate and Excess Interest Account" means the Rebate and Excess Interest Account established pursuant to the Trust Indenture. The Rebate and Excess Interest Account is not a part of the Pledged Assets.

"Rebate Requirement" means the amount of rebatable arbitrage with respect to a series of Tax-Exempt Bonds, determined in accordance with Treas. Reg. §1.148-3.

"Remarketing Agent Fees" means the fees and expenses of any remarketing agent then acting under a Supplemental Indenture, as such fees and expenses may be limited in the Supplemental Indenture or Credit Enhancement with respect to a series of Bonds.

"Reserve Account" means the Reserve Account established pursuant to the Trust Indenture. The Reserve Account shall constitute a Capital Reserve Fund under Section 14.42.240 of the Alaska Statutes.

"Reserve Account Requirement" means, with respect to any Bonds, such amount (including any surety bond, letter of credit or other instrument) as shall be specified in the Supplemental Indenture authorizing the issuance of such Bonds. The Reserve Account Requirement shall constitute a Capital Reserve Fund Requirement under Section 14.42.240 of the Alaska Statutes.

“Revenue Account” means the Revenue Account established pursuant to the Trust Indenture.

“Revenues” means all payments, proceeds, charges and other cash income received by the Corporation from or on account of any Loan, including scheduled, delinquent and advance payments of and any guaranty or insurance proceeds with respect to, interest on any Loan and any special allowance payment received by the Corporation pursuant to the Higher Education Act with respect to any Loan, payouts or prepayments, proceeds attributable to principal from insurance or from the sale, assignment or other disposition of such Loan, any amounts paid by the Corporation from sources outside of the Indenture to purchase Loans held under the Indenture or to otherwise cover unguaranteed amounts with respect to Loans held under the Indenture, and any payments representing such principal from the guaranty or insurance of any such Loan and all interest earned or gain realized from the investment of amounts in any Account (other than amounts required to be deposited to or on deposit in the Rebate and Excess Interest Account, or the Department of Education Payment Account), and all amounts received pursuant to any Financial Product.

“S&P” means Standard & Poor’s Ratings Services, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

“Secretary” means the Secretary of Education, the United States Department of Education, or the successor to the functions of such officer or such office under the Higher Education Act.

“Securities Depository” means The Depository Trust Company and its successors and assigns, or if (i) the then Securities Depository resigns from its functions as depository of the Bonds or (ii) the Corporation discontinues use of the Securities Depository, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Corporation.

“Senior Bonds” means any Bonds which are secured by a lien on and payable from the Pledged Assets prior to all other Bonds except those issued on a parity as to payments therewith.

“Senior Subordinate Bonds” means any Bonds which are secured by a lien on and payable from the Pledged Assets on a basis subordinate to the Senior Bonds and prior to the Subordinate Bonds and the Junior Subordinate Bonds.

“Servicer” means, (i) the Corporation, (ii) the Commission, (iii) any other professional servicing company approved by the Corporation, with the prior written consent of the Credit Provider, and (iv) any successors or assigns of any of the foregoing.

“Servicing Fees” means the periodic fee due to any Servicer for servicing the Loans, as such fee may be limited in a Supplemental Indenture or Credit Enhancement with respect to a series of Bonds.

“State” means the State of Alaska.

“Subordinate Bonds” means any Bonds which are secured by a lien on and payable from the Pledged Assets on a basis subordinate to the Senior Bonds and the Senior Subordinate Bonds and prior to the Junior Subordinate Bonds.

“Supplemental Indenture” means any indenture supplemental to or amendatory of the Trust Indenture, between the Corporation and the Trustee and effective in accordance with the provisions of the Trust Indenture, as any such supplemental indenture may itself be supplemented or amended pursuant to such provisions.

“Taxable Bonds” means Bonds designated as such in the Supplemental Indenture pursuant to which they are issued.

“Tax Certificate” means any tax certificate, agreement or similar document, concerning certain matters pertaining to any Tax-Exempt Bonds, executed by the Corporation on the date of issuance of such Bonds, as may be

more specifically identified in the Supplemental Indenture authorizing the issuance of such Bonds, including any and all exhibits to such document, as the same may be amended from time to time.

“Tax-Exempt Bonds” means any Bonds not designated as Taxable Bonds in the Supplemental Indenture pursuant to which they are issued.

“Trustee” means U.S. Bank National Association and any successor at any time substituted in its place pursuant to the Indenture.

“Trustee Fees” shall mean the fees and expenses of the Trustee for acting as such under the Indenture.

“Trust Indenture” means the 2012B Trust Indenture dated as of September 1, 2012, by and between the Corporation and the Trustee.

“Variable Rate” means a single rate of interest on any Bond which remains in effect for one year or less.

“Yield Reduction Payment” means the minimum amounts payable to the United States Treasury as defined in Treas. Reg. §1.148-5(c).

References to Credit Provider

All provisions of the Trust Indenture, including any Supplemental Indenture, regarding consents, approvals, directions, waivers, appointments, requests or other actions by any Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if such Credit Provider were not mentioned therein (i) at any time when no Credit Enhancement is in effect under the Trust Indenture; or (ii) with respect to any particular Credit Provider, during any period during which such Credit Provider has failed to honor a properly presented and conforming drawing under its Credit Enhancement; provided, however, that the payment of amounts due to any Credit Provider pursuant to the terms of the Trust Indenture shall continue in full force and effect. The foregoing shall not affect any other rights of any Credit Provider, including rights it may be entitled to as the owner of any Bonds under the Indenture.

All provisions in the Trust Indenture relating to the rights of any Credit Provider shall be of no force and effect if its Credit Enhancement is no longer in effect and all amounts owing to such Credit Provider under its agreement to provide credit have been paid. In such event, all references to such Credit Provider shall have no force or effect.

Pledge and Security Interest Effected by the Trust Indenture

To the fullest extent provided by applicable laws, the Pledged Assets shall immediately be subject to the lien of the Trust Indenture without any physical delivery, filing or recording thereof or further act, and such lien shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice of the Trust Indenture.

The Trust Indenture creates a valid and binding pledge and assignment of security interest in all of the Pledged Assets pledged under the Trust Indenture in favor of the Trustee as security for payment of the Bonds, enforceable by the Trustee in accordance with the terms of the Trust Indenture.

Under the laws of the State, such pledge and assignment and security interest is automatically perfected by Alaska Statutes 14.42.250, and is and shall have priority as against all parties having claims of any kind in tort, contract, or otherwise hereafter imposed on the Pledged Assets.

Creation and Operation of Accounts

Pursuant to the Trust Indenture, the Corporation establishes and creates the following trust accounts:

- (i) Revenue Account;
- (ii) Payment Account;
- (iii) Loan Account; and
- (iv) Reserve Account.

The Trustee is authorized by the Trust Indenture for the purpose of facilitating administration of the Pledged Assets to create subaccounts in any of the various Accounts established under the Trust Indenture as may be directed by the Corporation or otherwise provided by Supplemental Indenture.

Pursuant to the Trust Indenture the Corporation also establishes and creates special accounts to be held by the Trustee and to be called the Rebate and Excess Interest Account and the Department of Education Payment Account, which Accounts are not included within the Pledged Assets.

All such Accounts shall be held and maintained by the Trustee and shall be identified by the Corporation and the Trustee according to the designations provided in the Trust Indenture in such manner as to distinguish such Accounts from the accounts established by the Corporation for any of its other obligations. All moneys or securities held by the Trustee pursuant to the Indenture shall be held in trust as provided in the Trust Indenture, and applied only in accordance with the provisions of the Indenture.

Revenue Account; Payment Account. (a) The Corporation shall cause all Revenues to be deposited promptly with the Trustee in the Revenue Account. There shall be deposited in the Revenue Account any amount required to be deposited therein pursuant to the Indenture and any other amounts (including counterparty exchange payments received pursuant to the Trust Indenture) available therefor and determined by the Corporation to be deposited therein from time to time.

(b) The Trustee shall pay out of the Revenue Account all moneys then deposited therein, as follows on the first Business Day of each March, June, September, and December, commencing December 2012, and in the following order of priority:

FIRST: Into the Department of Education Payment Account an amount as directed by the Corporation which, when added to amounts then on deposit in such Account and available for such purpose, is sufficient to provide for the reconciliation of Special Allowance Payments under the Higher Education Act allocable solely to the Loans included in the Pledged Assets among the Corporation, trust estates of the Corporation under the Joint Sharing Agreement and the United States Department of Education, or to make any other payments due and payable to the United States Department of Education related to the Loans (including, without limitation, consolidation loan rebate fees).

SECOND: Into the Rebate and Excess Interest Account an amount to be calculated by or on behalf of the Corporation (as set forth in a Direction of the Corporation delivered to the Trustee) which, when added to the amount already within the Rebate and Excess Interest Account to pay the Rebate Requirement, will equal (i) the amount required to be on deposit therein in order to meet the Rebate Requirement plus (ii) an amount to be calculated by or on behalf of the Corporation (as set forth in a Direction of the Corporation delivered to the Trustee) which, when added to the amount already in the Rebate and Excess Interest Account to pay the Excess Interest, equals the Excess Interest on any date of calculation.

THIRD: To the Trustee and the Servicers (other than the Commission or the Corporation) amounts sufficient to pay Trustee Fees and Servicing Fees in connection with the Loans, respectively, which are then payable to the Trustee or such Servicers or which are estimated to become so payable during the next three-month period, as set forth in a Certificate of an Authorized Officer of the Corporation delivered to the Trustee.

FOURTH: To the Remarketing Agents and Credit Providers and others, amounts sufficient to pay Remarketing Agent Fees and Credit Enhancement Fees, and such other fees, respectively, (with other fees payable as permitted in a Credit Confirmation with respect thereto in connection with the Bonds) which are then payable or which are estimated to become payable during the next three-month period, as set forth in a Certificate of an Authorized Officer of the Corporation delivered to the Trustee.

FIFTH: Into the Payment Account (i) if such quarterly transfer date is also an Interest Payment Date or a date on which principal is due on the Senior Bonds (at maturity or mandatory sinking fund redemption or term out of Senior Bonds held by Credit Providers), the amount, if any, which when added to the amount already within such Account will be sufficient to pay interest and principal on the Senior Bonds due on such Interest Payment Date or principal payment date, as applicable, and (ii) if such quarterly transfer date is not also an Interest Payment Date or date on which principal is due on the Senior Bonds (at maturity or mandatory sinking fund redemption or term out of Senior Bonds held by Credit Providers), an amount equal to one-half of the interest due on the Senior Bonds on the next Interest Payment Date and if principal on the Senior Bonds is due within the next twelve months at maturity or mandatory sinking fund redemption or term out of Senior Bonds held by Credit Providers, one-fourth of the principal so to become due.

SIXTH: Into the Payment Account (i) if such quarterly transfer date is also an Interest Payment Date or a date on which principal is due on the Senior Subordinate Bonds (at maturity or mandatory sinking fund redemption or term out of Senior Subordinate Bonds held by Credit Providers), the amount, if any, which when added to the amount already within such Account will be sufficient to pay interest and principal on the Senior Subordinate Bonds due on such Interest Payment Date or principal payment date, as applicable, and (ii) if such quarterly transfer date is not also an Interest Payment Date or date on which principal is due on the Senior Subordinate Bonds (at maturity or mandatory sinking fund redemption or term out of Senior Subordinate Bonds held by Credit Providers), an amount equal to one-half of the interest due on the Senior Subordinate Bonds on the next Interest Payment Date and if principal on the Senior Subordinate Bonds is due within the next twelve months at maturity or mandatory sinking fund redemption or term out of Senior Subordinate Bonds held by Credit Providers, one-fourth of the principal so to become due.

SEVENTH: Into the Payment Account (i) if such quarterly transfer date is also an Interest Payment Date or a date on which principal is due on the Subordinate Bonds (at maturity or mandatory sinking fund redemption or term out of Subordinate Bonds held by Credit Providers), the amount, if any, which when added to the amount already within such Account will be sufficient to pay interest and principal on the Subordinate Bonds due on such Interest Payment Date or principal payment date, as applicable, and (ii) if such quarterly transfer date is not also an Interest Payment Date or date on which principal is due on the Subordinate Bonds (at maturity or mandatory sinking fund redemption or term out of Subordinate Bonds held by Credit Providers), an amount equal to one-half of the interest due on the Subordinate Bonds on the next Interest Payment Date and if principal on the Subordinate Bonds is due within the next twelve months at maturity or mandatory sinking fund redemption or term out of Subordinate Bonds held by Credit Providers, one-fourth of the principal so to become due.

EIGHTH: Into the Payment Account (i) if such quarterly transfer date is also an Interest Payment Date or a date on which principal is due on the Junior Subordinate Bonds (at maturity or mandatory sinking fund redemption or term out of Junior Subordinate Bonds held by Credit

Providers), the amount, if any, which when added to the amount already within such Account will be sufficient to pay interest and principal on the Junior Subordinate Bonds due on such Interest Payment Date or principal payment date, as applicable, and (ii) if such quarterly transfer date is not also an Interest Payment Date or date on which principal is due on the Junior Subordinate Bonds (at maturity or mandatory sinking fund redemption or term out of Junior Subordinate Bonds held by Credit Providers), an amount equal to one-half of the interest due on the Junior Subordinate Bonds on the next Interest Payment Date and if principal on the Junior Subordinate Bonds is due within the next twelve months at maturity or mandatory sinking fund redemption or term out of Junior Subordinate Bonds held by Credit Providers, one-fourth of the principal so to become due.

NINTH: Into the Reserve Account any amount necessary to increase the amount on deposit therein to the Reserve Account Requirement.

TENTH: As directed by the Corporation and subject to the limits set forth in any Supplemental Indenture or any Credit Enhancement, the amount, if any, necessary to pay (A) first any other amounts due to Credit Providers and (B) to the extent the Asset Requirement would be satisfied after giving effect to such payment, then estimated Program Expenses (including Servicing Fees when the Commission or the Corporation is a Servicer and Remarketing Agent fees not paid pursuant to the FOURTH clause above), other than as provided for in clauses FIRST through FOURTH above, then unpaid and in the case of Program Expenses the Corporation shall be entitled to draw annually on the first Business Day in September of each year, commencing September 1, 2013, amounts sufficient to pay such Program Expenses for the next twelve-month period, as determined by the Corporation (as set forth in a Certificate of an Authorized Officer of the Corporation delivered to the Trustee), plus the amount, if any, necessary to reimburse the Corporation for Program Expenses incurred since the delivery of the Bonds and not previously paid or reimbursed from amounts transferred from the Revenue Account or, in the case of Costs of Issuance, from the Loan Account.

ELEVENTH: Except as limited by any Supplemental Indenture or Credit Enhancement, upon receipt by the Trustee of a Direction of the Corporation, into the Loan Account all remaining amounts in the Revenue Account after giving effect to the above transfers, provided that no such deposit shall be made after any date specified in a Supplemental Indenture as the last date for such transfer, as such date may be extended pursuant to any subsequent Supplemental Indenture.

TWELFTH: Except as limited by any Supplemental Indenture or Credit Enhancement, when the Asset Requirement is satisfied, any amounts in excess of the amounts needed to satisfy the Asset Requirement may be transferred to the Corporation, at the Direction of the Corporation, free and clear of the lien or the pledge of the Indenture.

THIRTEENTH: Into the Payment Account the amount, if any, which when added to the amount already within such account will be sufficient to pay the redemption price of any Bonds which have been called for redemption prior to maturity on such date.

(c) Notwithstanding the provisions of the Trust Indenture, and upon receipt by the Trustee of a Credit Confirmation with respect thereto, no payments shall be required to be made into the Revenue Account for so long as the aggregate amount on deposit therein, together with amounts on deposit in the Loan Account (exclusive of Eligible Loans therein), shall be sufficient to pay all Outstanding Bonds in accordance with their terms (and at an assumed maximum possible interest rate to the maturity of any Bonds which bear interest at a Variable Rate) and all other items to be paid from the Revenue Account, and any Revenues thereafter received by the Corporation may be applied to any purpose of the Corporation free and clear of the lien or the pledge of the Indenture.

(d) The Corporation may enter into any Financial Product, provided that prior to entering into such Financial Product (i) the Trustee shall have received a Credit Confirmation with respect to entering into such Financial Product and (ii) the Corporation shall deliver to the Trustee a Direction with respect to the Account or Accounts into which amounts received pursuant to such Financial Product are to be deposited, accompanied by a

Bond Counsel Opinion to the effect that entering into the Financial Product and compliance therewith shall not affect the exclusion from gross income of interest on any Tax-Exempt Bonds for federal income tax purposes; and any other provision of the Trust Indenture notwithstanding, in such event the Trustee shall pay to the counterparty of any such Financial Product such amount as shall be due from the Corporation or the Trustee thereunder, as specified in such Direction, in such order of priority with respect to clauses FIFTH through THIRTEENTH in (b) above as may be specified in such Direction. In addition, the obligation to pay any such counterparty may be secured by the Pledged Assets. Net payments due to the Corporation under any such agreement will be considered Revenues, and net payments due from the Corporation under any such agreement (other than termination payments) will, if so specified by the Corporation, be payable with the same priority of claim as Senior Bonds, Senior Subordinate Bonds, Subordinate Bonds or Junior Subordinate Bonds, as applicable. Termination payments may be made from amounts which may be released from the lien of the Indenture under clause TWELFTH in (b) above.

(e) Credit Enhancement may be provided for any series of Bonds, in accordance with the provisions of the Supplemental Indenture providing for the issuance of such Bonds. In such event, the Trustee shall pay to the related Credit Provider, as reimbursement for any amounts paid pursuant to such Credit Enhancement together with interest thereon, such amount as shall be due from the Corporation or the Trustee thereunder, in such order of priority with respect to clauses FIFTH through EIGHTH in paragraph (b) above as may be specified in such Supplemental Indenture. In addition, the obligation to pay any such reimbursement amounts plus interest and to pay any fees or other amounts due with respect to such Credit Enhancement may be secured by the Pledged Assets as provided in such Supplemental Indenture.

(f) Amounts on deposit in the Payment Account shall be applied to pay debt service on Bonds in the order of clauses FIFTH through EIGHTH in paragraph (b) above (regardless of the date or order of the deposit of such amounts into the Payment Account pursuant to such paragraph (b) above), to pay the redemption price of any Bonds which have been called for redemption provided in clause (b) THIRTEENTH above, or to reimburse a Credit Provider for such payments as provided in (e) above.

Loan Account. There shall be deposited in the Loan Account proceeds of Bonds in accordance with a Direction by the Corporation, any other amounts which are required to be deposited therein pursuant to the Indenture, and any other amount, as specified in a Direction by the Corporation, available therefor and determined by the Corporation to be deposited therein and not inconsistent with the Indenture. The Trustee shall, as directed by the Corporation, (i) pay out of the Loan Account any Costs of Issuance, and (ii) transfer from the Loan Account to the Payment Account on each Interest Payment Date or other redemption date the amounts required for the payment of the principal, if any, of or interest or premium, if any, due on the Outstanding Bonds on such date not provided for pursuant to clauses FIFTH, SIXTH, SEVENTH or EIGHTH of (b) above.

In addition to the uses described in the preceding paragraph and to the extent not provided for pursuant to subsections (a) through (f) above in "Revenue Account; Payment Account," amounts in the Loan Account shall be expended (i) to make any payments required as described in (b) SECOND in "Revenue Account; Payment Account" above; (ii) to finance the acquisition of Eligible Loans as provided the Trust Indenture, including costs of such acquisition; (iii) to pay Fees and Expenses not otherwise provided for; (iv) to pay when due the principal of and interest and premium, if any, on any Bonds, whether at maturity or earlier redemption, or to reimburse any Credit Provider which has provided funds to make such payments, as provided in the Trust Indenture; and (v) to refund any bonds or other obligations of the Corporation. The price paid for any Eligible Loan shall include interest accrued thereon and may include any other amounts permitted by applicable laws. All Eligible Loans financed by application of amounts in the Loan Account shall be held by a Servicer (including the Corporation), as bailee for the Trustee, and credited as an asset of the Loan Account.

The Trustee shall pay out and permit the withdrawal of amounts on deposit in the Loan Account at any time for the purpose of making payments pursuant to (i),(ii), or (iii) of the immediately preceding paragraph, but only upon receipt of:

- (i) a Direction setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include the Corporation) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(ii) a Certificate of an Authorized Officer identifying such Direction and stating that the amount to be withdrawn from the Loan Account pursuant to such requisition is a proper charge thereon and, if such Direction is made to finance Eligible Loans, (A) that such Eligible Loans comply with the covenants and requirements of the Trust Indenture; (B) that the charge to the Loan Account of financing such Eligible Loans does not exceed (x) the purchase price permitted by applicable law and regulations then in effect or (y) any limitation described in the immediately preceding paragraph; and (C) that the Corporation has received the promissory note with respect to each such Eligible Loan so financed or, in the case of a master promissory note, a true and correct copy thereof.

Reserve Account. Amounts on deposit in the Reserve Account shall be used by the Trustee to pay debt service on the Bonds when due to the extent amounts available therefor pursuant to (b) FIFTH, SIXTH, SEVENTH or EIGHTH in "Revenue Account; Payment Account" above or amounts on deposit in the Loan Account are insufficient. Amounts on deposit in the Reserve Account in excess of the Reserve Account Requirement shall be transferred by the Trustee quarterly on the first Business Day of each March, June, September and December to the Revenue Account. The Corporation may direct the Trustee to apply amounts on deposit in the Reserve Account to the purchase or redemption of Bonds if, upon giving effect to such purchase or redemption, the amount on deposit in the Reserve Account shall be not less than the Reserve Account Requirement. Any Supplemental Indenture providing for the issuance of Bonds may provide that the Reserve Account Requirement set forth therein may be satisfied by a surety bond, letter of credit or other instrument.

Rebate and Excess Interest Account. (a) The Rebate and Excess Interest Account shall be maintained by the Trustee as an account separate from any other account established and maintained under the Trust Indenture. Within the Rebate and Excess Interest Account, the Trustee shall maintain such subaccounts as shall be set forth in a Direction of the Corporation in order to comply with the terms and requirements of the Tax Certificate and shall include a subaccount for Rebate Requirement and a subaccount for Excess Interest. Subject to the provisions of paragraphs (b) and (c) below, all money at any time deposited in the Rebate and Excess Interest Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, and the Corporation's obligations with respect to Excess Interest, and the Corporation or the owner of any Bonds shall not have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate and Excess Interest Account shall be governed by the Trust Indenture and by the Tax Certificate (which is incorporated in the Trust Indenture by reference). The Trustee shall be deemed conclusively to have complied with the Trust Indenture and with such provisions of the Tax Certificate if it follows the Directions of the Corporation, including supplying all necessary written information in the manner provided in the Tax Certificate, and shall have no liability or responsibility for compliance if it so acts (except as may be specifically set forth in the Tax Certificate) or to enforce compliance by the Corporation with the terms of the Tax Certificate.

(b) Upon the Direction of the Corporation, the Trustee shall either deposit in the Rebate and Excess Interest Account funds provided for under the Indenture or received from the Corporation, or shall withdraw funds from the Rebate and Excess Interest Account for payment upon the order of the Corporation, so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement and Excess Interest. Computations of the Rebate Requirement and Excess Interest shall be furnished by or on behalf of the Corporation in accordance with the Tax Certificate. Excess amounts on deposit in the Rebate and Excess Interest Account shall be deposited to the Revenue Account.

(c) The Trustee shall have no obligation to pay any amounts required to be rebated or paid pursuant to these provisions, other than from moneys held in the Rebate and Excess Interest Account and other Accounts created under the Indenture or from other moneys provided to it by the Corporation. The Trustee shall have no responsibility to independently make any calculations or determinations or to review any rebate analyst's determinations, calculations, certifications or directions.

(d) Notwithstanding any other provisions of the Trust Indenture, the obligation to remit the Rebate Requirement to the United States of America and to comply with all other requirements of the Trust Indenture and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

(e) No later than sixty days after each Excess Interest Calculation Date, the Corporation shall determine, or cause to be determined, the Excess Interest as of the preceding Excess Interest Calculation Date and

shall deliver such calculation to the Trustee and the Credit Provider, along with a statement of a party or parties competent to make such determination.

The first time such calculation shows the existence of Excess Interest, the Corporation shall direct the Trustee to establish a subaccount in the Rebate and Excess Interest Account and to transfer an amount equal to such Excess Interest from the following accounts, in the following order of priority: (i) Revenue Account and (ii) Loan Account. Thereafter, within sixty days after each Excess Interest Calculation Date, the Corporation shall take the following actions:

(i) If the amount on deposit in the related subaccount of the Rebate and Excess Interest Account is less than the Excess Interest as of the preceding Excess Interest Calculation Date, the Corporation will notify the Trustee, who will transfer sufficient funds to the related subaccount of the Rebate and Excess Interest Account so that the amount on deposit is equal to Excess Interest from the following Accounts in the following order of priority: Revenue Account, and Loan Account.

(ii) If the amount on deposit in the related subaccount of the Rebate and Excess Interest Account is greater than the Excess Interest, the Corporation shall instruct the Trustee to transfer to the Revenue Account money sufficient to cause the amount on deposit in the related subaccount of the Rebate and Excess Interest Account to be equal to the Excess Interest as of such Excess Interest Calculation Date.

(iii) Unless the Corporation obtains a Bond Counsel Opinion to the effect that such payments are not required in order to preserve the exclusion from gross income of interest on Tax-Exempt Bonds for federal income tax purposes, the Corporation covenants to direct the Trustee to withdraw from the Rebate and Excess Interest Account and remit to the United States Treasury, Yield Reduction Payments in such manner and amounts and on such dates as may be required or permitted by Section 148 of the Code and Section 1.148-5(c) of the Treasury Regulations issued thereunder.

(iv) Additionally, the Corporation may, upon receipt of a Credit Confirmation, direct the Trustee to transfer a specified amount from the Rebate and Excess Interest Account to the Revenue Account at any time, upon providing the Trustee with a Direction of the Corporation directing the Trustee to forgive indebtedness on all or a portion of the Loans specified in such Direction in an amount equal to the amount to be transferred and the implementation of such Direction by the Trustee.

(f) Records of the determinations with respect to the above covenants and the Rebate and Excess Interest Account shall be retained by the Corporation until six years after the end of the tax year following retirement of the related series of the Tax-Exempt Bonds.

The Corporation's payment of Rebate Requirement and Yield Reduction Payments to the United States is for the purpose of preserving the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

The Corporation shall exercise reasonable diligence to assure that no error in the calculations required by the Trust Indenture is made and, if such an error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including the payment to the United States of any delinquent amounts owed to it, interest thereon, and any assessed penalty.

Amounts in the Rebate and Excess Interest Account shall only be used for the purposes specified above, and shall not be available for any other purpose, including, but not limited to, payment of debt service on the Bonds or reimbursement of any Credit Enhancement.

(g) The moneys in the Rebate and Excess Interest Account shall be invested in Permitted Investments, and any earnings on or income from such investments shall be retained therein; provided that the Corporation may direct the Trustees to transfer amounts in excess of that required to be on deposit therein to the Revenue Account at any time.

Department of Education Payment Account. Amounts on deposit in the Department of Education Payment Account shall be used by the Trustee, at the Corporation's direction, to provide for the reconciliation of Special Allowance Payments under the Higher Education Act among the Corporation, trust estates of the Corporation under the Joint Sharing Agreement and the United States Department of Education, or to make any other payments due and payable to the United States Department of Education related to the Loans (including, without limitation, consolidation loan rebate fees), provided that amounts withdrawn from the Revenue Account and deposited to the Department of Education Payment Account and not needed for such payments shall be returned to the Revenue Account as directed by the Corporation.

Investment of Certain Funds

Subject to the provisions of the Trust Indenture, and pursuant to Direction by the Corporation to invest or deposit funds under the Trust Indenture in Permitted Investments, moneys in any Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee. The Corporation shall direct the Trustee by Direction (or, if time does not permit, by oral direction of an Authorized Officer, promptly confirmed in writing) to invest and reinvest the moneys in any Account in Permitted Investments so that the maturity date or date of redemption at not less than par at the option of the owner thereof shall be no later than the date as of which moneys are needed to be expended. In the absence of Direction from the Corporation, the Trustee shall make reasonable effort to invest the otherwise uninvested moneys in available overnight investments permissible under the Trust Indenture and previously directed in writing by an Authorized Officer of the Corporation for such purposes. The Trustee shall not be responsible for determining the legality of any investment or for any loss on investments provided the Trustee shall have followed the Directions of the Corporation and the provisions of the Trust Indenture. The Permitted Investments purchased shall be held by the Trustee in trust for the benefit of the Owners and shall be deemed at all times to be part of the appropriate Account, except as provided in the Trust Indenture, and the Trustee shall keep the Corporation advised as to the details of all such investments.

Permitted Investments purchased as an investment of moneys in any Account held by the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such Account but, except with respect to the Rebate and Excess Interest Account and the Department of Education Payment Account, the income or earnings and gains realized in excess of losses suffered by an Account due to the investment thereof shall be deposited in the Revenue Account or shall be credited as Revenues to the Revenue Account from time to time and reinvested; provided, however, that the income or earnings and gains realized in excess of losses in the Reserve Account will only be transferred to the Revenue Account if the balance in the Reserve Account is greater than or equal to the Reserve Account Requirement.

The Trustee, pursuant to a Direction of the Corporation, shall sell at the best price reasonably obtainable, or present for redemption or exchange, or make a withdrawal under, any Permitted Investment purchased by it pursuant to the Indenture in accordance with its terms whenever it shall be necessary in order to provide moneys to meet any payment. Any Permitted Investment may be credited on a pro rata basis to more than one Account and need not be sold in order to provide for the transfer of amounts from one Account to another. The Trustee shall advise the Corporation in writing, on or before the tenth day of each calendar month, of all investments held for the credit of each Account in its custody under the provisions of the Indenture as of the end of the preceding month.

Certain Covenants

The Trust Indenture includes the following covenants, among others, of the Corporation:

Payment of Bonds. The Corporation shall duly and punctually pay or cause to be paid, solely from Pledged Assets or Credit Enhancement, the principal 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.

Tax Covenants. The Corporation covenants that it will not take any action, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Tax-Exempt Bonds under Section 103 of the Code and the regulations thereunder. In furtherance of the foregoing covenants, the Corporation covenants to comply with the Tax Certificate.

Notwithstanding any other provision of the Trust Indenture to the contrary, the covenants contained in this “Tax Covenants” section shall survive the defeasance or payment in full of the Bonds.

Accounts and Reports. The Corporation shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all of its transactions relating to the Loans and all Accounts established in the Indenture, which shall at all reasonable times be subject to the inspection of the Trustee, any Credit Provider, and the owners of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

The Corporation shall annually, within 180 days after the close of each Fiscal Year, file with the Trustee and either with each Rating Agency or, if any Bonds which are rated are supported by Credit Enhancement, with each Credit Provider:

- (i) a copy of the financial statements for such Fiscal Year, setting forth in reasonable detail (A) the statement of financial position for the Corporation at the end of such Fiscal Year; (B) a statement of activity of the Corporation during such Fiscal Year; and (C) a statement of cash flows of the Corporation as of the end of such Fiscal Year;
- (ii) an Accountant’s Certificate stating that the financial statements submitted pursuant to (i) above have been examined and present fairly the financial position of the Corporation at the end of the Fiscal Year and that the results of its operations and the cash flows for the period examined are in conformity with generally accepted accounting principles;
- (iii) a Certificate of the Corporation as to any Events of Default under the Indenture; and
- (iv) an unaudited statement of financial position of the Indenture.

Education Loan Program

The Corporation shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the provisions of the Trust Indenture, (i) use and apply proceeds of the Bonds and moneys in the Loan Account, to finance Eligible Loans pursuant to the Indenture or to pay other obligations of the Corporation required to be paid under the Indenture, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including special allowance payments) sufficient to pay the Bonds and the expenses of the Corporation’s education loan program, and (iii) diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to Loans, to maintain any insurance thereon and to enforce all terms, covenants and conditions of the Loans.

No amount in the Loan Account shall be expended or applied for the purpose of financing a Guaranteed Loan, and no Guaranteed Loan shall be financed, unless (except to the extent that a variance from such requirements is required by an agency or instrumentality of the United States of America insuring or guaranteeing the payment of a Guaranteed Loan) the Corporation has determined:

- (i) that the payment of the principal of and interest on any Guaranteed Loan is guaranteed by a Guarantor to the extent applicable as to such Loan as provided by federal law, and that the United States Secretary of Education is required, by the Higher Education Act at the time of the financing to reimburse the Guarantor to the extent permitted by federal law for any amount expended by the Guarantor in discharge of its insurance obligation on such Guaranteed Loan;
- (ii) that the stated interest rate borne by a Guaranteed Loan and payable on such Guaranteed Loan at the time of its acquisition will not be less than the maximum rate permitted under applicable law at the time the particular Loan was made (subject to permitted borrower benefits); and
- (iii) that as of the date of acquisition of such Guaranteed Loan each of the representations in the Trust Indenture is true.

The foregoing clauses (i) and (ii) notwithstanding, (a) Guaranteed Loans (i) insured by a Guarantor under the Higher Education Act to less than the percentage provided for in applicable law as of the date of the Trust Indenture (including reductions provided for in such applicable law) of the claim relating thereto or (ii) having a return thereon less than the return as may be provided for in applicable law as of the date of the Trust Indenture shall not be financed unless prior thereto the Trustee shall have received a Credit Confirmation with respect to the financing of any such Guaranteed Loans; and (b) Guaranteed Loans insured by a Guarantor which the Trustee or the Corporation knows to be insolvent shall not be financed.

The Trustee shall, at the Direction of the Corporation, at any time sell, assign, transfer or otherwise dispose of a Loan in the manner specified in such Direction and the Trustee shall execute and deliver such documents as shall be necessary to effect such sale, assignment, transfer or other disposition if such sale, assignment, transfer or disposition (A) is made for the purpose of consolidating the Loans incurred by any borrower, and if such sale assignment, transfer or disposition is made at a price at least equal to the principal amount of the Loan (plus accrued interest), (B) is made to realize on any insurance or guaranty of any Loan in default, (C) is made to another program, indenture or other obligation of the Corporation at a price not less than par plus accrued interest plus unamortized premium, if any, or origination costs, if any, (D) is necessary to permit the payment of Bonds when due, or (E) under any other circumstances not set forth in (A) through (D) above if the Trustee shall have received a Credit Confirmation. Dispositions described in (C) through (D) above shall be subject to Credit Confirmation.

The Corporation may, subject to any limits in a Supplemental Indenture and upon receipt of a Credit Confirmation, direct the Trustee to transfer Loans in the Loan Account to any other account of the Corporation, free and clear of the lien of the Indenture, provided that simultaneously with such transfer the Corporation shall cause there to be delivered to the credit of the Loan Account or the Revenue Account (as directed by the Corporation in the case of (i) below) free of all other liens and encumbrances other than the lien of the Indenture, either or both of (i) cash in an amount equal to the principal of and accrued borrower interest on the transferred Loans plus, if the total cash in the Loan Account on any Interest Payment Date resulting from such transfers aggregates \$100,000 or more, any additional amount which is necessary to enable the sum of such cash to produce Revenues in an amount at least equal to the Revenues that would have been produced by the transferred Loans (net of any expenses related to such transferred Loans) until such cash is applied to acquire Eligible Loans or to redeem Bonds; or (ii) Eligible Loans with substantially the same principal amount and an average expected remaining term no later than the maturity of the Bonds to be paid from such Loans and which either (1) in the reasonable determination of the Corporation (as certified to by an Authorized Officer of the Corporation), would not have the effect of violating any of the terms of the Trust Indenture, or (2) are accompanied by a Credit Confirmation.

The Corporation will use its best efforts to evaluate the reinvestment of amounts transferred to the Loan Account from principal and interest receipts with respect to Loans to ensure that it will continue to be able to fulfill its debt service requirements under the Trust Indenture.

The Corporation is an Eligible Lender. So long as the Higher Education Act requires an Eligible Lender to be the owner or holder of Guaranteed Loans, (i) the Corporation will either be an Eligible Lender or will utilize an Eligible Lender as its trustee to acquire Guaranteed Loans; and (ii) it will not dispose of or transfer any Guaranteed Loans or any security interest in any such Guaranteed Loans to any party who is not an Eligible Lender; provided, however, that nothing above shall prevent the Corporation from delivering the Guaranteed Loans to a Servicer or a Guarantor for purposes of remediation, collection or similar purposes.

The Corporation will, from and after it shall have either entered into, or succeeded to the rights and interests of any Eligible Lender under any guarantee agreement covering any Guaranteed Loans, maintain the same and diligently enforce its rights thereunder; and not consent to or permit any rescission of or consent to any amendment thereto or otherwise take any action under or in connection therewith which in any manner would adversely affect the rights of the Owners or of any Credit Provider. The Corporation will enforce its rights under the agreements with the Secretary and each Guarantor pertaining to the Guaranteed Loans and will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection therewith which in any manner will adversely affect the rights of the Owners or any Credit Provider.

The Corporation, through the Servicers, shall diligently collect all principal and interest payments on all Loans, and all interest benefit payments, insurance and default claims and special allowance payments which relate

to such Loans. The Corporation shall cause the Servicers to assign and file all claims for payment on defaulted Eligible Loans prior to the filing deadline for such claims under the Higher Education Act. The Corporation will comply with the Higher Education Act and regulations thereunder which apply to its education loan program and to all Eligible Loans. Notwithstanding the foregoing, the Corporation may forgive a Loan and cease collection and servicing efforts if the Corporation determines that (i) such forgiveness is necessary to comply with Federal tax law or (ii) the probable costs of collection and servicing approximate or exceed the expected proceeds of collection. The Corporation may also offer such borrower benefits as are in place at the time of execution of the Trust Indenture or approved by a Credit Confirmation and may reduce or restrict any then existing borrower benefits without the need for a Credit Confirmation.

Not less frequently than monthly, the Corporation shall make available to the applicable Servicer each promissory note received by the Corporation.

Supplemental Indentures

The Corporation and the Trustee, without the consent of or notice to any of the Owners, may enter into an agreement or agreements supplemental to the Trust Indenture, or to any Supplemental Indenture, for any one or more of the following purposes:

(a) to provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness, or to add other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with the Indenture as then in effect;

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

(c) to make such amendments to the Indenture as are required to permit the Trustee and the Corporation fully to comply with the Higher Education Act or as required in order for the Indenture, as amended by such Supplemental Indenture, not to be contrary to the terms of the Higher Education Act.

(d) to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the 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 the Indenture;

(e) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, the pledge of the Pledged Assets, including Revenues or of any other revenues or assets;

(f) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture;

(g) to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as then in effect;

(h) to provide for additional duties of the Trustee in connection with the Loans or for the appointment of a successor Trustee;

(i) to provide for the issuance of any series of Bonds, and in connection therewith to provide for rights, preferences, privileges, terms and conditions applicable only to such series of Bonds, including without limitation any amendments desirable to provide for the issuance of such series of Bonds as commercial paper or in some other form;

(j) to modify, alter, amend or supplement the Trust Indenture, including any Supplemental Indenture, in any manner which does not alter the interest rate, maturity, or security for any Bonds, so long as the Trustee receives a Credit Confirmation with respect thereto;

(k) to modify, alter, amend or supplement the Trust Indenture, including any Supplemental Indenture, in any other manner determined by the Trustee not to be materially adverse to the interests of the owners of any Bonds who have not consented thereto, provided that in making any such determination the Trustee shall be entitled to conclusively rely on a Counsel's Opinion;

(l) to satisfy the requirements of a Rating Agency in order to obtain, maintain or improve the rating on any Bonds;

(m) to provide for the orderly sale or remarketing of Bonds;

(n) to modify, alter, amend or supplement the Trust Indenture, including any Supplemental Indenture, in any other respect, including amendments which would otherwise be as described elsewhere in the Trust Indenture, (i) as of any date required for mandatory tender of Bonds for purchase, to the extent such change affects only Bonds which are subject to such mandatory tender on such date; or (ii) if notice of the proposed Supplemental Indenture is given to Owners (in the same manner as notices of redemption are given) at least thirty (30) days before the effective date thereof, and the owners have the right to demand purchase of their Bonds on or before such effective date; and any such owners of Bonds being required to tender such Bonds for purchase or having the right to demand purchase thereof shall, as of such effective date, be deemed to have consented to such Supplemental Indenture for purposes of determining the percentage of Owners who have consented to any Supplemental Indenture and for all other purposes of the Trust Indenture if all such tenders or demands for purchase are timely honored; and if less than all of the Owners are required to tender their Bonds for purchase or have such right to demand purchase, any such Supplemental Indenture may be made applicable only to such Owners and their successors; or

(o) to modify the maximum rate with respect to any series of Bonds, in the manner and to the extent permitted in the Supplemental Indenture with respect to such Bonds.

In addition, any and all provisions of the Trust Indenture, including any Supplemental Indenture, relating to procedures for determining any Variable Rate, may be amended from time to time to conform to market or industry practice solely upon the written consent of the Corporation and the Trustee, receipt of a Credit Confirmation, and upon written notice of such amendment to the applicable Marketing Parties and to the affected Bondholders, and no prior written consent of any such Bondholder shall be required in connection with the execution of such amendment. In determining whether any supplement or amendment relating to procedures for determining any Variable Rate conforms to market or industry practice, the Trustee may conclusively rely upon a Counsel's Opinion, Certificate of the Corporation, or Certificate of the applicable Marketing Parties as to the effect of any such supplement or amendment.

Any modification of or amendment to the Indenture and the rights and obligations of the Corporation and of the Owners of the Bonds under the Trust Indenture, in any particular, may be made by a Supplemental Indenture, but only, in the event such Supplemental Indenture shall be entered into pursuant to the Trust Indenture, with the written consent of the owners of at least a majority in principal amount of the Bonds Outstanding (including at least a majority in principal amount of the Owners (i) of all Outstanding Senior Bonds, or (ii) of all Outstanding Senior Subordinate Bonds if no Senior Bonds are then Outstanding, or (iii) of all Outstanding Subordinate Bonds if no Senior Bonds or Senior Subordinate Bonds are then Outstanding) at the time such consent is given, as provided in the Trust Indenture. If any such modification or amendment will not take effect so long as any particular Bonds remain Outstanding, however, the consent of the owners 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 the Trust Indenture. No such modification or amendment shall permit a change in the terms of maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon, other than any maximum rate, without the consent of the owner of such Bond (the consent of the Owner of which is required to effect any such modification or amendment). The Trustee may in its sole discretion determine whether or not in accordance with the foregoing powers of amendment Bonds would be affected by any modification or amendment of the Trust Indenture and any such determination shall be binding and conclusive on the Corporation

and all Owners of Bonds. Nothing in the Trust Indenture shall be construed to limit any requirement in any other document to which the Corporation is a party which requires the consent of any other party to any modification to or amendment of the Indenture.

Any Supplemental Indenture permitted or authorized by the Trust Indenture shall become effective only (i) on the conditions, to the extent and at the time provided in the Trust Indenture; and (ii) upon receipt by the Trustee of (A) a Counsel's Opinion or Bond Counsel Opinion, or both, to the effect that such Supplemental Indenture has been duly and lawfully entered into in accordance with the provisions of the Trust Indenture, is authorized or permitted by the Trust Indenture, and is valid and binding upon the Corporation; (B) a Bond Counsel Opinion to the effect that such Supplemental Indenture will not adversely affect the exclusion of interest on any Tax-Exempt Bonds affected by such Supplemental Indenture from gross income for federal income tax purposes; and (C) a Credit Confirmation. No Supplemental Indenture shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

Defaults, Acceleration and Remedies

Events of Default. (a) Each of the following events is declared by the Trust Indenture an "Event of Default":

(i) the failure by the Corporation to pay the principal of or any installment of interest on any Bond or the redemption price or purchase price thereof when and as the same shall become due, whether at maturity or otherwise;

(ii) the Corporation shall fail or refuse to comply with the provisions of the Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Trust Indenture or in any Supplemental Indenture or the Bonds, and such failure, refusal or default shall continue for a period of thirty (30) days after written notice thereof by the Trustee, by any Credit Provider or by the owners of not less than 25% in principal amount of the Outstanding Bonds (provided that such owners shall include the owners of at least 25% in principal amount of (A) Outstanding Senior Bonds, or (B) Outstanding Senior Subordinate Bonds if no Senior Bonds are then Outstanding, or (C) Outstanding Subordinate Bonds if no Senior Bonds or Senior Subordinate Bonds are then Outstanding); provided that if such failure is such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action reasonably acceptable to each Credit Provider is instituted within such period and diligently pursued until the failure is corrected; and

(iii) at the option of any Credit Provider, with written notice to the Corporation and the Trustee, the occurrence of any event of default by the Corporation under the related Credit Enhancement or agreement relating thereto.

(b) The foregoing notwithstanding, for so long as there shall be Senior Bonds Outstanding failure to pay the principal of or any installment of interest on any Senior Subordinate Bond, Subordinate Bond or Junior Subordinate Bond shall not constitute an Event of Default unless there is a corresponding failure to make timely payment on a Senior Bond; for so long as there shall be Senior Subordinate Bonds Outstanding failure to pay the principal of or any installment of interest on any Subordinate Bond or Junior Subordinate Bond shall not constitute an Event of Default unless there is a corresponding failure to make timely payment on a Senior Subordinate Bond; and for so long as there shall be Subordinate Bonds Outstanding failure to pay the principal of or any installment of interest on any Junior Subordinate Bond shall not constitute an Event of Default unless there is a corresponding failure to make timely payment on a Subordinate Bond.

Acceleration. Upon the happening of any Event of Default, (a) the Trustee may (with the consent of the Credit Provider), and shall at the written direction of the owners of not less than a majority of the principal amount of the Outstanding Bonds in the case of an Event of Default described in the Trust Indenture (including a majority in principal amount of (i) Outstanding Senior Bonds, or (ii) Outstanding Senior Subordinate Bonds if no Senior Bonds are then Outstanding, or (iii) Outstanding Subordinate Bonds if no Senior Bonds or Senior Subordinate Bonds are then Outstanding), and (b) the Trustee shall, in the case of an Event of Default described in "Events of Default" (a)(ii) and (a)(iii) above if directed by the Credit Provider, by notice in writing delivered to the Corporation, declare

the entire principal amount of the Bonds secured by the related Credit Facility then outstanding and the interest accrued thereon due and payable, whereupon they shall, without further action, become and be immediately due and payable, anything to the contrary in the Indenture or the Bonds notwithstanding, and the Trustee shall immediately draw on the related Credit Facility, if applicable, and interest thereon shall cease to accrue (except for Bonds held by any Credit Provider) provided moneys are available for the payment of the accelerated amounts on the date for payment (which shall be within two Business Days of the date of declaration).

Other Remedies. Subject to the provisions of the Trust Indenture, if any Event of Default shall have occurred specified in "Events of Default" (a)(i) or (a)(iii) above, the Trustee shall proceed, or if any Event of Default specified in "Events of Default" (a)(ii) above shall have occurred, the Trustee may proceed, and, upon the written request of the owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, including the owners of at least 25% in principal amount of (i) Outstanding Senior Bonds, or (ii) Outstanding Senior Subordinate Bonds, if no Senior Bonds are then Outstanding, or (iii) Outstanding Subordinate Bonds, if no Senior Bonds or Senior Subordinate Bonds are then Outstanding, shall proceed, in its own name, subject, in either case, to the indemnification and other provisions of the Trust Indenture, to protect and enforce the rights of the Owners by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (i) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners, including the right to require the Corporation to receive and collect Revenues adequate to carry out the covenants and agreements as to Loans, and to require the Corporation to carry out any other covenants or agreements with Owners and to perform its duties as prescribed by law;
- (ii) by bringing suit upon the Bonds;
- (iii) 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;
- (iv) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds;
- (v) by selling or otherwise disposing of Loans and Permitted Investments; or
- (vi) by any other remedy deemed by the Trustee to be legal and appropriate.

Subject to the provisions of the Trust Indenture, in the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to and shall sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Corporation for principal, interest or otherwise, under any provisions of the Indenture, including any Supplemental Indenture, or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder, without prejudice to any other right or remedy of the Trustee or of the Owners, 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 (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable; provided, however, that any recovery against the Corporation is limited to the Pledged Assets.

Priority of Payments After Default. In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee are insufficient for the payment of principal and interest then due on the Bonds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or prior redemption), any other amounts received or collected by the Trustee acting pursuant to the Trust Indenture, other than the proceeds of any Credit Enhancement or the proceeds of the remarketing of any Bonds (which shall, in each case, be held for the payment of the particular Bonds with respect to which such proceeds were received), after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of

the owners of the Bonds and for the payment of the charges, expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Indenture, shall be applied as follows:

- (i) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due, in the order of Senior Bonds first and thereafter Senior Subordinate Bonds, then Subordinate Bonds and finally Junior Subordinate Bonds (or, in each case, to any Credit Provider as reimbursement for amounts paid with respect to such Bonds, in the applicable order of priority), and in 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 (other than Senior Bonds prior to Senior Subordinate Bonds, Senior Subordinate Bonds prior to Subordinate Bonds and Subordinate Bonds prior to Junior Subordinate Bonds); and

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due and, if the amounts available shall not be sufficient to pay in full all the Bonds due, then to the payment thereof for Senior Bonds first and thereafter Senior Subordinate Bonds, then Subordinate Bonds and finally Junior Subordinate Bonds (or, in each case, to any Credit Provider as reimbursement for amounts paid with respect to such Bonds or otherwise due and owing to the Credit Provider, as set forth in a certificate of the Credit Provider, in the applicable order of priority), and ratably to the extent necessary, according to the amounts of principal due on such date, to the persons entitled thereto, without any discrimination or preference (other than Senior Bonds prior to Senior Subordinate Bonds, Senior Subordinate Bonds prior to Subordinate Bonds and Subordinate Bonds prior to Junior Subordinate Bonds).

- (ii) If the principal of all of the Bonds shall have become or have been declared immediately due and payable, then to the payment of the principal and interest then due and unpaid upon the Bonds for Senior Bonds first and thereafter Senior Subordinate Bonds, then Subordinate Bonds and finally Junior Subordinate Bonds (or, in each case, to any Credit Provider as reimbursement for amounts paid with respect to such Bonds or otherwise due and owing to the Credit Provider, as set forth in a certificate of the Credit Provider, in the applicable order of priority), and otherwise 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 Senior Bond over any other Senior Bond, or of any Senior Subordinate Bond over any other Senior Subordinate Bond, or of any Subordinate Bond over any other Subordinate Bond, or of any Junior Subordinate Bond over any other Junior Subordinate Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any other discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this "Priority of Payments After Default" section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application. The deposit and setting aside of 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, any Owner or 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 the 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 and, if applicable, as otherwise provided in the Trust Indenture) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date, and for which funds are available for such payment, 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 owner of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason and there has not been an acceleration, then in every such case the Corporation, the Trustee and the Owners shall be restored to their former positions and rights under the Trust Indenture, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding has been taken; provided the Trustee has received written notice from the Credit Provider that each Credit Enhancement for the Bonds previously in effect is fully reinstated and in full force and effect and the Trustee has received from the Credit Provider a written rescission of the notice of the Event of Defaults, as applicable.

Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the owners of the majority in principal amount of the Bonds then Outstanding (including a majority of (i) all Outstanding Senior Bonds, or (ii) all Outstanding Senior Subordinate Bonds if no Senior Bonds are then Outstanding, or (iii) all Outstanding Subordinate Bonds if no Senior Bonds or Senior Subordinate Bonds are then Outstanding) shall have the right, by a written instrument or concurrent written instruments executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Trust Indenture, provided that (a) such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, (b) there shall have been offered to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred, and (c) the Trustee shall have the right to decline to follow any direction which, in the opinion of the Trustee, would be unjustly prejudicial to Owners not parties to such direction or would subject the Trustee to liability.

Limitation on Rights of Owners. No Owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, or for the protection or enforcement of any right under the Trust Indenture unless (i) such Owner 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 (ii) the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding (including at least twenty-five percent (25%) in principal amount of the Owners (i) of all Outstanding Senior Bonds, or (ii) of all Outstanding Senior Subordinate Bonds if no Senior Bonds are then Outstanding, or (iii) of all Outstanding Subordinate Bonds if no Senior Bonds or Senior Subordinate Bonds are then Outstanding) shall have made written request of the Trustee, after the right to exercise such powers or rights of action shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Trust Indenture or granted under the law or to institute such action, suit or proceeding in its name and there shall have been offered to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred, 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 declared by the Trust Indenture in every such case, at the option of the Trustee, to be conditions precedent to the execution by the Trustee of its powers under the Indenture or for any other remedy under the Trust Indenture or by law. It is understood and intended that no one or more owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Trust Indenture or under law with respect to the Bonds or the Indenture, except in the manner provided in the Trust Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Trust Indenture and for the benefit of all owners of the Outstanding Bonds. Nothing contained in the Trust Indenture shall affect or impair the right of any owner of Bonds to enforce the payment of the principal of and interest on such Bonds, or the obligation of the Corporation (subject to the provisions of the Trust Indenture) to pay the principal of and interest on each Bond issued under the Trust Indenture to the owner thereof at the time and place in said Bond expressed.

Anything to the contrary notwithstanding contained in the Trust Indenture, each Owner of any Bond by such Owner'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 the Trust 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 of such suit, including reasonable pre-trial, trial and appellate 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 Owner or group of Owners holding at least twenty-five percent (25%) in principal amount of the Bonds

Outstanding, or to any suit instituted by any Owner for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Consent or Direction of Credit Provider. Nothing in the Trust Indenture shall be construed to limit any requirement therein or in any other document to which the Corporation is a party which requires the consent or permits the direction of any Credit Provider to any action taken pursuant to the Trust Indenture regarding defaults, acceleration and remedies. Payment by any Credit Provider pursuant to its Credit Enhancement shall not be deemed to cure any event of default under the agreement with the Credit Provider.

Each Credit Provider who has not failed to honor a properly presented and conforming drawing on its Credit Enhancement shall be deemed to be the Owner of the Bonds related to such Credit Enhancement for all purposes of directing the remedies to be exercised under the Trust Indenture.

The Trustee

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than sixty (60) days written notice to the Corporation, each Credit Provider, and the Owners, specifying the date when such resignation shall take effect, and such resignation shall take effect upon any day specified in such notice unless (i) a successor shall have been appointed previously, as provided in the Trust Indenture, in which event such resignation shall take effect immediately on the acceptance of such successor, or (ii) no such successor shall have been appointed, in which event such resignation shall take effect immediately upon, but not until, the acceptance of a successor.

Removal of Trustee. The Corporation in its discretion may remove the Trustee at any time, except during the existence of an Event of Default, upon giving sixty (60) days written notice to the Trustee and each Credit Provider and filing with the Trustee an instrument of appointment signed by an Authorized Officer and accepted by such successor Trustee.

Defeasance

(a) If the Corporation shall pay, cause to be paid or otherwise make adequate provision for payment to the owners of the Bonds the principal and interest, including deferred interest whether or not then due, to become due thereon at the times and in the manner stipulated therein and in the Indenture, and shall have paid all other amounts due under the Trust Indenture to the Trustee and to each Credit Provider, the pledge of the Pledged Assets, including any Revenues and other moneys, securities, funds and property pledged by the Trust Indenture and all other rights granted by the Trust Indenture in favor of the Owners shall be discharged and satisfied. In such event, upon making the provision for payment to the Owners referred to in the prior sentence, the Trustee, upon the Direction of the Corporation, shall execute and deliver to the Corporation all such instruments as may be desirable to evidence the discharge and satisfaction described above, and the Trustee shall pay over or deliver to the Corporation all moneys or securities held by them pursuant to the Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment and shall return any Credit Enhancement to the Credit Provider for cancellation, if applicable. If the Corporation shall pay or cause to be paid or there shall otherwise be paid to the owners of all Outstanding Bonds the principal and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Trust Indenture and all covenants, agreements and obligations of the Corporation to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(b) Bonds for the payment of which funds are held in trust by the Trustee (through deposit by the Corporation of funds for such payment or otherwise) shall, at the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (i) there shall have been deposited with the Trustee funds consisting of moneys or non callable, fixed rate, direct obligations of or guaranteed by the United States of America the principal of and the interest on which when due will provide moneys sufficient to pay the principal of and interest due and to become due on said Bonds on or prior to the maturity date or the prior redemption date thereof, and (ii) the Corporation shall have given the Trustee, in form satisfactory to it, (A) a Certificate of the Corporation to the effect that all conditions necessary to deem said

Bonds paid within the meaning and effect expressed in the Trust Indenture have been met and (B) irrevocable written instructions to give notice by mail as soon as practicable to the Owners of such Bonds that the deposit required by (i) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Trust Indenture and stating the date upon which moneys are to be available for the payment of the principal of and interest on said Bonds, such instructions to be accompanied by a certificate of an independent certified public accountant confirming the sufficiency of the deposit as described in (i) above. Neither (x) non-callable direct obligations of the United States of America or moneys deposited with the Trustee pursuant to the Trust Indenture nor (y) principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than the payment of the principal of and interest on said Bonds; but any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and permitted by the tax covenants made in the Trust Indenture, be reinvested in such direct non-callable United States obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to the maturity date or redemption date thereof, and interest earned from such reinvestments, not needed to redeem Bonds, shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

(c) The deposit required by paragraph (b) above may be made with respect to Bonds within any particular series and maturity, in which case such maturity of Bonds of such series shall no longer be deemed to be Outstanding under the terms of the Indenture, and the Owners of such defeased Bonds shall be secured only by such trust funds and not by any other part of the Pledged Assets, and the Indenture shall remain in full force and effect to protect the interests of the Owners of Bonds remaining Outstanding thereafter.

(d) Any deposit of moneys made pursuant to paragraph (b) above shall be sufficient for the purposes of this section if in the case of any Bonds bearing interest at a rate which may change before the date the Bonds are to be paid at maturity or upon redemption, (i) the amount of interest required to be deposited shall be computed assuming the maximum rate permitted for such Bonds, and (ii) the Trustee and all Marketing Parties required for such Bonds shall remain in office until such Bonds are paid at maturity or upon redemption.

(e) Anything in the Indenture to the contrary notwithstanding, subject to the applicable provisions of the laws of the State, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when all of the Bonds have become due and payable, if such moneys were held by the Trustee at such date, or for six years after the date of deposit of such moneys if deposited with the Trustee after the said date when all of the Bonds became due and payable, shall, at the written request of an Authorized Officer of the Corporation, be repaid by the Trustee to the Corporation, as its absolute property free from trust, and the Trustee shall thereupon be released and discharged, and any Owner may only look to the Corporation for payment with respect to any payment thereon.

Limited Liability; No Recourse

The obligations of the Corporation under the Trust Indenture shall be limited as provided in the Trust Indenture, and notwithstanding any other provision of the Indenture, any liability incurred by the Corporation as a result of the failure to perform any covenant, undertaking or obligation under the Indenture, the Bonds or any other document, or as a result of the incorrectness of any representation made by the Corporation in the Indenture or any other document, or for any other reason, shall be limited to the Pledged Assets. All covenants, stipulations, promises, agreements and obligations of the Corporation contained in the Indenture and in any Certificate or Direction of the Corporation shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Corporation and not of any member, officer, director or employee of the Corporation in its, his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Indenture against any member, officer, director or employee of the Corporation or against any natural person executing the Bonds.

Date for Action or Payment

In instances where the Corporation or the Trustee is required to cause any act to be performed on a date certain (including the transfer of moneys), except as otherwise specifically provided in the Trust Indenture, if the date so specified is not a Business Day such action shall be taken on the next succeeding Business Day. Except as

otherwise provided in the Trust Indenture, payments required under the Trust Indenture to be made or actions required under the Trust Indenture to be taken on any day which is not a Business Day may be made or taken, as the case may be, instead on the next succeeding Business Day, and no interest shall accrue on such payments in the interim.

APPENDIX D

**AUDITED FINANCIAL STATEMENTS OF ALASKA STUDENT LOAN CORPORATION (A
COMPONENT UNIT OF THE STATE OF ALASKA) FISCAL YEARS ENDING JUNE 30, 2011 AND 2010**

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

Management's Discussion and Analysis and
Financial Statements

June 30, 2011 and 2010

Together with Independent Auditors' Report

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

June 30, 2011 and 2010

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

This discussion and analysis of the Alaska Student Loan Corporation's (Corporation) history, financial position at, and financial performance for, the fiscal years ended June 30, 2011 and 2010 is being presented to assist readers in understanding the Corporation's structure, activities and significant financial issues. This information is required supplementary information. Fiscal year 2009 information is shown for comparative purposes. This information should be read in conjunction with the Independent Auditors' Report, the audited financial statements and accompanying notes, all of which follow this discussion and analysis.

History

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

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

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

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

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

ASLC partners with the Commission to finance, award and service education loans. The Commission administers ASLC's programs under the umbrella title, AlaskAdvantage Loan Program[®] (Program). Additional information

ALASKA STUDENT LOAN CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

about the Program is available at <http://akadvantage.alaska.gov>. The Corporation funds the Commission's expenditures that relate to Program administration as permitted by ASLC statutes and bond indentures.

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

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

Program Highlights

- Loan portfolio by program is as follows:

Fiscal Year and Loan Program	Net loans as a percentage of total loans	Gross awards as a percentage of total awards
2011		
State	67	100
Federal	33	-
2010		
State	67	25
Federal	33	75
2009		
State	74	44
Federal	26	56

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

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

- Federal loan program changes as a result of the Higher Education Opportunity Act being signed into law on August 14, 2008 continue to impact future years as follows:
 - Established lender “code of conduct” requirements applicable to the Corporation’s loan programs, including:
 - displaying the Corporation’s name in marketing material;
 - reporting reasonable expenses reimbursed to persons with responsibility for financial aid or of any agent of an institution or affiliated organization, to the Secretary of the U.S. Department of Education (Secretary); and,
 - annually certifying, to the Secretary, the Corporation’s compliance with the Act and annually providing information on each type of education loan the Corporation plans to offer for the next award year if participating in preferred lender arrangements.
 - Requires additional borrower disclosures and notices for State loans;
 - Expands information on loans reported to consumer reporting agencies;
 - Revised the prohibited inducement provisions to prohibit:
 - offering schools or school officials payments for referrals to secure loan applications;
 - unsolicited mailings of loan applications by electronic means;
 - consulting payments to financial aid office employees who have responsibilities for financial aid;
 - compensating a postsecondary institution employee to participate on a lender advisory council;
 - performance of, or payment to a person to perform, any function that a school is required to perform; and,
 - paying a student to secure applications.
- The College Cost Reduction and Access Act (CCRAA) was signed into law on September 27, 2007. This Act created a new repayment plan, Income-Based Repayment (IBR), effective July 1, 2009, available to federal education loan borrowers (except parental PLUS borrowers) experiencing financial difficulty. Under this plan, monthly loan payments are based on the borrower’s disposable income level, determined by borrower debt level and family size according to federal poverty guidelines. Monthly payments will be recalculated annually and may not always cover unpaid accrued interest on the education loan. However, for subsidized Stafford and Consolidation loans, the U.S. Department of Education will pay accrued interest not covered by the borrower’s scheduled IBR payment for the first three years of the IBR qualifying schedule.

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

The Corporation last issued education loan revenue bonds in June 2007 and has used internal liquidity and State loan proceeds to finance education loans through June 30, 2011. Costs related to obtaining the needed liquidity and/or credit enhancement for a variable rate bond issue, as well as collateral requirements imposed to obtain an acceptable bond rating, has made refinancing auction rate securities impractical and uneconomical for the Corporation. Management believes it has internal cash available to meet loan demand through fiscal 2013. Thereafter, Management anticipates issuing fixed rate bonds to meet loan demand.

All auction rate securities (ARS) issued by the Corporation were issued under the 2002 Trust. The Corporation has \$126 million in ARS outstanding at June 30, 2011. Auctions on these bonds have failed since the failure of the ARS market in February 2008. Auction failure does not constitute a default on the bonds, and all principal and interest has been paid when due. Despite the ARS market failure, the Corporation's pledged loan portfolio credit quality remains strong. All bonds, including the ARS, issued under the 2002 Trust remain rated AAA by both Fitch (rating watch negative, affirmed March 2011) and Standard and Poor's (affirmed August 9, 2010).

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

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Analysis

- The Corporation's total assets at June 30, 2011, 2010, and 2009 were \$0.7, \$0.8, and \$0.7 billion, respectively. The change in assets from fiscal year 2010 to 2011 was a decrease of \$81 million or 10%, and the change between fiscal year 2009 to 2010 was an increase of \$75 million or 10%.
- The Corporation's net education loans receivable was \$561, \$604, and \$586 million, at June 30, 2011, 2010 and 2009, respectively. These balances represent a decrease in fiscal year 2011 of \$43 million or 7% and an increase in fiscal year 2010 of \$18 million or 3%.
- The Corporation's debt at June 30, 2011, 2010, and 2009 was \$502, \$589, and \$534 million, respectively. The change in debt from fiscal year 2010 to 2011 was a decrease of \$87 million or 15%, and the change in debt from fiscal year 2009 to 2010 was an increase of \$55 million or 10%.
- The assets of the Corporation exceed its liabilities (reported as net assets) at the close of fiscal year 2011, 2010 and 2009 by \$217, \$205, and \$181 million, respectively. These balances represent an increase in fiscal year 2011 of \$12 million or 6% and an increase in fiscal year 2010 of \$24 million or 13%.
- The Corporation's operating revenue was \$38, \$37, and \$42 million at June 30, 2011, 2010 and 2009, respectively. These balances represent an increase in fiscal year 2011 of \$1 million or 3% and a decrease in 2010 of \$5 million or 12%.
- The Corporation's interest expense was \$14, \$15, and \$17 million during fiscal years 2011, 2010 and 2009, respectively. These balances represent a decrease in fiscal year 2011 of \$1 million or 6%, and a decrease in 2010 of \$2 million or 12%.
- The Corporation's other operating expense was \$16, \$20, and \$21 million during fiscal years 2011, 2010 and 2009. These balances represent a decrease in fiscal year 2011 of \$4 million or 20% and a decrease in fiscal year 2010 of \$1 million or 5%.
- The following condensed financial information reflects changes during the fiscal year:

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

Balance Sheets (in thousands)

	2011	2010	\$ Change	% Change	2009
Assets:					
Current	\$ 86,833	79,326	7,507	9	69,588
Noncurrent	649,921	738,447	(88,526)	(12)	673,123
Total assets	<u>736,754</u>	<u>817,773</u>	<u>(81,019)</u>	(10)	<u>742,711</u>
Liabilities:					
Current	73,279	65,279	8,000	12	50,977
Noncurrent	446,647	547,884	(101,237)	(18)	511,085
Total liabilities	<u>519,926</u>	<u>613,163</u>	<u>(93,237)</u>	(15)	<u>562,062</u>
Net assets:					
Unrestricted	97,674	122,482	(24,808)	(20)	140,686
Restricted	119,154	82,128	37,026	45	39,963
Total net assets	<u>216,828</u>	<u>204,610</u>	<u>12,218</u>	6	<u>180,649</u>
Total liabilities and net assets	<u>\$ 736,754</u>	<u>817,773</u>	<u>(81,019)</u>	(10)	<u>742,711</u>

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

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

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

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

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

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

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The fiscal year 2010 increase in current assets is due to the increase in current restricted investments. Current restricted investments have increased due to an increase in scheduled debt service payments for fiscal year 2011.

The fiscal year 2010 increase in noncurrent assets was due to an increase in noncurrent restricted investments as well as an increase in restricted loans receivable. Restricted investments reflect proceeds received from refinancing FFELP loans at the end of June. Loans receivable have increased due to originations and interest capitalization exceeding principal payments during the year.

Fiscal year 2010 current liabilities increased because scheduled debt service payments in fiscal year 2011 are higher than they were in fiscal year 2010.

Noncurrent liabilities in fiscal year 2010 increased due to additional debt incurred in fiscal year 2010. See the footnote section of the financial statements for information related to the additional debt.

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

	2011	2010	\$ Change	% Change	2009
Operating revenue	\$ 37,636	37,233	403	1	42,017
Operating expense	(27,432)	(31,742)	4,310	(14)	(34,491)
Non-operating expense	(2,647)	(3,224)	577	(18)	(3,866)
Income before change in estimate, special item and return of capital	7,557	2,267	5,290	233	3,660
Change in accounting estimate	-	4,342	(4,342)		-
Gain on cancellation of bonds	4,734	17,406	(12,672)		-
Return of capital	(73)	(54)	(19)		-
Change in net assets	12,218	23,961	(11,743)	(49)	3,660
Net assets - beginning	204,610	180,649	23,961	13	176,989
Net assets - ending	\$ 216,828	204,610	12,218	6	180,649

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

Operating expense declined in 2011 due to the reduction in administrative costs, the provision related to loan losses and cumulative investment earnings rebatable to the federal government. Administrative costs have declined due to the elimination of the lender-based Federal Family Education Loan Program. Prior to the elimination of that program, the Corporation paid a lender fee and, for Stafford loan borrowers, the origination

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

fee. Administrative costs are also down due to a reduction in costs associated with the significant decline in loan volume as a result of the elimination of FFELP as well as the implementation of stricter underwriting standards for the State loan program.

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

Operating revenue, which represents interest on education loans and earnings on investments, declined in fiscal year 2010 due to market conditions. Variable rate education loan rates declined significantly in fiscal year 2010 because the indices used to set those rates declined. These reductions were offset by the reduction in borrower benefits effective for the 2009-2010 academic year. The average return on gross loans was 4.51% and 5.41% in fiscal years 2010 and 2009, respectively. The return on invested assets declined from 1.8% in fiscal year 2009 to 0.85% in fiscal year 2010. The Corporation continued to invest in zero coupon State and Local Government Securities ("SLGS") in fiscal year 2010 to reduce yield restriction and arbitrage rebate liabilities associated with past earnings on tax-exempt bond proceeds. However, the balance invested in such securities declined to 4% of invested assets in 2010.

Operating expense declined in 2010 due to the reduction in interest expense on bonds issued to finance education loans. Not only did the outstanding debt balance decline, interest on the Corporation's auction rate securities averaged 0.65% in 2010 compared to 1.82% in 2009. Auction rate securities represented approximately 46% of the Corporation's average outstanding debt in 2010. See the footnote section of the financial statements for the rates being paid on auction rate securities at June 30, 2010. These declines were offset by the interest paid on a loan from the State. The Corporation paid 4.29% on the loan balance in fiscal year 2010. Overall, the Corporation paid 3.05% on average debt outstanding in fiscal year 2010 compared to 3.4% in fiscal year 2009.

Non-operating expense declined in 2010 due to the reduction in interest expense on bonds issued to finance State capital projects as a result of the reduction of debt outstanding during the year.

Borrower Benefits

The Board has approved various loan benefits that provide incentives and rewards to borrowers who participate in the Program. The benefit package, intended to lower the cost of interest and fees, is subject to annual approval by the Board and changes are subject to a confirmation from rating agencies rating the Corporation's outstanding education loan revenue bonds. The rating confirmation must indicate that the change to the borrower benefit package will not have a negative impact on ratings previously issued. Borrower benefits awarded in fiscal years 2011, 2010 and 2009 cost \$1.1, \$2.8, and \$4.0 million, respectively. The cost of such benefits is offset against education loan interest income. Benefits available to eligible borrowers are available online at http://akadventure.alaska.gov/Loans/Borrower_Benefits.aspx.

Contacting the Corporation

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

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Alaska Student Loan Corporation
Juneau, Alaska

We have audited the accompanying financial statements of the Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska, as of and for the years ended June 30, 2011, and 2010, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Corporation as of June 30, 2011, and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 8, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to it in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



October 3, 2011

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

Balance Sheets

June 30, 2011 and 2010

(in thousands)

Assets	2011	2010
Current assets:		
Cash (note 3)	\$ 4,410	1,353
Other	101	100
Interest receivable - investments	103	4
Interest receivable - loans	1,390	1,505
Investments (note 3)	1,066	827
Loans receivable (notes 4 and 10)	12,364	8,135
Restricted investments (note 3)	67,399	67,402
Total current assets	86,833	79,326
Noncurrent assets:		
Interest receivable - loans, net (note 5)	1,566	1,697
Loans receivable, net (notes 4, 5 and 10)	54,595	83,112
Investments (note 3)	23,715	27,183
Restricted:		
Cash (note 3)	5,199	1,104
Other	203	324
Due from State of Alaska	113	37
Arbitrage rebate receivable (note 9)	813	-
Interest receivable - investments	587	22
Interest receivable - loans, net (note 5)	18,096	18,984
Investments (note 3)	48,392	89,561
Loans receivable, net (notes 4, 5 and 10)	494,078	513,208
Debt issue cost, net (note 8)	2,564	3,215
Total noncurrent assets	649,921	738,447
Total assets	\$ 736,754	817,773

See accompanying Notes to Financial Statements.

(Continued)

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

Balance Sheets

June 30, 2011 and 2010

(in thousands)

Liabilities and Net Assets	2011	2010
Liabilities:		
Current:		
Payable from unrestricted assets:		
Due to State of Alaska	\$ 642	561
Due to U.S. Dept of Education (note 10)	370	273
Warrants outstanding (note 4)	36	195
Accounts payable	588	406
Payable from restricted assets:		
Due to U.S. Dept of Education (note 10)	915	903
Warrants outstanding (note 4)	22	93
Accounts payable	71	98
Arbitrage rebate payable (note 9)	999	631
Return of capital payable (note 11)	10,016	9,309
Interest payable	3,464	3,875
Deferred credit (note 2)	-	1,730
Bonds payable (note 6)	46,065	47,205
Other debt payable (note 7)	10,091	-
Total current liabilities	73,279	65,279
Noncurrent-payable from restricted assets:		
Arbitrage rebate payable (note 9)	111	1,229
Return of capital payable (note 11)	672	3,599
Deferred credit (note 2)	11	725
Bonds payable, net (note 6)	283,338	364,081
Loan payable to State of Alaska (note 7)	67,500	63,000
Other debt payable (note 7)	95,015	115,250
Total noncurrent liabilities	446,647	547,884
Total liabilities	519,926	613,163
Commitments and contingencies (note 11)	-	-
Net assets:		
Unrestricted (note 2)	97,674	122,482
Restricted	119,154	82,128
Total net assets	216,828	204,610
Total liabilities and net assets	\$ 736,754	817,773

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, 2011 and 2010

(in thousands)

	2011	2010
Operating revenue:		
Interest - loans	\$ 35,366	35,891
Investment income	2,270	1,320
Other	-	22
Total operating revenue	37,636	37,233
Operating expenses:		
Interest	11,713	11,809
Administration	12,776	14,173
Provision (note 5)	3,404	5,083
Amortization and retirement of debt issue costs (note 8)	471	769
Arbitrage rebate (note 9)	(932)	(92)
Total operating expenses	27,432	31,742
Operating income	10,204	5,491
Nonoperating expense:		
Interest	2,399	3,043
Administration	83	16
Amortization and retirement of debt issue costs (note 8)	165	165
Nonoperating expense	2,647	3,224
Income before effect of change in accounting estimate, special item and return of capital	7,557	2,267
Effect of change in accounting estimate (note 6)	-	4,342
Special item - gain on cancellation of bonds (note 6)	4,734	17,406
Return of capital (note 11)	(73)	(54)
Change in net assets	12,218	23,961
Total net assets - beginning	204,610	180,649
Total net assets - ending	\$ 216,828	204,610

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, 2011 and 2010

(in thousands)

	2011	2010
Cash flows from operating activities:		
Principal payments received on loans	\$ 66,986	58,786
Interest received on loans	18,895	19,287
Other receipts	339	582
Loans originated	(12,164)	(69,162)
Administration	(12,592)	(13,671)
Interest paid on debt	(12,802)	(11,802)
Principal payments on debt	(68,895)	(82,794)
Proceeds from State loan and other debt	4,500	178,250
Debt issue costs	(45)	(260)
Income received on investments	469	660
Investments matured or sold	662,165	3,088,154
Investments purchased	(617,258)	(3,145,034)
Net cash provided by operating activities	29,598	22,996
Cash flows from capital activities:		
Administration	(35)	(16)
Interest paid on debt	(3,298)	(4,087)
Principal paid on debt	(16,820)	(16,510)
Return of capital payments	(2,293)	(1,326)
Net cash used by capital activities	(22,446)	(21,939)
Net increase in cash	7,152	1,057
Cash at beginning of period	2,457	1,400
Cash at end of period	\$ 9,609	2,457

See accompanying Notes to Financial Statements.

(Continued)

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Statements of Cash Flows

Years ended June 30, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>10,204</u>	<u>5,491</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease in other assets	120	594
Decrease (increase) in interest receivable - investments	(664)	14
Decrease (increase) in net interest receivable - loans	1,134	(344)
Decrease (increase) in investments	44,401	(56,853)
Decrease (increase) in net loans receivable	43,418	(17,993)
Decrease in net debt issue costs	486	449
Increase in due to U.S. Department of Education	109	378
Increase in net due to State of Alaska	5	33
Decrease in warrants outstanding	(230)	(156)
Increase in accounts payable	107	19
Decrease in net arbitrage rebate payable	(1,563)	(793)
Increase (decrease) in interest payable	(12)	1,204
Decrease in deferred credit	(2,444)	(3,305)
Decrease in bonds payable	(59,829)	(83,992)
Increase in loan payable	4,500	63,000
Increase (decrease) in other debt payable	(10,144)	115,250
Total adjustments	<u>19,394</u>	<u>17,505</u>
Net cash provided by operating activities	\$ <u><u>29,598</u></u>	<u><u>22,996</u></u>
Summary of noncash capital activities that affect recognized assets and liabilities:		
Debt issue cost amortization	\$ 165	165
Return of capital payable	73	54
Interest payable	2,900	3,694
Bond premium amortization	(500)	(3,475)

See accompanying Notes to Financial Statements.

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

Notes to Financial Statements

June 30, 2011 and 2010

(in thousands)

(1) Authorizing Legislation and Organization

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska (State), was created in 1987 by an act of the State Legislature (Legislature). The purpose of the Corporation is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. The Corporation is authorized, with certain limitations, to issue bonds and other obligations necessary to provide sufficient funds for carrying out its purpose. The State Governor appoints the Corporation's Board of Directors (Board).

The Corporation contracts with the Alaska Commission on Postsecondary Education (Commission) to service its loan portfolio and to provide staff support for the Corporation. The Commission is a separate legal entity responsible for staff costs; therefore, the Corporation has no pension disclosure.

(2) Summary of Significant Accounting Policies

(a) Fund Accounting

The financial activities of the Corporation, which are restricted by the Corporation's various debt instruments and State statutes, are recorded in various funds as necessitated by sound fiscal management. The funds are combined for financial statement purposes and there are no significant interfund transactions. The Corporation's funds are considered to be enterprise funds for financial reporting purposes with revenues recognized when earned and expenses when incurred.

(b) Standard Application

As allowed by Government Accounting Standards Board Statement No. 20 (GASB No. 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.

(d) Operating Revenues and Expenses

The Corporation was created with the authority to issue bonds and other obligations in order to finance education loans to qualified borrowers. Its operating revenue is derived from interest on education loans and earnings on investments. The cost of financing and servicing education loans is recorded as an operating expense.

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

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(e) *Management Estimates*

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

(f) *Loans*

Loans represent education loans issued through the AlaskAdvantage Loan Program[®] which include Supplemental Education, Alternative Consolidation, Teacher Education (TEL), Family Education (FEL), (collectively referred to as State loans), federally guaranteed Stafford (subsidized and unsubsidized), PLUS, and Consolidation (subsidized and unsubsidized) loans (collectively referred to as Federal loans). Loan terms vary depending on the year of origination and loan type. Interest accrues at fixed and variable rates ranging from 1.87% to 9% and is generally determined by loan type and year of origination.

(g) *Interest on Loans*

Interest on loans is accrued when earned. For federally guaranteed subsidized loans, interest from the disbursement date of the loan until a date that is six months after the borrower withdraws from school (plus any authorized deferment and eligible income-based repayment periods) is paid by the U.S. Department of Education (Department) under the Federal Family Education Loan Program. The borrower is responsible for interest accruing subsequent to that date.

For federally guaranteed non-subsidized loans and for all State loans (other than TEL) awarded after June 30, 2002, interest accruing from the disbursement date is the responsibility of the borrower. For TELs awarded after June 30, 2002, interest accruing from the date the borrower ceases to be enrolled in school is the responsibility of the borrower.

State loans (other than FEL) awarded prior to July 1, 2002, are non-interest bearing while the borrower is completing eligible studies. State loans (other than FEL) awarded prior to July 1, 1996, are non-interest bearing during approved periods of deferment. State loans (other than FEL) awarded prior to July 1, 1987, are also non-interest bearing during a one-year grace period following completion of studies and a six-month grace period following an approved deferment. For FELs awarded prior to July 1, 2002, interest accruing from the disbursement date is the responsibility of the borrower.

Non-interest bearing loans were approximately \$3,846 and \$4,837 at June 30, 2011 and 2010, respectively.

The cost of borrower benefits awarded to eligible borrowers is recorded as a reduction in interest income on loans. The borrower benefit offerings are approved by the Board annually and may vary from year-to-year.

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

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(h) Allowances and Provision

The allowances represent management's estimate, based on experience, of loans, and accrued interest on loans that will ultimately be uncollectible or forgiven. The Corporation writes off State loans upon death, bankruptcy (as required by law), total disability, or when payment activity ceases and the loan is no longer credit reportable. The Corporation writes off the portion of Federal loan balances not guaranteed and deemed uncollectible. Accrued unpaid interest is written off when the related loan is written off.

A borrower of a TEL can obtain up to 100% forgiveness of loan principal and interest if the borrower teaches in rural Alaska for periods specified by the program. A borrower of a State loan (other than TEL) awarded prior to July 1, 1987, can obtain up to 50% forgiveness of loan principal and interest if the borrower meets conditions specified by the program.

(i) Deferred Credit

Borrowers of State loans originated after June 30, 1994, are subject to an origination fee at disbursement of 1%, 3%, or 5%, generally determined by year of origination. Loan origination fees, recognized as a deferred credit, must be used by the Corporation to offset losses incurred as a result of death, disability, default, or bankruptcy of the borrower as required by State statute. The allowance for doubtful loans has been reduced by the deferred credit balance.

(j) Debt Issue Costs

Debt issue costs include underwriters' fees and other costs incurred in connection with the issuance of debt and are amortized over the life of the debt using the straight-line method.

(k) Bond Premiums

The Corporation changed its method of amortizing bond premiums over the life of the bond from the straight-line method to the effective method effective July 1, 2009. See note 7 for additional information.

(l) Income Taxes

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

(m) Investments

Investments are carried at fair value and trades are recorded on a trade-date basis. Securities are valued at least monthly using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type.

(n) Unrestricted Net Assets

Unrestricted net assets represent assets not pledged as collateral to secure payment of debt or restricted by State statute.

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(o) Reclassifications

Reclassifications not affecting change in net assets have been made to the 2010 financial statements to conform to the 2011 presentation.

(3) Cash and Investments

(a) Cash

(1) Cash summarized by classification at June 30 is shown below:

	<u>2011</u>	<u>2010</u>
Current, unrestricted	\$ 4,410	1,353
Noncurrent, restricted	<u>5,199</u>	<u>1,104</u>
Total	<u>\$ 9,609</u>	<u>2,457</u>

(2) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. The Corporation has not established a custodial credit risk policy for its deposits.

At June 30, 2011, the Corporation had no cash exposed to custodial credit risk; however, the corporation did choose to invest in money market deposit accounts that are subject to custodial credit risk [see note (3)(b)(3)].

(b) Investments

(1) The fair value at June 30, of the Corporation's investments, by classification, is shown below:

	<u>2011</u>	<u>2010</u>
Current:		
Unrestricted	\$ 1,066	827
Restricted	67,399	67,402
Noncurrent:		
Unrestricted	23,715	27,183
Restricted	<u>48,392</u>	<u>89,561</u>
Total	<u>\$ 140,572</u>	<u>184,973</u>

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

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(2) Investment Policies

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested.

Restricted funds, other than those restricted by State statute, are invested according to the terms outlined in their respective debt instruments which generally mandate the purchase of relatively short-term, high quality fixed income securities. Investments are managed by a contracted external investment manager, or by the State of Alaska's Department of Revenue, Treasury Division (Treasury). The following securities are eligible for investment of restricted funds under the Corporation's investment policy:

- Under the 2002 and 2004 Master Indentures, the 2009 Loan Trust, and the 2010 Funding Note Purchase Agreement (FNPA), direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States (U.S.) or any agency thereof, provided such obligations are backed by the full faith and credit of the U.S. Under the 2005 Master Indenture, direct obligations of the U.S.
- Under the 2005 Master Indenture, senior debt obligations, rated AAA by Standard and Poor's (S&P), issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation, senior debt obligations of the Federal Home Loan Bank, and senior debt obligations of any government sponsored agencies approved by the bond insurer.
- Under the 2002 and 2004 Master Indentures, U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of at least A-1+ by S&P and P-1 by Moody's and maturing no more than 360 days after the date of purchase. Under the 2005 Master Indenture, such investments are allowed if the rating from S&P is A-1 or better on the date of purchase.
- Under the 2002 and 2004 Master Indentures, commercial paper which is rated, at the time of purchase, at least A-1+ by S&P and P-1 by Moody's. Under the 2005 Master Indenture, such investments are allowed if rated A-1+ or better by S&P at the time of purchase and if the investment matures not more than 270 days after the date of purchase. Under the FNPA, such investments are allowed if rated A-1+ by S&P and F1+ or higher by Fitch at the time of purchase.

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

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(2) Investment Policies

- Under the 2009 Loan Trust, short-term investments with domestic commercial banks maturing not more than 365 calendar days after the date of purchase, provided, however, that such investments are unconditionally guaranteed by the U.S.; or fully collateralized by securities which are unconditionally guaranteed by the U.S. or that the long-term unsecured debt obligations of such depository institution or trust company at and during the term of such investment are rated at least in the second highest rating category possible.
- Under the FNPA, demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits and certificates of deposit or bankers acceptances of depository institutions having a long-term rating equivalent of AAA or higher by S&P and Fitch at the time of and during investment.
- Under the 2002 and 2004 Master Indentures, investments in money market funds rated AAAM or AAAM-G or better by S&P and Aaa by Moody's. Under the 2005 Master Indenture, such investments are allowed if rated AAAM or AAAM-G or better by S&P. Under the 2009 Loan Trust, such investments are allowed if rated at least "Aaa" by S&P or otherwise in the highest rating category of S&P for money market funds and at least "AA" or "F-1+" by Fitch if the money market fund has the ability to maintain a stable one dollar net asset value per share and the shares are freely transferable on a daily basis. Under the FNPA, such investments are allowed if rated in the highest investment category granted thereby from S&P and Fitch.
- Under the 2002 and 2004 Master Indentures, general obligations of any state or municipality with a rating of at least A by S&P and Aaa by Moody's. Under the 2005 Master Indenture, general obligations of states with a rating of A or higher by S&P.
- Under the 2004 and 2005 Master Indentures, repurchase agreements for 30 days or less provided they are with banks, or primary dealers on the Federal Reserve reporting dealer list, rated A or better by S&P and Moody's. Under the FNPA, repurchase and reverse repurchase agreements collateralized with obligations fully and unconditionally guaranteed as to timely payment by, the U.S. government or any agency, instrumentality, or establishment of the U.S. government.
- Under the 2002 Master Indenture, guaranteed investment contracts, investment agreements and repurchase agreements secured by collateral. Under the 2004 Master Indenture, such contracts or agreements must be acceptable to the bond insurer.

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(2) Investment Policies

- Under the 2005 Master Indenture, investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least AA by S&P and Aa by Moody's.
- Under the 2002 Master Indenture, unsecured guaranteed investment contracts or investment agreements with any bank, bank holding company, corporation or any other financial institution meeting the following:

Maturity	Ratings			
	Commercial Paper		Unsecured Long-term Debt	
	S&P's	Moody's	S&P's	Moody's
12 months or less	A-1+	P-1	-	-
24 months or less	A-1+	P-1	A-	Aa3
more than 24 months	A-1+	P-1	AA-	Aa3

Contracts or agreements with an insurance company whose claims paying ability is so rated, is also allowable.

Under the 2004 Master Indenture, such contracts and agreements must be acceptable to the bond insurer.

- Under the 2009 Loan Trust, holdings in any of the various fixed-income pools managed by Treasury.
- Under the 2002 Master Indenture, any other investment approved in writing by S&P and Moody's. Under the 2004 Master Indenture, any other investment approved in writing by S&P, Moody's and the bond insurer.

Unrestricted funds and funds restricted by State statute may be invested in the various fixed-income pools managed by Treasury. Investments in the State's fixed-income investment pools are made in accordance with the State's General Investment Policy. These investments represent an ownership share of the pool's securities rather than ownership of specific securities themselves. Actual investing is performed or managed by Treasury's investment officers.

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

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(2) Investment Policies

A complete description of the investment policy for each of the State's fixed-income investment pools is included in the Department of Revenue, Treasury Division's, Policies and Procedures.

In addition to the State's fixed-income investment pools, the following securities are eligible for investment of unrestricted funds and funds restricted by State statute under the Corporation's investment policy:

- Direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.
- Bonds, notes or other evidences of indebtedness rated "AAA/Aaa" and issued by federal agencies which do not represent the full faith and credit of the U.S.
- Bonds, notes or other evidences of indebtedness rated "A" or better and issued by domestic municipalities.
- Corporate bonds and convertible securities rated "A" or better.
- Collateralized mortgage obligations originated from a federal agency.
- Collateralized investment contracts and repurchase agreements.
- Uncollateralized investment contracts as long as the investment provider's long-term rating is and remains the highest possible throughout the contract term.
- Fixed income money or mutual funds rated "A" or better.
- Certificates of deposit and term deposits of U.S. domestic financial institutions or trust companies which are members of the Federal Deposit Insurance Corporation as long as collateralized at 100% of principal and accrued unpaid interest or that the long-term unsecured debt obligations of such depository institution or trust company at and during the term of such investment are rated at least in the second highest rating category possible.
- Short-term domestic corporate promissory notes (commercial paper) payable in U.S. dollars as long as the provider's short-term rating is of the highest rating possible throughout the investment term.

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

Notes to Financial Statements

(3) **Cash and Investments (cont.)**

(b) ***Investments***

(3) **Credit Risk**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Corporation mitigates its credit risk by limiting investments to those permitted in the investment policies, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities.

The fair value of the Corporation's investments by type and credit quality ratings, using S&P's rating scale without modifiers, at June 30 are shown below:

<u>Investment Type</u>	<u>Ratings</u>	<u>2011</u>	<u>2010</u>
Pooled repurchase agreement account	Not rated	\$ -	1,010
U.S. government agency discount notes	Not rated	4,000	2,888
Mortgage-backed securities (agencies)	AAA	63,686	-
Money market funds	AAA	5,558	-
Money market mutual funds	AAA	-	1,405
Money market mutual funds	Not rated	2,633	-
Money market deposit account	Not rated	29,700	112,381
Guaranteed investment contracts	Not rated	8,253	9,949
Corporate bonds	AA	5,550	-
Corporate bonds	A	5,304	-
Internal investment pools	Next schedule	7,420	13,814
U.S. treasury securities	No credit exposure	8,468	43,526
Total		<u>\$ 140,572</u>	<u>184,973</u>

At June 30, 2011, the Corporation had \$29,450 invested in a money market deposit account exposed to custodial credit risk.

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

Notes to Financial Statements

(3) **Cash and Investments (cont.)**

(b) *Investments*

(3) Credit Risk

Treasury's investment policy for the State's internal investment pools has the following limitations with regard to credit risk.

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities are limited to those rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: S&P, Moody's and Fitch.

Intermediate-term Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of the three rating agencies previously mentioned.

Asset-backed and non-agency mortgage securities may be purchased by either pool if rated AAA or equivalent by one of the rating agencies previously mentioned.

The Corporation invests in the State's internally managed Intermediate-term Fixed Income Pool and the General Fund and Other Non Segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's internally managed Short-term and Intermediate-term Fixed Income Pools.

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(3) Credit Risk

The fair value of the Corporation's share of the State's internal investment pools by type and credit quality ratings, using S&P's rating scale without modifiers, at June 30 are below:

Investment Type	Rating	Short-term	Intermediate-term	Totals	
				2011	2010
Commercial paper	A-1	\$ 207	-	207	20
Commercial paper	Not rated	22	14	36	69
U.S. government agency	AAA	57	200	257	1,164
U.S. government agency	Not rated	-	-	-	105
U.S. gov. agency discount notes	Not rated	84	-	84	249
Mortgage-backed	AAA	47	124	171	560
Mortgage-backed	AA	-	3	3	-
Mortgage-backed	BBB	-	1	1	30
Mortgage-backed	Not rated	-	12	12	71
Other asset-backed	AAA	910	59	969	369
Other asset-backed	AA	-	-	-	4
Other asset-backed	A	2	-	2	7
Other asset-backed	CCC	-	1	1	-
Other asset-backed	Not rated	108	-	108	29
Overnight sweep account	Not rated	27	-	27	-
Corporate bonds	AAA	706	455	1,161	1,505
Corporate bonds	AA	43	47	90	247
Corporate bonds	A	96	142	238	415
Corporate bonds	BBB	-	62	62	135
Corporate bonds	Not rated	173	-	173	85
Yankees:					
Government	AA	-	29	29	98
Government	Not rated	-	2	2	-
Corporate	AAA	-	43	43	229
Corporate	AA	15	45	60	113
Corporate	A	3	18	21	56
Corporate	BBB	-	10	10	10
Corporate	Not rated	2	-	2	16
No credit exposure:					
U.S. treasury notes		-	3,085	3,085	3,390
U.S. treasury bills		478	-	478	217
U.S. treasury when-issued		-	-	-	4,438
U.S. treasury strip		-	3	3	-
Pool related net assets		4	81	85	183
Total		\$ 2,984	4,436	7,420	13,814

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(4) Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of investments in a single investment provider.

For investment contracts, the investment providers will be limited to providing investments to the lesser of \$50,000 or 5% (10% prior to July 6, 2009) of total investments at the time the investment is made. These diversification standards are not applicable to contracts with investments in direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and are also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.

Investment Holdings Greater than Five Percent of Total Investments

The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's policy and investments which have no established concentration limits.

At June 30, 2011, the Corporation had investment balances greater than five percent of the Corporation's total investments with the following investment providers:

	<u>Fair Value</u>	<u>Percent of Total Investments</u>
Federal National Mortgage Association	\$ 31,053	22.09
US Bank	29,700	21.13
Federal Home Loan Mortgage Corporation	23,880	16.99
Federal Home Loan Bank	10,800	7.68
FSA Management Services, LLC	8,253	5.87

ALASKA STUDENT LOAN CORPORATION

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Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) *Investments*

(5) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation mitigates interest rate risk by structuring maturities to meet cash requirements.

Duration

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a portfolio is the average fair value weighted duration of each security in the portfolio taking into account all related cash flows.

The Corporation's investment management contractor uses industry-standard analytical software developed by CMS Bond Edge and Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the duration calculation.

At June 30, 2011, the weighted average modified duration of investments, other than investments in the State's internal investment pools, is shown below:

U.S. government agency discount notes	0.16
Mortgage-backed (agencies)	2.58
Guaranteed investment contracts	9.63
Corporate bonds	4.75
U.S. treasury securities	3.24
Portfolio modified duration	3.39

The Corporation has not established an interest rate risk policy for such investments.

Through its investment policy, Treasury manages exposure to fair value losses arising from increasing interest rates by limiting effective duration of its Intermediate-term Fixed Income Pool to $\pm 20\%$ of the Merrill Lynch 1-5 year Government Bond Index. At June 30, 2011, the effective duration for the Merrill Lynch 1-5 year Government Bond Index was 2.54 years.

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

(3) **Cash and Investments (cont.)**

(b) *Investments*

(5) Interest Rate Risk

At June 30, 2011, the Intermediate-term Fixed Income Pool's effective duration, by investment type, is shown below:

Commercial paper	0.05
Corporate bonds	2.01
Mortgage-backed	1.52
Other asset-backed	1.08
U.S. treasury notes	3.09
U.S. treasury strip	6.37
U.S. government agency	2.65
Yankees:	
Government	1.92
Corporate	2.28
 Portfolio effective duration	 2.53

As a means of limiting the Short-term Fixed Income Pool's exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life at purchase. Floating rate securities are limited to three years in maturity or three years expected average life at purchase. Treasury utilizes the actual maturity date for commercial paper and twelve month prepay speeds for other securities. At June 30, 2011, the expected average life of fixed rate securities held in the Short-term Fixed Income Pool ranged from one day to one year and the expected average life of floating rate securities ranged from eight days to fourteen years.

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Notes to Financial Statements

(3) Cash and Investments (cont.)

(c) Cash and investments include amounts specifically designated for financing education loans at June 30, as follows:

		<u>2011</u>	<u>2010</u>
Current:			
Unrestricted	\$	444	-
Restricted		<u>176</u>	<u>1,291</u>
Total	\$	<u><u>620</u></u>	<u><u>1,291</u></u>

(4) Loans Receivable

(a) The loan portfolio summarized by classification at June 30 is shown below:

		<u>2011</u>		<u>2010</u>	
		<u>State</u>	<u>Federal</u>	<u>State</u>	<u>Federal</u>
Current, unrestricted	\$	12,131	233	8,124	11
Noncurrent:					
Unrestricted		88,510	2,815	104,447	507
Restricted		<u>380,242</u>	<u>180,367</u>	<u>408,391</u>	<u>195,638</u>
Total	\$	<u><u>480,883</u></u>	<u><u>183,415</u></u>	<u><u>520,962</u></u>	<u><u>196,156</u></u>

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

(4) Loans receivable (cont.)

- (b) Loans are financed by the issuance of tax-exempt revenue bonds, recycled loan payments, and proceeds from a State-funded loan. The loan portfolio summarized by program at June 30, is shown below:

	2011	2010
State Loans		
Supplemental Education	\$ 397,644	423,697
Consolidation	71,172	84,072
Teacher Education	7,701	7,882
Family Education	4,366	5,311
Total State Loans	480,883	520,962
Federal Family Education Loans		
Stafford	154,438	164,132
PLUS	7,238	8,567
Consolidation	21,739	23,457
Total Federal Loans	183,415	196,156
Total	\$ 664,298	717,118

- (c) The loan portfolio summarized by status at June 30, follows:

	2011		2010	
	State	Federal	State	Federal
Enrollment	\$ 39,396	30,783	57,380	64,281
Grace	15,007	14,977	16,390	21,087
Repayment	368,230	94,766	375,233	76,608
Deferment	56,159	26,381	60,787	24,310
Forbearance	2,091	16,508	11,172	9,870
Total	\$ 480,883	183,415	520,962	196,156

- (d) Included in loans receivable are \$42 and \$83 of loan warrants issued but not redeemed at June 30, 2011 and 2010, respectively. Redemption is contingent upon the borrower meeting certain eligibility requirements.

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Notes to Financial Statements

(4) Loans receivable (cont.)

(e) Loans awarded not disbursed at June 30, are shown below:

	<u>2011</u>	<u>2010</u>
State Loans		
Supplemental Education	\$ 572	1,508
Family Education	<u>48</u>	<u>66</u>
Total State Loans	<u>620</u>	<u>1,574</u>
Federal Family Education Loans		
Stafford	-	896
PLUS	<u>-</u>	<u>56</u>
Total Federal Loans	<u>-</u>	<u>952</u>
Total	<u>\$ 620</u>	<u>2,526</u>

(5) Allowances and Provision

A summary of activity in the allowances at June 30 follows:

	<u>2011</u>	<u>2010</u>
Balance at beginning of period	\$ 140,134	142,505
Provision	3,404	5,083
Balances charged off	<u>(16,771)</u>	<u>(7,454)</u>
Balance at end of period	<u>\$ 126,767</u>	<u>140,134</u>

	<u>2011</u>	<u>2010</u>
Allowance for doubtful loans	\$ 101,360	110,701
Allowance for principal forgiveness	1,901	1,962
Allowance for doubtful interest	23,185	27,175
Allowance for interest forgiveness	<u>321</u>	<u>296</u>
	<u>\$ 126,767</u>	<u>140,134</u>

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Notes to Financial Statements

(6) Bonds Payable

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

	Type	Original Amount	Amount Outstanding	
			2011	2010
2002 Master Indenture, Education Loan:				
2003: Series A-1, due 2012 to 2016	Auction	\$ 16,500	4,900	16,500
Series A-2, due 2038	Auction	30,500	30,300	30,500
2004: Series A-1, due 2044	Auction	45,500	32,100	44,500
Serial bonds, Series A-3, rates ranging from 5.0% to 5.25%, due 2012 to 2017	Fixed	22,015	15,730	22,015
2005: Serial bonds, Series A, rate 5.0%, due 2012 to 2018	Fixed	58,250	41,750	48,250
2006: Series A-1, due 2040	Auction	30,000	30,000	30,000
Serial bonds, Series A-2, rate 5.0%, due 2012 to 2018	Fixed	55,000	43,000	48,500
2007: Series A-1, due 2042	Auction	41,500	28,500	41,500
Serial bonds, Series A-2, rate 5.0%, due 2012 to 2019	Fixed	18,500	17,000	18,000
Serial bonds, Series A-3, rate 5.0%, due 2012 to 2014	Fixed	49,000	23,000	30,000
Sub-total		<u>366,765</u>	<u>266,280</u>	<u>329,765</u>

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

(6) Bonds Payable (cont.)

	Type	Original Amount	Amount Outstanding	
			2011	2010
2004 Master Indenture, Series A Capital Project				
Serial bonds, rate 4.0%, due 2011 to 2016	Fixed	69,910	26,595	33,415
Term bonds, rate 4.0%, due 2018	Fixed	5,230	5,230	5,230
Sub-total		<u>75,140</u>	<u>31,825</u>	<u>38,645</u>
2005 Master Indenture, Series A State Projects:				
Serial bonds, rates ranging from 5% to 5.5%, due 2011 to 2014	Fixed	<u>88,305</u>	<u>27,500</u>	<u>37,500</u>
Total bonds payable		<u>\$ 530,210</u>	<u>325,605</u>	<u>405,910</u>
Unamortized premium			<u>3,798</u>	<u>5,376</u>
Net bonds payable			<u>\$ 329,403</u>	<u>411,286</u>
Current			\$ 46,065	47,205
Noncurrent			283,338	364,081
Total			<u>\$ 329,403</u>	<u>411,286</u>

- (b) Effective July 1, 2009, the Corporation changed its method of amortizing bond premiums from the straight-line method to the effective method. The effective method more closely matches premium amortization with bond interest expense, maintaining a constant effective rate of interest over the life of the bonds. The effect of this change in accounting principle could not be separated from the effect of the change in accounting estimate; therefore, it was accounted for as a change in estimate. As a result, change in net assets increased by \$4,342 (\$1,518 and \$2,824 related to operating interest expense and non-operating interest expense, respectively).
- (c) In early February 2008, the auction rate securities market collapsed. With the exception of the 2007 Series auction rate bonds/securities which auction every seven days, the Corporation's outstanding auction rate securities (ARS) continue to auction every thirty-five days. The Corporation's first auction failure occurred on February 12, 2008 and failures have continued through June 30, 2011. The supplemental indenture related to each series of ARS defines the maximum rate of interest to be assigned to the bonds when an auction fails.

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

(6) Bonds Payable (cont.)

The following definitions exist for the Corporation's ARS:

Bonds	Maximum Rate (rounded to the nearest one-thousandth of 1%)	Rate at June 30, 2011 by Series	
		A-1	A-2
2003	lesser of: (a) 150% of the higher of (i) the after-tax equivalent rate or (ii) the Kenny index; or (b) the Treasury bill cap; or (c) the commercial paper cap; or (d) the lesser of (i) 14% or (ii) the maximum rate permitted by State law (10.5%)	0.405%	0.465%
2004	same as 2003 bonds	0.375%	-
2006	same as 2003 bonds	0.420%	-
2007	same as 2003 bonds except 12% replaces 14% in (d)	0.375%	-

(d) The minimum payments and sinking fund installments for the five years subsequent to June 30, 2011, and thereafter are as follows:

Period Ending June 30	Principal	Interest	Total
2012	\$ 46,065	10,098	56,163
2013	41,390	7,945	49,335
2014	39,730	5,983	45,713
2015	21,710	4,130	25,840
2016	20,020	3,173	23,193
2017-2021	35,790	5,054	40,844
2022-2026	-	2,471	2,471
2027-2031	-	2,471	2,471
2032-2036	-	2,471	2,471
2037-2041	60,300	1,900	62,200
2042-2044	60,600	428	61,028
Total	\$ <u>325,605</u>	<u>46,124</u>	<u>371,729</u>

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

(6) Bonds Payable (cont.)

- (e) Each Master Indenture represents a limited obligation trust which secures payment for the outstanding revenue bonds issued therein. The bonds are payable from assets pledged to the respective trust including principal and interest payments on pledged loans. The bonds do not constitute general obligations of the Corporation or of the State. The 2002 Master Indenture Bonds are private activity revenue bonds. The 2004 and 2005 Master Indenture Bonds are governmental purpose revenue bonds. Debt service payments are due as follows:

Master Indenture	Principal	Interest
2002	June 1 *	June 1 and December 1
2004	July 1 and January 1	July 1 and January 1
2005	July 1 and January 1	July 1 and January 1

* The principal payments on the 2004 series auction rate bonds are due April 1st.

Certain bonds are subject to early redemption features, both mandatory and at the option of the Corporation. In addition, the bond indentures contain covenants relative to restrictions on additional indebtedness.

The 2004 Capital Project Revenue Bonds are insured by National Public Finance (formally MBIA Insurance Corporation) and the 2005 State Projects Revenue Bonds are insured by Assured Guaranty Municipal (formally Financial Security Assurance, Inc).

- (f) The Corporation purchased \$84,700 of its outstanding auction rate securities on June 30, 2010, for \$67,294. On June 30, 2010, the Corporation cancelled the bonds purchased resulting in a gain on the cancellation of \$17,406.

The Corporation purchased \$35,600 of its outstanding auction rate securities on September 20, 2010, for \$30,866. On September 20, 2010, the Corporation cancelled the bonds purchased resulting in a gain on the cancellation of \$4,734.

(7) Other Debt Payable

- (a) On July 17, 2009, the Corporation entered into a Trust and Loan Agreement with the State's Department of Revenue (acting on behalf of the State). The Loan Agreement provides up to \$100 million to the Corporation for the purpose of financing education loans. The loan is a four-year bullet loan accruing interest on the outstanding principal balance using a variable rate of interest equal to the most current rolling five-year average return on the State's general fund. The interest rate is reset annually and was 4.40% and 4.29% for the years ended 2011 and 2010, respectively. Interest is payable semi-annually in January and July. The loan is a limited obligation secured by pledged assets. The Corporation has the right to prepay the loan, in whole or in part, at any time, without penalty or premium.

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Notes to Financial Statements

(7) Other Debt Payable (cont.)

The Trust Agreement was entered into to secure payment of the loan. Loan proceeds drawn are deposited in the trust until education loans are originated. Education loans originated with loan proceeds, payments received on those loans, and earnings on pledged assets are all pledged to the trust.

Loan payable was \$67,500 and \$63,000 at June 30, 2011, and 2010, respectively.

- (b) The Corporation refinanced \$118.8 million in Federal Family Education Loan Program (FFELP) loans through participation in the Asset-Backed Commercial Paper Conduit Put Program (Program) authorized by the HEA, as amended by the Ensuring Continued Access to Student Loans Act of 2008. To participate in the Program, the Corporation entered into a variable Funding Note Purchase Agreement (FNPA) dated June 9, 2010, with Straight-A Funding, LLC, who, on June 29, 2010, purchased the variable funding note at 97% of loans pledged.

The FNPA represents a limited obligation secured by pledged loans and other pledged assets, including principal and interest payments on pledged loans. Principal payments will be made from pledged assets as needed to maintain the required asset coverage ratio with the final payment due no later than November 19, 2013. The Corporation has the right to prepay the balance, in whole or in part, at any time, without penalty or premium.

Program financing costs, which include costs associated with commercial paper issued for the Program by Straight-A Funding, LLC, and other Program costs such as liquidity fees, administrative fees, managerial fees and put option fees, are allocated to Program participants monthly based on the participant's prorata share of total FNPA balances at month end. Program financing costs are paid monthly from pledged assets. Ratable financing costs paid by the Corporation was 0.66% and 0.78% of the Corporation's FNPA balance for the years ended 2011 and 2010, respectively.

The FNPA balance was \$105,106 and \$115,250 at June 30, 2011, and 2010, respectively.

The minimum payments for years subsequent to June 30, 2011 are as follows:

<u>Period Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 10,091	661	10,752
2013	9,122	597	9,719
2014	85,893	174	86,067
Total	<u>\$ 105,106</u>	<u>1,432</u>	<u>106,538</u>

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Notes to Financial Statements

(8) Debt Issue Cost

A summary of debt issue cost activity at June 30 follows:

	<u>2011</u>	<u>2010</u>
Balance at beginning of period	\$ 3,215	3,829
Reimbursements	(15)	320
Retirements	(211)	(588)
Amortization	(425)	(346)
Balance at end of period	<u>\$ 2,564</u>	<u>3,215</u>

(9) Yield Restriction and Arbitrage Rebate

Education loans financed with proceeds of tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than 2% over the bond yield. Education loans not financed by but pledged to secure tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than the bond yield. Earnings on non-loan investments pledged to bond indentures are subject to rebate provisions or restricted to the related bond yield. These restrictions are in effect over the lives of the bonds. As required by the Internal Revenue Service (IRS), the Corporation calculates and analyzes loan yields every ten years or earlier if necessitated by calling, cancelling or defeasing bonds. Investment yields are calculated and analyzed annually. These analyses are used to determine both compliance with IRS provisions and the arbitrage rebate liability. The amount accrued for arbitrage rebate liability represents the amount due to the IRS for earnings in excess of allowable yields. The amount recorded as arbitrage rebate receivable represents amounts paid to the IRS in past years that has now become refundable due to cumulative earnings no longer being in excess of those allowable.

(10) Federal Family Education Loan Program

Beginning with fiscal year 2003, the AlaskAdvantage program offerings expanded to include loans governed by the Higher Education Act (HEA), specifically federally guaranteed Stafford (subsidized and unsubsidized), PLUS and Consolidation (subsidized and unsubsidized) loans. To accommodate the Federal Family Education Loan Program (FFELP), the Corporation secured the status of "eligible lender" and entered into various agreements with Northwest Education Loan Association (NELA), which serves as the "eligible" guarantor. The lender-based FFELP was eliminated effective July 1, 2010, with the passage of the Health Care and Education Affordability Reconciliation Act. Therefore, fiscal year 2010 was the last year of federal loan guarantees for the Corporation.

As a holder of federal loans, the Corporation receives claim, special allowance and interest subsidy payments and pays excess interest, and rebate fees on federally guaranteed loans as specified in the HEA.

Claim payments are received from the guarantor when a borrower dies, becomes totally and permanently disabled, or defaults on a Federal loan. The lender is eligible for these payments provided they adhere to servicing requirements outlined in the HEA. Failure to fulfill the requirements may result in an interest penalty or loss of guarantee. In the case of a default claim, unpaid principal and interest are guaranteed

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Notes to Financial Statements

(10) Federal Family Education Loan Program (cont.)

at 98% if first originated prior to July 1, 2006, and 97% if first originated after June 30, 2006. Claims as a result of a borrower's death or total and permanent disability are guaranteed at 100%.

Special allowance rates are calculated quarterly based on the quarter's daily average three-month commercial paper rate as established by the Department, plus a predetermined factor that varies according to loan type, disbursement date, loan status, and not-for-profit eligibility of the lender less the loan's applicable interest rate. When the calculated rate is positive special allowance payments are received from the Department, when the calculated rate is negative the Corporation pays excess interest to the Department on loans first disbursed after April 1, 2006.

Interest subsidies are received quarterly from the Department on behalf of a qualified subsidized Stafford or subsidized Consolidation loan borrower during periods of enrollment, grace, deferment and eligible income based repayment periods.

A rebate fee, equal to 0.0875% of the unpaid principal and interest on consolidation loans, is paid monthly to the Department.

An origination fee was paid to the Department for Stafford and PLUS loans guaranteed through June 30, 2010 and disbursed by September 30, 2010. The fee was equal to a percentage of the disbursed amount. Borrowers of PLUS loans were charged 3% and borrowers of Stafford loans were charged 0.5%. The Corporation elected to pay the Stafford origination fee on behalf of the borrower.

Payment of a lender fee was required on federal loans guaranteed through June 30, 2010 and disbursed by September 30, 2010 in an amount equal to 1.0% of the disbursed amount. Origination and lender fees were paid quarterly to the Department.

Default fees were paid monthly to the guarantor for loans guaranteed through June 30, 2010 and disbursed by September 30, 2010. The fee, in the amount of 1.0% of the disbursed amount, was charged on Stafford and PLUS loans and paid on behalf of the borrower.

(11) Commitments and Contingencies

(a) Operations

The Corporation will fund approximately \$12,880 of the Commission's fiscal year 2012 operating budget for loan servicing and staff support. In addition, the Corporation will fund expenditures related to the Commission's fiscal year 2011 operating and capital project budgets of approximately \$268. The Commission's budget is subject to review and approval from both the executive and legislative branches of the State. Amounts funded by the Corporation will be based on expenditures paid by the Commission.

(b) Return of Capital

State statutes indicate that the Board may elect to pay the State a return of contributed capital or dividend annually based on net income. If the Board elects to make such a payment, the amount may not be less than 10%, or greater than 35%, of the Corporation's income before transfers when it equals or exceeds \$2,000 for the Base Fiscal Year. The Base Fiscal Year is defined as the fiscal year ending two years before the end of the fiscal year in which the payment is made.

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Notes to Financial Statements

(11) Commitments and Contingencies (cont.)

(b) *Return of Capital*

On October 27, 2010 and November 10, 2009, the Board chose not to return capital, based on income, to the State in fiscal year 2012 and 2011, respectively.

As an additional means of returning capital, State statutes allow the Corporation to issue bonds to finance State capital projects. No bonds have been issued since 2005 for this purpose. In fiscal years 2005 and 2004, the Corporation issued \$163,445 of capital project bonds to finance State capital projects. Bond documents related to the 2004 capital project bonds require earnings on bond proceeds to be used to finance State capital projects. The Corporation reimburses the State for expenditures related to projects funded with Corporation capital project bond proceeds and related earnings. Restricted investments include amounts specifically designated for financing State capital projects totaling \$10,688 and \$12,908 at June 30, 2011 and 2010, respectively.

(c) *State Permanent Fund Dividend Garnishment*

The Alaska Permanent Fund (Permanent Fund), established in the State Constitution in 1976, is held and managed by the State. The State deposits a percentage of oil and gas royalties into the Permanent Fund. By statute, the State pays a portion of the earnings of the Permanent Fund annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. Permanent Fund Dividend (PFD) payments could be eliminated or reduced by an amendment to State statutes. The Commission may garnish a borrower's PFD payment, if any, to satisfy the balance of a defaulted loan pursuant to State statutes. The Commission has garnishment priority over all other executors except State child support enforcement and any court ordered restitution. There is no assurance that any particular borrower will apply or qualify for a PFD payment.

PFD garnishments were approximately \$3,322 and \$3,421 for the years ended June 30, 2011 and 2010, respectively.

(d) *Legislation*

The State education loan program has traditionally been the subject of legislative action by the State. The laws governing the program have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the State program cannot be determined.

(e) *Non Investment Interest Rate Risk*

The Corporation is subject to interest rate risk relating to its variable rate bonds and variable rate loans. The bonds are subject to an interest rate cap of 10.50% while the loans are subject to an interest rate cap of 8.25% to 9.00% depending on loan type. The Corporation has various strategies available to manage the risk that the bond rate may rise above the loan rate.

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

Re: Alaska Student Loan Corporation Education Loan Revenue Refunding Bonds, Senior Series 2012B-1 and Senior Series 2012B-2

We have acted as bond counsel to the Alaska Student Loan Corporation (the "Corporation") in connection with the issuance by the Corporation of its Education Loan Revenue Refunding Bonds, Senior Series 2012B-1 and Education Loan Revenue Refunding Bonds, Senior Series 2012B-2 (together, the "Bonds"). The Bonds are authorized to be issued under the 2012B Trust Indenture dated as of September 1, 2012, as supplemented by a 2012B First Supplemental Indenture of Trust dated as of September 1, 2012 (together, the "Indenture") each by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings specified in the Indenture.

In such connection, we have reviewed the Indenture, the Arbitrage and Use of Proceeds Certificate with respect to the Bonds (the "Tax Certificate"), certificates of the Corporation, the Trustee and others, opinions of counsel to the Corporation and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents, certificates, opinions and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the Corporation. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the immediately preceding paragraph hereof. Furthermore, we have assumed compliance with the covenants and agreements contained in the Indenture 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 includable in gross income for federal income tax purposes.

Based upon and subject to the foregoing and in reliance thereon, as of the date hereof, it is our opinion under existing law that:

1. The Corporation is a public corporation and government instrumentality created and existing under the laws of the State of Alaska and has authority to issue the Bonds.
2. The Bonds constitute valid and binding special limited obligations of the Corporation and do not constitute a debt or liability of the State of Alaska or any political subdivision thereof other than the Corporation.
3. The Indenture has been duly executed and delivered by the Corporation and is a valid and legally binding obligation of the Corporation. The Indenture creates a valid pledge to secure payment of the principal of and interest on the Bonds (in the order of priority as set forth therein), subject to the uses specified in the Indenture, of (a) the Revenues and the moneys and securities on deposit in the Accounts established by the Indenture (excluding the Rebate and Excess Interest Account, the Department of Education Payment Account and any other account specifically excluded by the terms of the Indenture or any Supplemental Indenture) and (b) the rights and interests of the Corporation in and to the Loans.
4. Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is a tax preference item that is subject to the federal alternative minimum tax imposed on individuals and corporations.
5. Interest on the 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 and except to the extent that inclusion of said

interest in computing the federal alternative minimum tax on corporations may affect the corresponding provisions of the Alaska corporate income tax.

In rendering our opinion, we wish to advise you that:

(a) The rights of the holders of the Bonds and the enforceability thereof and of the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) We express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds; and

(c) Except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Alaska Student Loan Corporation will agree, pursuant to a Continuing Disclosure Agreement relating to the Series 2012B Bonds to be executed by the Corporation substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data and (ii) timely notice of certain material events and any failure by the Corporation to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds.

This Continuing Disclosure Agreement (the "Agreement") is made as of September 12, 2012 by the Alaska Student Loan Corporation (the "Issuer") acting by its undersigned officer, duly authorized, in connection with the issuance of \$78,435,000 Education Loan Revenue Refunding Bonds, Senior Series 2012B-1 and \$15,000,000 Education Loan Revenue Refunding Bonds, Senior Series 2012B-2 (collectively, the "Bonds") and U.S. Bank National Association, as Trustee for the Bonds (the "Trustee"). The Bonds are being issued pursuant to the 2012B Trust Indenture dated as of September 1, 2012 (the "Trust Indenture"), as supplemented by the 2012B First Supplemental Indenture of Trust dated as of September 1, 2012 between the Issuer and the Trustee (the "First Supplemental Indenture" and collectively with the Trust Indenture, the "Indenture"). The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order for the underwriter referred to in the Official Statement (the "Underwriter") to be in compliance with SEC Rule 15c2-12(b)(5) (the "Rule"). The Trustee shall have no obligation for the Issuer's compliance hereunder. The Issuer is the only "obligated person" within the meaning of the Rule. The financial information and operating data forming the basis of the annual reporting requirements set forth in Sections 3 and 4 of this Agreement are derived from the Official Statement. As required by the Rule, this Agreement is enforceable by Beneficial Owners of the Bonds pursuant to Section 11 of this Agreement.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GAAS" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"Issuer Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Agreement.

"Listed Events" shall mean any of the events with respect to the Bonds listed in Section 5 of this Agreement.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Official Statement" shall mean the official statement of the issuer prepared in connection with the Bonds.

“Repository” means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

“Rule” means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 215 days after the close of the Issuer’s fiscal year, commencing with the report for the 2011-2012 fiscal year, provide to each Repository, an Issuer Annual Report in compliance with the requirements of Section 4 of this Agreement.

(b) If the Issuer fails to provide each Repository an Issuer Annual Report when due, the Issuer shall file a notice with the Repositories as set forth in Exhibit A.

(c) The Issuer Annual Report and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents used by the Issuer for such purpose from time to time.

(d) All documents provided by the Issuer to a Repository pursuant to the Issuer’s undertakings set forth in this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

Section 4. Content of Annual Reports.

(a) The Issuer Annual Report shall contain or cross-reference the following:

Item 1. The audited financial statements of the Issuer for the most recently ended fiscal year. If the audited financial statements are not completed by the filing date in Section 3(a) following the end of such fiscal year, the Issuer Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statement of the Issuer shall be submitted to the Repositories promptly upon completion; and

Item 2. Information concerning the Issuer’s operations with regard to the Education Loans then held under the Indenture, by updating the data contained in the tables in the Official Statement under the following captions: “COMPOSITION OF THE FINANCED ALTERNATIVE LOANS”; “DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS BY INTEREST RATE TYPE”; “DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS BY RANGE OF ANNUAL BORROWER INTEREST RATE”; “DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS BY BORROWER LOAN STATUS”; “DISTRIBUTION OF THE FINANCED ALTERNATIVE LOANS BY RANGE OF DAYS DELINQUENT”; “COMPOSITION OF THE FINANCED FFELP LOANS”; “DISTRIBUTION OF THE FINANCED FFELP LOANS BY LOAN TYPE”; “DISTRIBUTION OF THE FINANCED FFELP LOANS BY RANGE OF ANNUAL BORROWER INTEREST RATE”; “DISTRIBUTION OF THE FINANCED FFELP LOANS BY BORROWER LOAN STATUS”; “DISTRIBUTION OF THE FINANCED FFELP LOANS BY SAP INDEX”; “DISTRIBUTION OF THE FINANCED FFELP LOANS BY RANGE OF DAYS DELINQUENT”; “DISTRIBUTION OF THE FINANCED FFELP LOANS BY RANGE OF DATE OF DISBURSEMENT”; and “DISTRIBUTION OF THE FINANCED FFELP LOANS BY GUARANTY LEVEL”.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories. If the document incorporated by reference is a final official statement, it must be available from the

MSRB. The Issuer shall clearly identify each such other document so incorporated by reference in the Issuer Annual Report.

(b) The Issuer's annual financial statements for each fiscal year shall be prepared in accordance with GAAP, unless applicable accounting principles are otherwise disclosed in the Official Statement, and audited by an independent accounting firm in accordance with GAAS. The Issuer reserves the right (i) to modify from time to time the format of the presentation of such information or data and (ii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 5. Reporting of Significant Events.

(a) The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 6. Management Discussion of Items Disclosed in the Issuer Annual Report or as Significant Events. If an item required to be disclosed in the Issuer's Annual Report under Section 4, or as a Listed Event under Section 5, would be misleading without discussion, the Issuer shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in light of the circumstances in which it is made.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 8. Substitution of Obligated Person. The Issuer shall not transfer its obligations under the Indenture unless the transferee agrees to assume all the obligations of the Issuer under this Agreement.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the Issuer, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

Section 10. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Issuer Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Issuer Annual Report or notice of occurrence of an event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Issuer Annual Report or notice of occurrence of a Listed Event.

Section 11. Default.

(a) In the event of a failure of the Issuer to provide to the Repositories the Issuer Annual Report as undertaken by the Issuer in this Agreement, the Trustee may (and, at the request of any Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Holder or Beneficial Owner of any Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide Issuer Annual Reports under this Agreement.

(b) Notwithstanding the foregoing, no Beneficial Owner of the Bonds shall have the right to challenge the content or adequacy of the information provided pursuant to Sections 3, 4 or 5 of this Agreement by mandamus, specific performance or other equitable proceedings unless Beneficial Owners of Bonds representing at least 25% aggregate principal amount of outstanding Bonds shall join in such proceedings.

(c) A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

Section 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Issuer, the Trustee and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: September 12, 2012.

ALASKA STUDENT LOAN CORPORATION,
as Issuer

By: _____

Its: _____

Accepted by:

U.S. BANK National Association
as Trustee

By: _____

Authorized Officer

EXHIBIT A
NOTICE OF MATERIAL EVENT

Name of Issuer: Alaska Student Loan Corporation

Name of Bond Issue: Education Loan Revenue Refunding Bonds, Senior Series 2012B

Date of Issuance: September 12, 2012

CUSIP:

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated September 12, 2012 between the Issuer and U.S. BANK National Association. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

ALASKA STUDENT LOAN
CORPORATION, as the Issuer

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