NEW ISSUE BOOK-ENTRY ONLY

In the opinion of Bond Counsel, assuming continuing compliance with certain requirements described herein, under existing statutes, regulations and court decisions, as presently interpreted and construed, interest on the Offered Obligations earned by the respective owners thereof is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended; however, interest on the Offered Obligations constitutes a specific item of tax preference for purposes of the federal alternative minimum tax for individuals and corporations. The Offered Obligations and interest thereon will be includable for purposes of computing taxes imposed by the State of Mississippi to the same extent as would be the case if interest on the Offered Obligations were not excludable from gross income for federal income tax purposes. See "TAX MATTERS" herein for a discussion of additional federal tax consequences affecting owners of the Offered Obligations.

$123,000,000
MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1
(Auction Rate Securities)

Dated: Date of Issuance **Price: 100%** **Due: March 1, 2037**

Offered Obligations. Mississippi Higher Education Assistance Corporation (the "Corporation") has authorized the issuance of and sale of the $73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1 (the "Series 2007-A-1 Bonds"), the $36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2 (the "Series 2007-A-2 Bonds" and, together with the Series 2007-A-1 Bonds, the "Offered Senior Obligations") and the $12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1 (the "Series 2007-B-1 Bonds" or the "Offered Subordinate Obligations," and collectively with the Offered Senior Obligations, the "Offered Obligations"), as described in this Official Statement.

The Offered Obligations will be issued as "Auction Rate Securities"[sm] or "ARS"[sm] subject to the Auction Procedures, as defined and described in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

References in this Official Statement to the "Obligations" include, but are not limited to, the Offered Obligations. The Offered Obligations will be issued as fully registered bonds in book-entry form only 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 (the "Securities Depository") of the Offered Obligations. Purchasers of the Offered Obligations will not receive certificates representing their interests in the Offered Obligations purchased. See Appendix H -- "DESCRIPTION OF THE BOOK-ENTRY SYSTEM" in this Official Statement. The Offered Obligations are being offered in authorized denominations of $25,000 or integral multiples thereof and will have (a) the initial interest rates determined on the Initial Rate Determination Date, (b) the Delivery Date and (c) the Interest Payment Dates set forth below.

Initial Rate Determination Date: June 27, 2007.

Delivery Date: June 28, 2007.

Interest Payment Dates. Interest on each Series of the Offered Obligations will be payable semiannually on each March 1 and September 1, commencing September 1, 2007, until the Offered Obligations have been paid in full.

Redemption. The Offered Obligations are subject to mandatory and optional redemption prior to their stated maturity date at the prices, on the terms and upon the occurrence of certain events described herein. See "REDEMPTION" in this Official Statement.

Application of Proceeds of the Offered Obligations. The Offered Obligations are being issued for the purpose of providing funds to acquire student loans made to Mississippi residents or students attending eligible post-secondary institutions in Mississippi that will be guaranteed by authorized guarantee agencies ("Guarantors") and reinsured by the United States government ("Eligible Loans"). A portion of the proceeds of the Offered Obligations will also be used (1) to fund the portion of the Reserve Requirement which is attributable to the Offered Obligations, (2) to pay capitalized interest on the Offered Obligations and (3) to pay certain fees and expenses incurred in connection with the issuance of the Offered Obligations. For further information regarding the application of the proceeds of the Offered Obligations, see "APPLICATION OF THE PROCEEDS OF THE OFFERED OBLIGATIONS" and "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM" in this Official Statement.

Security for the Offered Obligations. **THE OFFERED OBLIGATIONS, THE PRIOR SERIES OBLIGATIONS AND ANY ADDITIONAL OBLIGATIONS HEREAFTER ISSUED PURSUANT TO THE INDENTURE WILL BE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION AND, TOGETHER WITH ANY OTHER BENEFICIARIES, AS HEREINAFTER DEFINED, WILL BE SECURED BY AND PAYABLE SOLELY FROM THE TRUST ESTATE, AS DESCRIBED HEREIN. THE OFFERED OBLIGATIONS DO NOT CONSTITUTE A DEBT, A LIABILITY OR A LEGAL OR MORAL OBLIGATION OF THE STATE OF MISSISSIPPI, OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF MISSISSIPPI, OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE OFFERED OBLIGATIONS.** See "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED OBLIGATIONS" in this Official Statement.

No Registration. UPON ISSUANCE, THE OFFERED OBLIGATIONS 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 OFFERED OBLIGATIONS FOR SALE. THE INDENTURE WILL NOT BE QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939.

The Offered Obligations are offered when, as and if issued by the Corporation and received by the Underwriters subject to the approval of legality by Watkins Ludlam Winter & Stennis, P.A., Jackson, Mississippi, Bond Counsel. Watkins Ludlam Winter & Stennis, P.A., also serves as general counsel to the Corporation and in that capacity will pass upon certain legal matters for the Corporation. Certain legal matters will be passed upon for the Underwriters by their counsel, Calfee, Halter & Griswold LLP, Cleveland, Ohio. It is expected that the Offered Obligations in definitive form will be available for delivery to Hancock Bank, as the agent of the Securities Depository under its Fast Automated Securities Transfer (FAST) Program, in Jackson, Mississippi on or about June 28, 2007.

Citi **Banc of America Securities LLC**

Dated: June 22, 2007

[sm]Service marks of Citigroup Global Markets Inc.

ADDITIONAL INFORMATION CONTINUED FROM COVER PAGE

The Offered Obligations will be issued by the Corporation pursuant to, and secured under, a Trust Indenture, dated as of June 1, 2004 (the "Original Indenture" and collectively with the Series 2007-A-1, 2007-A-2 and 2007-B-1 Supplement, to be dated as of June 1, 2007 (the "Series 2007-A-1&2&B-1 Supplement") and any other supplements hereafter executed and delivered, the "Indenture"), each between the Corporation and Hancock Bank, Gulfport, Mississippi, as trustee (the "Trustee"), for the purposes of acquiring Eligible Loans. Proceeds of the Offered Obligations will also be credited to the Reserve Subaccount and Senior Current Debt Service -- Interest Subaccount, and used to pay certain fees and expenses incurred in connection with the issuance of the Offered Obligations.

The principal (or redemption price) of and interest on the Offered Obligations will be payable by the Trustee to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Offered Obligations. See APPENDIX H -- "DESCRIPTION OF THE BOOK-ENTRY SYSTEM."

The rate of interest on each Series of the Offered Obligations for a period beginning on and including the date of their initial delivery and (i) in the case of the Series 2007-A-1 Bonds, ending 41 days thereafter (August 7, 2007 and including such 41st day), (ii) in the case of the Series 2007-A-2 Bonds, ending 29 days thereafter (July 26, 2007 and including such 29th day) and (iii) in the case of the Series 2007-B-1 Bonds, ending 41 days thereafter (August 7, 2007 and including such 41st day), will be determined on or about June 27, 2007. Accrued and unpaid interest on each Series of the Offered Obligations, until a Conversion Date, if any, or a change in Interest Payment Dates, if any, with respect to such Series of Offered Obligations will be payable semiannually on each March 1 and September 1, commencing September 1, 2007.

Until a Conversion Date with respect to a Series of the Offered Obligations, if any, or the date of a change in the length of any Auction Period with respect to a Series of the Offered Obligations, if any, each Series of the Offered Obligations will bear interest for each Auction Period at an Auction Period Rate, based upon a 35-day Auction Period as determined by the Auction Agent pursuant to the Auction Procedures described herein, but in no event greater than the Maximum Rate. The 35-day Auction Period for a Series of the Offered Obligations may be changed to a Daily Auction Period, a Seven-day Auction Period, a 28-day Auction Period, a Three-Month Auction Period, A Six-Month Auction Period or a Flexible Auction Period pursuant to the Auction Procedures set forth in the hereinafter described Indenture. See APPENDIX D, "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS -Changes in Auction Period or Auction Date." A Series of the Offered Obligations is subject to mandatory tender upon conversion to a Fixed Rate or a Variable Rate for such Series of Offered Obligations. See "DESCRIPTION OF THE OFFERED OBLIGATIONS -- Conversion; Mandatory Tender of a Series of Auction Rate Securities."

With respect to the payment of principal of and interest on each principal and interest payment date and upon an Event of Default and acceleration of the Offered Obligations, any Outstanding Prior Series Obligations and any Outstanding Additional Obligations, the Offered Senior Obligations, any Outstanding Prior Series Senior Obligations and any Additional Senior Obligations (collectively, the "Senior Obligations"), and other Senior Beneficiaries, if any, have certain payment priorities over the Offered Subordinate Obligations, any Outstanding Prior Series Subordinate Obligations and any Additional Subordinate Obligations (collectively, the "Subordinate Obligations"), and other Subordinate Beneficiaries, if any. See "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED OBLIGATIONS -- Certain Payment Priorities." As long as the Senior Obligations are outstanding or amounts are owed to other Senior Beneficiaries, failure to pay principal of and interest on the Subordinate Obligations, including the Offered Subordinate Obligations, or any amounts owed to any other Subordinate Beneficiaries is not an Event of Default; however, interest continues to accrue on the Subordinate Obligations to the date of payment thereof. See APPENDIX B, "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Events of Default and Remedies."

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY STATEMENT

This Summary Statement is subject in all respects to the complete information contained elsewhere in this Official Statement. The offering to potential investors of the Offered Obligations described in this Official Statement is made only by means of this entire Official Statement. No Persons are authorized to detach this Summary Statement from the Official Statement or otherwise to use it without the entire Official Statement. All capitalized terms used but not otherwise defined in this Official Statement or under the caption "Certain Definitions" in APPENDIX B hereto shall have the meanings set forth in the Indenture.

The Corporation

Mississippi Higher Education Assistance Corporation (the "Corporation") is a nonprofit corporation organized and existing under Title 79, Chapter 11, Mississippi Code of 1972, as amended, and operates in accordance with the Higher Education Act of 1965, as amended, and the Internal Revenue Code of 1986, as amended (the "Code"), exclusively for the purpose of acquiring certain loans under the Federal Family Education Loan Program described in APPENDIX C hereto. See "THE CORPORATION."

The Offered Obligations

The Offered Obligations will be issued by the Corporation under the Trust Indenture, dated as of June 1, 2004 (the "Original Indenture"), as amended and supplemented by the Series 2007-A-1, 2007-A-2 and 2007-B-1 Supplement, to be dated as of June 1, 2007 (the "Series 2007-A-1&2&B-1 Supplement") and by all amendments and supplements subsequently executed and delivered (the Original Indenture as so amended and supplemented, the "Indenture"), each between the Corporation and Hancock Bank, Gulfport, Mississippi, as trustee (the "Trustee").

The Offered Obligations will be initially issued as Auction Rate Securities. References in this Official Statement to "Auction Rate Securities,"[sm] the "ARS,"[sm] and Auction Rate Tax-Exempt Bonds include (but are not necessarily limited to) the Offered Obligations.

For a period beginning on and including the date of initial delivery and (i) in the case of the Series 2007-A-1 Bonds, ending 41 days thereafter (August 7, 2007 and including such 41st day), (ii) in the case of the Series 2007-A-2 Bonds, ending 29 days thereafter (July 26, 2007 and including such 29th day) and (iii) in the case of the Series 2007-B-1 Bonds, ending 41 days thereafter (August 7, 2007 and including such 41st day), will bear interest at the respective interest rates determined for such Series on or about the day immediately preceding the day of their delivery. Thereafter, each of the Series 2007-A-1 Bonds, the Series 2007-A-2 Bonds and the Series 2007-B-1 Bonds will bear interest for each Auction Period at the respective Auction Period Rates, based upon a 35-day Auction Period as determined by the Auction Agent pursuant to the Auction Procedures described herein (but in no event greater than the Maximum Rate), until a Weekly Rate Conversion Date with respect to such Series of Bonds, if any, an Adjustable Rate Conversion Date with respect to such Series of Bonds, if any, a Fixed Rate Conversion Date with respect to such Series of Bonds, if any, or the date of a change in the length of any Auction Period with respect to such Series of Bonds, if any.

Accrued and unpaid interest on each Series of the Offered Obligations through the day immediately preceding each March 1 and September 1 will be payable semi-annually on each March 1 and September 1, commencing September 1, 2007, until a Weekly Rate Conversion Date with respect to such Series of the Offered Obligations, if any, an Adjustable Rate Conversion Date with respect to such Series of the Offered Obligations, if any, a Fixed Rate Conversion Date with respect to such Series of the Offered Obligations, if any, or a change in Interest Payment Dates for such Series of the Offered Obligations pursuant to the Indenture. Pursuant to an Auction Period Adjustment with respect to a Series of the Offered Obligations, the 35-day Auction Period for such Series of the Offered Obligations may be adjusted to an Auction Period of a different length. See APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS -- Changes in Auction Period or Auction Date."

[sm] Service marks of Citigroup Global Markets Inc.

The Offered Obligations are subject to mandatory tender upon conversion to Weekly Rates, Adjustable Rates or a Fixed Rate. See "DESCRIPTION OF THE OFFERED OBLIGATIONS -- Conversion; Mandatory Tender of a Series of Auction Rate Securities."

THE DESCRIPTION OF THE OFFERED OBLIGATIONS SET FORTH HEREIN DOES NOT INCLUDE OR PURPORT TO INCLUDE A DESCRIPTION OF ANY SERIES OF OFFERED OBLIGATIONS FOLLOWING A WEEKLY RATE CONVERSION DATE, AN ADJUSTABLE RATE CONVERSION DATE OR A FIXED RATE CONVERSION DATE APPLICABLE TO SUCH SERIES OF OFFERED OBLIGATIONS. THIS OFFICIAL STATEMENT IS NOT INTENDED TO, AND SHALL NOT, BE USED BY THE CORPORATION OR BY ANY OTHER PERSON IN CONNECTION WITH THE SALE OR REMARKETING OF ANY SERIES OF AUCTION RATE SECURITIES FOLLOWING A WEEKLY RATE CONVERSION DATE, AN ADJUSTABLE RATE CONVERSION DATE OR A FIXED RATE CONVERSION DATE APPLICABLE TO SUCH SERIES OF OFFERED OBLIGATIONS.

No dealer, broker, salesperson or other person has been authorized by the Corporation or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Offered Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Corporation, certain of the Guarantors, the Servicers and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters or their counsel. The Underwriters and their counsel have reviewed the information in this Official Statement in accordance with and as a part of their responsibilities to investors under federal securities laws, but have made no independent verification of the information contained herein. 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 will, under any circumstances, create any implication that there has been no change in the affairs of the Corporation, the Guarantors or the Servicers since the date of this Official Statement. This Official Statement does not constitute a contract between the Corporation, or the Underwriters, and any one or more of the purchasers or Holders of the Offered Obligations.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OFFERED OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Prior Series Obligations

Prior to the issuance of the Offered Obligations, the Corporation has issued and there remain outstanding the following Series of Obligations issued under and secured by the Indenture (each such Series hereinafter referred to as "Prior Series Tax-Exempt Bonds" and to the extent that such Prior Series Tax-Exempt Bonds are Senior Obligations, "Prior Series Senior Obligations," and to the extent that such Prior Series Tax-Exempt Bonds are Subordinate Obligations, "Prior Series Subordinate Obligations," as applicable, and collectively as, the "Prior Series Obligations"). The following table lists and provides summary information about each of these Series as of the date of this Official Statement:

Class of Bonds/Notes	Series	Tax Status	Amount Outstanding	Issue Date	Final Maturity Date	Interest Rate Mode
Senior Bonds	2004-A-1	Tax-exempt	$ 45,000,000	6/30/04	3/1/34	Auction
Subordinate Bonds	2004-B-1	Tax-exempt	$ 5,000,000	6/30/04	3/1/34	Auction

Additional Obligations

The Indenture authorizes, subject to certain conditions, the issuance of one or more Series of Taxable Notes and additional Series of Tax-Exempt Bonds. All Tax-Exempt Bonds hereafter issued under the Indenture (other than the Offered Obligations) and all Taxable Notes hereafter issued under the Indenture are referred to herein, individually, as the "Additional Tax-Exempt Bonds" and the "Taxable Notes," respectively, and, collectively, as the "Additional Obligations." Additional Obligations may be issued under the Indenture on a parity with, or subordinate to, the Senior Obligations and other Senior Beneficiaries. Additional Obligations may also be issued under the Indenture on a parity with, or subordinate to, the Subordinate Obligations and other Subordinate Beneficiaries. See "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED OBLIGATIONS -- Certain Payment Priorities" and APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Events of Default and Remedies."

The Offered Obligations, the Prior Series Tax-Exempt Bonds and any Additional Tax-Exempt Bonds hereafter issued are collectively referred to herein as the "Tax-Exempt Bonds," and the Tax-Exempt Bonds and the Taxable Notes are collectively referred to herein as the "Obligations."

General Purposes of Issuance of Offered Obligations

The Offered Obligations will be issued for the purpose of providing funds to acquire student loans that will be guaranteed by authorized guarantee agencies and reinsured by the United States government ("Eligible Loans"). A portion of the proceeds of each Series of the Offered Obligations will also be used to (i) fund that portion of the Reserve Requirement attributable to the Offered Obligations, (ii) capitalize interest for the Offered Obligations and (iii) pay certain fees and expenses incurred in connection with the issuance of the Offered Obligations. See "APPLICATION OF THE PROCEEDS OF THE OFFERED OBLIGATIONS."

Source of Revenue and Security

The Obligations, including the Offered Obligations, are special, limited revenue obligations of the Corporation. The Obligations and rights of any Other Beneficiaries are secured by and payable solely from the trust estate (the "Trust Estate") created by the Indenture. With respect to the payment of current principal and accrued but unpaid interest on each principal and interest payment date or upon the occurrence of an Event of Default and the acceleration of the Obligations, the Offered Senior Obligations, the Prior Series Senior Obligations and any Additional Senior Obligations, and other Senior Beneficiaries, if any, have certain payment priorities over the Offered Subordinate Obligations, the Prior Series Subordinate Obligations and any Additional Subordinate Obligations, and other Subordinate Beneficiaries, if any. See "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED OBLIGATIONS -- Certain Payment Priorities" and APPENDIX B, "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Events of Default and Remedies."

Redemption

Optional Redemption

Subject to the conditions set forth under the heading "REDEMPTION -- Limitations on Redemption of Obligations, including Offered Obligations," each Series of Offered Obligations, while bearing interest at Auction Rates, will be subject to redemption, in whole or in part, prior to maturity at the option of the Corporation from any moneys of, or available to, the Corporation (including, but not limited to, moneys transferred from the Surplus Account to the Redemption Subaccount) upon not less than 15 days' (but not more than 60 days') notice, at a Redemption Price equal to the unpaid principal amount of the Offered Obligations being redeemed, plus, unless the Redemption Date shall be an Interest Payment Date with respect to such Series being redeemed, accrued interest, if any, to the Redemption Date on the first day following the end of any Auction Period. See "REDEMPTION -- Optional Redemption of the Offered Obligations."

Notwithstanding the foregoing, no Series 2007-B-1 Bonds or Prior Series Subordinate Obligations will be optionally redeemed unless after such redemption, the Senior Asset Requirement will be met. See "REDEMPTION -- Optional Redemption of the Offered Obligations."

Mandatory Redemption

Subject to the conditions set forth under the heading "REDEMPTION -- Limitations on Redemption of Obligations, including Offered Obligations," the Offered Obligations of a Series will be subject to mandatory redemption, in whole or in part, upon not less than 15 days' (but not more than 60 days') written notice, at a Redemption Price equal to 100% of the principal amount of the Offered Obligations being redeemed, plus, unless the Redemption Date will be an Interest Payment Date with respect to the Offered Obligations to be redeemed, accrued and unpaid interest, if any, to the Redemption Date (i) on the first day following the end of any Auction Period for the Offered Obligations to be redeemed that occurs on or after June 1, 2010 from any moneys allocable to the Offered Obligations which remain in the Original Proceeds Subaccount and which are required to be transferred to the Redemption Subaccount, (ii) on the first day following the end of any Auction Period for the Offered Obligations to be redeemed that occurs on or after June 1, 2010 from moneys allocable to the Offered Obligations which remain in the Revolving Subaccount and which are required to be transferred to the Redemption Subaccount, and (iii) on the first day following the end of any Auction Period for the Offered Obligations to be redeemed from moneys allocable to the Offered Obligations which are required to be transferred from the Surplus Account to the Redemption Subaccount.

Guarantors

It is expected that substantially all Eligible Loans to be acquired with the proceeds of the Offered Obligations will be guaranteed by United Student Aid Funds, Inc. ("USA Funds"), Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance ("ASA"), National Student Loan Program ("NSLP") or Pennsylvania Higher Education Assistance Agency ("PHEAA"). In addition, Eligible Loans may be acquired from time to time under the Indenture guaranteed by (i) California Student Aid Commission ("CSAC"), (ii) Florida Department of Education ("FDE"), (iii) Great Lakes Higher Education Guaranty Corporation ("GLHEGC"), (iv) Kentucky Higher Education Assistance Authority ("KHEAA"), (v) Louisiana Student Financial Assistance Commission ("LSFAC"), (vi) New York State Higher Education Services Corporation ("NYSHESC"), (vii) Student Loan Guarantee Foundation of Arkansas ("SLGFA"), (viii) Tennessee Student Assistance Corporation ("TSAC") or (ix) Texas Guaranteed Student Loan Corporation ("TGLSC," and together with USA Funds, ASA, NSLP, PHEAA, CSAC, FDE, GLHEGC, KHEAA, LSFAC, NYSHESC, SLGFA and TSAC, collectively, the "Initial Guarantors" and each an "Initial Guarantor") or (ii) any Other Qualified Guarantor, which for purposes of the Indenture and the acquisition of Students Loan guaranteed by an Other Qualified Guarantor means the Missouri Department of Higher Education ("MDHE") and the Educational Credit Management Corporation ("ECMC") and any other agency or entity (other than an Initial Guarantor) which guarantees Student Loans, provided that the Corporation shall have provided to the Trustee written evidence from each Rating Agency that treating such agency or entity as an "Other Qualified Guarantor" will not cause the withdrawal or reduction of the ratings then applicable to any Series of Obligations issued under the Indenture. See "THE GUARANTORS AND THE GUARANTEED STUDENT LOAN PROGRAM."

The Servicers

Substantially all of the Eligible Loans to be held in the Trust Estate, including those to be acquired with proceeds of the Offered Obligations, will, after entering repayment status, be serviced by (i) CFS-SunTech Servicing LLC, and (ii) PHEAA. Prior to the repayment period (as defined by the Higher Education Act), a portion of the Corporation's Student Loans, including a portion of the Pledged Eligible Loans, will be serviced by Education Services Foundation (the "Foundation"). The Corporation will be permitted under the Indenture to use additional and other Servicers, including the Corporation, to service the Pledged Eligible Loans. See "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM -- Servicing and Due Diligence."

Ratings

It is a condition precedent to the issuance of the Offered Obligations that, among other things, (i) Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings ("Fitch") assign their ratings of "Aaa" and "AAA", respectively, to the Offered Senior Obligations and their ratings of "A2" and "A," respectively, to the Offered Subordinate Obligations and (ii) Moody's and Fitch each deliver written evidence that the outstanding rating or ratings on the Prior Series Obligations will not be reduced or withdrawn as a result of the issuance of the Offered Obligations. See "RATINGS."

Events of and Remedies on Default

Upon the occurrence of an Event of Default and acceleration of the Offered Obligations, the payment of principal of and interest on the then Outstanding Senior Obligations (which will include the Prior Series Senior Obligations, the Offered Senior Obligations and any Additional Senior Obligations, each to the extent Outstanding at the time) and other Senior Beneficiaries, if any, will have priority over the payment of principal of and interest on the Outstanding Subordinate Obligations (which will include the Prior Series Subordinate Obligations, the Offered Subordinate Obligations and any Additional Subordinate Obligations, each to the extent Outstanding at the time) and any other Subordinate Beneficiaries. AS LONG AS SENIOR OBLIGATIONS ARE OUTSTANDING AND/OR AMOUNTS ARE DUE TO OTHER SENIOR BENEFICIARIES, IF ANY, THE FAILURE TO PAY PRINCIPAL OF AND INTEREST ON SUBORDINATE OBLIGATIONS (INCLUDING THE OFFERED SUBORDINATE OBLIGATIONS) AND AMOUNTS DUE TO ANY OTHER SUBORDINATE BENEFICIARIES IS NOT AN EVENT OF DEFAULT, AND THEREFORE THE OWNERS OF THE SUBORDINATE OBLIGATIONS (INCLUDING THE OFFERED SUBORDINATE OBLIGATIONS) AND OTHER SUBORDINATE BENEFICIARIES, IF ANY, ARE NOT ENTITLED TO EXERCISE ANY REMEDIES. If there are insufficient moneys available on an Interest Payment Date to pay all or a portion of the interest on the Subordinate Obligations (including the Offered Subordinate Obligations) then Outstanding, or amounts due to other Subordinate Beneficiaries, if any, when due and payable, such interest or amounts will be deferred until moneys are available to make such payment; however, interest on such overdue installment of interest or on such overdue amounts will accrue at the same rates as were borne by the Series of Subordinate Obligations (including the Offered Subordinate Obligations) or by amounts due to other Subordinate Beneficiaries, if any, respectively, with respect to which such installment of interest or such amounts are in default during any period for which such interest or amounts have been deferred from the date that the payment should have been made, up to, but not including, the actual payment date. See "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED OBLIGATIONS -- Certain Payment Priorities" and APPENDIX B, "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Events of Default and Remedies."

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1
(Auction Rate Securities[sm])

INTRODUCTION

This Official Statement sets forth information concerning the issuance by the Mississippi Higher Education Assistance Corporation (the "Corporation") of its Student Loan Revenue Bonds, Senior Series 2007-A-1 (the "Series 2007-A-1 Bonds"), its Student Loan Revenue Bonds, Senior Series 2007-A-2 (the "Series 2007-A-2 Bonds" and, collectively with the Series 2007-A-1 Bonds, the "Offered Senior Obligations") and its Student Loan Revenue Bonds, Subordinate Series 2007-B-1 (the "Series 2007-B-1 Bonds" or the "Offered Subordinate Obligations," and collectively with the Offered Senior Obligations, the "Offered Obligations"). The Offered Obligations will be issued pursuant to the Trust Indenture, dated as of June 1, 2004 (the "Original Indenture"), as amended and supplemented by the Series 2007-A-1&2&B-1 Supplement, to be dated as of June 1, 2007 (the "Series 2007-A-1&2&B-1 Supplement"), and as amended and supplemented hereafter from time to time by amendments and supplements thereto, including, but not limited to, Series Supplements (as so amended and supplemented, the "Indenture"), each between the Corporation and Hancock Bank, Gulfport, Mississippi, as trustee (the "Trustee"). All capitalized terms used herein and not otherwise defined herein or under the caption "Certain Definitions" in APPENDIX B hereto shall have the meanings set forth in the Indenture.

The Corporation is a nonprofit corporation organized and existing under Title 79, Chapter 11, Mississippi Code of 1972, as amended, and operated in accordance with the Higher Education Act of 1965, as amended (together with the regulations promulgated thereunder, the "Higher Education Act"), and applicable provisions of the Internal Revenue Code of 1986, as amended (together with the regulations promulgated thereunder, the "Code"). See "THE CORPORATION." The Corporation is organized exclusively for the purpose of acquiring certain loans under the Federal Family Education Loan Program described in APPENDIX C -- "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM." Each Pledged Eligible Loan is required by the Indenture to be a fully or partially disbursed Student Loan which: (a) is either Insured by the U.S. Secretary of Education (the "Secretary of Education" or the "Secretary") or Guaranteed and (unless the Corporation has provided to the Trustee written advice from each Rating Agency that treating an Insured or Guaranteed Loan which is not an "eligible loan" for purposes of receiving Special Allowance Payments as an Eligible Loan will not cause the withdrawal or reduction of any rating or ratings then applicable to any of the Obligations) is an "eligible loan" for purposes of receiving Special Allowance Payments; (b) is either (i) a PLUS Loan, a Consolidation Loan or an SLS Loan, (ii) (A) an "eligible loan" under the Higher Education Act for purposes of receiving Interest Subsidy Payments or (B) if Interest Subsidy Payments are abolished by a change in any law or regulations or the official interpretation thereof, a loan which provides for payment of interest by the borrower thereunder and such payment of interest is either Insured or Guaranteed and not subject to any deferment or (C) an unsubsidized Guaranteed Loan made under Section 428H of the Higher Education Act (with respect to which Interest Subsidy Payments will not be made) or (iii) a type of loan authorized under law enacted subsequent to June 1, 2007, if the Corporation has provided to the Trustee written advice from each Rating Agency that treating such a type of loan as an Eligible Loan will not cause the withdrawal or reduction of any rating or ratings on any of the Obligations; (c) except to the extent affected by an Approved Borrower Benefit Program, bears interest at a rate not less than 1.00% below the maximum applicable interest rate permitted under the Higher Education Act with respect to the Student Loan in question at the time such Student Loan was made; (d) was either originated by the Corporation or the Trustee acting on behalf of the Corporation or was purchased by the Corporation, directly or indirectly, from a Lender pursuant to a Student Loan Purchase Agreement; (e) does not exceed the maximum outstanding loan limitations described in the Higher Education Act; and (f) has not been tendered at any time for payment to and rejected by either the Secretary or any guarantee agency, including any Guarantor, for payment, unless all defects which caused such rejection have been cured. See "THE GUARANTORS AND THE GUARANTEED STUDENT LOAN PROGRAM." The Corporation also covenants in the Indenture that it will cause the Pledged Eligible Loans to be serviced in accordance with the

Higher Education Act. See "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM -- Servicing and Due Diligence."

Proceeds of the Offered Obligations will be applied by the Corporation for the purposes generally of: (i) acquiring Eligible Loans that are fully or partially disbursed; (ii) funding the portion of the Reserve Requirement which is attributable to the Offered Obligations; (iii) paying capitalized interest on the Offered Obligations; and (iv) paying certain fees and expenses incurred in connection with the issuance of the Offered Obligations.

The Indenture authorizes, subject to certain conditions, the issuance of Additional Tax-Exempt Bonds and Taxable Notes. All Tax-Exempt Bonds hereafter issued under the Indenture, other than the Offered Obligations, are referred to herein as "Additional Tax-Exempt Bonds." The Offered Obligations, along with the Prior Series Tax-Exempt Bonds and any Additional Tax-Exempt Bonds, are collectively referred to herein as the "Tax-Exempt Bonds." Any taxable notes to be issued from time to time under the Indenture are referred to herein as the "Taxable Notes" and the Taxable Notes and Additional Tax-Exempt Bonds are referred to herein collectively as "Additional Obligations." The Tax-Exempt Bonds and any Taxable Notes are collectively referred to herein as the "Obligations." Additional Obligations may be issued on a parity with, or subordinate to, the Senior Obligations (including, upon issuance, the Offered Senior Obligations) and other Senior Beneficiaries. Additional Obligations may also be issued on a parity with Subordinate Obligations (including, upon issuance, the Offered Subordinate Obligations) and other Subordinate Beneficiaries.

Descriptions of, among other things, the Offered Obligations, the Corporation, its activities, the Indenture and the Higher Education Act 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 and the Offered Obligations, 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 at its office at 2600 Lakeland Terrace, Jackson, Mississippi 39216 (telephone number: (601) 321-5555). All such descriptions of documents are further qualified in their entirety by reference to laws relating to or affecting the enforcement of creditors' rights generally. This Official Statement does not constitute a contract between the Corporation or the Underwriters, and any one or more Holders and Beneficial Owners, if any, of the Offered Obligations.

SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED OBLIGATIONS

General

The Offered Obligations will be special, limited revenue obligations of the Corporation, secured by and payable solely from the Trust Estate. The Indenture grants a pledge of, and a security interest in, and assigns to the Trustee all of the Corporation's rights in, the Trust Estate to secure the payment of the Obligations (which will include the Offered Obligations upon their issuance) and performance by the Corporation of any Swap Agreement, Credit Enhancement Facility or Remarketing Agreement, subject to the provisions of the Indenture permitting application of funds for the purposes of and on the terms and conditions set forth in the Indenture and their release pursuant to the terms of the Indenture. The Trust Estate includes all rights, title, interest and privileges of the Corporation (i) in and to the Pledged Student Loans (including the evidences of indebtedness thereof and related documentation); (ii) in, to and under all Guarantee Agreements, all Student Loan Purchase Agreements and all Federal Reimbursement Contracts insofar as they relate to Pledged Eligible Loans; (iii) under any Swap Agreement or Swap Counterparty Guarantee; and (iv) in and to the revenues, moneys, evidences of indebtedness and securities in and payable into the Trust Estate Fund in the manner and subject to the prior applications provided in the Indenture. See APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

THE OFFERED OBLIGATIONS DO NOT CONSTITUTE A DEBT, A LIABILITY, OR A LEGAL OR MORAL OBLIGATION OF THE STATE OF MISSISSIPPI OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWERS OF THE STATE OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF FOR ANY PURPOSE

WHATSOEVER. THE CORPORATION IS NOT AN AGENCY OR INSTRUMENTALITY OF THE STATE OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF.

The Corporation expects that the revenues pledged to secure the payment of the Offered Obligations and all other Outstanding Obligations will be sufficient to meet principal and interest payments on the Offered Obligations and all such Outstanding Obligations, to pay all Administrative Expenses and Bond Fees and to pay rebate or other required payments to the United States Treasury, if any, with respect to the Tax-Exempt Bonds. The immediately preceding sentence is a forward-looking statement, and actual results may vary from stated expectations. APPENDIX F -- "CASH FLOW ASSUMPTIONS AND OTHER CONSIDERATIONS" describes certain assumptions used by the Corporation in estimating such revenues and Administrative Expenses and Bond Fees, and describes certain factors that could affect the sufficiency of such revenues to meet such payments. For a discussion of some additional factors that could likewise affect the sufficiency of such revenues to meet such payments, see "RISK FACTORS." For a description of the terms and conditions of the various payments relating to the Pledged Eligible Loans, see "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM," "THE GUARANTORS AND THE GUARANTEED STUDENT LOAN PROGRAM" and APPENDIX C -- "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Certain Payment Priorities

With respect to the payment of accrued and unpaid interest and current principal and payment of any other obligations to Beneficiaries, Senior Obligations (which include the Prior Series Senior Obligations and will include, upon their issuance as Senior Obligations, the Offered Senior Obligations and any Additional Senior Obligations) and any other Senior Beneficiaries have certain payment priorities over Subordinate Obligations (which include the Prior Series Subordinate Obligations and will include, upon their issuance as Subordinate Obligations, the Offered Subordinate Obligations and any Additional Subordinate Obligations) and any other Subordinate Beneficiaries. If and to the extent that at any time funds pledged to the payment of the principal of and interest on Obligations and amounts due to Other Beneficiaries are not sufficient to pay when due the principal of or interest on the Obligations and any amounts due to Other Beneficiaries, such funds will be applied first to the payment of the principal of and interest on the Senior Obligations then Outstanding and any amounts due to Other Senior Beneficiaries before any of such funds are applied to the payment of principal of and interest on any Subordinate Obligations, or to any amounts due to Subordinate Beneficiaries. So long as any Senior Obligations are Outstanding or amounts are owed to other Senior Beneficiaries, failure to pay when due any principal of or interest on any Subordinate Obligations or any amount owed to a Subordinate Beneficiary does not constitute an Event of Default under the Indenture. If an Event of Default occurs and is continuing, so long as any Senior Obligations are Outstanding or amounts are owed to other Senior Beneficiaries, specific percentages of the Holders of Senior Obligations and any Other Senior Beneficiaries will constitute the "Acting Beneficiaries Upon Default" for purposes of directing remedial proceedings. See "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED OBLIGATIONS -- Description of Flow of Revenues" and APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Description of Flow of Revenues

The Indenture establishes in the Trust Estate Fund a Revenue Account which is divided into a Principal Repayment Subaccount and an Income Subaccount. The Indenture requires the deposit into the Revenue Account of (i) all amounts received as principal and interest in repayment of Pledged Eligible Loans, including all federal interest subsidy payments, insurance and guarantee payments, and Special Allowance Payments received with respect to each Pledged Eligible Loan and the proceeds from any sale of Pledged Eligible Loans, (ii) any premium paid by a Lender on the repurchase of a Pledged Eligible Loan pursuant to a Student Loan Purchase Agreement, (iii) all amounts received as earnings on or income from Investment Securities in the Trust Estate Fund, and (iv) any amounts permitted to be transferred to the Revenue Account from the Escrow Interest Account or the Rebate Account in the Non-Trust Estate Fund. The Trustee is required to credit all such revenues received as payments of principal of Pledged Eligible Loans to the Principal Repayment Subaccount, and to credit all other such revenues and amounts (including revenues received as payments of interest on or Special Allowance Payments with respect to Pledged Eligible Loans and income from Investment Securities) to the Income Subaccount.

The Indenture requires the Trustee to pay, or reimburse the Corporation for payment of, Bond Fees and Administrative Expenses, to make certain refunds and to transfer moneys on a monthly basis from the Revenue Account to the following Accounts and Subaccounts in the following order: (a) Senior Current Debt Service-Interest Subaccount; (b) Senior Current Debt Service-Principal Subaccount; (c) Senior Credit Enhancement Fees Subaccount; (d) Senior Sinking Fund Subaccount; (e) Subordinate Current Debt Service-Interest Subaccount; (f) Subordinate Current Debt Service-Principal Subaccount; (g) Subordinate Credit Enhancement Fees Subaccount; (h) Subordinate Sinking Fund Subaccount; (i) Reserve Subaccount (such amount, if any, as shall be necessary in order for the balance in such subaccount to equal the Reserve Requirement); (j) Original Proceeds Subaccount or Transferred Proceeds Subaccount, if any (an amount equal to any charges to such Subaccounts for Debt Service); (k) Revolving Subaccount (such amount as shall have been specified by the Corporation and as shall not be reasonably expected to be needed for the payment of Debt Service, Administrative Expenses or Bond Fees, or for transfer to the Escrow Interest Account or the Rebate Account); and (l) Surplus Account.

From time to time amounts shall also be transferred from the Revenue Account to the Rebate Account and the Escrow Interest Account as specified in or determined in accordance with the "nonarbitrage certificates" executed by the Corporation in connection with the delivery of one or more Series of Tax-Exempt Bonds.

Balances in the Trust Estate Fund credited to the Surplus Account may be transferred from time to time to the Senior Current Debt Service - Interest Subaccount, the Senior Current Debt Service - Principal Subaccount, the Senior Sinking Fund Subaccount, the Senior Credit Enhancement Fees Subaccount, the Subordinate Current Debt Service - Interest Subaccount, the Subordinate Current Debt Service - Principal Subaccount, the Subordinate Sinking Fund Subaccount, the Subordinate Credit Enhancement Fees Subaccount, the Redemption Subaccount and the Revolving Subaccount. Funds may be disbursed from the Surplus Account for other purposes determined by the Corporation upon receipt by the Trustee of: (1) a certification by the Corporation that, based on reasonable projections, any moneys to be so used are not reasonably expected to be needed for the payment of Debt Service, Administrative Expenses, Credit Enhancement Fees or Bond Fees, or for transfer to the Escrow Interest Account or the Rebate Account; (2) an opinion of counsel that such use is authorized and will not violate Mississippi law or adversely affect the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on any of the Tax-Exempt Bonds; (3) evidence that, after taking into account any such application, (i) the aggregate of the Balances in the Trust Estate Fund in excess of Budgeted Administrative Expenses, Credit Enhancement Fees (if any) and Bond Fees for the next succeeding twelve months will be at least equal to 103% of the principal amount of, plus accrued and unpaid interest (net of any amounts owed by or to the Corporation pursuant to any Swap Agreements), on the Outstanding Obligations, and (ii) the Senior Asset Requirement will be met; and (4) a Cash Flow Certificate.

Balances in the Reserve Subaccount will be used and applied solely for the purpose of paying Debt Service.

The Indenture also established a Non-Trust Estate Fund into which the Trustee is required to make deposits and to apply the Balances therein in accordance with the "nonarbitrage certificates" executed by the Corporation in connection with the issuance of one or more Series of Tax-Exempt Bonds.

For a more detailed description of the receipt and application of moneys in the Trust Estate Fund, see APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Applications of Funds and Accounts."

Senior Asset Requirement

"Senior Asset Requirement" under the Indenture means: (a) with respect to expenditures and other uses of funds in the Surplus Account permitted by the Indenture, release of Student Loans from the lien of the Indenture under certain circumstances and redemption of Subordinate Obligations, including redemption of Subordinate Obligations by operation of Sinking Fund Requirements, that the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal amount of all Outstanding Senior Obligations plus accrued and unpaid interest thereon (or, if greater, the aggregate outstanding notional amount of all Senior Swap Agreements plus accrued net obligations of the Corporation thereunder) is at least equal to (3) 112%, and that the ratio of (1) the

Balances credited to the Trust Estate Fund to (2) the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to (3) 103%; (b) with respect to all cases not specifically addressed in (a) above, that the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal amount of all Outstanding Senior Obligations plus accrued and unpaid interest thereon (or, if greater, the aggregate outstanding notional amount of all Senior Swap Agreements plus accrued net obligations of the Corporation thereunder) is at least equal to (3) 110%, and that the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to (3) 103%, or (c), in any such case, such lower percentage as shall be set forth in either a Supplemental Indenture (including but not limited to a Series Supplement) or in a Corporation Order delivered to the Trustee and accompanied by: (1) if Senior Obligations are Outstanding which are rated on the basis of the assets in the Trust Estate (and not on the basis of any Credit Enhancement Facility or Remarketing Agreement), evidence from each Rating Agency that applying the lower percentage set forth in such Corporation Order in computing the Senior Asset Requirement will not cause the withdrawal or reduction of any rating or ratings then applicable to any Obligations; (2) if no Senior Obligations are Outstanding, (A) evidence of approval by each Senior Swap Counterparty (if any) of the use of the lower percentage set forth in such Corporation Order in computing the Senior Asset Requirement and, (B) if any Obligations are Outstanding, evidence from each Rating Agency that applying the lower percentage set forth in such Corporation Order in computing the Senior Asset Requirement will not cause the withdrawal or reduction of any rating or ratings then applicable to any Obligations.

Solely for purposes of issuance of the Offered Obligations and in accordance with item (c) above, the Senior Asset Requirement will be the following as set forth in the Series 2007-A-1&2&B-1 Supplement: the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal amount of all Outstanding Senior Obligations plus accrued and unpaid interest thereon (or, if greater, the aggregate outstanding notional amount of all Senior Swap Agreements plus accrued net obligations of the Corporation thereunder), is at least equal to (3) 107.22%, and the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to (3) 96.50%.

Reserve Requirement

The Offered Obligations, together with the Outstanding Prior Series Obligations, will be additionally secured by amounts in the Reserve Subaccount established under the Indenture. Under the Indenture, the Corporation is required to maintain an amount of funds equal to the Reserve Requirement on deposit in the Reserve Subaccount. The Reserve Requirement is an amount equal to the greatest of: (a) two percent (2%) of the Outstanding principal amount of Prior Series Obligations plus one percent (1%) of the Outstanding principal amount of all other Outstanding Obligations, including, upon their issuance, the Offered Obligations; (b) $500,000; or (c) such greater amount as shall be specified in a Series Supplement.

Swap Agreements

Under the Indenture, the Corporation has the ability to enter into one or more Interest Rate Swap Agreements (each a "Swap Agreement") with one or more Swap Counterparties. If the Corporation enters into such an agreement with a Swap Counterparty, such Swap Counterparty will agree to pay the Trustee on each date on which a Corporation Swap Payment is due, a fixed or variable swap rate on the principal amount, or part thereof, of all or a portion of the Outstanding Obligations to which the Swap Agreement relates; and the Corporation will agree to pay on each date on which such a payment is due, by causing the Trustee to pay to the Swap Counterparty, a fixed or variable swap rate. The Corporation expects that any such Swap Agreement will provide that the payment obligations of the Corporation and a Swap Counterparty to each other will be netted on each date on which such a payment is due, and only one payment will be made by one party to the other. Any payment from a Swap Counterparty to the Trustee under a Swap Agreement will be deposited to the Trust Estate. At such times that the swap rate being paid by the Swap Counterparty is greater than the swap rate being paid by the Corporation, the Trustee's ability to make principal and interest payments on the Obligations may be affected by the Swap Counterparty's ability to meet its net payment obligations to the Trustee. See "RISK FACTORS." The Indenture requires that no Series Supplement shall authorize the execution of a Swap Agreement unless, as of the date the Corporation enters into such Swap Agreement, either the Swap Counterparty or the party executing a Swap Counterparty Guarantee has outstanding obligations rated by each Rating Agency not lower than its third highest Specific Rating Category (or each Rating Agency has a comparable other rating with respect to such Swap

Counterparty or party executing a Swap Counterparty Guarantee, such as a comparable rating of claims paying ability or deposits), and no such Swap Agreement shall be executed unless the Trustee shall have received written confirmation from each Rating Agency that the execution and delivery of such Swap Agreement will not result in the reduction or withdrawal of any rating or ratings then applicable to any of the Obligations.

The Corporation will not be entering into a Swap Agreement in connection with the issuance and sale of the Offered Obligations. The Corporation could enter into one or more Swap Agreements in the future.

Issuance of Additional Series of Obligations

The Indenture allows the issuance pursuant to Series Supplements of Additional Obligations from time to time secured by a lien either: (a) on a parity with the lien granted in favor of the owners of the Senior Obligations and any other Senior Beneficiaries; (b) subordinate to the lien granted in favor of the owners of the Senior Obligations and any other Senior Beneficiaries, and on a parity with the lien granted in favor of the owners of the Subordinate Obligations and other Subordinate Beneficiaries; or (c) subordinate to the lien granted in favor of the owners of the Subordinate Obligations and other Subordinate Beneficiaries. See APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." Under the Indenture, the Corporation does not have the right to issue Additional Obligations, notes, bonds or other obligations which constitute or create a lien on the Trust Estate senior to the lien granted in favor of the owners of the Senior Obligations.

RISK FACTORS

Payment by the Corporation of principal of and interest on the Offered Obligations is subject to certain risks. Particular attention should be given to the factors described below, which, among others, could materially and adversely affect the payment by the Corporation of Debt Service on the Offered Obligations, and which could also materially and adversely affect the market price of the Offered Obligations to an extent that cannot be determined. This section of this Official Statement does not include all risks to which such repayment by the Corporation is subject, but is an attempt to summarize certain of such risks. Each prospective purchaser of any of the Offered Obligations should read this Official Statement in its entirety. For a description of the Corporation's principal assumptions used in the preparation of its cash flow projections for the Offered Obligations and payment dates of the Offered Obligations and other investment considerations, see APPENDIX F -- "CASH FLOW ASSUMPTIONS AND OTHER CONSIDERATIONS."

(i) **Noncompliance with Higher Education Act.** The Higher Education Act and the applicable regulations require that lenders making Student Loans, guarantee agencies guaranteeing Student Loans and lenders and third party servicers servicing Student Loans follow certain specified procedures in an effort to ensure that Student Loans are properly made and disbursed to, and timely repaid by, the borrowers. Such procedures include, but are not limited to, due diligence procedures, to ensure among other things that (a) Guaranteed Loans are properly made and disbursed to or for the benefit of and repaid by eligible borrowers, (b) applicable origination, guarantee and other fees are properly paid, (c) claims for applicable Interest Subsidy Payments and Special Allowance Payments are properly made and (d) default claims to Guarantors or the Secretary, as applicable, are properly made. The procedures to make, guarantee and service Student Loans are specifically set forth in Part 682 of Title 34 of the Code of Federal Regulations and no attempt has been made in this Official Statement to completely describe those procedures. Generally, however, those procedures require lenders to process completed loan applications, determine whether an applicant is an eligible borrower under the Higher Education Act, determine the loan amount, explain to each borrower his/her responsibilities under the loan, have each borrower execute a promissory note, and finally disburse the loan proceeds. Once a borrower becomes delinquent in repaying a loan, a holder (i.e., the Corporation as owner of the loan) must perform certain collection procedures (primarily telephone calls and demand letters) which vary depending upon the length of time a loan is delinquent. The Corporation fully intends to comply or cause the Servicers to comply with all requirements of the Higher Education Act with respect to such matters. However, there can be no assurance that failures or delays in compliance with the requirements of the Higher Education Act with respect to Guaranteed Loans in the Trust Estate will not occur or that the revenues to be derived with respect to the Trust Estate will be sufficient to pay the principal of and interest on the Offered Obligations, as and when due.

The procedures referred to in the preceding paragraph following disbursement of a Student Loan are generally performed for the Corporation by the Servicers, as third party servicers. Effective July 1, 1994, the Secretary of the Department of Education adopted regulations amending the Student Assistance General Provisions and the Federal Family Education Loan Program ("FFELP") regulations, affecting third-party servicers. These regulations, among other things, establish requirements governing contracts between institutions and third party servicers, strengthen sanctions against institutions for violations of the program requirements of the Higher Education Act, establish similar sanctions for third party servicers and establish standards of administrative and financial responsibility for third party servicers that administer any aspect of a guarantee agency's or lender's participation in the FFELP. Under these regulations, a third-party servicer is jointly and severally liable with its client lenders for liabilities to the Secretary arising from the servicer's violation of applicable requirements. In addition, if a servicer fails to meet standards of financial responsibility or administrative capability included in the new regulations, or violates other FFELP requirements, the new regulations authorize the Secretary to fine the servicer and/or limit, suspend or terminate the servicer's eligibility to contract to service FFELP loans. The effect of such a limitation or termination on the servicer's eligibility to service loans already on the servicer's loan servicing system or new loans under existing contracts is unclear. There can be no assurance that a servicer will not be held liable by the Secretary for liabilities arising out of its FFELP activities for the Corporation or other client lenders or that its eligibility will not be limited, suspended or terminated in the future.

Failure to follow applicable procedures and meet applicable standards may result in loss of Special Allowance and Interest Subsidy Payments or in the Secretary's refusal to make reinsurance payments to a Guarantor on such loans or in a Guarantor's refusal to honor its guarantee on such loans to the Trustee. Failure of Guarantors to receive reinsurance payments from the Secretary could adversely affect their ability to honor guarantee claims made by the Trustee, and loss of Special Allowance and Interest Subsidy Payments or guarantee payments to the Trustee could adversely affect the ability to pay principal of and interest on the Offered Obligations. Under certain circumstances, the Corporation has the right to resell an Eligible Loan proven defective to the Lender, including the Foundation, which sold such Eligible Loan to the Corporation. Under certain circumstances, the Corporation also has the right to recover any lost Special Allowance and Interest Subsidy Payments or guarantee payments with respect to an Eligible Loan from a Servicer which failed to properly service such Eligible Loan. See "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM -- Student Loan Purchase Agreements" and "Servicing and Due Diligence" and "THE CORPORATION -- General Information Regarding the Foundation." However, there is no guarantee a Lender, including the Foundation, or a Servicer will be able to pay for such losses.

(ii) **Actual Cash Flow Results May Be Materially and Adversely Different; Inability of Trustee to Liquidate Trust Estate.** Actual receipt of revenues or actual expenditure results may vary greatly from the initial Cash Flow Projection which under certain circumstances may result in the inability of the Corporation to pay principal of and interest on the Offered Obligations when due. Future events over which the Corporation has no control may adversely affect the Corporation's actual receipt of revenues under the Indenture. For example, the rates of return on a Corporation's Pledged Eligible Loans are tied primarily to rates such as the 91-day Treasury bill and the 90-day financial commercial paper rate, which may diverge from Auction Period Rates determined under the Auction Procedures to an extent that would materially adversely affect the assets of the Trust Estate.

Delay in the receipt of principal of and interest on Pledged Eligible Loans may adversely affect payment of the principal of and interest on the Offered Obligations when due. Principal of and interest on Pledged Eligible Loans may be delayed due to numerous factors, including, without limitation: (a) borrowers entering deferment periods due to a return to school or other eligible purposes for periods longer than assumed; (b) forbearance being granted to borrowers for periods longer than assumed; (c) Pledged Eligible Loans becoming delinquent in greater amounts and/or for periods longer than assumed; (d) actual principal amortization periods of the Pledged Eligible Loans which are longer than those assumed; and (e) the commencement of principal repayment by borrowers at dates later than those assumed.

If such failure to pay principal of and interest on the Offered Obligations authorizes the Trustee to declare an Event of Default and if the Trustee accelerates the payment of the Offered Obligations and the other Outstanding Obligations and attempts to sell the Pledged Eligible Loans and all other assets of the Trust Estate, it may be difficult to find a purchaser in a timely manner, if at all, and it may be necessary to sell the Pledged Eligible Loans below their fair market value. Even if it is possible to sell the Pledged Eligible Loans at their fair market

value, there is no assurance that receipts from such sale will be sufficient to pay all principal of and accrued interest on the Offered Obligations.

(iii) **Prepayment of Pledged Eligible Loans**. Pledged Eligible Loans which have been acquired at prices in excess of the principal balance thereof may be prepaid by borrowers, at par, at any time. (For this purpose the term "prepayments" includes prepayments in full or in part (including pursuant to the FFELP Consolidation Loan Program and the Federal Direct Consolidation Loan Program) and liquidations due to default (including receipt of payments under the Guarantee Program). The rate of prepayments on the Pledged Eligible Loans may be influenced by a variety of economic, social and other factors affecting borrowers, including interest rates, the availability of alternative financing, including, without limitation, the Federal Direct Consolidation Loan Program and the general job market for graduates of institutions of higher education. The volume of Pledged Eligible Loans that may be consolidated through the FFELP Consolidation Loan Program or the Federal Direct Consolidation Loan Program or that may be purchased or repurchased from the Trust Estate is not determinable. In addition, as a result of breaches of representations, warranties or covenants in agreements with the Corporation, under certain circumstances a seller of a Student Loan or a Servicer thereof may be obligated to purchase (or repurchase) from the Trust Estate at a price of par a Pledged Eligible Loan which may have been acquired at a price in excess of the principal amount thereof.

(iv) **Changes to and Reauthorization of the Higher Education Act.** In past years federally enacted legislation has made substantial changes to the current guaranteed education loan programs under the Higher Education Act. Among other things, such legislation has established a Federal Direct Student Loan Program and amended the Higher Education Act in ways which affect existing programs, such as adjustments to the level of guarantee payments from time-to-time. For a summary of certain provisions of the Higher Education Act, see APPENDIX C -- "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Since its original enactment in 1965, the Higher Education Act has been significantly amended and/or reauthorized several times, including in 1986, 1990, 1992, 1993, 1996, 1997, 1998, 1999, 2001, 2002, 2003, 2004 and 2006. The Higher Education Act is currently subject to reauthorization. During the reauthorization process, which is ongoing, proposed amendments to the Higher Education Act are commonplace. As part of that process, the Third Higher Education Extension Act of 2006 temporarily extended programs under the Higher Education Act (other than FFELP) through June 30, 2007. The Higher Education Reconciliation Act of 2005 ("HERA") signed into law by President Bush on February 8, 2006, extended authorization for the FFELP through September 30, 2012 and made numerous changes to the program.

President Bush's recent Fiscal Year 2008 Budget proposed significant cuts to the Federal Family Education Loan Program. The budget proposal included, among other things, a 50 basis point reduction in special allowance payments to lenders on all new FFELP Loans, a reduction in default claim payments made by guaranty agencies to lenders on new FFELP Loans from 97% to 95%, and a reduction in default claim payments on defaulted FFELP Loans serviced by "Exceptional Performers" from 99% to 97%. On May 16, 2007, the Senate and the House reached an agreement on the budget plan for Fiscal Year 2008. The FY 2008 Budget Conference Agreement rejects the President's proposed cuts to education, but includes a reconciliation instruction for higher education that requires $750 million in deficit reduction. It is expected that the reconciliation process will result in substantial reductions in the special allowance payments and/or guaranty percentage on loans made thereafter compared to current law.

H.R. 2669 (the "College Cost Reduction Act of 2007"), introduced on June 12, 2007 and approved by the House Education and Labor Committee on June 13, 2007, would make several major changes to existing law. Among other things, H.R. 2669 would reduce interest rates by half (from 6.8% to 3.4%) on subsidized Stafford Loans over the course of a 5-year period beginning July 1, 2008; increase loan limits for undergraduate students in or above their third year of study from $5,500 to $7,500; increase aggregate loan limits for undergraduates from $23,000 to $30,500 and for graduate and professional students from $65,500 to $73,000. Several cost cutting measures are also proposed in the bill: exceptional performer status would be eliminated; lender insurance would be reduced from 97% to 95%; Special Allowance Payments to lenders would be reduced (calculated using the 90-day CP rate plus 1.79% for Stafford and PLUS Loans, or 1.19% during in-school and grace periods, and 90-day CP rate plus 2.09% for Consolidation Loans); guaranty agency retention rates on collections of defaulted loans would reduced from 23% to 16%; and the lender-paid origination fee would be increased to 1.0%. H.R. 2669 would also require the Department of Education and the Treasury Department to jointly form a planning study to examine and

test the concept of using an auction-based system to originate loans and a market-based approach to establishing the rate of return of government paid subsidies under the FFELP. Various changes pertaining to repayment are also included in the bill: loan forgiveness is authorized for several types of borrowers working in areas of national need, loan forgiveness is authorized for public sector employees who make 120 payments over a 10-year period under the income sensitive repayment plan, and borrowers facing partial financial hardship can elect to limit annual repayments on their Stafford Loans to 15% of discretionary income. The effective date for most of these amendments is October 1, 2007.

On June 20, 2007, the Senate Committee on Health, Education, Labor and Pensions (HELP) approved by a vote of 20-0, the Higher Education Access Act of 2007, which would make numerous amendments to the Higher Education Act. Among the measures included in the proposed bill are provisions that would reduce special allowance payments to lenders (for loans held by for-profit lenders, calculated using the 90-day CP rate plus 1.84% for Stafford and PLUS Loans, or 1.24% during in-school and grace periods, and 90-day CP rate plus 2.14% for Consolidation Loans) (for loans held by not-for profit lenders, CP rate plus 1.99% for Stafford and PLUS Loans, or 1.39% during in-school and grace periods, and 90-day CP rate plus 2.29% for Consolidation Loans), eliminate the current 99% insurance rate for lenders with exceptional performer status but maintain the current 97% insurance rate for all other FFELP lenders, and extend the amount of time a borrower can receive deferment for economic hardship to 6 years. Other provisions in the proposed reconciliation bill, similar to proposals in H.R. 2669, include an increase in the lender-paid origination fee to 1.0%, a reduction in guaranty agency retention rates on collections of defaulted loans from 23% to 16%, authority for borrowers to elect to limit monthly loan payments (except for PLUS Loans) to an amount not to exceed 15% of discretionary income, and authority for loan forgiveness for all FFELP loans (excluding PLUS Loans) after 25 years for borrowers who elected income-based repayment and who obtained their first loan before October 1, 2012. The draft reconciliation bill also calls for a competitive loan auction program for PLUS Loans.

The Senate HELP Committee also approved the Higher Education Amendments of 2007 (S. 1642), by a vote of 17-3, on June 20, 2007. This bill would reauthorize the Higher Education Act and make several significant changes to the FFELP program. The bill includes provisions that would, among other things, clarify and augment current prohibitions of lenders and guarantors offering inducements to secure loan applicants or loan guarantees; prohibit lenders and guarantors from sending unsolicited loan applications by mail or email to any student with whom they do not already have a relationship; phase-out school-as-lender and related programs effective June 30, 2012; and increase the lender-paid origination fee to 1.0% on consolidation loans made on or after July 1, 2007. Also included are provisions that would prohibit revenue-sharing between lenders and schools on alternative education loans, prohibit school financial aid officials from accepting gifts or trips from lenders, entering into consulting arrangements with lenders, or accepting compensation from lenders for serving on advisory boards, and impose significant restrictions on schools using preferred lenders lists, among other things.

H.R. 890 (S. 486 in the Senate), the Student Loan Sunshine Act, introduced on February 7, 2007 and passed by the House of Representatives on May 10, 2007, would, among other things, require lenders and schools to submit annual reports to the Department of Education regarding their loan arrangements with each other, require schools to inform borrowers of the reasons the institution has selected particular lenders to recommend and of the borrower's right to select any lender they choose, require schools that maintain a preferred lending list to include not less than three (3) unaffiliated lenders on such list, require schools to inform students of their loan options under Title IV before recommending a lender for private loans, require schools to develop and publish a code of conduct prohibiting conflicts of interest and appearances of conflicts of interest on the part of the school's employees and agents with respect to financial aid, prohibit lenders from offering gifts to school officials, and prohibit schools from receiving anything of value (with certain exceptions) in connection with an arrangement with a lender under which the school recommends the lender to prospective borrowers for FFELP or private loans.

There can be no assurance that the Higher Education Act, or other relevant law, will not be further amended or modified (including H.R.5/S. 282 and H.R.890/S. 486) in the future in a manner that could adversely impact the Corporation's student loan program.

(v) **Financial Status of Guarantors**. In the event the financial status of any Guarantor and its ability to honor guarantee claims were to deteriorate over time, such event may result in an inability to make guarantee payments to the Corporation. One of the primary reasons for a possible deterioration in a Guarantor's

financial status is related to the amount and percentage of loans guaranteed by a Guarantor which were made to students attending proprietary or trade schools. Historically, proprietary school loans have defaulted at rates much higher than loans made to students or parents of students attending four year schools or two year schools.

As described under the caption "THE GUARANTORS AND THE GUARANTEED STUDENT LOAN PROGRAM," the percentage of federal reimbursement to a Guarantor of Eligible Loans is based upon the amount of federal reimbursement payments made to such a Guarantor as a percentage of the principal amount of such Guarantor's guaranteed loans in repayment at the end of the preceding fiscal year. Default claims above specified percentile levels, as calculated annually, result in a reduction in the amount of federal reimbursement paid by the Department of Education to a Guarantor. A reduction in reimbursements resulting from default rates could thus financially weaken the Guarantor and cause the Guarantor's reserve fund to fall below levels necessary in order to pay claims submitted by lenders. Under the 1992 Reauthorization to the Higher Education Act, the Secretary is required to collect annually information from each Guarantor to determine the Guarantor's solvency. If the Guarantor fails to meet the requirements of the 1992 Reauthorization, the Secretary may terminate the Guarantor's reinsurance contract with the Secretary and, among other things, permit the transfer of its guarantees to another Guarantor or to the Secretary for the payment by the Secretary of any claims with respect thereto. If the Secretary has determined that a Guarantor is unable to meet its guaranty obligations, the holder of loans guaranteed by the Guarantor may submit claims directly to the Secretary and the Secretary will pay to the holder the full guaranty obligation of the Guarantor, in accordance with requirements no more stringent than those of the Guarantor. Such arrangements will continue until the Secretary is satisfied that the guaranty obligations have been transferred to another Guarantor who can meet those obligations or a successor will assume the outstanding guaranty obligations. There can be no assurance, however, that the Secretary will ever make such a determination or will do so in a timely manner. The Secretary is also authorized, on terms and conditions satisfactory to the Secretary, to make advances to a Guarantor in order to assist the Guarantor in meeting its immediate cash needs and to ensure uninterrupted payment of default claims. See APPENDIX C -- "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

The 1998 Reauthorization to the Higher Education Act contained certain amendments affecting Guarantors, such as reducing the reinsurance rates from the Secretary for Eligible Loans disbursed on or after October 1, 1998 and reducing the default collection retention rate. The Secretary was also given authority to recover and restrict the use of Guarantor reserve funds under certain circumstances. See "THE GUARANTORS AND THE GUARANTEED STUDENT LOAN PROGRAM" and APPENDIX C -- "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

(vi) **Financial Status of Any Swap Counterparty Provider or a Swap Counterparty Guarantee**. While the Corporation will not be entering into a Swap Agreement in connection with the issuance and sale of the Offered Obligations, it could do so in the future. Whenever a Swap Agreement is executed, at such times that the interest rate being paid by a Swap Counterparty is greater than the interest rate being paid by the Corporation, the Trustee's ability to make principal and interest payments on the Offered Obligations may be affected by such Swap Counterparty's ability or the ability of any provider of a Swap Counterparty Guarantee to meet its net payment obligation to the Trustee.

(vii) **Risks Associated with Auction Rate Securities.** An Existing Owner may not be able to sell some or all of its Auction Rate Tax-Exempt Bonds at an Auction if the Auction fails; that is, if there are more Auction Rate Tax-Exempt Bonds offered for sale than there are buyers for those Auction Rate Tax-Exempt Bonds. Also, if an Existing Owner places hold orders (orders to retain Auction Rate Tax-Exempt Bonds) at an Auction only at a specified rate, and that specified rate exceeds the rate set at the Auction, that Owner will not retain that Owner's Auction Rate Tax-Exempt Bonds. If an Existing Owner submits a hold order for Auction Rate Tax-Exempt Bonds without specifying a minimum rate, and the Auction sets a below-market rate, the Existing Owner may receive a below-market rate of return on that Owner's Auction Rate Tax-Exempt Bonds. See APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS." See also, "CERTAIN CONSIDERATIONS RELATING TO AUCTION RATE SECURITIES."

(viii) **Certain Factors Relating to Security.** The Indenture provides that the revenues and other moneys, Pledged Eligible Loans, securities, evidences of indebtedness, interests, rights and properties pledged under it are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto

prior to, of equal rank with or subordinate to the pledge created by the Indenture, except as otherwise expressly provided therein. The Corporation acquires Eligible Loans by financing the purchase and consolidation of Eligible Loans. With respect to Eligible Loans acquired by purchase, the Corporation customarily obtains representations and warranties from the sellers as to several matters, including that the Eligible Loans were originated in accordance with the Higher Education Act, that the loans will be transferred to the Corporation free of any lien and that all filings (including UCC filings) necessary in any jurisdiction to give the Trustee on behalf of a Corporation a first perfected security interest in the Eligible Loans have been made. Notwithstanding the foregoing, under applicable law, security interests in such Eligible Loans may exist. Therefore, no absolute assurance can be given that liens other than the lien of the Indenture do not and will not exist. In addition, notwithstanding any representations and warranties which may be made by a seller of Eligible Loans, no assurance can be given that such seller would, or would be financially able to, honor any repurchase obligation or to pay any damages resulting from any legal action brought by the Corporation against such seller.

(ix) **General Economic Conditions**. Certain general economic conditions such as a downturn in the economy resulting in increasing unemployment either regionally or nationally may result in an increase in defaults by borrowers in repaying Eligible Loans, thus causing increased default claims to be paid by Guarantors. It is impossible to predict the status of the economy or unemployment levels or at which point a downturn in the economy would impair a Guarantor's ability to pay default claims. General economic conditions may also be affected by other events, including the prospect of increased hostilities abroad. Certain such events may have other effects, the impacts of which are difficult to project. See "THE GUARANTORS AND THE GUARANTEED STUDENT LOAN PROGRAM."

Servicemembers Civil Relief Act. The Servicemembers Civil Relief Act (the "Relief Act"), signed into law by the President on December 19, 2003, updates and replaces the Soldiers' and Sailors' Civil Relief Act of 1940. The Relief Act provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their student loans; it also covers National Guardsmen called to active duty. The Relief Act limits the ability of a lender of student loans 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 Secretary has issued guidelines that extend the in-school status, in-school deferment status, grace period status or forbearance status of certain borrowers ordered to active duty. Further, if a borrower is in default under a federally guaranteed student loan, the applicable Guarantor must, upon being notified that the borrower has been called to active duty and during certain time periods designated by the Secretary, cease all collection activities for the expected period of the borrower's military service.

The number and aggregate principal balance of Eligible Loans that have been or may be affected by the application of the Relief Act and the Secretary's guidelines is not known as this time.

Higher Education Relief Opportunities for Students Act of 2003. The Higher Education Relief Opportunities for Students Act of 2003 (The "2003 HEROES Act") authorizes the Secretary, during the period initially ending September 30, 2005, but extended until September 30, 2007 by P.L. 109-78, 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 to ensure that student loan borrowers who (i) are serving on active military 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 official to be a disaster area in connection with a national emergency, or (iii) suffered economic hardship as a result of war or other military operation or national emergency, as determined by the Secretary, are not placed in a worse financial position in relation to that assistance, to ensure that administrative requirements in relation to that assistance are minimized, to ensure that the calculation of the amount a student is required to return may be modified so that no overpayment will be required to be returned or repaid if the institution has documented (1) the student's status as an affected individual in the student's file, and (2) the amount of any overpayment discharged, to ensure that calculations used to determine need for such assistance accurately reflect the financial condition of such individuals, to provide for amended calculations of overpayment, and to ensure that institutions of higher education, Eligible Lenders, guarantee agencies and other entities participating in such student financial aid programs that are located in, or whose operations are significantly 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 Secretary was given this same authority under Public Law 107-122, signed by the President on January 15, 2001.

The number and aggregate principal balance of Loans in the Corporation's student loan program that may be affected by the application of the 2003 HEROES Act is not known at this time. Accordingly, payments received by the Corporation on such 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 relief under the 2003 HEROES Act, there could be an adverse effect on the total collections on the Loans in the Corporation's student loan program and the ability of the Corporation to pay debt service on the Obligations.

(x) **Enforceability of Remedies**. The remedies available to the Trustee, the Corporation or Holders upon an Event of Default under the Indenture are in many respects dependent upon 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 federal bankruptcy code), the remedies provided in the Indenture may not be readily available or may be limited. The various legal opinions delivered concurrently with the delivery of the Offered Obligations are 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.

(xi) **Consolidation of Federal Benefit Billing and Receipts and Guarantor Claims with Other Trust Estates and an Eligible Lender Loan Holder's Own Loans**. The Trustee, to the extent that it holds legal title to Eligible Loans on behalf of the Corporation, and any other party, to the extent that it may in the future hold legal title to Eligible Loans on behalf of the Corporation (individually and collectively in such a capacity, the "Eligible Lender Loan Holder"), currently are required to use the same Department of Education lender identification number for the Trust Estate and trust estates for other obligations of the Corporation. In the future, the Eligible Lender Loan Holder may also utilize, for its own lending operations, or for student loan trust estates of other entities like the Corporation, the Department of Education lender identification number that it uses for Pledged Eligible Loans held in the Trust Estate. Billings submitted to the Department of Education for Interest Subsidy and Special Allowance Payments on Pledged Eligible Loans will be consolidated with billings for such payments for all student loans using the same lender identification number, including student loans which are not in the Trust Estate. Payments on such billings will be made by the Department of Education in lump sum form. Such lump sum payments will then be allocated by the Eligible Lender Loan Holder among the various student loans using the same lender identification number.

In addition, the sharing of the lender identification number by the Trust Estate with student loans not in the Trust Estate will result in the receipt of claim payments from the guarantors in lump sum form. Such payments will be allocated by the Eligible Lender Loan Holder among the student loans in a manner similar to the allocation process for Interest Subsidy and Special Allowance Payments.

The Department of Education regards the Eligible Lender Loan Holder as the party primarily responsible to the Department of Education for any liabilities owed to the Department of Education or the Guarantors resulting from the Eligible Lender Loan Holder's activities in the FFELP. As a result, if the Department of Education or a Guarantor were to determine that the Eligible Lender Loan Holder owes a liability to the Department of Education or such Guarantor on any student loan using the shared lender identification number, the Department of Education or such Guarantor would be likely to collect that liability by offset against amounts due the Eligible Lender Loan Holder under the shared lender identification number, including amounts owed in connection with the Trust Estate.

In addition, in a given calendar quarter, the Eligible Lender Loan Holder may incur consolidation origination fees with respect to student loans sharing a lender identification number with the Pledged Eligible Loans in the Trust Estate that exceed the Interest Subsidy and Special Allowance Payments payable by the Department of Education with respect to such student loans which are not Pledged Eligible Loans in the Trust Estate. This could result in the consolidated payment from the Department of Education received by the Eligible Lender Loan Holder under such lender identification number for the quarter equaling an amount that is less than the amount owed by the Department of Education on the Pledged Eligible Loans in the Trust Estate for that quarter.

(xii) **The Offered Obligations Are Subject to Mandatory Redemption to the Extent that Balances in the Acquisition Account Are Not Expended to Acquire Eligible Loans; Redemption of the Offered Obligations Upon Termination of Recycling.** The Corporation expects that the moneys credited to the Original Proceeds Subaccount upon and in connection with the issuance of the Offered Obligations will be used to acquire Eligible Loans. In the event that the Corporation does not acquire certain volumes of Eligible Loans by certain specified dates, the Indenture requires that certain excess or remaining moneys not so used by such dates must be transferred to the Redemption Subaccount on a specified date unless the Corporation shall have delivered to the Trustee one or more Corporation Orders which satisfy certain other conditions in the Indenture applicable to such Corporation Orders specifying a later date for such transfer. See APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Applications of Funds and Accounts --- Acquisition Account."

Any such moneys so transferred will be used, at the direction of the Corporation, to redeem Offered Obligations which would otherwise not have been redeemed or which would have been redeemed at a later date. See "REDEMPTION -- Mandatory Redemption of Offered Obligations from Moneys in the Acquisition Account."

CERTAIN CONSIDERATIONS AFFECTING AUCTION RATE SECURITIES

The following describes certain considerations relating to the Offered Obligations while such Offered Obligations constitute Auction Rate Tax-Exempt Bonds.

Role of Broker-Dealers

Citigroup Global Markets Inc. (with respect to the Series 2007-A-1 Bonds and Series 2007-B-1 Bonds) and Banc of America Securities LLC (with respect to the Series 2007-A-2 Bonds) (collectively, the "Broker-Dealers") have been appointed by the Corporation to serve as a broker-dealer in auctions for their respective Offered Obligations and are paid by the Corporation for such services. The Broker-Dealers have also been appointed by issuers (other than the Corporation) of other various auction rate securities to serve as a broker-dealer in the auctions for those securities and are paid by those issuers for their services. The Broker-Dealers receive broker-dealer fees from the Corporation and such issuers at an agreed-upon annual rate with each Broker-Dealer that is applied to the principal amount of securities sold or successfully placed through the Broker-Dealers in auctions.

The Broker-Dealers are designated in their respective Broker-Dealer Agreements as the Broker-Dealer to contact Existing Owners and Potential Owners and solicit Bids for the Auction Rate Tax-Exempt Bonds. Each Broker-Dealer will receive Broker-Dealer Fees from the Corporation with respect to Auction Rate Tax-Exempt Bonds sold or successfully placed through it in Auctions. The Broker-Dealer may share a portion of such fees with other dealers that submit Orders through it that are filled in the Auction.

Bidding by Broker-Dealers

Each Broker-Dealer is permitted, but not obligated, to submit Orders in Auctions for the Auction Rate Tax-Exempt Bonds for its own account either as a buyer or seller and routinely does so in the auction rate securities market in its sole discretion. If the Broker-Dealer submits an Order for its own account, it would have an advantage over other Bidders because the Broker-Dealer would have knowledge of the other Orders placed through it in that Auction for the Auction Rate Tax-Exempt Bonds and thus, could determine the rate and size of its Order so as to increase the likelihood that (i) its Order for the Auction Rate Tax-Exempt Bonds will be accepted in the Auction and (ii) the Auction for the Auction Rate Tax-Exempt Bonds will clear at a particular rate. For this reason, and because each Broker-Dealer is appointed and paid by the Corporation to serve as a Broker-Dealer in the Auction for the Auction Rate Tax-Exempt Bonds, the Broker-Dealer's interests in serving as a Broker-Dealer in an Auction for the Auction Rate Tax-Exempt Bonds may differ from those of Existing Owners and Potential Owners who participate in Auctions for the Auction Rate Tax-Exempt Bonds. See "Role of Broker-Dealer" above. A Broker-Dealer would not have knowledge of Orders submitted to the Auction Agent by any other firm that is, or may in the future be, appointed to accept Orders pursuant to a Broker-Dealer Agreement.

Where a Broker-Dealer is the only Broker-Dealer appointed by an issuer to serve as a Broker-Dealer in an Auction for a Series of the Auction Rate Tax-Exempt Bonds, it would be the only Broker-Dealer that submits Orders to the Auction Agent in that Auction for that Series of Auction Rate Tax-Exempt Bonds. As a result, in such circumstances, the Broker-Dealer may discern the clearing rate before the Orders are submitted to the Auction Agent and set the clearing rate with its Order. Initially, there will be only one Broker-Dealer appointed by the Corporation to serve as a Broker-Dealer for each Series of the Offered Obligations, and at the present time the Corporation has no expectation that one or more additional Broker-Dealers will be appointed for any Series.

Each Broker-Dealer routinely places bids in auctions generally for its own account to acquire Auction Rate Tax-Exempt Bonds for its inventory, to prevent an "Auction Failure" (which occurs if there is a lack of sufficient clearing bids, other than because all of the Auction Rate Tax-Exempt Bonds subject to the Auction are subject to Submitted Hold Orders, and results in the Auction Period Rate being set at the Maximum Rate) or to prevent an auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for such Auction Rate Tax-Exempt Bonds. A Broker-Dealer may place one or more Bids in an Auction for Auction Rate Tax-Exempt Bonds for its own account to acquire the Auction Rate Tax-Exempt Bonds subject to such Auction for its inventory, to prevent an Auction Failure or to prevent Auctions from clearing at a rate that the Broker-Dealer believes does not reflect the market for the Auction Rate Tax-Exempt Bonds. A Broker-Dealer may place such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. When Bidding in an Auction for its own account, the Broker-Dealer also may Bid inside or outside the range of rates that it posts in its Price Talk. See "Price Talk" below.

A Broker-Dealer routinely encourages bidding by others in auctions generally for which it serves as broker-dealer. A Broker-Dealer also may encourage Bidding by others in Auctions for the Auction Rate Tax-Exempt Bonds, including to prevent an Auction Failure or to prevent an Auction for the Auction Rate Tax-Exempt Bonds from clearing at a rate that the Broker-Dealer believes does not reflect the market for the Auction Rate Tax-Exempt Bonds. A Broker-Dealer may encourage such Bids even after obtaining knowledge of some or all of the other Orders submitted through it.

Bids by a Broker-Dealer or by those it may encourage to place Bids are likely to affect (i) the Auction Period Rate — including preventing the Auction Period Rate from being set at the Maximum Rate or otherwise causing Bidders to receive a lower rate than they might have received had the Broker-Dealer not Bid or not encouraged others to Bid and (ii) the allocation of the Auction Rate Tax-Exempt Bonds being auctioned — including displacing some Bidders who may have their Bids rejected or receive fewer Auction Rate Tax-Exempt Bonds than they would have received if the Broker-Dealer had not Bid or encouraged others to Bid. Because of these practices, the fact that an Auction clears successfully does not mean that an investment in the Auction Rate Tax-Exempt Bonds subject to such Auction involves no significant liquidity or credit risk. A Broker-Dealer is not obligated to continue to place such Bids or to continue to encourage other Bidders to do so in any particular Auction to prevent an Auction Failure or an Auction from clearing at a rate the Broker-Dealer believes does not reflect the market for the Auction Rate Tax-Exempt Bonds. Investors should not assume that the Broker-Dealer will place Bids or encourage others to do so or that Auction Failures will not occur. Investors should also be aware that Bids by a Broker-Dealer or by those it may encourage to place Bids may cause lower Auction Period Rates to occur.

The statements herein regarding Bidding by a Broker-Dealer apply only to a Broker-Dealer's auction desk and any other business units of the Broker-Dealer that are not separated from the auction desk by an information barrier designed to limit inappropriate dissemination of bidding information.

In any particular Auction for the Auction Rate Tax-Exempt Bonds, if all outstanding Auction Rate Tax-Exempt Bonds are the subject of Submitted Hold Orders, the Auction Period Rate for the next succeeding Auction Period will be the All Hold Rate (such a situation is called an "All Hold Auction"). If a Broker-Dealer holds any Auction Rate Tax-Exempt Bonds for its own account on an Auction Date, it is the Broker-Dealer's practice to submit a Sell Order into the Auction with respect to such Auction Rate Tax-Exempt Bonds, which would prevent that Auction for the Auction Rate Tax-Exempt Bonds from being an All Hold Auction. A Broker-Dealer may, but is not obligated to, submit Bids for its own account in that same Auction for the Auction Rate Tax-Exempt Bonds, as set forth above.

Price Talk

Before the start of an Auction for the Auction Rate Tax-Exempt Bonds, a Broker-Dealer, in its discretion, may make available to its customers who are Existing Owners and Potential Owners the Broker-Dealer's good faith judgment of the range of likely clearing rates for the Auction for the Auction Rate Tax-Exempt Bonds based on market and other information. This is known as "Price Talk." Price Talk is not a guaranty that the Auction Period Rate established through the Auction for the Auction Rate Tax-Exempt Bonds will be within the Price Talk, and Existing Owners and Potential Owners are free to use it or ignore it. A Broker-Dealer occasionally may update and change the Price Talk based on changes in an issuer's or guarantor's credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. Potential Owners should confirm with the Broker-Dealer the manner by which the Broker-Dealer will communicate Price Talk and any changes to Price Talk.

"All-or-Nothing" Bids

A Broker-Dealer will not accept "all-or-nothing" Bids (i.e., Bids whereby the Bidder proposes to reject an allocation smaller than the entire quantity Bid) or any other type of Bid that allows the Bidder to avoid Auction Procedures that require the pro rata allocation of Auction Rate Tax-Exempt Bonds where there are not sufficient Sell Orders to fill all Bids at the Winning Bid Rate.

No Assurances Regarding Auction Outcomes

The Broker-Dealers provide no assurance as to the outcome of any Auction. The Broker-Dealers also do not provide any assurance that any Bid will be successful, in whole or in part, or that the Auction will clear at a rate that a Bidder considers acceptable. Bids may be only partially filled, or not filled at all, and the Auction Period Rate on any Auction Rate Tax-Exempt Bonds purchased or retained in the Auction for the Auction Rate Tax-Exempt Bonds may be lower than the market rate for similar investments.

A Broker-Dealer will not agree before an Auction to buy Auction Rate Tax-Exempt Bonds from or sell Auction Rate Tax-Exempt Bonds to a customer after the Auction.

Deadlines

Each particular Auction for the Auction Rate Tax-Exempt Bonds has a formal deadline by which all Bids must be submitted by the Broker-Dealers to the Auction Agent. This deadline is called the "Submission Deadline." To provide sufficient time to process and submit customer Bids to the Auction Agent before the Submission Deadline, the Broker-Dealers impose an earlier deadline for all customers — called the "Broker-Dealer Deadline" — by which Bidders must submit Bids to the applicable Broker-Dealer. The Broker-Dealer Deadline is subject to change by a Broker-Dealer. Potential Owners should consult with their Broker-Dealer as to its Broker-Dealer Deadline. A Broker-Dealer may allow for correction of clerical errors after the Broker-Dealer Deadline and prior to the Submission Deadline. A Broker-Dealer may submit Bids for its own account at any time until the Submission Deadline and may change Bids it has submitted for its own account at any time until the Submission Deadline. The Auction Procedures provide that until one hour after the Auction Agent completes the dissemination of the results of an Auction, new Orders can be submitted to the Auction Agent if such Orders were received by the Broker-Dealer or generated by the Broker-Dealer for its own account prior to the Submission Deadline and the failure to submit such Orders prior to the Submission Deadline was the result of force majeure, a technological failure or a clerical error. In addition until one hour after the Auction Agent completes the dissemination of the results of an Auction, a Broker-Dealer may modify or withdraw an Order submitted to the Auction Agent prior to the Submission Deadline if the Broker-Dealer determines that such Order contained a clerical error. In the event of such a submission, modification or withdrawal the Auction Agent will rerun the Auction, if necessary, taking into account such submission, modification or withdrawal.

Existing Owners' Ability to Resell Auction Rate Securities May Be Limited

An Existing Owner may sell, transfer or dispose of an Auction Rate Tax-Exempt Bond (i) in an Auction for the Auction Rate Tax-Exempt Bonds, only pursuant to a Bid or Sell Order in accordance with the Auction Procedures, or (ii) outside an Auction for the Auction Rate Tax-Exempt Bonds, only to or through a Broker-Dealer.

Existing Owners will be able to sell all of the Auction Rate Tax-Exempt Bonds that are the subject of their Submitted Sell Orders only if there are Bidders willing to purchase all Auction Rate Tax-Exempt Bonds at rates not higher than the Maximum Rate in the Auction for the Auction Rate Tax-Exempt Bonds. If Sufficient Clearing Bids have not been made, Existing Owners that have submitted Sell Orders will not be able to sell in the Auction for the Auction Rate Tax-Exempt Bonds all, and may not be able to sell any, of the Auction Rate Tax-Exempt Bonds subject to such Submitted Sell Orders. As discussed above (see "Bidding by Broker-Dealers"), a Broker-Dealer may submit a Bid in an Auction for the Auction Rate Tax-Exempt Bonds to avoid an Auction Failure, but it is not obligated to do so. There may not always be enough Bidders to prevent an Auction Failure in the absence of a Broker-Dealer's Bidding in the Auction for the Auction Rate Tax-Exempt Bonds for its own account or encouraging others to Bid. Therefore, Auction Failures are possible, especially if an issuer's (including the Corporation's) or a guarantor's credit were to deteriorate, if a market disruption were to occur or if, for any reason, the Broker-Dealers were unable or unwilling to Bid.

Between Auctions for the Auction Rate Tax-Exempt Bonds, there can be no assurance that a secondary market for the Auction Rate Tax-Exempt Bonds will develop or, if it does develop, that it will provide Existing Owners the ability to resell the Auction Rate Tax-Exempt Bonds on the terms or at the times desired by an Existing Owner. A Broker-Dealer, in its own discretion, may decide to buy or sell the Auction Rate Tax-Exempt Bonds in the secondary market for its own account from or to investors at any time and at any price, including at prices equivalent to, below, or above par for the Auction Rate Tax-Exempt Bonds. However, a Broker-Dealer is not obligated to make a market in the Auction Rate Tax-Exempt Bonds and may discontinue trading in the Auction Rate Tax-Exempt Bonds without notice for any reason at any time. Existing Owners who resell between Auctions for the Auction Rate Tax-Exempt Bonds may receive an amount less than par, depending on market conditions.

If an Existing Owner purchased a Auction Rate Tax-Exempt Bond through a dealer which is not the Broker-Dealer for the Auction Rate Tax-Exempt Bonds, such Existing Owner's ability to sell its Auction Rate Tax-Exempt Bond may be affected by the continued ability of its dealer to transact trades for the Auction Rate Tax-Exempt Bonds through a Broker-Dealer.

The ability to resell the Auction Rate Tax-Exempt Bonds will depend on various factors affecting the market for the Auction Rate Tax-Exempt Bonds, including news relating to the Corporation or a Guarantor, the attractiveness of alternative investments, investor demand for short term securities, the perceived risk of owning the Auction Rate Tax-Exempt Bonds (whether related to credit, liquidity or any other risk), the tax or accounting treatment accorded the Auction Rate Tax-Exempt Bonds (including U.S. generally accepted accounting principles as they apply to the accounting treatment of auction rate securities), reactions of market participants to regulatory actions (such as those described in "Securities and Exchange Commission Settlements" below) or press reports, financial reporting cycles and market conditions generally. Demand for the Auction Rate Tax-Exempt Bonds may change without warning, and declines in demand may be short-lived or continue for longer periods.

Resignation of the Auction Agent or the Broker-Dealer Could Impact the Ability to Hold Auctions

The Auction Agent Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving not less than ninety (90) days' notice (thirty (30) days' notice if the Auction Agent has not received payment of any Auction Agent Fees due in accordance with the terms of the Auction Agent Agreement) to the Trustee and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if its fee has not been paid. The Broker-Dealer Agreement provides that the Broker-Dealer thereunder may resign upon either five (5) or thirty (30) Business Days' prior notice to the other party and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent or Broker-Dealer, it will not be possible to hold Auctions for the Auction Rate Tax-Exempt Bonds, with the result that the interest rate on the Auction Rate

Tax-Exempt Bonds will be determined as described in paragraph (c) of the subsection *"Determination of Auction Period Rate"* under "Auction Procedures" in Appendix D to this Official Statement.

Securities and Exchange Commission Settlement

On January 9, 2007, the SEC announced that it had settled its investigation of three banks, including Deutsche Bank Trust Company Americas, auction agent for the Offered Obligations, that participate as auction agents in the auction rate securities market (the "Settling Auction Agents"), regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the Settling Auction Agents allowed broker-dealers in auctions to submit bids or revise bids after the submission deadlines and allowed broker-dealers to intervene in auctions in ways that may have affected the rates paid on the auction rate securities. As part of the settlement, the Settling Auction Agents agreed to pay civil penalties. In addition, each Settling Auction Agent, without admitting or denying the SEC's allegations, agreed to provide to broker-dealers and issuers written descriptions of its material auction practices and procedures and to implement procedures reasonably designed to detect and prevent any failures by that Settling Auction Agent to conduct the auction process in accordance with disclosed procedures. The auction procedures summarized in Appendix D hereto constitute a material part of its auction practices and procedures. No assurance can be offered as to how the settlement may affect the market for auction rate securities or the Auction Rate Tax-Exempt Bonds.

THE CORPORATION

Organization and Powers

The Corporation is a Mississippi nonprofit corporation organized under Title 79, Chapter 11, Mississippi Code of 1972, as amended. The Corporation was organized in January, 1980, at the request of the Board of Trustees of State Institutions of Higher Learning of the State and the Post-Secondary Financial Assistance Board of the State, for the exclusive purpose of acquiring Student Loans incurred under the Higher Education Act in accordance with Section 103(e) of the Internal Revenue Code of 1954 (subsequently recodified as Subsection 150(d) of the Internal Revenue Code of 1986, as amended). The requests of such Boards were made on January 17, 1980, and January 18, 1980, respectively. Additionally, the Division of Federal-State-Local Programs within the office of the Governor of the State on July 30, 1981, requested that the Corporation be organized and exercise its powers and confirmed on behalf of the State the requests previously made by the Board of Trustees of State Institutions of Higher Learning and the Post-Secondary Financial Assistance Board. The Corporation is not an agency or instrumentality of the State or any agency or political subdivision thereof.

The Corporation has received Internal Revenue Service ("IRS") determination letters to the effect that it is a tax-exempt organization under Section 501(c)(3) of the Code and that the Corporation is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization of the type described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Code.

The Corporation's First Amended and Restated Articles of Incorporation provide, among other things, that the Corporation is established and shall be operated exclusively for the purpose of acquiring student loan notes and shall devote any income (after payment of expenses, debt service and the creation of reserves for the same) to the purchase of additional student loan notes or such income shall be paid over to the United States. In the event of dissolution of the Corporation, the balance of money and other property received by the Corporation from any source, after payment of the Offered Obligations and all other debts and obligations of the Corporation, shall be paid over to the United States.

The Corporation is not an Eligible Lender under the Higher Education Act except for purposes of Consolidation Loans, and, therefore, the Trustee presently holds and will, in the future, hold, in its name, on behalf of the Corporation, the Eligible Loans to be acquired by the Corporation as authorized by the Higher Education Act.

The Trustee has not entered into a Contract of Insurance with the Secretary of Education because none of the Pledged Eligible Loans will be federally insured Student Loans. The Trustee has been issued an Eligible

Lender identification number by the Secretary of Education to enable it to hold Student Loans as trustee for the Corporation. The Trustee has entered into one or more Guarantee Agreements with one or more Guarantors.

The Foundation was issued an Eligible Lender identification number by the Secretary of Education in 2000. The Foundation has entered into one or more Guarantee Agreements with one or more Guarantors. See "THE GUARANTORS AND THE GUARANTEED STUDENT LOAN PROGRAM."

Officers, Directors and Staff

The following are the officers and directors of the Corporation:

Name and Positions Held	Principal Occupation
Jack L. Woodward Board Chair and Director	Retired Dean of Student Aid Financial Planning, Millsaps College
Alvis T. Hunt Board Vice-Chair and Director	Vice-Chairman Emeritus, Trustmark National Bank
William M. Jones Secretary, Treasurer and Director	Retired Senior Vice President Deposit Guaranty National Bank
J. Herman Hines Director	Retired Chairman and Chief Executive Officer Deposit Guaranty National Bank
Dr. Jayne B. Sargent Director	Retired Superintendent, Jackson Public Schools
Dr. Thomas C. Meredith Director	Commissioner of Higher Education, Mississippi Board of Trustees of State Institutions of Higher Learning
Ronnie G. Smith	Southwest Regional President, Regions Bank
Kenneth L. Smith, Jr. Executive Director	Executive Director of the Foundation

The officers of the Corporation are elected by the Board of Directors. The members of the Board of Directors are elected by the members of the Corporation.

The members of the Corporation consist of: (a) four persons designated by the Board of Trustees of State Institutions of Higher Learning; four persons designated by the State Board for Community and Junior Colleges; two persons designated by the Mississippi Association of Independent Colleges; one person designated by the Student Body President's Council; and four persons designated by the Mississippi Bankers Association; (b) up to ten persons designated by the Board of Directors of the Corporation; and (c) the Commissioner of Higher Education of the State and the director of the Post-Secondary Financial Assistance Board of the State, as ex-officio voting members of the Corporation.

The Executive Director of the Corporation is Kenneth L. Smith, Jr. Mr. Smith has served as Chief Operating Officer responsible for the management of the Corporation since May of 1990. Prior to taking the position of Executive Director, Mr. Smith had served as the Corporation's Director of Finance and Administration since 1987. Prior to joining the Corporation, he served as Vice President of Finance with Prison Fellowship in Washington, D.C., a nonprofit corporation and international Christian ministry to prison inmates and their families from 1980-1986; a partner in a CPA firm in Covington, Louisiana, from 1977-1980; Director of Audit at First Commerce Corporation in New Orleans, Louisiana from 1974-1977; controller of a natural gas and transmission and storage company in New Orleans, Louisiana from 1972-1974; and with a national accounting firm from 1964-1972,

except for a two-year leave for service in the U.S. Army. Mr. Smith holds a B.S. degree in Accounting from Mississippi State University.

The Corporation has no full-time staff members. Education Services Foundation (the "Foundation") began management of the Corporation as of May 1, 1997, pursuant to a management services agreement. For further information about the Foundation's management of the business affairs of the Corporation, see "General Information Regarding the Foundation" immediately below.

General Information Regarding the Foundation

The Foundation was established on March 24, 1995 by persons who were, at the time, serving as the Board of Directors of the Corporation. The Foundation was established under Title 79, Chapter 11, Mississippi Code of 1972, as amended, as a nonprofit corporation to engage in a variety of activities intended to increase the level of appropriate quality education in the State and elsewhere. These activities relate primarily to education finance and to activities designed to increase the knowledge that parents and students have concerning the means necessary to achieve appropriate quality education.

The Foundation has received IRS determination letters to the effect that it is a tax-exempt organization under Section 501(c)(3) of the Code.

The Foundation began management of the Corporation as of May 1, 1997, pursuant to a management services agreement. In addition, the Foundation acquired all or substantially all of the operating assets of the Corporation (not including student loans), pursuant to an asset purchase agreement, dated as of April 11, 1997, for an amount based on their appraised fair market value. In connection with the transfer of such assets, the Foundation employed former employees of the Corporation to manage the Corporation and administer the Corporation's student loan acquisition activities. The Corporation pays a fair and reasonable management fee to the Foundation for such services. The Foundation currently operates with 51 full-time employees, including employees in the following areas: administration, marketing, program development, loan servicing, loan origination, finance, accounting, auditing, computer operations, default prevention and academic planning. Mr. Smith is the Executive Director of the Foundation.

During 1998 the Foundation was designated by the Governor of the State as the single nonprofit private agency student loan lender for the State. The Foundation thereafter completed the contractual and other arrangements necessary to permit it to act as a lender. The Foundation commenced a loan origination program during July of 2000. The Foundation employees who operate the loan origination program have significant experience in the student loan industry, and Student Loans offered by the Foundation have benefits to borrowers that are not necessarily available from other lenders. Therefore, the Foundation believes that its loan origination program is likely to be successful and generate significant loan volume. It is anticipated that some or all of the loans originated by the Foundation may be acquired by the Corporation and pledged as part of the Trust Estate. It is also anticipated that the Foundation will provide servicing for some or all of such Pledged Student Loans until the Loans enter repayment.

The Foundation provides a variety of other services. These services include a toll-free financial aid telephone hotline, an Internet website, and developing and operating three centers for academic planning. The telephone hotline is intended to provide information to borrowers and prospective borrowers that will facilitate repayment of student loans by borrowers and minimize excessive borrowing by prospective borrowers. The Foundation has established a website on the Internet to provide information relating to the application process for obtaining student loans, the associated costs, and default prevention techniques. The Foundation's three centers for academic planning help students and their parents evaluate and plan for education financing. The Foundation intends to develop and operate additional centers for academic planning in the future.

The Foundation is also engaged in the following activities related to its educational purpose: (i) consolidation loan origination services to the Corporation; (ii) student loan origination and in-school student loan servicing for third parties; (iii) providing scholarships to students to assist them in financing their post-secondary education; (iv) other needed charitable activities related to educational financial aid and (v) providing grants in

furtherance of the Foundation's purpose. The Foundation may commence additional activities related to its stated educational purpose, such as developing and administering other student loan finance programs.

The Foundation has also established and operates a Delta Division program designed to assist students in the Mississippi Delta region of the State with college planning and related financial aid needs. The Foundation has in the past conducted a student loan secondary market intended to complement the Corporation's student loan secondary market, and may do so again in the future.

The Foundation's Articles of Incorporation and Bylaws provide, among other things, that the Foundation is organized exclusively for charitable and educational purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Code, or the corresponding section of any future federal tax code. In the event of dissolution of the Foundation, the assets of the Foundation shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) of the Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such asset not so disposed of shall be disposed of by the chancery court of the county in which the principal office of the Foundation is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

The Foundation has no members. The directors of the Foundation are authorized to select their successors. All of the officers and directors of the Foundation also serve as officers and directors of the Corporation. The Corporation has one director who does not serve as a director of the Foundation.

Other Outstanding Bonds and Notes of the Corporation and Related Student Loans

As of March 31, 2007, the Corporation had outstanding approximately $1,528,500,000 in principal amount of student loan bonds and notes, including approximately $50,000,000 in principal amount of Prior Series Obligations issued under the Indenture and approximately $1,478,500,000 of student loan bonds and notes issued under trust indentures other than the Indenture. As of March 31, 2007, the Corporation held a total of approximately $1,144,963,000 unpaid principal amount of Student Loans, including approximately $32,755,000 unpaid principal amount of Student Loans acquired with the proceeds of the Prior Series Obligations, and approximately $1,112,208,000 of Student Loans held under trust indentures other than the Indenture which are subject to the lien of these other trust indentures. None of the assets or revenues from these other indentures are pledged to secure, or otherwise required to be applied by the Corporation to pay, the Offered Obligations and none of the Student Loans or other assets and revenues to be acquired with the proceeds of the Offered Obligations will be pledged to secure, or will otherwise be required to be applied by the Corporation to pay, such other student loan bonds and notes.

Other Information

The Corporation's mailing address is Mississippi Higher Education Assistance Corporation, P.O. Box 5006, Jackson, Mississippi 39296, and its telephone number is (601) 321-5555. The Corporation will provide without charge to any Holder, upon written request of such Holder, copies of its audited financial statements.

THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM

General

The Corporation conducts a secondary market for Student Loans. The Corporation encourages Lender participation in the Program through the use of telephone calls, letters and meetings with Lenders, participation in financial aid officers' meetings and other conferences, and through the use of promotional materials.

The following table lists the approximate aggregate outstanding principal balances of all Student Loans acquired by the Corporation from the proceeds of its student loan revenue bond and asset-backed note issues during each of the last five fiscal years.

Year Ended December 31	Student Loans Acquired
2002	$ 84,456,000
2003	$243,357,000
2004	$225,900,000
2005	$231,474,000
2006	$246,739,000

For the three months ended March 31, 2007, the approximate aggregate outstanding principal balances of all Student Loans acquired during such three-month period by the Corporation from the proceeds of its student loan revenue bond and asset-backed note issues was $12,959,000.

Description of Eligible Loans Acquired and To Be Acquired

The Corporation has been acquiring and expects to continue to acquire Eligible Loans (i) with the proceeds of the Prior Series Obligations, (ii) with payments to be received from borrowers, Guarantors or the Secretary of Education with respect to Pledged Eligible Loans and (iii) with other moneys in the Trust Estate. The Corporation also expects to acquire Eligible Loans with the proceeds of the Offered Obligations. See "APPLICATION OF THE PROCEEDS OF THE OFFERED OBLIGATIONS" and APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Applications of Funds and Accounts --- Acquisition Account."

The Pledged Eligible Loans consist of Eligible Loans for which the beneficiary is in school, has commenced repayment of principal on a loan or is in a grace period or a deferment period with respect to repayment. Borrowers (other than borrowers of PLUS and/or SLS Loans) are required to begin repaying Student Loans after the six- to twelve-month grace period following termination of pursuit of at least a half-time course of study; in addition, repayment may be delayed during any deferment or forbearance period occurring after termination of the grace period. The repayment for borrowers of PLUS and/or SLS Loans begins after final disbursement of the loan by a Lender subject to certain deferral provisions. Borrowers of unsubsidized Stafford Loans are required to begin repaying principal after the six month grace period following termination of at least half-time school enrollment. Interest on unsubsidized Stafford Loans for which payments are not required during the in-school or grace periods or during deferment shall be paid by the borrower monthly or quarterly or capitalized not more frequently than quarterly by the lender.

The Corporation currently offers several Approved Borrower Benefit Programs. In addition, Student Loans acquired by the Corporation may be subject to borrower benefit programs other than the Corporation's Approved Borrower Benefit Programs. Certain of the Corporation's Approved Borrower Benefit Programs include a reduction of the interest rates paid by borrowers on Student Loans.

The Corporation may, in the future, offer one or more additional Approved Borrower Benefit Programs which provide financial benefits to borrowers other than those currently offered by the Corporation.

The Corporation has, in the past, originated Consolidation Loans and expects to continue to do so in the future.

9.5% Floor Loans

Under the Higher Education Act, Special Allowance Payments, paid quarterly to a FFELP lender for student loans that are funded by tax-exempt obligations issued before October 1, 1993, are paid each quarter in an amount not less than 9.5% of the principal amount outstanding during the applicable calculation period, minus the interest the lender receives from the borrower or the federal government, divided by four. These loans are

commonly referred to as "9.5% Floor Loans." Recent interpretations by the Department of Education of the rules governing 9.5% Floor Loans may result in a reduction in the amount of Special Allowance Payments the Corporation will receive for some or all of its 9.5% Floor Loans; however, the amount of any such reduction is not expected to be material. Currently all 9.5% Floor Loans owned by the Corporation are held in trust estates securing obligations of the Corporation other than the Offered Obligations or any Prior Series Obligations and none of the Pledged Student Loans held in the Trust Estate securing the Offered Obligations are 9.5% Floor Loans.

Student Loan Purchase Agreements

All Student Loan Purchase Agreements relating to the sale of Eligible Loans to the Corporation include and will continue to include representations and warranties that all Student Loans purchased pursuant thereto are Eligible Loans, and require and will continue to require that the Lender repurchase any Student Loan purchased by the Corporation thereunder, upon the request of the Corporation or its successors and assigns, if (a) any representation or warranty made or furnished by the Lender in or pursuant to such Student Loan Purchase Agreement shall prove to have been materially incorrect as to such Student Loan; (b) the Secretary of Education or the applicable Guarantor, as the case may be, refuses to honor all or part of a claim filed with respect to such Student Loan (including any claim for Interest Subsidy Payments, Special Allowance Payments, or reinsurance or guarantee payments) on account of any circumstance or event that occurred prior to the sale of such Student Loan to the Corporation; or (c) the Corporation rejects a Student Loan pursuant to the terms of such Student Loan Purchase Agreement because such Student Loan does not constitute an Eligible Loan.

Servicing and Due Diligence

CFS-SunTech Servicing LLC ("CFS-SunTech"), a Delaware limited liability company, Pennsylvania Higher Education Assistance Agency ("PHEAA"), a public corporation and governmental instrumentality organized under the laws of the Commonwealth of Pennsylvania, and the Foundation service the Corporation's Student Loans pursuant to Servicing Agreements with the Corporation. CFS-SunTech and PHEAA are currently the Corporation's primary servicers. The Foundation services certain Student Loans prior to the repayment period of such Student Loans.

On April 15, 2003, Collegiate Funding Services L.L.C., a Delaware limited liability company ("CFS"), acquired all of the assets of SunTech, Inc. ("SunTech"). SunTech had serviced student loans for the Corporation since 1990. Following the acquisition, CFS has continued the Student Loan servicing operations of SunTech. CFS is a wholly-owned subsidiary of Collegiate Funding Services, Inc., a Delaware corporation ("CFS, Inc.") and is currently operating its student loan servicing business through CFS-SunTech. On March 1, 2006, JPMorgan Chase Bank, N.A. acquired CFS, Inc. The term of the agreement pursuant to which CFS-SunTech services the Corporation's Student Loans will (subject to certain conditions) extend until all principal of and interest on Student Loans serviced thereunder are paid in full.

The term of the agreement pursuant to which PHEAA services the Corporation's Student Loans will (subject to certain conditions) extend until such time as the principal of and interest on the Student Loans serviced by PHEAA are paid in full.

CFS-SunTech, PHEAA and the Foundation each has available to them the systems and services to enable them to process and service Student Loans in accordance with the requirements of the Higher Education Act. Under their Servicing Agreements with the Corporation, CFS-SunTech's and PHEAA's services include providing statistical information to the Secretary of Education to ensure payment of Interest Subsidy Payments and Special Allowance Payments, contacting borrowers in repayment, collecting payments, performing due diligence, and providing student loan origination services for certain lenders. Based on the Corporation's review of audits and reports regarding the servicing operations of CFS-SunTech (and/or its predecessor) and PHEAA, the Corporation believes that CFS-SunTech and PHEAA are substantially in compliance with the servicing requirements of the Higher Education Act.

In addition, the Corporation believes that the Foundation is in substantial compliance with the servicing requirements of the Higher Education Act. However, in September 2006 the Foundation discovered that certain Student Loans serviced by the Foundation had not been moved from in-school status to repayment status on

a timely basis. As a result the Student Loans affected by these servicing errors lost their guarantee; however, the Foundation has taken actions, in accordance with the procedures for curing violations of due diligence issued by the Department of Education, to cause the guarantee for many of these loans to be reinstated.

The Foundation has advised the Corporation that the servicing errors currently affect approximately $345,000 in Student Loans and approximately 71 borrowers serviced by the Foundation, including approximately $76,000 in Pledged Student Loans. The Foundation's activities intended to cause the guarantee for these remaining loans to be reinstated are ongoing.

Pursuant to the terms of its servicing agreement with the Corporation, the Foundation has an obligation to indemnify the Corporation for any losses that result from servicing errors. The Foundation has advised the Corporation that it expects to be able to meet its indemnification obligation to the Corporation with respect to all such losses and repurchase any loans that are not ultimately cured as required by its agreement with the Corporation. The Corporation has determined that, even if the Foundation is unable to meet its indemnification and repurchase obligations, such event will not have a material impact on the ability of the Corporation to pay principal and interest on the Obligations when due.

The Foundation made certain other servicing errors that were reported as findings in the Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 for 2005. The amount of the loans affected by these findings was not material. The Foundation has submitted a corrective action plan to the Department of Education detailing the corrective actions it has taken with respect to these findings. There were no findings in the 2006 audit.

The Higher Education Act requires that "due diligence" be exercised in the making, servicing and collection of Pledged Eligible Loans. The Higher Education Act defines "due diligence" to require the holder of an Eligible Loan to utilize origination, servicing, and collection practices at least as extensive and forceful as those generally practiced by financial institutions for the collection of consumer loans. Additionally, the Higher Education Act provides certain minimum standards for due diligence procedures.

The Higher Education Act requires that guarantee agencies ensure that due diligence is exercised by Lenders in making, servicing and collecting Student Loans guaranteed by the guarantee agencies and that due diligence be exercised by each guarantee agency in collecting Student Loans which it holds. The Guarantors have established procedures and standards for due diligence to be exercised by Lenders, including the Trustee and the Foundation, which hold Student Loans that are guaranteed by the Guarantors. If CFS-SunTech, PHEAA or the Foundation, as Servicers, or any other servicer, fails to meet such standards, the Trustee or the Foundation, as the Eligible Lender Loan Holder, could be disqualified as an eligible lender under the Higher Education Act and its ability to realize the benefits of Insurance or a Guarantee may be adversely affected. The Trustee's responsibilities with respect to servicing Pledged Eligible Loans are limited under the Indenture. See APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Under the Indenture, the Corporation (i) is permitted to engage additional Servicers and to replace Servicers, so long as the Servicers are selected by the Corporation in a competent, diligent and orderly fashion and in accordance with all requirements of the Higher Education Act, the Secretary of Education, applicable regulations of guarantee agencies and the Indenture, but (ii) is not permitted to enter into any Servicing Agreement with any party other than (a) CFS, (b) any direct or indirect subsidiary of CFS, including, but not limited to, CFS-SunTech, provided that CFS remains responsible for the performance of all of such subsidiary's duties and responsibilities under the applicable Servicing Agreement, (c) the Foundation or (d) PHEAA, unless the Trustee has received written evidence from each Rating Agency confirming that entering into a Servicing Agreement with such party will not result in the withdrawal or reduction of any rating applicable to any Obligations.

THE GUARANTORS AND THE GUARANTEED STUDENT LOAN PROGRAM

The information contained in this Official Statement relating to United Student Aid Funds, Inc. ("USA Funds"), Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance ("ASA"), National Student Loan Program ("NSLP") and Pennsylvania Higher Education Assistance Agency

("PHEAA") has been supplied by each for inclusion in this Official Statement. Such information is not guaranteed as to accuracy or completeness by the Corporation or the Underwriters and is not to be construed as a representation by the Corporation, the Underwriters or the counsel of either. Neither the Corporation nor the Underwriters has independently verified this information. No representation is made by the Corporation or the Underwriters (nor the counsel of either) 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.

USA Funds is the primary Guarantor of Eligible Loans currently held in the Trust Estate. The Corporation expects that USA Funds will continue to be the primary Guarantor for the Eligible Loans financed with the proceeds of the Offered Obligations. However, the Corporation also expects that ASA, NSLP and PHEAA, which currently each guarantee in excess of 5% of the Eligible Loans held in the Trust Estate, will continue to be Guarantors on at least 5% of Eligible Loans held in the Trust Estate after the acquisition of Student Loans with the proceeds of the Offered Obligations.

The Corporation does not expect that CSAC, FDE, GLHEGC, KHEAA, LSFAC, NYSHESC, SLGFA, TSAC, TGLSC, MDHE or ECMC will be Guarantors, if at all, on a material amount of Eligible Loans financed with the proceeds of the Offered Obligations or any Additional Obligations, and consequently CSAC, FDE, GLHEGC, KHEAA, LSFAC, NYSHESC, SLGFA, TSAC, TGLSC, MDHE and ECMC have not supplied similar information for this Official Statement.

United Student Aid Funds, Inc.

United Student Aid Funds, Inc. ("USA Funds") was organized as a private, nonprofit corporation under the General Corporation Law of the State of Delaware in 1960. In accordance with its Certificate of Incorporation, USA Funds: (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 certain loan programs under the Higher Education Act, as well as loans made under certain private loan programs; and (iii) serves as the designated guarantor for education-loan programs under the Higher Education Act of 1965, as amended ("the Act") in Arizona, Hawaii and certain Pacific Islands, Indiana, Kansas, Maryland, Mississippi, Nevada, and Wyoming

USA Funds contracts with Sallie Mae, Inc., a wholly owned subsidiary of SLM Corporation. USA Funds 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.

Effective December 13, 2004, USA Funds became the sole member of the Northwest Education Loan Association, a guarantor serving the states of Washington, Idaho and the Northwest.

For the purpose of providing loan guarantees under the Act, USA Funds has entered into various agreements (collectively, the "Federal Reinsurance Agreements") with the U.S. Secretary of Education (the "Secretary"). Pursuant to the Federal Reinsurance Agreements, USA Funds serves as a "guaranty agency" as defined in Section 435(j) of the Act. The Act allows the Secretary, after giving the guaranty agency notice and the opportunity for a hearing, to terminate the Federal Reinsurance Agreements if the Secretary determines that the administrative or financial condition of the guaranty agency jeopardizes the agency's continued ability to perform its responsibilities under its guaranty agreement, it is necessary to protect the federal financial interest, or to ensure the continued availability of loans to student- or parent-borrowers.

Reinsurance is paid to USA Funds by the Secretary in accordance with a formula based on the annual default rate of loans guaranteed by USA Funds under the Act and the disbursement date of loans. The rate of reinsurance ranges from 100 percent to 75 percent of USA Funds' losses on default-claim payments made to lenders. The Higher Education Amendments of 1998 (the "1998 Reauthorization Law") reduced the reinsurance coverage for loans in default made on or after Oct. 1, 1998, to a range from 95 percent to 75 percent based upon the annual default claims rate of the guaranty agency. Reinsurance on non-default claims remains at 100 percent.

The 1998 Reauthorization Law requires guaranty agencies to establish two (2) separate funds, a federal reserve fund (property of the United States) and an agency operating fund (property of the guaranty agency).

The federal reserve fund is to be used to pay lender claims and to pay a default-aversion fee to the agency operating fund. The agency operating fund is to be used by the guaranty agency to pay its operating expenses.

The 1998 Reauthorization Law requires guaranty agencies to return to the Secretary $250 million in federal reserve funds from fiscal years 2002 to 2007. Each guaranty agency's share is based on a formula prescribed in the 1998 Reauthorization Law. USA Funds is in compliance with the provisions of the reserve fund requirements of the Act. USA Funds remitted $17.8 million to the Secretary in September 2002 and $17.3 million by September 1, 2006. The remaining balance due of $17.3 million will be remitted in 2007.

Effective for all Federal Stafford and PLUS loans that USA Funds guarantees on or after April 1, 2005, USA Funds waived the guarantee fee of up to 1 percent of the principal amount of new loans that federal law permitted a guarantor to assess. During 2006, the U.S. Congress passed the Higher Education Reconciliation Act (HERA) which required all guarantors to collect and deposit into the federal reserve fund a federal default fee of 1% of the principal amount of all Stafford and PLUS loans guaranteed on or after July 1, 2006. USA Funds is paying the federal default fee to the federal reserve fund from the operating fund on behalf of the borrower for all PLUS loans made by a lender in which the lender is paying the federal default fee on behalf of their Stafford borrowers.

As of September 30, 2006, USA Funds had total federal reserve fund assets of approximately $226 million and net assets of approximately $200 million. Through September 30, 2006, the outstanding, unpaid, aggregate amount of principal and interest on loans that had been directly guaranteed by USA Funds under the Federal Family Education Loan Program was approximately $77 billion. In addition, as of September 30, 2006, USA Funds had operating fund assets totaling approximately $793 million.

The U.S. Department of Education published reserve ratios are based on cumulative net assets and liability for future default provisions of the federal reserve fund divided by the original principal amount of the outstanding loans guaranteed. Following this formula, the reserve ratio for federal reserve fund administered by USA Funds for the last five fiscal years was as follows: 2006 - .26%; 2005 – 0.45 percent; 2004 – 0.56 percent; 2003 – 0.67 percent; 2002 – 0.73 percent.

USA Funds' "guarantee volume" is the approximate aggregate principal amount of federally reinsured education loans (including subsidized and unsubsidized Federal Stafford and Federal PLUS loans but excluding Federal Consolidation loans) guaranteed by USA Funds. For the last five fiscal years, the "guarantee volume" was as follows (in billions): 2006 - $12.586; 2005 – $10.724; 2004 – $9.907; 2003 – $9.587; 2002 – $8.162.

USA Funds' "recovery rate," which provides a measure of the effectiveness of the collection efforts against defaulted borrowers after the guarantee claim has been satisfied, is determined by dividing the amount recovered from borrowers by USA Funds during the fiscal year by the aggregate amount of default claims paid by USA Funds outstanding at the end of the prior fiscal year. For the last five fiscal years, the "recovery rate" was as follows: 2006 – 38.03 percent; 2005 – 35.05 percent; 2004 – 35.47 percent; 2003 – 30.14 percent; 2002 – 32.84 percent.

In addition, USA Funds' "claims rate" represents the percentage of federal reinsurance claims paid by the Secretary during any fiscal year relative to USA Funds' existing portfolio of loans in repayment at the end of the prior fiscal year. For the last five fiscal years, the "claims rate" was as follows: 2006 – 1.21 percent; 2005 – 1.41 percent; 2004 – 1.13 percent; 2003 – 1.37 percent; 2002 – 1.97 percent.

USA Funds is headquartered in Fishers, Indiana. USA Funds will provide a copy of its most recent annual report upon receipt of a written request directed to its headquarters at P.O. Box 6028, Indianapolis, Indiana 46206-6028, Attention: Vice President, Corporate Communications.

American Student Assistance

Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance ("ASA"), a not-for-profit corporation organized in 1956 will guarantee a portion of the Financed Student Loans.

ASA is one of the oldest and largest guaranty agencies in the United States, and is the designated guarantor for the Commonwealth of Massachusetts and the District of Columbia. Since 1956, ASA has been a provider of higher education financing products and services to students, parents, schools and lenders across the country, guaranteeing more than $43 billion in loans. Originally created by the General Court of the Commonwealth of Massachusetts as the Massachusetts Higher Education Assistance Corporation, ASA currently acts on behalf of the U.S. Department of Education to ensure that the public policy purposes and regulatory requirements of the FFEL Program are met. ASA employed 592 individuals as of January 1, 2006 at its principal offices located at 100 Cambridge Street, Suite 1600, Boston, MA 02114.

Guarantee Volume. The following table sets forth the original principal amount of FFELP Loans (excluding Consolidation Loans) guaranteed by ASA in each of the last five ASA fiscal years (ending June 30):

Fiscal Year	Guaranty Volume (in millions)
2002	$779
2003	$914
2004	$1,270
2005	$1,746
2006	$1,788

Reserve Ratio. Under the Higher Education Act, ASA and the U.S. Secretary of Education as of January 1, 2001 entered into a voluntary flexible agreement ("VFA"). Under the VFA, ASA returned its reserve funds that would otherwise have made up its Federal Reserve Fund through an escrow account in the name of the Department of Education. In the event a loan defaults, ASA receives funding from the Department of Education to act as a disbursing agent. The guarantee is, therefore, no longer limited by the funds on deposit in a federal reserve fund. Because ASA holds no federal reserve fund, the concept of a Reserve Ratio is inapplicable. The VFA establishes a "fee for service" model under which ASA is rewarded through the payment of a portfolio maintenance fee for maintaining a healthy portfolio of loans in good standing. The agency is further incented to keep the loans in good standing and to work with borrowers to prevent default because the portfolio maintenance fee increases as ASA's trigger default rate improves over the national trigger default rate. ASA's efforts to prevent default are a part of its "Wellness" program of outreach to borrowers from the inception of the loan to educate them on their responsibilities and assist them in repayment.

The information in the following tables has been provided by ASA from reports provided by or to the U.S. Department of Education and has not been verified by ASA. No representation is made by ASA as to the accuracy or completeness of the information.

Recovery Rate. A guarantee agency's recovery rate, which provides a measure of the effectiveness of the collection efforts against defaulting borrowers after the guarantee claim has been satisfied, is determined by dividing the aggregate amount recovered from borrowers by the aggregate amount of default claims paid by the guarantee agency. The table below sets forth the recovery rates for ASA as taken from the Department of Education Guarantee Agency Activity Report form 1130 or from 2000 for the last five federal fiscal years (ending September 30):

Fiscal Year	Cumulative Recovery Rate
2002	74.4%
2003	79.4%
2004	83.5%
2005	83.0%
2006	83.6%

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Claims Rate. ASA's claims rate represents the percentage of loans in repayment at the beginning of a federal fiscal year which default during the ensuing federal fiscal year net of repurchases, refunds and rehabilitations. For the federal years 2002 - 2006, ASA's claims rates listed below have not exceeded 5%, and as a result, all claims of ASA have been fully reimbursed at the maximum allowable level by the Department of Education. See "Description of the FFEL Program" herein for more detailed information concerning the FFELP program. Nevertheless, there can be no assurance that ASA will continue to receive full reimbursement for such claims. The following table sets forth the claims rate of ASA for the last five federal fiscal years (ending September 30):

Fiscal Year	Claims Rate
2002	1.2%
2003	0.9%
2004	0.7%
2005	1.0%
2006	1.0%

Net Loan Default Claims. The following table sets forth the dollar value of Default Claims paid net of repurchases, refunds and rehabilitations for the last five ASA fiscal years (ending June 30):

Fiscal Year	Default Claims (Dollars in Millions)
2002	$72
2003	$80
2004	$83
2005	$168
2006	$216

Default Recoveries. The following table sets forth the amount of recoveries returned to the U.S. Department of Education for the last five ASA fiscal years (ending June 30):

Fiscal Year	Default Recoveries (Dollars in Millions)
2002	$86
2003	$79
2004	$82
2005	$78
2006	$97

National Student Loan Program

National Student Loan Program ("NSLP") was incorporated as a non-profit corporation organized on October 23, 1986. NSLP provides guarantee related services on a nationwide basis and is the designated guarantor under the FFEL Program for Nebraska.

As of September 30, 2006 NSLP's Federal Fund held reserves of $28,542,285. As of September 30, 2006 NSLP's Operating Fund had a fund balance of $49,403,233. NSLP's management intends to maintain its Federal Fund reserves at the required level by transferring funds from its Operating Fund as necessary.

Guaranty Volume. The following table sets forth the approximate aggregate principal amount of FFELP Loans (including PLUS Loans but excluding Consolidation Loans) that have first become guaranteed by NSLP in the federal fiscal years indicated:

Fiscal Year	FFELP Loan Volume (Dollars in millions)
2001	$ 831
2002	1,005
2003	1,509
2004	2,359
2005	3,100
2006	3,131

Reserve Ratio. NSLP's reserve ratio is determined by dividing its cumulative cash reserves by the original principal amount of the outstanding loans it has agreed to guarantee. To determine federal reserves, NSLP includes cash and investments plus net short-term receivables of its Federal Fund. NSLP's guarantee reserve ratio calculation excludes loans originally guaranteed by Higher Education Assistance Foundation, the guarantees of which were assumed by NSLP pursuant to the Higher Education Act. The table below sets forth NSLP's reserve ratios as of the end of the federal fiscal years indicated:

Fiscal Year	Reserve Ratio
2001	0.75%
2002	0.54%
2003	0.34%
2004	0.25%
2005	0.28%
2006	0.26%

Recovery Rates. NSLP's recovery rate (determined by dividing the total amount of collection recoveries during a fiscal year by the total principal and interest outstanding on all defaulted loans at the beginning of the fiscal year) for the federal fiscal years indicated:

Fiscal Year	Recovery Rate
2001	30.35%
2002	35.44%
2003	29.19%
2004	36.76%
2005	35.20%
2006	37.28%

Claims Rates. For the federal fiscal years 2001 through 2005, the claims rates for NSLP listed below did not exceed 5%, and as a result, all claims of NSLP have been fully reimbursed at the maximum allowable level by the Department of Education. The following table sets forth NSLP's claims rates for the federal fiscal years indicated:

Fiscal Year	Claims Rate
2001	1.30%
2002	1.46%
2003	1.22%
2004	1.06%
2005	1.43%
2006	1.88%

Pennsylvania Higher Education Assistance Agency

Pennsylvania Higher Education Assistance Agency ("PHEAA") is a body corporate and politic constituting a public corporation and government instrumentality created pursuant to the Pennsylvania Act of August 7, 1963, P.L. 549, as amended (the "Pennsylvania Act").

PHEAA has been guaranteeing student loans since 1964. As of March 31, 2007, PHEAA has guaranteed a total of approximately $38.6 billion principal amount of Stafford Loans and approximately $5.7 billion principal amount of PLUS Loans and SLS Loans, and approximately $45.9 billion principal amount of consolidation loans under the Higher Education Act. PHEAA initially guaranteed loans only to residents of the Commonwealth of Pennsylvania (the "Commonwealth") or persons who planned to attend or were attending eligible education institutions in the Commonwealth. In May, 1986, PHEAA began guaranteeing loans to borrowers that did not meet these residency requirements pursuant to its national guarantee program. Under the Pennsylvania Act, guarantee payments on loans under PHEAA's national guarantee program may not be paid from funds appropriated by the Commonwealth.

PHEAA has adopted a default prevention program consisting of (i) informing new borrowers of the serious financial obligations incurred by them and stressing the financial and legal consequences of failure to meet all terms of the loan, (ii) working with institutions to make certain that student borrowers are enrolled in sound education programs and that the proper individual enrollment records are being maintained, (iii) assisting lenders with operational programs to ensure sound lending policies and procedures, (iv) maintaining up-to-date student status and address records of all borrowers in the guaranty program, (v) initiating prompt collection actions with borrowers who become delinquent on their loans, do not establish repayment schedules or "skip," (vi) taking prompt action, including legal action and garnishment of wages, to collect on all defaulted loans, and (vii) adopting a general policy that no loan will be automatically "written off." Since the loan servicing program was initiated in 1974, PHEAA has never exceeded an annual default claims percentage of 5 percent and, as a result, federal reimbursement for default claims has thus far been at the maximum federal reimbursement level.

For the last five federal fiscal years (ending September 30), the annual default claims percentages have been as follows:

Fiscal Year	Annual Default Claims Percentages
2002	1.70%
2003	1.45%
2004	1.09%
2005	1.30%
2006	1.42%

Under the Federal Balanced Budget Act, the Secretary is required to recall $1 billion in reserve funds held by guaranty agencies. On January 14, 1998, the Department informed PHEAA and PHEAA's share of the recall is $116.1 million. The recall was paid to the Department of Education in August 2002. The Higher Education Amendments of 1998 contain a provision for an additional recall of funds totaling $250 million nationwide. $85 million of the recall occurred in the federal fiscal year ended September 30, 2002, $82.5 million occurred in the year ending September 30, 2006, and $82.5 million is to occur in the year ending September 30, 2007. On July 11, 2002, the Department informed PHEAA that its share of the recall is $26.3 million, of which $17.6 million was due and paid by September 1, 2006. $8.7 million remains as an amount payable to the Department as of March 31, 2007 for the recalls due in 2007.

As of March 31, 2007, PHEAA had total federal reserve-fund assets of approximately $103.7 million, and a fund balance of approximately $10.5 million. Through June 30, 2006, the outstanding, amount of principal on loans that had been directly guaranteed by PHEAA under the Federal Family Education Loan Program was approximately $46.2 billion. In addition, as of June 30, 2006, PHEAA had operating-fund assets and non-Federal Family Education Loan Program assets totaling approximately $11.6 billion.

Guarantee Volume. PHEAA's guaranty volume (the approximate aggregate principal amount of federally reinsured education loans, including PLUS Loans but excluding federal Consolidation Loans) was as follows for the last five federal fiscal years (ending September 30):

Fiscal Year	Guaranty Volume (in millions)
2002	$2,530
2003	$2,813
2004	$3,131
2005	$3,403
2006	$3,792

Reserve Ratio. Under current law, PHEAA is required to manage the Federal Fund so net assets are greater than 0.25% of the original principal balance of outstanding guarantees. Historically, ED has calculated this ratio at September 30, which is the close of the federal fiscal year, and has excluded amounts payable to the U.S. Department of Education related to the recall of reserve funds from this published calculation.

Fiscal Year	Reserve Ratio
2002	0.48%
2003	0.48%
2004	0.34%
2005	0.16%
2006	0.20%

Based upon PHEAA's calculation of the ratio, PHEAA went below the required ratio during the quarter ended March 31, 2005. Under current law, PHEAA is required to manage the Federal Fund so that net assets are greater than 0.25% of the original principal balance of outstanding guarantees. Based on PHEAA's calculation of the ratio, PHEAA went below the required ratio during the quarter ended March 31, 2005. In accordance with federal law, PHEAA submitted to the Department of Education the required management plan that demonstrated the actions to be taken to meet the federal fund minimum reserve ratio by September 30, 2007. The management plan was approved by the Department of Education on May 22, 2007. The Department plans to monitor PHEAA to ensure the planned actions are taken and the objectives are being met.

PHEAA has taken several steps to manage the fund in a manner to assure its customers that sufficient funds are available in the Federal Reserve Fund to continue to pay default claims. PHEAA funded the guarantee fee rather than waive the fee and retroactively funded the fee for guarantees made since October 1, 2004, which was the beginning of the federal fiscal year in which the fund went below the minimum. Effective July 1, 2006, guarantors, while not required to assess the fee to borrowers, are required to deposit a 1% federal default fee into the Federal Fund for new Stafford and PLUS loans as guaranteed loans are disbursed. PHEAA is continuing to fund the federal default fee on behalf of the borrowers.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Recovery Rates. A guarantor's recovery rate, which provides a measure of the effectiveness of the collection efforts against defaulting borrowers after the guarantee claim has been satisfied, is determined for each year by dividing the current year collections by the total outstanding claim portfolio for the prior fiscal year. The table below shows the cumulative recovery rates for PHEAA for the five federal fiscal years (ending September 30) shown for which information is available:

Fiscal Year	Recovery Rates
2002	26.07%
2003	23.12%
2004	25.48%
2005	26.30%
2006	33.93%

Claims Rate. PHEAA's claims rate represents the percentage of federal reinsurance claims paid by the Secretary during any fiscal year relative to PHEAA's existing portfolio of loans in repayment at the end of the prior fiscal year. For the last five federal fiscal years (ending September 30), the claims rate was as follows:

Fiscal Year	Claims Rate
2002	1.7%
2003	1.5%
2004	1.1%
2005	1.3%
2006	1.4%

PHEAA's headquarters are located in Harrisburg, Pennsylvania. PHEAA will provide a copy of its most recent audited financial statements upon receipt of a written request directed to Mr. Timothy A. Guenther, Chief Financial Officer, Financial Management, 1200 North Seventh Street, Harrisburg, PA 17102-1444.

DESCRIPTION OF THE OFFERED OBLIGATIONS

General

In reading this section and the other sections of the Official Statement, it should be understood that while any Offered Obligations are in the Book-Entry System, (i) all rights of ownership, including, without limitation, all rights with respect to registration, transfer and exchange of the Offered Obligations, must be exercised through The Depository Trust Company, New York, New York ("DTC") and the Book-Entry System and (ii) notices that are to be given to Holders by the Corporation or the Trustee will be given only to DTC. See "Book-Entry System" below.

The Corporation has adopted a resolution authorizing, among other things, (i) the execution and delivery of a Series Supplement to the Indenture and related documents, (ii) the issuance of the Offered Obligations and (iii) the designation of two of the Series of the Offered Obligations (the Series 2007-A-1 Bonds and the Series 2007-A-2 Bonds) as Senior Obligations and the third Series of the Offered Obligations (the Series 2007-B-1 Bonds) as Subordinate Obligations. The Offered Obligations will be initially issued in three Series as Auction Rate Tax-Exempt Bonds, in fully-registered form, without coupons, and in denominations of $25,000 and integral multiples of $25,000 in excess of $25,000. DTC will act as securities depository (the "Securities Depository") for the Offered Obligations. The Offered Obligations will be registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each Maturity of each Series of the Offered Obligations, each in the aggregate original principal amount due on each such Maturity Date, and will be deposited with DTC. Purchasers of the Offered Obligations will not receive physical bond or note certificates representing their interest in the Offered Obligations purchased. It is expected that the Offered Obligations will be available for delivery to Hancock Bank, as the agent of the Securities Depository under its Fast Automated Securities Transfer (FAST)

Program, in Jackson, Mississippi on or about the Delivery Date set forth on the cover page of this Official Statement.

During each Auction Period with respect to each Series of the Offered Obligations up to, but not including any Weekly Rate Conversion Date, Adjustable Rate Conversion Date or Fixed Rate Conversion Date applicable to a Series of the Offered Obligations, each Series of the Offered Obligations will bear interest determined pursuant to the Auction Procedures described in APPENDIX D -- "AUCTION PROCEDURES-AUCTION RATE TAX-EXEMPT BONDS" on the Auction Date for each such Auction Period for such Series commencing on the Auction Rate Adjustment Date for such Auction Period and continuing through and including the day immediately preceding the next succeeding Auction Rate Adjustment Date for that Series. For each such Auction Period, each Series of the Offered Obligations will bear interest at the Auction Period Rate determined for such Series pursuant to such applicable Auction Procedures, on the applicable Auction Rate Determination Date, which Rate cannot exceed the Maximum Rate. See "DESCRIPTION OF THE OFFERED OBLIGATIONS -- Interest Rates on the Offered Obligations."

Payments of Principal and Interest

Except when an Obligation is held in Book-Entry Form, the principal of each Obligation, together with interest payable on such Obligation at the Maturity thereof, if the Maturity Date is not a regularly scheduled Interest Payment Date, will be payable on the Maturity Date of the Obligation or the date of redemption thereof, if any, to the Holder thereof as of 5:00 P.M. in the city in which the Principal Office of the Trustee is located on the applicable Record Date, upon presentation and surrender of the Obligation to the Trustee, at the Principal Office of the Trustee, by check or draft drawn upon the Trustee or, if requested by the Holder of Obligations in the aggregate principal amount of $1,000,000 or more of a Series (or, if less, all Outstanding Obligations of a Series) before the applicable Record Date, by electronic transfer by the Trustee in immediately available funds to such account as shall have been designated by such Holder. Payment of interest on any Obligation (other than interest payable on such Obligation at the Maturity thereof, if the Maturity Date is not a regularly scheduled Interest Payment Date) will be made on each Interest Payment Date to the Person who is the Holder thereof at 5:00 P.M. in the city in which the Principal Office of the Trustee is located on the Record Date for such Interest Payment Date, by check or draft drawn upon the Trustee and mailed by the Trustee to the Holder at his address as it appears on the Bond Register or, if requested by the Holder of Obligations of a Series in the aggregate principal amount of $1,000,000 or more (or, if less, all Outstanding Obligations of a Series) before the applicable Record Date, by electronic transfer by the Trustee in immediately available funds to such account as shall have been designated by such Holder. Any principal or interest not so timely paid or duly provided for will cease to be payable to the Person who is the Holder thereof at 5:00 P.M. on the Record Date and will be payable to the Person who is the Holder thereof at the close of business on a special record date for the payment of any such defaulted interest, with such special record date to be fixed by the Trustee whenever moneys become available for payment of the defaulted interest. Notice of the special record date will be given to the Holders of the affected Obligations not less than two days prior thereto by first class mail to each such Holder as shown on the Bond Register on a date selected by the Trustee, stating the date of the special record date and the date fixed for the payment of such defaulted interest. All payments of principal of and interest on the Obligations will be made in lawful money of the United States of America. For more information surrounding the payment of principal of and interest on the Offered Obligations while in a Book-Entry System, see "Book-Entry System" below.

Registration, Transfer and Exchange

The Corporation will cause a Bond Register to be kept at the Principal Office of the Trustee in which, subject to such reasonable regulations as the Trustee may prescribe, the Corporation will provide for the registration of Obligations and for the transfer of Obligations. At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and copied by the Corporation or by the Holders (or a designated representative thereof) of ten percent (10%) or more in principal amount of Obligations of a Series then Outstanding.

The following provisions regarding transfer and exchange are not exercisable by the Beneficial Owners unless the Obligations of a Series are no longer held in a Book-Entry System.

Upon surrender for transfer or exchange of any Obligation at the Principal Office of the Authenticating Agent, the Corporation will execute, and the Authenticating Agent will authenticate and deliver, in the name of the designated transferee or transferees, or in exchange for the Obligation surrendered, one or more new fully registered Obligations of any Authorized Denomination or denominations, of like aggregate principal amount, having the same Stated Maturity and bearing numbers not previously assigned.

All Obligations executed, delivered and authenticated as described in the preceding paragraph will be registered in the name of the Holder presenting the Obligation for exchange or the designated transferee, as the case may be, on the Bond Register on the date of such transfer or exchange.

All Obligations surrendered upon any exchange or transfer provided for in the Indenture will be promptly canceled and thereafter disposed of as directed by Corporation Order.

All Obligations issued upon any transfer or exchange of Obligations, whether or not surrendered, will be the valid obligations of the Corporation evidencing the same debt, and entitled to the same security and benefits under the Indenture, as the Obligations surrendered upon such transfer or exchange or in lieu of which such Obligations were issued.

Every Obligation presented or surrendered for transfer or exchange will be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Authenticating Agent, duly executed by the Holder thereof or his attorney duly authorized in writing, with signature guarantees satisfactory to the Authenticating Agent.

The Corporation may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Obligations. All other expenses incurred by the Corporation or the Authenticating Agent in connection with any transfer or exchange of Obligations will be paid by the Corporation.

The Corporation will not be required to transfer any Obligation: (i) during a period beginning at the opening of business fifteen (15) days before any selection of Obligations for redemption and ending at the close of business on the day of such selection; or (ii) selected for redemption in whole or in part.

Book-Entry System

The Offered Obligations to be issued in Book-Entry Form are subject to the provisions set forth in APPENDIX I -- "DESCRIPTION OF THE BOOK-ENTRY SYSTEM."

Interest Rates on the Offered Obligations

The initial rate of interest on the Series 2007-A-1 Bonds for a period beginning on and including the date of their initial delivery and ending on and including August 7, 2007, will be determined on or about June 27, 2007. Thereafter, the rate of interest on each of the Series 2007-A-1 Bonds will be determined on each Auction Date for such Series, commencing on August 7, 2007, and such rate of interest will take effect on each Auction Rate Adjustment Date, commencing on August 8, 2007, and on each fifth Wednesday thereafter; provided that each such Auction Date is the first Business Day immediately preceding the Auction Rate Adjustment Date of the Auction Period with respect to which the Auction is being conducted, and otherwise on the Business Day immediately preceding the first day of such Auction Period.

The initial rate of interest on the Series 2007-A-2 Bonds for a period beginning on and including the date of their initial delivery and ending on and including July 26, 2007, will be determined on or about June 27, 2007. Thereafter, the rate of interest on each of the Series 2007-A-2 Bonds will be determined on each Auction Date for such Series, commencing on July 26, 2007, and such rate of interest will take effect on each Auction Rate Adjustment Date, commencing on July 27, 2007, and on each fifth Friday thereafter; provided that each such Auction Date is the first Business Day immediately preceding the Auction Rate Adjustment Date of the Auction Period with respect to which the Auction is being conducted, and otherwise on the Business Day immediately preceding the first day of such Auction Period.

The initial rate of interest on the Series 2007-B-1 Bonds for a period beginning on and including the date of their initial delivery and ending on and including August 7, 2007, will be determined on or about June 27, 2007. Thereafter, the rate of interest on each of the Series 2007-B-1 Bonds will be determined on each Auction Date for such Series, commencing on August 7, 2007, and such rate of interest will take effect on each Auction Rate Adjustment Date, commencing on August 8, 2007, and on each fifth Wednesday thereafter; provided that each such Auction Date is the first Business Day immediately preceding the Auction Rate Adjustment Date of the Auction Period with respect to which the Auction is being conducted, and otherwise on the Business Day immediately preceding the first day of such Auction Period.

Accrued and unpaid interest on each Series of the Offered Obligations through the day preceding each March 1 and September 1, until a Conversion Date with respect to the Offered Obligations of a Series, if any, or a change in Interest Payment Dates (as defined in the subsection below captioned "Payment of Interest on the Offered Obligations") with respect to the Offered Obligations of a Series, if any, will be payable on each March 1 and September 1, commencing September 1, 2007.

With respect to the Offered Obligations of a Series, until a Conversion Date with respect to such Series of Offered Obligations, if any, or the date of a change in the length of an Auction Period with respect to a Series of the Offered Obligations, if any, the Offered Obligations of such Series will bear interest for each Auction Period applicable thereto at an Auction Period Rate, based upon a 35-day Auction Period as determined by the Auction Agent pursuant to the Auction Procedures described herein, but in no event greater than the Maximum Rate. The 35-day Auction Period for the Offered Obligations of such Series may be adjusted pursuant to the procedures set forth in the Indenture to any one of the other Auction Periods described in the definition of "Auction Period" set forth in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS -- Definitions." The Offered Obligations of a Series are subject to mandatory tender upon conversion of the Offered Obligations of such Series to a Fixed Rate or a Variable Rate. See "DESCRIPTION OF THE OFFERED OBLIGATIONS -- Conversion; Mandatory Tender of a Series of Auction Rate Securities" in this Official Statement.

Unless the length of an Auction Period with respect to the Offered Obligations of a Series is changed as permitted in the Indenture (see APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS -- Changes in Auction Period or Auction Date"), the Auction Period for the Offered Obligations of such Series will generally begin on a Wednesday in the case of the Series 2007-A-1 Bonds and the Series 2007-B-1 Bonds and will generally begin on a Friday in the case of the Series 2007-A-2 Bonds (provided in either case that such day is a Business Day and otherwise on the next succeeding Business Day) and end on and include the day immediately preceding the fifth Wednesday (in the case of the Series 2007-A-1 Bonds and the Series 2007-B-1 Bonds) or fifth Friday (in the case of the Series 2007-A-2 Bonds) thereafter (provided that such fifth Wednesday or fifth Friday is a Business Day and otherwise on the day preceding the Business Day next succeeding the fifth Wednesday or fifth Friday).

Determination of the Auction Period Rate Applicable to Each Series of Offered Obligations

The Interest Rate on a Series of Offered Obligations bearing interest at an Auction Period Rate for each Auction Period (such Series herein referred to as a "Series of Auction Rate Securities") will be determined in accordance with the Auction Procedures described in APPENDIX D provided that:

- at the option of the Corporation the length of the Auction Period for a Series of Auction Rate Securities may be adjusted to any one of the other Auction Periods described in the definition of "Auction Period" set forth in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS -- Definitions" pursuant to the procedures set forth in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS -- *Changes in Auction Period or Auction Date*, provided further, however, that in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period; and

- in the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Period Rate on the Auction Date, for any Auction Period, (i) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in item (iii) of paragraph (c) of the subsection captioned *"Determination of Auction Period Rate"* under "Auction Procedures" in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS, if the Index is ascertainable on such date (by the Market Agent, if there is at the time a Market Agent, or otherwise by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Market Agent or Auction Agent) or, (ii) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension; provided further, however, that notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate and if at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Period Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate; and

- If a Series of Auction Rate Securities are no longer maintained in Book-Entry Form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate; and

- if a proposed conversion to a Fixed Rate or a Variable Rate has failed, as described below under the subheading "Conversion; Mandatory Tender of a Series of Auction Rate Securities" below, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Auction Rate Securities, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

Nothing contained in the Auction Procedures shall preclude a Broker-Dealer, acting as an Existing or Potential Owner, from placing an Order for some or all of the Auction Rate Securities for its own account, provided that it conforms to the provisions of the Auction Procedures.

Payment of Interest on the Offered Obligations

For each Auction Period applicable to a Series of Offered Obligations, until a Conversion Date with respect to such Series of Offered Obligations, if any, or a change as permitted under the Indenture in Interest Payment Dates for such Series of Offered Obligations, if any, interest on such Series of Offered Obligations will accrue daily from the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided, from the date of such Series of Offered Obligations through the day immediately preceding the Interest Payment Date. Accrued and unpaid interest on each Series of the Offered Obligations will be payable semi-annually on each March 1 and September 1, commencing September 1, 2007 (each such March 1 and September 1, an "Interest Payment Date" with respect to such Series of Offered Obligations). Interest on a Series of Offered Obligations will accrue for each Auction Period applicable to such Series of Offered

Obligations for actual days elapsed based upon a 360-day year and will be payable in arrears, on each succeeding Interest Payment Date.

The amount of interest accruing to Beneficial Owners of a Series of Offered Obligations in respect of each $25,000 in principal amount thereof for any Auction Period or part thereof shall be calculated by the Auction Agent (and shall be confirmed by the Trustee) by applying the Auction Period Rate for such Auction Period or part thereof to the principal amount of $25,000, multiplying such sum by the actual number of days in the Auction Period or part thereof concerned divided by 360, and rounding the resultant figure to the nearest cent (half a cent being rounded upward). The Auction Agent shall make the calculation described above not later than the close of business on each Auction Date and shall communicate it to the Trustee not later than 12:00 Noon on the next Business Day. The Trustee shall promptly confirm the calculation and notify the Auction Agent of any error or discrepancy it believes exists in the calculation. In the event an Interest Payment Date occurs in any Auction Period on a date other than the first day of such Auction Period, the Trustee, after confirming the calculation required above, will calculate the portion of the amount of interest payable on such Interest Payment Date and the portion payable on the next succeeding Interest Payment Date.

Interest payments on a Series of Offered Obligations are to be made by the Trustee to the persons who are the Holders of such Series of Offered Obligations, as of the Business Day immediately preceding each Interest Payment Date for such Series of Offered Obligations (the "Record Date" for Auction Rate Securities). Each Series of Offered Obligations will be initially registered in the name of Cede & Co., as nominee of DTC, which is acting as the Securities Depository for such Series of Offered Obligations. See APPENDIX H -- "DESCRIPTION OF THE BOOK-ENTRY SYSTEM for a description of how the Securities Depository, as the Holder of a Series of Offered Obligations, is expected to disburse such payments to the Beneficial Owners.

Payments of defaulted interest on a Series of Offered Obligations shall be payable to the Person who is the Holder thereof at the close of business on a special record date (the "Special Record Date") fixed therefor by the Trustee whenever moneys become available for payment of defaulted interest. The Trustee shall give notice of the Special Record Date and of the date fixed for the payment of such defaulted interest by first class mail to each Holder of such Series of the Offered Obligations as to which defaulted interest is payable, not less than two (2) days before the Special Record Date.

Conversion; Mandatory Tender of a Series of Auction Rate Tax-Exempt Bonds

At the option of the Corporation and provided that the Corporation shall have delivered to the Trustee (i) written evidence from each Rating Agency confirming that the proposed Conversion will not cause the withdrawal or reduction of any rating then applicable to any Series of Obligations, other than the Obligations of the Series to be converted, and (ii) with respect to Outstanding Tax-Exempt Bonds, an opinion of Bond Counsel, in form and content acceptable to the Trustee, to the effect that the proposed Conversion will not adversely affect the exclusion of interest on any of the Auction Rate Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code, any Series of Auction Rate Securities may be converted to bear interest at a Weekly Rate or an Adjustable Rate (a "Variable Rate") or to a Fixed Rate on any Weekly Rate Conversion Date, Adjustable Rate Conversion Date or Fixed Rate Conversion Date, as applicable (each such Date, a "Conversion Date"). Such Conversion will be made as follows:

(a) The Conversion Date will be a date on which a new Auction Period would otherwise have commenced.

(b) The Series of Auction Rate Securities to be converted are subject to mandatory tender for purchase on the Conversion Date at a purchase price equal to the principal amount thereof plus, unless the Conversion Date is an Interest Payment Date, accrued and unpaid interest to the Conversion Date.

(c) Not less than five Business Days prior to the date on which the Bond Registrar is required to notify the Holders of the Series of Auction Rate Securities to be converted of the Conversion as described in subparagraph (d) below, the Corporation will give written notice of the Conversion to the Trustee, the Auction Agent, the Market Agent and all Broker-Dealers setting forth the Conversion Date and including a form for the notice to be given as described in subparagraph (d) below.

(d) The Bond Registrar will mail a notice of the Conversion to all Holders of the Series of Auction Rate Securities to be converted not less than twenty-one (21) days prior to the Conversion Date, which notice will inform the Holders of the Conversion Date, advise the Holders that their Auction Rate Securities are subject to mandatory tender to the Trustee for purchase on the Conversion Date and specify the time and place at which such Auction Rate Securities are to be tendered for purchase.

(e) The Corporation has the right to revoke its determination to effect any such Conversion of any Series of Auction Rate Securities, for any reason, on or before the proposed Weekly Rate Conversion Date, Adjustable Rate Conversion Date or Fixed Rate Conversion Date, as applicable, by written notice from the Corporation to all parties to whom the Corporation has given notice of such Conversion pursuant to the Indenture. If the Corporation revokes its determination to convert a Series of Auction Rate Securities to another interest rate for any reason on or before the Conversion Date, such Series of Auction Rate Securities will continue to bear interest at Auction Rates, the rate of interest for the Auction Period commencing on or including the proposed Conversion Date will be the Maximum Rate computed as of the last Business Day preceding the first day of such Auction Period and the Auction Period shall be a seven-day Auction Period.

(f) If on a proposed Conversion Date the purchase price for all Auction Rate Securities to be converted has not been deposited with the Trustee or the Tender Agent by the times set forth below, the rate of interest on such Auction Rate Securities will not be established at an interest rate other than an Auction Rate, but such Auction Rate Securities will continue to bear interest at Auction Rates, the rate of interest for such Auction Rate Securities for the Auction Period commencing on and including the proposed Conversion Date will be the Maximum Rate computed as of the last Business Day preceding such Auction Period and the Auction Period shall be a seven-day Auction Period.

(g) At least twenty-one (21) days prior to a proposed Conversion Date, the Trustee will send notice thereof to DTC and the Auction Agent and will make available to DTC such other information as DTC may reasonably require in order to effect the exchange of Auction Rate Securities held by DTC for Obligations bearing interest at a new interest rate.

(h) Before the close of business on the date set for purchase of tendered Auction Rate Securities and upon receipt of 100% of the aggregate purchase price of the tendered Auction Rate Securities and the Auction Rate Securities to be purchased, the Trustee will pay the purchase price of such Auction Rate Securities to the Owners thereof at the Principal Office of the Trustee or by bank wire transfer to the accounts specified in instructions delivered to the Trustee in form and content acceptable to the Trustee. Such payments are to be made in funds immediately available in New York, New York.

(i) All Auction Rate Securities to be purchased on any Conversion Date will be required to be delivered to the Principal Office of the Tender Agent (or the Trustee with respect to Conversion from Auction Rates to a Fixed Rate) at or before 1:00 p.m., New York City time, on the Conversion Date.

(j) In the event of a failed Conversion, the Tender Agent (or the Trustee, with respect to Conversion from Auction Rate to Fixed Rate) will: (i) return all tendered Auction Rate Securities to the tendering Registered Owners thereof; (ii) return all moneys received for the purchase of such Auction Rate Securities to the persons providing such moneys; and (iii) notify the Corporation, the Auction Agent, the Remarketing Agent, if applicable, and the Trustee (if notification is being made by the Tender Agent) of the return of such Auction Rate Securities and moneys and the failure to make payment for tendered Auction Rate Securities.

(k) Any Auction Rate Securities tendered or deemed tendered for purchase are to be delivered to the Tender Agent (or the Trustee, with respect to Conversion from an Auction Rate to a Fixed Rate) on or prior to the date on which such Auction Rate Securities are required to be purchased and any Auction Rate Securities required to be tendered for purchase that are not delivered for which there has been irrevocably deposited in trust with the Tender Agent (or the Trustee, with respect to Conversion from an Auction Rate to a Fixed Rate) an amount of money sufficient to pay the purchase price thereof will be

deemed to have been tendered to the Tender Agent or the Trustee, as applicable, pursuant to the Indenture and will be "Undelivered Auction Rate Securities." In the event of a failure by an Owner to deliver its Auction Rate Securities on or prior to the required date, said Owner will not be entitled to any payment (including any interest to accrue subsequent to the required purchase date) other than the purchase price for such Undelivered Auction Rate Securities, and any Undelivered Auction Rate Securities will no longer be entitled to the benefits of the Indenture, except for the payment of the purchase price therefor. Any moneys held by the Tender Agent or the Trustee, as applicable, under the Indenture for the purchase of an Undelivered Auction Rate Security will be separated and held in a segregated fund by the Tender Agent or the Trustee, as applicable, and will not be invested and will be held for the exclusive benefit of the Owner of such Undelivered Auction Rate Securities. The Corporation will execute and the Bond Registrar will authenticate a new Obligation or Obligations in replacement of any Undelivered Auction Rate Securities and will register such Obligation or Obligations in accordance with instructions from the Corporation. The replacement of any previously outstanding Auction Rate Security will not be deemed to create a new indebtedness, but such Obligation as is issued will be deemed to evidence the indebtedness previously evidenced by the Undelivered Auction Rate Security.

THE DESCRIPTION OF THE AUCTION RATE SECURITIES SET FORTH HEREIN DOES NOT INCLUDE OR PURPORT TO INCLUDE A DESCRIPTION OF THE AUCTION RATE SECURITIES FOLLOWING A WEEKLY RATE CONVERSION DATE, AN ADJUSTABLE RATE CONVERSION DATE OR A FIXED RATE CONVERSION DATE APPLICABLE TO SUCH AUCTION RATE SECURITIES. THIS OFFICIAL STATEMENT IS NOT INTENDED TO, AND SHALL NOT, BE USED BY THE CORPORATION OR BY ANY OTHER PERSON IN CONNECTION WITH THE SALE OR REMARKETING OF ANY OF THE AUCTION RATE SECURITIES FOLLOWING A WEEKLY RATE CONVERSION DATE, AN ADJUSTABLE RATE CONVERSION DATE OR A FIXED RATE CONVERSION DATE APPLICABLE THERETO.

REDEMPTION

Optional Redemption of the Offered Obligations

Subject to the Conditions set forth under heading "Limitations on Redemption of Obligations, including Offered Obligations" below in this section, the Offered Obligations, while bearing interest at an Auction Period Rate, may, at the option of the Corporation, be redeemed, in whole or in part in Authorized Denominations, from any moneys of or available to the Corporation (including, but not limited to, moneys in the Surplus Account which are to be transferred to the Redemption Subaccount) on the first day following the end of any Auction Period for the Offered Obligations to be redeemed, in each case upon written notice as described in "Manner and Notice of Redemption" below and at a Redemption Price with respect to each Series 2007-A-1&2&B-1 Bond equal to the unpaid principal amount thereof being redeemed plus, unless the Redemption Date shall be an Interest Payment Date with respect such Series 2007-A-1&2&B-1 Bond redeemed, accrued interest, if any, to the Redemption Date, provided that unless moneys in an amount sufficient to effect such redemption have been deposited with (or held by) the Trustee and set aside for such purpose not later than the date on which notice of such redemption is to be given to the Holders, such redemption will be contingent upon the availability of funds to effect such redemption. Written evidence of the Corporation's exercise of such option shall be delivered to the Trustee at least forty-five (45) days prior to the Redemption Date (unless a shorter time shall be satisfactory to the Trustee).

Because of the uncertainties relating to the amounts and timing of receipt of Pledged revenues under the Indenture, the amounts in the Surplus Account that may be available for such redemption cannot be definitively stated. In addition, it is difficult to predict whether the Corporation will elect to exercise such option. See APPENDIX F -- "CASH FLOW ASSUMPTIONS AND OTHER CONSIDERATIONS -- Factors Affecting Sufficiency and Timing of Receipt of Revenues in the Trust Estate."

Any election of the Corporation to redeem the Offered Obligations or other Outstanding Obligations, if any, (or to exercise its option to redeem Offered Obligations of a Series or other Outstanding Obligations) will, in addition to the other requirements discussed above, be evidenced by a Corporation Order delivered to the Trustee within the specified time period (i) stating the Redemption Date, the principal amount to be redeemed, the Series of Obligations, and, if applicable, the Maturity Date within the Series to be redeemed and (ii) be accompanied by evidence acceptable to the Trustee that either (a) after such redemption the Senior Asset

Requirement will be met or (b)(1) the Senior Asset Requirement is not being met at the time, (2) no Subordinate Obligations will be redeemed pursuant to such election, and (3) after such redemption, the ratio of Balances included in the Trust Estate Fund to the outstanding principal of and accrued and unpaid interest on Senior Obligations will be greater than such ratio would have been without such redemption.

Mandatory Redemption of Offered Obligations from Moneys in the Acquisition Account

Subject to the Conditions set forth under the heading "Limitations on Redemption of Obligations, including Offered Obligations" below in this section, the Offered Obligations, while bearing interest at an Auction Period Rate, shall be subject to mandatory redemption, in whole or in part in Authorized Denominations, at a Redemption Price equal to the unpaid principal amount thereof being redeemed, plus, unless the Redemption Date shall be an Interest Payment Date with respect to the Offered Obligations to be redeemed, accrued and unpaid interest to the Redemption Date, from proceeds of or certain moneys allocable to the Offered Obligations which are required to be transferred pursuant to the Indenture from the Original Proceeds Subaccount and/or the Revolving Subaccount of the Acquisition Account to the Redemption Subaccount on the first day following the end of any Auction Period, subject to the provisions of the next succeeding paragraph, for the Offered Obligations to be redeemed, as further described in APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Funds and Accounts Established -- Applications of Funds and Accounts -- *Acquisition Account.*"

In the event that moneys are so transferred to the Redemption Subaccount to be used to redeem Offered Obligations, the redemption of Offered Obligations of a Series so selected shall occur on the earliest date following such transfer on which the Offered Obligations of such Series can redeemed and with respect to which notice of such redemption can reasonably be given. See "Manner and Notice of Redemption" below for the requirements in regard to giving notice of mandatory redemption.

Subject to the Conditions set forth under heading "Limitations on Redemption of Obligations, including Offered Obligations" below in this section, the maturities (if applicable) and Series of the Offered Obligations to be redeemed by mandatory redemption shall be selected by the Trustee so that, to the maximum extent possible taking into account redemption of the Offered Obligations in Authorized Denominations, approximately equal percentages of each Series will be redeemed, unless the Trustee shall have received, not less than forty-five (45) days prior to the Redemption Date: (i) a Corporation Order directing that specific aggregate principal amounts of Offered Obligations of one or more specific Series shall be redeemed; (ii) evidence acceptable to the Trustee that either (a) after such redemption the Senior Asset Requirement will be met, or (b) (1) the Senior Asset Requirement is not being met at the time, (2) no Subordinate Obligations are directed to be redeemed pursuant to such Corporation Order, and (3) after such redemption, the ratio of the Balances included in the Trust Estate Fund to the outstanding principal of and accrued and unpaid interest on Senior Obligations will not be less than such ratio would have been if the Offered Obligations to be redeemed had been selected in the manner set forth in this paragraph, without regard to such Corporation Order.

Limitations on Transfers from Revenue Account and Surplus Account

No amounts shall be transferred from the Revenue Account or the Surplus Account to the Revolving Subaccount subsequent to the Revolving Termination Date, which, unless later extended, is June 1, 2010 as of the date of this Official Statement. For additional information concerning the Revolving Termination Date and extensions thereof, see APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Funds and Accounts Established -- Applications of Funds and Accounts -- - *Acquisition Account.*"

If the Balances (other than Student Loans) credited to the Surplus Account on the first day of any month shall exceed $500,000, such excess shall be transferred on the first day of the next succeeding month to the Redemption Subaccount and promptly applied to redeem Outstanding Obligations.

Any election of the Corporation to redeem Obligations (other than redemption of Senior Obligations pursuant to sinking fund provisions or if all Senior Obligations are to be redeemed) or to exercise its option to redeem Obligations will, in addition to being evidenced by a Corporation Order, be accompanied by

evidence acceptable to the Trustee that either (i) after such redemption the Senior Asset Requirement will be met or (ii) (a) the Senior Asset Requirement is not being met at the time, (b) no Subordinate Obligations will be redeemed pursuant to such election, and (c) after such redemption, the ratio of Balances included in the Trust Estate Fund to the outstanding principal of and accrued and unpaid interest on Senior Obligations will be greater than such ratio would have been without such redemption.

Limitations on Redemption of Obligations, including Offered Obligations

If any Senior Obligations are Outstanding, no Subordinate Obligations (including the Series 2007-B-1 Bonds) shall be redeemed unless, after such redemption, the Senior Asset Requirement will be met. No Senior Obligations shall be redeemed (other than pursuant to mandatory sinking fund provisions or if all Senior Obligations are to be redeemed) unless either: (i) after such redemption the Senior Asset Requirement will be met; or (ii) the Corporation shall have provided to the Trustee, not less than thirty (30) days prior to such redemption, a Cash Flow Certificate with respect to such redemption and evidence that (a) the Senior Asset Requirement is not being met at the time and (b) after such redemption the ratio of the Balances included in the Trust Estate Fund to the outstanding principal of and accrued and unpaid interest on the Senior Obligations will be greater than such ratio would have been without such redemption.

Manner and Notice of Redemption

Except to the extent otherwise provided in an Applicable Series Supplement, if less than all of the Outstanding Obligations of a Series are to be redeemed (including the Offered Obligations), the particular Obligations of the Series to be redeemed shall be selected by the Trustee by lot or random selection in such manner as the Trustee shall deem fair and appropriate.

Notice of redemption of such Obligations, while such Obligations bear interest at an Auction Rate, will be given by first class mail, postage prepaid, mailed not less than 15 nor more than 60 days prior to the Redemption Date, to each Holder of Obligations to be redeemed (which initially will be DTC or its nominee) at the address of such Holder appearing in the Bond Register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Obligations not affected by such defect or failure.

All notices of redemption will state: (1) the Redemption Date; (2) the Redemption Price; (3) the complete official name (with Series designation) of the Series of Obligations (or portion thereof) being redeemed; (4) the CUSIP number(s) of the Obligations being redeemed; (5) the certificate numbers of the Series of Obligations (or portion thereof) being redeemed and, if less than all of the Obligations represented by a certificate is being redeemed, the principal amount represented by such certificate being redeemed; (6) the initial date of the Series of Obligations (or portion thereof) being redeemed (without regard to any dates resulting from any exchange or transfer of Obligations); (7) the interest rate or rates of the Series of Obligations (or portion thereof) being redeemed; (8) the Stated Maturity of the Series of Obligations (or portion thereof) being redeemed; (9) the aggregate principal amount of the Series of Obligations (or portion thereof) being redeemed; (10) that, on the Redemption Date, the Redemption Price of and accrued and unpaid interest on the Series of Obligations (or portion thereof) being redeemed will become due and payable and that interest on each Obligation of such Series (or portion thereof) shall cease to accrue on and after such date; (11) the place or places where the Series of Obligations (or portion thereof) being redeemed are to be surrendered for payment of the Redemption Price; (12) the name of the Trustee and an address and telephone number for contacting the Trustee; and (13) if such be the case, that the Obligations of such Series (or portion thereof) are to be redeemed by the application of certain specified moneys and for certain specified reasons.

The Indenture requires that a copy of each redemption notice shall also be given, on the date of mailing to the Holders, to two national information services by a secure means such that the Trustee will be able to verify the date of mailing (or delivery) and to any Holder of Obligations of a Series being redeemed in the aggregate principal amount of $1,000,000 or more, regardless of whether any of the Obligations held by such Holder are called for redemption; provided that a failure to give such notice to national information services or any such Holder whose Obligations are not being redeemed shall not affect the validity of the proceedings for redemption of any Obligation held by any Holder to whom notice shall have been given as described above. See "CONTINUING DISCLOSURE" below for information regarding the Corporation's requirement under its Continuing Disclosure

Agreement to notify each designated nationally recognized municipal securities information repository or the Municipal Securities Rulemaking Board and any state information depository of calls for redemption.

Notice of redemption having been given as provided above, the Series of Obligations, or portion thereof, designated in the notice will, on the Redemption Date, become due and payable at the Redemption Price specified, plus (unless the Redemption Date shall be an Interest Payment Date) interest accrued and unpaid thereon to the Redemption Date, and, on and after such date, unless the Corporation defaults in the payment of the Redemption Price and accrued and unpaid interest, such Obligations will cease to bear interest.

Within sixty (60) days of any Redemption Date, a second notice of redemption will be given, in the manner described above, to the Holder of any Obligation not presented for redemption within thirty (30) days of Redemption Date.

APPLICATION OF THE PROCEEDS OF THE OFFERED OBLIGATIONS

The proceeds of the sale of the Offered Obligations are expected to be applied as follows:

	Amount
Deposit into Acquisition Account	$ 120,032,000
Deposit into Reserve Subaccount	1,230,000
Deposit into Debt Service Account	1,000,000
Cost of Issuance, including Underwriting fee	738,000
TOTAL	$123,000,000

UNDERWRITING

The Offered Obligations are being purchased by Citigroup Global Markets Inc. and Banc of America Securities LLC, as Underwriters. The Purchase Contract in connection with the Offered Obligations (the "Purchase Contract") provides that the Underwriters will purchase all of the Offered Obligations if any are purchased. The Corporation has agreed in the Purchase Contract to indemnify the Underwriters against certain liabilities in connection with the sale of the Offered Obligations. In connection with its underwriting of the Offered Obligations, the Underwriters will purchase the Offered Obligations at a price of 100% of their principal amount, plus accrued interest, if any. The Underwriters will be paid an underwriting fee in the aggregate amount of $424,000 in connection with their underwriting of the Offered Obligations.

The Underwriters may offer and sell the Offered Obligations to certain dealers (including dealers depositing Offered Obligations into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering prices may be changed from time to time by the Underwriters.

TAX MATTERS

In the opinion of Watkins Ludlam Winter & Stennis, P.A., Bond Counsel, assuming continuing compliance with all covenants set forth in the Indenture, and subject to the condition set forth below, under existing statutes, regulations and court decisions, as presently interpreted and construed, interest on the Offered Obligations earned by the respective owners thereof is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. The Offered Obligations will be "specified private activity bonds" (as defined in Section 57(a)(5)(C) of the Code) and accordingly interest thereon will be treated as a specific preference item in calculating alternative minimum tax imposed on all taxpayers by Section 55 of the Code. Interest on the Offered Obligations will be includable in computing the following: (a) the income adjustments for property and casualty insurers pursuant to Section 832 of the Code; (b) the branch profits tax imposed by Section 884 of the Code; and (c) the tax on excess "net passive income" imposed by Section 1375 of the Code on certain Subchapter S corporations that have Subchapter C earnings and profits. The Code includes certain restrictions, conditions and requirements, compliance with which subsequent to issuance of the Offered Obligations is necessary in order that interest on the Offered Obligations be (and continue to be) excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Bond Counsel's opinion is subject to the condition that the Corporation comply with all

requirements of the Code, compliance with which subsequent to the issuance of the Offered Obligations is necessary in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Corporation has covenanted to comply with each such requirement, and failure of the Corporation to comply with such requirements may cause the inclusion of interest on the Offered Obligations in gross income for federal income tax purposes, retroactive to the date of issuance of the Offered Obligations.

Pursuant to Section 55 of the Code, an alternative minimum tax is imposed if a taxpayer's regular income tax for a year is less than such taxpayer's "tentative minimum tax" for such year. "Tentative minimum tax" is computed on the basis of "alternative minimum taxable income." "Alternative minimum taxable income" is taxable income determined with certain adjustments and increased by certain items of tax preference. Among the specific items of tax preference for all taxpayers is interest on any "specified private activity bond," reduced by any deduction (not allowable in computing the regular tax) which would have been allowable if such were included in gross income. In the opinion of Bond Counsel, the Offered Obligations will be "specified private activity bonds," and accordingly interest thereon will be treated as a specific item of tax preference.

Interest on the Offered Obligations earned by certain Subchapter S corporations that have Subchapter C earnings and profits may be included in computing the tax on excess "net passive income" imposed by Section 1375 of the Code. Interest on the Offered Obligations earned by certain foreign corporations doing business in the United States may be subject to the branch profits tax imposed by Section 884 of the Code. Interest on the Offered Obligations held by persons who also receive Social Security or Railroad Retirement Benefits may have the effect of subjecting part of such benefits to federal income taxation. Interest earned on the Offered Obligations may also have collateral effects upon the tax liability of the owners of the Offered Obligations, and such effects may vary depending upon the nature of the owner. No deduction is allowed for a taxpayer's interest expense incurred or continued to purchase or carry tax-exempt obligations such as the Offered Obligations (or, with respect to financial institutions, interest expense allocable to tax-exempt interest). In computing the deduction allowed to a financial institution, 100% of the interest allocated to tax-exempt obligations such as the Offered Obligations is disallowed. (The Offered Obligations will not be "qualified tax-exempt obligations" as defined in Section 265(b) of the Code.)

Deductible underwriting losses of property and casualty insurance companies will be reduced by 15% of the amount of interest received (or accrued) on the Offered Obligations. (If the amount of the reduction exceeds the amount otherwise deductible as losses incurred, such excess may be includable in income.)

Bond Counsel will not opine with respect to any federal tax consequences arising with respect to the Offered Obligations, other than the exclusion of interest on the Offered Obligations from gross income for federal income tax purposes pursuant to Section 103 of the Code. Any party considering purchasing Offered Obligations should consult with its own tax advisor concerning the effects of various provisions of the Code before acquiring Offered Obligations.

Legislation which may affect the tax consequences of owning municipal bonds is regularly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Offered Obligations will not adversely affect the tax consequences of owning the Offered Obligations, the tax-exempt status of interest on the Offered Obligations, or the market price of the Offered Obligations.

The Offered Obligations and interest thereon will be includable for purposes of computing taxes imposed by the State of Mississippi to the same extent as would be the case if interest on the Offered Obligations were not excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code.

RATINGS

It is a condition precedent to the issuance of the Offered Senior Obligations that Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings ("Fitch") assign their municipal bond ratings of "Aaa" and "AAA," respectively, to the Offered Senior Obligations. It is a condition precedent to the issuance of the Offered Subordinate Obligations that Moody's and Fitch assign their municipal bond ratings of "A2" and "A," respectively, to the Offered Subordinate Obligations. The Corporation has furnished Moody's and Fitch with certain information and materials concerning the Offered Obligations and the Corporation, some of which is not included in this Official

Statement. Generally, a rating agency bases its rating on such information and materials and also on such investigations, studies and assumptions as each may undertake or establish independently.

A rating is not a recommendation to buy, sell or hold the Offered Obligations, and any such rating should be evaluated independently. Each rating is subject to change or withdrawal at any time, and any such change or withdrawal may affect the market price or marketability of the Offered Obligations. Except as otherwise undertaken by the Corporation pursuant to the Continuing Disclosure Agreement described immediately below, neither the Corporation nor the Underwriters have undertaken any responsibility either to bring to the attention of the Holders of the Offered Obligations any proposed change in or withdrawal of the rating of the Offered Obligations or to oppose any such change or withdrawal.

CONTINUING DISCLOSURE

The Corporation is an obligated person with respect to the Offered Obligations under Rule 15c2-12 of the Securities Exchange Act of 1934 (the "Rule") and, accordingly, will agree, for the benefit of the Holders and Beneficial Owners from time to time of the Offered Obligations, to provide or cause to be provided certain financial information and operating data (the "Annual Information"), financial statements and notices in such manner as may be required for purposes of paragraph (b)(5)(i) of the Rule (the "Continuing Disclosure Agreement"), including specifically the following:

A. To each nationally recognized municipal securities information repository designated from time to time by the Securities and Exchange Commission ("NRMSIR") and to any Mississippi state information depository ("SID"):

1. The Annual Information for each fiscal year of the Corporation ending on or after December 31, 2007, not later than 180 days following the end of each such fiscal year (the "Filing Date"), consisting of the annual financial information and operating data included herein (A) in the section captioned "THE CORPORATION -- Other Outstanding Bonds and Notes of the Corporation and Related Student Loans," (B) in the second paragraph of the section captioned "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM -- General" and (C) in APPENDIX G -- PORTFOLIO DATA FOR PLEDGED ELIGIBLE LOANS HELD IN THE TRUST ESTATE." The Corporation expects that Annual Information will be provided directly by the Corporation or, in part, by cross reference to other documents previously provided to each NRMSIR and any SID, or to another final Official Statement or other disclosure document of the Corporation filed with the Municipal Securities Rulemaking Board ("MSRB").

2. The Corporation's financial statements for each fiscal year ending on or after December 31, 2007. The Corporation expects that such financial statements will be audited and will be prepared in accordance with generally accepted accounting principles and that they will be submitted as part of the Annual Information or when otherwise available, not to exceed 180 days following the end of each such fiscal year.

B. To each NRMSIR or the MSRB, and to any SID, in a timely manner, notice of:

1. The occurrence of any of the following events, within the meaning of the Rule, with respect to the Offered Obligations, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on the debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Offered Obligations;

(7) modifications to rights of Holders or Beneficial Owners of the Offered Obligations;

(8) calls for redemption of the Offered Obligations;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Offered Obligations; and

(11) rating changes.

2. The Corporation's failure to provide the Annual Information within the time specified above.

3. Any change in the accounting principles applied in the preparation of its annual financial statements, any change in its fiscal year, and the termination of the Continuing Disclosure Agreement.

If the Trustee has not received the Annual Information by the close of business on the 15th Business Day preceding the Filing Date, the Trustee shall provide a notice to the Corporation not later than its close of business on the next Business Day. If evidence of the timely filing of the Annual Information is not delivered to the Trustee by 3:00 p.m. on the second Business Day following the Filing Date, the Trustee shall provide a notice to such effect to each NRMSIR and to any SID, not later than its close of business on such Business Day.

The Continuing Disclosure Agreement may be amended, and noncompliance with any provisions of the Continuing Disclosure Agreement may be waived, as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the Corporation, or type of business conducted by the Corporation. Any such amendment or waiver will not be effective unless the Continuing Disclosure Agreement (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the primary offering of the Offered Obligations, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the Corporation and the Trustee shall have received either (i) a written opinion of bond or other qualified independent special counsel selected by the Corporation, or a determination by the Trustee, that the amendment or waiver would not materially impair the interests of the Holders or Beneficial Owners of the Offered Obligations, or (ii) the written consent to the amendment or waiver of the Holders of at least a majority of the principal amount of the Offered Obligations then Outstanding.

The Continuing Disclosure Agreement will be solely for the benefit of the Holders and the Beneficial Owners from time to time of the Offered Obligations. The exclusive remedy for any breach of the Continuing Disclosure Agreement by the Corporation is limited to a right of Holders and Beneficial Owners of the Offered Obligations, or the Trustee, to institute and maintain, or cause to be instituted and maintained, on behalf of such Holders and Beneficial Owners, such proceedings as may be authorized at law or in equity to obtain the specific performance by the Corporation of its obligations under the Continuing Disclosure Agreement. The Trustee may exercise any such right and, if requested to do so by the Holders or Beneficial Owners of at least 25% in aggregate principal amount of the Offered Obligations then outstanding, the Trustee shall exercise any such right, subject in each case to the same conditions, limitations and procedures that would apply under the Indenture if the breach were an Event of Default under the Indenture. In addition, any Holder or Beneficial Owner may exercise any such right; provided that, except in the instance of an alleged failure of the Corporation to provide or cause to be provided a pertinent filing if such a filing is due and has not been made, any such right shall be exercised in the same manner and subject to the same conditions and limitations that would apply under the Indenture if the breach

were an Event of Default under the Indenture. See APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Events of Default and Remedies." Notwithstanding the foregoing, a default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture.

The Continuing Disclosure Agreement will remain in effect only for such period that the Offered Obligations are Outstanding in accordance with their terms and the Corporation remains an obligated person with respect to the Offered Obligations within the meaning of the Rule. The obligation of the Corporation to provide the Annual Information, financial statements and notices of the events described above will terminate if and when the Corporation no longer remains such an obligated person.

The following NRMSIRs exist at this time: Bloomberg Municipal Repository, Skillman, New Jersey; DPC Data Inc., Fort Lee, New Jersey, and FT Interactive Data and Standard & Poor's Securities Evaluations, Inc., each of New York, New York. A SID does not exist at this time.

Any filing under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

The Corporation has never failed to comply in all material respects with its previous undertakings under the Rule to provide annual reports or notices of material events.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Offered Obligations are subject to the approving opinion of Watkins Ludlam Winter & Stennis, P.A., Jackson, Mississippi, Bond Counsel. Copies of such opinion will be available at the time of delivery of the Offered Obligations. The proposed form of Bond Counsel's opinion is attached to this Official Statement as APPENDIX I. Watkins Ludlam Winter & Stennis, P.A. serves as general counsel to the Corporation and is serving as corporate counsel to the Corporation in connection with issuance of the Offered Obligations. In its capacity as corporate counsel to the Corporation, Watkins Ludlam Winter & Stennis, P.A. will pass upon certain legal matters for the Corporation. Certain legal matters will be passed upon for the Underwriters by their counsel, Calfee, Halter & Griswold LLP, Cleveland, Ohio.

ERISA CONSIDERATIONS

By virtue of activities unrelated to the issuance and underwriting of the Offered Obligations, the Corporation, the Trust Estate, the Underwriters, parties associated with the Student Loans (including the sellers, servicers, lenders and borrowers thereof), and their affiliates may be considered to be, with respect to an employee benefit plan, a "party in interest," within the meaning of section 3(14) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or a "disqualified person" within the meaning of section 4975(e)(2) of the Code. If so, an acquisition of the Offered Obligations by any such plan may constitute a "prohibited transaction" within the meaning of ERISA and the Code unless the acquisition is made pursuant to an exemption. Any such plan proposing to invest in the Offered Obligations should consult with its legal counsel.

ABSENCE OF LITIGATION

There is currently no litigation of any nature now pending or, to the knowledge of the Corporation, threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Offered Obligations, or in any way contesting or affecting the validity of (i) the Offered Obligations, (ii) any proceedings of the Corporation taken with respect to the issuance or sale of the Offered Obligations, (iii) the pledge or application of any moneys or securities provided for the payment or security of the Offered Obligations or (iv) the powers of the Corporation or the due exercise thereof.

INDEPENDENT AUDITORS

The financial statements of the Corporation for the years ended December 31, 2006 and December 31, 2005 included in APPENDIX A of this Official Statement have been audited by Haddox Reid Burkes & Calhoun PLLC, Jackson, Mississippi, independent auditors, as stated in their report appearing therein.

OTHER MATTERS

The information set forth herein has been obtained from the Corporation's records and other sources which are considered reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information. Reference is made to official documents in all respects. Any statement in this Official Statement involving any matter of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact. No representation is made that any such opinion will actually be borne out. This Official Statement is not to be construed as a contract or agreement between the Corporation or the Underwriters and the purchasers or Holders of any of the Offered Obligations.

THIS OFFICIAL STATEMENT is approved, and the execution and delivery of this Official Statement authorized, by resolution of the Corporation.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Dated: June 22, 2007

By: /s/ Jack L. Woodward
Jack L. Woodward, Board Chair

By: /s/ Kenneth L. Smith, Jr.
Kenneth L. Smith, Jr., Executive Director

APPENDIX A

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1

AUDITED FINANCIAL STATEMENTS OF THE CORPORATION
As of December 31, 2006 and December 31, 2005

[THIS PAGE INTENTIONALLY LEFT BLANK]

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Financial Statements and Report of
Independent Certified Public Accountants

December 31, 2006 and 2005

CONTENTS

HADDOX REID BURKES & CALHOUN PLLC
Certified Public Accountants

EMMITTE J. HADDOX
JIMMY E. BURKES
PAUL W. CALHOUN
M. GREGORY KING
TED B. EDWARDS
JAN F. LEWIS
CHERYL J. LEE
W.R. LEE ADAMS
WALTER J. LEE

1100 AMSOUTH PLAZA
P.O. DRAWER 22507
JACKSON, MISSISSIPPI 39225-2507
TELEPHONE 601/948-2924
FACSIMILE 601/960-9154

Report of Independent Certified Public Accountants

To the Directors of Mississippi Higher
Education Assistance Corporation

We have audited the accompanying statements of financial position of Mississippi Higher Education Assistance Corporation as of December 31, 2006 and 2005, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Higher Education Assistance Corporation as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Haddox Reid Burkes & Calhoun PLLC

March 27, 2007

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Financial Position

	December 31, 2006	2005
ASSETS		
Cash and cash equivalents	$ 302,854,093	184,427,508
Investments	134,398,225	245,606,225
Student loans receivable	1,202,369,835	1,076,708,065
Interest and special allowance receivable	30,127,291	23,178,935
Deferred costs of issuance less accumulated amortization of $4,903,359 in 2006 and $4,407,258 in 2005	8,393,402	8,070,513
Other assets	1,568,335	1,523,126
Total assets	$ 1,679,711,181	1,539,514,372
LIABILITIES AND UNRESTRICTED NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 1,793,723	1,911,204
Accrued interest payable	9,674,036	7,168,965
Excess interest and rebate payable	24,288,001	33,156,184
Bonds and notes payable	1,528,500,000	1,392,660,000
Total liabilities	1,564,255,760	1,434,896,353
Unrestricted net assets:		
Bond and note funds	75,386,350	75,963,888
General fund	40,069,071	28,654,131
Total unrestricted net assets	115,455,421	104,618,019
Total liabilities and unrestricted net assets	$ 1,679,711,181	1,539,514,372

The accompanying notes are an integral part of these statements.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Activities
and Changes in Unrestricted Net Assets

	Years Ended December 31, 2006	2005
Revenues:		
Interest on student loans	$ 26,959,827	19,678,014
Interest subsidy	6,973,340	5,249,541
Special allowance	33,187,301	22,439,883
Late fees	265,590	286,398
	67,386,058	47,653,836
Interest on investments	17,931,896	11,016,738
Total unrestricted revenues	85,317,954	58,670,574
Expenses:		
Interest	64,618,773	40,329,962
Administration and loan servicing	6,070,043	6,040,586
Bond and note fees	3,295,635	3,703,818
Amortization of deferred costs of issuance	496,101	512,160
Total expenses	74,480,552	50,586,526
Increase in unrestricted net assets	10,837,402	8,084,048
Unrestricted net assets, beginning of year	104,618,019	96,533,971
Unrestricted net assets, end of year	$ 115,455,421	104,618,019

The accompanying notes are an integral part of these statements.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Cash Flows

	Years Ended December 31, 2006	2005
Receipts (disbursements) in cash and cash equivalents:		
Cash flows from operating activities:		
Interest on student loans	$ 18,657,932	11,155,725
Interest subsidy	6,565,354	4,820,008
Special allowance	31,891,317	19,340,209
Late fees	265,590	286,398
Interest on investments	17,560,541	9,517,896
Interest on bonds and notes	(62,113,703)	(37,633,005)
Administration and loan servicing	(6,364,048)	(6,392,105)
Bond and note fees	(3,310,052)	(3,741,375)
Net cash provided by (used in) operating activities	3,152,931	(2,646,249)
Cash flows from investing activities:		
Collection of student loan principal	132,934,206	125,184,010
Proceeds from sale of student loans	26,286	-
Purchases of student loan principal	(246,739,146)	(231,473,697)
Purchases of student loan accrued interest	(2,645,467)	(387,283)
Investments matured/redeemed (purchased)	111,208,000	(92,747,950)
Loan premiums and origination costs	(17,344,799)	(10,963,494)
Net cash used in investing activities	(22,560,920)	(210,388,414)
Cash flows from financing activities:		
Collection of excess and rebate interest	3,156,447	5,092,874
Payment of excess and rebate interest	(348,698)	(791,291)
Proceeds from bond and note issues	142,900,000	250,000,000
Payments to redeem bonds	(7,060,000)	(47,805,000)
Payments for costs of issuance	(813,175)	(1,316,310)
Net cash provided by financing activities	137,834,574	205,180,273

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Cash Flows - continued:

	Years Ended December 31, 2006	2005
Net increase (decrease) in cash and cash equivalents	$ 118,426,585	(7,854,390)
Cash and cash equivalents:		
Beginning of year	184,427,508	192,281,898
End of year	$ 302,854,093	184,427,508
Reconciliation of increase in unrestricted net assets to net cash provided by (used in) operating activities:		
Increase in unrestricted net assets	$ 10,837,402	8,084,048
Adjustments to reconcile increase in unrestricted net assets to net cash provided by (used in) operating activities:		
Amortization	5,949,925	5,204,605
Capitalized interest on student loans	(11,278,816)	(12,439,318)
Provision for loan losses	(249,340)	782,792
Increase in interest and special allowance receivable	(4,302,890)	(6,586,254)
Increase in other assets	(45,209)	(415,223)
Increase (decrease) in accounts payable	(263,213)	26,147
Increase in accrued interest payable	2,505,072	2,696,954
Total adjustments	(7,684,471)	(10,730,297)
Net cash provided by (used in) operating activities	$ 3,152,931	(2,646,249)

The accompanying notes are an integral part of these statements.

Note 1 - Organization

Mississippi Higher Education Assistance Corporation (the "Corporation"), is a nonprofit corporation organized on January 23, 1980, under the laws of the State of Mississippi for the exclusive purpose of acquiring student loans incurred under the Higher Education Act. The Corporation's primary source of funds for this purpose is the issuance of both tax-exempt and taxable revenue bonds. The Corporation is not an agency or instrumentality of the State of Mississippi or any agency or political subdivision thereof.

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Corporation considers all checking accounts, money market accounts and investment agreements with an original maturity of three months or less to be cash and cash equivalents. All other securities are classified as investments.

Investments

Investments are reported at their cost or amortized cost, which management believes approximates the fair value based upon the monthly resetting of interest rates on substantially all of the investments.

Student Loans Receivable

Student loans are reported at their unpaid principal balances, net of expected loan losses, plus unamortized costs related to loan originations and premiums related to loan purchases. Origination costs and premiums are amortized over sixteen years for consolidation loans and eight years for all other loans, using the effective interest method. Management believes that the reported amount for student loans approximates the fair value based upon the Corporation's current acquisitions of student loans.

Deferred Costs of Issuance

The costs of issuing bonds and notes, which are composed of underwriter's discount, legal costs and other related financing costs, are capitalized and amortized over the expected life of the related debt issue on a weighted average basis.

Note 2 - Summary of Significant Accounting Policies - continued:

Bonds and Notes Payable

Bonds and notes payable are reported at their principal amount outstanding, which management believes approximates the fair value based upon the monthly resetting of interest rates on substantially all of the bonds and notes outstanding.

Income Taxes

The Corporation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 3 - Cash and Investments

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist principally of cash and investments. The Corporation places its cash and investments with high quality financial institutions. Generally, deposits with banks are in excess of the FDIC insurance limit. The Corporation routinely assesses the financial strength of the institutions and, as a consequence, believes that its cash and investments credit risk exposure is limited. At December 31, 2006 and 2005, the Corporation had cash and cash equivalents and investments consisting of:

	2006	2005
Cash and cash equivalents:		
Cash	$ 81,324	23,125
Money market instruments	302,772,769	184,404,383
	$ 302,854,093	184,427,508

Note 3 - Cash and Investments - continued:

	Maturity	2006	2005
Investments:			
Societe Generale	01/01/06-09/01/35	$ 18,550,000	129,430,000
Westdeutsche Landesbank	09/01/07-09/01/33	25,793,000	26,121,000
Bayerische Landesbank	09/01/09-09/01/16	82,303,225	82,303,225
FSA Capital Management Services	09/01/14-12/01/21	7,752,000	7,752,000
		$ 134,398,225	245,606,225

Investments consist of guaranteed investment contracts and repurchase agreements. Substantially all cash and investments are restricted for the acquisition of student loans, repayment of bond and note obligations and to satisfy certain reserve requirements specified by the various bond indentures.

At December 31, 2006 and 2005, $2,876,723 and $2,758,349, respectively, of money market instruments was pledged as collateral for the obligations described in Note 8.

Note 4 - Student Loans Receivable

Student loans include Stafford loans, Parent Loans for Undergraduate Students (PLUS) loans, and Consolidation loans. The terms of the loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest over a period of up to ten years for Stafford and PLUS loans and up to thirty years for Consolidation loans. Substantially all of the student loans are pledged to the repayment of bonds and notes outstanding. Concentrations of credit risk with respect to student loans are limited due to large number of borrowers and the guarantee. Student loans are guaranteed by various guarantors, which are reinsured by the Federal government. The guarantors guarantee 98% of principal and accrued interest for loans disbursed prior to July 1, 2006, and 97% for loans disbursed on or after July 1, 2006.

The U.S. Department of Education (DOE) pays the Corporation an interest subsidy on certain Stafford Student Loans and Federal Consolidation Loans while the student is in school, the loan is in the grace period, or loan repayment is deferred. A special allowance is paid to the Corporation by DOE at the end of each

Note 4 - Student Loans Receivable - continued:

quarter, consisting of additional interest on all outstanding student loans. The allowance is related to the average of 91-day Treasury Bill rates and 3-month commercial paper rates during each quarter.

At December 31, 2006 and 2005, the Corporation had student loans consisting of:

	2006	2005
Student loans receivable	$ 1,160,717,363	1,046,890,647
Unamortized premiums and origination costs	42,231,590	30,340,615
	1,202,948,953	1,077,231,262
Provision for loan losses	(579,118)	(523,197)
	$ 1,202,369,835	1,076,708,065

The Corporation's third party loan servicers who service substantially all of the Corporation's student loans have obtained the DOE Exceptional Performance designation. This entitles the Corporation to receive 100% reimbursement of principal and interest on all claims submitted by these servicers during the period the servicers maintain the Exceptional Performance designation. In 2006, Congress passed legislation reducing the reimbursement on claims submitted by servicers with the DOE Exceptional Performance designation from 100% to 99%. Accordingly, management determined that a provision for loan losses was appropriate at December 31, 2006 and 2005, respectively.

Note 5 - Excess Interest and Rebate Payable

The Corporation records a liability for its estimate of excess interest earnings on student loans financed with proceeds of certain tax-exempt bond issues. The liability must be settled through cash payments to the Federal government beginning ten years after the applicable bond issue date or through reducing the yield on student loans by forgiving student loans. In addition, a rebate payable is recorded for the Corporation's estimate of excess earnings on certain investments made with proceeds of tax-exempt bond issues. The rebate payable must be settled through cash payments to the Federal government beginning five years after the applicable bond issue date. The liability

Note 5 - Excess Interest and Rebate Payable - continued:

for excess interest and rebate payable is computed in accordance with current Treasury Regulations, and is funded with cash deposits.

During the years ended December 31, 2006 and 2005, the Corporation settled approximately $11,676,000 and $7,106,000, respectively, of its excess interest liability through the forgiveness of student loan principal and accrued interest. During the years ended December 31, 2006 and 2005, the Corporation settled approximately $296,000 and $535,000, respectively, of its rebate liability through cash payments to the Federal government. During the year ended December 31, 2006, the Corporation settled approximately $53,000 of its excess interest liability through cash payments to the Federal government.

Note 6 - Bonds and Notes Payable

Bonds and notes payable at December 31, 2006 consisted of:

Series	Amount	Maturity	Status	Rate	Mode
1993-B	$ 1,320,000	09/01/06-09/01/07	Exempt	5.80 - 5.85	Fixed
1993-C	180,000	09/01/07	Exempt	6.05	Fixed
1994-A	35,000,000	09/01/09	Exempt	3.72	Auction
1994-B	51,700,000	09/01/09	Exempt	3.72	Auction
1994-C	11,300,000	09/01/09	Exempt	7.50	Fixed
1996	108,400,000	10/01/26	Taxable	5.30	Auction
1996-A	39,200,000	09/01/16	Exempt	3.72	Auction
1996-C	10,800,000	09/01/12-09/01/16	Exempt	6.70 - 6.80	Fixed
1998-B	42,100,000	09/01/33	Exempt	3.75	Auction
1999-A-1	26,500,000	08/01/29	Exempt	3.75	Auction
1999-A-2	21,100,000	06/01/07	Exempt	3.72	Auction
1999-A-3	20,000,000	08/01/29	Taxable	5.28	Auction
1999-B-1	8,500,000	08/01/29	Exempt	3.85	Auction
2000	93,200,000	07/01/30	Taxable	5.31	Auction
2000-A-1	72,900,000	09/01/30	Taxable	5.33	Auction
2000-B-1	8,100,000	09/01/30	Taxable	5.40	Auction
2000-A-2	28,400,000	09/01/30	Exempt	3.85	Auction
2000-A-3	84,000,000	09/01/30	Taxable	5.33	Auction
2000-B-2	12,000,000	09/01/30	Exempt	3.85	Auction
2000-A-4	9,100,000	09/01/30	Exempt	3.82	Auction
2000-B-3	20,000,000	09/01/08-03/01/10	Exempt	5.30 - 5.45	Fixed
2001-A-1	27,300,000	09/01/08-09/01/31	Exempt	3.80	Auction
2003-A-1	91,300,000	09/01/33	Taxable	5.32	Auction
2003-A-2	91,300,000	09/01/33	Taxable	5.30	Auction
2003-B-1	15,000,000	09/01/33	Taxable	5.36	Auction
2003-A-3	16,900,000	09/01/33	Taxable	5.28	Auction
2004-A-1	45,000,000	03/01/34	Exempt	3.80	Auction
2004-B-1	5,000,000	03/01/34	Exempt	3.90	Auction

Note 6 - Bonds and Notes Payable - continued:

Series	Amount	Maturity	Status	Rate	Mode
2004-A-2	$ 60,000,000	09/01/34	Taxable	5.31	Auction
2004-A-3	35,000,000	09/01/34	Taxable	5.32	Auction
2004-A-4	45,000,000	09/01/34	Taxable	5.32	Auction
2005-A-1	68,700,000	09/01/35	Exempt	3.75	Auction
2005-A-2	37,500,000	09/01/35	Exempt	3.70	Auction
2005-B-1	18,800,000	09/01/35	Exempt	3.85	Auction
2005-A-3	50,000,000	09/01/35	Taxable	5.31	Auction
2005-A-4	37,500,000	09/01/35	Taxable	5.31	Auction
2005-A-5	37,500,000	09/01/35	Taxable	5.31	Auction
2006-A-1	85,700,000	09/01/36	Exempt	3.74	Auction
2006-A-2	42,900,000	09/01/36	Exempt	3.75	Auction
2006-B-1	14,300,000	09/01/36	Exempt	3.86	Auction
	$ 1,528,500,000				

As of December 31, 2006, remaining maturities and sinking fund redemptions of bonds and notes are as follows:

2007	$ 22,600,000
2008	9,300,000
2009	113,000,000
2010	29,300,000
2011	-
Thereafter	1,354,300,000
	$ 1,528,500,000

Note 7 - Functional Expenses

The Corporation's administration and loan servicing expenses for the years ended December 31, 2006 and 2005 included support services - management and general of approximately $1,905,032 and $1,849,244, respectively. All other expenses are for the Corporation's program service - student loans.

Note 8 - Related Party Transactions

The Corporation has entered into a management contract with Education Services Foundation (ESF) whereby ESF manages the Corporation's daily operations. In addition, ESF has entered into agreements to market and sell student loans to the Corporation, and to service student loans owned by the Corporation. Financial information for transactions related to ESF at December 31, 2006 and 2005 and the years then ended is as follows:

Note 8 - Related Party Transactions - continued:

	2006	2005
Amounts paid to ESF	$ 8,371,028	8,280,485
Payables to ESF	531,172	427,926
Student loans purchased from ESF	40,154,231	20,770,893

Substantially all of the members of the Corporation's board of directors also serve on ESF's board of directors. Condensed financial information for ESF at December 31, 2006 and 2005 and the years then ended is as follows:

	2006	2005
Total Assets	$ 34,672,237	29,975,384
Total Liabilities	31,849,158	26,767,891
Unrestricted Net Assets	2,823,079	3,207,493
Total Revenues - Net	10,450,828	9,453,868
Total Expenses	10,835,242	9,558,825

The Corporation has pledged cash to be used as collateral for ESF's notes financings. As of December 31, 2006 and 2005, $2,876,723 and $2,758,349, respectively, was being held as collateral.

Note 9 - Supplemental Information on Noncash Operating, Investing and Financing Activities

The Corporation has capitalized certain amounts of accrued interest income on student loans and included the amounts in student loans receivable. For the years ended December 31, 2006 and 2005, capitalized interest amounted to approximately $11,279,000 and $12,439,000, respectively.

During the years ended December 31, 2006 and 2005, the Corporation settled approximately $11,676,000 and $7,106,000, respectively, of its excess interest liability through the forgiveness of student loan principal and accrued interest.

Note 10 - Commitments and Contingencies

In April 2003, the Corporation entered into a contract with a company to acquire student loans over the next three years. During the years ended December 31, 2006 and 2005, the

Note 10 - Commitments and Contingencies - continued:

Corporation acquired student loans totaling approximately $24,452,000 and $126,345,000, respectively, from this company.

In the normal course of business, the Corporation is subject to consumer credit disputes and potential litigation. The Corporation is not aware of any consumer credit disputes or potential litigation.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following definitions apply to the defined words and terms used in this Official Statement, and to the extent such words and terms are also used as defined words and terms in the Indenture are substantially the definitions for such words and terms used in the Indenture.

Certain Definitions

"AAA Refunded Municipals" shall mean noncallable, refunded obligations issued by any municipality or public body located in the United States of America with respect to which Government Obligations have been deposited in amounts sufficient to pay all principal of and interest on such obligations as the same shall mature and become due and payable, rated by each Rating Agency (other than Fitch) in its highest applicable Specific Rating Category, and, if rated by Fitch, rated by Fitch in its highest applicable Specific Rating Category.

"Accreted Value" shall mean, with respect to any Discount Obligation, the present value as of any date of calculation of future scheduled payments of principal of and interest on such Discount Obligation, calculated by discounting such payments semiannually on each Interest Payment Date with respect to such Obligation (if interest on such Obligation is payable semi-annually, and otherwise on such dates as shall be designated by the Trustee) at a discount rate equal to the original issue yield to maturity of such Discount Obligation.

"Acting Beneficiaries Upon Default" shall mean, (a) at any time that any Senior Obligations are Outstanding or amounts are owed to any Senior Beneficiary (i) with respect to provisions regarding acceleration of Obligations in the case of an Event of Default other than a covenant default, the owners of at least 51% in aggregate principal amount of the Senior Obligations Outstanding or all Other Senior Beneficiaries or (unless the Trustee shall, in its sole discretion, determine that acceleration of the maturity of the Obligations is not in the overall interest of the Senior Beneficiaries) any Other Senior Beneficiary, (ii) with respect to the provisions regarding acceleration of Obligations in the case of an Event of Default consisting of a covenant default, the owners of 100% in aggregate principal amount of the Senior Obligations Outstanding or all Other Senior Beneficiaries or (unless the Trustee shall, in its sole discretion, determine that acceleration of the maturity of the Obligations is not in the overall interest of the Senior Beneficiaries) any Other Senior Beneficiary, (iii) with respect to requesting the Trustee to exercise one or more of the rights and powers conferred by the Indenture, with respect to directing the method and place of conducting proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture and with respect to requiring the Trustee to waive Events of Default, the owners of at least 51% in aggregate principal amount of the Senior Obligations Outstanding (unless the Trustee shall have received, or shall thereafter receive, conflicting requests or directions from one or more Senior Beneficiaries) or (unless the Trustee shall have received, or shall thereafter receive, conflicting requests or directions from the owners of at least 51% in aggregate principal amount of the Senior Obligations Outstanding) all Other Senior Beneficiaries or (unless the Trustee shall, in its sole discretion, determine that the requested action is not in the overall interest of the Senior Beneficiaries or shall have received, or shall thereafter receive, conflicting requests or directions from one or more Other Senior Beneficiaries or the owners of at least 51% in aggregate principal amount of the Senior Obligations Outstanding) any Other Senior Beneficiary, and (iv) in all other cases the owners of at least 51% in aggregate principal amount of the Senior Obligations Outstanding or any Other Senior Beneficiary, and (b) at any time that no Senior Obligations are Outstanding and no amounts are owed to any Other Senior Beneficiary (i) with respect to provisions regarding acceleration of Obligations in the case of an Event of Default other than a covenant default, the owners of at least 51% in aggregate principal amount of the Subordinate Obligations Outstanding or all Other Subordinate Beneficiaries or (unless the Trustee shall, in its sole discretion, determine that acceleration of the maturity of the

Obligations is not in the overall interest of the Subordinate Beneficiaries) any Other Subordinate Beneficiary, (ii) with respect to the provisions regarding acceleration of Obligations in the case of an Event of Default consisting of a covenant default, the owners of 100% in aggregate principal amount of the Subordinate Obligations Outstanding or all Other Subordinate Beneficiaries or (unless the Trustee shall, in its sole discretion, determine that acceleration of the maturity of the Obligations is not in the overall interest of the Subordinate Beneficiaries) any Other Subordinate Beneficiary, (iii) with respect to requesting the Trustee to exercise one or more of the rights and powers conferred by the Indenture, with respect to directing the method and place of conducting proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture and with respect to requiring the Trustee to waive Events of Default, the owners of at least 51% in aggregate principal amount of the Subordinate Obligations Outstanding (unless the Trustee shall have received, or shall thereafter receive, conflicting requests or directions from one or more Subordinate Beneficiaries) or (unless the Trustee shall have received, or shall thereafter receive, conflicting requests or directions from the owners of at least 51% in aggregate principal amount of the Subordinate Obligations Outstanding) all Other Subordinate Beneficiaries or (unless the Trustee shall, in its sole discretion, determine that the requested action is not in the overall interest of the Subordinate Beneficiaries or shall have received, or shall thereafter receive, conflicting requests or directions from one or more Other Subordinate Beneficiaries or the owners of at least 51% in aggregate principal amount of the Obligations Outstanding) any Other Subordinate Beneficiary, and (iv) in all other cases the owners of at least 51% in aggregate principal amount of the Subordinate Obligations Outstanding or any Other Subordinate Beneficiary; provided, however, that notwithstanding any provision of this Indenture to the contrary, no Swap Counterparty shall have any consent rights, any voting rights, any waiver rights, any rights to direct remedies upon the occurrence of an Event of Default, any rights to request the removal and replacement of the Trustee, or any similar rights granted hereunder to the Beneficiaries until all of the Obligations are paid in full; provided further, however, that each Swap Counterparty shall have the right to consent to any amendment to the Indenture that materially and adversely affects the amount, timing, and priority of payments due to such Swap Counterparty.

"Additional Obligations" shall mean collectively, the Additional Senior Obligations and the Additional Subordinate Obligations.

"Additional Senior Obligations" shall mean notes or bonds issued under the Indenture after the Offered Senior Obligations and the Prior Series Senior Obligations, but on a parity with the Offered Senior Obligations.

"Additional Subordinate Obligations" shall mean notes or bonds issued under the Indenture after the Offered Subordinate Obligations and the Prior Series Subordinate Obligations, but on a parity with the Offered Subordinate Obligations.

"Additional Tax-Exempt Bonds" shall mean all Tax-Exempt Bonds issued under the Indenture after the Offered Obligations and the Prior Series Tax-Exempt Bonds.

"Adjustable Rate" shall mean , when used with respect to any Series of Obligations or Obligations of a Series, the interest rate to be determined for such Obligations of such Series on the basis of adjustable periods pursuant to the Indenture.

"Adjustable Rate Conversion Date" shall mean the date on which the Obligations of a Series are converted to bear interest at Adjustable Rates pursuant to the Indenture.

"Adjustable Rate Period" shall mean an Adjustable Rate Period pursuant to the Indenture during which Obligations of a Series bear interest at Adjustable Rates.

"Administrative Expenses" shall mean the Corporation's expenses, excluding Bond Fees but including any Servicing Fees, of carrying out and administering its powers, duties and functions under (1) its charter of incorporation, its bylaws, the Student Loan Purchase Agreements, the Participation Agreement, any Guarantee Agreement, the Program, the Higher Education Act or any requirement of the laws of the United States or the State with respect to the Program or any requirement of any regulations promulgated pursuant to such laws, as such powers, duties and functions relate to Pledged Student Loans, and (2) the Indenture, insofar as such costs relate to the Obligations. Such expenses may include, without limiting the generality of the foregoing, salaries, supplies,

utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery, telephones, insurance premiums, and legal, accounting, management, consulting and banking services and expenses, and payments for pension, retirement, health and hospitalization and life and disability insurance benefits; but shall not include (i) Debt Service on the Obligations or on any other bonds, notes or other evidences of indebtedness of the Corporation; or (ii) the fees, costs or expenses of the Corporation with respect to any other bonds, notes or indebtedness of the Corporation.

"Aggregate Market Value" on any date shall mean, with respect to assets in the Trust Estate which are Student Loans, the aggregate unpaid principal balance (including, to the extent Guaranteed, interest added to principal) of such loans as of that date plus 100% of the accrued borrower interest, Special Allowance Payments, and interest subsidies on such Student Loans to such date.

"All Hold Rate" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Applicable Auction Rates" shall mean the rate per annum at which interest accrues on a Series of the Auction Rate Securities during the related Auction Period.

"Applicable Date of Issuance" shall mean: with respect to the Offered Obligations, the Delivery Date as set forth on the cover page of this Official Statement; and with respect to any Additional Obligations, the date or dates specified in the Applicable Series Supplement.

"Approved Borrower Benefit Program" shall mean any of the programs of the Corporation in effect from time to time offering special benefits to borrowers whose Student Loans are made under such a Program. For a general description of these Programs See "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM -- Description of Eligible Loans To Be Acquired" in the body of this Official Statement.

"ASA" shall mean Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance, a private nonprofit corporation organized and existing under the laws of the Commonwealth of Massachusetts.

"Auction" shall mean with respect to a Series of Auction Rate Securities the implementation of the Auction Procedures on an Auction Date.

"Auction Agent" shall mean the Initial Auction Agent unless and until a Substitute Auction Agent Agreement becomes effective, after which the Auction Agent shall mean the Substitute Auction Agent.

"Auction Agent Agreement" shall mean the Initial Auction Agent Agreement, unless and until a Substitute Auction Agent Agreement is entered into and effective after which Auction Agent Agreement shall mean such Substitute Auction Agent Agreement.

"Auction Agent Fee" shall mean a fee payable to an Auction Agent for conducting Auctions pursuant to an Auction Agent Agreement.

"Auction Date" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Auction Period" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Auction Period Adjustment" shall mean the change, from time to time, in the length of an Auction Period pursuant to the Auction Procedures.

"Auction Period Rate" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Auction Procedures" shall mean in the case of the Offered Obligations the applicable procedures set forth in the Series 2007-A-1&2&B-1 Supplement for conducting an Auction with respect to the Offered Obligations, as summarized in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Auction Rate" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Auction Rate Adjustment Date" shall mean any date on which the rate of interest borne by a Series of Obligations constituting Auction Rate Securities is subject to change, as set forth in the Indenture, which shall be the first day of each Auction Period for such Series.

"Auction Rate Conversion Date" shall mean the date on which Obligations of a Series are converted pursuant to the provisions of the Indenture to bear interest at Auction Rates.

"Auction Rate Securities" shall mean, collectively, Auction Rate Tax-Exempt Bonds and Auction Rate Taxable Notes.

"Auction Rate Tax-Exempt Bonds" shall mean Tax-Exempt Bonds bearing interest at Auction Rates, including, but not limited to, the Offered Obligations offered hereby.

"Auction Rate Taxable Notes" shall mean Taxable Notes bearing interest at Auction Rates.

"Authorized Denomination" shall mean, with respect to the Offered Obligations offered hereby, $25,000 or any integral multiple thereof.

"Authorized Officer," when used with reference to the Corporation, shall mean the Board Chair, the Board Vice-Chair, any president, any vice president, the executive director or other person designated in writing to the Trustee from time to time by the Board.

"Balance," when used with reference to any Account, Subaccount or Fund, shall mean the aggregate sum of all assets standing to the credit of such Account, Subaccount or Fund, including, without limitation: Investment Securities computed at the Value of Investment Securities; Pledged Eligible Loans computed at the Aggregate Market Value thereof; and lawful money of the United States; provided, however, that the Balance of any Fund, Account or Subaccount shall not include amounts standing to the credit thereof which are being held therein for (A) the payment of past due and unpaid interest on Obligations and (B) the payment of interest on Obligations that are deemed no longer Outstanding as a result of the defeasance thereof.

"Beneficiary" shall mean any of the Senior Beneficiaries or any of the Subordinate Beneficiaries.

"Bid" with respect to the Offered Obligations shall have the meaning set forth in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Bidder" with respect to the Offered Obligations shall have the meaning set forth in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Board" shall mean the Board of Directors of the Corporation.

"Board Resolution" shall mean a copy of a resolution, certified by the secretary, an assistant secretary or an Authorized Officer of the Corporation to have been duly adopted by the Board and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Bond Fees" shall mean the fees, costs and expenses (including reasonable attorneys' fees and expenses) of the Trustee, Auction Agents, Broker-Dealers, Bond Counsel, rating agencies and Independent Accountants incurred by the Corporation in carrying out and administering its powers, duties and functions under its

charter of incorporation, its bylaws, any Guarantee Agreement, the Participation Agreement, the Student Loan Purchase Agreements, the Indenture, the Program, the Higher Education Act or any requirement of the laws of the United States or the State with respect to the Program or any requirements of any regulations promulgated pursuant to such laws, as such powers, duties and functions relate to the Obligations.

"Bond Year" shall mean each twelve-month period ending on December 31.

"Broker-Dealer" shall mean with respect to the Series 2007-A-1 Bonds and the Series 2007-B-1 Bonds, Citigroup Global Markets Inc., the Initial Broker-Dealer, and its successors and assigns, and any other party or parties designated by the Corporation as a Broker-Dealer the Series 2007-A-1 Bonds and/or the Series 2007-B-1 Bonds and with respect to the Series 2007-A-2 Bonds, initially Banc of America Securities LLC, and its successors and assigns, and any other party or parties designated by the Corporation as a Broker-Dealer for the Series 2007-A-2 Bonds; provided that each Broker-Dealer must (a) be an Agent Member (or an affiliate of an Agent Member); (b) be a broker or dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures; and (c) have entered into a Broker-Dealer Agreement that is in effect on the date of reference.

"Broker-Dealer Agreement" shall mean each agreement between the Auction Agent and a Broker-Dealer, approved by the Corporation, pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented. Each Broker-Dealer Agreement shall be substantially in the form of the Broker-Dealer Agreement, to be dated as of June 1, 2007, between the Initial Auction Agent and the Initial Broker-Dealer.

"Broker-Dealer Fee" shall mean a fee payable to a Broker-Dealer pursuant to a Broker-Dealer Agreement.

"Budgeted Administrative Expenses" shall mean, with respect to each Fiscal Year, an amount of Administrative Expenses budgeted by the Corporation for such Fiscal Year, as evidenced by a Board Resolution; provided that in establishing such budget the Board shall take into consideration certain requirements of the Indenture; and provided further that the Budgeted Administrative Expenses for future months and Fiscal Years shall, until the Trustee receives a new Board Resolution budgeting different amounts, be assumed to be in an amount equal to the Administrative Expenses budgeted in the most recent applicable Board Resolution received by the Trustee.

"Business Day" shall mean any day other than a Saturday, a Sunday, or a legal holiday or the equivalent (other than a moratorium) for banking institutions generally in either the City of New York, New York, or the city in which the Principal Office of the Trustee is located or a day on which the New York Stock Exchange is not open.

"Cash Flow Certificate" shall mean a Corporation Certificate (i) setting forth Cash Flows for the then current and each future Bond Year during which Obligations will be Outstanding:

(A) the amount of revenues reasonably expected to be received in each such Bond Year that are reasonably expected to be available to pay Debt Service with respect to the Obligations, Bond Fees, and Administrative Expenses; and

(B) the aggregate Debt Service with respect to the Obligations for each Bond Year on all Obligations expected to be Outstanding, all reasonably expected Bond Fees and all reasonably expected Administrative Expenses;

and (ii) demonstrating that in each such Bond Year the aggregate of the amounts set forth in clause (i)(A) above exceeds the aggregate of the amounts set forth in clause (i)(B) above.

Each Cash Flow Certificate provided as a condition to any particular action shall be based upon an assumption that such action has been taken, upon the Corporation's expectations as to all effects of such action and otherwise upon such assumptions as the Corporation shall determine to be reasonable.

"Cash Flows" shall mean cash flow schedules prepared by the Corporation or its designee and provided to each Rating Agency, including a listing of all assumptions used in the preparation of such cash flow schedules. Such assumptions shall be acceptable to each Rating Agency, provided that a Rating Agency's providing written evidence that a particular action will not result in the withdrawal or reduction of any rating applicable to the Obligations shall be conclusively presumed to evidence that the assumptions set forth in the Cash Flows provided to such Rating Agency with respect thereto are acceptable to such Rating Agency.

"CFS-SunTech" shall mean CFS-SunTech Servicing LLC, a Virginia limited liability company.

"Closing Date" shall mean with respect to the Offered Obligations, the Delivery Date set forth on the cover page of this Official Statement.

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

"Consolidation Loan" shall mean a Student Loan authorized under Section 428C of the Higher Education Act.

"Conversion" shall mean (i) with respect to a Series of Obligations bearing interest at Auction Rates, conversion of the Obligations of such Series to bear interest at other than Auction Rates, (ii) with respect to a Series of Obligations bearing interest at Weekly Rates, conversion of the Obligations of such Series to bear interest at other than Weekly Rates, (iii) and with respect to a Series of Obligations bearing interest at Adjustable Rates, conversion of the Obligations of such Series to bear interest at other than Adjustable Rates.

"Conversion Date" shall mean an Auction Rate Conversion Date, a Weekly Rate Conversion Date, an Adjustable Rate Conversion Date or a Fixed Rate Conversion Date, as applicable.

"Corporation Swap Payment" shall mean a payment due to a Swap Counterparty from the Corporation and/or the Trustee pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of a Swap Agreement).

"Counterparty Swap Payment" shall mean a payment due to the Corporation and/or the Trustee from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of a Swap Agreement).

"Credit Enhancement Facility" shall mean an insurance policy insuring, or a letter of credit or surety bond providing a direct or indirect source of funds for, the timely payment of principal of and interest on Obligations of a specified Series, or a specified Series and maturity or maturities (but not necessarily principal due upon acceleration thereof), and all agreements entered into by the Corporation and/or the Trustee with respect thereto.

"Credit Enhancement Facility Provider" shall mean any institution or institutions engaged by the Corporation (i) pursuant to a Remarketing Agreement, to provide credit enhancement or liquidity for the Corporation's obligation to repurchase or redeem any or all Obligations of a Series subject to remarketing which have not been remarketed, or (ii) pursuant to a Credit Enhancement Facility, to provide credit enhancement for the payment of the principal of and interest on any or all of the Obligations of a Series.

"Credit Enhancement Fees" shall mean fees payable to Credit Enhancement Facility Providers.

"CSAC" shall mean California Student Aid Commission, a state agency created under the laws of the State of California.

"Debt Service" when used with respect to Obligations, shall mean, as of any particular date and with respect to any particular period, the aggregate of the moneys to be paid on such date or during such period for the payment of the principal of and interest on such Obligations, net of amounts to be received under Swap

Agreements, and all payments with respect to any Swap Agreement, Credit Enhancement Facility or Remarketing Agreement.

"Discount Obligation" shall mean (i) any Obligation or Obligations offered for sale to the public or sold to the initial purchaser thereof at the time of sale thereof by the Corporation at an initial reoffering price or initial principal amount of less than 98% of the principal amount at maturity thereof, without reduction to reflect underwriter's discount or placement agent's fees, and (ii) any other Obligation or Obligations of a Series designated as Discount Obligations in the Series Supplement authorizing the issuance of such Series of Obligations.

"DTC" shall mean The Depository Trust Company (a limited purpose trust company), New York, New York, or any successor thereto.

"ECMC" shall mean the Educational Credit Management Corporation.

"Eligible Borrower" shall mean a borrower who is eligible under the Higher Education Act and applicable laws of the State to be the obligor of a loan for financing a program of post-secondary education.

"Eligible Institution" shall mean an "eligible institution" as defined under the Higher Education Act.

"Eligible Lender" shall mean an eligible lender, as defined in the Higher Education Act, which has received an eligible lender designation from a Guarantor with respect to Guaranteed Loans.

"Eligible Lender Loan Holder" shall mean the Trustee or any other party, as applicable, acting in the capacity of an eligible lender holding Eligible Loans on behalf of the Corporation.

"Eligible Loan" shall mean a fully or partially disbursed Student Loan which: (a) is Guaranteed and (unless the Corporation shall have provided to the Trustee written advice from each Rating Agency that treating a Guaranteed Loan which is not an "eligible loan" for purposes of receiving Special Allowance Payments as an Eligible Loan will not cause the withdrawal or reduction of any rating or ratings then applicable to any of the Obligations) is an "eligible loan" for purposes of receiving Special Allowance Payments; (b) is either (i) a PLUS Loan, a Consolidation Loan or an SLS Loan, (ii) (A) an "eligible loan" under the Higher Education Act for purposes of receiving Interest Subsidy Payments or (B) if Interest Subsidy Payments are abolished by any change in any law or regulations or the official interpretation thereof, loans which provide for payment of interest by the borrower thereunder and such payment of interest is Guaranteed and not subject to any deferment or (C) an unsubsidized Guaranteed Loan made under Section 428H of the Higher Education Act (with respect to which Interest Subsidy Payments will not be made) or (iii) a type of loan authorized under law enacted subsequent to June 1, 2007, if the Corporation shall have provided to the Trustee written advice from each Rating Agency that treating such a type of loan as an Eligible Loan will not cause the withdrawal or reduction of any rating or ratings then applicable to any of the Obligations; (c) except to the extent affected by an Approved Borrower Benefit Program, bears interest at a rate not less than 1.00% per annum below the maximum applicable interest rate permitted under the Higher Education Act with respect to the Student Loan in question at the time such Student Loan was made; (d) was either originated by the Corporation or the Trustee acting on behalf of the Corporation or was purchased by the Corporation, directly or indirectly, from a Lender pursuant to a Student Loan Purchase Agreement; (e) does not exceed the maximum outstanding loan limitations described in the Higher Education Act; and (f) has not been tendered at any time for payment to and rejected by any guarantee agency, including any Guarantor, for payment, unless all defects which caused such rejection have been cured.

"Existing Owner" with respect to the Offered Obligations shall have the meaning set forth in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"FDE" shall mean Florida Department of Education, Office of Student Financial Assistance, the designated guaranty agency for the State of Florida.

"Federal Reimbursement Contracts" shall mean the agreement(s) between a Guarantor and the Secretary providing for the payment by the Secretary of amounts authorized to be paid pursuant to the Higher Education Act, including but not necessarily limited to, reimbursement of amounts paid or payable upon defaulted Student Loans guaranteed by such Guarantor and Interest Subsidy Payments and Special Allowance Payments, if applicable, to holders of qualifying Student Loans guaranteed by such Guarantor.

"Fiscal Year" shall mean a period of 12 consecutive calendar months commencing on January 1 of any year and ending on December 31 of such year, or such other period of 12 consecutive calendar months as may be designated as the Fiscal Year for the Corporation.

"Fitch" shall mean Fitch Ratings, and its successors and assigns, and if Fitch shall be dissolved or liquidated or shall no longer perform the function of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee at the written direction of the Corporation.

"Fixed Rate" shall mean the rate at which the Obligations of any Series shall bear interest from and including the Fixed Rate Conversion Date for such Series to the maturity dates thereof.

"Fixed Rate Conversion Date" shall mean, with respect to a Series of Obligations, the date on which such Series of Obligations are converted to bear interest at a Fixed Rate pursuant to the Indenture.

"Foundation" shall mean Education Services Foundation, a nonprofit corporation organized and existing under the laws of the State of Mississippi and exempt from federal income tax under Section 501(c)(3) of the Code.

"General Rating Category" shall mean one of the general rating categories of any Rating Agency, without regard to any refinement or graduation of such rating category by a numerical modifier, a plus or minus or otherwise.

"GLHEGC" shall mean Great Lakes Higher Education Guaranty Corporation, a Wisconsin nonstock, nonprofit corporation.

"Government Obligations" shall mean noncallable bonds, notes or other direct evidences of indebtedness of the United States of America or any other noncallable and nonprepayable obligation unconditionally guaranteed as to the full and timely payment of principal and interest by the United States of America; specifically excluding money market mutual funds and unit investment trusts.

"Guarantee" or "Guaranteed" shall mean, with respect to a Student Loan, the guarantee by a Guarantor of not less than ninety-five percent (95%) (or such lower percentage as shall be specified in a Corporation Order delivered to the Trustee and accompanied by written evidence from each Rating Agency that using such lower percentage in determining whether a Student Loan is Guaranteed will not cause the reduction or withdrawal of any rating or ratings then applicable to any Obligations) of the principal of and accrued and unpaid interest on such Student Loan.

"Guarantee Agreement" shall mean the Agreements to Guarantee Loans between the Eligible Lender Loan Holder and a Guarantor, including any supplements or amendments thereto.

"Guarantee Program" shall mean a Guarantor's student loan insurance programs pursuant to which such Guarantor guarantees Student Loans.

"Guaranteed Loan" shall mean a Student Loan which is Guaranteed.

"Guarantors" shall mean (a) each of the Initial Guarantors with which the Trustee has entered into a Guarantee Agreement and (b) all Other Qualified Guarantors, each constituting a "guaranty agency" under Section 435(j) of the Higher Education Act.

"Higher Education Act" shall mean Title IV, Part B and Part F, of the Higher Education Act of 1965, as amended or supplemented from time to time, and all regulations, directives, bulletins and guidelines promulgated thereunder.

"Hold Order" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Holder" or "Owner" or "Registered Owner," when used with respect to any Obligations, shall mean the Person in whose name an Obligation is registered in the Bond Register.

"Indenture" shall mean the Original Indenture, as amended or supplemented from time to time, including but not limited to as amended or supplemented by one or more Series Supplements.

"Independent" when used with respect to any specified Person shall mean such a Person who: (1) is in fact independent; (2) does not have any direct financial interest or any material indirect financial interest in the Corporation, other than the payment to be received under a contract for services to be performed by such Person; and (3) is not connected with the Corporation as an official, officer, employee, promoter, underwriter, trustee, partner, affiliate, subsidiary, director or Person performing similar functions.

"Index" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Initial Auction Agent" shall mean Deutsche Bank Trust Company Americas, its successors and assigns.

"Initial Auction Agent Agreement" shall mean with respect to the Offered Obligations, the Auction Agent Agreement, to be dated as of June 1, 2007, between the Corporation and the Initial Auction Agent, including any amendment thereof or supplement thereto.

"Initial Broker-Dealer" shall mean Citigroup Global Markets Inc., which shall initially serve as the Broker-Dealer with respect to the Series 2007-A-1 Bonds and the Series 2007-B-1 Bonds, its successors and assigns. Banc of America Securities LLC, its successors and assigns shall initially serve as Broker-Dealer with respect to the Series 2007-A-2 Bonds.

"Initial Guarantors" shall mean (i) ASA, (ii) CSAC, (iii) FDE, (iv) GLHEGC, (v) KHEAA, (vi) LSFAC, (vii) NSLP, (viii) NYSHESC, (ix) PHEAA, (x) SLGFA, (xi) TGSLC, (xii) TSAC and (xiii) USA Funds.

"Initial Market Agent" shall mean Citigroup Global Markets Inc., its successors and assigns.

"Interest Subsidy Payments" shall mean interest payments on Student Loans received pursuant to an Interest Benefits Agreement.

"Interest Benefits Agreement" shall mean the agreements, pursuant to Section 428(b) of the Higher Education Act, between each Guarantor and the Secretary whereby the Secretary agrees to pay to holders of Student Loans Guaranteed by such Guarantor the portion of the interest charges on such loans which the obligors are entitled to have paid on their behalf pursuant to Sections 428(a)(1) and 428(a)(2) of the Higher Education Act.

"Interest Payment Date" shall mean when used with respect to payment of interest accruing on Tax-Exempt Bonds at Auction Period Rates, each March 1 and September 1.

"Investment Securities" shall mean any of the following unless the Corporation has determined that the same are not at the time legal investments of the Corporation's moneys:

(a) interest bearing time deposits, rate guarantee agreements and other similar banking arrangements with a commercial bank (which may include the Trustee) or trust company having capital and surplus

aggregating at least $50,000,000 or with any government bond dealer or corporate parent of a wholly owned subsidiary that constitutes a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York having capital aggregating at least $50,000,000 or with any corporation which is subject to regulation by the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956; provided that if the investment is for a period exceeding one year, such commercial bank, trust company, government bond dealer or bank holding company shall have long-term unsecured debt rated by each Rating Agency (other than Fitch) not lower than its third highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than Fitch's third highest applicable Specific Rating Category) and if the investment is for a period of less than one year, such commercial bank, trust company, government bond dealer or bank holding company shall have short-term unsecured debt rated by each Rating Agency (other than Fitch) not lower than its highest applicable Specific Rating Category (and if rated by Fitch rated not lower than Fitch's highest applicable Specific Rating Category);

(b) bonds, notes or other direct evidences of indebtedness of the United States of America or any other obligation unconditionally guaranteed as to the full and timely payment of principal and interest by the United States of America, including money market mutual funds and unit investment trusts, if rated by each Rating Agency (other than Fitch) not lower than its highest Specific Rating Category (and if rated by Fitch rated not lower than Fitch's highest applicable Specific Rating Category);

(c) bonds, notes or other evidences of indebtedness issued or guaranteed by the Federal National Mortgage Association, the Federal Farm Credit Bank, the Federal Intermediate Credit Banks, the Export-Import Bank of the United States, Federal Land Banks with outstanding obligations rated by each Rating Agency (other than Fitch) in its highest applicable Specific Rating Category (and if rated by Fitch rated in Fitch's highest applicable Specific Rating Category), the Tennessee Valley Authority, the Government National Mortgage Association, the Federal Financing Bank, the Farmers Home Administration, Federal Home Loan Banks, or the Federal Home Loan Mortgage Corporation;

(d) bonds, notes or other evidence of indebtedness issued by any public housing agency or municipality in the United States of America, which bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States government, or project notes issued by any public housing agency, urban renewal agency or municipality in the United States of America and fully secured as to payment of both principal and interest by a requisition, loan or payment agreement with the United States government and which obligations are rated, if such obligations have a term of less than one year, by each Rating Agency (other than Fitch) not lower than in its highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's highest applicable Specific Rating Category), and if such obligations have a term of one year or longer, by each Rating Agency (other than Fitch) not lower than in its third highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's third highest applicable Specific Rating Category);

(e) bankers acceptances drawn on and accepted by banks (which may include the Trustee), and certificates of deposit or commercial paper of banks (which may include the Trustee), with a combined capital and surplus aggregating at least $100,000,000 and the unsecured securities or deposits of which are, at the time of acquisition, rated, if such obligations have a term of less than one year, by each Rating Agency (other than Fitch) not lower than in its highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's highest applicable Specific Rating Category), and if such obligations have a term of one year or longer, by each Rating Agency (other than Fitch) not lower than in its third highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's third highest applicable Specific Rating Category), or the branches or banking subsidiaries thereof located outside the United States;

(f) interest-bearing notes rated, if such notes have a term of less than one year, by each Rating Agency (other than Fitch), not lower than in its highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's highest applicable Specific Rating Category), and if such notes have a term of one year or longer, by each Rating Agency (other than Fitch) not lower than in its third highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's third highest applicable Specific Rating Category), issued by a bank or bank holding company (which may include the Trustee) which has a combined capital and surplus aggregating at least $50,000,000 or commercial paper rated by each Rating Agency (other than

Fitch) not lower than its second highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's highest applicable Specific Rating Category), issued by any other entity,

(g) repurchase agreements involving the purchase and resale of investments described in paragraphs (b), (c) and (d) above; provided, that (i) the purchase price of any such agreement shall at no time exceed the fair market value of the investments underlying the same, (ii) each such agreement shall provide for the payment of cash or deposit of additional investments at least weekly so that the sum of the fair market value of investments and the amount of cash underlying the same shall remain at least equal to the purchase price thereof, (iii) the Trustee shall take physical possession of such investments or the Trustee shall be named as the record owner of such investments in the records of a Federal Reserve Bank, in each case no later than the time the purchase price therefor is paid by the Trustee, (iv) the other party to such repurchase agreement shall be a commercial bank (which may be the Trustee) or savings and loan association incorporated under the laws of the United States or any state thereof or the District of Columbia or a securities firm registered under the Securities Exchange Act of 1934, in either case having combined capital and surplus of at least $50,000,000, (v) the repurchase obligations are at the demand of the Trustee or have a maturity of less than one year, and (vi) the Trustee shall have received written confirmation from each Rating Agency that treating such repurchase agreement as an Investment Security will not result in the withdrawal or reduction of any rating applicable to any of the Obligations;

(h) any money market fund, including a qualified regulated investment company described in I.R.S. Notice 87-22, rated by each Rating Agency (other than Fitch) not lower than its highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's highest applicable Specific Rating Category);

(i) investment agreements or guaranteed investment contracts issued by banks (which may include the Trustee) with a combined capital and surplus aggregating at least $100,000,000 or by any other entity whose debt, unsecured securities, deposits or claims paying ability is, at the time of acquisition, rated: if such investment agreement or guaranteed investment contract has a term of less than one year, by each Rating Agency (other than Fitch) not lower than in its highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's highest applicable Specific Rating Category), and if such investment agreement or guaranteed investment contract has a term of one year or longer, by each Rating Agency (other than Fitch) not lower than in its third highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's third highest applicable Specific Rating Category);

(j) interest-bearing notes or investment agreements secured by one or more letters of credit issued by banks (which may include the Trustee) with a combined capital and surplus aggregating at least $100,000,000 or by a surety issued by an insurance company, in each case the unsecured securities, deposits or claims paying ability of which is rated, at the time of acquisition, if such note or investment agreement has a term of less than one year, by each Rating Agency (other than Fitch) not lower than in its highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's highest applicable Specific Rating Category), and if such note or investment agreement has a term of one year or longer, by each Rating Agency (other than Fitch) not lower than in its third highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's third highest applicable Specific Rating Category);

(k) obligations of or guaranteed by state or local governments which are rated, if such obligations have a term of less than one year, by each Rating Agency (other than Fitch) not lower than in its highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's highest applicable Specific Rating Category), and if such obligations have a term of one year or longer, by each Rating Agency (other than Fitch) not lower than in its third highest applicable Specific Rating Category (and if rated by Fitch, rated not lower than in Fitch's third highest applicable Specific Rating Category);

(l) that certain Master Repurchase Agreement dated as of August 9, 2004, between the Trustee, as Buyer, and FSA Capital Management Services, LLC, as Seller, and the related Custodial Undertaking in Connection with Master Repurchase Agreement dated as of August 9, 2004, among the Trustee, as Buyer, FSA Capital Management Services, LLC, as Seller, and The Bank of New York, as Custodian;

(m) certain specifically identified investments; and

(n) any other investments, if the Trustee shall have received written evidence that treating such investment as an Investment Security will not cause the withdrawal or reduction of any rating or ratings then applicable to the Obligations.

"KHEAA" shall mean Kentucky Higher Education Assistance Authority.

"Lender" shall mean (a) any "eligible lender" as defined in the Higher Education Act, permitted to participate as a seller of Student Loans to the Corporation under the Program and which has received an eligible lender designation from a Guarantor with respect to Guaranteed Loans; (b) with respect to Rehabilitated Loans, a Guarantor; or (c) any other party authorized to hold or own Student Loans under the Higher Education Act.

"Long Rate" shall mean the rate of interest borne by Obligations of any Series during any Long Rate Period.

"Long Rate Period" shall mean a Fixed Rate Period or an Adjustable Rate Period of not less than ninety (90) days duration.

"LSFAC" shall mean Louisiana Student Financial Assistance Commission.

"Mandatory Tender Date" shall mean, with respect to any Series of the Obligations affected thereby, any date on which the Obligations of such Series are subject to mandatory tender pursuant to the Indenture.

"Market Agent" shall mean the Initial Market Agent unless and until a Substitute Market Agent Agreement is entered into, after which Market Agent shall mean the Substitute Market Agent.

"Market Agent Agreement" shall mean the Market Agent Agreement, to be dated as of June 1, 2007, between the Trustee and the Initial Market Agent, as approved by the Corporation until and unless a Substitute Market Agent Agreement is effective, after which Market Agent Agreement shall mean such Substitute Market Agent Agreement, in each case as from time to time amended or supplemented.

"Maturity" or "Maturity Date" shall mean, when used with respect to any Obligation, the date on which the principal of such Obligation becomes due and payable as provided therein, in the Indenture or in the Series Supplement authorizing the issuance thereof, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Maximum Rate" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"MDHE" shall mean the Missouri Department of Higher Education.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their 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 Trustee.

"Net Current Liability" shall mean, with respect to any Swap Agreement, amounts due and payable pursuant to such Swap Agreement excluding, except to the extent (if any) otherwise provided in the Series Supplement authorizing such Swap Agreement, amounts payable as a result of early termination thereof.

"Non-Trust Estate" shall mean all properties, income, interests and funds which are specifically excluded from the lien of the Indenture.

"Non-Trust Estate Fund" shall mean the Non-Trust Estate Fund created and established pursuant to the Indenture.

"NSLP" shall mean Nebraska Student Loan Program, Inc.

"NYSHESC" shall mean New York State Higher Education Services Corporation, an agency of the State of New York.

"Obligations" shall mean the Offered Obligations, the Prior Series Obligations and any Additional Obligations issued pursuant to the Indenture.

"Offered Senior Tax-Exempt Bonds" shall mean the Series 2007-A-1 Bonds and the Series 2007-A-2 Bonds.

"Offered Subordinate Tax-Exempt Bonds" shall mean the Series 2007-B-1 Bonds.

"Order" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Original Indenture" shall mean the Trust Indenture, dated as of June 1, 2004, by and between the Corporation and the Trustee.

"Other Beneficiary" shall mean an Other Senior Beneficiary or an Other Subordinate Beneficiary.

"Other Qualified Guarantor" shall mean (a) MDHE and ECMC; and (b) any other agency or entity (other than an Initial Guarantor or MDHE or ECMC) which guarantees Student Loans; provided that the Corporation shall have provided to the Trustee written evidence from each Rating Agency that treating such agency or entity as an Other Qualified Guarantor will not cause the withdrawal or reduction of any rating or ratings then applicable to any Obligations.

"Other Senior Beneficiary" shall mean a Senior Beneficiary, other than as a result of ownership of Senior Obligations.

"Other Subordinate Beneficiary" shall mean a Subordinate Beneficiary, other than as a result of ownership of Subordinate Obligations.

"Outstanding," when used with respect to any Obligations, shall mean, except as otherwise expressly provided in the Indenture, all Obligations issued under the Indenture except:

(1) Obligations theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Obligations for the payment of which money, AAA Refunded Municipals or Government Obligations (as provided in the Indenture), in an amount sufficient to pay, on the date when such Obligations are to be paid or redeemed, the principal or Redemption Price thereof, and the interest accruing to such date thereon, have been deposited with the Trustee in trust for the Owners of such Obligations; and

(3) Obligations in exchange for or in lieu of which other Obligations have been issued.

"Participant" shall mean a member of, or participant in, the Securities Depository.

"Participation Agreement" shall mean the Agreement for Participation in the Guaranteed Loan Program between the Trustee and the Secretary, including any supplement or amendment thereto entered into in accordance with the provisions thereof and the Indenture and any comparable agreement entered into between any successor Trustee and the Secretary.

"Payment Default" shall mean an Event of Default described in the Indenture with respect to payment of principal of or interest on any Senior Obligation or any amount owed to any Other Senior Beneficiaries.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, incorporated organization or government or any agency or political subdivision thereof.

"PHEAA" shall mean the Pennsylvania Higher Education Assistance Agency, a public corporation and government instrumentality organized under the laws of the Commonwealth of Pennsylvania.

"Pledged" shall mean, with respect to Student Loans or Eligible Loans, Student Loans or Eligible Loans, as the case may be, owned by the Corporation and acquired by the Corporation (or allocated to the Trust Estate) pursuant to the Indenture, but does not include Student Loans or Eligible Loans released from the lien of the Indenture in accordance with the terms thereof.

"PLUS Loan" shall mean a Student Loan authorized under Section 428B of the Higher Education Act.

"Potential Owner" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Principal" shall mean (a) as such term references the principal amount of a Discount Obligation or Discount Obligations, and with respect to (i) actions, requests, notifications, consents or direction of Holders under the Indenture, and (ii) required payment upon default or anticipated default pursuant to acceleration of maturity or otherwise as described in the Indenture, the Accreted Value thereof, calculated as of the Interest Payment Date with respect to such Discounted Obligation or Discounted Obligations immediately preceding such date of calculation, unless such date of calculation shall be an Interest Payment Date with respect to such Discounted Obligation or Discounted Obligations, in which case calculated as of the date of calculation and (b) unless otherwise stated with respect to one or more Obligations of a Series in the Series Supplement authorizing issuance of such Series of Obligations, as such term references the principal amount of any other Obligation or Obligations, and with respect to any other matters affecting a Discount Obligation or Discount Obligations, the principal amount at maturity of such Obligation or Obligations.

"Principal Office" shall mean (i) when used with respect to any party whose address is given in the Indenture, the office of such party at the address specified in the Indenture, or such other office designated by such party in writing to the Trustee and the Corporation, and (ii) when used with respect to any other Person, the office designated in writing by such Person to the Trustee and the Corporation.

"Principal Payment Date" shall mean any Sinking Fund Payment Dates or Stated Maturity of any Obligation.

"Prior Series Obligations" shall mean, collectively, the Prior Series Senior Obligations and the Prior Series Subordinate Obligations.

"Prior Series Senior Obligations" shall mean the Series 2004-A-1 Bonds.

"Prior Series Subordinate Obligations" shall mean the Series 2004-B-1 Bonds.

"Prior Series Tax-Exempt Bonds" shall mean the Series 2004-A-1 Bonds and the Series 2004-B-1 Bonds.

"Program" shall mean the Corporation's program for the acquisition of Student Loans to increase the supply of moneys available for new Student Loans, thereby assisting students in obtaining a post-secondary school education.

"Proprietary School" shall mean a proprietary institution of higher education as defined in 20 USCA Section 1088 and all regulations promulgated pursuant thereto.

"Proprietary School Student Loan" shall mean a Student Loan made to finance costs of a student attending a Proprietary School, unless such student shall have subsequently become the borrower for a Student Loan to finance costs of attendance at a post-secondary school other than a Proprietary School.

"Purchase Date" shall mean any date on which Obligations of a Series are to be purchased pursuant to the Indenture.

"Rating Agency" shall mean any rating agency that shall have an outstanding rating on any of the Obligations pursuant to request by the Corporation.

"Record Date" shall mean, except as otherwise expressly provided in the Indenture or in a Corporation Order directing conversion of Obligations of a Series to bear interest at Variable Rates or as provided with respect to Additional Obligations in the Applicable Series Supplement, (a) with respect to any payment of interest accruing at Auction Period Rates on the Offered Obligations, the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS," (b) with respect to any regularly scheduled Interest Payment Date with respect to payment of interest accruing at other than Auction Period Rates, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day; (c) with respect to any other payment of interest, the last Business Day preceding such Interest Payment Date or such other date as the Trustee shall designate; (d) with respect to any payment of principal at maturity thereof (including the scheduled maturity or the date on which principal is payable as a result of a call for redemption), the 15th day of the calendar month immediately preceding the maturity thereof, whether or not such day is Business Day; and (e) with respect to any payment of principal other than at the maturity thereof, such date as shall be established by the Trustee, whether or not such day is a Business Day.

"Redemption Date," when used with respect to any Obligation to be redeemed, shall mean the date fixed for such redemption by or pursuant to the Indenture.

"Redemption Price," when used with respect to any Obligation to be redeemed, shall mean the price at which it is to be redeemed pursuant to the Indenture.

"Redemption Subaccount" shall mean the Redemption Subaccount created and established pursuant to the Indenture.

"Rehabilitated Loan" shall mean a Student Loan which was previously owned by the Corporation which has been rehabilitated in accordance with a loan rehabilitation program agreement and the default reduction program established in Section 428F of the Higher Education Act.

"Remarketing Agreements" shall mean any or all of the remarketing agreements, depository agreements, credit facilities, reimbursement agreements, standby purchase agreements and the like, pertaining to Obligations issued with a tender right granted to or tender obligation imposed on the owner thereof, if and to the extent provided for in a Series Supplement or a Corporation Order directing conversion of a Series to Variable Rates.

"Repurchase Obligation" shall mean the obligation of a Lender pursuant to a Student Loan Purchase Agreement to repurchase a Student Loan, as described in the Indenture.

"Reserve Requirement" shall mean an amount, from time to time, equal to the greatest of: (a) two percent (2%) of the Outstanding principal amount of Series 2004-A-1&B-1 Obligations plus one percent (1%) of the Outstanding principal amount of all other Outstanding Obligations; (b) $500,000; or (c) such greater amount as shall be specified in a Series Supplement.

"Reserve Subaccount" shall mean the Reserve Subaccount created and established pursuant to the Indenture.

"Revenue Account" shall mean the Revenue Account created and established pursuant to the Indenture.

"Revolving Subaccount" shall mean the Revolving Subaccount created and established pursuant to the Indenture.

"Revolving Termination Date" shall mean June 1, 2010, or such later date as shall be specified in a Corporation Order delivered to the Trustee and accompanied by written evidence from each Rating Agency that treating such later date as the "Revolving Termination Date" will not cause the reduction or withdrawal of any rating or ratings then applicable to any of the Obligations.

"Secretary of Education" or "Secretary" shall mean the Commissioner of Education, Department of Health, Education and Welfare of the United States, and the Secretary of the United States Department of Education (who succeeded to the functions of the Commissioner of Education pursuant to the Department of Education Organization Act), or any other officer, board, body, commission or agency succeeding to the functions thereof under the Higher Education Act.

"Securities Depository" shall mean DTC or any replacement securities depository that is a clearing agency under federal law operating and maintaining a Book-Entry System to record beneficial ownership of the right to principal and interest, and to effect transfers of Obligations, in Book-Entry Form, designated pursuant to the Indenture.

"Sell Order" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Senior Asset Requirement" shall mean: (a) with respect to expenditures and other uses of funds in the Surplus Account permitted by the Indenture, release of Student Loans from the lien of the Indenture under certain circumstances and redemption of Subordinate Obligations, including redemption of Subordinate Obligations by operation of Sinking Fund Requirements, that the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal amount of all Outstanding Senior Obligations plus accrued and unpaid interest thereon (or, if greater, the aggregate outstanding notional amount of all Senior Swap Agreements plus accrued net obligations of the Corporation thereunder) is at least equal to (3) 112%, and that the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to (3) 103%; (b) with respect to all cases not specifically addressed in (a) above, that the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal amount of all Outstanding Senior Obligations plus accrued and unpaid interest thereon (or, if greater, the aggregate outstanding notional amount of all Senior Swap Agreements plus accrued net obligations of the Corporation thereunder) is at least equal to (3) 110%, and that the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to (3) 103%, or (c), in any such case, such lower percentage as shall be set forth in either a Supplemental Indenture (including but not limited to a Series Supplement) or in a Corporation Order delivered to the Trustee and accompanied by: (1) if Senior Obligations are Outstanding which are rated on the basis of the assets in the Trust Estate (and not on the basis of any Credit Enhancement Facility or Remarketing Agreement), evidence from each Rating Agency that applying the lower percentage set forth in such Corporation Order in computing the Senior Asset Requirement will not cause the withdrawal or reduction of any rating or ratings then applicable to any Obligations; (2) if no Senior Obligations are Outstanding, (A) evidence of approval by each Senior Swap Counterparty (if any) of the use of the lower percentage set forth in such Corporation Order in computing the Senior Asset Requirement and, (B) if any Obligations are Outstanding, evidence from each Rating Agency that applying the lower percentage set forth in such Corporation Order in computing the Senior Asset Requirement will not cause the withdrawal or reduction of any rating or ratings then applicable to any Obligations.

Solely for purposes of issuance of the Offered Obligations and in accordance with item (c) above, the Senior Asset Requirement will be the following as set forth in the Series 2007-A-1&2&B-1 Supplement: the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal amount of all Outstanding Senior Obligations plus accrued and unpaid interest thereon (or, if greater, the aggregate outstanding notional amount of all Senior Swap Agreements plus accrued net obligations of the Corporation thereunder), is at least equal

to (3) 107.22%, and the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to (3) 96.50%.

"Senior Beneficiaries" shall mean the owners of Senior Obligations, any Senior Credit Enhancement Facility Provider and any Senior Swap Counterparty.

"Senior Credit Enhancement Facility" shall mean a Credit Enhancement Facility with respect to the Prior Series Senior Obligations or the Offered Senior Obligations and a Credit Enhancement Facility designated as a Senior Credit Enhancement Facility in the applicable Series Supplement.

"Senior Credit Enhancement Fee" shall mean a fee payable to a Senior Credit Enhancement Facility Provider pursuant to a Senior Credit Enhancement Facility or a Senior Remarketing Agreement.

"Senior Obligations" shall mean the Offered Senior Obligations, the Prior Series Senior Obligations and all Additional Senior Obligations.

"Senior Remarketing Agreement" shall mean any Remarketing Agreement with respect to the Prior Series Senior Obligations or the Offered Senior Obligations, and a Remarketing Agreement designated as a Senior Remarketing Agreement in the applicable Series Supplement.

"Senior Series" shall mean any or all of the Offered Senior Obligations, the Prior Series Senior Obligations and any Additional Senior Obligations.

"Senior Sinking Fund Payment Date" shall mean a date on which Obligations of a Senior Series are to be redeemed pursuant to sinking fund provisions.

"Senior Sinking Fund Subaccount" shall mean the Senior Sinking Fund Subaccount created and established pursuant to the Indenture.

"Senior Swap Agreement" shall mean a Swap Agreement with respect to the Prior Series Senior Obligations or the Offered Senior Obligations and any Swap Agreement designated as a Senior Swap Agreement in the applicable Series Supplement.

"Senior Swap Counterparty" shall mean any Person with whom the Corporation and/or the Trustee shall, from time to time, enter into a Senior Swap Agreement.

"Senior Swap Termination Fees" shall mean fees payable pursuant to a Senior Swap Agreement as a result of early termination thereof which are not included in Net Current Liabilities with respect to such Senior Swap Agreement.

"Senior Swap Termination Fees Subaccount" shall mean the Senior Swap Termination Fees Subaccount created and established pursuant to the Indenture.

"Series" or "Series of Obligations" shall mean each separate Series of (i) the Offered Obligations, (ii) the Prior Series Obligations and (iii) any Series of Additional Obligations issued pursuant to the Indenture and a Series Supplement.

"Series 2007-A-1 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Senior Series 2007-A-1.

"Series 2007-A-2 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Senior Series 2007-A-2.

"Series 2007-A-1&2&B-1 Acquisition Proceeds" shall mean amounts derived from the sale of the Series 2007-A-1&2&B-1 Obligations (not including any earnings from investment or reinvestment thereof) credited to the Original Proceeds Subaccount pursuant to the Indenture.

"Series 2007-A-1&2&B-1 Obligations" shall mean, collectively, the Series 2007-A-1 Bonds, the Series 2007-A-2 Bonds and the Series 2007-B-1 Bonds.

"Series 2007-B-1 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Subordinate Series 2007-B-1.

"Series 2004-A-1 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Senior Series 2004-A-1.

"Series 2004-A-1&B-1 Obligations" shall mean, collectively, the Series 2004-A-1 Bonds and the Series 2004-B-1 Bonds.

"Series 2004-B-1 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Subordinate Series 2004-B-1.

"Series Supplement" shall mean a Supplemental Indenture authorizing issuance of one or more Series of Obligations and "Applicable Series Supplement" shall refer, with respect to a Series, to the Series Supplement authorizing issuance of such Series.

"Servicer" shall mean CFS (at any time that CFS is servicing Pledged Student Loans), CFS-SunTech (at any time that CFS-SunTech is servicing Pledged Student Loans), PHEAA (at any time that PHEAA is servicing Pledged Student Loans), the Foundation (at any time that the Foundation is servicing Pledged Student Loans) and any other organization with which the Corporation has entered into an agreement to service Pledged Student Loans (at any time that such other organization is servicing Pledged Student Loans). The Foundation shall not be a Servicer with respect to any Pledged Student Loans which are in repayment status unless the Trustee shall have received written evidence from each Rating Agency that treating the Foundation as a Servicer with respect to Pledged Student Loans which are in repayment will not cause the withdrawal or reduction of any rating then in effect for the Obligations.

"Servicing Agreement" shall mean any agreement entered into between the Corporation and a Servicer pursuant to which such Servicer will service Pledged Student Loans.

"Servicing Fees" shall mean any fees payable to a Servicer for servicing Pledged Student Loans.

"Sinking Fund Payment Date" shall mean a date on which a redemption of an Obligation by operation of a Sinking Fund Requirement is required to be effected.

"Sinking Fund Requirement" shall mean, with respect to the Term Obligations of any Series and maturity and for each Bond Year or other period, the respective principal amount or Accreted Value fixed or computed for such Bond Year or period as in the Indenture or Series Supplement provided for the retirement of such Term Obligations by purchase or redemption (or by payment at maturity in the case of the final Sinking Fund Requirement for any maturity).

"SLGFA" shall mean Student Loan Guarantee Foundation of Arkansas.

"SLS Loan" shall mean a Student Loan authorized under Section 428A of the Higher Education Act.

"Special Allowance Payments" shall mean special allowance payments authorized to be made by the Secretary of Education pursuant to Section 438 of the Higher Education Act, or similar allowances authorized from time to time by federal law or regulations.

"Specific Rating Category" shall mean a specific rating category of a Rating Agency, including any refinement or graduation of such rating category by a numerical modifier, a plus or minus or otherwise. For so long as any of the Obligations are rated by Moody's: (a) references to the highest applicable Specific Rating

Category shall be, with respect to obligations or investments having a term of less than one year, to a rating of "P1" (or such rating as Moody's shall advise the Trustee is comparable to "P1" under any revised rating schedule), and with respect to obligations or investments having a term of one year or longer, to a rating of "Aaa" (or such rating as Moody's shall advise the Trustee is comparable to "Aaa" under any revised rating schedule); and (b) references to the third highest applicable Specific Rating Category shall be, with respect to obligations or investments having a term of one year or longer, to a rating of "Aa2" (or such rating as Moody's shall advise the Trustee is comparable to "Aa2" under any revised rating schedule). For so long as any of the Obligations are rated by Fitch: (a) references to the highest applicable Specific Rating Category shall be, with respect to obligations or investments having a term of less than one year, to a rating of "F1" (or such rating as Fitch shall advise the Trustee is comparable to "F1" under any revised rating schedule), and with respect to obligations or investments having a term of one year or longer, to a rating of "AAA" (or such rating as Fitch shall advise the Trustee is comparable to "AAA" under any revised rating schedule); and (b) references to the third highest applicable Specific Rating Category shall be, with respect to obligations or investments having a term of one year or longer, to a rating of "AA" (or such rating as Fitch shall advise the Trustee is comparable to "AA" under any revised rating schedule).

"State" shall mean the State of Mississippi.

"Stated Maturity," when used with respect to any Obligation or any installment of interest thereon, shall mean the date specified in such Obligation on which principal of such Obligation or such installment of interest is due and payable.

"Student Loan" shall mean a loan to an Eligible Borrower for post-secondary education authorized to be acquired by the Corporation pursuant to its charter of incorporation and, except as may be otherwise provided in a Series Supplement, described in Subsection 150(d) of the Code and the applicable Treasury Regulations thereunder.

"Student Loan Purchase Agreement" shall mean any agreements entered into from time to time between the Corporation and a Lender pursuant to which the Corporation will purchase Eligible Loans from such Lender and which meets the requirements of the Indenture.

"Submission Deadline" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Submitted Bid" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Submitted Hold Order" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Submitted Order" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Submitted Sell Order" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Subordinate Beneficiaries" shall mean the owners of Subordinate Obligations, any Subordinate Credit Enhancement Facility Provider and any Subordinate Swap Counterparty.

"Subordinate Credit Enhancement Facility" shall mean a Credit Enhancement Facility with respect to the Prior Series Subordinate Obligations or the Offered Subordinate Obligations and any Credit Enhancement Facility designated as a Subordinate Credit Enhancement Facility in the applicable Series Supplement.

"Subordinate Credit Enhancement Facility Provider" shall mean a Credit Enhancement Facility Provider pursuant to a Subordinate Credit Enhancement Facility or a Subordinate Remarketing Agreement.

"Subordinate Current Debt Service-Interest Subaccount" shall mean the Subordinate Current Debt Service-Interest Subaccount created and established pursuant to the Indenture.

"Subordinate Current Debt Service-Principal Subaccount" shall mean the Subordinate Current Debt Service-Principal Subaccount created and established pursuant to the Indenture.

"Subordinate Obligations" shall mean, collectively, the Prior Series Subordinate Obligations, the Offered Subordinate Obligations and all Additional Subordinate Obligations.

"Subordinate Remarketing Agreement" shall mean a Remarketing Agreement with respect to the Prior Series Subordinate Obligations or the Offered Subordinate Obligations and any Remarketing Agreement designated as a Subordinate Remarketing Agreement in the applicable Series Supplement.

"Subordinate Series" shall mean the Prior Series Subordinate Obligations or the Offered Subordinate Obligations and any other Series of Additional Subordinate Obligations.

"Subordinate Sinking Fund Payment Date" shall mean a date on which Obligations of a Subordinate Series are to be redeemed pursuant to sinking fund provisions set forth in the Series Supplement authorizing issuance of such Subordinate Series of Obligations.

Subordinate Sinking Fund Subaccount" shall mean the Subordinate Sinking Fund Subaccount created and established pursuant to the Indenture.

"Subordinate Swap Agreement" shall mean a Swap Agreement with respect to the Prior Series Subordinate Obligations or the Offered Subordinate Obligations and any Swap Agreement designated as a Subordinate Swap Agreement in the applicable Series Supplement.

"Subordinate Swap Termination Fees" shall mean fees payable pursuant to a Subordinate Swap Agreement as a result of early termination thereof which are not included in Net Current Liabilities with respect to such Subordinate Swap Agreement.

"Subordinate Swap Termination Fees Subaccount" shall mean the Subordinate Swap Termination Fees Subaccount created and established pursuant to the Indenture.

"Substitute Auction Agent" shall mean the Person with whom the Corporation enters into a Substitute Auction Agent Agreement.

"Substitute Auction Agent Agreement" shall mean an auction agent agreement containing terms substantially similar to the terms of the Initial Auction Agent Agreement, whereby a Person having the qualifications required by the Indenture agrees with the Corporation to perform the duties of the Auction Agent under the Indenture.

"Substitute Market Agent" shall mean the Person with whom the Trustee, with the approval of the Corporation, enters into a Substitute Market Agent Agreement.

"Substitute Market Agent Agreement" shall mean a market agent agreement containing terms substantially similar to the terms of the Initial Market Agent Agreement, whereby a Person having the qualifications required by the Indenture agrees with the Trustee to perform the duties of the Market Agent under the Indenture.

"Sufficient Clearing Bids" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

"Supplement," "Supplemental Indenture" or "Supplement to the Indenture" shall mean any amendment of or supplement to the Indenture made in accordance with the Indenture.

"Surplus Account" shall mean the Surplus Account created and established pursuant to the Indenture.

"Swap Agreement" shall mean any interest rate swap agreement between the Corporation and/or the Trustee and a Swap Counterparty, as originally executed and as amended or supplemented, or other interest rate hedge agreement between the Corporation and a Swap Counterparty, as originally executed and as amended or supplemented, for the purpose of converting in whole or in part the Corporation's fixed interest rate liability on all or a portion of the Obligations to a variable rate liability or converting, in whole or in part, the Corporation's variable rate liability on all or a portion of the Obligations to a fixed rate liability.

"Swap Counterparty" shall mean any Person with whom the Corporation and/or the Trustee shall, from time to time, enter into a Swap Agreement under the Indenture.

"Swap Counterparty Guarantee" shall mean any guarantee in favor of the Corporation and/or the Trustee given in connection with the execution and delivery of a Swap Agreement.

"Tax-Exempt Bonds" shall mean a series of bonds issued and Outstanding under the Indenture, the interest on which is excludable from gross income of the holder thereof for federal income tax purposes. As of the date of this Official Statement, the Prior Series Tax-Exempt Bonds are the first Series of Tax-Exempt Bonds Outstanding under the Indenture. Each Series of the Offered Obligations will, upon issuance, be a Series of Tax-Exempt Bonds.

"Taxable Notes" shall mean a series of notes issued under the Indenture, the interest on which is not excludable from gross income of the holder thereof for federal income tax purposes. As of the date of this Official Statement, there are no Series of Taxable Notes Outstanding under the Indenture.

"Tender Agent" shall mean any commercial bank or trust company designated as Tender Agent pursuant to the provisions of the Indenture.

"Term Obligations" shall mean Obligations designated as such in the Indenture or in the Series Supplement authorizing issuance thereof.

"TGSLC" shall mean Texas Guaranteed Student Loan Corporation, a public, nonprofit corporation.

"Trust Estate" shall mean all properties and interests conveyed to or held by the Trustee pursuant to the Indenture other than: (a) properties or interests specifically released from the lien of the Indenture under the terms of the Indenture; and (b) any assets credited to the Non-Trust Estate Fund.

"Trust Estate Fund" shall mean the Trust Estate Fund created and established pursuant to the Indenture.

"Trustee" shall mean Hancock Bank, a Mississippi banking corporation with its Principal Office in the Gulfport, Mississippi, and its successor or successors and any other commercial bank or trust company which may at any time be substituted in its place pursuant to the Indenture.

"TSAC" shall mean Tennessee Student Assistance Corporation, a corporation organized under the laws of the State of Tennessee.

"Two Year School" shall mean a junior or community college as defined in 20 USCA Section 1058.

"Two Year School Student Loan" shall mean a Student Loan made to finance costs of a student attending a Two Year School, unless such student shall have subsequently become the borrower for a Student Loan to finance costs of attendance at a post-secondary school other than a Two Year School or a Proprietary School.

"Underwriters" with respect to the Offered Obligations, shall mean, collectively, Citigroup Global Markets Inc. and Banc of America Securities LLC.

"Unsubsidized Stafford Loan" shall mean a Student Loan made under Section 428H of the Higher Education Act (with respect to which Interest Subsidy Payments will not be made).

"USA Funds" shall mean United Student Aid Funds, Inc., a Delaware corporation.

"Value of Investment Securities" shall mean an amount determined when required under the Indenture and shall constitute (a) as to demand bank deposits, bank time deposits which may be withdrawn without penalty by the depositor upon 14 days' or less notice and obligations which mature not more than six (6) months from the date of purchase thereof, the amount of such deposits or the par amount of such obligations; (b) as to obligations (other than investment agreements and repurchase agreements) which mature more than six (6) but not more than twelve (12) months after the date of purchase thereof, the par amount thereof, or, if purchased at other than par, the cost thereof adjusted to reflect the amortization of discount or premium; (c) with respect to obligations (other than investment agreements and repurchase agreements) with a stated maturity of greater than twelve (12) months after the date of purchase thereof, an amount equal to the fair market value thereof as shall reasonably be determined by the Corporation based upon either: (i) information provided by a pricing service pursuant to a pricing services agreement entered into between the Corporation and a pricing service selected from time to time by the Corporation; or (ii) the lower of the value set forth in current bids from not less than two independent dealers in such obligations who or which are members of NASD, Inc. and one of such bids shall have been in writing, or (iii) with respect to any obligation traded in an established market, the bid price (or the closing price) for such obligation on the last Business Day preceding the valuation for which there is a bid price (or, if applicable, a closing price), determined by reference to any appropriate publication, such as *The Wall Street Journal* or "Composite Closing Quotations for United States Government Securities" published by the Federal Reserve Bank of New York; (d) with respect to each investment agreement, (1) for amounts allocated to purchase Student Loans, the amount deposited pursuant to such investment agreement plus accrued and unpaid interest thereon, and (2) for other amounts, an amount equal to the principal amount required to be remitted to the Trustee (without regard to notice requirements of 7 days or less) pursuant to the terms of such investment agreement if all Obligations were redeemed on the date of computation following an Event of Default under the Indenture; (e) with respect to each repurchase agreement, an amount equal to the unpaid repurchase price thereof as of such date; (f) with respect to any money market fund or other mutual fund, the amount which the Trustee would be entitled to withdraw therefrom on the date of computation (computed, to the extent applicable, on the basis of valuations as of the close of business on the preceding Business Day), without regard to notice requirements of 7 days or less; and (g) with respect to any investment not covered by clauses (a) through (f) above, such amount as shall be computed in a manner acceptable to all Rating Agencies, such acceptability to be evidenced by a written statement that computing the Value of Investment Securities in such manner will not cause the withdrawal or reduction of any rating or ratings then applicable to the Obligations. To the extent not otherwise provided, accrued and unpaid interest shall be added to all computations described in this paragraph.

"Variable Rate" shall mean a Weekly Rate or an Adjustable Rate.

"Weekday" shall mean any one of Monday, Tuesday, Wednesday, Thursday or Friday.

"Weekly Rate" shall mean, when used with respect to any Series or Obligations of a Series, the rate of interest during any Weekly Rate Period.

"Weekly Rate Conversion Date" shall mean the date on which the Obligations of a Series are converted to bear interest at Weekly Rates pursuant to the Indenture.

"Weekly Rate Period" shall mean a Weekly Rate Period as described in the Indenture during which Obligations of a Series bear interest at Weekly Rates.

"Winning Bid Rate" with respect to the Offered Obligations shall have the meaning given such term in APPENDIX D -- "AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS."

Indenture Summary

The following is a brief summary of certain provisions of the Indenture, in addition to the provisions thereof summarized elsewhere in this Official Statement and the Appendices hereto, and is not to be considered as a full statement of the provisions of the Indenture. The summary is qualified by reference to and is subject to the complete Indenture, copies of which, in reasonable quantity, may be obtained during the offering period upon request directed to the Corporation.

Funds and Accounts Established

The following Funds, Accounts and Subaccounts are established by the Indenture and are to be held by the Trustee:

- Trust Estate Fund
  - Acquisition Account
    - Original Proceeds Subaccount
    - Transferred Proceeds Subaccount
    - Revolving Subaccount
  - Revenue Account
    - Principal Repayment Subaccount
    - Income Subaccount
  - Debt Service Account
    - Senior Current Debt Service- Interest Subaccount
    - Senior Current Debt Service - Principal Subaccount
    - Senior Sinking Fund Subaccount
    - Senior Credit Enhancement Fees Subaccount
    - Senior Swap Termination Fees Subaccount
    - Subordinate Current Debt Service - Interest Subaccount
    - Subordinate Current Debt Service- Principal Subaccount
    - Subordinate Sinking Fund Subaccount
    - Subordinate Credit Enhancement Fees Subaccount
    - Subordinate Swap Termination Fees Subaccount
    - Reserve Subaccount
    - Redemption Subaccount
  - Surplus Account

- Non-Trust Estate Fund
  - Escrow Interest Account
  - Rebate Account

Application of Proceeds

With respect to the Offered Obligations, see "APPLICATION OF THE PROCEEDS OF THE OFFERED OBLIGATIONS" in this Official Statement.

Applications of Funds and Accounts

Acquisition Account

There shall be credited to the Original Proceeds Subaccount and the Transferred Proceeds Subaccount, if applicable to a Series of Obligations, the proceeds of Obligations of a Series and other amounts as provided in the Indenture and in one or more Series Supplements. There shall be credited to the Original Proceeds Subaccount certain of the proceeds of the Offered Obligations. None of the proceeds of the Offered Obligations will

be credited to the Transferred Proceeds Subaccount. There shall be credited to the Revolving Subaccount any amounts transferred from the Revenue Account or the Surplus Account as described below.

The Indenture provides (i) generally with respect to disbursements from the Trust Estate Fund and (ii) with respect to disbursements or transfers, as the case may be, of the Series 2007-A-1&2&B-1 Acquisition Proceeds and the Balances in the Revolving Subaccount that:

(a) The Trustee shall disburse amounts from the Trust Estate Fund to acquire (or subject to the conditions hereinafter set forth, to reimburse the Corporation for funds expended to acquire) Eligible Loans and costs incurred in connection with such acquisitions, upon receipt by the Trustee of an Eligible Loan Acquisition Certificate and all documents, opinions, if any, and certificates required thereby. Amounts so disbursed shall be paid to the payee designated in the Eligible Loan Acquisition Certificate.

(b) The amount paid to the Corporation to reimburse the Corporation for funds expended to acquire an Eligible Loan previously acquired by the Corporation shall not exceed the purchase price paid by the Corporation for such Eligible Loan, excluding accrued uncapitalized borrower interest, if any, multiplied by a factor, the numerator of which is the remaining unpaid principal amount of such Eligible Loan on the date such Eligible Loan becomes subject to the lien created by this Indenture and the denominator of which is the remaining unpaid principal amount of such Eligible Loan on the date of purchase thereof by the Corporation, plus accrued uncapitalized borrower interest thereon, if any, to the date that such Eligible Loans become subject to the lien created by this Indenture.

(c) Except as provided in the immediately following paragraph (d), any proceeds of the Series 2007-A-1&2&B-1 Obligations credited to the Original Proceeds Subaccount pursuant to the Series 2007-A-1&2&B-1 Supplement which have not been expended to acquire Student Loans on or prior to June 1, 2010, shall be transferred on the first day of the next succeeding month to the Redemption Subaccount.

(d) If prior to July 1, 2010, the Corporation shall have delivered to the Trustee a Corporation Order specifying a later date on which such amounts shall be transferred from the Original Proceeds Subaccount to the Redemption Subaccount, together with written evidence from each Rating Agency that deferring such date will not cause the reduction or withdrawal of any rating or ratings then applicable to any of the Obligations, the immediately preceding paragraph (c) shall be applied by substituting such date as shall have been set forth in such Corporation Order instead of June 1, 2010. In such event, this paragraph may also be applied in the future with the first day of the next succeeding month being substituted herein for July 1, 2010.

(e) Any Balances (other than Student Loans) consisting of amounts allocable to the Series 2007-A-1&2&B-1 Obligations and credited to the Revolving Subaccount on the Revolving Termination Date shall be transferred on the first day of the next succeeding month to the Redemption Subaccount. Balances shall be allocable to the Series 2007-A-1&2&B-1 Obligations if allocated on the books and records of the Corporation to the Series 2007-A-1&2&B-1 Obligations. In making such allocation, the Corporation shall generally allocate the following to the Series 2007-A-1&2&B-1 Obligations: receipts with respect to Student Loans credited to, or acquired with moneys credited to, the Original Proceeds Subaccount pursuant to the Series 2007-A-1&2&B-1 Supplement or acquired with moneys otherwise allocable to the Series 2007-A-1&2&B-1 Obligations; investment earnings on any moneys credited to the Original Proceeds Subaccount, the Senior Current Debt Service-Interest Subaccount or the Reserve Subaccount pursuant to the Series 2007-A-1&2&B-1 Supplement; and any moneys otherwise allocable to the Series 2007-A-1&2&B-1 Obligations.

(f) The aggregate of all Series 2007-A-1&2&B-1 Acquisition Proceeds which are disbursed in connection with the acquisition (by purchase or origination) of Eligible Loans, including amounts disbursed to acquire such Eligible Loans and amounts disbursed to pay or reimburse fees and

expenses (other than Servicing Fees) relating to such acquisitions, shall not exceed 104.27% of the aggregate of the outstanding principal amount, as of the date of acquisition, of all such Eligible Loans acquired by purchase and the aggregate original principal amount of all such Eligible Loans which are Consolidation Loans acquired by origination.

(g) The aggregate of all amounts allocable to the Series 2007-A-1&2&B-1 Obligations disbursed from the Revolving Subaccount in connection with the acquisition of Eligible Loans, including amounts disbursed to acquire such Eligible Loans and amounts disbursed to pay or reimburse fees and expenses (other than Servicing Fees) relating to such acquisitions, shall not exceed 104.27% of the aggregate of the outstanding principal amount, as of the date of acquisition, of all such Eligible Loans acquired by purchase and the aggregate original principal amount of all such Eligible Loans which are Consolidation Loans acquired by origination. Amounts shall be allocable to the Series 2007-A-1&2&B-1 Obligations if allocated on the books and records of the Corporation to the Series 2007-A-1&2&B-1 Obligations. In making such allocation, the Corporation shall generally allocate the following to the Series 2007-A-1&2&B-1 Obligations: income from Student Loans credited to, or acquired with Series 2007-A-1&2&B-1 Acquisition Proceeds or acquired with moneys otherwise allocable to the Series 2007-A-1&2&B-1 Obligations; investment earnings on any moneys credited to the Original Proceeds Subaccount, the Reserve Subaccount or the Senior Current Debt Service - Interest Subaccount pursuant to the Series 2007-A-1&2&B-1 Supplement and any moneys otherwise allocable to the Series 2007-A-1&2&B-1 Obligations.

(h) The aggregate of all amounts allocable to the Series 2004-A-1&B-1 Obligations disbursed from the Revolving Subaccount in connection with the acquisition of Eligible Loans, including amounts disbursed to acquire such Eligible Loans and amounts disbursed to pay or reimburse fees and expenses (other than Servicing Fees) relating to such acquisitions, shall not exceed 104.27% of the aggregate of the outstanding principal amount, as of the date of acquisition, of all such Eligible Loans acquired by purchase and the aggregate original principal amount of all such Eligible Loans which are Consolidation Loans acquired by origination. Amounts shall be allocable to the Series 2004-A-1&B-1 Obligations if allocated on the books and records of the Corporation to the Series 2004-A-1&B-1 Obligations. In making such allocation, the Corporation shall generally allocate the following to the Series 2004-A-1&B-1 Obligations: income from Student Loans credited to, or acquired with Series 2004-A-1&B-1 Acquisition Proceeds or acquired with moneys otherwise allocable to the Series 2004-A-1&B-1 Obligations; investment earnings on any moneys credited to the Original Proceeds Subaccount, the Reserve Subaccount or the Senior Current Debt Service - Interest Subaccount pursuant to the Original Indenture and any moneys otherwise allocable to the Series 2004-A-1&B-1 Obligations.

(i) Any Balances (other than Student Loans) consisting of amounts allocable to the Series 2004-A-1&B-1 Obligations and credited to the Revolving Subaccount on the Revolving Termination Date (or at any time thereafter), shall be transferred on the first day of the next succeeding month to the Redemption Subaccount. Balances shall be allocable to the Series 2004-A-1&B-1 Obligations if allocated on the books and records of the Corporation to the Series 2004-A-1&B-1 Obligations. In making such allocation, the Corporation shall generally allocate the following to the Series 2004-A-1&B-1 Obligations: income from Student Loans credited to, or acquired with Series 2004-A-1&B-1 Acquisition Proceeds or acquired with moneys otherwise allocable to the Series 2004-A-1&B-1 Obligations; investment earnings on any moneys credited to the Original Proceeds Subaccount, the Reserve Subaccount or the Senior Current Debt Service - Interest Subaccount pursuant to the Original Indenture and any moneys otherwise allocable to the Series 2004-A-1&B-1 Obligations.

Revenue Account

All revenues received as payments of principal (including proceeds of any sale or other conveyance which represent principal) of Pledged Student Loans shall be credited as of the date of receipt to the Principal Repayment Subaccount. All revenues received as payments of interest on or Special Allowance Payments

(including proceeds of any sale or other conveyance which represent interest or Special Allowance Payments) with respect to Pledged Student Loans, all amounts received as earnings on or income from Investment Securities in the Trust Estate Fund, and all amounts to be transferred to the Income Subaccount from the Escrow Interest Account or the Rebate Account shall be credited to the Income Subaccount.

From time to time, the Trustee shall disburse funds from the Revenue Account (a) to pay, or to reimburse the Corporation for amounts expended to pay, Bond Fees; (b) to provide funds to pay Administrative Expenses at any time, in cumulative amounts in any given Fiscal Year not in excess of the amount of Budgeted Administrative Expenses expected to be paid by the Corporation within the thirty (30) days next succeeding the date of such Corporation Order for that Fiscal Year, unless certain conditions are met; and (c) to refund payments erroneously deposited into the Trust Estate Fund, to refund over-payments by or on behalf of a borrower, to refund amounts to a Guarantor or the Department of Education as a result of receipt of payments from a borrower on a student loan after payment of a claim by such Guarantor or the Department of Education, or to repurchase one or more Student Loans (whether or not such Student Loans were previously part of the Trust Estate) from a Guarantor or the Department of Education, or to otherwise correct any erroneous payment or action or to pay amounts required to be paid under regulations of the Secretary or any Guarantor.

As of the close of business on the last day of each calendar month, there shall be transferred from the Revenue Account, in order of priority as follows:

(a) to the Senior Current Debt Service - Interest Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account; or (ii) the amount which, if deposited on such day would cause the Balance in the Senior Current Debt Service - Interest Subaccount on such day to equal (A) the aggregated accrued and unpaid interest on all Senior Obligations through and including such day, plus (B) the accrued Net Current Liability (if any) through and including such day of the Corporation to all Senior Swap Counterparties on all Senior Swap Agreements, less (C) the aggregate accrued net liability (if any) through and including such day of all Senior Swap Counterparties to the Corporation on all Senior Swap Agreements; and less (D) the aggregate accrued net liability (if any) through and including such day of all Subordinate Swap Counterparties to the Corporation on all Subordinate Swap Agreements;

(b) if such day shall be less than twelve (12) months prior to a Principal Payment Date on which principal of Senior Obligations is due, to the Senior Current Debt Service - Principal Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the amount which, if deposited on such day and on the last day of each succeeding calendar month to and including the last calendar month prior to the next Principal Payment Date, would cause the Balance in the Senior Current Debt Service - Principal Subaccount on such next Principal Payment Date to equal the principal of all Senior Obligations maturing on such Principal Payment Date;

(c) to the Senior Credit Enhancement Fees Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the aggregate of all Senior Credit Enhancement Fees due and payable during the next succeeding calendar month (if the amount of any Senior Credit Enhancement Fee which will be due and payable during such next succeeding calendar month is not known or is not determinable at such time, a reasonable estimate of the amount of such fee, as determined by the Corporation, shall be deemed for purposes of this clause to be the amount due and payable);

(d) if such day shall be less than twelve months prior to a Senior Sinking Fund Payment Date, to the Senior Sinking Fund Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the amount which, if deposited on such day and on the last day of each succeeding calendar month to and including the last calendar month prior to the next Senior Sinking Fund Payment Date, would cause the Balance credited to the Senior Sinking Fund Subaccount on such Senior Sinking Fund Payment Date to equal the aggregate of the principal of all Senior Obligations scheduled to be redeemed pursuant to mandatory sinking fund provisions on such Senior Sinking Fund Payment Date;

(e) to the Senior Swap Termination Fees Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the amount which, if deposited on such day would cause the Balance in the Senior Swap Termination Fees Subaccount on such day to equal the aggregate accrued and unpaid Senior Swap Termination Fees payable as a result of default by the Corporation under a Senior Swap Agreement or bankruptcy of the Corporation.

(f) to the Subordinate Current Debt Service - Interest Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the amount which, if deposited on such day would cause the Balance in the Subordinate Current Debt Service - Interest Subaccount on such day to equal (A) the accrued and unpaid interest on all Subordinate Obligations through and including such day plus (B) the aggregate accrued Net Current Liability (if any) through and including such day of the Corporation to all Subordinate Swap Counterparties on all Subordinate Swap Agreements, and less (C) the amount (if any) by which (1) the sum of the aggregate accrued net liability (if any) through and including such day of all Senior Swap Counterparties to the Corporation on all Senior Swap Agreements plus the aggregate accrued net liability (if any) through and including such day of all Subordinate Swap Counterparties to the Corporation on all Subordinate Swap Agreements exceeds (2) the sum of the accrued and unpaid interest on all Senior Obligations through and including such day plus the aggregate accrued Net Current Liability (if any) through and including such day of the Corporation to all Senior Swap Counterparties on all Senior Swap Agreements;

(g) if such day shall be less than twelve (12) months prior to a Principal Payment Date on which principal of Subordinate Obligations is due, to the Subordinate Current Debt Service - Principal Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the amount which, if deposited on such day and on the last day of each succeeding calendar month to and including the last calendar month prior to the next Principal Payment Date, would cause the Balance in the Subordinate Current Debt Service - Principal Subaccount on such next Principal Payment Date to equal the principal of all Subordinate Obligations maturing on such Principal Payment Date;

(h) to the Subordinate Credit Enhancement Fees Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the aggregate of all Subordinate Credit Enhancement Fees due and payable during the next succeeding calendar month (if the amount of any Subordinate Credit Enhancement Fee which will be due and payable during such next succeeding calendar month is not known or is not determinable at such time, a reasonable estimate of the amount of such fee, as determined by the Corporation, shall be deemed for purposes of this clause to be the amount due and payable);

(i) if such day shall be less than twelve months prior to a Subordinate Sinking Fund Payment Date, to the Subordinate Sinking Fund Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the amount which, if deposited on such day and on the last day of each succeeding calendar month to and including the last calendar month prior to the next Subordinate Sinking Fund Payment Date, would cause the Balance credited to the Subordinate Sinking Fund Subaccount on such Subordinate Sinking Fund Payment Date to equal the aggregate of the principal of all Subordinate Obligations scheduled to be redeemed pursuant to mandatory sinking fund provisions on such Subordinate Sinking Fund Payment Date;

(j) to the Subordinate Swap Termination Fees Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the amount which, if deposited on such day would cause the Balance in the Subordinate Swap Termination Fees Subaccount on such day to equal the aggregate accrued and unpaid Subordinate Swap Termination Fees payable as a result of default by the Corporation under a Subordinate Swap Agreement or bankruptcy of the Corporation.

(k) to the Reserve Subaccount, such amount, if any, as shall be necessary in order for the balance in the Reserve Subaccount to equal the Reserve Requirement;

(l) if any payments have been previously charged to the Original Proceeds Subaccount or the Transferred Proceeds Subaccount, to the Original Proceeds Subaccount or the Transferred Proceeds Subaccount, as applicable, an amount equal to the aggregate of all such charges less all previous transfers described in this subparagraph;

(m) to the Senior Swap Termination Fees Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the amount which, if deposited on such day would cause the Balance in the Senior Swap Termination Fees Subaccount on such day to equal the aggregate accrued and unpaid Senior Swap Termination Fees;

(n) to the Subordinate Swap Termination Fees Subaccount, an amount equal to the lesser of: (i) the Balance credited to the Revenue Account, after all transfers as of such day as provided above; or (ii) the amount which, if deposited on such day would cause the Balance in the Subordinate Swap Termination Fees Subaccount on such day to equal the aggregate accrued and unpaid Subordinate Swap Termination Fees;

(o) to any Subaccount in the Debt Service Account in such amounts as shall have been specified by a notice delivered by the Corporation to the Trustee not later than the last Business Day of the calendar month following the specified transfer date;

(p) to the Revolving Subaccount, such amount as shall have been specified by a notice delivered by the Corporation to the Trustee not later than the last Business Day of the calendar month following the specified transfer date, provided that such notice shall be accompanied by a certificate executed by an Authorized Officer that, based on reasonable projections, any moneys to be so used are not reasonably expected to be needed for the payment of Debt Service on and with respect to the Outstanding Obligations, Administrative Expenses, Credit Enhancement Fees (if any) or Bond Fees, or for transfer to the Escrow Interest Account or the Rebate Account; and provided further that (1) no amounts allocable to the Series 2007-A-1&2&B-1 Obligations shall be transferred to the Revolving Subaccount subsequent to the date on which Balances allocable to the Series 2007-A-1&2&B-1 Obligations and credited to the Revolving Subaccount shall have been required to be transferred to the Redemption Subaccount from the Revolving Subaccount under the Indenture unless the Trustee shall have received written evidence from each Rating Agency that such transfer will not result in the withdrawal or reduction of any rating applicable to the Obligations; and (2) no amounts allocable to any other Obligations shall be transferred to the Revolving Subaccount subsequent to the date on which Balances allocable to such Obligations and credited to the Revolving Subaccount shall have been required to be transferred to the Redemption Subaccount from the Revolving Subaccount under provisions of the Series Supplement authorizing issuance of such Obligations comparable to those described above unless the Trustee shall have received written evidence from each Rating Agency that such transfer will not result in the withdrawal or reduction of any rating applicable to the Obligations.; and

(q) to the Surplus Account, any balance remaining credited to the Revenue Account in excess of such amount as the Corporation shall determine to be reasonably expected to be needed to pay Debt Service on or with respect to the Outstanding Obligations, Administrative Expenses, Credit Enhancement Fees (if any) or Bond Fees, or for transfer to the Escrow Interest Account or the Rebate Account.

From time to time amounts shall also be transferred from the Revenue Account to the Rebate Account and the Escrow Interest Account as specified in or determined in accordance with "nonarbitrage certificates" executed by the Corporation in connection with delivery of one or more Series of Tax-Exempt Bonds.

Debt Service Account

There shall be credited to the Senior Current Debt Service - Interest Subaccount and the Subordinate Current Debt Service - Interest Subaccount, amounts derived from the sale of Obligations of a Series or other amounts, if any, as provided in the Indenture and in Series Supplements.

There shall be credited to the Senior Current Debt Service - Interest Subaccount, the Senior Current Debt Service - Principal Subaccount, the Senior Credit Enhancement Fees Subaccount, the Senior Sinking Fund Subaccount, the Senior Swap Termination Fees Subaccount, the Subordinate Current Debt Service - Interest Subaccount, the Subordinate Current Debt Service - Principal Subaccount, the Subordinate Credit Enhancement Fees Subaccount, the Subordinate Sinking Fund Subaccount and the Subordinate Swap Termination Fees Subaccount, all amounts transferred to such Subaccounts from the Revenue Account. There shall also be deposited into the Trust Estate Fund and credited to the Senior Current Debt Service - Interest Subaccount, the Senior Current Debt Service - Principal Subaccount, the Subordinate Current Debt Service - Interest Subaccount and the Subordinate Current Debt Service - Principal Subaccount that portion of the proceeds from the sale of the Corporation's bonds, notes or other evidences of indebtedness, if any, to be used to pay (or reimburse a Credit Enhancement Facility Provider for paying) interest on Senior Obligations, regularly scheduled principal of Senior Obligations, interest on Subordinate Obligations and regularly scheduled principal of Subordinate Obligations, respectively.

There shall be credited to the Reserve Subaccount proceeds derived from the sale of Obligations of a Series or other amounts as provided in the Indenture and in Series Supplements. There shall also be credited to the Reserve Subaccount all amounts required to be transferred from the Revenue Account to the Reserve Subaccount.

There shall be deposited into the Trust Estate Fund all payments received from any Swap Counterparty, and such payments shall be credited to the Senior Current Debt Service-Interest Subaccount, to the extent necessary in order that the Balance credited to the Senior Current Debt Service-Interest Subaccount equal interest due on the Senior Obligations on the next Interest Payment Date and all amounts due to Senior Swap Counterparties on Senior Swap Agreements on such Interest Payment Date, with the remainder being credited to the Subordinate Current Debt Service-Interest Subaccount, unless the Balances credited to the Senior Current Debt Service-Principal Subaccount, the Senior Credit Enhancement Fees Subaccount or the Senior Sinking Fund Subaccount are not sufficient to make payments to be charged thereto at such time, in which event such remainder shall be credited, in order of priority and to the extent needed in order that the Balances in such Accounts will be sufficient to make payments to be charged thereto, to the Senior Current Debt Service-Principal Subaccount, the Senior Credit Enhancement Fees Subaccount, the Senior Sinking Fund Subaccount and the Subordinate Current Debt Service-Interest Subaccount.

There shall be credited to the Redemption Subaccount all amounts transferred from the Surplus Account to the Redemption Subaccount and all amounts transferred from the Acquisition Account to the Redemption Subaccount. That portion of the proceeds from the sale of the Corporation's bonds, notes or other evidences of indebtedness, if any, to be used to pay principal (prior to the Stated Maturity thereof) on the Obligations shall be deposited into the Trust Estate Fund and credited to the Redemption Subaccount.

On each Interest Payment Date with respect to Senior Obligations or other date on which Senior Obligations are to be redeemed, the Trustee shall withdraw from amounts in the Trust Estate Fund credited to the applicable Subaccounts and remit the amounts required for paying principal of and interest on the Senior Obligations when due and payable.

On each date on which payment of a Net Current Liability is due to a Senior Swap Counterparty pursuant to a Senior Swap Agreement, the Trustee shall withdraw from the Trust Estate Fund and remit the amounts required for such payment to such Senior Swap Counterparty.

On each date on which any payment is due to any Senior Credit Enhancement Facility Provider, the Trustee shall withdraw from the Trust Estate Fund and remit the amounts due to such Senior Credit Enhancement Facility Provider.

On each date on which payment of a Senior Swap Termination Fee is due to a Senior Swap Counterparty pursuant to a Senior Swap Agreement, the Trustee shall withdraw from the Trust Estate Fund and remit the amounts required for such payment to such Senior Swap Counterparty.

On each Interest Payment Date with respect to Subordinate Obligations or other date on which Subordinate Obligations are to be redeemed, the Trustee shall withdraw from the Trust Estate Fund and remit the amounts required for paying principal of and interest on the Subordinate Obligations when due and payable; provided that no amount shall be disbursed to redeem Subordinate Obligations (pursuant to sinking fund provisions or otherwise) unless, after such redemption, the Senior Asset Requirement will be met.

On each date on which payment of a Net Current Liability is due to a Subordinate Swap Counterparty pursuant to a Subordinate Swap Agreement, the Trustee shall withdraw from the Trust Estate Fund and remit the amounts required for such payment to such Subordinate Swap Counterparty.

On each date on which any payment is due to any Subordinate Credit Enhancement Facility Provider, the Trustee shall withdraw from the Trust Estate Fund and remit the amounts due to such Subordinate Credit Enhancement Facility Provider.

On each date on which payment of a Subordinate Swap Termination Fee is due to a Subordinate Swap Counterparty pursuant to a Subordinate Swap Agreement, the Trustee shall withdraw from the Trust Estate Fund and remit the amounts required for such payment to such Subordinate Swap Counterparty.

Surplus Account

There shall be credited to the Surplus Account amounts transferred from the Revenue Account as described above.

From time to time amounts shall be transferred from the Surplus Account to:

(a) the Senior Current Debt Service - Interest Subaccount, the Senior Current Debt Service - Principal Subaccount, the Senior Sinking Fund Subaccount, the Senior Credit Enhancement Fees Subaccount, the Subordinate Current Debt Service - Interest Subaccount, the Subordinate Current Debt Service - Principal Subaccount, the Subordinate Sinking Fund Subaccount, and the Subordinate Credit Enhancement Fees Subaccount as specified by a notice delivered by the Corporation to the Trustee not later than the last Business Day of the calendar month succeeding the date of transfer;

(b) the Redemption Subaccount, upon receipt by the Trustee of a Corporation Order specifying the amount to be transferred and directing the Trustee to use such amount to either redeem Outstanding Obligations on specified dates or purchase Outstanding Obligations; and

(c) the Revolving Subaccount, upon receipt by the Trustee of a Corporation Order specifying the amount to be transferred and the expected use of the moneys to be transferred; provided that (1) no amounts shall be transferred to the Revolving Subaccount subsequent to the Revolving Termination Date unless the Trustee shall have received written evidence from each Rating Agency that such transfer will not result in the withdrawal or reduction of any rating applicable to the Obligations.

If the Balances (other than Student Loans) credited to the Surplus Account on the first day of any month shall exceed $500,000, such excess shall be transferred on the first day of the next succeeding month to the Redemption Subaccount.

From time to time the Trustee shall disburse funds from the Surplus Account for such other purposes as the Corporation shall determine, upon the receipt by the Trustee of: (1) a certification by the Corporation that, based on reasonable projections, any moneys to be so used are not reasonably expected to be needed for the payment of Debt Service on the Outstanding Obligations, Administrative Expenses, Credit Enhancement Fees (if any) or Bond Fees, or for transfer to the Escrow Interest Account or the Rebate Account; (2) an opinion of counsel that such use is authorized by the Corporation's charter of incorporation and bylaws and will not violate State law and an opinion of Bond Counsel that such use will not adversely affect the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on any Tax-Exempt Bonds; (3) evidence that, after taking into account any such application, (A) the aggregate of the Balances in the Trust Estate Fund (computed as of the last Business Day of the preceding calendar month) in excess of Budgeted

Administrative Expenses, Credit Enhancement Fees (if any) and Bond Fees for the next succeeding twelve months (all computed as of the last Business Day of the preceding calendar month) will be equal to at least 103% of the principal amount of, plus accrued and unpaid interest (net of any amount owed to or by the Corporation pursuant to any Swap Agreement) on, the Outstanding Obligations (computed as of the last Business Day of the preceding calendar month), and (B) the Senior Asset Requirement will be met; and (4) a Cash Flow Certificate with respect to such disbursement.

Non-Trust Fund Escrow Interest Account and Rebate Account

The revenues, moneys and securities in the Non-Trust Estate Fund and the proceeds thereof are not pledged to, shall not serve as security for, and shall not be available to pay, the principal of or interest on any of the Obligations. Amounts credited to the Escrow Interest Account and the Rebate Account shall be invested in accordance with and used solely for the purposes specified in "nonarbitrage certificates" executed in connection with delivery of one or more Series of Tax-Exempt Bonds.

Accounting

The Corporation shall cause to be kept and maintained proper books of account relating to the Program in which full, true and correct entries will be made, in accordance with generally accepted accounting principles, of all dealings or transactions of or in relation to the business and affairs of the Corporation and, within one hundred eighty (180) days after the end of each Fiscal Year, shall cause such books of account to be audited by Haddox Reid Burkes & Calhoun PLLC, Certified Public Accountants, Jackson, Mississippi, or such other Independent certified public Accountant or firm of Independent certified public Accountants as shall be reasonably acceptable to the Trustee. A copy of each audit report, annual balance sheet and revenue and expense statement showing in reasonable detail the financial condition of the Corporation as at the close of each Fiscal Year, and summarizing in reasonable detail the revenue and expenses for such year, including the transactions relating to all Funds and Accounts, shall be filed promptly with the Trustee and shall be available for inspection by any Beneficiary, and upon request, shall be provided to any Beneficiary without charge.

Certain Covenants

Administration of the Program

The Corporation shall administer, operate and maintain the Program in such manner as to ensure that the Program and the Pledged Student Loans will benefit to the optimum extent consistent with the Corporation's overall objectives, from the Guarantee Programs and the federal program of reimbursement for student loans pursuant to the Higher Education Act, or from any other federal statute providing for such federal program.

Guarantee Agreements

So long as any Obligations are Outstanding or the Corporation has any obligation to any Other Beneficiary, the Corporation and the Trustee (a) are required to take all reasonable action in order to maintain all Guarantee Agreements in force and effect and to enforce their rights thereunder diligently; (b) will enter into such other similar or supplemental agreements as shall be required to maintain benefits for all Pledged Student Loans covered thereby (provided, the Trustee shall not be obligated to undertake the actions contemplated by the preceding clauses (a) and (b) if such action will require the Trustee to risk its own funds or will cause the Trustee to incur any financial liability unless and until the Trustee receives a satisfactory indemnity against such risk or liability); and (c) 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 with any Guarantee Agreement or any similar or supplemental agreement which in any manner will materially adversely affect the rights of the Beneficiaries.

Administration, Enforcement and Collection of Pledged Student Loans

The Corporation shall cause all Pledged Student Loans to be administered and collected in a competent, diligent and orderly fashion and in accordance with all requirements of the Higher Education Act, the Secretary of Education, applicable regulations of the applicable Guarantors and the Indenture. The Corporation

shall cause to be diligently enforced and taken all steps, actions and proceedings reasonably necessary for the enforcement of all terms, covenants and conditions of all Pledged Student Loans and agreements in connection therewith; provided that the Corporation may grant a reasonable forbearance to an obligor or settle a default or cure a delinquency on any Pledged Student Loan on such terms as shall be permitted by law and may forgive (and/or agree to forgive) principal of and accrued and unpaid interest on Pledged Student Loans: (i) to comply with the provisions of the Indenture and all non-arbitrage certificates executed in connection with the delivery of a Series of Tax-Exempt Bonds; (ii) pursuant to an Approved Borrower Benefit Program; (iii) to the extent that such Student Loan could have otherwise been released from the lien of the Indenture; or (iv) if the Corporation shall deliver to the Trustee cash, Investment Securities and/or Eligible Loans with an aggregate value equal to the principal and interest forgiven.

Limitation on Administrative Expenses and Bond Fees

The Corporation covenants that the Administrative Expenses and Bond Fees will not, in any Fiscal Year, exceed those that are reasonable and necessary in light of all circumstances then existing and will not, in any event, be in such amounts as will materially adversely affect the ability of the Corporation to pay or perform, as the case may be, all of its obligations under the Indenture or the security for the Beneficiaries; provided, however, that such covenant shall not prevent the Corporation's paying reasonable and necessary Administrative Expenses and Bond Fees at any time if the failure to pay such Administrative Expenses and Bond Fees would have a greater material adverse affect on the ability of the Corporation to pay or perform, as the case may be, all of its obligations under the Indenture or the security for the Beneficiaries than payment of such Administrative Expenses and Bond Fees would have.

For so long as any Obligations shall be Outstanding, Administrative Expenses paid from the Trust Estate Fund during any Bond Year shall not exceed the greater of: (a) amounts computed as set forth in the Series 2007-A-1&2&B-1 Supplement; or (b) such amount as shall be set forth in (or computed in accordance with) a Corporation Order or Supplemental Indenture (including but not limited to a Series Supplement) delivered to the Trustee and accompanied by written evidence from each Rating Agency that limiting Administrative Expenses to the amount set forth in (or computed in accordance with) such Corporation Order or Supplemental Indenture will not cause the reduction or withdrawal of any rating or ratings then applicable to any Outstanding Obligations. For purposes of the foregoing, a Rating Agency's issuance of a rating with respect to any Additional Senior Obligations issued pursuant to a Series Supplement in the same Specific Rating Category as the rating on all Outstanding Senior Obligations and a rating with respect to any Additional Subordinate Obligations issued pursuant to a Series Supplement in the same Specific Rating Category as the rating on all Outstanding Subordinate Obligations shall be deemed to constitute evidence that application of any limitation on Administrative Expenses and Bond Fees set forth in such Series Supplement will not cause the reduction or withdrawal of any rating or ratings then applicable to any Outstanding Obligations.

Continuing Existence and Qualification; Assignment

The Corporation will, except as provided below, maintain its existence as a Mississippi nonprofit corporation and its status as a nonprofit corporation and an organization described in Section 501(c)(3) of the Code exempt from federal income taxation under Section 501(a) of the Code (or any successor sections of a subsequent federal income tax statute or code) and meeting the requirements of Section 150(d) of the Code for the issuance of "qualified scholarship funding bonds." The Corporation will, except as provided below, remain duly qualified to do business in the State of Mississippi and will not dispose of all or substantially all of its assets, except as otherwise specifically authorized under the Indenture or under comparable provisions of any future indenture of the Corporation with respect to subsequent issues of bonds, notes or other obligations of the Corporation, or consolidate with or merge into another corporation or permit any other corporation to consolidate with or merge into it unless certain conditions specified in the Indenture are met, including, but not limited to, the condition that prior to or concurrently with any merger, consolidation or transfer of assets, the Trustee shall have received written evidence from each Rating Agency confirming that such merger, consolidation or transfer of assets will not result in the withdrawal or reduction of any Rating applicable to the Obligations.

Notwithstanding the foregoing, the Corporation need not continue to be a nonprofit corporation described in Section 501(c)(3) of the Code, exempt from federal income taxation pursuant to Section 501(a) of the

Code and meeting the requirements of Section 150(d) of the Code for the issuance of "qualified scholarship funding bonds" if the Corporation shall have provided to the Trustee: (i) written advice from each Rating Agency that the Corporation's failure to satisfy such requirements will not cause the withdrawal or reduction of any rating on any of the Obligations; and (ii) a written opinion of nationally recognized bond counsel that the Corporation's failure to satisfy such requirements will not adversely affect the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on any Tax-Exempt Bonds.

Anything in the Indenture to the contrary notwithstanding, the Corporation may also assign all of its rights in and to the Trust Estate if the Corporation shall have provided to the Trustee: (i) written advice from each Rating Agency that such assignment will not cause the withdrawal or reduction of any rating on any of the Obligations; and (ii) a written opinion of nationally recognized bond counsel that such assignment will not adversely affect the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on any Tax-Exempt Bonds.

Student Loan Purchase Agreements

All Student Loan Purchase Agreements are required to include certain provisions as specified in the Indenture, including provisions that all Student Loans purchased pursuant thereto are Eligible Loans and that all rights thereunder are assignable to the Trustee.

Information Provided to Trustee

To enable the Trustee to monitor the servicing quality and financial conditions of the Corporation and the Servicers, the Corporation shall provide the Trustee with the following information:

(a) As soon as prepared, and at least once in every 12 month period, with respect to each Servicer, either (i) an opinion of a nationally recognized firm of certified public accountants concerning an annual due diligence audit of the Corporation's arrangements for the servicing of Student Loans by such Servicer; addressing such Servicer's compliance with applicable requirements of the Act, the Secretary and each applicable Guarantor with respect to the servicing of Student Loans, and including a statement that such Servicer is substantially in compliance with such requirements, or, if such statement is not made, listing and describing any material violations in such servicing requirements; or (ii) a copy of the Compliance Audit (Attestation Engagement) for Lenders and Lender Servicers Participating in the Federal Family Education Loan ("FFEL") Program submitted to the United States Department of Education by such Servicer addressing the assertion made by such Servicer's management that such Servicer materially complied with the FFEL Program requirements, and including a statement by a firm of certified public accountants that, in their opinion, management's assertion is or is not fairly stated in all material respects. (In the event that such Compliance Audit is not prepared by a firm of nationally recognized certified public accountants, upon request of the Trustee the Corporation shall also provide to the Trustee within a reasonable period of time following such request a report prepared by a firm of nationally recognized certified public accountants (or other firm of certified public accountants acceptable to the Trustee) based upon performance of "agreed upon procedures" reasonably acceptable to the Trustee.)

(b) As soon as possible, any audit examination or performance report (whether performed by internal or external auditors) received by the Corporation that has been prepared with respect to the Corporation's or any Servicer's activities under its student loan program, and the Corporation's or such Servicer's, as the case may be, response thereto (if any).

(c) Promptly after receiving notice of the commencement thereof, notice of any action, suit or proceeding before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Corporation or any Servicer and which could have a material adverse effect upon either the financial condition of the Corporation or such Servicer or the ability of the Corporation or such Servicer to perform its obligations in connection with the Pledged Student Loans.

(d) As soon as possible, and in any event within 5 days after knowledge of the Corporation of the occurrence thereof, notice of any default or event of default under any Servicing Agreement, any Guarantee Agreement or any other material agreement relating to the servicing and payment of Pledged Student Loans.

(e) Such other information respecting the business, properties, condition or operations, financial or otherwise, of the Corporation and any Servicer as the Trustee may reasonably request from time to time, to the extent available to the Corporation.

Trustee's Duties to Monitor Servicing

The Trustee shall be deemed to have satisfied its obligation to monitor the Corporation's obligations under the Indenture related to the collection and assignment of Student Loans, the enforcement of Pledged Student Loans and the administration and collection of Pledged Student Loans if the Trustee requires the provision of, and reviews, the information required to be provided to the Trustee described in the immediately preceding subsection captioned *"Information Provided to the Trustee."*

In the event such information indicates, in the reasonable judgment of the Trustee, that the Pledged Student Loans are not being serviced in accordance with the requirements of this Indenture, the Trustee will then transmit a written notice to the Corporation (with a copy to each Rating Agency) specifying any deficiencies that, in its judgment, require correction. The Corporation's failure to correct the deficiencies specified by the Trustee shall constitute a breach of the Corporation's obligations under this Indenture unless, within 30 days (or such longer period as the Trustee may approve) thereafter, the Corporation shall have submitted to the Trustee (with a copy to each Rating Agency) a certificate of a firm of Certified Public Accounts reasonably acceptable to the Trustee to the effect that either (i) correction of the deficiencies specified is not required to enable the Corporation to substantially comply with this Indenture or, (ii) failure to correct the specified deficiencies will not adversely affect the Corporation's ability to collect substantially all principal and interest payments and all other sums to which the Corporation or the Trustee is entitled pursuant to any Student Loan Purchase Agreement and all grants, subsidies, donations, Special Allowance Payments and all Guarantee payments from any Guarantor relating to the Pledged Student Loans.

Release of Student Loans

The Trustee shall release from the lien and pledge of the Indenture any Pledged Student Loan

(A) sold to a purchaser in accordance with the provisions of the Indenture for a purchase price not less than the outstanding principal balance plus accrued borrower interest and Special Allowance Payments upon receipt by the Trustee of immediately available funds in full payment therefor;

(B) which is not an Eligible Loan if the Corporation delivers to the Trustee (i) one or more Eligible Loans with aggregate outstanding principal balances not less than such Student Loan and which Eligible Loan or Loans are substituted by a Lender for such Student Loan pursuant to the applicable Student Loan Purchase Agreement, (ii) an amount equal to the repurchase price for such Student Loan as provided in the applicable Student Loan Purchase Agreement, or (iii) in the event a Lender does not repurchase such Student Loan or substitute an Eligible Loan therefor pursuant to the applicable Student Loan Purchase Agreement, either an amount equal to the outstanding principal balance of such Student Loan or one or more Eligible Loans with aggregate outstanding principal balances not less than such Student Loan;

(C) as requested by the Corporation, upon receipt by the Trustee of evidence satisfactory to the Trustee that, after such release, the Senior Asset Requirement will be met; and

(D) as specified by the Corporation, if there shall have been delivered to the Trustee Eligible Loans in substitution therefor and either (i) evidence that such Eligible Loans meet certain conditions as specified in the Indenture or (ii) a Cash Flow Certificate and evidence that (A) subsequent to such release

and substitution of Student Loans the Senior Asset Requirement will be met, or (B) that the Senior Asset Requirement is not being met at the time and after such release and substitution of Student Loans, the ratio of the Balances included in the Trust Estate Fund to the outstanding principal of and accrued and unpaid interest on the Senior Obligations (net of amounts owed to or by the Corporation under Swap Agreements) will be greater than such ratio would have been without such release and substitution of Student Loans.

Investments

All moneys held by the Trustee for the credit of any Fund, Account or Subaccount shall be invested by the Trustee as directed by the Corporation, to the fullest extent practicable and reasonable, in Investment Securities which shall mature or be redeemable at the option of the holder before the respective dates when such moneys will be required for the purposes intended, and any earnings on or income from such investments shall be deposited in the Trust Estate Fund and credited to the Income Subaccount.

Encumbrances

The Corporation may, without notice to or the consent of any other party, create a lien upon all or any part of the Trust Estate subordinate to the lien of the Indenture in connection with the execution of an indenture authorizing the issuance of bonds, notes or other obligations of the Corporation the proceeds of which will be used to defease all Outstanding Obligations in accordance with the Indenture if the Trustee determines that the creation of such a lien will not adversely affect the security for the Beneficiaries in any material respect.

Tax Covenants

The Corporation covenants in connection with the issuance of each Series of Tax-Exempt Bonds: that it will not take any action which may adversely affect (or omit to take any action necessary in order to avoid adversely affecting) the exclusion of interest on each Series of Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code; that it will use the proceeds of each Series of Tax-Exempt Bonds and any other funds of the Corporation in such a manner that the use thereof will not cause any such Series of Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations thereunder; and that it will not permit at any time any portion of the proceeds of each Series of Tax-Exempt Bonds or any other funds of the Corporation to be used, directly or indirectly, in a manner which would adversely affect the exclusion of interest on any Tax-Exempt Bond from gross income for federal income tax purposes pursuant to Section 103 of the Code by reason of a violation of any of the limitations imposed by Sections 103 and 141 through 150 of the Code.

Events of Default and Remedies

Events of Default

The occurrence of any of the following events, whatever the reason therefor and whether voluntary or involuntary or effected by operation of law, shall constitute an Event of Default.

(A) default in the due and punctual payment of any principal of or interest on any Senior Obligation (in which event interest shall be payable to the extent permitted by law on the overdue amounts, in each case at the interest rate borne by the Obligation in respect of which such payment is overdue); or

(B) default in the due and punctual payment of any amount owed to any Other Senior Beneficiary; or

(C) if no Senior Obligations are Outstanding and no amounts are owed to any Other Senior Beneficiaries, default in the due and punctual payment of any principal of or interest on any Subordinate Obligation (in which event interest shall be payable to the extent permitted by law on the overdue amounts, in each case at the interest rate borne by the Obligation in respect of which such payment is overdue); or

(D) if no Senior Obligations are Outstanding and no amounts are owed to any Other Senior Beneficiaries, default in the due and punctual payment of any amount owed to any Other Subordinate Beneficiary; or

(E) default in the performance or observance of any of the other covenants, agreements or conditions on the part of the Corporation contained in the Indenture, and such default shall have continued for a period of ninety (90) days after written notice thereof, specifying such default, shall have been given by the Trustee to the Corporation, or by the Holders of not less than ten percent (10%) in aggregate principal amount of the Outstanding Obligations or by any other Beneficiary to the Corporation and the Trustee; or

(F) (1) the Corporation shall (a) make a general assignment for the benefit of its creditors, (b) apply for or consent to the appointment of or the taking of possession by any custodian, receiver, liquidator or trustee for it or a substantial part of its property, (c) admit in writing its inability, or be generally unable, to pay in excess of $5,000,000 of its debts as such debts become due, (d) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (e) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, or (f) take any action for the purpose of effecting any of the foregoing, or (2) (a) a proceeding or case shall be commenced in any court of competent jurisdiction seeking the liquidation, reorganization, dissolution, winding-up or composition or readjustment of debts of the Corporation or the appointment of a trustee, receiver, custodian, liquidator or the like of the Corporation, or of all or a substantial part of its property under the Federal Bankruptcy Code or any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; and (b) such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for a period of ninety (90) days from commencement of such proceeding or case, or an order for relief or any similar order shall be entered in such proceeding or case.

Acceleration

Whenever any Event of Default described in (A), (B), (C), (D) or (F) above shall have occurred and be continuing, the Trustee may (and upon the written request of the Acting Beneficiaries upon Default, the Trustee shall), by notice in writing delivered to the Corporation, declare the principal of and interest accrued on all Obligations then Outstanding due and payable as provided below.

Whenever any Event of Default described in (E) above shall have occurred and be continuing the Trustee shall, upon the written request of the Acting Beneficiaries upon Default, by notice in writing delivered to the Corporation, declare the principal of and interest on all Obligations then Outstanding due and payable as provided below.

Whenever any Event of Default described in (E) above shall have occurred and be continuing the Trustee may, by notice in writing delivered to the Corporation, declare the principal of and interest on all Obligations then Outstanding due and payable as provided below, provided that prior to such declaration as described in this paragraph the Trustee shall have received written evidence that such acceleration and any necessary sale of Student Loans (including any sale at prices less than the Aggregate Market Value of such Student Loans) will not cause the withdrawal or reduction of any rating then applicable to the Obligations.

In the event that the Trustee shall declare the principal of and interest accrued on all Obligations then Outstanding due and payable, such principal and interest shall become immediately due and payable on the date of declaration. At any time after such a declaration of acceleration has been made, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the Trustee may (and upon direction of the Acting Beneficiaries upon Default shall), by written notice to the Corporation, rescind and annul such declaration and its consequences if all Events of Default, other than the non-payment of the principal of and interest on Obligations which have become due solely by such declaration of acceleration, have been cured or waived.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

Other Remedies; Rights of Beneficiaries

If an Event of Default has occurred and is continuing, the Trustee may pursue any available remedy by suit at law or in equity to enforce the covenants of the Corporation in the Indenture, including, without limitation, any remedy of a secured party under the Mississippi Uniform Commercial Code, foreclosure, mandamus and specific performance and may pursue such appropriate judicial proceedings as the Trustee shall deem most effective to protect and enforce, or aid in the protection and enforcement of, the covenants and agreements in the Indenture.

If any Event of Default shall have occurred and be continuing, and if it shall have been requested to do so by the Acting Beneficiaries upon Default, and if the Trustee shall have been indemnified, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by its Counsel, shall deem most expedient in the interests of the Beneficiaries; provided, however, that the Trustee shall have the right to decline to comply with any such request if the Trustee shall be advised by Counsel that the action so requested may not lawfully be taken.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Beneficiaries is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Beneficiaries thereunder or now or hereafter existing at law or in equity or by statute. The assertion or employment of any right or remedy under the Indenture shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Acting Beneficiaries upon Default, as the case may be.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee or by any or all Beneficiaries, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Direction of Proceedings by Acting Beneficiaries Upon Default

The Acting Beneficiaries upon Default shall have the right, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture; provided that (a) such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture; (b) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Beneficiaries not taking part in such direction; and (c) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Application of Moneys Upon Event of Default

Upon and after the occurrence of any Event of Default, all moneys held by the Trustee pursuant to the Indenture and subject to the lien of the Indenture, or received by the Trustee pursuant to any right given or action taken under the applicable provisions of the Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee with respect thereto, be applied as follows:

(A) Unless the principal of all the Obligations shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST: To the payment to the persons entitled thereto of all installments of principal and interest then due on the Senior Obligations and all amounts owed to all Other Senior Beneficiaries, and if the amount available shall not be sufficient to pay all such principal, interest and amounts owed in

full, then to the payment ratably, according to the amounts due, without regard to due date, to the persons entitled thereto, without any discrimination or privilege; and

SECOND: To the payment to the persons entitled thereto of all installments of principal and interest then due on the Subordinate Obligations and all amounts owed to Other Subordinate Beneficiaries and, if the amount available shall not be sufficient to pay all such principal, interest and amounts owed in full then to the payment ratably, without regard to due date, according to the amounts due, to the persons entitled thereto, without any discrimination or privilege.

(B) If the principal of all Obligations shall have become due or shall have been declared due and payable and such declaration has not been annulled and rescinded, all such moneys shall be applied first to the payment of the principal and interest then due and unpaid upon the Senior Obligations, and all amounts owed to Other Senior Beneficiaries, 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 Obligation or Senior Beneficiary over any other Senior Obligation or Senior Beneficiary, ratably, according to the amounts due, to the persons entitled thereto without any discrimination or privilege; and second to the payment of the principal and interest then due and unpaid upon the Subordinate Obligations, and all amounts owed to Other Subordinate Beneficiaries, 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 Subordinate Obligation or Subordinate Beneficiary over any other Subordinate Obligation or Subordinate Beneficiary, ratably, according to the amounts due, to the persons entitled thereto without any discrimination or privilege.

(C) If the principal of all the Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture or otherwise, then (subject to the provisions described in paragraph (B) above in the event that the principal of all the Obligations shall later become due or be declared due and payable) the moneys shall be applied in accordance with the provisions of paragraph (A) of this section.

Whenever moneys are to be applied by the Trustee pursuant to the provisions described in this section, such moneys shall be applied by it 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 and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date with respect to any Obligation unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts to be paid shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Obligations and interest thereon and all amounts owed to all Beneficiaries have been fully paid and all expenses and charges of the Trustee have been paid, the Corporation and the Trustee shall be restored to their former positions under the Indenture.

Remedies Vested in Trustee

All rights of action, including the right to file proof of claims under the Indenture or under any of the Obligations, may be enforced by the Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Obligations, and any recovery of judgment shall be for the benefit of all Beneficiaries in respect of which such judgment has been recovered.

Limitation on Suits By Holders

No Holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust of the Indenture or for the appointment of a receiver or any other remedy under the Indenture unless (1) an Event of Default shall have occurred and be continuing, (2) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Obligations then Outstanding shall have delivered a written request to the Trustee requesting that the Trustee institute such suit, action or proceeding, (3) such Holder or Holders shall have offered to the Trustee indemnity, as provided in the Indenture, (4) the Trustee shall thereafter have failed for a period of thirty (30) days after the receipt of the request and indemnification to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name and (5) no direction inconsistent with such written request shall have been given to the Trustee during such thirty-day period by the Holders of a majority in principal amount of the Outstanding Obligations; it being understood and intended that no one or more Holders of the Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by its, his, her or their action or to enforce any right thereunder except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Holders of all Outstanding Obligations (or, if applicable, all Beneficiaries).

Undertaking for Costs

The Corporation and the Trustee agree, and each Holder of any Obligation by his acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under the 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 costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant other than the Trustee in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but such provisions shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder or group of Holders holding in the aggregate more than ten percent (10%) in aggregate principal amount of the Outstanding Obligations, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or interest on any Obligation on or after the respective Stated Maturities expressed in such Obligation (or, in the case of redemption, on or after the Redemption Date).

Waiver of Events of Default

The Trustee may waive any Event of Default and its consequences, and is required to waive any Event of Default and its consequences upon written request of the Acting Beneficiaries upon Default; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding Obligations at their Stated Maturity, (b) any Event of Default in the payment when due of the interest on any Obligations, or (c) any Event of Default in the payment when due of any amount owed to any Other Beneficiary, without the consent of such Other Beneficiary. No such waiver shall extend to any subsequent or other default or Event of Default, or impair any right consequent thereon.

Notice to Holders and Other Beneficiaries if Default Occurs

The Trustee is required to give to all Holders of Obligations and Other Beneficiaries notice of all Events of Default known to the Trustee, within thirty (30) days after the occurrence of such Event of Default, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of Events of Default in the payment of the principal of or interest on any of the Obligations, the Trustee shall be protected in withholding such notice to the Holders if, and so long as, the board of directors, the executive committee or a trust committee of directors or chief executive officer of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders.

The Trustee

General

(A) There shall at all times be a trustee under the Indenture which shall be a banking or trust corporation organized, doing business and in good standing under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers and which shall be an Eligible Lender, having a combined capital stock, capital surplus and undivided profits of at least $50,000,000 (or such lesser amount as shall be specified in a Corporation Order accompanied by written evidence from each Rating Agency that applying such lesser amount will not result in the withdrawal or reduction of any rating on any Obligations), subject to supervision or examination by a federal or state authority.

(B) Except during the continuance of an Event of Default, (1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and (2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon statements, certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; in the case of any such statements, certificates or opinions which by any provisions of the Indenture are specifically required to be furnished to the Trustee, the Trustee shall be under a duty only to examine the same and in good faith to determine whether or not they conform to the requirements of the Indenture.

(C) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs, subject, however, to the provisions of (D) below.

(D) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except

(1) to the extent otherwise described in paragraph (B) above;

(2) the Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent in attempting to ascertain the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Acting Beneficiaries Upon Default relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture; and

(4) the Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, unless and until the Trustee receives a satisfactory indemnity against such risk or liability.

(E) The Trustee may execute any of the trusts or powers and perform any of its duties by or through attorneys, agents, receivers, or employees but shall be answerable for the conduct of the same in accordance with the standard specified in paragraph (C) above, subject, however, to the applicable provisions of (D) above, and shall be entitled to and may require as a condition to any determination or other action under the Indenture advice of Counsel. The Trustee may act upon the opinion or advice of any Counsel or Accountant selected by it in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice.

(F) The Trustee shall not be responsible for any recital in the Indenture or in the Obligations (except with respect to any certificate of the Trustee endorsed on the Obligations), or for the investment of moneys (except to the extent such investment is in violation of a provision of the Indenture), or for the filing or refiling of the Indenture or any Supplemental Indenture or for the validity of the execution by the Corporation of the Indenture or any Supplemental Indenture or instrument of further assurance, or for the sufficiency of the security for any of the

Obligations issued under the Indenture or intended to be secured by the Indenture, or for any disclosure to prospective purchasers of the Obligations in any preliminary official statement, preliminary offering memorandum, official statement or offering memorandum distributed in connection with the sale of Obligations, other than any portions thereof relating to the Trustee.

(G) The Trustee shall not be accountable for the use or application by the Corporation of any of the Obligations or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of the Indenture. The Trustee may become the owner of Obligations with the same rights it would have if not Trustee.

(H) The Trustee shall be protected in acting upon any notice, order, requisition, request, consent, certificate, order, opinion (including an opinion of Counsel), affidavit, letter, telegram or other paper or document in good faith deemed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to the Indenture, upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation and all Obligations issued in exchange therefor or in place thereof.

(I) As to the existence or nonexistence of any fact or as to the sufficiency or authenticity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate of the Corporation, signed by an Authorized Officer, as sufficient evidence of the facts stated therein.

(J) The Trustee shall not be required to give any bond or surety.

(K) Before taking any action under the Indenture requested by Holders, Other Beneficiaries, the Corporation or any other Person, the Trustee may require that it be furnished an indemnity bond or other indemnity satisfactory to it for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which results from the negligence or willful misconduct of the Trustee, by reason of any action so taken by the Trustee.

(L) The Trustee shall periodically file Uniform Commercial Code continuation statements as required to maintain the effectiveness of any Uniform Commercial Code financing statements evidencing the lien of the Trustee as secured party under the Indenture. The Corporation specifically authorizes the Trustee to file a financing statement or financing statements from time to time, expressly including in lieu filings, continuation statements and amendments, as the Trustee deems necessary to perfect its security interests, describing the Trust Estate and any other collateral securing the rights of Beneficiaries and containing any information required by the Uniform Commercial Code for the sufficiency of the filing or otherwise for filing office acceptance. The Corporation agrees in the Indenture to authenticate all such filings and agrees that Uniform Commercial Code filings may be made without notice to the Corporation and without the Corporation's signature.

(M) The Trustee covenants, represents and agrees that:

(i) it is an Eligible Lender and that while the Obligations are Outstanding and further during the time it has title to any Pledged Eligible Loans acquired pursuant to the terms of the Indenture, it will use its best efforts to remain an Eligible Lender;

(ii) it will not exercise any of the rights, duties, or privileges under the Indenture in such manner as would cause the Pledged Eligible Loans held or acquired under the Indenture to be transferred, assigned, or pledged as security to any Person or entity other than an Eligible Lender so long as the Higher Education Act prohibits the same; provided, however, that in the exercise of any of the above stated rights, duties, or privileges the Trustee may rely upon Corporation Orders and any and all representations by the Corporation and its agents, including, but not limited to, the Servicers and shall be fully protected in so relying;

(iii) it will comply with the requirements of the Higher Education Act as specified by the Corporation insofar as they relate to the Trustee's duties under the Indenture, and will, upon written notice from the Corporation, the Secretary, or any Guarantor, use its best efforts to cause the Indenture to be amended in accordance

with the procedures described therein if the Higher Education Act is hereafter amended so as to be contrary to the terms of the Indenture; and

(iv) the Trustee is acting as an Eligible Lender on behalf of the Corporation, and as a trustee of the Trust Estate on behalf of the Beneficiaries in accordance with the terms of the Indenture.

The parties acknowledge that, pursuant to each Servicing Agreement, each Servicer shall be responsible for the physical custody and preservation of Pledged Eligible Loans and the supporting documents submitted to and received by it and that the Trustee shall have no responsibility therefor.

(N) The parties recognize that the Trustee has (or will have) special contractual obligations and rights with respect to the Guarantors which must be maintained and preserved in order for the Trustee to remain an Eligible Lender, and the Trustee specifically covenants to use its best efforts to maintain its obligations and enforce its rights under any such contracts during the administration of the trust.

Lien of Trustee

At any time that an Event of Default shall have occurred and be continuing, the Trustee shall have a lien on the Trust Estate and shall have a right of payment of its fees, advances, legal fees and expenses prior to any payments to any Beneficiaries.

Resignation By Trustee

The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving sixty (60) days written notice to the Corporation and, by first class mail, to all Beneficiaries, and such resignation shall take effect upon the appointment of a successor Trustee.

Removal of Trustee

The Trustee may be removed at any time by an instrument signed by the Corporation and filed with the Trustee and shall be removed by the Corporation if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Corporation, and signed by the Holders of not less than seventy-five percent (75%) in aggregate principal amount of the Obligations then Outstanding (or their attorneys-in-fact duly authorized) excluding any Obligations held by or for the account of the Corporation. Notwithstanding the foregoing, the Trustee may not be removed unless and until a successor trustee has been appointed pursuant to the Indenture. No removal of any trustee shall be effective unless the Corporation shall have received written evidence from each Rating Agency that such removal will not result in the withdrawal or reduction of any Rating applicable to the Obligations.

Appointment of Successor Trustee

In case the Trustee shall resign or be removed, or be dissolved or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, the Corporation by a Board Resolution may remove the Trustee and shall promptly appoint a successor. If, within one year of such vacancy occurring, the Holders of not less than seventy-five percent (75%) in aggregate principal amount of the then Outstanding Obligations, by an instrument or concurrent instruments in writing signed by such Holders, or by their attorneys-in-fact duly authorized, appoint a successor, such successor shall supersede the successor appointed by the Corporation. If no successor trustee has been appointed as provided in the Indenture after ninety (90) days from the mailing of notice of resignation by the Trustee, or from the date the Trustee is removed or otherwise incapable of acting under the Indenture, any Beneficiary may petition a court of competent jurisdiction to appoint a successor trustee. No appointment of any trustee shall be effective unless the Corporation shall have received written evidence from each Rating Agency that such appointment will not result in the withdrawal or reduction of any Rating applicable to the Obligations.

Successor Trustee

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee and vested with all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

Co-Trustees

At any time or times, for the purpose of meeting any legal requirements of any state in which the Trustee determines it necessary to take any action hereunder, the Trustee will have power to appoint, and, upon the request of the Trustee, any Beneficiary or of the Holders of at least twenty five percent (25%) in aggregate principal amount of Obligations Outstanding, the Corporation shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint one or more Persons approved by the Trustee either to act as co-trustee or co-trustees, jointly with the Trustee, of all or any part of the Trust Estate, or to act as separate trustee or separate trustees of all or any part of the Trust Estate, and to vest in such Person or Persons, in such capacity, such title to the Trust Estate or any part thereof, any such rights, powers, duties, trusts or obligations as the Trustee may consider necessary or desirable, subject to the remaining provisions of the Indenture regarding co-trustees.

If the Corporation shall not have joined in such appointment within fifteen (15) days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Beneficiaries

The provisions of the Indenture may be amended at any time and from time to time for any purpose provided that: (i) no such amendment shall be effective until the Trustee shall have received written evidence from each Rating Agency that such amendment will not cause a reduction or withdrawal of any ratings then applicable to the Obligations; (ii) no such amendment to certain provisions affecting Auction Procedures shall be effective with respect to a Series of Obligations unless and until (a) notice shall have been given to all Holders of Auction Rate Securities of such Series describing (or including a copy of) the amendment, and (b) either: (i) Sufficient Clearing Bids shall be received (or all Auction Rate Securities of such Series shall be subject to Hold Orders) at the first Auction with respect to such Series of Auction Rate Securities not less than fifteen (15) days subsequent to such notice; or (ii) all Auction Rate Securities of such Series shall have been purchased pursuant to the Indenture on or prior to the effective date of such amendment; and (iii) applicability of any amendment to certain provisions applicable to Obligations bearing interest at Variable Rates or a Fixed Rate shall be conditioned upon meeting certain additional requirements.

Supplemental Indentures Requiring Consent of Holders

Exclusive of Supplemental Indentures described above, the Trustee, upon receipt of an instrument evidencing the consent to the below-mentioned Supplemental Indenture by the Holders of not less than two-thirds of the aggregate principal amount of the Outstanding Senior Obligations and the Holders of not less than two-thirds in aggregate principal amount of the Outstanding Subordinate Obligations and such additional consents, if any, as shall be required pursuant to a Series Supplement, shall join with the Corporation in the execution of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing contained in the Indenture shall permit or be construed as permitting without the consent of each Beneficiary which would be adversely affected thereby:

(a) an extension of the maturity of the principal of or the interest on any Obligation; or

(b) a reduction in the principal amount or the Redemption Price of any Obligation or the rate of interest thereon; or

(c) a privilege or priority of any Senior Obligation or Senior Obligations or Senior Beneficiary or Senior Beneficiaries over any other Senior Obligation or Senior Obligations or Senior Beneficiary or Senior Beneficiaries; or

(d) a privilege or priority of any Subordinate Obligation or Subordinate Obligations or Subordinate Beneficiary or Subordinate Beneficiaries over any other Subordinate Obligation or Subordinate Obligations or Subordinate Beneficiary or Subordinate Beneficiaries; or

(e) a reduction in the aggregate principal amount of the Obligations required for consent to Supplemental Indentures; or

(f) the creation of any lien ranking prior to or on a parity with the lien of the Indenture on the Trust Estate or any part thereof, except as expressly permitted pursuant to the Indenture; or

(g) any Beneficiary to be deprived of the lien created by the Indenture on the rights, title, interest, privileges, Pledged Student Loans, revenues, moneys, evidences of indebtedness and securities pledged under the Indenture; or

(h) the modification of any of the provisions described in this paragraph.

If at any time the Corporation shall request the Trustee to enter into any such Supplemental Indenture for any of such purposes, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Beneficiary. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Beneficiaries. The Trustee shall not, however, be subject to any liability to any Beneficiary by reason of its failure to mail such notice, and any such failure shall not affect the validity of such Supplemental Indenture when consented to and approved as described in this paragraph. If the Holders of two-thirds in aggregate principal amount of the Outstanding Senior Obligations and the Holders of two-thirds in aggregate principal amount of the Outstanding Subordinate Obligations, at the time of the execution of any such Supplemental Indenture, shall have consented to and approved the execution thereof as provided in the Indenture, and all other consents required by a Series Supplement shall have been obtained, no Beneficiary shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture, the Indenture shall be, and be deemed to be, modified and amended in accordance therewith.

Opinion and Rating Agency Approval Required Prior to Execution of Supplemental Indenture

No Supplemental Indenture shall be executed unless, prior to the execution thereof, the Corporation shall provide to the Trustee an opinion of Bond Counsel to the effect that the execution of such Supplemental Indenture will not adversely affect the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on any Tax-Exempt Bonds; and the Trustee shall have received written evidence that execution of such Supplemental Indenture will not cause the withdrawal or reduction of any rating then applicable to any of the Obligations.

Discharge of Indenture

Discharge of Liens and Pledges; Obligations No Longer Outstanding and Deemed to be Paid Under the Indenture

The obligations of the Corporation under the Indenture, and the liens, pledges, charges, trusts, covenants and agreements of the Corporation therein made or provided for, shall, except as may be otherwise provided in a Series Supplement, be fully discharged and satisfied as to any Obligation, and such Obligation shall no longer be deemed to be Outstanding under the Indenture:

(i) when such Obligation shall have been canceled; and

(ii) as to any Obligation not canceled, when payment of the principal of such Obligation, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity, call for redemption or otherwise), either (a) shall have been made or caused to be made in accordance with the terms of the Indenture, or (b) shall have been provided for by irrevocably depositing with the Trustee and irrevocably appropriating and setting aside exclusively for such payment (1) moneys sufficient to make such payment or (2) AAA Refunded Municipals or Government Obligations (or any combination thereof) maturing as to principal and interest in such amount and at such times as will ensure the availability of sufficient moneys to make such payment and (A) the Corporation shall have delivered to the Trustee evidence, verified by a certified public accountant acceptable to the Trustee, that such moneys, if any, together with amounts to be received with respect to such Government Obligations and AAA Refunded Municipals, will be sufficient for such purpose and (B) all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Obligation with respect to which such deposit is made shall have been paid or the payment thereof provided for.

Any Obligation which shall be deemed to be no longer Outstanding under the Indenture shall cease to accrue interest from the due date thereof (whether such due date be by reason of maturity, call for redemption or otherwise) and such Obligation, except for the purposes of any such payment from such moneys or AAA Refunded Municipals or Government Obligations, shall no longer be secured by or entitled to the benefits of the Indenture.

Notwithstanding the foregoing, no deposit described under clause (ii)(b) above shall constitute such payment, discharge and satisfaction as aforesaid, as to any such Obligations which are to be redeemed prior to their Stated Maturity, until proper notice of such redemption shall have been previously given in accordance with the Indenture or provision satisfactory to the Trustee shall have been irrevocably made for the giving of such notice.

Any such moneys so deposited with the Trustee may at the direction of the Corporation also be invested and reinvested in AAA Refunded Municipals or Government Obligations, maturing in the amounts and times as in the Indenture set forth, and all income from all such investments in the hands of the Trustee which is not required for the payment of the Obligations and interest thereon with respect to which such moneys shall have been so deposited shall, if the Corporation shall have delivered to the Trustee evidence, verified by a certified public accountant acceptable to the Trustee, that the moneys then held by the Trustee, together with amounts to be received with respect to Government Obligations and AAA Refunded Municipals held by the Trustee, will be sufficient to pay all principal of and interest on such Obligations, be paid to the Corporation and if any Obligations are then Outstanding, shall be deposited in the Fund or Account into which investment earnings on proceeds of the Obligations of such Series were deposited, as and when realized and collected, for crediting, use and application as are such investment earnings; or otherwise as determined by the Trustee to be appropriate.

Notwithstanding any other provision of the Indenture, all moneys or Government Obligations or AAA Refunded Municipals set aside and held in trust pursuant to the provisions described above for the payment of the principal of and interest on Obligations shall, to the extent needed for such purpose, be applied to and used solely for the payment of the principal of and interest on the particular Obligations with respect to which such moneys and Government Obligations and AAA Refunded Municipals have been so set aside in trust.

Any moneys or Investment Securities held by the Trustee for the holder of Obligations remaining unclaimed for one (1) year after the latest Maturity of the principal of any Obligation (whether at maturity, upon call for redemption or otherwise) shall without further request by the Corporation be paid by the Trustee to the Corporation and thereafter the Trustee shall have no liability with respect to such moneys.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1
(Auction Rate Securities)

DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

Introduction

The following descriptions of the Federal Family Education Loan Program (the "FFEL program", formerly known as the Guaranteed Student Loan Program, including the Stafford Student Loan Program, the Supplemental Loans for Students (SLS) Program, Parent Loans for Undergraduate Students (PLUS) Program, and Consolidation Loan Program as authorized under Title IV, part B of the Higher Education Act of 1965, as amended) are qualified in their entirety by reference to the Higher Education Act. Since its original enactment in 1965, the Higher Education Act has been amended and reauthorized several times, including by the Higher Education Amendments of 1986, 1990, 1992, 1993 and 1998 and the Higher Education Reconciliation Act of 2005. There can be no assurance that the Higher Education Act, or other relevant federal or state laws and regulations and programs implemented thereunder, will not be changed in a manner that will adversely impact the programs described below. In particular, the enacted legislation and other measures described under "Legislative and Administrative Matters" below, or future measures may adversely affect these programs.

Legislative and Administrative Matters

The Higher Education Act sets forth provisions establishing the FFEL program, according to which state agencies or private nonprofit corporations administering student loan insurance programs are reimbursed for losses sustained in the operation of their programs, and holders of certain loans made under such programs are paid subsidies for owning such loans. The agencies and corporations administering student loan insurance programs are known as guarantee agencies.

The Higher Education Act is currently subject to reauthorization . During this process, which is on going, proposed amendments to the HEA are commonplace. Many recent changes were made to the HEA and the FFELP by the Higher Education Reconciliation Act of 2005 (HERA), which was signed into law on February 8, 2006. HERA extended authorization for the FFELP through September 30, 2012.

President Bush's recent Fiscal Year 2008 Budget proposed significant cuts to the Federal Family Education Loan Program. The budget proposal included, among other things, a 50 basis point reduction in special allowance payments to lenders on all new FFELP Loans, a reduction in default claim payments made by guaranty agencies to lenders on new FFELP Loans from 97% to 95%, and a reduction in default claim payments on defaulted FFELP Loans serviced by "Exceptional Performers" from 99% to 97%.

H.R. 2669 (the "College Cost Reduction Act of 2007"), introduced on June 12, 2007 and approved by the House Education and Labor Committee on June 13, 2007, would make several major changes to existing law. Among other things, H.R. 2669 would reduce interest rates by half (from 6.8% to 3.4%) on subsidized Stafford Loans over the course of a 5-year period beginning July 1, 2008; increase loan limits for undergraduate students in or above their third year of study from $5,500 to $7,500; increase aggregate loan limits for undergraduates from $23,000 to $30,500 and for graduate and professional students from $65,500 to $73,000. Several cost cutting measures are also proposed in the bill: exceptional performer status would be eliminated; lender insurance would be reduced from 97% to 95%; Special Allowance Payments to lenders would be reduced (calculated using the 90-day CP rate plus 1.79% for Stafford and PLUS Loans, or 1.19% during in-school and grace periods, and 90-day CP rate plus 2.09% for Consolidation Loans); guaranty agency retention rates on collections of defaulted loans would reduced from 23% to 16%; and the lender-paid origination fee would be increased to 1.0%. H.R. 2669 would also require the Department of Education and the Treasury Department to jointly form a planning study to examine and

test the concept of using an auction-based system to originate loans and a market-based approach to establishing the rate of return of government paid subsidies under the FFELP. Various changes pertaining to repayment are also included in the bill: loan forgiveness is authorized for several types of borrowers working in areas of national need, loan forgiveness is authorized for public sector employees who make 120 payments over a 10-year period under the income sensitive repayment plan, and borrowers facing partial financial hardship can elect to limit annual repayments on their Stafford Loans to 15% of discretionary income. The effective date for most of these amendments is October 1, 2007.

On June 20, 2007, the Senate Committee on Health, Education, Labor and Pensions (HELP) approved by a vote of 20-0, the Higher Education Access Act of 2007, which would make numerous amendments to the Higher Education Act. Among the measures included in the proposed bill are provisions that would reduce special allowance payments to lenders (for loans held by for-profit lenders, calculated using the 90-day CP rate plus 1.84% for Stafford and PLUS Loans, or 1.24% during in-school and grace periods, and 90-day CP rate plus 2.14% for Consolidation Loans) (for loans held by not-for profit lenders, CP rate plus 1.99% for Stafford and PLUS Loans, or 1.39% during in-school and grace periods, and 90-day CP rate plus 2.29% for Consolidation Loans), eliminate the current 99% insurance rate for lenders with exceptional performer status but maintain the current 97% insurance rate for all other FFELP lenders, and extend the amount of time a borrower can receive deferment for economic hardship to 6 years. Other provisions in the proposed reconciliation bill, similar to proposals in H.R. 2669, include an increase in the lender-paid origination fee to 1.0%, a reduction in guaranty agency retention rates on collections of defaulted loans from 23% to 16%, authority for borrowers to elect to limit monthly loan payments (except for PLUS Loans) to an amount not to exceed 15% of discretionary income, and authority for loan forgiveness for all FFELP loans (excluding PLUS Loans) after 25 years for borrowers who elected income-based repayment and who obtained their first loan before October 1, 2012. The draft reconciliation bill also calls for a competitive loan auction program for PLUS Loans.

The Senate HELP Committee also approved the Higher Education Amendments of 2007 (S. 1642), by a vote of 17-3, on June 20, 2007. This bill would reauthorize the Higher Education Act and make several significant changes to the FFELP program. The bill includes provisions that would, among other things, clarify and augment current prohibitions of lenders and guarantors offering inducements to secure loan applicants or loan guarantees; prohibit lenders and guarantors from sending unsolicited loan applications by mail or email to any student with whom they do not already have a relationship; phase-out school-as-lender and related programs effective June 30, 2012; and increase the lender-paid origination fee to 1.0% on consolidation loans made on or after July 1, 2007. Also included are provisions that would prohibit revenue-sharing between lenders and schools on alternative education loans, prohibit school financial aid officials from accepting gifts or trips from lenders, entering into consulting arrangements with lenders, or accepting compensation from lenders for serving on advisory boards, and impose significant restrictions on schools using preferred lenders lists, among other things.

On May 16, 2007, the Senate and the House reached an agreement on the budget plan for Fiscal Year 2008. The FY 2008 Budget Conference Agreement rejects the President's proposed cuts to education, but includes a reconciliation instruction for higher education that requires $750 million in deficit reduction. It is expected that the reconciliation process will result in substantial reductions in the special allowance payments and/or guaranty percentage on loans made thereafter compared to current law.

H.R. 890 (S. 486 in the Senate), the Student Loan Sunshine Act, introduced on February 7, 2007 and passed by the House of Representatives on May 10, 2007, would, among other things, require lenders and schools to submit annual reports to the Department of Education regarding their loan arrangements with each other, require schools to inform borrowers of the reasons the institution has selected particular lenders to recommend and of the borrower's right to select any lender they choose, require schools that maintain a preferred lending list to include not less than three (3) unaffiliated lenders on such list, require schools to inform students of their loan options under Title IV before recommending a lender for private loans, require schools to develop and publish a code of conduct prohibiting conflicts of interest and appearances of conflicts of interest on the part of the school's employees and agents with respect to financial aid, prohibit lenders from offering gifts to school officials, and prohibit schools from receiving anything of value (with certain exceptions) in connection with an arrangement with a lender under which the school recommends the lender to prospective borrowers for FFELP or private loans.

There can be no assurance that further amendments and/or reauthorizations will not materially change the provisions in a manner that will adversely affect the programs described in this Appendix.

Various amendments to the Higher Education Act have revised the FFEL program from time to time. These amendments include, but are not limited to:

the Third Higher Education Extension Act of 2006;
P.L. 109-234 (June 15, 2006);
the Higher Education Reconciliation Act of 2005 (HERA);
the Higher Education Extension Act of 2004 (the 2004 Amendments);
the Student Loan Interest Rates Act of 2002 (the 2002 Amendments);
the Higher Education Relief Opportunities for Students Act of 2001 (the 2001 HEROES Act);
the Work Incentives Improvement Act of 1999 (the 1999 Amendments);
the Higher Education Amendments of 1998 (the 1998 Reauthorization Bill);
the Intermodal Surface Transportation Efficiency Act of 1998 (the 1998 Amendments);
the 1997 Budget Reconciliation Act (P.L. 105-33);
the Emergency Student Loan Consolidation Act of 1997;
the Higher Education Technical Amendments Act of 1993;
the Omnibus Budget Reconciliation Act of 1993 (the 1993 Amendments);
the Higher Education Amendments of 1992, which reauthorizes the FFEL program;
the Omnibus Budget Reconciliation Acts of 1990, 1989, 1987;
the Higher Education Amendments of 1986, which reauthorized the FFEL program;
the Consolidated Omnibus Budget Reconciliation Act of 1985;
the Postsecondary Student Assistance Amendments of 1981; and
the Education Amendments of 1980.

Omnibus Budget Reconciliation Act of 1993. Under the 1993 Amendments, Congress made a number of changes that may adversely affect the financial condition of the guarantee agencies, as such changes reduce certain financial benefits previously enjoyed by guarantee agencies and give the Department of Education broad powers over guarantee agencies and their reserves. See "Contracts with Guarantee Agencies" in this Appendix C and "THE GUARANTEE AGENCIES AND THE GUARANTEED STUDENT LOAN PROGRAM" for a more detailed description of the impact of this legislation on guarantee agencies. The changes create a significant risk that the resources available to the guarantee agencies to meet their guarantee obligations will be significantly reduced.

In addition, this legislation sought to greatly expand the loan volume under the direct lending program of the Department of Education known as the Federal Direct Student Loan Program, to a target of approximately 60% of student loan demand in academic year 1998-1999. Only about 35% of such loan demand is currently being met under the direct lending program. The expansion of this program in the future could result in increasing reductions in the volume of loans made under the FFEL program.

Under the Federal Direct Student Loan Program, the Department of Education directly originates and holds student loans without the involvement of private lenders. If the Federal Direct Student Loan Program expands, the master servicer or the servicers may experience increased costs due to reduced economies of scale or other adverse effects on their business to the extent the volume of loans serviced by the servicers is reduced. Such reductions or effects could occur as a result of reductions in the volume of new loans made under the FFEL program or the consolidation of existing loans under the Federal Direct Student Loan Program. These cost increases could affect the ability of the master servicer or the servicers to satisfy their obligations to service the financed student loans or to purchase financed student loans in the event of certain breaches of the servicers' covenants. See "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM - Servicing and Due Diligence" in the body of this Official Statement. Loan volume reductions could further reduce revenues received by the guarantee agencies available to pay claims on defaulted financed FFELP loans. Finally, the level of competition currently in existence in the secondary market for loans made under the FFEL program could be reduced, resulting in fewer potential buyers of the financed FFELP loans and lower prices available in the secondary market for those loans.

Emergency Student Loan Consolidation Act of 1997. On November 13, 1997, President Clinton signed into law the Emergency Student Loan Consolidation Act of 1997, which made significant changes to the Federal Consolidation Loan Program. These changes include:

(1) providing that federal direct student loans are eligible to be included in a consolidation loan;

(2) changing the borrower interest rate on new consolidation loans, previously a fixed rate based on the weighted average of the loans consolidated, rounded up to the nearest whole percent, to the annually variable rate applicable to Stafford loans (i.e., the bond equivalent rate at the last auction in May of 91-day Treasury Bills plus 3.10%, not to exceed 8.25% per annum);

(3) providing that the portion of a consolidation loan that is comprised of subsidized Stafford loans retains its subsidy benefits during periods of deferment; and

(4) establishing prohibitions against various forms of discrimination in the making of consolidation loans.

Except for the last of the above changes, all such provisions expired on September 30, 1998. The combination of the change to a variable rate and the 8.25% interest cap reduced the lender's yield in most cases below the rate that would have been applicable under the previous weighted average formula.

FY 1998 Budget. In the 1997 Budget Reconciliation Act (P.L. 105-33), several changes were made to the Higher Education Act that impact the FFEL program. These provisions include, among other things, requiring guarantee agencies to return an aggregate of $1 billion of their reserve funds to the U.S. Treasury by September 1, 2002, to be paid in annual installments, greater restrictions on use of reserves by guarantee agencies and a continuation of the administrative cost allowance payable to guarantee agencies (which is a fee paid to federal guarantors equal to 0.85% of new loans guaranteed). See "Contracts with Guarantee Agencies. "

1998 Amendments. On May 22, 1998, Congress passed, and on June 9, 1998, the President signed into law, a temporary measure relating to the Higher Education Act and FFEL program loans as part of the Intermodal Surface Transportation Efficiency Act of 1998, known as the 1998 Amendments, that revised interest rate changes under the FFEL program that were scheduled to become effective on July 1, 1998. For loans made during the period July 1, 1998 through September 30, 1998, the borrower interest rate for Stafford loans and unsubsidized Stafford loans is reduced to a rate of 91-day Treasury Bill rate plus 2.30% (1.70% during school, grace and deferment), subject to a maximum rate of 8.25%. As described below, the formula for Special Allowance Payments on Stafford loans and unsubsidized Stafford loans is calculated to produce a yield to the loan holder of 91-day Treasury Bill rate plus 2.80% (2.20% during school, grace and deferment).

The 1998 Amendments also adjusted the interest rate on PLUS loans disbursed on or after July 1, 1998, and before October 1, 1998, to a rate of 91-day Treasury Bill plus 3.10%, subject to a maximum rate of 9%, but did not affect the rate change on Consolidation loans during the same period which is fixed at the rate of the 91-day Treasury Bill established at the final auction held prior to June 1, 1998, plus 3.10% subject to a maximum rate of 8.25%. The formula for Special Allowance Payments for PLUS loans provides that no Special Allowance Payments will be paid unless the interest rate formula described in the preceding sentence produces a rate which exceeds 9%.

1998 Reauthorization Bill. On October 7, 1998, President Clinton signed into law the 1998 Reauthorization Bill, which enacted significant reforms in the FFEL program. The major provisions of the 1998 Reauthorization Bill include the following:

- All references to a "transition" to full implementation of the Federal Direct Student Loan Program were deleted from the FFEL program statute.

- Guarantee agency reserve funds were restructured so that guarantee agencies are provided with additional flexibility in choosing how to spend certain funds they receive.

- The minimum Federal Guarantor reserve level requirement is reduced from 0.50% of the total attributable amount of all outstanding loans guaranteed to 0.25% of the total attributable amount of all outstanding loans guaranteed.

- Additional recall of reserve funds by the Secretary of Education was mandated, amounting to $85 million in fiscal year 2002, $82.5 million in fiscal year 2006, and $82.5 million in fiscal year 2007. However, certain minimum reserve levels are protected from recall.

- The administrative cost allowance was replaced by two new payments, a student loan processing and issuance fee equal to 65 basis points (40 basis points for loans made on or after October 1, 2003) paid at the time a loan is guaranteed, and an account maintenance fee of 12 basis points (10 basis points for fiscal years 2001-2003) paid annually on outstanding guaranteed student loans.

- The percentage of collections on defaulted student loans a guarantee agency is permitted to retain is reduced from 27% to 24% plus the complement of the reinsurance percentage applicable at the time a claim was paid to the lender of the student loan. This percentage will be further reduced to 23% beginning on October 1, 2003.

- Federal reinsurance provided to guarantee agencies is reduced from 98% to 95% for student loans first disbursed on or after October 1, 1998.

- The delinquency period required for a loan to be declared in default is increased from 180 days to 270 days for loans on which the first day of delinquency occurs on or after the date of enactment of the 1998 Reauthorization Bill.

- Interest rates charged to borrowers on Stafford loans, and the yield for Stafford loans holders established by the 1998 Amendments, were made permanent.

- Consolidation loan interest rates were revised to equal the weighted average of the loans consolidated rounded up to the nearest one-eighth of 1%, capped at 8.25%. When the 91-day Treasury Bill rate plus 3.1% exceeds the borrower's interest rate, Special Allowance Payments are made to make up the difference.

- The lender-paid offset fee on consolidation loans of 1.05% is reduced to .62% for loans made pursuant to applications received on or after October 1, 1998 and on or before January 31, 1999.

- Lenders are required to offer extended repayment schedules to new borrowers after the enactment of the 1998 Reauthorization Bill who accumulate after such date outstanding loans under the FFEL program totaling more than $30,000; under these extended schedules the repayment period may extend up to 25 years subject to certain minimum repayment amounts.

- The Secretary of Education is authorized to enter into six voluntary flexible agreements with guarantee agencies under which various statutory and regulatory provisions can be waived.

- Consolidation loan lending restrictions are revised to allow lenders who do not hold one of the borrower's underlying FFEL program loans to issue a consolidation loan to a borrower whose underlying FFEL program loans are held by multiple holders.

- Inducement restrictions were revised to permit guarantee agencies and lenders to provide assistance to schools comparable to that provided to schools by the Secretary of Education under the Federal Direct Student Loan Program.

- The Secretary of Education is now required to pay off student loan amounts owed by borrowers due to failure of the borrower's school to make a tuition refund allocable to the student loan.

- Discharge of FFEL program loans and certain other student loans in bankruptcy is now limited to cases of undue hardship regardless of whether the student loan has been due for more than seven years prior to the bankruptcy filing.

The new recall of reserves and reduced reinsurance for guarantee agencies increase the risk that resources available to the guarantee agencies to meet their guarantee obligations will be significantly reduced.

1999 Amendments. The Work Incentives Improvement Act of 1999 passed by Congress in late November 1999 and signed into law by President Clinton on December 17, 1999, included a change in the reference index for determining lender yield of Stafford loans, PLUS loans and Consolidation loans. The formula used to calculate Special Allowance Payments for loans first disbursed on or after January 1, 2000, and before July 1, 2003, is based on the 90-day Commercial Paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H-15 (the "CP Rate"). Under the new formula, special allowance rates for Stafford loans and unsubsidized Stafford loans will be calculated to provide the loan holder with a minimum yield equal to the CP Rate plus 1.74% during in-school periods, grace periods and deferment periods, and CP Rate plus 2.34% during repayment periods; PLUS loans and Consolidation loans will be calculated based on the CP Rate plus 2.64%.

Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2001. On December 21, 2000, former President Clinton signed into law the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2001 (P.L. No. 106-554) (the "Consolidated Appropriations Act"). In response to the Department of Treasury's announced intention to discontinue auctions of new 52-week Treasury Bills, the Consolidated Appropriations Act amended the Higher Education Act to tie the calculation of interest rates on variable rate SLS and PLUS loans for periods beginning on or after July 1, 2001 to the weekly average 1-year constant maturity Treasury yield. This revision is not expected to materially affect the yield to holders of SLS or PLUS loans.

Electronic Signatures in Global and National Commerce Act. The Electronic Signatures in Global and National Commerce Act, commonly referred to as the "E-Sign Act", became law on June 30, 2000. The E-Sign Act generally covers all transactions and related records required to be in writing. Under the E-Sign Act, FFELP guaranty agencies, lenders, schools and borrowers are authorized to use electronic records and electronic signatures in lieu of traditional paper records and handwritten signatures. This authority took effect June 30, 2001. In April, 2001, the Department issued standards for electronic signatures in electronic student loan transactions ("Standards"). In the Standards, the Department stated that a lender or holder whose processes for electronic signatures and related electronic records satisfy the Standards will be protected from the loss of Federal benefits on a Student Loan if the Student Loan is determined to be legally unenforceable by a court based solely on the processes used for the electronic signature or related records.

1999 Final Regulations

The Department of Education published its final regulations (the "1999 Final Regulations") implementing the 1998 Reauthorization Bill. The 1999 Final Regulations implement and interpret the 1998 Reauthorization Bill and by and large reflect the consensus of the federal and non-federal negotiators who participated in the negotiated rulemaking process.

The major provisions of the 1999 Final Regulations include:

- Lenders may capitalize interest on unsubsidized loans only when the loan enters repayment, at the expiration of the period of authorized deferment, at the expiration of a forbearance, and when the borrower defaults.

- Lenders may assess a lower origination fee to borrowers provided the lenders do so consistently on a state-by-state basis. Specifically, if a lender chooses to offer a lower origination fee, it must do so for each of its borrowers attending school in that state and each of its borrowers who are residents of that state.

- Periods of service by a borrower in the armed forces are excluded from the borrower's six-month grace period.

- The requirements for documentation regarding a borrower's eligibility for some types of deferments were relaxed.

- The six-month limit for applying some in-school deferments retroactively was removed.

- Lenders may grant administrative forbearances to resolve delinquencies that existed at the time a natural disaster forbearance is applied.

- Lenders are required to suspend collection activities against all parties to a loan (borrower, co-maker, endorser) if any of those parties file for a Chapter 7, 11, 12 or 13 bankruptcy.

- Due diligence requirements for collecting a delinquent loan were modified to reflect the statutory change in the definition of default from 180 days delinquent to 270 days delinquent.

- A guarantor must deposit the Secretary of Education's equitable share of borrower payments received on defaulted loans into the guarantor's federal fund within 48 hours of receipt of the payments.

There can be no assurance that relevant federal laws, including the Higher Education Act, will not be changed in a manner that may adversely affect the receipt of funds by the guarantee agencies or by the issuer or the eligible lender trustee with respect to financed FFEL program loans.

2002 Amendments. Under the 2002 Amendments, the interest rate formulas have been extended with respect to Stafford loans and PLUS loans to loans disbursed by June 30, 2006, and with respect to Consolidation loans for which an application is received by an eligible lender by June 30, 2006. Interest rates for FFELP loans pursuant to the 2002 Amendments would be: (i) a fixed rate of 6.8% with respect to Stafford loans disbursed on or after July 1, 2006; (ii) a fixed rate of 7.9% with respect to PLUS loans disbursed on or after July 1, 2006; and (iii) a rate equal to the lesser of (A) the weighted average of the interest rates on the loans consolidated, or (B) 8.25%, with respect to Consolidation loans for which an application is received by an eligible lender on or after July 1, 2006. The 2002 Amendments also provide for the extension of the formula for determining Special Allowance Payments to eligible lenders for FFELP loans disbursed by June 30, 2006, or disbursed on or after July 1, 2006 but only with respect to in-school and grace periods. See "Federal Special Allowance Payments" below.

HEROES Act of 2003. The Higher Education Relief Opportunities for Students Act of 2003 ("HEROES Act of 2003") was signed into law on August 18, 2003. The HEROES Act of 2003 authorizes the Secretary of Education, during the period initially ending September 30, 2005, but extended until September 30, 2007 by P.L. 109-78, 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 to ensure that student loan borrowers who: (i) are serving on active military duty during the national emergency; (ii) are serving on National guard duty during the national emergency; (iii) reside or are employed in an area that is declared by any federal,

state or local official to be a disaster area in connection with the national emergency; and (iv) suffered direct economic hardship as a direct result of the national emergency, as determined by the Secretary, are not placed in a worse financial position in relation to that assistance, to ensure that administrative requirements in relation to that assistance are minimized, to ensure that calculations used to determine need for such assistance accurately reflect the financial condition of such individuals, and to ensure that the calculation of the amount a student is required to return may be modified so that no overpayment will be require to be returned or repaid if the institution has documented (i) the student's status as an affected individual in the file, and (ii) the amount of any overpayment discharged. Additionally, the Secretary of Education is authorized to waive or modify certain reporting requirements and due diligence requirements, as applicable, that are rendered infeasible or unreasonable for 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 the national emergency.

HERA. The Higher Education Reconciliation Act of 2005 (Public Law 109-171), passed February 8, 2005, and P.L. 109-234 made several changes to the Higher Education Act that impact the FFELP program. The major provisions of HERA include the following:

- Effective July 1, 2007, the loan limits for the first year Stafford Loans increase from $2,635 to $3,500; for second year Stafford Loan the increase is from $3,500 to $4,500; and for unsubsidized Stafford Loans for graduate and professional students the increase is from $10,000 to $12,000.

- PLUS Loans can be made to graduate and professional students on or after July 1, 2006.

- Stafford Loans first disbursed on or after July 1, 2006 are set at a fixed rate of 6.8%. PLUS Loans first disbursed on or after July 1, 2006 are set at a fixed rate of 8.5%.

- Consolidated Loans: Spousal consolidation loans are eliminated. Reconsolidation in both FFELP and the Direct Loan Program is eliminated except for a FFELP borrower who is unable to obtain a FFELP Consolidation Loan, or is unable to obtain a FFELP Consolidation Loan with income sensitive repayment terms acceptable to the borrower.

- Decreases the maximum origination fee on Stafford Loans disbursed on or after July 1, 2006, to 2% and provides for a complete phase out of the origination fee by July 1, 2010.

- For Stafford and PLUS Loans guaranteed on or after July 1, 2006, requires the collection of a Federal Default Fee equal to 1% which is to be deposited into a guaranty agency's Federal Fund. This fee must be collected from the proceeds of the loan or by payment from other non-federal sources.

- Reduces lender insurance from 98% to 97% for loans for which the first disbursement is made on or after July 1, 2006. Also reduced the payment to lenders and servicers designated as exceptional performers to 99% for any default claim submitted on or after July 1, 2006.

- Removes the limitation on the payment of special allowances on PLUS Loans made on or after January 1, 2000.

- Makes permanent the elimination of the 9.5% floor and eliminates the exemption for recycling beginning February 8, 2006.

- Increases the amount that guaranty agencies may garnish without the borrower's consent from 10% to 15%, effective July 1, 2006.

- Reduces the number of payments required to rehabilitate a loan from consecutive payments for 12 months to 9 payments made within 20 days of the due date during 10 consecutive months.

- School-as-Lender: Limits school-as-lender eligibility to schools that would have met the requirements before HERA and made loans on or before April 1, 2006. Limits lending to Stafford Loans to graduate and professional students. Requires all proceeds beyond administrative expenses, including proceeds from loan sales, to be directed to need-based aid. Establishes additional compliance requirements.

- Establishes a new military deferment for qualifying duty, applicable to loans first disbursed beginning July 1, 2001.

- Removes the previous termination date for Teacher Loan Forgiveness benefits and authorizes loans forgiveness for certain private school teachers.

- Establishes that loans falsely certified as a result of a crime of identity theft are dischargeable.

- Makes borrowers ineligible for Title IV assistance if they committed a crime involving fraud in obtaining Title IV funds and have not fully repaid such funds.

- Limits the suspension of eligibility for students convicted of drug offenses to only those offenses that occurred while the student was receiving Title IV assistance.

- Requires the payment by lenders to the Department of Education of excess interest payable by or on behalf of the borrower when the applicable interest rate on a loan for any quarter exceeds the special allowance support level for the loan.

P.L. 109-234. P.L. 109-234 repealed the so-called "single holder rule," effective June 15, 2006, thereby allowing any eligible borrower to consolidate loans with any eligible consolidation lender in the FFELP even if the borrower's loans are held by only one FFELP lender.

Third Higher Education Extension Act of 2006. This legislation made schools that make FFELP loans through eligible lender trustees subject to most of the restrictions applicable to schools acting FFELP lenders, effective January 1, 2007.

This is only a summary of certain provisions of the Higher Education Act. Reference is made to the text of the Higher Education Act for full and complete statements of its provisions.

Loan Terms

Four types of loans are currently available under the FFEL program:

- Stafford loans;

- Unsubsidized Stafford loans;

- PLUS loans; and

- Consolidation loans.

These loan types vary as to eligibility requirements, interest rates, repayment periods, loan limits, eligibility for interest subsidies and Special Allowance Payments. Some of these loan types have had other names in the past. References herein to the various loan types include, where appropriate, predecessors to such loan types.

The primary loan under the FFEL program is the Stafford loan. Students who are not eligible for Stafford loans based on their economic circumstances may be able to obtain unsubsidized Stafford loans. Parents of students, and graduate and professional students beginning July 1, 2006, may be able to obtain PLUS loans. Consolidation loans are available to borrowers with existing loans made under the FFEL program and certain other federal programs to consolidate repayment of such existing loans. For periods of enrollment beginning prior to July 1, 1994, SLS Loans were available to students with costs of education that were not met by other sources and that exceeded the Stafford or unsubsidized Stafford loan limits.

Eligibility

General. A student is eligible for loans made under the FFEL program only if he or she:

- has been accepted for enrollment or is enrolled in good standing at an eligible institution of higher education, which includes certain vocational schools;
- is carrying or planning to carry at least one-half the normal full-time workload for the course of study the student is pursuing as determined by the institution, which, in the case of a loan to cover the cost of a period of enrollment beginning on or after July 1, 1987, must either lead to a recognized educational credential or be necessary for enrollment in a course of study that leads to such a credential; has agreed to notify promptly the holder of the loan concerning any change of address;
- is presently enrolled in good standing, and is maintaining satisfactory progress in the course of study he or she is pursuing;
- does not owe a refund on, and is not, except as specifically permitted under the Higher Education Act, in default under, any loan or grant made under the Higher Education Act;
- has filed with the eligible institution a statement of educational purpose;
- meets certain citizenship requirements; and
- except in the case of a graduate or professional student, has received a preliminary determination of eligibility or ineligibility for a Pell Grant.

Stafford Loans. Stafford loans generally are made only to student borrowers who meet certain needs tests. The educational institution must provide the lender with a statement evidencing a determination of need for a loan, and the amount of such need, calculated by subtracting from the estimated cost of attendance the sum of the expected family contribution with respect to the student plus the estimated financial assistance available to such student. The amounts of the expected family contribution, estimated available financial assistance, and estimated costs of attendance are to be computed in accordance with standards set forth in the Higher Education Act.

Unsubsidized Stafford Loans. A student borrower meeting the requirements set forth under *General* is eligible for an unsubsidized Stafford loan without regard to need. Unsubsidized Stafford loans were not available before October 1, 1992.

PLUS Loans. PLUS loans are made only to borrowers who are parents, certain legal guardians and, under certain circumstances, spouses of remarried parents of dependent undergraduate students. Graduate and professional students are also eligible to borrower PLUS Loans as of July 1, 2006. For PLUS loans made on or after July 1, 1993, the borrower must not have an adverse credit history, as determined pursuant to criteria established by the Department of Education. Prior to the Higher Education Amendments of 1986, the Higher Education Act did not distinguish between PLUS loans and SLS loans. Student borrowers were eligible for PLUS loans; however, parents of graduate and professional students were ineligible.

SLS Loans. Eligible borrowers for SLS loans were limited to:

- graduate or professional students;
- independent undergraduate students; and
- under certain circumstances, dependent undergraduate students, if such student's parents were unable to obtain a PLUS loan and were also unable to provide such student's expected family contribution.

Consolidation Loans. To be eligible for a consolidation loan a borrower must:

- have outstanding indebtedness on student loans made under the FFEL program and/or certain other federal student loan programs; and
- be in grace or repayment status or be a defaulted borrower who has made arrangements to repay the defaulted loan(s) satisfactory to the holder of the defaulted loan(s).

Effective for any Consolidation Loan made based on an application received on or after June 15, 2006, the single holder rule has been repealed. Accordingly, an eligible borrower can consolidate loans with any eligible consolidation lender in the Federal Family Education Loan Program, even if the borrower's loans are held by only one FFELP lender.

For consolidation loans disbursed prior to July 1, 1994, the borrower was required to have outstanding student loan indebtedness of at least $7,500. Prior to the adoption of the Higher Education Technical Amendments Act of 1993, PLUS loans could not be included in the consolidation loan. For consolidation loans for which the applications were received prior to January 1, 1993, the minimum student loan indebtedness was $5,000 and the borrower could not be delinquent more than 90 days in the payment of such indebtedness. For applications received on or after January 1, 1993, borrowers may add additional loans to a Federal Consolidation Loan during the 180-day period following the origination of the Federal Consolidation Loan.

Interest Rates

The Higher Education Act establishes maximum interest rates for each of the various types of loans. These rates vary not only among loan types, but also within loan types depending upon when the loan was made or when the borrower first obtained a loan under the FFEL program. The Higher Education Act allows lesser rates of interest to be charged. Many lenders, including the depositor, have offered repayment incentives or other programs that involve reduced interest rates on certain loans made under the FFEL program.

Stafford Loans. A. New Borrowers. A new borrower is one who does not have an outstanding balance on a previous loan made under the FFEL program. For a Stafford loan made before July 1, 1994, the applicable interest rate for a new borrower:

(1) is 7% per annum for a loan covering a period of instruction beginning before January 1, 1981;

(2) is 9% per annum for a loan covering a period of instruction beginning on or after January 1, 1981, but before September 13, 1983;

(3) is 8% per annum for a loan covering a period of instruction beginning on or after September 13, 1983, but before July 1, 1988;

(4) for a loan made prior to October 1, 1992, covering a period of instruction beginning on or after July 1, 1988, is 8% per annum for the period from the disbursement of the loan to the date which is four years after the loan enters repayment, and thereafter shall be adjusted annually, and for

any 12-month period commencing on a July 1 shall be equal to the bond equivalent rate of 91-day Treasury Bills auctioned at the final auction prior to the preceding June 1, plus 3.25% per annum, not to exceed 10% per annum; or

(5) for a loan made on or after October 1, 1992 shall be adjusted annually, and for any 12-month period commencing on a July 1 shall be equal to the bond equivalent rate of 91-day Treasury Bills auctioned at the final auction prior to the preceding June 1, plus 3.1 % per annum, not to exceed 9% per annum.

B. Repeat Borrowers. A repeat borrower is one who does have an outstanding balance on a previous loan made under the FFEL program. For a Stafford loan made before July 1, 1994, the applicable interest rate for a repeat borrower is:

(1) for a loan made prior to July 23, 1992, is the applicable interest rate on the previous loan or, if such previous loan is not a Stafford loan, then the applicable interest rate is 8% per annum in the case of loans covering instructional periods before July 1, 1988 and as described in clause (4) above for loans covering instructional periods on or after July 1, 1988, or

(2) for a loan made on or after July 23, 1992, shall be adjusted annually, and for any twelve month period commencing on a July 1, shall be equal to the bond equivalent rate of 91-day Treasury Bills auctioned at the final auction prior to the preceding June 1, plus 3.1 % per annum but not to exceed:

(a) 7% per annum in the case of a Stafford loan made to a borrower who has a loan described in clause A(1) above;

(b) 8% per annum in the case of

(A) a Stafford loan made to a borrower who has a loan described in clause A(3) above;

(B) a Stafford loan which has not been in repayment for four years and which was made to a borrower who has a loan described in clause A(4) above;

(C) a Stafford loan for which the first disbursement was made prior to December 20, 1993 to a borrower whose previous loans do not include a Stafford loan or an unsubsidized Stafford loan;

(c) 9% per annum in the case of:

(A) a Stafford loan made to a borrower who has a loan described in clauses A(2) or A(5) above; or

(B) a Stafford loan for which the first disbursement was made on or after December 20, 1993 to a borrower whose previous loans do not include a Stafford loan or an unsubsidized Stafford loan; and

(d) 10% per annum in the case of a Stafford loan which has been in repayment for four years or more and which was made to a borrower who has a loan described in clause A(4) above.

The interest rate on all Stafford loans made on or after July 1, 1994 but before July 1, 1995, regardless of whether the borrower is a new borrower or a repeat borrower, is the rate described in clause A (5) above, but the rate shall not exceed 8.25% per annum. For any Stafford loan made on or after July 1, 1995, but before July 1, 1998, the interest rate is further reduced prior to the time the loan enters repayment and during any grace and deferment periods. During such periods, the formula described in clause A (5) above is applied, except that 2.5% is substituted for 3.1%, and the rate shall not exceed 8.25% per annum.

For Stafford loans made on or after July 1, 1998 but before July 1, 2006, the applicable interest rate shall be adjusted annually, and for any twelve month period commencing on a July 1 shall be equal to the bond equivalent rate of 91-day Treasury Bills auctioned at the final auction prior to the proceeding June 1, plus (x) 1.7% per annum prior to the time the loan enters repayment and during any grace and deferment periods, and (y) 2.3% per annum during repayment, but not to exceed 8.25% per annum. For Stafford loans on or after July 1, 2006, the applicable interest rate shall be fixed at 6.8%.

Unsubsidized Stafford Loans. Unsubsidized Stafford loans are subject to the same interest rate provisions as Stafford loans.

PLUS Loans. The applicable interest rate on a PLUS loan:

(1) made on or after January 1, 1981, but before October 1, 1981, is 9% per annum;

(2) made on or after October 1, 1981, but before November 1, 1982, is 14% per annum;

(3) made on or after November 1, 1982, but before July 1, 1987, is 12% per annum;

(4) made on or after July 1, 1987, but before October 1, 1992, shall be adjusted annually, and for any 12-month period beginning on July 1 shall be equal to the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction prior to the preceding June 1, (or, for periods beginning on or after July 1, 2001, the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on the preceding June 26), plus 3.25% per annum, not to exceed 12% per annum;

(5) made on or after October 1, 1992, but before July 1, 1994, shall be adjusted annually, and for any 12-month period beginning on July 1 shall be equal to the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction prior to the preceding June 1, (or, for periods beginning on or after July 1, 2001, the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on the preceding June 26), plus 3.1% per annum, not to exceed 10% per annum;

(6) made on or after July 1, 1994, but before July 1, 1998, is the same as that described in clause B(5) above, except that such rate shall not exceed 9% per annum;

(7) made on or after July 1, 1998, but before July 1, 2006, shall be adjusted annually, and for any 12-month period beginning on July 1 shall be equal to the bond equivalent rate of 91-day Treasury Bills auctioned at the final auction prior to the preceding June 1, plus 3.1% per annum, not to exceed 9% per annum; or

(8) made on or after July 1, 2006, shall be fixed at 8.5% per annum.

If requested by the borrower, an eligible lender may consolidate SLS or PLUS loans of the same borrower held by the lender under a single repayment schedule. The repayment period for each included loan shall be based on the commencement of repayment of the most recent loan. The consolidated loan shall bear interest at a rate equal to the weighted average of the rates of the included loans. This consolidation shall not be treated as the making of a new loan. In addition, at the request of the borrower, a lender may refinance an existing fixed rate SLS or PLUS loan. This includes a SLS or PLUS loan held by a different lender who has refused so to refinance such loan at a variable interest rate. In such a case, proceeds of the new loan are used to discharge the original loan.

SLS Loans. The applicable interest rates on SLS loans made prior to October 1, 1992 are identical to the applicable interest rates on PLUS loans made at the same time. For SLS loans made on or after October 1, 1992, the applicable interest rate is the same as the applicable interest rate on PLUS loans, except that the ceiling is 11% per annum instead of 10% per annum.

Consolidation Loans. A consolidation loan made prior to July 1, 1994 bears interest at a rate equal to the weighted average of the interest rates on the loans being consolidated, rounded to the nearest whole percent, but not less than 9% per annum. Except as described in the next sentence, a consolidation loan made on or after July 1, 1994 bears interest at a rate equal to the weighted average of the interest rates on the loans being consolidated, rounded upward to the nearest whole percent, but with no minimum rate. Consolidation loans made on or after November 13, 1997 and before October 1, 1998 bear interest at the annual variable rate applicable to Stafford loans. Consolidation loans for which applications are received on or after October 1, 1998 bear interest at a rate equal to the weighted average rate of the loans consolidated rounded to the nearest one-eighth of 1%, but not to exceed 8.25% per annum.

In addition, the portion, if any, of a consolidation loan that repaid a loan made under Title VII, §§700-721 of the Public Health Services Act, as amended, has a different variable interest rate. This portion is adjusted on July 1 of each year, but is the sum of the average of the Treasury Bill rates auctioned for the quarter ending on the preceding June 30, plus 3.0%, without any cap on the interest rate. For a discussion of required payments that reduce the return on consolidation loans. See "Fees -- *Rebate Fee on Consolidation Loans*" below.

Loan Limits

Every type of loan, other than consolidation loans, is subject to limits as to the maximum principal amount, both with respect to a given year and in the aggregate. All of the loans are limited to the difference between the cost of attendance and the other aid available to the student. Stafford loans are also subject to limits based upon the needs analysis as described above under "Eligibility -- *Stafford Loans.*" Additional limits are described below.

Stafford and Unsubsidized Stafford Loans. Except as described in the next paragraph, Stafford and Unsubsidized Stafford loans are generally treated as one loan type for loan limit purposes. A student who has not successfully completed the first year of a program of undergraduate education may borrow up to $2,625 ($3,500 beginning July 1, 2007) in an academic year. A student who has successfully completed such first year, but who has not successfully completed the second year may borrow up to $3,500 ($4,500 beginning July 1, 2007) per academic year. An undergraduate student who has successfully completed the first and second year, but who has not successfully completed the remainder of a program of undergraduate education, may borrow up to $5,500 per academic year. For students enrolled in programs of less than an academic year in length, the limits are generally reduced in proportion to the amount by which such programs are less than one year in length.

A graduate or professional student may borrow up to $10,000 ($12,000 beginning July 1, 2007) in an academic year. The maximum aggregate amount of Stafford and unsubsidized Stafford loans (including that portion of a consolidation loan used to repay such loans) which an undergraduate student may have outstanding is $23,000. The maximum aggregate amount for a graduate and professional student, including loans for undergraduate education, is $65,500. The Secretary of Education is authorized to increase the limits applicable to graduate and professional students who are pursuing programs which the Secretary of Education determines to be exceptionally expensive.

At the time that SLS loans were eliminated, the loan limits for unsubsidized Stafford loans to independent students, or dependent students whose parents cannot borrow a PLUS loan, were increased by amounts equal to the prior SLS loan limits.

PLUS Loans. For PLUS loans made on or after July 1, 1993, the amounts of PLUS loans are limited only by the student's unmet need. Prior to that time PLUS loans were subject to limits similar to those to which SLS loans were then subject (see *"SLS Loans"* below), applied with respect to each student on behalf of whom the parent borrowed.

SLS Loans. A student who had not successfully completed the first and second year of a program of undergraduate education could borrow a SLS loan in an amount of up to $4,000. A student who had successfully completed such first and second year, but who had not successfully completed the remainder of a program of undergraduate education could borrow up to $5,000 per year. Graduate and professional students could borrow up to $10,000 per year. SLS loans were subject to an aggregate maximum of $23,000 for undergraduate students and

$73,000 for graduate and professional students. Prior to the 1992 changes, SLS loans were available in amounts of $4,000 per academic year, up to a $20,000 aggregate maximum. Prior to the 1986 changes, a graduate or professional student could borrow $5,000 of SLS loans per academic year, up to a $25,000 maximum, and an independent undergraduate student could borrow $2,500 of SLS loans per academic year minus the amount of all other FFEL program loans to such student for such academic year, up to a maximum amount of all FFEL program loans to that student of $12,500. In 1989, the amount of SLS loans for students enrolled in programs of less than an academic year in length were limited similarly to the limits of Stafford loans.

Repayment

Loans, other than consolidated loans, made under the FFEL program must provide for repayment of principal in periodic installments over a period of not less than five nor more than ten years. A consolidation loan must be repaid during a period not more than 30 years, 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. For consolidation loans for which the application was received prior to January 1, 1993, the repayment period could not exceed 25 years. The repayment period commences

(1) not more than twelve months after the borrower ceases to pursue at least a half-time course of study with respect to Stafford loans for which the applicable rate of interest is 7% per annum;

(2) not more than six months after the borrower ceases to pursue at least a half-time course of study with respect to other Stafford loans and unsubsidized Stafford loans (the six month or twelve month periods are the grace periods); and

(3) on the date of final disbursement of the loan in the case of SLS, PLUS and consolidation loans, except that the borrower of an SLS loan who also has a Stafford or unsubsidized Stafford loan may defer repayment of the SLS loan to coincide with the commencement of repayment of the Stafford or unsubsidized Stafford loan.

During periods in which repayment of principal is required, payments of principal and interest must in general be made at a rate of not less than $600 per year or the unpaid balance of all loans, including interest, whichever is less, except that a borrower and lender may agree at any time before or during the repayment period, that repayment may be at a lesser rate. A borrower may agree, with concurrence of the lender, to repay the loan in less than five years with the right subsequently to extend his minimum repayment period to five years. Borrowers may accelerate, without penalty, the repayment of all or any part of the loan.

FFELP lenders are required to offer borrowers the option of repaying in accordance with standard graduated or income-sensitive repayment schedules. Use of income-sensitive repayment schedules may extend the ten-year maximum term for up to five years. In addition, if the repayment schedule on a loan that has been converted to a variable interest rate does not provide for adjustments to the amount of the monthly installment payments, the ten-year maximum term may be extended for up to three years.

The Higher Education Act provides that no principal payments need be made during certain deferment periods prescribed by the Higher Education Act. The Act currently provides for deferments:

(1) during any period that the borrower is pursuing at least a half-time course of study at an eligible institution or a course of study pursuant to a graduate fellowship program or rehabilitation training program approved by the Secretary,

(2) during a period not exceeding two years while the borrower is seeking and unable to find full-time employment, and

(3) during a period not in excess of three years for any reason which the lender determines, in accordance with regulations under the Higher Education Act, has caused or will cause the borrower economic hardship.

Pursuant to such provisions, the Secretary of Education has promulgated regulations that further clarify permitted deferments. Deferment is authorized for any borrower under the FFEL program during any period when the borrower is:

(1) Engaged in full-time study at a school, or at a school that is operated by the Federal Government (e.g., the service academies), unless the borrower is not a national of the United States and is pursuing a course of study at a school not located in a State;

(2) Engaged in a course of study under an eligible graduate fellowship program;

(3) Engaged in a rehabilitation training program for disabled individuals;

(4) Temporarily totally disabled, or unable to secure employment because the borrower is caring for a spouse or other dependent who is disabled and requires continuous nursing or similar services for up to three years; or

(5) Conscientiously seeking, but unable to find, full-time employment in the United States, for up to two years.

For a borrower of a Stafford or SLS loan, and for a parent borrower of a PLUS loan made before August 15, 1983, deferment is authorized during any period when the borrower is:

(1) On active duty status in the United States Armed Forces, or an officer in the Commissioned Corps of the United States Public Health Service, for up to three years (including any period during which the borrower received a deferment for being on active duty status in the National Oceanic and Atmospheric Administration Corps);

(2) A full-time volunteer under the Peace Corps Act, for up to three years;

(3) A full-time volunteer under title I of the Domestic Volunteer Service Act of 1973 (ACTION programs), for up to three years;

(4) A full-time volunteer for a tax-exempt organization, for up to three years; or

(5) Engaged in an internship or residency program, for up to two years.

For a borrower of a Stafford or SLS loan who has been enrolled on at least a half-time basis at an institution of higher education during the six months preceding the beginning of this deferment, deferment is authorized during a period of up to six months during which the borrower is:

(1) Pregnant;

(2) Caring for his or her newborn child; or

(3) Caring for a child immediately following the placement of the child with the borrower before or immediately following adoption; and

(4) Not attending a school or gainfully employed.

For a borrower that has no outstanding balance on a Stafford, PLUS, SLS, or consolidation loan made or made to repay a loan made prior to July 1, 1987 for a period of enrollment beginning prior to July 1, 1987, deferment is authorized:

(1) during periods when the borrower is engaged in at least half-time study at a school, unless the borrower is not a national of the United States and is pursuing a course of study at a school not located in a State; or

(2) for a borrower of a Stafford or SLS loan, during any period when the borrower is:

(a) On active duty status in the National Oceanic and Atmospheric Administration Corps, for up to three years (including any period during which the borrower received a deferment for being on active duty status in the United States Armed Forces or an officer in the Commissioned Corps of the United States Public Health Service);

(b) Up to three years of service as a full-time teacher in a public or non-profit private elementary or secondary school in a teacher shortage area designated by the Secretary of Education.

(c) Engaged in an internship or residency program, for up to two years (including any period during which the borrower received a deferment for an internship or residency program); or

(d) A mother who has preschool-age children (i.e., children who have not enrolled in first grade) and who is earning not more than $1 per hour above the Federal minimum wage, for up to 12 months of employment, and who began that full-time employment within one year of entering or re-entering the work force. Full-time employment involves at least 30 hours of work per week and is expected to last at least 3 months.

(e)

Effective July 1, 2006, a new military deferment exists for borrowers who are serving on active duty in the U.S. Armed Forces, or who are performing qualifying National Guard duty, during a war or other military operation or national emergency. This deferment is for loans for which the first disbursement was made on or after July 1, 2001.

For a parent borrower of a PLUS loan, deferment is authorized during any period when a student on whose behalf the parent borrower received the loan:

(1) Is not independent as defined by the Act; and

(2) Meets the conditions and provides the required documentation for any authorized deferments.

The Higher Education Act also provides for forbearance periods during which the borrower, in case of temporary financial hardship, may defer any payments. A borrower is entitled to forbearance for a period not to exceed three years while the borrower's debt burden under Title IV of the Higher Education Act, which includes the FFEL program, equals or exceeds 20% of the borrower's gross income, and also is entitled to forbearance while he or she is serving in a qualifying medical or dental internship program or in a "national service position" under the National and Community Service Trust Act of 1993.

In addition, mandatory administrative forbearances are provided when exceptional circumstances such as a local or national emergency or military mobilization exist; or when the geographical area in which the borrower or endorser resides has been designated a disaster area by the President of the United States or Mexico, the Prime Minister of Canada, or by the governor of a state. In other circumstances, forbearance is at the lender's option. Such forbearance also extends the ten year maximum term.

As described under the headings "Contracts with Guarantee Agencies" and "Federal Interest Subsidy Payments" below, the Secretary of Education makes interest payments on behalf of the borrower of certain eligible loans while the borrower is in school and during grace and deferment periods. Interest that accrues during forbearance periods and, if the loan is not eligible for interest subsidy payments, while the borrower is in school and during the grace and deferment periods, may be paid monthly or quarterly or capitalized (added to the principal balance) not more frequently than quarterly.

Disbursement

All loans, except consolidation loans, made under the FFEL program generally must be disbursed in two or more installments, none of which may exceed 50% of the total principal amount of the loan.

Fees

Guarantee Fee; Federal Default Fee. Prior to July 1, 2006, a guarantee agency was authorized to charge an insurance premium, or guarantee fee, of up to 1% of the principal amount of the loan, which may be deducted proportionately from each installment payment of the proceeds of the loan to the borrower. Guarantee fees may not currently be charged to borrowers of consolidation loans. However, lenders may be charged an administrative fee to cover the costs of increased or extended liability with respect to consolidation loans. For loans made prior to July 1, 1994, the maximum guarantee fee was 3% of the principal amount of the loan, but no such guarantee fee was authorized to be charged with respect to unsubsidized Stafford loans. Effective for loans for which the date of guarantee of principal is on or after July 1, 2006, the optional 1% guarantee fee is eliminated and replaced with a mandatory 1% Federal Default Fee. This Federal Default Fee must be deducted and collected from the proceeds of the loan or be paid from other non-federal sources.

Origination Fee. Prior to July 1, 2006, an eligible lender was authorized to charge the borrower of a Stafford or unsubsidized Stafford loan an origination fee in an amount not to exceed 3% of the principal amount of the loan, and is required to charge the borrower of a PLUS loan an origination fee in the amount of 3% of the principal amount of the loan. Beginning with loans for which the first disbursement of principal is made on or after July 1, 2006, and before July 1, 2007, the maximum origination fee that can be charged for Stafford loans is reduced to 2%. The maximum fee for Stafford loans drops to 1.5% on July 1, 2007, 1.0% on July 1, 2008, and 0.5% on July 1, 2009. The origination fee for Stafford loans will be eliminated as of July 1, 2010. These fees must be deducted proportionately from each installment payment of the loan proceeds prior to payment to the borrower and are not retained by the lender, but must be passed on to the Secretary of Education. The mandatory 3% origination fee for PLUS Loans remains unchanged.

Lender Origination Fee. The lender of any loan under the FFEL program made on or after October 1, 1993 is required to pay to the Secretary of Education an origination fee equal to 0.5% of the initial principal amount of such loan.

Rebate Fee on Consolidation Loans. The holder of any consolidation loan is required to pay to the Secretary of Education a monthly fee at an annualized rate of 1.05% (.62% for applications received between October 1, 1998 and January 31, 1999) of the principal amount of, and accrued interest on, such consolidation loan.

Loan Guarantees

Under the FFEL program, guarantee agencies are required to guarantee the payment of not less than 100% of the unpaid principal amount of loans made prior to October 1, 1993 and covered by their respective guarantee programs. For a description of the requirements for loans to be covered by such guarantees, see "Contracts with Guarantee Agencies." For loans made on or after October 1, 1993, the minimum percentage of the unpaid principal amount of loans which a guarantee agency must pay is 98% and the Department of Education has taken the position that a guarantee agency may not pay more than 98% of the unpaid principal amount of and accrued interest on such a loan. However, guarantee agencies must pay 100% of the unpaid principal amount of the loans subject to certain lender of last resort programs. For loans for which the first disbursement is made on or after July 1, 2006, the minimum percentage of the unpaid principal amount of loans which a guarantee agency must pay has been reduced to 97%. Under certain circumstances, guarantees may be assumed by the Secretary of Education or another guarantee agency. See "Contracts with Guarantee Agencies" immediately below.

Contracts with Guarantee Agencies

Under the FFEL program, the Secretary of Education is authorized to enter into guaranty and interest subsidy agreements with guarantee agencies. The FFEL program provides for reimbursements to guarantee agencies for default claims paid by guarantee agencies, support payments to guarantee agencies for administrative

and other expenses, advances for a guarantee agency's reserve funds, and interest subsidy payments and Special Allowance Payments to the holders of qualifying student loans made pursuant to the FFEL program.

The Secretary of Education has certain oversight powers over guarantee agencies. Guarantee agencies are required to maintain their reserves at certain levels based on the amount of outstanding loans that they have guaranteed. If a guarantee agency falls below the required level in two consecutive years, or its claims rate exceeds 5% in any year, or if the Secretary of Education determines that the agency's administrative or financial condition jeopardizes its ability to meet its obligations, the Secretary of Education can require the guarantee agency to submit and implement a plan by which it will correct such problem(s). If a guarantee agency fails to timely submit an acceptable plan or fails to improve its condition, or if the Secretary of Education determines that the guarantee agency is in danger of financial collapse, the Secretary of Education may terminate the guarantee agency's reimbursement contract. The circumstances under which the Secretary of Education may terminate such reimbursement contracts also includes a determination that such action is necessary to protect the federal fiscal interest or to ensure continued availability of student loans. See "Direct Loans."

The Secretary of Education is authorized to assume the guarantee obligations of a guarantee agency. The Higher Education Act provides that, if the Secretary of Education terminates a guarantee agency's agreements under the FFEL program, the Secretary of Education shall assume responsibility for all functions of the guarantee agency under its program. To that end, the Secretary of Education is authorized to, among other options, transfer the guarantees to another guarantee agency or assume the guarantees. It also provides that in the event the Secretary of Education has determined that a guarantee agency is unable to meet its guarantee obligations, holders of loans guaranteed by such guarantee agency may submit claims directly to the Secretary of Education for payment, unless the Secretary of Education has provided for the assumption of such guarantees by another guarantee agency.

Federal Reimbursement

A guarantee agency's right to receive federal reimbursements for various guarantee claims paid by such guarantee agency is governed by the Higher Education Act and various contracts entered into between guarantee agencies and the Secretary of Education. See "Contracts with Guarantee Agencies" immediately above. Under the Higher Education Act and the federal reimbursement contracts, the Secretary of Education currently agrees to reimburse a guarantee agency for a certain percentage of the amounts expended by the guarantee agency in the discharge of its guarantee obligation (i.e., the unpaid principal balance of and accrued interest on loans guaranteed by the guarantee agency as a result of the default of the borrower).

With respect to loans made prior to October 1, 1993 or made pursuant to lender of last resort programs, the Secretary of Education currently agrees to reimburse the guarantee agency for up to 100% of the amounts so expended. For loans made on or after October 1, 1993, the Secretary of Education currently agrees to reimburse the guarantee agency for a maximum of 98% of the amount expended with respect to guaranteed loans. The 1998 Reauthorization Bill further reduced the maximum reinsurance rate to guarantee agencies from 98% to 95% for loans made on or after October 1, 1998. Depending on the claims rate experience of a guarantee agency, such 100%, 98% or 95% reimbursement may be reduced as discussed in the formula described below.

The Secretary of Education also agrees to repay 100% of the unpaid principal plus applicable accrued interest expended by a guarantee agency in discharging its guarantee obligation as a result of the bankruptcy, death, or total and permanent disability of a borrower, and in the case of a PLUS loan, the death of the student on behalf of whom the loan was borrowed. In the instance of school closures, reimbursements are not to be included in the calculations of the guarantee agency's claims rate experience for the purpose of federal reimbursement under the federal reimbursement contracts.

The formula for computing the percentage of federal reimbursement under the federal reimbursement contracts is not accumulated over a period of years, but is measured by the amount of federal reimbursement payments in any one federal fiscal year as a percentage of the original principal amount of loans under the FFEL program guaranteed by the guarantee agency and in repayment at the end of the preceding fiscal year. Under the formula, federal reimbursement payments to a guarantee agency in any one fiscal year not exceeding 5% of the original principal amount of loans in repayment at the end of the preceding fiscal year, are to be paid by

the Secretary of Education at 100%. The amount of payment is 98% for loans made on or after October 1, 1993 and 95% for loans made on or after October 1, 1998.

Beginning at any time during any fiscal year that federal reimbursement payments exceed 5%, and until such time as they may exceed 9%, of the original principal amount of loans in repayment at the end of the preceding fiscal year, then reimbursement payments on claims submitted during that period are to be paid at 90% for loans made prior to October 1, 1993, 88% for loans made on or after October 1, 1993, or 85% for loans made on or after October 1, 1998. Beginning at any time during any fiscal year that federal reimbursement payments exceed 9% of the original principal amount of loans in repayment at the end of the preceding fiscal year, then such payments for the balance of that fiscal year will be paid at 80% for loans made prior to October 1, 1993. This amount is 78% for loans made on or after October 1, 1993 and 75% for loans made on or after October 1, 1998. The original principal amount of loans in repayment for purposes of computing reimbursement payments to a guarantee agency means the original principal amount of all loans guaranteed by such guarantee agency less principal amount of all loans for which:

(1) The loan guarantee was canceled;

(2) The loan guarantee was transferred to another agency;

(3) The borrower has not yet reached the repayment period;

(4) Payment in full has been made by the borrower;

(5) The borrower was in deferment status at the time repayment was scheduled to begin and remains in deferment status;

(6) Reinsurance coverage has been lost and cannot be regained; or

(7) The agency paid claims, excluding the amount of those claims --

(a) Paid under circumstances where the borrower or student fails to establish eligibility;
(b) Paid under a policy established by the agency dealing with situations where the lender learns that while the student was enrolled at the school the school terminated its teaching activities for that student during the academic period covered by the loan; or
(c) Paid at the direction of the Secretary.

Under present practice, after the Secretary of Education reimburses a guarantee agency for a default claim paid on a guaranteed loan, the guarantee agency continues to seek repayment from the borrower. The guarantee agency returns to the Secretary of Education payments that it receives from a borrower after deducting and retaining:

(1) a percentage amount equal to the complement of the reimbursement percentage in effect at the time the loan was reimbursed; and

(2) an amount equal to 24% (23% beginning October 1, 2003) or 18-1/2% in the case of a payment from the proceeds of a consolidation loan of such payments for certain administrative costs.

The Secretary of Education may, however, require the assignment to the Secretary of Education of defaulted guaranteed loans, in which event no further collections activity need be undertaken by the guarantee agency, and no amount of any recoveries shall be paid to the guarantee agency. Prior to the 1998 changes, the percentage of collections which guarantee agencies could retain was 27%.

A guarantee agency may enter into an addendum to its interest subsidy agreement, which addendum provides for the guarantee agency to refer to the Secretary of Education certain defaulted guaranteed

loans. Such loans are then reported to the IRS to offset any tax refunds which may be due any defaulted borrower. To the extent that the guarantee agency has originally received less than 100% reimbursement from the Secretary of Education with respect to such a referred loan, the guarantee agency will not recover any amounts subsequently collected by the federal government which are attributable to that portion of the defaulted loan for which the guarantee agency has not been reimbursed.

Rehabilitation of Defaulted Loans

Under the Higher Education Act, each guarantee agency is required to enter into an agreement with the Secretary of Education pursuant to which the guarantee agency shall sell defaulted loans that are eligible for rehabilitation to an eligible lender. The guarantee agency shall repay the Secretary of Education an amount equal to 81.5% of the then current principal balance of such loan, multiplied by the reimbursement percentage in effect at the time the loan was reimbursed. The amount of such repayment shall be 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.

For a loan to be eligible for rehabilitation, the guarantee agency must have received consecutive payments for 12 months of amounts owed on such loan. Effective July 1, 2006, a borrower is only required to make 9 payments within 20 days of the due date during a period of 10 consecutive months in order to be eligible for rehabilitation. Upon rehabilitation, a loan is eligible for all the benefits under the Higher Education Act for which it would have been eligible had no default occurred.

Eligibility for Federal Reimbursement

To be eligible for federal reimbursement payments, guaranteed loans must be made by an eligible lender under the applicable guarantee agency's guarantee program, which must meet requirements prescribed by the rules and regulations promulgated under the Higher Education Act. These rules and regulations include borrower eligibility, loan amount, disbursement, interest rate, repayment period and guarantee fee provisions described herein and the other requirements set forth in Section 428(b) of the Higher Education Act.

Under the Higher Education Act, a guaranteed loan must be delinquent for 180 days (or 270 days for loans on which the first day of delinquency occurs on or after October 7, 1998) if it is repayable in monthly installments or 330 days if it is payable in less frequent installments before a lender may obtain payment on a guarantee from the guarantee agency. The guarantee agency must pay the lender for the defaulted loan prior to submitting a claim to the Secretary of Education for reimbursement. The guarantee agency must submit a reimbursement claim to the Secretary of Education within 45 days after it has paid the lender's default claim.

As a prerequisite to entitlement to payment on the guarantee by the guarantee agency, and in turn payment of reimbursement by the Secretary of Education, the lender must have exercised reasonable care and diligence in making, servicing and collecting the guaranteed loan. Generally, these procedures require that completed loan applications be processed, a determination of whether an applicant is an eligible borrower attending an eligible institution under the Higher Education Act be made, the borrower's responsibilities under the loan be explained to him or her, the promissory note evidencing the loan be executed by the borrower and the loan proceeds be disbursed by the lender in a specified manner. After the loan is made, the lender must establish repayment terms with the borrower, properly administer deferments and forbearances and credit the borrower for payments made. If a borrower becomes delinquent in repaying a loan, a lender must perform certain collection procedures that vary depending upon the length of time a loan is delinquent.

Federal Interest Subsidy Payments

Interest subsidy payments are interest payments paid with respect to an eligible Stafford loan during the period prior to the time that the loan enters repayment and during grace and deferment periods. The Secretary of Education and the guarantee agencies entered into the interest subsidy agreements as described in "Contracts with Guarantee Agencies" above, whereby the Secretary of Education agrees to pay interest subsidy payments to the holders of eligible guaranteed loans for the benefit of students meeting certain requirements, subject to the holders' compliance with all requirements of the Higher Education Act.

Consolidation loans made after August 10, 1993 are eligible for interest subsidy payments only if all loans consolidated thereby are Stafford loans. However, consolidation loans for which the application is received by an eligible lender on or after November 13, 1997 are eligible for interest subsidy payments on that portion of the consolidation loan that repays Stafford loans or similar subsidized loans made under the direct loan program. In addition, to be eligible for interest subsidy payments, guaranteed loans must be made by an eligible lender under the applicable guarantee agency's guarantee program, and must meet requirements prescribed by the rules and regulations promulgated under the Higher Education Act, including the borrower eligibility, loan amount, disbursement, interest rate, repayment period and guarantee fee provisions described herein and the other requirements set forth in Section 428(b) of the Higher Education Act.

The Secretary of Education makes interest subsidy payments quarterly on behalf of the borrower to the holder of a guaranteed loan in a total amount equal to the interest which accrues on the unpaid principal amount prior to the commencement of the repayment period of the loan or during any deferment period. A borrower may elect to forego interest subsidy payments, in which case the borrower is required to make interest payments.

Federal Administrative Expense Allowances

Prior to the adoption of the 1993 Amendments, each guarantee agency was entitled to receive from the Secretary of Education an administrative cost allowance equal to 1% of the total principal amount of the loans other than consolidation loans guaranteed by the guarantee agency in any fiscal year, for the purposes of administrative costs of pre-claims assistance for default prevention and collection of defaulted guaranteed loans, administrative costs of promoting commercial lender participation, administrative costs of monitoring the enrollment and repayment status of students, and for other such costs related to the guarantee agency's guarantee program. The 1993 Amendments repealed such entitlement, effective October 1, 1993. The 1993 Amendments, however, authorized payments for transition support to guarantee agencies, in connection with the transition to direct lending. See "Direct Loans" below.

Budget legislation adopted since that time has provided for the payment to guarantee agencies of an administrative cost allowance equal to 0.85% of the agency's annual new guarantee volume, which has been extended through the fiscal year ending September 30, 2002. After the fiscal year ending September 30, 1997, such amounts were subject to decreasing aggregate limits.

Under the 1998 Reauthorization Bill, the administrative cost allowance was replaced by two new payments:

(1) a student loan processing fee equal to 65 basis points (40 basis points for loans made on or after October 1, 2003) paid at the time a loan is guaranteed, and

(2) an account maintenance fee of 12 basis points (10 basis points for fiscal years 2001-2003) paid annually on outstanding guaranteed student loans.

Federal Advances

Pursuant to agreements entered into between the guarantee agencies and the Secretary of Education under Sections 422 and 422(c) of the Higher Education Act, the Secretary of Education was authorized to advance moneys from time to time to the guarantee agencies for the purpose of establishing and strengthening the guarantee agencies' reserves. Section 422(c) currently authorizes the Secretary of Education to make advances to

guarantee agencies in various circumstances, on terms and conditions satisfactory to the Secretary of Education, including if the Secretary of Education is seeking to terminate the guarantee agency's reimbursement contract or assume the guarantee agency's functions, to assist the guarantee agency in meeting its immediate cash needs or to ensure the uninterrupted payment of claims.

Federal Special Allowance Payments; Excess Interest Payments

The Higher Education Act provides for special allowance payments to be made by the Secretary of Education to eligible holders of qualifying loans. The rates for special allowance payments are based on formulas that differ according to the type of loan, the date the loan was originally made or insured and the type of funds used to finance the loan (taxable or tax-exempt).

Subsidized Federal Stafford Loans and Unsubsidized Federal Stafford Loans. The effective formulas for special allowance payment rates for Subsidized Federal Stafford Loans and Unsubsidized Federal Stafford Loans are summarized in the following chart. The T-Bill Rate mentioned in the chart refers to the average of the bond equivalent yield of the 91-day Treasury bills auctioned during the preceding quarter.

Date of Loans	Annualized SAP Rate
On or after October 1, 1981	T-Bill Rate less Applicable Interest Rate + 3.5%[1]
On or after November 16, 1986	T-Bill Rate less Applicable Interest Rate + 3.25%
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after July 1, 1995	T-Bill Rate less Applicable Interest Rate + 3.1%[2]
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 2.8%[3]
On or after January 1, 2000	3-Month Commercial Paper Rate less Applicable Interest Rate + 2.34%[4]

(1) Substitute 3.25% in this formula for Subsidized Federal Stafford Loans disbursed on or after October 17, 1986 for periods of enrollment beginning on or after November 16, 1986.

(2) Substitute 2.5% in this formula while such loans are in the in-school, deferral, or grace period.

(3) Substitute 2.2% in this formula while such loans are in-school, during the grace period, and during any deferment periods. Substitute 3.1% for Federal PLUS Loans and Federal Consolidation Loans

(4) Substitute 1.74% in this formula while such loans are in-school, during the grace period, and during any deferment periods. Substitute 2.64% for Federal PLUS Loans and Federal Consolidation Loans.

The effective formulas for special allowance payment rates for Subsidized Federal Stafford Loans and Unsubsidized Federal Stafford Loans differ depending on whether loans to borrowers were acquired or originated with the proceeds of tax-exempt obligations. There are minimum special allowance payment rates for Subsidized Federal Stafford Loans and Unsubsidized Federal Stafford Loans acquired with proceeds of tax-exempt obligations, which rates effectively ensure an overall minimum return of 9.5% on such loans. However, loans acquired with the proceeds of tax-exempt obligations originally issued after September 30, 1993 are treated the same as other loans for special allowance payment purposes. In addition, P.L. 108-409, enacted on October 30, 2004, and P.L. 109-171 made further changes in this area. Under those amendments, loans that: (1) were financed through tax-exempt obligations that are refunded, mature, or are retired or defeased after September 30, 2004 and before January 1, 2006; (2) are refinanced after September 30, 2004 and before January 1, 2006 with funds from another source; or (3) sold or transferred to any other holder after September 30, 2004 and before January 1, 2006, are treated the same as other loans for special allowance payment purposes.

Federal PLUS, Federal SLS Loans and Consolidation Loans. Special allowance payments are made with respect to Consolidation Loans for which the application is received on or after October 1, 1998 and prior to January 1, 2000 only if the T-Bill Rate plus 3.1% exceeds the applicable interest rate on the loan. Special allowance payments are made with respect to Consolidation Loans for which the application is received on or after January 1, 2000 only if the 3 Month financial Commercial Paper Rate plus 2.64% exceeds the applicable interest rate on the loan. The portion, if any, of a Federal Consolidation Loan that repaid a loan made under Title VII, Sections 700-721 of the Public Health Services Act, as amended, is ineligible for special allowance payments. Special allowance payments are paid with respect to Federal SLS Loans and Federal PLUS Loans made on or after July 1, 1987 and prior to October 1, 1992 only if the interest rate that would otherwise apply (notwithstanding any applicable interest rate caps) exceeds 12% per annum. Special allowance payments are paid with respect to Federal SLS Loans made on or after October 1, 1992 but prior to July 1, 1994, only if the interest rate that would otherwise apply (notwithstanding any applicable interest rate caps) exceeds 11 % per annum. Special allowance payments are paid with respect to Federal PLUS Loans made on or after October 1, 1992 only if the interest rate that would otherwise apply (notwithstanding any applicable interest rate caps) exceeds 10% per annum. Special allowance payments are made with respect to Federal PLUS Loans made on or after July 1, 1998 and prior to July 1, 2006 only if the interest rate that would otherwise apply (notwithstanding any applicable interest rate cap) exceeds 9% per annum. Special allowance payments are available on Federal PLUS Loans made on or after October 1, 1998 and before January 1, 2000 only if the applicable interest rate of the loan exceeds 9.0%. Effective April 1, 2006, lenders will be paid special allowance on Federal PLUS Loans first disbursed on or after January 1, 2000, beginning with payments made after July 1, 2006, without regard to any minimum interest rate.

The Higher Education Act provides that if Special Allowance Payments or interest subsidy payments have not been made within 30 days after the Secretary of Education receives an accurate, timely and complete request therefor, the special allowance payable to such holder shall be increased by an amount equal to the daily interest accruing on the special allowance and interest subsidy payments due the holder.

Special allowance payments and interest subsidy payments are reduced by the amount which the lender is authorized or required to charge the borrower as an origination fee, as described above under "Fees --- *Origination Fee.*" In addition, the amount of the lender origination fee described above under "Fees --- *Lender Origination Fee*" is collected by offset to Special Allowance Payments and interest subsidy payments.

Excess Interest. With respect to any PLUS Loan, Consolidation Loan, or Stafford Loan first disbursed on or after April 1, 2006, lenders are required to pay to the Department of Education excess interest payable by or on behalf of the borrower equal to the amount by which the applicable interest rate on such loan for any quarter exceeds the special allowance support level for such loan. The special allowance support level is the number, expressed as a percentage, equal to the sum of the average of the bond equivalent rates of the three-month CP rate in effect for each of the days in such quarter, plus (i) 2.64% for PLUS and Consolidation Loans, or (ii) 2.34% for a Federal Stafford Loan in repayment (or 1.74% for a Federal Stafford Loan during in-school, grace and deferment periods). However, the requirement to pay excess interest does not apply with respect to any special allowance payment made before April 1, 2006.

Education Loans Generally Not Subject to Discharge in Bankruptcy

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

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

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

Direct Loans

The 1993 Amendments authorized a program of direct loans, to be originated by schools with funds provided by the Secretary of Education. Under the Federal Direct Student Loan Program, the Secretary of Education is directed to enter into agreements with schools, or origination agents in lieu of schools, to disburse loans with funds provided by the Secretary of Education. Participation in the program by schools is voluntary. The goals set forth in the 1993 Amendments call for the Federal Direct Student Loan Program to constitute 5% of the total volume of loans made under the FFEL program and the Federal Direct Student Loan Program for academic year 1994-1995, 40% for academic year 1995-1996, 50% for academic years 1996-1997 and 1997-1998 and 60% for academic year 1998-1999. No provision is made for the size of the Federal Direct Student Loan Program thereafter. Based upon available information, participation by schools in the Federal Direct Student Loan Program has not been sufficient to meet the goals for the 1995-1996, 1996-1997, 1997-1998 or 1998-1999 academic years.

The loan terms are generally the same under the Federal Direct Student Loan Program as under the FFEL program, though more flexible repayment provisions are available under the Federal Direct Student Loan Program. At the discretion of the Secretary of Education, students attending schools that participate in the Federal Direct Student Loan Program, or their parents, may still be eligible for participation in the FFEL program, though no borrower could obtain loans under both programs.

It is difficult to predict the impact of the Federal Direct Student Loan Program. There is no way to accurately predict the number of schools that will participate in future years, or, if the Secretary of Education authorizes students attending participating schools to continue to be eligible for FFEL program loans, how many students will seek loans under the Federal Direct Student Loan Program instead of the FFEL program. In addition, it is impossible to predict whether future legislation will eliminate, limit or expand the Federal Direct Student Loan Program or the FFEL program.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1
(Auction Rate Securities)

AUCTION PROCEDURES -- AUCTION RATE TAX-EXEMPT BONDS

All of the provisions of this Appendix D relate only to the Series of Offered Obligations offered hereby and Additional Tax-Exempt Bonds and only while such Series constitute Tax-Exempt Bonds and bear interest as SIFMA Auction Rate Securities ("Tax-Exempt SIFMA ARS"). These Auction Procedures apply separately to each such Series of the Tax-Exempt SIFMA ARS.

General Definitions

In addition to the words and terms otherwise defined in this Official Statement, including Appendix B hereto, the following words and terms as used in this Appendix (hereinafter "this Appendix") and Appendix E have the following meanings with respect to all Series of Tax-Exempt SIFMA ARS, including the Offered Obligations, while they are in an ARS Rate Period unless the context or use indicates another or different meaning or intent.

"'Aa' Composite Commercial Paper Rate" shall mean, as of any date of determination, (A) the interest equivalent of the 30-day rate on commercial paper placed on behalf of issuers whose corporate obligations are rated "Aa" by Moody's or "AA" by Fitch, or the equivalent of such ratings by S&P, as such 30-day rate is made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or (B) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of the interest equivalent of the 30-day rate on commercial paper placed on behalf of such issuers, as quoted to the Auction Agent on a discount basis or otherwise, by the Commercial Paper Dealers, as of the close of business on the Business Day immediately preceding such date of determination. If at any time that quotations are required any Commercial Paper Dealer does not quote a commercial paper rate required to determine the "Aa" Composite Commercial Paper Rate, or if less than three Commercial Paper Dealers are then serving as such for any reason, the "Aa" Composite Commercial Paper Rate shall be determined on the basis of such quotation or quotations as shall be furnished by the Commercial Paper Dealer or Commercial Paper Dealers then serving as such and providing a quotation. For purposes of this definition, the "interest equivalent" of a rate stated on a discount basis (a "discount rate") for commercial paper of a given day's maturity shall be equal to the product of (a) 100 times (b) the quotient (rounded upward to the next higher one thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (i) 1.00 and (ii) a fraction, the numerator of which shall be the product of the discount rate (expressed in decimals) times the number of days from (and including) the date of determination to (but excluding) the date on which such commercial paper matures and the denominator of which shall be 360.

"After-Tax Equivalent Rate" shall mean, on any date of determination, the interest rate per annum equal to the product of (i) the "Aa" Composite Commercial Paper Rate on such date and (ii) 1.00 minus the Statutory Corporate Tax Rate on such date.

"Agent Member" shall mean a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" shall mean, as of any Auction Date, for any Tax-Exempt SIFMA ARS, 85% (as such percentage may be adjusted pursuant to the Indenture) of the lesser of: (a) the After-Tax Equivalent Rate on such date and (b) the Index on such date; provided, that with respect to all Tax-Exempt SIFMA ARS, the All Hold Rate shall in no event exceed the Maximum Rate.

"Applicable Percentage" shall mean, as of any date of determination, the percentage determined (as such percentage may be adjusted pursuant to the Indenture) based on the ratings of the Tax-Exempt SIFMA ARS in effect at the close of business on the Business Day immediately preceding such date, as set forth below:

	Credit Ratings	
General Rating Category	Moody's/Fitch	Applicable Percentage
Highest	"Aaa"/ "AAA"	175%
Second Highest	"Aa"/ "AA"	175%
Third Highest	"A"/ "A"	175%
Fourth Highest	"Baa/ "BBB"	200%
Below Fourth Highest	Below "Baa"/ "BBB"	265%

provided, that if the Tax-Exempt SIFMA ARS are not then rated by any Rating Agency, the Applicable Percentage shall be 265%; and provided further that if the respective ratings of Moody's and Fitch are not in the same category, the rating in the highest category shall be used to determine such percentage. For purposes of this definition, Moody's rating categories of "Aaa," "Aa," "A," and "Baa" and Fitch's rating categories of "AAA," "AA," "A," and "BBB" refer to and include the respective rating categories correlative thereto (as determined by the Trustee) if Moody's or Fitch has changed or modified its respective generic rating categories or if Moody's or Fitch does not rate or no longer rates auction rate securities or if Moody's or Fitch has been replaced. All ratings referred to in the Indenture shall be without regard to the gradations within each rating category.

"ARS Conversion Date" shall mean with respect to Tax-Exempt SIFMA ARS, the date on which the Tax-Exempt SIFMA ARS of such Series convert from an interest rate period other than an ARS Rate Period and begin to bear interest at the Auction Period Rate.

"ARS Rate Period" shall mean, for each Series of Tax-Exempt SIFMA ARS, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Tax-Exempt SIFMA ARS.

"Auction" shall mean each periodic implementation of the Auction Procedures.

"Auction Agent" shall mean the Person appointed as Auction Agent in accordance with the Auction Agent Agreement. The Auction Agent shall initially be Deutsche Bank Trust Company Americas.

"Auction Agent Agreement" shall mean the Auction Agent Agreement, dated as of June 1, 2007, between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures set forth for Tax-Exempt SIFMA ARS in the Indenture, which procedures are summarized in this Appendix D, while such Tax-Exempt SIFMA ARS bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented and any similar agreement with a substitute Auction Agent.

"Auction Date" (i) with respect to the Offered Obligations, shall include as part of the definition the first Auction Date which shall be August 7, 2007 for the Series 2007-A-1 Bonds, July 26, 2007 for the Series 2007-A-2 Bonds and August 7, 2007 for the Series 2007-B-1 Bonds and (ii) with respect to any Series of Tax-Exempt SIFMA ARS:

(a) *Daily Auction Period.* If the Tax-Exempt SIFMA ARS are in a Daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) *Flexible Auction Period.* If the Tax-Exempt SIFMA ARS are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) *Other Auction Periods.* If the Tax-Exempt SIFMA ARS are in any other Auction Period, the last Business Day in such Auction Period (whether or not an Auction shall be conducted on such date);

provided, however, that if the Tax-Exempt SIFMA ARS are in a Daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Tax-Exempt SIFMA ARS and (y) the Business Day next preceding the final maturity date for the Tax-Exempt SIFMA ARS. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

"Auction Desk" shall mean the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Tax-Exempt SIFMA ARS, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

"Auction Period" shall mean with respect to each Series of Tax-Exempt SIFMA ARS any of the following periods:

(a) *Flexible Auction Period:* meaning (i) any period of 182 days or less which is divisible by seven and which begins on an ARS Conversion Date or the day following an Auction Period and ends (A) in the case of a Series of Tax-Exempt SIFMA ARS with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (B) in the case of a Series of Tax-Exempt SIFMA ARS with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (C) in the case of a Series of Tax-Exempt SIFMA ARS with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (D) in the case of a Series of Tax-Exempt SIFMA ARS with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (E) in the case of a Series of Tax-Exempt SIFMA ARS with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or (ii) any period which is longer than 182 days which begins on an ARS Conversion Date or the day following an Auction Period and ends not later than the final scheduled maturity date of such Series of Tax-Exempt SIFMA ARS.

(b) *Daily Auction Period:* meaning a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next conversion date;

(c) *Seven-day Auction Period:* meaning, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A)	(B)	(C)
When Auctions Occur on this day	**Auction Period Generally Begins this day**	**Auction Periods Generally End this day**
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) *28-day Auction Period:* meaning, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period:* meaning, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period:* meaning a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period:* meaning a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in the Series Supplement for such Tax-Exempt SIFMA ARS in the definition of Six-month Auction Period;

provided, however, that if there is a conversion of a Series of Tax-Exempt SIFMA ARS with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Period Rate on such Auction Date is the Maximum Rate as the result of a lack of

Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

"Auction Period Rate" shall mean the Auction Rate or any other rate of interest to be borne by the Tax-Exempt SIFMA ARS during an Auction Period determined in accordance with the subsection under "Auction Procedures" captioned *"Determination of Auction Period Rate"* in this Appendix D; provided, however, in no event may the Auction Period Rate exceed the Maximum Rate.

"Auction Procedures" shall mean (i) with respect to the Offered Obligations, the procedures for conducting Auctions for Tax-Exempt SIFMA ARS during an ARS Rate Period set forth in Exhibit N to the Series 2007-A-1&2&B-1 Supplement and summarized in the subsection captioned "Auction Procedures" in this Appendix D and (ii) with respect to any Additional Obligations that are Tax-Exempt SIFMA ARS, the procedures for conducting auctions set forth or incorporated by reference in the Series Supplement executed in connection with such Additional Obligations.

"Auction Rate" shall mean for a Series of Tax-Exempt SIFMA ARS, except as otherwise provided in this Appendix D, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Tax-Exempt SIFMA ARS are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Tax-Exempt SIFMA ARS and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such Series of Tax-Exempt SIFMA ARS.

"Authorized Denominations" shall mean $25,000, or such other amount as specified in the Series Supplement executed in connection the Series of Tax-Exempt SIFMA ARS, and integral multiples thereof so long as the Tax-Exempt SIFMA ARS bear interest at the Auction Period Rate.

"Available Tax-Exempt SIFMA ARS" shall mean, for each Series of Tax-Exempt SIFMA ARS on each Auction Date, the number of Units of Tax-Exempt SIFMA ARS that are not the subject of Submitted Hold Orders.

"Bid" shall have the meaning specified in item (i) of paragraph (b) in the subsection under "Auction Procedures" captioned *"Orders by Existing Owners and Potential Owners"* in this Appendix D.

"Bidder" shall mean each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" shall mean any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Appendix D, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Corporation and that is a party to a Broker-Dealer Agreement with the Auction Agent. The "Broker-Dealer of record" with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent.

"Broker-Dealer Agreement" shall mean an agreement between the Auction Agent and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Appendix D, as such agreement may from to time be amended or supplemented.

"Broker-Dealer Deadline" shall mean, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

"Business Day" in addition to any other definition of "Business Day" included in the Indenture, while Tax-Exempt SIFMA ARS bear interest at the Auction Period Rate, shall mean any day other than a Saturday, Sunday, a day on which the New York Stock Exchange or its successor is not open for business, a day on which the Federal Reserve Bank of New York is not open for business, a day on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Tax-Exempt SIFMA ARS.

"Clerical Error" shall mean a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a "Clerical Error" is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

"Commercial Paper Dealers" shall mean Citigroup Global Markets Inc., its successors and assigns, as the initial Commercial Paper Dealer, and any other commercial paper dealers appointed pursuant to the Indenture.

"Conversion Date" shall mean the date on which any Series of the Tax-Exempt SIFMA ARS begin to bear interest at a rate which is determined other than by means of the Auction Procedures.

"Electronic Means" shall mean, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Error Correction Deadline" shall mean one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

"Existing Owner" shall mean a Person who is the beneficial owner of Tax-Exempt SIFMA ARS; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

"Flexible Auction Period" with respect to a Series of Tax-Exempt SIFMA ARS, shall have the meaning given such term under item (a) of the definition of Auction Period above.

"Hold Order" shall mean (i) an Order to hold the Tax-Exempt SIFMA ARS as provided in item (i) of paragraph (b) in the subsection under "Auction Procedures" captioned *"Orders by Existing Owners and Potential Owners"* in this APPENDIX D or (ii) such an Order deemed to have been submitted as provided in item (i) of paragraph (h) in the subsection under "Auction Procedures" captioned *"Orders by Existing Owners and Potential Owners"* in this APPENDIX D.

"Index" shall mean on any Auction Date, (i) with respect to Tax-Exempt SIFMA ARS with an Auction Period of 60 days or less, the SIFMA Index, or if such rate is not published by the SIFMA, the Index so determined by the Market Agent which shall equal the prevailing rate for obligations rated in the highest short-term rating category by each Rating Agency (other than Fitch, and, if rated by Fitch, rated by Fitch in its highest short term rating category) in respect of issuers most closely resembling the "high grade" component issuers selected by SIFMA that are subject to tender by the holders thereof for purchase on not more than seven days' notice and the interest on which is (a) variable on a weekly basis, (b) excludable from gross income for federal income tax

purposes under the Code, and (c) subject to an "alternative-minimum tax" or similar tax under the Code, unless all tax-exempt obligations are subject to such tax, and (ii) with respect to the Tax-Exempt SIFMA ARS with an Auction Period of more than 60 days, the Index so determined by the Market Agent which shall equal the average yield on no less than three publicly offered securities selected by the Market Agent which are offered at par, have substantially the same underlying security, bear interest determined for approximately the same period as the relevant Auction Period on the Tax-Exempt SIFMA ARS, bear interest subject to the alternative-minimum tax, and are rated by each Rating Agency (other than Fitch) no lower than its second highest General Rating Category, and, if rated by Fitch, rated no lower than its second highest General Rating Category. If the Index cannot be determined as provided above, a comparable substitute index selected by the Market Agent with the approval of the Corporation shall be used.

"Initial Period" means with respect to the Offered Obligations the period from and including the Closing Date to and including, (i) August 7, 2007, with respect to the Series 2007-A-1 Bonds, (ii) July 26, 2007 with respect to the Series 2007-A-2 Bonds and (iii) August 7, 2007 with respect to the Series 2007-B-1 Bonds.

"Interest Payment Date" shall mean (i) with respect to the Offered Obligations while bearing interest for a 35-day Auction Period, each March 1 and September 1, commencing September 1, 2007, prior to the redemption in whole or maturity of the Offered Obligations and (ii) with respect to any Additional Obligations that are Tax-Exempt SIFMA ARS, the dates set forth as the Interest Payment Dates in the Series Supplement executed in connection with such Obligations.

"Maximum Rate" shall mean, as of any date of determination, with respect to Tax-Exempt SIFMA ARS, the interest rate per annum equal to the least of (A) the product of the Applicable Percentage multiplied by the higher of (i) the After-Tax Equivalent Rate as of such date and (ii) the Index as of such date, and (B) fourteen percent (14%), and (C) the highest rate the Corporation may legally pay, from time to time, as interest on Tax-Exempt Bonds.

"Order" shall mean a Hold Order, Bid or Sell Order.

"Potential Owner" shall mean any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Tax-Exempt SIFMA ARS in addition to the Tax-Exempt SIFMA ARS currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

"Record Date" shall mean, notwithstanding anything else in the Indenture, with respect to the Offered Obligations while outstanding as Tax-Exempt SIFMA ARS, the Business Day immediately preceding an Interest Payment Date.

"Securities Depository" shall mean, notwithstanding anything else in the Indenture to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Corporation.

"Sell Order" shall mean an Order to sell Tax-Exempt SIFMA ARS as provided in item (i) of paragraph (b) in the subsection under "Auction Procedures" captioned *"Orders by Existing Owners and Potential Owners"* in this APPENDIX D.

"SIFMA" shall mean the Securities Industry and Financial Markets Association, its successors and assigns.

"SIFMA ARS" shall mean a Series of Tax-Exempt Bonds which bear interest at an Auction Period Rate determined in accordance with the procedures described below under the caption "Auction Procedures" in this APPENDIX D and set forth in full in the Series 2007-A-1&2&B-1 Supplement and/or, as the context dictates, a Series of Taxable Notes which bear interest at an Auction Period Rate determined in accordance with the auction procedures described in a Supplement to the Indenture executed and delivered subsequent to the execution of the Series 2007-A-1&2&B-1 Supplement.

"SIFMA Auction Agent Agreement" shall mean the Auction Agent Agreement, dated as of June 1, 2007, between the Corporation and the Initial Auction Agent, as amended and supplemented from time to time.

"SIFMA Index" shall mean on any date, the rate published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Broker-Dealers as the Municipal Swap Index, and effective from such date.

"SIFMA Market Agent Agreement" shall mean the Market Agent Agreement, dated as of June 1, 2007, between the Initial Market Agent and the Trustee, as amended and supplemented from time to time.

"Statutory Corporate Tax Rate" shall mean, as of any date of determination, the highest tax bracket (expressed in decimals) now or hereafter applicable in each taxable year on the income of every corporation as set forth in Section 11 of Part II of Subchapter A of Chapter 1 of Subtitle A of the Code or any successor section, without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year; the Statutory Corporate Tax Rate as of June 1, 2007 was 35%.

"Submission Deadline" shall mean 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Trustee or the Corporation pursuant to the Auction Agent Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Trustee or the Corporation. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

"Submitted Bid" shall have the meaning specified in paragraph (b) of the subsection captioned *"Determination of Auction Period Rate"* under "Auction Procedures" in this APPENDIX D.

"Submitted Hold Order" shall have the meaning specified in paragraph (b) of the subsection captioned *"Determination of Auction Period Rate"* under "Auction Procedures" in this APPENDIX D.

"Submitted Order" shall have the meaning specified in paragraph (b) of the subsection captioned *"Determination of Auction Period Rate"* under "Auction Procedures" in this APPENDIX D.

"Submitted Sell Order" shall have the meaning specified in paragraph (b) of the subsection captioned *"Determination of Auction Period Rate"* under "Auction Procedures" in this APPENDIX D.

"Sufficient Clearing Bids" shall mean for each Series of Obligations that are Tax-Exempt SIFMA ARS, an Auction for which the number of Units of such Obligations that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of such Obligations that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate.

"Tax-Exempt SIFMA ARS" shall mean SIFMA ARS the interest on which is excludable from the gross income of the Holder thereof for federal income tax purposes.

"Unit" shall equal with respect to a Series of Tax-Exempt SIFMA ARS the principal amount of the minimum Authorized Denomination.

"Winning Bid Rate" shall mean for each Series of Obligations that are Tax-Exempt SIFMA ARS, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Period Rate would cause the number of Units of such Obligations that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Obligations of such Series.

Auction Participants

Existing Owners and Potential Owners

Participants in each Auction will include: Existing Owners and Potential Owners.

By purchasing Auction Rate Securities, whether in an Auction or otherwise, each prospective purchaser of Tax-Exempt SIFMA ARS or its Broker-Dealer must agree and will be deemed to have agreed to participate in Auctions on the terms described in the Indenture. During an ARS Rate Period, so long as the ownership of the Tax-Exempt SIFMA ARS is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker -Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Tax-Exempt SIFMA ASR from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Tax-Exempt SIFMA ASR to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Tax-Exempt SIFMA ASR so sold, transferred or disposed of immediately after such sale, transfer or disposition.

The principal amount of the Tax-Exempt SIFMA ARS purchased or sold may be subject to proration procedures on the Auction Date. Each purchase or sale of Tax-Exempt SIFMA ARS on the Auction Date will be made for settlement on the first day of the Auction Period immediately following such Auction Date at a price equal to 100% of the principal amount thereof plus accrued interest. The Auction Agent is entitled to rely upon the terms of any Order submitted to it by a Broker-Dealer.

Auction Agent

Deutsche Bank Trust Company Americas will serve as the Initial Auction Agent for the Corporation in connection with Auctions of the Tax-Exempt SIFMA ARS. The Corporation shall enter into the SIFMA Auction Agent Agreement with Deutsche Bank Trust Company Americas, as the Initial Auction Agent. Any Substitute Auction Agent will be (i) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, New York, or such other location as approved by the Trustee, the Corporation and the Market Agent in writing and having a combined capital stock or surplus of at least $50,000,000, or (ii) a member of the National Association of Securities Dealers, Inc. having a capitalization of at least $50,000,000, and, in either case, authorized by law to perform all the duties imposed upon it under the Indenture and under the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 90 days' notice to the Trustee, the Corporation and the Market Agent. The Auction Agent may be removed at any time by the Corporation or the Holders of at least 66-2/3% of the aggregate principal amount of the Tax-Exempt SIFMA ARS then Outstanding, and if by the Holders, by an instrument signed by such Holders or their attorneys and filed with the Auction Agent, the Corporation, the Trustee and the Market Agent upon at least 90 days' notice. Neither resignation nor removal of the Auction Agent pursuant to the preceding two sentences will be effective until and unless a Substitute Auction Agent has been appointed and has accepted such appointment. A Substitute Auction Agent Agreement will be entered into with a Substitute Auction Agent. Notwithstanding the foregoing, the Auction Agent may terminate the SIFMA Auction Agent Agreement if, within 30 days after notifying the Trustee, the Corporation and the Market Agent in writing that it has not received payment of any Auction Agent Fee due it in accordance with the terms of such Auction Agent Agreement, the Auction Agent does not receive such payment.

If the Auction Agent should resign or be removed or be dissolved, or if the property or affairs of the Auction Agent will be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Corporation will use its best efforts to appoint a Substitute Auction Agent.

The Auction Agent is acting as agent for the Corporation in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent will not be liable for any action taken, suffered or

omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and will not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment.

The Trustee will pay the Auction Agent the Auction Agent Fee in accordance with the SIFMA Auction Agent Agreement and will reimburse the Auction Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Auction Agent in accordance with any provision of the SIFMA Auction Agent Agreement or the Broker-Dealer Agreements (including the reasonable compensation and the expenses and disbursements of its agents and counsel). Such amounts are payable from the Revenue Account. The Corporation will indemnify and hold harmless the Auction Agent for and against any loss, liability or expense incurred without negligence or bad faith on the Auction Agent's part, arising out of or in connection with its agency under the SIFMA Auction Agent Agreement and the Broker-Dealer Agreements, including the reasonable costs and expenses (including the reasonable fees and expenses of its counsel) of defending itself against any such claim or liability in connection with its exercise or performance of any of its duties under the Indenture, the SIFMA Auction Agent Agreement and the Broker-Dealer Agreement and of enforcing this indemnification provision; provided that the Corporation will not indemnify the Auction Agent as described in this paragraph for any fees and expenses incurred by the Auction Agent in the normal course of performing its duties under the SIFMA Auction Agent Agreement and under the Broker-Dealer Agreements, such fees and expenses being payable as described above.

Broker-Dealer

Existing Owners and Potential Owners may participate in Auctions only by submitting orders (in the manner described below) through a "Broker-Dealer," including Citigroup Global Markets Inc. as the sole initial Broker-Dealer with respect to the Series 2007-A-1 Bonds and the Series 2007-B-1 Bonds and Banc of America Securities LLC as the sole initial Broker-Dealer with respect to the Series 2007-A-2 Bonds or any other broker or dealer (each as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth below which (i) is an Agent Member or an affiliate of an Agent Member, (ii) has been selected by the Corporation and (iii) has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective in which the Broker-Dealer agrees to participate in Auctions as described in the Auction Procedures, as from time to time amended or supplemented.

The Broker-Dealers are entitled to a Broker-Dealer Fee, which is payable by the Auction Agent from moneys received from the Trustee.

Market Agent

Under the SIFMA Market Agent Agreement, and in connection with the Tax-Exempt SIFMA ARS, the "Market Agent," initially Citigroup Global Markets Inc., will act solely as agent of the Corporation and will not assume any obligation or relationship of agency or trust for or with any of the Beneficial Owners. Among other things, the Market Agent will determine the Index and the "Aa" Composite Commercial Paper Rate for purposes of calculating the All Hold Rate and all other purposes. The Market Agent will not receive any compensation for the performance of its duties under the Market Agent Agreement.

Auction Procedures

General

Auctions to establish the Auction Period Rate will be held on each Auction Date, except as described above under the caption "DESCRIPTION OF THE OFFERED OBLIGATIONS -- Interest Rates on the Offered Obligations" by application of the Auction Procedures described in the Indenture. For a period beginning on the date of initial delivery thereof and ending a specified number of days thereafter, inclusive, each Series of Tax-Exempt SIFMA ARS will bear interest at the interest rate for such Series determined generally on the Business Day immediately preceding such delivery date. Thereafter, the "Auction Date" for each Series of Tax-Exempt SIFMA ARS will be the Business Day immediately preceding the first day of each related Auction Period, other than: (i) an Auction Period which commences on a Conversion Date; and (ii) each Auction Period commencing after the ownership of the Tax-Exempt SIFMA ARS is no longer maintained in Book-Entry Form. Notwithstanding the

foregoing, the Auction Date for one or more Auction Periods may be changed as described below under "Changes in Auction Period or Auction Date."

Orders by Existing Owners and Potential Owners

(a) An Existing Owner may sell, transfer or otherwise dispose of Tax-Exempt SIFMA ARS only (i) pursuant to a Bid or Sell Order placed in an Auction or (ii) to or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Owner, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. Prior to a Conversion Date, Auctions for each Series of Tax-Exempt SIFMA ARS will be conducted on each Auction Date for such Series, if there is an Auction Agent on such Auction Date, in the following manner (such procedures apply separately to each Series of Tax-Exempt SIFMA ARS).

(b) Prior to the Broker-Dealer Deadline for each Series of Tax-Exempt SIFMA ARS on each Auction Date:

(i) each Existing Owner of Tax-Exempt SIFMA ARS may submit to a Broker-Dealer in writing or by such other method as is reasonably acceptable to the Broker-Dealer one or more Orders as to: (i) the principal amount of Tax-Exempt SIFMA ARS, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period (a "Hold Order") without regard to the Auction Period Rate; (ii) the principal amount of Tax-Exempt SIFMA ARS, if any, which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Period Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Period Rate is less than such specified rate, the Order shall constitute an offer to sell such Outstanding Tax-Exempt SIFMA ARS on the first Business Day of the next succeeding Auction Period (a "Bid"); (iii) the principal amount of Tax-Exempt SIFMA ARS, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a Daily Auction Period) without regard to the Auction Period Rate for the next succeeding Auction Period (a "Sell Order"); and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Tax-Exempt SIFMA ARS, which each such Potential Owner offers to purchase if the Auction Period Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner (also a "Bid").

(c) Each Hold Order, Bid and Sell Order will be an "Order." Each Existing Owner and each Potential Owner placing an Order is referred to as a "Bidder."

(d) No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Tax-Exempt SIFMA ARS. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(e) A Bid by an Existing Owner will constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a Daily Auction Period): (i) the principal amount of Tax-Exempt SIFMA ARS specified in such Bid if the Auction Period Rate for the next succeeding Auction Period will be less than the rate specified in such Bid, (ii) such principal amount or a lesser principal amount of Tax-Exempt SIFMA ARS to be determined as described below under "Acceptance and Rejection of Orders," if the Auction Period Rate for the next succeeding Auction Period will be equal to the rate specified in such Bid or (iii) a lesser principal amount of Tax-Exempt SIFMA ARS to be determined as described below under "Acceptance and Rejection of Orders," if the rate specified therein will be higher than the Maximum Rate and Sufficient Clearing Bids (as defined below) do not exist.

(f) A Sell Order by an Existing Owner will constitute an offer to sell: (i) the principal amount of Tax-Exempt SIFMA ARS specified in such Sell Order or (ii) such principal amount or a lesser principal amount of Tax-Exempt SIFMA ARS as described below under "Acceptance and Rejection of Orders," if Sufficient Clearing Bids do not exist.

(g) A Bid by a Potential Owner will constitute an offer to purchase: (i) the principal amount of Tax-Exempt SIFMA ARS specified in such Bid if the Auction Period Rate for the next succeeding Auction Period will be higher than the rate specified in such Bid or (ii) such principal amount or a lesser principal amount of Outstanding Tax-Exempt SIFMA ARS as described below in "Acceptance and Rejection of Orders," if the Auction Period Rate for the next succeeding Auction Period is equal to the rate specified in such Bid.

(h) Notwithstanding anything in the Auction Procedures to the contrary,

(i) If an Order or Orders covering all of the Tax-Exempt SIFMA ARS of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Tax-Exempt SIFMA ARS held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Tax-Exempt SIFMA ARS of a particular Series to be converted held by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Tax-Exempt SIFMA ARS to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer;

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in connection with (a) the correction of a Clerical Error prior to the Submission Deadline and (b) the correction of a Clerical Error after the Submission Deadline and prior to the Error Correction Deadline; and

(iii) for purposes of any Auction, any Tax-Exempt SIFMA ARS sold or purchased pursuant to the immediately preceding three paragraphs (e), (f) and (g) shall be sold or purchased at a price equal to 100% of the principal amount thereof, plus, unless the purchase date shall be an Interest Payment Date, accrued interest to the date of purchase.

Submission of Orders by Broker-Dealers to Auction Agent

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Tax-Exempt SIFMA ARS of a Series, all Orders with respect to Tax-Exempt SIFMA ARS of such Series accepted by such Broker-Dealer in accordance with the Auction Procedures and specifying with respect to each Order or aggregation of Orders pursuant to the next succeeding paragraph: (i) the name of the Broker-Dealer; (ii) the number of Bidders placing Orders, if requested by the Auction Agent; (iii) the aggregate number of Units of Tax-Exempt SIFMA ARS of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Tax-Exempt SIFMA ARS; (iv) to the extent that such Bidder is an Existing Owner, (a) the number of Units of Tax-Exempt SIFMA ARS of such Series, if any, subject to any Hold Order placed by such Existing Owner; (b) the number of Units of Tax-Exempt SIFMA ARS of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and (C) the number of Units of Tax-Exempt SIFMA ARS of such Series, if any, subject to any Sell Order placed by such Existing Owner; and (v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Tax-Exempt SIFMA ARS specified therein. A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the Corporation, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Furthermore, nothing contained in the Auction Procedures shall preclude a Broker-Dealer from placing an Order for some or all of the Tax-Exempt SIFMA ARS for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

(g) In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to the immediately preceding paragraph and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order so submitted by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) of the immediately preceding paragraph and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction

Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(h) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Tax-Exempt SIFMA ARS in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(i) Nothing contained in the Auction Procedures shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Tax-Exempt SIFMA ARS; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Treatment of Orders by the Auction Agent

(a) Anything in the Auction Procedures to the contrary notwithstanding:

(i) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of the following paragraphs (b), (c) or (d) and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(iii) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Tax-Exempt SIFMA ARS of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(A) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Tax-Exempt SIFMA ARS of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(B) (1) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Tax-Exempt SIFMA ARS of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Tax-Exempt SIFMA ARS of such Series subject to Hold Orders referred to in clause (A) above;

(2) subject to clause (1) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Tax-Exempt SIFMA ARS of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Tax-Exempt SIFMA ARS of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (A) above;

(3) subject to clause (1) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Tax-Exempt SIFMA ARS of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Tax-Exempt SIFMA ARS of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (A) above; and

(4) the number of Units, if any, of such Tax-Exempt SIFMA ARS of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (B) shall be treated as the subject of a Bid by a Potential Owner;

(C) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Tax-Exempt SIFMA ARS of such Series equal to the excess of the number of Units of Tax-Exempt SIFMA ARS of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Tax-Exempt SIFMA ARS of such Series considered to be subject to Hold Orders pursuant to clause (A) above and the number of Units of Tax-Exempt SIFMA ARS of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (B) above.

(b) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(c) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee or the Corporation that any portion of an Order by a Broker-Dealer relates to a Tax-Exempt SIFMA ARS which has been called for redemption on or prior to the first day of the applicable Auction Period, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(d) For purposes of any Auction other than during a daily Auction Period, no portion of a Tax-Exempt SIFMA ARS which the Auction Agent has been notified by the Trustee or the Corporation has been called for redemption on or prior to the first day of the next succeeding Auction Period shall be included in the calculation of Available Bonds for such Auction.

(e) If an Order or Orders covering all of the Tax-Exempt SIFMA ARS of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Tax-Exempt SIFMA ARS for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the

Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Tax-Exempt SIFMA ARS of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Tax-Exempt SIFMA ARS to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

Determination of Auction Period Rate

(a) On the Auction Date immediately preceding the first day of each Auction Period, the Market Agent shall determine the Index. Not later than 9:00 a.m., New York City time, on such Business Day, the Market Agent shall notify the Auction Agent by telephone of the Index so determined. If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Tax-Exempt SIFMA ARS, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Tax-Exempt SIFMA ARS on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Tax-Exempt SIFMA ARS, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Period Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Period Rate on the Auction Date, for any Auction Period,

(i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the Maximum Rate or (B) if the failure to make such calculation was for any other reason or if the Maximum Rate is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and

(ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the Maximum Rate or (B) if the failure to make such calculation was for any other reason or if the Maximum Rate is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Period Rate for an Auction Period beginning on the Business Day

immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Period Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

(d) Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Period Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

(e) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(f) If the Tax-Exempt SIFMA ARS are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.

Allocation of Tax-Exempt SIFMA ARS

(a) In the event of Sufficient Clearing Bids for a Series of Tax-Exempt SIFMA ARS, subject to the further provisions of paragraphs (c) and (d) of this subsection below, Submitted Orders for each Series of Tax-Exempt SIFMA ARS shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Tax-Exempt SIFMA ARS that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Tax-Exempt SIFMA ARS that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Tax-Exempt SIFMA ARS that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Tax-Exempt SIFMA ARS that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Tax-Exempt SIFMA ARS that are the subject of such Submitted Bid. but only up to and including the number of Units of Tax-Exempt SIFMA ARS obtained by multiplying (A) the aggregate number of Units of Outstanding Tax-Exempt SIFMA ARS which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Tax-Exempt SIFMA ARS held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the

aggregate number of Units of Outstanding Tax-Exempt SIFMA ARS subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Tax-Exempt SIFMA ARS;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Tax-Exempt SIFMA ARS that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Tax-Exempt SIFMA ARS obtained by multiplying (A) the aggregate number of Units of Outstanding Tax-Exempt SIFMA ARS which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Tax-Exempt SIFMA ARS subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Tax-Exempt SIFMA ARS subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Tax-Exempt SIFMA ARS, Submitted Orders for each Series of Tax-Exempt SIFMA ARS shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Tax-Exempt SIFMA ARS that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Tax-Exempt SIFMA ARS that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Tax-Exempt SIFMA ARS that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Tax-Exempt SIFMA ARS obtained by multiplying (A) the aggregate number of Units of Tax-Exempt SIFMA ARS subject to Submitted Bids described in clause (iii) of this paragraph (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Tax-Exempt SIFMA ARS held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Tax-Exempt SIFMA ARS subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Tax-Exempt SIFMA ARS; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in either of the two immediately preceding paragraphs (a) or (b), any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Tax-Exempt SIFMA ASR that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Tax-Exempt SIFMA ASR to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Tax-Exempt SIFMA ASR purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Tax-Exempt SIFMA ASR on such Auction Date.

(d) If, as a result of the undertakings described in the preceding paragraph (a), any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of Tax-Exempt SIFMA ASR on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Tax-Exempt SIFMA ASR for purchase among Potential Owners so that the principal amount of Tax-Exempt SIFMA ASR purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing Tax-Exempt SIFMA ASR on such Auction Date.

Notice of Auction Period Rate

(a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Tax-Exempt SIFMA ARS for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Tax-Exempt SIFMA ARS, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Tax-Exempt SIFMA ARS, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Tax-Exempt SIFMA ARS to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Tax-Exempt SIFMA ARS to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Tax-Exempt SIFMA ARS to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Tax-Exempt SIFMA ARS for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was

accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Tax-Exempt SIFMA ARS to be purchased pursuant to such Bid (including, with respect to the Tax-Exempt SIFMA ARS in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Tax-Exempt SIFMA ARS) against receipt of such Tax-Exempt SIFMA ARS; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Tax-Exempt SIFMA ARS to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Period Rate to the Corporation and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Period Rate to the Securities Depository.

Index

(a) If for any reason on any Auction Date the Index shall not be determined as provided in the definition thereof, the Index shall be the Index for the Auction Period ending on such Auction Date.

(b) The determination of the Index as provided in the definition thereof and herein shall be conclusive and binding upon the Corporation, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Miscellaneous Provisions Regarding Auctions

(a) In this Appendix D, each reference to the purchase, sale or holding of Tax-Exempt SIFMA ARS shall refer to beneficial interests in Tax-Exempt SIFMA ARS, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to each Series of Tax-Exempt SIFMA ARS, the provisions of the Indenture, including the applicable Series Supplement, and the definitions contained therein and described in this Appendix D, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the Indenture by obtaining the consent of the owners of all affected Outstanding Tax-Exempt SIFMA ARS bearing interest at the Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Tax-Exempt SIFMA ARS as required by the Indenture, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Corporation and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Tax-Exempt SIFMA ARS or any exemption from federal income taxation to which the interest on the Tax-Exempt SIFMA ARS would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Tax-Exempt SIFMA ARS bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Corporation or the Trustee that it is unwilling or unable to continue as registered owner of the Tax-Exempt SIFMA ARS, or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Corporation within 90 days after the Corporation receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Corporation shall execute and the Trustee shall authenticate and deliver certificates representing the Tax-Exempt SIFMA ARS. Such Tax-Exempt SIFMA ARS shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Corporation and the Trustee.

(d) During an ARS Rate Period, so long as the ownership of the Tax-Exempt SIFMA ARS is maintained in Book-Entry Form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Tax-Exempt SIFMA ARS only pursuant to a Bid or Sell Order in accordance with

the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Tax-Exempt SIFMA ARS from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Tax-Exempt SIFMA ARS to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Tax-Exempt SIFMA ARS so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Changes in Auction Period or Auction Date

(a) Changes in Auction Period.

(i) During any ARS Rate Period, the Corporation, may, from time to time on the day immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Tax-Exempt SIFMA ARS of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Tax-Exempt SIFMA ARS. The Corporation shall initiate the change in the length of the Auction Period by giving written notice to the Trustee, the Auction Agent, the Market Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Tax-Exempt SIFMA ARS of such Series.

(iii) The change in length of the Auction Period shall take effect only if the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Tax-Exempt SIFMA ARS of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Tax-Exempt SIFMA ARS of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If the Auction Period Rate which is determined on such date is not the Winning Bid Rate or the All Hold Rate, the Auction Period Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, at the direction of the Corporation, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Tax-Exempt SIFMA ARS. The Auction Agent shall provide notice of the Corporation's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Corporation, the Market Agent and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Auction Periods affected by such unscheduled holiday.

Settlement Procedures

The Offered Obligations, upon issuance, will be in Book-Entry Form on the Book-Entry System of DTC. In accordance with DTC's normal procedures, on the Business Day after the Auction Date, the transactions described above will be executed through DTC, so long as DTC is at such time the Securities Depository, and the accounts of the respective Participants at DTC will be debited and credited and the Offered Obligations delivered as necessary to effect the purchases and sales of the Offered Obligations as determined in the Auction. Purchasers are required to make payment through their Participants in same day funds to DTC against delivery through their Participants. DTC will make payment in accordance with its normal procedures, which now provide for payment against delivery by its Participants in immediately available funds.

For a further description of the settlement procedures, see APPENDIX E, "SETTLEMENT PROCEDURES FOR AUCTION RATE TAX-EXEMPT BONDS."

APPENDIX E

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1
(Auction Rate Securities)

SETTLEMENT PROCEDURES
FOR
AUCTION RATE TAX-EXEMPT BONDS

If not otherwise defined below, capitalized terms used below have the meanings given such terms in Appendix D of this Official Statement. These Settlement Procedures apply separately to each Series of the Tax-Exempt SIFMA ARS.

(a) Not later than 3:00 p.m., New York City time, the Auction Agent will notify by telephone each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of an Existing Owner or Potential Owner of:

(i) the Auction Period Rate fixed for the next Auction Period;

(ii) whether there were Sufficient Clearing Bids in such Auction;

(iii) if such Broker-Dealer (a "Seller's Broker-Dealer") submitted Bids or Sell Orders on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Tax-Exempt SIFMA ARS, if any, to be purchased or sold by such Existing Owner;

(iv) if such Broker-Dealer (a "Buyer's Broker-Dealer") submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Tax-Exempt SIFMA ARS, if any, to be purchased by such Potential Owner;

(v) if the aggregate amount of Tax-Exempt SIFMA ARS to be sold by all Existing Owners on whose behalf such Broker-Dealer, acting as a Seller's Broker-Dealer submitted Bids or Sell Orders exceeds the aggregate principal amount of Tax-Exempt SIFMA ARS to be purchased by all Potential Owners on whose behalf such Broker-Dealer acting as a Buyer's Broker-Dealer, submitted Bids, the name or names of one or more Buyer's Broker-Dealers (and the name of the Participant, if any, of each such Buyer's Broker-Dealer), acting for one or more purchasers of such excess principal amount of Tax-Exempt SIFMA ARS and the principal amount of Tax-Exempt SIFMA ARS to be purchased from one or more Existing Owners on whose behalf such Broker-Dealer, acting as a Seller's Broker-Dealer, acted by one or more Potential Owners on whose behalf each of such Buyer's Broker-Dealers acted;

(vi) if the aggregate principal amount of Tax-Exempt SIFMA ARS to be purchased by all Potential Owners on whose behalf such Broker-Dealer, acting as a Buyer's Broker-Dealer, submitted a Bid exceeds the amount of Tax-Exempt SIFMA ARS to be sold by all Existing Owners on whose behalf such Broker-Dealer, acting as a Seller's Broker-Dealer, submitted a Bid or a Sell Order, the name or names of one or more Seller's Broker-Dealers (and the name of the Participant, if any, of each such Seller's Broker-Dealer) acting for one or more sellers of such excess principal amount of Tax-Exempt SIFMA ARS and the principal amount of Tax-Exempt SIFMA ARS to be sold to one or more Potential Owners on whose behalf such Broker-Dealer, acting as a Buyer's Broker-Dealer, acted by one or more Existing Owners on whose behalf each of such Seller's Broker-Dealers acted;

(vii) with respect to Tax-Exempt SIFMA ARS, unless previously provided, a list of all applicable Auction Period Rates and related Auction Periods (or portions thereof) since the last Interest Payment Date; and

(viii) the Auction Date for the next succeeding Auction.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner will:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted a Bid or Sell Order in the Auction on such Auction Date whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) in the case of a Broker-Dealer that is a Buyer's Broker-Dealer, advise each Potential Owner on whose behalf such Buyer's Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Participant to pay to such Buyer's Broker-Dealer (or its Participant) through the Securities Depository the amount necessary, including accrued interest, if any, to purchase the principal amount of the Tax-Exempt SIFMA ARS to be purchased pursuant to such Bid against receipt of such Tax-Exempt SIFMA ARS;

(iii) in the case of a Broker-Dealer that is a Seller's Broker-Dealer, instruct each Existing Owner on whose behalf such Seller's Broker-Dealer submitted a Sell Order that was accepted, in whole or in part, or a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Participant to deliver to such Seller's Broker-Dealer (or its Participant) through the Securities Depository the principal amount of Tax-Exempt SIFMA ARS to be sold pursuant to such Order against payment therefor;

(iv) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order and each Potential Owner on whose behalf such Broker-Dealer submitted a Bid of the Auction Period Rate for the next Auction Period;

(v) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order of the next Auction Date; and

(vi) advise each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the next Auction Date.

(c) On the basis of the information provided to it as described in paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order in an Auction is required to allocate any funds received by it in connection with such Auction as described in paragraph (b)(ii) above, and any Tax-Exempt SIFMA ARS received by it in connection with such Auction as described in paragraph (b)(iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders in such Auction, and any Broker-Dealers identified to it by the Auction Agent following such Auction as described in paragraph (a)(v) or (a)(vi) above.

(d) On each Auction Date:

(i) each Potential Owner and Existing Owner with an Order in the Auction on such Auction Date will instruct its Participant as provided in (b)(ii) or (b)(iii) above, as the case may be;

(ii) each Seller's Broker-Dealer that is not a Participant of the Securities Depository will instruct its Participant to deliver the Tax-Exempt SIFMA ARS to be sold as described in (b)(iii) above through the Securities Depository to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer as described in (a)(v) above against payment therefor; and

(iii) each Buyer's Broker-Dealer that is not a Participant in the Securities Depository will instruct its Participant to pay through the Securities Depository to the Seller's Broker-Dealer (or its Participant) identified following such Auction as described in (a)(vi) above the amount necessary, including accrued interest, if any, to purchase the Tax-Exempt SIFMA ARS to be purchased as described in (b)(ii) above against receipt of such Tax-Exempt SIFMA ARS.

(e) On the Business Day following each Auction Date:

(i) each Participant for a Bidder in the Auction on such Auction Date referred to in (d)(i) above will instruct the Securities Depository to execute the transactions described under (b)(ii) or (b)(iii) above for such Auction, and the Securities Depository will execute such transactions;

(ii) each Seller's Broker-Dealer or its Participant will instruct the Securities Depository to execute the transactions described in (d)(ii) above for such Auction, and the Securities Depository will execute such transactions; and

(iii) each Buyer's Broker-Dealer or its Participant will instruct the Securities Depository to execute the transactions described in (d)(iii) above for such Auction, and the Securities Depository will execute such transactions.

(f) If an Existing Owner selling Tax-Exempt SIFMA ARS in an Auction fails to deliver such Tax-Exempt SIFMA ARS (by authorized book-entry), a Broker-Dealer may deliver to the Potential Owner on behalf of which it submitted a Bid that was accepted a principal amount of Tax-Exempt SIFMA ARS that is less than the principal amount of Tax-Exempt SIFMA ARS that otherwise was to be purchased by such Potential Owner. In such event, the principal amount of Tax-Exempt SIFMA ARS to be so delivered will be determined solely by such Broker-Dealer (but only in Authorized Denominations). Delivery of such lesser principal amount of Tax-Exempt SIFMA ARS will constitute good delivery. Notwithstanding the foregoing terms of this paragraph (f), any delivery or nondelivery of Tax-Exempt SIFMA ARS which will represent any departure from the results of an Auction, as determined by the Auction Agent, will be of no effect unless and until the Auction Agent shall have been notified of such delivery or nondelivery in accordance with the provisions of the Auction Agent Agreement and the applicable Broker-Dealer Agreements. Neither the Trustee nor the Auction Agent will have any responsibility or liability with respect to the failure of a Potential Owner, an Existing Owner or any Broker-Dealer or Participant to take delivery of or deliver, as the case may be, the principal amount of the Tax-Exempt SIFMA ARS or to pay for the Tax-Exempt SIFMA ARS purchased or sold pursuant to an Auction or otherwise.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1
(Auction Rate Securities)

CASH FLOW ASSUMPTIONS AND OTHER CONSIDERATIONS

HOLDERS SHOULD CONSIDER THE FACTORS BELOW IN LIGHT OF THE PAYMENT PRIORITIES OF THE SENIOR OBLIGATIONS, ANY ADDITIONAL OBLIGATIONS HEREAFTER ISSUED ON A PARITY THEREWITH AND AMOUNTS DUE TO ANY OTHER SENIOR BENEFICIARIES OVER THE SUBORDINATE OBLIGATIONS, ANY ADDITIONAL OBLIGATIONS HEREAFTER ISSUED ON A PARITY THEREWITH AND AMOUNTS DUE TO ANY OTHER SUBORDINATE BENEFICIARIES. See "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED OBLIGATIONS -- Certain Payment Priorities," and APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Events of Default and Remedies."

The following presents the Corporation's principal assumptions used in the preparation of its cash flow projections for the Offered Obligations. The Corporation believes, based on its analyses of multiple cash flow projections, which have been based on various stressful cash flow assumptions and scenarios, including the assumptions described herein, that revenues to be received pursuant to the Indenture will be sufficient to pay principal of and interest on the Offered Obligations and all other presently Outstanding Obligations when due and also to pay when due all Administrative Expenses, Bond Fees and any required rebate payments to the United States Treasury. The cash flow projections for the Offered Obligations and the Corporation's belief that revenues to be received pursuant to the Indenture will be sufficient to pay, among other things, Debt Service on the Offered Obligations and all other presently Outstanding Obligations each constitutes a forward-looking statement, and actual results may vary from such projections and belief for a variety of reasons discussed immediately below and above under the caption "RISK FACTORS."

Factors Affecting Sufficiency and Timing of Receipt of Revenues in the Trust Estate

As stated in the immediately preceding paragraph, the Corporation expects that the revenues to be received pursuant to the Indenture will be sufficient to pay principal of and interest on the Offered Obligations and all other presently Outstanding Obligations when due and also to pay the annual cost of all Trustee fees, servicing costs and other expenses related to the Offered Obligations, all other presently Outstanding Obligations and the Pledged Eligible Loans until the final maturity of the Offered Obligations. These projections use assumptions, which the Corporation believes are reasonable, regarding the current and future composition of and yield on the Corporation's student loan portfolio held and expected to be held pursuant to the Indenture, the rate of return on moneys to be invested in various Accounts and Subaccounts under the Indenture, and the occurrence of future events and conditions. These assumptions are derived from the Corporation's experience in the administration of the Program. There can be no assurance, however, that interest and principal payments from the Pledged Eligible Loans will be received as anticipated, that the reinvestment rates assumed on the amounts in various Accounts and Subaccounts will be realized, or that Special Allowance Payments will be received in the amounts and at the times anticipated. Furthermore, future events over which the Corporation has no control may adversely affect the Corporation's actual receipt of revenues pursuant to the Indenture.

Receipt of principal of and interest on Pledged Eligible Loans may be accelerated due to various factors, including, among others: (1) default claims or claims due to the disability, death or bankruptcy of the borrowers; (2) actual principal amortization periods which are shorter than those assumed based upon the current analysis of the Corporation's expected student loan portfolio; (3) the commencement of principal repayment by borrowers on earlier dates than are assumed based upon the current analysis of the Corporation's expected student loan portfolio; and (4) economic conditions that induce borrowers to refinance or repay their loans prior to maturity.

Eligible lenders, including the Corporation, may make Consolidation Loans to borrowers for the purpose of retiring certain borrowers' existing loans under various federal higher education loan programs. To the extent that Pledged Eligible Loans are repaid with Consolidation Loans, the Corporation will realize both payment of such loans earlier than projected and receipt of amounts less than the prices paid for such loans.

The assumptions used by the Corporation relating to the receipt of principal payments, moreover, resulted in projections of receipt of principal which are later than the Corporation expects. The receipt of principal payments earlier than projected, the inability (or a decision not) to use excess receipts to purchase additional loans, and actual rates of return on the Pledged Eligible Loans and Investment Securities in excess of those assumed by the Corporation, may result, at the Corporation's option, in redemption of Offered Obligations prior to maturity as described in "REDEMPTION -- Optional Redemption of the Offered Obligations" and "REDEMPTION -- Mandatory Redemption of Offered Obligations from Moneys in the Acquisition Account."

Delay in the receipt of principal of and interest on Pledged Eligible Loans may adversely affect payment of principal of and interest on the Offered Obligations when due. Principal of and interest on Pledged Eligible Loans may be delayed due to numerous factors, including, without limitation: (1) borrowers entering deferment periods due to a return to school or other eligible purposes; (2) forbearance being granted to borrowers; (3) loans becoming delinquent for periods longer than assumed; (4) actual loan principal amortization periods which are longer than those assumed based upon the current analysis of the Corporation's student loan portfolio to be held pursuant to the Indenture; and (5) the commencement of principal repayment by borrowers at dates later than those assumed based upon the current analysis of the student loan portfolio to be held pursuant to the Indenture.

If actual receipt of revenues under the Indenture or actual expenditures vary greatly from those projected, the Corporation may be unable to pay the principal of and interest on the Offered Obligations and all other presently Outstanding Obligations when due. In the event that revenues to be received under the Indenture are insufficient to pay the principal of and interest on the Offered Obligations, all other presently Outstanding Obligations and amounts owing to any other Beneficiaries when due, the Indenture authorizes, and under certain circumstances requires, the Trustee to declare an Event of Default and accelerate the payment of all Outstanding Obligations, including the Offered Obligations. See APPENDIX B -- "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Events of Default and Remedies -- *Acceleration," "Other Remedies; Rights of Beneficiaries"* and -- *"Direction of Proceedings by Acting Beneficiaries Upon Default.*" It is possible, however, that the Trustee would not be able to sell the Pledged Eligible Loans and the other assets comprising the Trust Estate for an amount sufficient to pay the principal of and accrued interest on all Outstanding Obligations, including the Offered Obligations.

In preparing certain cash flow projections for purposes of achieving the ratings of (i) "Aaa" from Moody's and "AAA" from Fitch on the Offered Senior Obligations and (ii) "A2" from Moody's and "A" from Fitch on the Offered Subordinate Obligations, the Corporation assumed various default rates and Guarantors' reimbursement rates in accordance with each Rating Agency's specific stress test scenarios. Although the Guarantors are obligated to make not less than 98% (97% in the case of Eligible Loans made after July 1, 2006) insurance claim payments to the Corporation and to other lenders, the Guarantors must then rely on reimbursement from the Secretary of Education. The Guarantors' ability to meet not less than 98% or 97%, as the case may be, insurance claim payments may be impaired if insurance claim payments exceed expectations or if its guarantee fund is inadequate. See "THE GUARANTORS AND THE GUARANTEED STUDENT LOAN PROGRAM" and APPENDIX C -- "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Changes In Federal Law

There can be no assurance that relevant federal laws, including the Higher Education Act, will not be changed in a manner that may adversely affect the receipt of funds by the Corporation. See the following sections above: "RISK FACTORS," "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM" and APPENDIX C -- "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Pledged Eligible Loan Portfolio Assumptions

With the proceeds of the Offered Obligations, the Corporation expects to finance approximately $120 million outstanding principal amount of, and accrued borrower interest and purchase premium on, Eligible Loans.

The Corporation expects to recycle borrower principal repayments to finance or refinance Eligible Loans until June 1, 2010 (or such later date to which such period is extended in accordance with the Indenture). The Corporation may also issue Additional Obligations, all or a portion of which will be expended to finance or refinance Eligible Loans prior to expenditure of all proceeds of the Offered Obligations.

Assumptions related to Administrative Expenses and Other Fees

The Corporation has estimated based on past experience, and included in the cash flows prepared for each of the Rating Agencies, an annual administrative expense based upon the administrative budget relating to its Student Loan portfolio (including the Pledged Eligible Loans). The Corporation's total administrative budget is allocated among its various bond issues based on the outstanding principal amount of Student Loans held under each financing, the number of Student Loans acquired, and the number of financings outstanding. In addition it has assumed in the cash flows, (i) servicing fees based initially on the actual fees to be paid under the various Servicing Agreements through their current expiration date, and thereafter the servicing fees inflated at 2% per year; (ii) Trustee's fees based on the actual Trustee's fees paid annually in advance under the Indenture; (iii) Auction Agent's fees and the Broker-Dealer fees based on actual fee provisions in the Auction Agent Agreement. Such fees and expenses may be higher than projected.

Other Assumptions

In preparing the cash flow projections for purposes of achieving the ratings of (i) "Aaa" from Moody's and "AAA" from Fitch on the Offered Senior Obligations and (ii) "A2" from Moody's and "A" from Fitch on the Offered Subordinate Obligations, the Corporation also assumed, with the agreement of the applicable Rating Agency, the following cash flow factors as applicable in various interest rate scenarios for the Offered Obligations, to the extent applicable: (i) the 91-Day T-Bill Rate and the commercial paper rate which will equal the 91-Day T-Bill Rate plus a spread; (ii) Auction Period Rates for the Senior Tax-Exempt Bonds; (iii) Auction Period Rates for the Subordinate Tax-Exempt Bonds; (iv) three failed Auctions; (v) student loan yields during the In-School, Grace or Deferment periods for each of PLUS/SLS loans, Consolidation Loans, Stafford Variable Rate Loans (based upon origination date and including Special Allowance Payments); (vi) lags on all principal and interest payments on Pledged Eligible Loans from borrowers, lags on defaulted loan reimbursements, as well as lags on all federal interest subsidy payments and Special Allowance Payments; (vii) an acquisition price for Eligible Loans that the Corporation determines is appropriate; and (viii) rebate payments on Consolidation Loans.

Investment Rates

Balances in the various Accounts of the Trust Estate Fund are assumed to be invested in an Investment Security at a rate or rates required by the Rating Agencies.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1
(Auction Rate Securities)

PORTFOLIO DATA FOR PLEDGED ELIGIBLE LOANS HELD IN THE TRUST ESTATE[†]

	Principal Amount	Number of Loans		Average Loan Indebtedness
Current Loans Outstanding	$32,755,462	10,961	100.00%	$2,988
School Type:				
4-year	$15,765,009	4,972	45.36%	$3,171
2-year	10,506,409	5,484	50.03%	1,916
Graduate/Profess	175,059	23	0.21%	7,611
Proprietary	3,627	2	0.02%	1,814
Consolidation	6,305,358	480	4.38%	13,136
Total	$32,755,462	10,961	100.00%	2,988
Loan Status:				
In School	$10,155,784	3,782	34.50%	$2,685
Grace	2,348,682	913	8.33%	2,572
Forbearance	2,764,391	903	8.24%	3,061
Deferment	4,180,330	1,360	12.41%	3,074
Repayment				
Current	8,666,736	2,002	18.26%	4,329
Delinquent	4,203,906	1,792	16.35%	2,346
Claim Filed	435,633	209	1.91%	2,084
Total	$32,755,462	10,961	100.00%	2,988
Loan Type:				
Stafford	$26,237,140	10,429	95.15%	$2,516
PLUS	212,964	52	0.47%	4,095
Consolidation	6,305,358	480	4.38%	13,136
Total	$32,755,462	10,961	100.00%	2,988
Loan Guaranty Eligibility:				
99%	$25,221,665	8,265	75.40%	$3,052
98%	7,533,797	2,696	24.60%	2,794
Total	$32,755,462	10,961	100.00%	2,988
Guarantors:				
USA Funds	$20,624,506	7,155	65.27%	$2,883
Florida (FDE)	1,750	1	0.01%	1,750
Kentucky (KHEAA)	1,098,875	466	4.25%	2,360
Massachusetts (ASA)	173,594	7	0.06%	24,799
National (NSLP)	5,625,657	2,049	18.69%	2,746
Pennsylvania (PHEAA)	2,877,980	169	1.54%	17,029
Tennessee (TSAC)	804,904	285	2.60%	2,823
Texas (TGSLC)	1,548,196	830	7.57%	1,865
Total	$32,755,462	10,961	100.00%	2,988
Servicers:				
CFS-SunTech	$10,922,010	3,325	30.33%	$3,285
PHEAA	14,299,655	4,940	45.07%	2,895
ESF	7,533,797	2,696	24.60%	2,794
Total	$32,755,462	10,961	100.00%	2,988

[†] The information set forth above is based on characteristics of Student Loans held as part of the Trust Estate on March 31, 2007

[THIS PAGE INTENTIONALLY LEFT BLANK]

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1
(Auction Rate Securities)

APPENDIX H

DESCRIPTION OF THE BOOK-ENTRY SYSTEM

The following information in this Appendix concerning DTC and DTC's Book-Entry System has been obtained from DTC which information the Corporation believes to be reliable; but the Corporation and its counsel, the Underwriters and their counsel, the Trustee and its Counsel and Bond Counsel take no responsibility for the accuracy thereof.

NEITHER THE CORPORATION NOR THE TRUSTEE HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, REDEMPTION PRICE OF OR INTEREST ON SUCH OFFERED OBLIGATIONS, (3) THE DELIVERY BY ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS, (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF A SERIES OF OFFERED OBLIGATIONS, OR (5) ANY OTHER ACTION TAKEN BY DTC (OR ITS NOMINEE) AS THE HOLDER.

The Offered Obligations initially will be issued solely in Book-Entry Form to be held in the Book-Entry System maintained by DTC. So long as such Book-Entry System is used, only DTC will receive or have the right to receive physical delivery of Offered Obligations and, except as otherwise provided herein with respect to Beneficial Owners of Beneficial Ownership Interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Offered Obligations under the Indenture.

The following information about the Book-Entry System applicable to the Offered Obligations has been supplied by DTC. None of the Corporation, the Trustee, the Underwriters, their respective counsels or Bond Counsel makes any representations, warranties or guarantees with respect to its accur acy or completeness.

DTC will act as securities depository for the Offered Obligations. The Offered Obligations initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as many be requested by an authorized representative of DTC. One fully-registered Offered Obligation certificate will be issued, in the aggregate principal amount of the Offered Obligations, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities

Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtc.org** and **www.dtcc.com**.

Purchases of Offered Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Obligations on DTC's records. The ownership interest of each actual purchaser of each Offered Obligation ("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 Offered Obligations 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 Offered Obligations, except in the event that use of the book entry system for the Offered Obligations is discontinued (see **Revision of Book Entry Only Transfer System; Replacement of Offered Obligations**).

To facilitate subsequent transfers, all Offered Obligations 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 Offered Obligations with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Obligations 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 Offered Obligations may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Offered Obligations, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Offered Obligations may wish to ascertain that the nominee holding the Offered Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Offered Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Offered Obligations to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Offered Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Offered Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Offered Obligations 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 the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar 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 dividends to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, 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 its Offered Obligations purchased or tendered, through its Participant, to the Tender Agent or Trustee, as applicable, and shall effect delivery of such Offered Obligations by causing the Direct Participant to transfer the Participant's interest in the Offered Obligations, on DTC's records, to the Tender Agent or Trustee, as applicable. The requirement for physical delivery of Offered Obligations in connection with an optional tender or mandatory purchase will be deemed satisfied when the ownership rights in the Offered Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Offered Obligations to the Tender Agent's or Trustee's, as applicable, DTC account.

DTC may discontinue providing its services as securities depository with respect to the Offered Obligations at any time by giving reasonable notice to the Corporation or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Offered Obligation 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, Offered Obligation certificates will be printed and delivered to DTC. See **Revision of Book Entry Only Transfer System**; **Replacement of Offered Obligations**.

The information above in this section concerning DTC and DTC's book entry system has been obtained from sources that the Corporation believes to be reliable, including DTC, but the Corporation takes no responsibility for its accuracy.

Direct Participants and Indirect Participants may impose service charges on book entry interest owners in certain cases. Purchasers of book entry interests should discuss that possibility with their brokers.

The Corporation and the Registrar have no role in the purchases, transfers or sales of book entry interests. The rights of Beneficial Owners (i.e., book entry interest owners) to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Beneficial Owners may want to discuss with their legal advisers the manner of transferring or pledging their book entry interests.

The Corporation and the Registrar have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, book entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The Corporation cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute to the Beneficial Owners payments of debt charges on the Offered Obligations made to DTC as the registered owner, or any redemption or other notices, or that they will do so on a timely basis, or that DTC will serve and act in a manner described in this Official Statement.

Disclaimer by Corporation, Trustee and Underwriters

Neither the Corporation nor the Trustee has any responsibility or liability for any aspect of the records relating to, or payments made on account of book entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The Corporation, the Trustee and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or others will distribute to the Beneficial Owners (i) payments of Debt Service on the Offered Obligations paid or (ii) notices sent to DTC as the Holder or that they will do so on a timely basis, or that DTC or DTC Participants will serve and act in the manner described in this Official Statement. The Corporation has been advised by DTC that the current "Rules" applicable to DTC and its Participants are on file with the Securities and Exchange Commission and that the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Revision of Book Entry Only Transfer System; Replacement of Offered Obligations

The Indenture authorizing the issuance of the Offered Obligations will provide for issuance of fully registered replacement Offered Obligations ("Replacement Obligations") directly to persons other than DTC or

its nominee only in the event that DTC (or a successor Depository) determines not to continue to act as securities depository for the Offered Obligations or the Corporation determines that continuation of the book entry only system with DTC is not in the best interests of the Corporation or the best interests of the Beneficial Owners.

Upon a discontinuance of the book entry only system with DTC, the Corporation may in its discretion attempt to have established a securities depository/book entry only relationship with another qualified securities depository. If the Corporation is unable to do so, or desires not to do so, and after the Trustee has made provisions for notification of the Beneficial Owners of the Offered Obligations by appropriate notice to DTC, the Corporation and the Trustee shall authenticate and deliver Replacement Obligations, in the denomination of $25,000 or any integral multiple of $25,000 to or at the direction of, and, if the event is not the result of Corporation action or inaction.

Principal of, premium, if any, and interest on Replacement Obligations will be payable when due without deduction for the services of the Paying Agent. Principal of any Replacement Obligations will be payable to the registered owner thereof upon presentation and surrender thereof at the principal corporate trust office of the Trustee. Interest thereon will be payable by the Trustee by check, draft or wire transfer, mailed to the registered owner of record on the registration books maintained by the Trustee (the "Register") as of the Record Date.

Replacement Obligations will be exchangeable for Replacement Obligations of authorized denominations, and transferable, at the designated office of the Trustee, without charge (except taxes or other governmental fees). Exchange or transfer of then redeemable Replacement Obligations is not required to be made (i) between the 15th day preceding the mailing of notice of Replacement Obligations to be redeemed and the date of that mailing, (ii) during the period from the day following the Record Date through the day preceding the ensuing Interest Payment Date, or (iii) of a particular Replacement Obligation selected for redemption (in whole or in part) until redemption.

APPENDIX I

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$73,800,000 Student Loan Revenue Bonds, Senior Series 2007-A-1
$36,900,000 Student Loan Revenue Bonds, Senior Series 2007-A-2
$12,300,000 Student Loan Revenue Bonds, Subordinate Series 2007-B-1
(Auction Rate Securities)

FORM OF BOND COUNSEL OPINION -- OFFERED OBLIGATIONS

June __, 2007

Mississippi Higher Education Assistance Corporation
2600 Lakeland Terrace
Jackson, Mississippi

RE: Mississippi Higher Education Assistance Corporation
Student Loan Revenue Bonds, Senior Series 2007-A-1
Student Loan Revenue Bonds, Senior Series 2007-A-2
Student Loan Revenue Bonds, Subordinate Series 2007-B-1

Gentlefolk:

We have acted as bond counsel in connection with the issuance of $73,800,000 aggregate principal amount of Student Loan Revenue Bonds, Senior Series 2007-A-1, $36,900,000 aggregate principal amount of Student Loan Revenue Bonds, Senior Series 2007-A-2 and $12,300,000 aggregate principal amount of Student Loan Revenue Bonds, Subordinate Series 2007-B-1 (collectively, the "Bonds") of Mississippi Higher Education Assistance Corporation, a Mississippi nonprofit corporation (the "Corporation"), pursuant to the Trust Indenture (the "Trust Indenture") dated as of June 1, 2004, as amended and supplemented by the Series 2007-A-1, 2007-A-2 and 2007-B-1 Supplement, dated as of June 1, 2007 (the "Series 2007-A-1&2&B-1 Supplement," and collectively with the Trust Indenture, the "Indenture"), each between the Corporation and Hancock Bank, Gulfport, Mississippi, as trustee (the "Trustee"). In that capacity, we have examined the appropriate provisions of the constitution and statutes of the State of Mississippi, certified copies of one or more resolutions adopted by the governing body of the Corporation with respect to the issuance of the Bonds, an executed counterpart of the Indenture, and such other documents, opinions of counsel, certificates and other assurances from representatives of the Corporation and matters as we considered necessary to enable us to render this opinion. On the basis of the foregoing examination and in reliance thereon, and on all such other matters of fact and conclusions of law as we deem relevant under the circumstances, we are of the opinion that:

1. The Corporation has been duly organized and is validly existing as a private nonprofit corporation in good standing under the laws of the State of Mississippi, with all requisite corporate power and authority to own and operate its properties and to carry on its businesses as now being conducted and as contemplated by the Indenture.

2. The Bonds have been duly and validly authorized and delivered pursuant to the authority granted by and in compliance with the provisions of the Indenture.

3. The Bonds are valid, legal and binding limited obligations of the Corporation, enforceable in accordance with the terms thereof.

4. The Indenture has been duly and validly authorized, executed and delivered, and constitutes a valid, legal and binding obligation of the Corporation, enforceable against the Corporation in accordance with the terms thereof.

5. Assuming continuing compliance with all covenants set forth in the Indenture, and subject to the condition and exceptions set forth below, under existing statutes, regulations and court decisions as presently interpreted and construed, interest on the Bonds earned by the respective owners thereof is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The opinion set forth above is subject to the condition that the Corporation comply with all requirements of the Code, compliance with which subsequent to the issuance of the Bonds is necessary in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Corporation has covenanted to comply with each such requirement, and failure of the Corporation to comply with such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Bonds are "private activity bonds," as defined in Section 141(a) of the Code, and "specified private activity bonds," as defined in Section 57(a)(5)(C) of the Code, and interest thereon is a specific item of tax preference which will be includable in computing alternative minimum tax imposed on all taxpayers by Section 55 of the Code. Interest on the Bonds will also be includable in computing the following: (a) the income adjustments for property and casualty insurers pursuant to Section 832 of the Code; (b) the branch profits tax imposed by Section 884 of the Code; and (c) the tax on excess "net passive income" imposed by Section 1375 of the Code on certain Subchapter S corporations that have Subchapter C earnings and profits.

Pursuant to the Indenture, the Bonds initially bear interest at Auction Period Rates, as defined in the Indenture. We express no opinion, and no opinion should be inferred from any conclusions set forth herein, with respect to any Bond at any time that such Bond does not bear interest at Auction Period Rates.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

We have not undertaken to verify by independent investigation the facts contained in the certifications of representatives of the Corporation, and we express no opinion herein relating to the accuracy, completeness or sufficiency of any offering material relating to the Bonds.

It is to be understood that the enforceability of the Indenture and the rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Yours very truly,

WATKINS LUDLAM WINTER & STENNIS, P.A.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]