NEW ISSUE: BOOK-ENTRY ONLY

$125,000,000
MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
$50,000,000 Student Loan Asset-Backed Notes, Senior Series 2005-A-3
$37,500,000 Student Loan Asset-Backed Notes, Senior Series 2005-A-4
$37,500,000 Student Loan Asset-Backed Notes, Senior Series 2005-A-5
(Auction Rate Taxable Notes)

Dated: Date of Issuance **Due:** September 1, 2035

Offered Obligations. Mississippi Higher Education Assistance Corporation (the "Corporation") has authorized the issuance of Student Loan Asset-Backed Notes, Senior Series 2005-A-3 (the "Series 2005-A-3 Notes"), Student Loan Asset-Backed Notes, Senior Series 2005-A-4 (the "Series 2005-A-4 Notes") and Student Loan Asset-Backed Notes, Senior Series 2005-A-5 (the "Series 2005-A-5 Notes" and, collectively with the Series 2005-A-3 Notes and the Series 2005-A-4 Notes, the "Offered Obligations"), as described in this Offering Memorandum. References in this Offering Memorandum to the "Auction Rate Taxable Notes" or the "Obligations" include the but are not limited to the Offered Obligations. The Offered Obligations will be issued as fully registered notes in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (the "Securities Depository"), New York, New York. See APPENDIX I -- "DESCRIPTION OF THE BOOK-ENTRY SYSTEM" in this Offering Memorandum. The Offered Obligations are being offered in aggregate principal amounts as follows and will have the initial interest rates determined on the Initial Rate Determination Date set forth below:

Series	Principal Amount	Price to Public	Underwriting Discount *	Net Proceeds Available to the Corporation**
Series 2005-A-3	$50,000,000	100%	0.34%	$49,828,000
Series 2005-A-4	$37,500,000	100%	0.34%	$37,371,000
Series 2005-A-5	$37,500,000	100%	0.34%	$37,371,000

* Rounded to nearest 1/1,000 of one percent.

** Net of Underwriting Discount and before deducting expenses estimated to be approximately $320,000.

Initial Rate Determination Date: October 12, 2005.

Delivery Date: October 13, 2005.

First Interest Payment Date: (i) for the Series 2005-A-3 Notes, November 9, 2005; (ii) for the Series 2005-A-4 Notes, November 16, 2005; and (iii) for the Series 2005-A-5 Notes, November 16, 2005.

Application of Proceeds of the Offered Obligations. The Offered Obligations are being 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 the Offered Obligations will also be used (1) to fund the portion of the Reserve Requirement which is attributable to the Offered Obligations and (2) 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 NET PROCEEDS OF THE OFFERED OBLIGATIONS" and "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM" in this Offering Memorandum.

Issuance of Concurrent Obligations. The Offered Obligations are being issued concurrently with the Corporation's $68,700,000 Student Loan Revenue Bonds, Senior Series 2005-A-1 (the "Series 2005-A-1 Bonds"), its $37,500,000 Student Loan Revenue Bonds, Senior Series 2005-A-2 (the "Series 2005-A-2 Bonds") and its $18,800,000 Student Loan Revenue Bonds, Subordinate Series 2005-B-1 (the "Series 2005-B-1 Bonds" and together with the Series 2005-A-1 Bonds and the Series 2005-A-2 Bonds, the "Concurrent Obligations"). The proceeds of the Concurrent Obligations will be used to acquire eligible loans, to fund the portion of the Reserve Requirement attributable to the Concurrent Obligations and to pay for certain fees and expenses incurred in connection with their issuance. The Concurrent Obligations and the Offered Obligations will be issued by the Corporation pursuant to and secured under the Indenture (as defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED OBLIGATIONS" in this Offering Memorandum.

Security for the Offered Obligations. **THE OFFERED OBLIGATIONS WILL BE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE, TOGETHER WITH THE OUTSTANDING OBLIGATIONS, THE CONCURRENT OBLIGATIONS AND ANY ADDITIONAL OBLIGATIONS HEREAFTER ISSUED PURSUANT TO THE INDENTURE, SOLELY FROM THE TRUST ESTATE, AS DESCRIBED IN THIS OFFERING MEMORANDUM. 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 Offering Memorandum.

INTEREST ON THE OFFERED OBLIGATIONS IS NOT EXEMPT FROM FEDERAL OR STATE INCOME TAX.

Delivery. *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 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 the Securities Depository in New York, New York, on or about October 13, 2005.*

Citigroup **Banc of America Securities LLC**

Dated: October 6, 2005

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 July 1, 1999 (the "Original Indenture"), as heretofore supplemented by the Series 2000-A-1 and 2000-B-1 Supplement, dated as of January 1, 2000 (the "Series 2000-A-1&B-1 Supplement"), the Series 2000-A-2, 2000-A-3 and 2000-B-2 Supplement, dated as of March 1, 2000 (the "Series 2000-A-2&3&B-2 Supplement"), the Series 2000-A-4 and 2000-B-3 Supplement, dated as of July 1, 2000 (the "Series 2000-A-4&B-3 Supplement"), the Series 2001-A-1 Supplement, dated as of August 1, 2001 (the "Series 2001-A-1 Supplement"), the Series 2003-A-1, 2003-A-2 and 2003-B-1 Supplement, dated as of June 1, 2003 (the "Series 2003-A-1&2&B-1 Supplement"), the Series 2003-A-3 Supplement, dated as of August 1, 2003 (the "Series 2003-A-3 Supplement"), the Series 2004-A-2, 2004-A-3 and 2004-A-4 Supplement, dated as of August 1, 2004 (the "Series 2004-A-2&3&4 Supplement" and, collectively with the Series 2000-A-1&B-1 Supplement, the Series 2000-A-2&3&B-2 Supplement, the Series 2000-A-4&B-3 Supplement, the Series 2001-A-1 Supplement, the Series 2003-A-1&2&B-1 Supplement and the Series 2003-A-3 Supplement, the "Prior Supplements"), and as supplemented by the Series 2005-A-1, 2005-A-2, 2005-A-3, 2005-A-4, 2005-A-5 and 2005-B-1 Supplement, dated as of September 1, 2005 (the "Series 2005-A-1&2&3&4&5&B-1 Supplement" and collectively with the Original Indenture, the Prior Supplements and any future amendments and supplements thereto, including but not limited to Series Supplements, the "Indenture"), each between the Corporation and Trustmark National Bank, Jackson, Mississippi, as trustee (the "Trustee").

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 I -- "DESCRIPTION OF THE BOOK-ENTRY SYSTEM."

The rate of interest on the Series 2005-A-3 Notes for a period beginning on and including the date of their initial delivery and ending on and including November 8, 2005 will be determined on or about October 12, 2005. Accrued and unpaid interest on the Series 2005-A-3 Notes, until a Conversion Date with respect to the Series 2005-A-3 Notes, if any, or a change in Interest Payment Dates with respect to the Series 2005-A-3 Notes, if any, will be payable on the first day of each Auction Period, commencing November 9, 2005.

The rate of interest on the Series 2005-A-4 Notes for a period beginning on and including the date of their initial delivery and ending on and including November 15, 2005 will be determined on or about October 12, 2005. Accrued and unpaid interest on the Series 2005-A-4 Notes, until a Conversion Date with respect to the Series 2005-A-4 Notes, if any, or a change in Interest Payment Dates with respect to the Series 2005-A-5 Notes, if any, will be payable on the first day of each Auction Period, commencing November 16, 2005.

The rate of interest on the Series 2005-A-5 Notes for a period beginning on and including the date of their initial delivery and ending on and including November 15, 2005 will be determined on or about October 12, 2005. Accrued and unpaid interest on the Series 2005-A-5 Notes, until a Conversion Date with respect to the Series 2005-A-5 Notes, if any, or a change in Interest Payment Dates with respect to the Series 2005-A-5 Notes, if any, will be payable on the first day of each Auction Period, commencing November 16, 2005.

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 Rate, based upon a 28-day Auction Period as determined by the Auction Agent pursuant to the Auction Procedures described herein, but in no event greater than 16% per annum. The initial Auction Period for any Series of the Offered Obligations may be adjusted to an Auction Period of not less than 7 days nor longer than one year pursuant to the procedures set forth in the hereinafter described Indenture. See APPENDIX E -- "AUCTION PROCEDURES -- Changes in Auction Terms." Each Series of the Offered Obligations bearing interest at an Auction Rate is subject to mandatory tender upon conversion of such Series of Offered Obligations to a Fixed Rate or a Variable Rate for such Series of Offered Obligations. See "DESCRIPTION OF THE OFFERED OBLIGATIONS -- Conversion; Mandatory Tender of the Auction Rate Securities."

With respect to the payment of principal and interest on each principal and interest payment date and upon an Event of Default and acceleration of the Offered Obligations and all other Obligations then Outstanding under the Indenture, the Offered Obligations, the Concurrent Senior Obligations and all other Obligations then Outstanding issued on a parity with the Offered Obligations (collectively, the "Senior Obligations"), and other Senior Beneficiaries, if any, have certain payment priorities over all Obligations then Outstanding issued on a basis subordinate to the Senior 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 Senior Obligations are outstanding or amounts are owed to other Senior Beneficiaries, failure to pay principal of and interest on 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."

SUMMARY STATEMENT

This Summary Statement is subject in all respects to the complete information contained elsewhere in this Offering Memorandum. The offering to potential investors of the Offered Obligations described in this Offering Memorandum is made only by means of this entire Offering Memorandum. No Persons are authorized to detach this Summary Statement from the Offering Memorandum or otherwise to use it without the entire Offering Memorandum. All capitalized terms used but not otherwise defined in this Offering Memorandum 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 pursuant to, and secured under, a Trust Indenture, dated as of July 1, 1999 (the "Original Indenture"), as heretofore supplemented by the Series 2000-A-1 and 2000-B-1 Supplement, dated as of January 1, 2000 (the "Series 2000-A-1&B-1 Supplement"), the Series 2000-A-2, 2000-A-3 and 2000-B-2 Supplement, dated as of March 1, 2000 (the "Series 2000-A-2&3&B-2 Supplement"), the Series 2000-A-4 and 2000-B-3 Supplement, dated as of July 1, 2000 (the "Series 2000-A-4&B-3 Supplement"), the Series 2001-A-1 Supplement, dated as of August 1, 2001 (the "Series 2001-A-1 Supplement"), the Series 2003-A-1, 2003-A-2 and 2003-B-1 Supplement, dated as of June 1, 2003 (the "Series 2003-A-1&2&B-1 Supplement"), the Series 2003-A-3 Supplement, dated as of August 1, 2003 (the "Series 2003-A-3 Supplement"), the Series 2004-A-2, 2004-A-3 and 2004-A-4 Supplement, dated as of August 1, 2004 (the "Series 2004-A-2&3&4 Supplement" and collectively with the Series 2000-A-1&B-1 Supplement, the Series 2000-A-2&3&B-2 Supplement, the Series 2000-A-4&B-3 Supplement, the Series 2001-A-1 Supplement, the Series 2003-A-1&2&B-1 Supplement, and the Series 2003-A-3 Supplement, the "Prior Supplements"), and the Series 2005-A-1, 2005-A-2, 2005-A-3, 2005-A-4, 2005-A-5 and 2005-B-1 Supplement, to be dated as of September 1, 2005 (the "Series 2005-A-1&2&3&4&5&B-1 Supplement" and collectively with the Original Indenture, the Prior Supplements and any future amendments and supplements, including but not limited to Series Supplements, the "Indenture"), each between the Corporation and Trustmark National Bank, Jackson, Mississippi, as trustee (the "Trustee").

The Offered Obligations will be issued, if at all, as Auction Rate Taxable Notes. References in this Offering Memorandum to Auction Rate Taxable Notes, "Auction Rate Securities"[sm] or the "ARS"[sm] include (but are not necessarily limited to) the Offered Obligations.

For a period beginning on and including the date of initial delivery and ending on and including November 8, 2005, the Series 2005-A-3 Notes will bear interest at the interest rate determined for such Series on or about the day immediately preceding the day of their delivery. Thereafter, the Series 2005-A-3 Notes will bear interest for each Auction Period at an Auction Rate, based upon a 28-day Auction Period, as determined by the Auction Agent pursuant to the Auction Procedures described herein, but in no event greater than 16% per annum until a Weekly Rate Conversion Date with respect to the Series 2005-A-3 Notes, if any, an Adjustable Rate Conversion Date with respect to the Series 2005-A-3 Notes, if any, or a Fixed Rate Conversion Date with respect to the Series 2005-A-3 Notes, if any.

For a period beginning on and including the date of initial delivery and ending on and including November 15, 2005, the Series 2005-A-4 Notes will bear interest at the interest rate determined for such Series on or about the day immediately preceding the day of their delivery. Thereafter, the Series 2005-A-4 Notes will bear interest for each Auction Period at an Auction Rate, based upon a 28-day Auction Period, as determined by the

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[sm] Service marks of Citigroup Global Markets Inc.

Auction Agent pursuant to the Auction Procedures described herein, but in no event greater than 16% per annum until a Weekly Rate Conversion Date with respect to the Series 2005-A-4 Notes, if any, an Adjustable Rate Conversion Date with respect to the Series 2005-A-4 Notes, if any, or a Fixed Rate Conversion Date with respect to the Series 2005-A-4 Notes, if any.

For a period beginning on and including the date of initial delivery and ending on and including November 15, 2005, the Series 2005-A-5 Notes will bear interest at the interest rate determined for such Series on or about the day immediately preceding the day of their delivery. Thereafter, the Series 2005-A-5 Notes will bear interest for each Auction Period at an Auction Rate, based upon a 28-day Auction Period, as determined by the Auction Agent pursuant to the Auction Procedures described herein, but in no event greater than 16% per annum until a Weekly Rate Conversion Date with respect to the Series 2005-A-5 Notes, if any, an Adjustable Rate Conversion Date with respect to the Series 2005-A-5 Notes, if any, or a Fixed Rate Conversion Date with respect to the Series 2005-A-5 Notes, if any.

Interest on each Series of the Offered Obligations, until a Weekly Rate Conversion Date with respect to such Series of Offered Obligations, if any, an Adjustable Rate Conversion Date with respect to such Series of Offered Obligations, if any, a Fixed Rate Conversion Date with respect to any such Series of Offered Obligations, if any, or a change in Interest Payment Dates for any such Series of Offered Obligations pursuant to the Indenture, will be payable on the first day of the Auction Period that immediately follows the Auction Period for which interest is being paid. Pursuant to an Auction Period Adjustment with respect to a Series of Offered Obligations, the Auction Period for such Series of Offered Obligations may be adjusted to an Auction Period with respect to such Series of not less than 7 days nor longer than one year. See APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES -- Changes in Auction Terms."

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 OFFERING MEMORANDUM 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.

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Prior Series Obligations

Prior to the issuance of the Offered Obligations, the Corporation has issued and there remain outstanding several Series of Obligations issued under and secured by the Indenture (each such Series hereinafter referred to as "Outstanding Prior Series Tax-Exempt Bonds" or "Outstanding Prior Series Taxable Notes," as appropriate, and collectively as, the "Outstanding Prior Series Obligations"). The following table lists and provides summary information about each of these Series as of the date of this Offering Memorandum:

CLASS OF BONDS/NOTES	SERIES	TAX STATUS	AMOUNT OUTSTANDING	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATE MODE
SENIOR BONDS	1999-A-1	TAX-EXEMPT	$ 26,500,000	7/22/99	8/1/29	AUCTION
SENIOR BONDS	1999-A-2	TAX-EXEMPT	21,100,000	7/22/99	6/1/07	AUCTION
SENIOR NOTES	1999-A-3	TAXABLE	20,000,000	7/22/99	8/1/29	AUCTION
SENIOR NOTES	2000-A-1	TAXABLE	72,900,000	1/28/00	9/1/30	AUCTION
SENIOR BONDS	2000-A-2	TAX-EXEMPT	28,400,000	4/13/00	9/1/30	AUCTION
SENIOR NOTES	2000-A-3	TAXABLE	84,000,000	4/13/00	9/1/30	AUCTION
SENIOR BONDS	2000-A-4	TAX-EXEMPT	9,100,000	8/22/00	9/1/30	AUCTION
SENIOR BONDS	2001-A-1	TAX-EXEMPT	27,300,000	8/14/01	9/1/31	AUCTION
SENIOR NOTES	2003-A-1	TAXABLE	91,300,000	6/26/03	9/1/33	AUCTION
SENIOR NOTES	2003-A-2	TAXABLE	91,300,000	6/26/03	9/1/33	AUCTION
SENIOR NOTES	2003-A-3	TAXABLE	16,900,000	8/28/03	9/1/33	AUCTION
SENIOR NOTES	2004-A-2	TAXABLE	60,000,000	8/26/04	9/1/34	AUCTION
SENIOR NOTES	2004-A-3	TAXABLE	35,000,000	8/26/04	9/1/34	AUCTION
SENIOR NOTES	2004-A-4	TAXABLE	45,000,000	8/26/04	9/1/34	AUCTON
SUBORDINATE BONDS	1999-B-1	TAX-EXEMPT	8,500,000	7/22/99	8/1/29	AUCTION
SUBORDINATE NOTES	2000-B-1	TAXABLE	8,100,000	1/28/00	9/1/30	AUCTION
SUBORDINATE BONDS	2000-B-2	TAX-EXEMPT	12,000,000	4/13/00	9/1/30	AUCTION
SUBORDINATE BONDS	2000-B-3	TAX-EXEMPT	20,000,000	8/15/00	3/1/10	FIXED RATE
SUBORDINATE NOTES	2003-B-1	TAXABLE	15,000,000	6/26/03	9/1/33	AUCTION
TOTAL			$692,400,000			

Concurrent Obligations

The Offered Obligations are being sold and delivered concurrently with the Corporation's Student Loan Revenue Bonds, Senior Series 2005-A-1 (the "Series 2005-A-1 Bonds"), to be issued in the aggregate principal amount of $68,700,000, its Student Loan Revenue Bonds, Senior Series 2005-A-2, to be issued in the aggregate principal amount of $37,500,000 (the "Series 2005-A-2 Bonds" and, collectively with the Series 2005-A-1 Bonds, the "Concurrent Senior Obligations"), and its Student Loan Revenue Bonds, Subordinate Series 2005-B-1 (the "Series 2005-B-1 Bonds" or the "Concurrent Subordinate Obligations" and, together with the Concurrent Senior Obligations, the "Concurrent Obligations"), to be issued in the aggregate principal amount of $18,800,000. The Concurrent Obligations will be issued under the Indenture and secured by the same Trust Estate as the Offered Obligations but are not being offered under this Offering Memorandum.

The following table lists and provides summary information about each Series of the Concurrent Obligations to be issued upon the issuance of the Offered Obligations.

CLASS OF BONDS/NOTES	SERIES	TAX STATUS	AMOUNT OUTSTANDING	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATE MODE
SENIOR BONDS	2005-A-1	TAX-EXEMPT	$ 68,700,000	10/13/05	9/1/35	AUCTION
SENIOR BONDS	2005-A-2	TAX-EXEMPT	37,500,000	10/13/05	9/1/35	AUCTION
SUBORDINATE BONDS	2005-B-1	TAX-EXEMPT	18,800,000	10/13/05	9/1/35	AUCTION
TOTAL			$125,000,000			

Additional Obligations

The Indenture authorizes, subject to certain conditions, the issuance of additional Series of Taxable Notes and additional Series of Tax-Exempt Bonds. All Tax-Exempt Bonds (other than the Concurrent Obligations) and Taxable Notes (other than the Offered Obligations) hereafter issued under the Indenture are respectively referred to herein individually as the "Additional Tax-Exempt Bonds" and the "Additional Taxable Notes," and, collectively, as the "Additional Obligations." The Offered Obligations, along with the Outstanding Prior Series Taxable Notes and any Additional Taxable Notes hereafter issued are collectively referred to herein as the "Taxable Notes." The Outstanding Prior Series Tax-Exempt Bonds, the Concurrent Obligations, and any Additional Tax-Exempt Bonds hereafter issued are collectively referred to herein as the "Tax-Exempt Bonds." The Taxable Notes and the Tax-Exempt Bonds are collectively referred to herein as the "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, 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."

General Purposes of Issuance of Offered Obligations

The Offered Obligations are being 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 (A) to fund the portion of the Reserve Requirement which is attributable to that Series of Offered Obligations and (B) to pay certain fees and expenses incurred in connection with the issuance of the Offered Obligations. See "APPLICATION OF THE NET 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 interest payments on each principal and interest payment date or upon the occurrence of an Event of Default and the acceleration of the Obligations, the Offered Obligations, the Concurrent Senior Obligations, any other Outstanding Senior Obligations and any Additional Obligations hereafter issued on a parity with the Offered Obligations, and other Senior Beneficiaries, if any, will have certain payment priorities over the Outstanding Subordinate Obligations, the Concurrent Subordinate Obligations, and any Additional Obligations hereafter issued on a parity with Outstanding 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

A Series of Offered Obligations, while bearing interest at Auction Rates, will be subject to redemption prior to maturity, at the option of the Corporation, in whole or in part, 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) 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 Series of Offered Obligations to be so redeemed, plus accrued and unpaid interest to the Redemption Date, on the first day following the end of any Auction Period for such Series of Offered Obligations to be redeemed. See "REDEMPTION -- Optional Redemption of Offered Obligations."

Unless monies in an amount sufficient to effect such redemption shall 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 given to the Holders, such redemption shall be contingent upon the availability of funds to effect such redemption.

Mandatory Redemption

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 of such Series to be redeemed, plus, unless the Redemption Date will be an Interest Payment Date with respect to the Offered Obligations being redeemed, accrued and unpaid interest, if any, to the Redemption Date, on the first day following the end of any Auction Period for the Offered Obligations of such Series to be redeemed from moneys allocable to the Offered Obligations which are required to be transferred from the Original Proceeds Subaccount and/or the Revolving Subaccount of the Acquisition Account to the Redemption Subaccount pursuant to the Series 2005-A-1&2&3&4&5&B-1 Supplement. See "REDEMPTION -- Mandatory Redemption of Offered Obligations from Moneys in the Acquisition Account and Surplus Account -- Manner and Notice of Redemption."

Guarantee Agencies

It is expected that substantially all Eligible Loans to be acquired with the proceeds of the Offered Obligations will be guaranteed by Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance ("ASA"). In addition, Eligible Loans may be acquired from time to time under the Indenture guaranteed by (i) United Student Aid Funds, Inc. ("USA Funds"), Pennsylvania Higher Education Assistance Agency ("PHEAA"), Great Lakes Higher Education Guaranty Corporation ("GLHEGC"), Kentucky Higher Education Assistance Authority ("KHEAA"), Louisiana Student Financial Assistance Commission ("LASFAC"), National Student Loan Program, Inc. ("NSLP") or Tennessee Student Assistance Corporation ("TSAC" and each of ASA and an entity in this item (i), a "Guarantee Agency"), (ii) California Student Aid Commission ("CSAC"), Student Loan Guarantee Foundation of Arkansas, Texas Guaranteed Student Loan Corporation ("TGSLC"), Florida Department of Education ("FDE") and New York State Higher Education Services Corporation ("NYSHESC" and each entity in this item (ii), an "Other Qualified Guarantor") or (iii) any other agency or entity which guarantees Student Loans provided that the Corporation shall have provided to the Trustee written evidence from each Rating Agency that the acquisition of Eligible Loans guaranteed by such agency or entity will not cause the withdrawal or reduction of the ratings then applicable to any Series of Obligations issued under the Indenture (any such agency or entity also an "Other Qualified Guarantor"). See "THE GUARANTEE AGENCIES AND THE GUARANTEED STUDENT LOAN PROGRAM."

The Servicers

It is expected that substantially all Eligible Loans to be acquired with the proceeds of the Offered Obligations will be serviced by CFS-SunTech. The Corporation is permitted under the Indenture to use additional and other Servicers, including the Corporation and/or Education Services Foundation (the "Foundation") and

PHEAA 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 Moody's Investors Service, Inc. ("Moody's") assigns its rating of "Aaa" and Fitch Ratings ("Fitch") assigns its rating of "AAA" to the Offered Obligations. See "RATINGS" herein.

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 Outstanding Senior Obligations (which will include the Outstanding Offered Obligations upon issuance) and other Senior Beneficiaries, if any, will have priority over the payment of principal of and interest on Outstanding Subordinate Obligations and any other Subordinate Beneficiaries. As long as Senior Obligations are Outstanding and amounts are due to other Senior Beneficiaries, if any, the failure to pay principal of and interest on Subordinate Obligations and amounts due to any other Subordinate Beneficiaries is not an Event of Default, and therefore the Owners of the 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 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 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."

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OFFERING MEMORANDUM

relating to

Mississippi Higher Education Assistance Corporation
Student Loan Asset-Backed Notes, Senior Series 2005-A-3
Student Loan Asset-Backed Notes, Senior Series 2005-A-4
Student Loan Asset-Backed Notes, Senior Series 2005-A-5
(Auction Rate Taxable Notes)

INTRODUCTION

This Offering Memorandum sets forth information concerning the issuance by the Mississippi Higher Education Assistance Corporation (the "Corporation") of Student Loan Asset-Backed Notes, Senior Series 2005-A-3 (the "Series 2005-A-3 Notes"), Student Loan Asset-Backed Notes, Senior Series 2005-A-4 (the "Series 2005-A-4 Notes") and Student Loan Asset-Backed Notes, Senior Series 2005-A-5 (the "Series 2005-A-5 Notes," and, together with the Series 2005-A-3 Notes and the Series 2005-A-4 Notes, the "Offered Obligations"). The Offered Obligations will be issued pursuant to the Trust Indenture, dated as of July 1, 1999 (the "Original Indenture"), as heretofore supplemented by the Series 2000-A-1 and 2000-B-1 Supplement, dated as of January 1, 2000 (the "Series 2000-A-1&B-1 Supplement"), the Series 2000-A-2, 2000-A-3 and 2000-B-2 Supplement, dated as of March 1, 2000 (the "Series 2000-A-2&3&B-2 Supplement"), the Series 2000-A-4 and 2000-B-3 Supplement, dated as of July 1, 2000 (the "Series 2000-A-4&B-3 Supplement"), the Series 2001-A-1 Supplement, dated as of August 1, 2001 (the "Series 2001-A-1 Supplement"), the Series 2003-A-1, 2003-A-2 and 2003-B-1 Supplement, dated as of June 1, 2003 (the "Series 2003-A-1&2&B-1 Supplement"), the Series 2003-A-3 Supplement, dated as of August 1, 2003 (the "Series 2003-A-3 Supplement"), the Series 2004-A-2, 2004-A-3 and 2004-A-4 Supplement (the "Series 2004-A-2&3&4 Supplement" and, collectively with the Series 2000-A-1&B-1 Supplement, the Series 2000-A-2&3&B-2 Supplement, the Series 2000-A-4&B-3 Supplement, the Series 2001-A-1 Supplement, the Series 2003-A-1&2&B-1 Supplement and the Series 2003-A-3 Supplement, the "Prior Supplements"), and as supplemented by a Series 2005-A-1, 2005-A-2, 2005-A-3, 2005-A-4, 2005-A-5 and 2005-B-1 Supplement, to be dated as of September 1, 2005 (the "Series 2005-A-1&2&3&4&5&B-1 Supplement" and, collectively with the Original Indenture, the Prior Supplements and any future amendments and supplements thereto, including, but not limited to, Series Supplements, the "Indenture"), each between the Corporation and Trustmark National Bank, Jackson, 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 making or 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 any 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 the date of the Original Indenture, 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 GUARANTEE AGENCIES 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 purpose generally of providing funds to acquire student loans that will be guaranteed by authorized guarantee agencies and reinsured by the United States government ("Eligible Loans"), funding the portion of the Reserve Requirement which is attributable to the Offered Obligations and paying certain fees and expenses incurred in connection with the issuance of the Offered Obligations. See "APPLICATION OF THE NET PROCEEDS OF THE OFFERED OBLIGATIONS."

The Offered Obligations are being sold and delivered concurrently with the Corporation's Student Loan Revenue Bonds, Senior Series 2005-A-1 (the "Series 2005-A-1 Bonds"), to be issued in the aggregate principal amount of $68,700,000, its Student Loan Revenue Bonds, Senior Series 2005-A-2, to be issued in the aggregate principal amount of $37,500,000 (the "Series 2005-A-2 Bonds" and, collectively with the Series 2005-A-1 Bonds, the "Concurrent Senior Obligations"), and its Student Loan Revenue Bonds, Subordinate Series 2005-B-1 (the "Series 2005-B-1 Bonds" or the "Concurrent Subordinate Obligations" and, together with the Concurrent Senior Obligations, the "Concurrent Obligations"), to be issued in the aggregate principal amount of $18,800,000. The Concurrent Obligations will be issued under the Indenture and secured by the same Trust Estate as the Offered Obligations but are not being offered under this Offering Memorandum.

The Indenture authorizes, subject to certain conditions, the issuance of Additional Taxable Notes and Additional Tax-Exempt Bonds. All Taxable Notes and all Tax-Exempt Bonds hereafter issued under the Indenture, other than the Offered Obligations and the Concurrent Obligations, are respectively referred to herein individually as the "Additional Taxable Notes" and the "Additional Tax-Exempt Bonds," respectively, and collectively as the "Additional Obligations." The Offered Obligations, the Outstanding Prior Series Taxable Notes, along with any Additional Taxable Notes, are collectively referred to herein as the "Taxable Notes." The Concurrent Obligations, the Outstanding Prior Series Tax-Exempt Bonds, along with any Additional Tax-Exempt Bonds, 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." Additional Obligations may be on a parity with, or subordinate to, the Senior Obligations (including upon issuance the Offered Obligations) and other Senior Beneficiaries. Additional Obligations may also be on a parity with, or subordinate to, 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 Offering Memorandum. The information and descriptions in this Offering Memorandum 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 Offering Memorandum 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 Contracts of Insurance, all Certificates of Insurance, 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 other Outstanding Obligations, and 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 G -- "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 GUARANTEE AGENCIES 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 current interest and principal and payment of any other obligations to Beneficiaries, Senior Obligations (which include the Prior Series Senior Obligations and will include upon their issuance the Offered Obligations, the Concurrent Senior Obligations, and any Additional Taxable Notes of a Senior Series and any Additional Tax-Exempt Bonds of a Senior Series) and any other Senior Beneficiaries have certain payment priorities over Subordinate Obligations (which include the Series 1999-B-1 Bonds, the Series 2000-B-1 Notes, the Series 2000-B-2 Bonds, the Series 2000-B-3 Bonds, the Series 2003-B-1 Notes and will include upon their issuance the Concurrent Subordinate Obligations, any Additional Taxable Notes of a Subordinate Series and any Additional Tax-Exempt Bonds of a Subordinate Series) 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 and 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 the 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 any Transferred Proceeds Subaccount (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 applied to pay Carry-over Amounts on a Series of Taxable Notes and 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 102% 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 and release of Student Loans from the lien of the Indenture under certain circumstances, (1) that the ratio of (A) the Balances credited to the Trust Estate Fund to (B) 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 112% and (2) that the ratio of the Balances credited to the Trust Estate Fund to the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to 103%; (b) with respect to redemption of Obligations, including redemption of Subordinate Obligations by operation of Sinking Fund Requirements but excluding redemption of Senior Obligations by operation of Sinking Fund Requirements, and with respect to all other cases not specifically addressed in (a) above, (1) that the ratio of (A) the Balances credited to the Trust Estate Fund to (B) 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 110% and (2) that the ratio of the Balances credited to the Trust Estate Fund to the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to 102%; 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.

For purposes of issuance of the Offered Obligations, the Senior Asset Requirement will be the following as set forth in the Series 2005-A-1&2&3&4&5&B-1 Supplement in accordance with item (c) above: that the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal amount of 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 108%, and that the ratio of the Balances credited to the Trust Estate Fund to the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to 98%. In connection with any future issuance of Additional Obligations, the Senior Asset Requirement ratios for purposes of such issuance may be lower than the ratios applicable to the Offered Obligations.

Reserve Requirement

The Obligations, including the Offered Obligations, will be secured additionally 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 2% of the Outstanding principal amount of Obligations; $500,000; or 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 Offering Memorandum 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 Offering Memorandum 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 G -- 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 Guarantee Agencies 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 Offering Memorandum 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 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 which currently offers consolidation loans at an interest rate substantially lower than the FFELP 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 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, and 2004. The Higher Education Act is currently scheduled to expire on December 31, 2005, and is currently in the process of reauthorization by Congress. Amendments to the Higher Education Act are likely to occur in connection with the reauthorization process. Both the House of Representatives and the Senate are considering legislation to reauthorize the Higher Education Act. The House of Representatives is currently considering H.R. 609, the College Access and Opportunity Act, originally introduced on February 8, 2005. After extensive debate, the House Committee on Education and the Workforce voted primarily along party lines to approve a heavily amended version of H.R. 609 on July 22, 2005. The Senate is currently considering S. 1614, the Higher Education Amendments of 2005, originally introduced on September 6, 2005, which was unanimously approved on September 8, 2005, by the Senate Committee on Health, Education, Labor and Pensions. Although H.R. 609 has been sent to the full House for consideration, and S. 1614 has been ordered to be reported to the full Senate for consideration, it is unclear when final enactment of reauthorization of the Higher Education Act will occur.

There can be no assurance that the Higher Education Act will be reauthorized prior to or after December 31, 2005. If reauthorization is not enacted prior to December 31, 2005, the current expiration date for the authority of the FFEL program would have to be extended in order to avoid a lapse in program authority. Congress has previously provided for temporary extensions of authorization of the FFEL program to avoid such a lapse in program authority. There can be no assurance that the current December 31, 2005, authorization expiration date will be extended however. Moreover, there can be no assurance that reauthorization of the Higher Education Act will not change current provisions of the Higher Education Act or that other future amendments will not be made to all or portions of the Higher Education Act, any or all of which may materially adversely affect the sufficiency of the Guaranteed Loans constituting the Trust Estate and the revenues to be derived with respect to the Trust Estate to pay principal of and interest on the Offered Obligations.

(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 GUARANTEE AGENCIES 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 also 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 GUARANTEE AGENCIES 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 Senior 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 Taxable Notes at an Auction if the Auction fails; that is, if there are more Auction Rate Taxable Notes offered for sale than there are buyers for those Auction Rate Taxable Notes. Also, if an Existing Owner places hold orders (orders to retain Auction Rate Taxable Notes) 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 Taxable Notes. If an Existing Owner submits a hold order for Auction Rate Taxable Notes 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 Taxable Notes. See APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

As noted above, if there are more Auction Rate Taxable Notes offered for sale than there are buyers for those Auction Rate Taxable Notes in any Auction, the Auction will fail and an Existing Owner may not

be able to sell some or all of the its Auction Rate Taxable Notes at that time. The relative buying and selling interest of market participants in Auction Rate Taxable Notes and in the auction rate securities market as a whole will vary over time, and such variations may be affected by, among other things, news relating to the Corporation, the attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), the tax treatment accorded the instruments, the accounting treatment accorded Auction Rate Taxable Notes, including recent clarifications of U.S. generally accepted accounting principles relating to the treatment of Auction Rate Taxable Notes, reactions to regulatory actions or press reports, financial reporting cycles and market sentiment generally. Shifts of demand in response to any one or simultaneous particular events cannot be predicted and may be short-lived or exist for longer periods.

A Broker-Dealer may submit orders in Auctions for its own account. Any Broker-Dealer submitting an order for its own account in any Auction will have an advantage over other bidders in that it would have knowledge of other orders placed through it in that Auction (but it would not have knowledge of orders submitted by other broker-dealers, if any). As a result of the Broker-Dealer bidding, the Auction clearing rate may be higher or lower than the rate that would have prevailed if the Broker-Dealer had not bid. A Broker-Dealer may also bid in order to prevent what would otherwise be a failed Auction, or an Auction clearing at a rate that the Broker-Dealer believes does not reflect the market for such securities at the time of the Auction. Broker-Dealers may, but are not obligated to, advise Existing Owners of the Auction Rate Taxable Notes that the rate that will apply in an "all hold" auction is often a lower rate than would apply if Existing Owners submit bids, and such advice, if given, may facilitate the submission of bids by Existing Owners that would avoid the occurrence of an "all hold" auction. A Broker-Dealer may, but is not obligated to, encourage additional or revised investor bidding in order to prevent an "all-hold" auction.

The Underwriters have advised the Corporation that the Underwriters and various other Broker-Dealers and other firms that participate in the auction rate securities market received letters from the staff of the Securities and Exchange Commission (the "SEC") in the spring of 2004. The letters requested that each of these firms voluntarily conduct an investigation regarding its respective practices and procedures in that market. Pursuant to these requests, each of the Underwriters conducted its own voluntary review and reported its findings to the SEC staff. At the SEC staff's request, the Underwriters are engaging in discussions with the SEC staff concerning its inquiry. Neither the Underwriters nor the Corporation can predict the ultimate outcome of the inquiry or how that outcome will affect the market for the Auction Rate Taxable Notes or the Auctions.

(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 impact of which are difficult to project. See "THE GUARANTEE AGENCIES AND THE GUARANTEED STUDENT LOAN PROGRAM" and "RISK FACTORS - - Hurricane Katrina."

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 loan. 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 ending September 30, 2005, 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 office to be a disaster area in connection with a national emergency, or (iii) suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary, to ensure that such recipients of student financial assistance 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, 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 directly affected by, areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable. The 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 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."

(xiii) **Hurricane Katrina**. On August 29, 2005, Hurricane Katrina, a category 4 hurricane, hit states in the Gulf Coast region of the southeastern United States. The Federal Emergency Management Agency, a department of the U.S. Department of Homeland Security ("FEMA") declared a significant number of counties and parishes in Mississippi, Louisiana, Alabama and Florida as federally-declared disaster areas resulting from Hurricane Katrina. The Department of Education has announced that all borrowers, students and their families who, at the time of the disaster, were residing in, employed in, or attending an institution located in an area designated as a federally-declared disaster area may be granted an administrative forbearance for a period not to exceed three months. See "RISK FACTORS -- (ix) General Economic Conditions."

Approximately thirty-one percent (31%) of the total outstanding principal balance of Pledged Student Loans are to borrowers who are residents of, employed in or attending institutions in federally-declared disaster

areas affected by Hurricane Katrina. It is expected that approximately twenty-one percent (21%) of the Pledged Student Loans will be granted a ninety (90) day forbearance.

It is unknown whether the effects of Hurricane Katrina will result in an increase in defaults by borrowers in the repayment of their Student Loans. It is also unknown what, if any, federal legislation will be adopted or what impact such legislation could have on defaults by borrowers or the amount of subsidies, if any, that the Department of Education may pay holders of Student Loans affected by Hurricane Katrina.

Additionally, it is unknown whether the effects of Hurricane Katrina could be deemed to impose an undue hardship on a debtor or debtor's dependents under Title 11 of the United States Bankruptcy Code. See "APPENDIX C -- Description of the Federal Family Education Loan Program -- Education Loans Generally Not Subject to Discharge in Bankruptcy."

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 Education 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 Higher Learning of the State and the Post-Secondary Education 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 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 provides, 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 and the Secretary of Education entered into the Contract of Insurance on August 12, 1982, and the Trustee was, at that time, issued an Eligible Lender identification number by the Secretary of Education. The Trustee has entered into one or more Guarantee Agreements with one or more Guarantors.

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
Tom B. Scott, Jr. Director	Attorney, Scott & Scott
Sid J. Sims Director	Senior Vice President, AmSouth 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 member's position to be filled by a person designated by the Student Body President's Council is currently vacant.

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 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 Foundation 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 Section 509(a)(2) 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 home page, and developing and operating two 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 home page 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 two 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 June 30, 2005, the Corporation had outstanding approximately $1,188,955,000 in principal amount of student loan bonds and notes and held a total of approximately $960,859,000 unpaid principal amount of Student Loans. Except for $692,400,000 in principal amount of Prior Series Obligations issued under the Indenture, all of these student loan bonds and notes have been issued under trust indentures other than the Indenture. Except for approximately $645,972,000 unpaid principal amount of Student Loans acquired with the proceeds of the Prior Series Obligations, all of the Student Loans are held under indentures other than the Indenture and are subject to the lien of these other 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 or the Concurrent Obligations, and none of the Student Loans or other assets and revenues to be acquired with the proceeds of the Offered Obligations or the Concurrent 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
2000	$187,926,000
2001	$ 28,013,000
2002	$ 84,456,000
2003	$242,329,000
2004	$225,900,000

For the six months ended June 30, 2005, the approximate aggregate outstanding principal balances of all Student Loans acquired during such period by the Corporation from the proceeds of its student loan revenue bond and asset-backed note issues was $81,640,000.

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, the Guarantee Agencies, other Qualified 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 in connection with the issuance of the Offered Obligations. See "APPLICATION OF THE NET 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 may include the waiver of origination fees (in whole or in part) and/or the reduction of the interest rate on a Student Loan.

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.

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 Guarantee Agency, 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.

Consolidation Loan Marketing Agreements

The Corporation has entered into two marketing agreements for Consolidation Loans. One such agreement (the "CFS Marketing Agreement") is with Collegiate Funding Services, L.L.C. ("CFS"). The other such agreement (the "Foundation Marketing Agreement" and collectively with the CFS Marketing Agreement, the "Marketing Agreements") is with the Foundation. Under the Marketing Agreements the Corporation receives completed applications for Consolidation Loans for origination in exchange for the payment by the Corporation of

marketing fees to CFS and the Foundation, respectively. These arrangements provide the Corporation with additional sources for acquiring Student Loans.

The Corporation expects to use a significant portion of the proceeds of the Offered Obligations to finance the origination of Consolidation Loans marketed under the CFS Marketing Agreement. No significant portion of the proceeds of the Offered Obligations is expected to be used to finance the origination of Consolidation Loans marketed under the Foundation Marketing Agreement.

Effective April 1, 2006, the amount of loans required to be marketed by CFS to the Corporation under the CFS Marketing Agreement will decrease by $100,000,000 per year. CFS has indicated that it desires to keep open the possibility of replacing some or all of such volume, although the terms and conditions of such arrangement would be subject to future negotiations between the parties.

The Corporation may in the future enter into agreements with other parties similar to the Marketing Agreements with CFS and the Foundation, and the proceeds of Additional Obligations issued under the Indenture may be used to finance the origination of Consolidation Loans marketed under such agreements, although there is no guarantee that such will be the case.

Servicing and Due Diligence

CFS-SunTech Servicing LLC ("CFS-SunTech"), a Delaware limited liability company and wholly-owned subsidiary of CFS Servicing LLC, a wholly-owned subsidiary of CFS, 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, 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 currently operating its student loan servicing business through CFS-SunTech. 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.

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 the 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 Guarantee Agencies 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 Guarantee Agencies. 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 GUARANTEE AGENCIES AND THE GUARANTEED STUDENT LOAN PROGRAM

The information contained in this Offering Memorandum relating to Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance ("ASA"), United Student Aid Funds, Inc. ("USA Funds") and Pennsylvania Higher Education Assistance Agency (in its capacity as a guarantor), which are expected to be the only agencies which will guarantee a material amount of the Pledged Eligible Loans or the Eligible Loans to be acquired with the proceeds of the Offered Obligations, has been supplied by each Guarantor for inclusion in this Offering Memorandum. 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. The Corporation does not expect that CSAC, FDE, GLHEGC, KHEAA, LASFAC, NSLP, NYSHESC, TGSLC or TSAC will be guarantors on any material amount of the Pledged Eligible Loans or on the Pledged Eligible Loans acquired with the proceeds of the Offered Obligations, and consequently CSAC, FDE, GLHEGC, KHEAA, LASFAC, NSLP, NYSHESC, TGSLC and TSAC have not supplied similar information for this Offering Memorandum.

The Corporation anticipates that Eligible Loans to be acquired with the proceeds of the Offered Obligations will be guaranteed primarily by ASA. For information about the Guarantors of Eligible Loans acquired with the proceeds of Prior Obligations, see APPENDIX H -- "PORTFOLIO DATA FOR PLEDGED ELIGIBLE LOANS HELD IN THE TRUST ESTATE."

American Student Assistance

Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance ("ASA") was incorporated in 1956 and was selected in 1965 to provide a guaranteed student loan program in accordance with the Higher Education Act. ASA is a private, nonprofit corporation subject to Chapter 180, Massachusetts General Laws, and is headquartered in Boston, Massachusetts. ASA is the designated guarantor for the commonwealth of Massachusetts and has an established operating center in Boston. ASA has also been designated as the guarantor for the District of Columbia. ASA guarantees Stafford and SLS loans made to borrowers participating in the Access Group^{SM} Loan Programs and attending law schools in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont and New York.

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:

Fiscal Year	Guaranty Volume (in millions)
2000	$683
2001	$680
2002	$779
2003	$914
2004	$1,270

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 in applicable. The VFA establishes a "fee for service" model under which the 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.

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 form 2000:

Federal Fiscal Year	Cumulative Recovery Rate
2000	34.8%
2001	69.8%
2002	74.4%
2003	79.4%
2004	83.5%

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. For the federal years 2000 - 2004, 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. 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:

Federal Fiscal Year	Claims Rate
2000	1.0%
2001	1.3%
2002	1.2%
2003	0.9%
2004	0.6%

Net Loan Default Claims. The following table sets forth the dollar value of Default Claims paid by ASA net of repurchases and refunds for the last five years:

Federal Fiscal Year	Default Claims (Dollars in Millions)
2000	$53
2001	$64
2002	$72
2003	$80
2004	$83

Default Recoveries. The following table sets forth the amount of recoveries returned by ASA to the U.S. Department of Education for the last five years:

Federal Fiscal Year	Default Recoveries (Dollars in Millions)
2000	$92
2001	$82
2002	$86
2003	$79
2004	$82

United Student Aid Funds, Inc.

USA Funds was organized as a private, non-profit 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 in Arizona, Hawaii, Indiana, Kansas, Maryland, Mississippi, Nevada, Wyoming, and certain Pacific Islands. USA Funds contracts with Sallie Mae, Inc., a wholly-owned subsidiary of SLM Corporation, which in turn is the parent corporation of Student Loan Marketing Association, a federally chartered government sponsored enterprise. USA Funds also contracts with Student Assistance Corporation, a wholly-owned subsidiary of SLM Corporation.

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 with the U.S. Secretary of Education (the "Secretary" and such agreements collectively, the "Federal Reinsurance Agreements"). 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 (i) the administrative or financial condition of the guaranty agency jeopardizes the agency's continued ability to perform its responsibilities under its guaranty agreement (ii) it is necessary to protect the Federal financial interest or (iii) 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 Higher Education Act and the disbursement date of loans, and ranges from 100% to 75% 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 October 1, 1998 to a range from 95% to 75% based upon the annual default claims rate of the guaranty agency. Reinsurance on non-default claims remains at 100%.

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. Upon enactment of the 1998 Reauthorization Law, Federal Family Education Loan Program reserves became part of the federal reserve fund.

The 1998 Reauthorization Law requires guaranty agencies to return to the Secretary $250 million in 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. The remaining balance due of $34 million will be remitted in equal installments in 2006 and 2007.

Effective for all Federal Stafford and PLUS loans that USA Funds guarantees on or after April 1, 2005, USA Funds waives the guarantee fee of up to 1 percent of the principal amount of new loans that federal law permits a guarantor to assess.

As of September 30, 2004, USA Funds had total federal reserve-fund assets of approximately $368 million; allowance for future defaults, and deferred revenue of approximately $194 million; and a fund balance of approximately $168 million. Through September 30, 2004, 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 $57 billion. In addition, as of September 30, 2004, USA Funds had operating-fund assets and non-Federal Family Education Loan Program assets totaling approximately $462 million.

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

Federal Fiscal Year	Guaranty Volume (in millions)
2000	$6,869
2001	$7,379
2002	$8,162
2003	$9,587
2004	$9,967

Reserve Ratio. USA Funds' reserve ratios, determined by dividing its cumulative cash reserves by the original principal amount of the outstanding education loans it has guaranteed, were as follows for the last five federal fiscal years:

Federal Fiscal Year	Reserve Ratio
2000	1.16%
2001	0.74%
2002	0.55%
2003	0.44%
2004	0.36%

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 by dividing the amount recovered from borrowers during the fiscal year by the aggregate amount of default claims paid by USA Funds outstanding at the end of the prior federal fiscal year. USA Funds' recovery rates were as follows for the last five federal fiscal years:

Federal Fiscal Year	Recovery Rates
2000	25.5 %
2001	33.86%
2002	32.84%
2003	30.14%
2004	35.97%

Claims Rate. 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:

Federal Fiscal Year	Claims Rate
2000	2.04%
2001	2.50%
2002	1.97%
2003	1.37%
2004	1.13%

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: Manager, Corporate Communications.

Pennsylvania Higher Education Assistance Agency

Pennsylvania Higher Education Assistance Agency ("PHEAA" or the "Agency") 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 June 30, 2005, PHEAA has guaranteed a total of approximately $33.5 billion principal amount of Stafford Loans, approximately $4.4 billion principal amount of PLUS and SLS Loans and approximately $21.8 billion principal amount of consolidation loans under the Higher Education Act. Of the total amount of all loans guaranteed, PHEAA estimates that approximately $30.1 billion original principal amount of such loans are outstanding. 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 the 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 years, the annual default claims percentages have been as follows:

Federal Fiscal Year	Annual Default Claims Percentages
2000	1.11%
2001	1.70%
2002	1.70%
2003	1.45%
2004	1.09%

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 that 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 is to occur 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 $8.9 million was due and paid by September 1, 2002. $17.4 million remains as an amount payable to the Department as of December 31, 2003 for the recalls due in 2006 and 2007.

As of June 30, 2005, PHEAA had total federal reserve-fund assets of approximately $82.6 million; and deferred revenue of approximately $2.4 million; and a fund balance of approximately $45.3 million. Through June 30, 2005, the outstanding amount of principal on loans that had been directly guaranteed by PHEAA under the Federal Family Education Loan Program was approximately $30.1 billion. In addition, as of June 30, 2005, PHEAA had operating-fund assets and non-Federal Family Education Loan Program assets totaling approximately $6.4 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:

Federal Fiscal Year	Guaranty Volume (in millions)
2000	$2,076
2001	$2,252
2002	$2,530
2003	$2,813
2004	$3,131

Reserve Ratio. PHEAA's reserve ratios, determined by dividing its cumulative cash reserves by the original principal amount of the outstanding education loans it has guaranteed, were as follows for the last five federal fiscal years.

Under current law, PHEAA is required to manage its federal fund so net assets are greater than 0.25% of the original principal balance of outstanding guarantees. Historically, the U.S. Department of Education ("USDE") has calculated this ratio at September 30, which is the close of the federal fiscal year, and has excluded

amounts payable to the USDE related to the recall of reserve funds from this calculation. These amounts payable are due in two installments, one in September 2006, and one in September 2007.

Based upon PHEAA's calculation of the ratio, the Agency has determined that it fell below the required ratio during the quarter ended March 31, 2005. Under Federal law, the Agency is required to submit a management plan to ED if the Agency remains under the required level for two consecutive years. That plan must demonstrate that the Agency will reach the required level within 18 months of submitting the plan.

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 by dividing the amount recovered from borrowers by the Guarantor by the aggregate amount of default claims paid by the Guarantor during the applicable federal fiscal year with respect to borrowers. PHEAA's recovery rates were as follows for the last five federal fiscal years:

Federal Fiscal Year	Recovery Rates
2000	66.1%
2001	70.7%
2002	73.6%
2003	76.6%
2004	81.8%

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 fiscal years, the claims rate was as follows:

Federal Fiscal Year	Claims Rate
2000	1.1%
2001	1.7%
2002	1.7%
2003	1.5%
2004	1.1%

PHEAA's headquarters is located at 1200 North Seventh Street, Harrisburg, Pennsylvania 177102-1444.

DESCRIPTION OF THE OFFERED OBLIGATIONS

General

In reading this section and the other sections of the Offering Memorandum, 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 the Concurrent Obligations and (iii) the designation of the Offered Obligations and two series of the Concurrent Obligations as Senior Obligations and a third series of the Concurrent Obligations as Subordinate Obligations. The Offered Obligations will be initially issued in three Series as Auction Rate Taxable Notes, in fully-registered form, without coupons, and in denominations of $100,000 and integral multiples of $100,000 in excess of $100,000. 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 on or about the Delivery Date set forth on the cover page of this Offering Memorandum.

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 at the Auction Rate determined on the applicable Auction Rate Determination Date pursuant to the Auction Procedures described in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES" 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. See "DESCRIPTION OF THE OFFERED OBLIGATIONS -- Interest Rates on the Offered Obligations."

The Net Loan Rate with respect to a Series of Auction Rate Taxable Notes, except in the case described in the next succeeding paragraph, will be the greater of (i) the rate of interest per annum (rounded to the next highest one one-hundredth of one percent) equal to the applicable United States Treasury Security Rate plus 1.50% (with the applicable United States Treasury Security Rate being, for Auction Periods of 180 days of less, the rate for 91-day United States Treasury securities and the applicable United States Treasury Security Rate being, for Auction Periods of more than 180 days, the rate for one-year United States Treasury securities) and (ii) the rate of interest computed in accordance with a Corporation Order delivered to the Trustee and accompanied by written evidence from each Rating Agency that computing the Base Net Loan Rate in accordance with such Corporation Order will not cause the withdrawal or reduction of any Rating or Ratings then applicable to any of the Obligations, in each case subject to the Maximum Rate (such Rate hereinafter referred to as the "Base Net Loan Rate").

Notwithstanding the foregoing, if either: (i) the Market Agent has advised the Corporation and the Trustee, not later than the third Business Day prior to an Auction Date, that the interest rate per annum established in an auction of securities comparable to the Auction Rate Taxable Notes during the seven day period preceding such notice exceeded the Base Net Loan Rate, computed as though the date of auction of such comparable securities were an Auction Date; or (ii) Sufficient Clearing Bids shall not have been received (other than because all applicable Auction Rate Taxable Notes were subject to Hold Orders) at the last Auction of Auction Rate Taxable Notes prior to such Auction Date, the Net Loan Rate will equal the greater of: (a) the Base Net Loan Rate and (b) the rate of interest per annum (rounded to the next highest one-hundredth of one percent) equal to (1) the Effective Student Loan Rate less (2) the Administrative Expenses and Bond Fees Adjustment, not to exceed the Maximum Rate (such rate as determined in this item (b) hereinafter referred to as the "Adjusted Net Loan 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 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 2005-A-3 Notes for a period beginning on and including the date of their initial delivery and ending on and including November 8, 2005 (27 days) will be determined on or about October 12, 2005. Thereafter, the rate of interest on each of the Series 2005-A-3 Notes will be determined on each Auction Date for such Series, commencing on November 8, 2005, and on each fourth Tuesday thereafter; provided that each such Tuesday 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 2005-A-4 Notes for a period beginning on and including the date of their initial delivery and ending on and including November 15, 2005 (34 days) will be determined on or about October 12, 2005. Thereafter, the rate of interest on each of the Series 2005-A-4 Notes will be determined on each Auction Date for such Series, commencing on November 15, 2005, and on each fourth Tuesday thereafter; provided that each such Tuesday 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 2005-A-5 Notes for a period beginning on and including the date of their initial delivery and ending on and including November 15, 2005 (34 days) will be determined on or about October 12, 2005. Thereafter, the rate of interest on each of the Series 2005-A-5 Notes will be determined on each Auction Date for such Series, commencing on November 15, 2005, and on each fourth Tuesday thereafter; provided that each such Tuesday 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 end of each Auction Period, 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 the first day of the next Auction Period, commencing (i) with respect to the Series 2005-A-3 Notes on November 9, 2005, (ii) with respect to the Series 2005-A-4 Notes on November 16, 2005 and (iii) with respect to the Series 2005-A-5 Notes on November 16, 2005.

With respect to the Offered Obligations of a Series, until a Conversion Date with respect to such Offered Obligations, if any, or the date of a change in the length of an Auction Period with respect to such Offered Obligations, if any, the Offered Obligations of such Series will bear interest for each Auction Period applicable thereto at an Auction Rate, based upon a 28-day Auction Period as determined by the Auction Agent pursuant to the Auction Procedures described herein, but in no event greater than 16% per annum. The 28-day Auction Period for the Offered Obligations of such Series may be adjusted to an Auction Period of not less than seven days nor longer than one year pursuant to the procedures set forth in the Indenture. See APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES -- Changes in Auction Terms --- *Changes in Auction Period or Periods*." 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 Offering Memorandum.

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 E -- "AUCTION PROCEDURES -- AUCTION RATE

TAXABLE NOTES -- Changes in Auction Terms --- *Changes in Auction Period or Periods*"), the Auction Period for the Offered Obligations of such Series will generally begin on a Wednesday (provided 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 fourth Wednesday thereafter (provided that such fourth Wednesday is a Business Day and otherwise on the day preceding the Business Day next succeeding the fourth Wednesday); provided in any event that if, due to circumstances beyond the reasonable control of the Auction Agent and the Corporation, an Auction with respect to the Offered Obligations of such Series is not held on a day which would otherwise be an Auction Date for such Series of Offered Obligations: (i) an Auction for such Series of Offered Obligations shall be held on the next succeeding Business Day on which an Auction can reasonably be held, (ii) the then current Auction Period for such Series of Offered Obligations shall be extended through the last day preceding the first Business Day following such Auction; and (iii) the next succeeding Auction Period for such Series of Offered Obligations shall commence on the first Business Day following such Auction and shall end on the same day that it would have ended if the Auction had been held on the originally scheduled Auction Date.

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

The Auction Rate for each Series of the Offered Obligations for each Auction Period will be determined in accordance with the Auction Procedures described in APPENDIX E hereto, provided that:

- at the option of the Corporation the length of the Auction Period for a Series of the Offered Obligations may be adjusted to an Auction Period of not less than seven days nor more than one year (see APPENDIX E and therein -- "Changes in Auction Terms --- *Changes in Auction Period or Periods*"); or

- (a) if, on any Auction Date, an Auction for a Series of the Offered Obligations is not held for any reason other than that described in clause (b) of this item, the interest rate on such Series of Offered Obligations for the next succeeding Auction Period will be the Maximum Rate computed as of the Business Day immediately preceding the first day of such Auction Period; (b) if, due to circumstances beyond the reasonable control of the Auction Agent and the Corporation, an Auction is not held on a day which would otherwise be an Auction Date: (i) an Auction shall be held on the next succeeding Business Day on which an Auction can reasonably be held, (ii) the then current Auction Period shall be extended through the last day preceding the first Business Day following such Auction; and (iii) the next succeeding Auction Period shall commence on the first Business Day following such Auction and shall end on the same day that it would have ended if the Auction had been held on the originally scheduled Auction Date; or

- if the ownership of a Series of the Offered Obligations is no longer maintained in Book-Entry Form, the interest rate on such Series of Offered Obligations for any Auction Period commencing after the delivery of certificates representing such Auction Rate Taxable Notes will be the Maximum Rate computed as of the Business Day immediately preceding the first day of such Auction Period; or

- if a Payment Default has occurred, the interest rate on the Series of Offered Obligations for each Auction Period commencing on or immediately after such Payment Default in respect of such Offered Obligations and for each Auction Period thereafter, to and including the Auction Period, if any, during which, or commencing less than two Business Days after which, such Payment Default is cured in accordance with the Indenture, will be the Non-Payment Rate computed as of the first day of each such Auction Period; or

- if a proposed conversion to a Fixed Rate or a Variable Rate has failed, as described below under the caption "DESCRIPTION OF THE OFFERED OBLIGATIONS -- Conversion; Mandatory Tender of a Series of Auction Rate Securities," the interest rate on the Series of Offered Obligations subject to the failed conversion for the Auction Period commencing on what would otherwise have been a Conversion Date will be the Maximum Rate computed as of the Business Day immediately preceding the first day of such Auction Period; or

- if the Auction Rate for a Series of the Offered Obligations is greater than the Net Loan Rate for an Auction Period, the interest rate applicable to such Offered Obligations for that Auction Period will be the Net Loan Rate.

The Auction Agent will promptly give written notice to the Trustee and the Corporation of the Net Loan Rate (if applicable), the Applicable LIBOR-Based Rate (if applicable), the Maximum Rate and the All-Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate (unless the Auction Rate is the Non-Payment Rate) for each Series of the Offered Obligations for the next succeeding Auction Period. The Trustee will notify the Holders of each Series of the Offered Obligations of the Auction Rate for such Obligations for the next Auction Period not later than the second Business Day of such Auction Period.

A Broker-Dealer may submit Orders in Auctions for its own account. A Broker-Dealer submitting an Order for its own account in an Auction will have an advantage over other Bidders in that it would have knowledge of other Orders placed through it in that Auction (but it would not have knowledge of Orders submitted by other Broker-Dealers, if any). As a result of the Broker-Dealer bidding, the interest rate at which Sufficient Clearing Bids would exist may be lower than the rate that would have prevailed if the Broker-Dealer had not bid. A Broker-Dealer may also bid in order to prevent what would otherwise be a failed Auction or an Auction clearing at a rate that the Broker-Dealer believes does not reflect the market for the Obligations, including the Offered Obligations, at the time of the Auction. A Broker-Dealer which is a beneficial owner may submit a Bid (instead of submitting a Hold Order or being deemed to have submitted a Hold Order) in order to prevent what would otherwise be an "all hold" Auction. A Broker-Dealer may also encourage additional or revised investor bidding in order to prevent an "all hold" Auction. The Auction Agent has no duty to monitor or liability for monitoring the actions of Broker-Dealers as described in this paragraph.

With the agreement of the Corporation and notification of such agreement by the Corporation to such Broker-Dealer, the Trustee and the Auction Agent, Obligations, including the Offered Obligations, otherwise bearing interest at an Auction Rate, that are acquired by a Broker-Dealer may bear interest during the period held by such Broker-Dealer at the Broker-Dealer Rate, as hereinafter defined, without regard to any rate specified in such Order or established pursuant to such Auction. See the next succeeding paragraph for additional information about the Broker-Dealer Rate and Broker-Dealer Obligations, as defined therein. Thus, a Broker-Dealer may submit a Bid in an Auction to prevent a failed Auction or an Auction clearing at a rate that the Broker-Dealer believes does not reflect the market for such Obligations at the time of the Auction and, if such Bid is accepted, any Obligations, including the Offered Obligations, acquired by such Broker-Dealer may bear interest at a rate higher than the rate established for other Holders and purchasers of the Obligations, including the Offered Obligations, pursuant to such Auction.

Notwithstanding the interest rate established pursuant to such Auction (which interest rate shall be applicable to the applicable Series of Auction Rate Taxable Notes other than Broker-Dealer Obligations as described below), any Auction Rate Taxable Notes of such Series purchased at such Auction by such Broker-Dealer will bear interest at the Broker-Dealer Rate (computed on actual days elapsed and a year of either 365 or 366 days, as appropriate) for the Auction Period immediately following such Auction, and for Auction Periods thereafter if the notice and agreement described above so provides. Such Auction Rate Taxable Notes so purchased are hereinafter referred to as "Broker-Dealer Obligations." Anything to the contrary notwithstanding, that portion of the interest payable with respect to Broker-Dealer Obligations which is in excess of the interest which would be payable if such Auction Rate Taxable Notes were not Broker-Dealer Obligations will be payable to such Broker-Dealer on the next Interest Payment Date with respect to such Auction Rate Taxable Notes. For purposes of this paragraph, "Broker-Dealer Rate" means with respect to any day, the interest rate per annum published as the "Broker Call" in *The Wall Street Journal* on such day (or, if *The Wall Street Journal* shall not be published on such day, on the preceding day on which *The Wall Street Journal* was published); provided that if *The Wall Street Journal* is no longer published or such interest rate is not published in *The Wall Street Journal* for a period of five (5) consecutive Business Days, the Broker-Dealer Rate shall mean such interest rate as shall be published in either *The Wall Street Journal* or another publication that the Trustee determines to be appropriate and comparable to the rate currently published as the "Broker Call" in *The Wall Street Journal*.

Payment of Interest on the Offered Obligations

For each Auction Period applicable to a Series of the 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 and will be payable initially on the First Interest Payment Date set forth on the cover page of this Offering Memorandum and thereafter on each Auction Rate Adjustment Date (each an "Interest Payment Date"). 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. Interest Payment Dates with respect to such Series of Offered Obligations may be changed as provided in the Indenture. See APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES -- Changes in Auction Terms --- *Changes in the Interest Payment Dates*."

The amount of interest accruing to Beneficial Owners of a Series of the Offered Obligations in respect of each $100,000 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 Rate for such Auction Period or part thereof to the principal amount of $100,000, 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 each Series of the Offered Obligations are to be made by the Trustee to the persons who are the Holders of such Offered Obligations, as of the Business Day immediately preceding each Interest Payment Date for such Offered Obligations (the "Record Date" for Auction Rate Taxable Notes). The Offered Obligations of each Series will be initially registered in the name of Cede & Co., as nominee of DTC, which is acting as the Securities Depository for the Offered Obligations. See APPENDIX I -- "DESCRIPTION OF THE BOOK ENTRY SYSTEM" above for a description of how the Securities Depository, as the Holder of the Offered Obligations, is expected to disburse such payments to the Beneficial Owners.

Payments of defaulted interest 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 the Offered Obligations as to which defaulted interest is payable not less than two (2) days before the Special Record Date.

Carry-over Amounts on Auction Rate Taxable Notes

The Indenture includes provisions for determining the applicability of Carry-over Amounts to a Series of Auction Rate Taxable Notes and for calculating and paying any such Carry-over Amounts. These provisions will apply to each Series of the Offered Obligations so long as such Series bears interest at Auction Rates. The references to Auction Rate Taxable Notes of a Series that follow in this section should, therefore, be read as referring to the Offered Obligations of such Series so long as such Series continues to bear interest at Auction Rates.

If the interest rate applicable to a Series of Auction Rate Taxable Notes (including the Offered Obligations of a Series when bearing interest at Auction Rates) for any Auction Period is the Net Loan Rate, the Trustee will determine the Carry-over Amount, if any, with respect to that Series of Auction Rate Taxable Notes for such Auction Period. Such determination of the Carry-over Amount will be made separately for each Auction Rate Taxable Note of such Series. Such Carry-over Amount will bear interest calculated on each Auction Date with respect to such Auction Rate Taxable Note, adjusted on each Auction Rate Adjustment Date with respect to such

Auction Rate Taxable Note and, until paid, compounded on each Interest Payment Date with respect to such Auction Rate Taxable Note, from the Interest Payment Date for the Auction Period with respect to which such Carry-over Amount was calculated, until paid. The interest rate on the Carry-over Amount (the "Carry-over Rate") will be equal to One-Month LIBOR (as determined by the Auction Agent on such Auction Date, provided that if the Trustee has not received written notice of One-Month LIBOR from the Auction Agent within two Business Days of the date such calculation is to be made, then as determined by the Trustee).

Any reference to "principal" or "interest" herein will not include within the meaning of such words Carry-over Amount or any interest accrued on any such Carry-over Amount. However, all references to Carry-over Amount will include the interest compounded thereon, which compounded interest will bear interest at the Carry-over Rate and be calculated in the manner as for the original Carry-over Amount. All references to the payment of Carry-over Amount will, unless otherwise specified, include payment of accrued and unpaid interest thereon. Such Carry-over Amount will be separately calculated for each Auction Rate Taxable Note of a Series by the Trustee during such Auction Period in sufficient time for the Trustee to give notice to each Holder of such Carry-over Amount as required in the next succeeding sentence. On the Interest Payment Date for an Auction Period with respect to which such Carry-over Amount has been calculated by the Trustee, the Trustee will give written notice to each Holder of the Carry-over Amount applicable to each Holder's Auction Rate Taxable Note or Auction Rate Taxable Notes of such Series, which written notice may accompany the payment of interest by check made to each such Holder on such Interest Payment Date or otherwise will be mailed on such Interest Payment Date by first class mail, postage prepaid, to each such Holder at such Holder's address as it appears on the books of registry maintained by the Trustee pursuant to the Indenture. Such notice will state, in addition to such Carry-over Amount, that, unless and until an Auction Rate Taxable Note of such Series has been mandatorily redeemed or has been deemed no longer Outstanding under the Indenture (after which all accrued Carry-over Amount and all accrued interest thereon that remains unpaid will be canceled and no Carry-over Amount or interest accrued thereon will be paid with respect to any Auction Rate Taxable Note of such Series), (i) the Carry-over Amount (and interest accrued thereon) will be paid by the Trustee in part or in whole on an Auction Rate Taxable Note of such Series on the earlier of (a) the Conversion Date with respect to such Series of Auction Rate Taxable Notes, if one, or the date on which all or a portion of the Auction Rate Taxable Notes of such Series are optionally redeemed, if any, and if then so paid, will be paid in full, or (b) the first occurring Interest Payment Date with respect to such Obligation, and each succeeding Interest Payment Date with respect to such Obligation until paid, for an Auction Period subsequent to the Auction Period in which such Carry-over Amount accrued, (1) if during such subsequent Auction Period no additional Carry-over Amount is accruing on the Auction Rate Taxable Notes of such Series, and (2) if so paid, such Carry-over Amount is paid solely to the extent that (A) during such Auction Period the amount of interest that would be payable on the Auction Rate Taxable Notes of such Series at the Net Loan Rate exceeds the amount of interest that is payable for such Auction Period on the Auction Rate Taxable Notes of such Series at the interest rate in effect for such Auction Period and (B) on such Interest Payment Date there are sufficient moneys in the Surplus Account pursuant to the terms of the Indenture to pay all or a portion of such Carry-over Amount equal to the excess calculated pursuant to the preceding item (2)(A) (or, in the event that moneys are not available in an amount sufficient to pay all such excess with respect to each such Auction Rate Taxable Note of such Series for which Carry-over Amount is to be paid, in an amount sufficient to pay any portion of such excess); and (ii) interest will accrue on such Carry-over Amount at the Carry-over Rate until such Carry-over Amount is paid in full or is canceled.

The Carry-over Amount for an Auction Rate Taxable Note of a Series shall be paid by the Trustee on the earlier of (a) the first occurring optional Redemption Date on which Auction Rate Taxable Notes of such Series are redeemed at the Corporation's option or the Conversion Date for such Series, if one, and if then so paid, will be paid in full or (b) the first occurring Interest Payment Date with respect to such Obligation, and each succeeding Interest Payment Date with respect to such Obligation, until paid, for an Auction Period subsequent to the Auction Period in which such Carry-over Amount accrued, (1) if during such Auction Period no additional Carry-over Amount is accruing on such Auction Rate Taxable Note, and (2) if so paid, such Carry-over Amount is paid solely to the extent that (A) during such subsequent Auction Period the amount of interest that would be payable on such Auction Rate Taxable Note at the Net Loan Rate exceeds the amount of interest that is payable for such Auction Period on such Auction Rate Taxable Note at the interest rate in effect for such Auction Period and (B) on such Interest Payment Date there are sufficient moneys in the Surplus Account to pay all or a portion of such Carry-over Amount equal to the excess calculated pursuant to the preceding item 2(A) (or, in the event that moneys are not available in an amount sufficient to pay all such excess with respect to such Auction Rate Taxable Note for which Carry-over Amount is to be paid, in an amount sufficient to pay any portion of such excess).

If a Carry-over Amount is payable under the immediately preceding sentence with respect to more than one Auction Rate Taxable Note on the same day and there are insufficient funds in the Surplus Account to pay each such Auction Rate Taxable Note in an amount equal to all the excess described in the immediately preceding paragraph, the portion of the Carry-over Amount payable with respect to each such Auction Rate Taxable Note will equal the product of the moneys in the Surplus Account available to pay Carry-over Amounts multiplied by a fraction, the numerator of which is the excess calculated for such Auction Rate Taxable Note in accordance with the preceding sentence and the denominator of which is the total excess calculated for all such Auction Rate Taxable Notes in accordance with the preceding sentence.

Any Carry-over Amount (and any interest accrued thereon) on any Auction Rate Taxable Note which is due and payable on an Interest Payment Date with respect to such Obligation, and which Auction Rate Taxable Note is to be mandatorily redeemed or deemed no longer Outstanding under the Indenture on said Interest Payment Date, will be paid to the Holder thereof on said Interest Payment Date to the extent that moneys are available therefor in accordance with the provisions of the Indenture; provided, however, that any Carry-over Amount (and any interest accrued thereon) which is not yet due and payable on said Interest Payment Date will be canceled with respect to said Auction Rate Taxable Note that is to be mandatorily redeemed or deemed no longer Outstanding under the Indenture on said Interest Payment Date and will not be paid on any succeeding Interest Payment Date.

To the extent that any portion of the Carry-over Amount remains unpaid after payment of a portion thereof (except with respect to Auction Rate Taxable Notes of such Series that are no longer Outstanding or are deemed no longer Outstanding), such unpaid portion of the Carry-over Amount will be paid in whole or in part as required under the Indenture until fully paid by the Trustee on the earlier of (a) the date of optional redemption or the Conversion Date, if one, with respect to such Obligation and if then so paid, will be paid in full or (b) the next occurring Interest Payment Date or Dates with respect to such Obligation, as necessary, for a subsequent Auction Period or Periods, if and to the extent that the conditions relating to such payment are satisfied. On any Interest Payment Date on which the Trustee pays only a portion of the Carry-over Amount on any Auction Rate Taxable Note, the Trustee will give written notice in the manner set forth in the immediately preceding paragraph to the Holder of such Auction Rate Taxable Note receiving such partial payment of the Carry-over Amount remaining unpaid on such Auction Rate Taxable Note.

The Interest Payment Date in such subsequent Auction Period on which such Carry-over Amount for an Auction Rate Taxable Note of a Series will be paid will be determined by the Trustee in accordance with the provisions of the preceding paragraphs, and the Trustee will make payment of the Carry-over Amount from the Surplus Account in the same manner as it pays interest on the Auction Rate Taxable Notes of such Series on an Interest Payment Date.

Conversion; Mandatory Tender of a Series of Auction Rate Securities

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 and 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.

(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 and 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.

(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 the 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 OFFERING MEMORANDUM 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 Offered Obligations

The Offered Obligations, while bearing interest at an Auction 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 equal to one hundred percent (100%) of the principal amount of the Offered Obligations to be so redeemed plus accrued and unpaid interest 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 G -- "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, the Series of Obligations, and, if applicable, the Maturity Date within the Series 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 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.

Mandatory Redemption of Offered Obligations from Moneys in Acquisition Account

The Offered Obligations, while bearing interest at an Auction 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, 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 certain moneys allocable to the Offered Obligations in accordance with the Indenture 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 for the Offered Obligations to be redeemed as 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 so selected shall occur on the earliest date following such transfer on which the Offered Obligations can redeemed and with respect to which notice of such redemption can be given. See "Manner and Notice of Redemption" below for the requirements in regard to giving notice of mandatory redemption.

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 be greater 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 date September 1, 2006 unless extended as provided in the Indenture) on which Balances allocable to the Offered Obligations and credited to the Revolving Subaccount shall have been required under the Indenture to be transferred to the Redemption Subaccount from the Revolving Subaccount 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. For additional information about extension of the September 1, 2006 date referred to above, 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.

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 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 the Redemption Date.

APPLICATION OF THE NET PROCEEDS OF THE OFFERED OBLIGATIONS

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

Acquisition of Eligible Loans	$ 121,750,000
Deposit into Reserve Subaccount (2.00%)	2,500,000
Cost of Issuance	320,000
TOTAL	$ 124,570,000

UNDERWRITING

The Offered Obligations are being purchased by Citigroup Global Markets Inc. and Banc of America Securities LLC, as the 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 the issuance and sale 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, less an underwriting discount of $430,000.

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.

RATINGS

It is a condition precedent to the issuance of the Offered Obligations that Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings ("Fitch") assign their respective municipal bond ratings of "Aaa" and "AAA" to the Offered 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 Offering Memorandum. Generally, each rating agency bases its rating on such information and materials and also on such investigations, studies and assumptions as it 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 has 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, 2005, 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 in the section captioned "THE CORPORATION -- Other Outstanding Bonds and Notes of the Corporation and Related Student Loans," in the second paragraph of the section captioned "THE CORPORATION'S STUDENT LOAN ACQUISITION PROGRAM -- General" and in APPENDIX H. 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 Offering Memorandum 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, 2005. 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 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) [Reserved]*;

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

   (8) calls for redemption;

   (9) defeasances;

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

   (11) rating changes.

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* Paragraph (b)(5)(1) of the Rule also requires that a notice be filed with each NRMSIR and any SID for the following, if material: "*adverse tax opinions or events affecting the tax-exempt status, if any, of any Tax-Exempt Bonds.*" Since the Offered Obligations consist entirely of Taxable Notes, this provision will not apply to the Offered Obligations but may apply to any Tax-Exempt Bonds outstanding under the Indenture.

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 J. J. Kenny Repository, 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 Counsel (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.

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. Watkins Ludlam Winter & Stennis, P.A., serves as general counsel to the Corporation and is also serving as corporate counsel to the Corporation in connection with the 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.

UNITED STATES FEDERAL INCOME TAX WITHHOLDING

Under Section 3406 of the Code, a Beneficial Owner of the Offered Obligations constituting Auction Rate Taxable Notes may, under certain circumstances, be subject to "backup withholding" on payment of current or accrued interest on the Auction Rate Taxable Notes and any Carry-over Amount (and interest accrued thereon). This withholding applies if the Beneficial Owner of the Auction Rate Taxable Notes (i) fails to furnish to the Trustee such Beneficial Owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the Trustee an incorrect TIN, (iii) fails to report properly interest or dividends and has been notified by the Internal Revenue Service of such failure, or (iv) under certain circumstances, fails to provide the Trustee or such Beneficial Owner's securities broker with a certified statement, signed under penalty of perjury that the TIN provided to the Trustee is correct and that such Beneficial Owner is not subject to backup withholding. The withholding rate is 28% of reportable payments, which include interest payments.

In addition, if a Beneficial Owner is a non-United States Beneficial Owner certain other rules apply. A non-United States Beneficial Owner is a Beneficial Owner that is a non-resident alien, a foreign corporation, a foreign partnership or a foreign trust, estate or beneficiary all as defined in the Code. If the interest is effectively connected with the conduct of the Beneficial Owner's trade or business within the United States, the interest will be taxable; however, there will be no withholding as long as Form W-8ECI is provided to the Trustee prior to the payment of such interest. In addition, where the interest is not effectively connected with a non-United States Beneficial Owner's conduct of a trade or business in the United States, the interest (including original issue discount, if any) will neither be taxable to the non-United States Beneficial Owner nor subject to withholding on interest unless (i) such non-United States Beneficial Owner is a bank and the interest is received pursuant to a loan agreement entered into in the ordinary course of its trade or business or (ii) the exemption described in the following paragraph is not met. The withholding rate on payments to non-United States Beneficial Owners subject to backup withholding is 30%.

To qualify for the exemption from taxation and withholding referred to in the preceding paragraph, the obligation must be in registered form and the last United States person in the chain of payment prior to payment to a non-United States Beneficial Owner (the "Withholding Agent") must have received in the year in which a payment of interest or principal occurs, or in either of the two preceding years, a statement that (i) is signed by the Beneficial Owner under penalties of perjury, (ii) certifies that such owner is not a United States Beneficial Owner, and (iii) provides the name and address of the Beneficial Owner. The statement may be made on Form W-8BEN published by the Internal Revenue Service. The Beneficial Owner must inform the Withholding Agent of any change in the information included in the statement within thirty (30) days of such change. If Auction Rate Taxable

Notes are held through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the Withholding Agent. However, in such case, the signed statement must be accompanied by a copy of a Form W-8BEN provided by the Beneficial Owner to the clearing organization or other institution holding the Offered Obligations on behalf of the Beneficial Owner.

Generally, any gain upon retirement or disposition of an Auction Rate Taxable Note by a non-United States Beneficial Owner will not be subject to federal income taxes in respect of such amount unless, in the case of a non-United States Beneficial Owner who is a nonresident alien individual, the Beneficial Owner is present in the United States for 183 days or more in the taxable year of sale.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A BENEFICIAL OWNER'S PARTICULAR SITUATION. **SUCH DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY ANY PERSON, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES.** BENEFICIAL OWNERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE ACQUISITIONS, OWNERSHIP AND DISPOSITION OF OFFERED OBLIGATIONS CONSTITUTING AUCTION RATE TAXABLE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

The Trustee will furnish, or will cause to be furnished, within a reasonable time after the end of each calendar year and as required by the Code, information to each Beneficial Owner of Auction Rate Taxable Notes regarding income and principal distributed to Beneficial Owners of the Auction Rate Taxable Notes, and regarding such other information as is necessary to enable Beneficial Owners of the Auction Rate Taxable Notes to prepare their tax returns.

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, 2004 and 2003 included in APPENDIX A of this Offering Memorandum 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 Offering Memorandum are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information. Reference is made to official documents in all respects. Any statement in this Offering Memorandum involving any matter of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact. No representation is made that any such opinion will actually be borne out. This Offering Memorandum is not to be construed as a contract or agreement between the Corporation or the Underwriters and the purchasers or Holders of any of the Offered Obligations.

THIS OFFERING MEMORANDUM is approved, and the execution and delivery of this Offering Memorandum authorized, by resolution of the Corporation.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Dated: October 6, 2005

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

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

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
STUDENT LOAN ASSET-BACKED NOTES,
Senior Series 2005-A-3, Senior Series 2005-A-4 and Senior Series 2005-A-5

(AUCTION RATE TAXABLE NOTES)

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE CORPORATION
As of December 31, 2004 and 2003

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MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Financial Statements and Report of Independent Certified Public Accountants

December 31, 2004 and 2003

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HADDOX REID BURKES & CALHOUN PLLC
Certified Public Accountants

EMMITTE J. HADDOX
JIMMY E. BURKES
PAUL W. CALHOUN
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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, 2004 and 2003, 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, 2004 and 2003, 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

April 8, 2005, except for
Note 11, as to which the date is
September 28, 2005.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Financial Position

	December 31, 2004	2003
ASSETS		
Cash and cash equivalents	$ 192,281,898	195,644,116
Investments	152,858,275	126,644,275
Student loans receivable	959,560,896	828,022,428
Interest and special allowance receivable	16,205,395	14,393,852
Deferred costs of issuance less accumulated amortization of $4,787,932 in 2004 and $4,561,041 in 2003	7,266,701	6,562,542
Other assets	1,107,903	504,171
Total assets	$ 1,329,281,068	1,171,771,384
LIABILITIES AND UNRESTRICTED NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 1,849,086	1,700,854
Accrued interest payable	4,472,011	3,330,911
Excess interest and rebate payable	35,961,000	34,365,000
Bonds and notes payable	1,190,465,000	1,046,505,000
Total liabilities	1,232,747,097	1,085,901,765
Unrestricted net assets:		
Bond and note funds	67,953,280	57,492,853
General fund	28,580,691	28,376,766
Total unrestricted net assets	96,533,971	85,869,619
Total liabilities and unrestricted net assets	$ 1,329,281,068	1,171,771,384

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, 2004	2003
Revenues:		
Interest on student loans	$ 20,048,404	18,847,657
Interest subsidy	4,225,513	4,309,467
Special allowance	10,008,166	5,668,994
Late fees	289,375	223,387
	34,571,458	29,049,505
Interest on investments	5,764,263	6,159,829
Total unrestricted revenues	40,335,721	35,209,334
Expenses:		
Interest	19,963,841	15,707,852
Administration and loan servicing	5,806,247	6,709,717
Bond and note fees	3,356,113	2,770,054
Amortization of deferred costs of issuance	545,168	557,905
Total expenses	29,671,369	25,745,528
Increase in unrestricted net assets	10,664,352	9,463,806
Unrestricted net assets, beginning of year	85,869,619	76,405,813
Unrestricted net assets, end of year	$ 96,533,971	85,869,619

The accompanying notes are an integral part of these statements.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Cash Flows

	Years Ended December 31, 2004	2003
Receipts (disbursements) in cash and cash equivalents:		
Cash flows from operating activities:		
Interest on student loans	$ 12,325,573	10,943,180
Interest subsidy	4,197,798	4,494,161
Special allowance	8,055,199	5,247,561
Late fees	289,375	223,387
Interest on investments	5,291,963	6,685,003
Interest on bonds and notes	(18,822,742)	(16,672,196)
Administration and loan servicing	(6,305,527)	(5,459,623)
Bond and note fees	(3,306,706)	(2,850,212)
Net cash provided by operating activities	1,724,933	2,611,261
Cash flows from investing activities:		
Collection of student loan principal	112,396,774	104,186,346
Purchases of student loan principal	(225,899,751)	(242,328,908)
Purchases of student loan accrued interest	(563,071)	(408,551)
Investments matured/redeemed (purchased)	(26,214,000)	41,942,850
Loan premiums and origination costs	(11,219,758)	(10,835,410)
Net cash used in investing activities	(151,499,806)	(107,443,673)
Cash flows from financing activities:		
Collection of excess and rebate interest	4,239,761	3,570,973
Payment of rebate interest	(538,116)	(770,973)
Proceeds from bond and note issues	190,000,000	214,500,000
Payments to redeem bonds	(46,040,000)	(33,885,000)
Payments for costs of issuance	(1,248,990)	(1,251,888)
Net cash provided by financing activities	146,412,655	182,163,112
Net increase (decrease) in cash and cash equivalents	(3,362,218)	77,330,700
Cash and cash equivalents:		
Beginning of year	195,644,116	118,313,416
End of year	$ 192,281,898	195,644,116

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statements of Cash Flows - continued:

	Years Ended December 31, 2004	2003
Reconciliation of increase in unrestricted net assets to net cash provided by operating activities:		
Increase in unrestricted net assets	$ 10,664,352	9,463,806
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Amortization	4,622,085	3,858,937
Capitalized interest on student loans	(12,320,936)	(13,904,292)
Provision for loan losses	(683,322)	370,396
Increase (decrease) in interest and special allowance receivable	(1,248,472)	2,616,824
(Increase) decrease in other assets	(603,732)	89,321
Increase in accounts payable	153,858	1,080,616
Increase (decrease) in accrued interest payable	1,141,100	(964,347)
Total adjustments	(8,939,419)	(6,852,545)
Net cash provided by operating activities	$ 1,724,933	$ 2,611,261

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.

Reclassifications

Certain amounts in the 2003 financial statements have been restated to conform to the classifications adopted in 2004.

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, 2004 and 2003, the Corporation had cash and cash equivalents and investments consisting of:

	2004	2003
Cash and cash equivalents:		
Cash	$ 151,088	7,057
Money market instruments	192,130,810	195,637,059
	$ 192,281,898	195,644,116

Note 3 - Cash and Investments - continued:

	Maturity	2004	2003
Investments:			
Societe Generale	01/01/06	$ 190,800	406,800
Westdeutsche Landesbank	09/01/07-09/01/33	30,612,250	32,343,050
Bayerische Landesbank	09/01/09-09/01/16	82,303,225	93,894,425
FSA Capital Management Services	05/31/06-12/01/21	39,752,000	-
		$ 152,858,275	126,644,275

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, 2004 and 2003, $2,693,219 and $2,672,295, 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.

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 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.

Note 4 - Student Loans Receivable - continued:

At December 31, 2004 and 2003, the Corporation had student loans consisting of:

	2004	2003
Student loans receivable	$ 935,491,331	811,907,591
Unamortized premiums and origination costs	24,069,565	16,926,724
	959,560,896	828,834,315
Provision for loan losses	-	(811,887)
	$ 959,560,896	828,022,428

In 2004, the Corporation's third party loan servicers who service substantially all of the Corporation's student loans 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. Accordingly, management has determined that no provision for loan losses is appropriate at December 31, 2004.

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

During August 2004, the Corporation settled approximately $2,112,000 of its excess interest liability through the forgiveness of student loan principal and accrued interest. During the years ended December 31, 2004 and 2003, the Corporation settled approximately $538,000 and $771,000, respectively, of its rebate liability through cash payments to the Federal government.

Note 6 - Bonds and Notes Payable

Bonds and notes payable at December 31, 2004 consisted of:

Series	Amount	Maturity	Status	Rate	Mode
1992-C	$ 3,180,000	01/01/05-01/01/06	Exempt	6.60 - 6.70%	Fixed
1993-B	19,440,000	09/01/05-09/01/07	Exempt	5.60 - 5.85	Fixed
1993-C	2,645,000	09/01/07	Exempt	6.05	Fixed
1994-A	35,000,000	09/01/09	Exempt	1.80	Auction
1994-B	51,700,000	09/01/09	Exempt	1.90	Auction
1994-C	11,300,000	09/01/09	Exempt	7.50	Fixed
1996	108,400,000	10/01/26	Taxable	2.33	Auction
1996-A	39,200,000	09/01/16	Exempt	1.95	Auction
1996-C	10,800,000	09/01/12-09/01/16	Exempt	6.70 - 6.80	Fixed
1998-A	31,100,000	09/01/05	Exempt	1.85	Auction
1998-B	42,100,000	09/01/33	Exempt	1.95	Auction
1999-A-1	26,500,000	08/01/29	Exempt	1.95	Auction
1999-A-2	21,100,000	06/01/07	Exempt	1.90	Auction
1999-A-3	20,000,000	08/01/29	Taxable	2.40	Auction
1999-B-1	8,500,000	08/01/29	Exempt	2.00	Auction
2000	93,200,000	07/01/30	Taxable	2.33	Auction
2000-A-1	72,900,000	09/01/30	Taxable	2.45	Auction
2000-B-1	8,100,000	09/01/30	Taxable	2.65	Auction
2000-A-2	28,400,000	09/01/30	Exempt	1.94	Auction
2000-A-3	84,000,000	09/01/30	Taxable	2.40	Auction
2000-B-2	12,000,000	09/01/30	Exempt	2.05	Auction
2000-A-4	9,100,000	09/01/30	Exempt	1.90	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	09/01/31	Exempt	1.90	Auction
2003-A-1	91,300,000	09/01/33	Taxable	2.30	Auction
2003-A-2	91,300,000	09/01/33	Taxable	2.37	Auction
2003-B-1	15,000,000	09/01/33	Taxable	2.50	Auction
2003-A-3	16,900,000	09/01/33	Taxable	2.44	Auction
2004-A-1	45,000,000	03/01/34	Exempt	1.84	Auction
2004-B-1	5,000,000	03/01/34	Exempt	1.95	Auction
2004-A-2	60,000,000	09/01/34	Taxable	2.33	Auction
2004-A-3	35,000,000	09/01/34	Taxable	2.45	Auction
2004-A-4	45,000,000	09/01/34	Taxable	2.46	Auction
	$ 1,190,465,000				

As of December 31, 2004, remaining maturities and sinking fund redemptions of bonds and notes are as follows:

2005	$ 47,805,000
2006	7,060,000
2007	22,600,000
2008	9,300,000
Thereafter	1,103,700,000
	$ 1,190,465,000

Note 7 - Functional Expenses

The Corporation's administration and loan servicing expenses for the years ended December 31, 2004 and 2003 included support services - management and general of $1,702,778 and $2,518,935, 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, the Corporation has entered into agreements to purchase student loans originated by ESF. Financial information for transactions related to ESF at December 31, 2004 and 2003 and the years then ended is as follows:

	2004	2003
Management fees paid to ESF	$ 5,806,247	6,709,717
Payables to ESF	338,382	397,043
Student loans purchased from ESF	16,056,224	6,357,629

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, 2004 and 2003 and the years then ended is as follows:

	2004	2003
Total Assets	$ 18,320,892	15,921,078
Total Liabilities	15,008,442	12,052,385
Unrestricted Net Assets	3,312,450	3,868,693
Total Revenues - Net	8,452,743	7,521,385
Total Expenses	9,008,986	8,184,355

The Corporation has pledged cash to be used as collateral for ESF's notes financings. As of December 31, 2004 and 2003, $2,693,219 and $2,672,295, 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, 2004 and 2003, capitalized interest amounted to approximately $12,321,000 and $13,904,000, respectively.

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

The Corporation settled approximately $2,112,000 of its excess interest liability through the forgiveness of student loan principal and accrued interest during the year ended December 31, 2004.

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, 2004 and 2003, the Corporation acquired student loans totaling approximately $171,515,000 and $197,937,000, respectively, from this company. The minimum volume is estimated to be $136,000,000 for 2005.

In the normal course of business, the Corporation is subject to consumer credit disputes and potential litigation. The Corporation is currently a defendant in a consumer credit suit, which in the opinion of management, will not have a material adverse effect on the Corporation's financial position or change in net assets.

Note 11 - Subsequent Event

On June 6, 2005, one of the Corporation's student loan servicers reported that the DOE had with drawn its Exceptional Performance designation retroactive to September 1, 2004 due to the servicer's unintentional failure to comply with the final demand letter due diligence requirement for the collection of delinquent student loans. The DOE has informed the servicer that claims filed on or after September 1, 2004 are eligible for 98% reimbursement rather than 100%, and that the additional 2% that was paid to the Corporation must be repaid to the guarantor. The servicer has notified the Corporation that it must remit a total of $179,824 to various guarantors by October 17, 2005. The servicer can reapply for the Exceptional Performance designation and intends to do so.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
STUDENT LOAN ASSET-BACKED NOTES,
Senior Series 2005-A-3, Senior Series 2005-A-4 and Senior Series 2005-A-5

(AUCTION RATE TAXABLE NOTES)

APPENDIX B

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following definitions apply to the defined words and terms used in this Offering Memorandum, 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

"'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 bonds are rated "Aa" by Moody's or "AA" by Fitch, or the equivalent of such rating 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 the time 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 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.

"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 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 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 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 51% in aggregate principal amount of the Senior Obligations Outstanding) any Other Senior Beneficiary, and (iv) in all other cases the owners of 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 Subordinate Obligations in the case of an Event of Default other than a covenant default, the owners of 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 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 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 51% in aggregate principal amount of the Obligations Outstanding) any Other Subordinate Beneficiary, and (iv) in all other cases the owners of 51% in aggregate principal amount of the Subordinate Obligations Outstanding or any Other Subordinate Beneficiary; provided, however, that notwithstanding any provision of the 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 under the Indenture 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 Obligations issued under the Indenture other than the Offered Obligations, the Concurrent Obligations and the Prior Series Obligations.

"Additional Tax-Exempt Bonds" shall mean all Tax-Exempt Bonds issued under the Indenture other than the Prior Series Tax-Exempt Bonds and the Concurrent Obligations.

"Additional Taxable Notes" shall mean all Taxable Notes issued under the Indenture other than the Offered Obligations and the Prior Series Taxable Notes.

"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.

"Adjusted Net Loan Rate" shall mean the rate of interest per annum (rounded to the next highest one-hundredth of one percent) equal to (a) the Effective Student Loan Rate less (b) the Administrative Expenses and Bond Fees Adjustment, not to exceed the Maximum Rate.

"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, the Contract of Insurance, any Certificate of Insurance, 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.

"Administrative Expenses and Bond Fees Adjustment" shall mean, for purposes of computing the Adjusted Net Loan Rate on an Auction Date, (i) the aggregate of all annual Budgeted Administrative Expenses as set forth in the most recent budget delivered to the Trustee not less than fifteen (15) days prior to such Auction Date plus the projected annualized obligation of the Corporation for Bond Fees (computed as of a date not more than thirty days prior to such Auction Date) divided by (ii) the aggregate outstanding principal of all Pledged Student Loans as of the last day of the second calendar month preceding such Auction Date.

"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.

"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," or "All-Hold Auction Rate" shall mean (i) with respect to Taxable Notes, an interest rate per annum equal to eighty-five percent (85%) (as such percentage may be adjusted pursuant to the Indenture) of the Applicable LIBOR-Based Rate on the date of determination and (ii) with respect to Tax-Exempt Bonds, 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 in no event shall the All-Hold Rate be more than the Maximum Rate.

"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 Offering Memorandum; and with respect to any Additional Obligations, the date or dates specified in the Applicable Series Supplement.

"Applicable LIBOR-Based Rate" shall mean, (a) for Auction Periods of 35 days or less, One-Month LIBOR, (b) for Auction Periods of more than 35 days but less than 91 days, Three-Month LIBOR, (c) for Auction Periods of more than 90 days but less than 181 days, Six-Month LIBOR, and (d) for Auction Periods of more than 180 days, One-Year LIBOR.

"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 Auction Rate Tax-Exempt Bonds in effect at the close of business on the Business Day immediately preceding such date, as set forth below:

General Rating Category	Credit Ratings 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 Auction Rate Tax-Exempt Bonds 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.

"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 Offering Memorandum.

"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 with respect to such Series 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 the fee paid to the Auction Agent for conducting Auctions pursuant to the Auction Agent Agreement.

"Auction Date" shall mean, with respect to each Series of Auction Rate Securities and Obligations of such Series, the date on which the rate of interest to be borne by Obligations of such Series of Auction Rate Securities for the succeeding Auction Period is determined in accordance with the Indenture which date shall be,

subject to modification as provided in the Indenture, the Business Day preceding the first day of such Auction Period.

"Auction Period" shall mean (a) with respect to a Series of Obligations constituting Auction Rate Taxable Notes, a period beginning on a particular Weekday specified for such Series (provided that such date is a Business Day and otherwise on the next succeeding Business Day) and ending on, and including, the day immediately preceding the same Weekday in the fourth week thereafter (provided that such Weekday is a Business Day and otherwise on the day immediately preceding the first Business Day next succeeding such Weekday), and as the same may be changed pursuant to the Indenture; (b) with respect to a Series of Obligations constituting Auction Rate Tax-Exempt Bonds, a period beginning on a particular Weekday specified for such Series (provided that such Weekday is a Business Day and otherwise on the next succeeding Business Day) and ending on, and including, the day immediately preceding the same Weekday in the fifth week thereafter (provided that such Weekday is a Business Day and otherwise on the day immediately preceding the first Business Day next succeeding such Weekday), as the same may be changed pursuant to the Indenture; and (c) with respect to each Series of Additional Obligations, such period as shall be described in the Applicable Series Supplement; provided in any event that if, due to circumstances beyond the reasonable control of the Auction Agent and the Corporation, an Auction is not held on a day which would otherwise be an Auction Date: (i) an Auction shall be held on the next Business Day on which an Auction can reasonably be held, (ii) the then current Auction Period shall be extended through the last day preceding the first Business Day following such Auction; and (iii) the next succeeding Auction Period shall commence on the first Business Day following such Auction and shall end on the same day that it would have ended if the Auction had been held on the originally scheduled Auction Date.

"Auction Period Adjustment" shall mean the change, from time to time, in the length of an Auction Period; provided that no Auction Period may be shorter than 7 days or longer than one year.

"Auction Procedures" shall mean, with respect to the Offered Obligations, the procedures set forth in the Indenture for conducting an Auction, as summarized in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"Auction Rate" shall mean, with respect to the interest rate on Obligations of each Series of Auction Rate Securities, the interest rate for the Obligations of such Series that results from implementation of the Auction Procedures with respect to such Series.

"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 Securities" shall mean, collectively and unless otherwise specified, 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.

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

"Authenticating Agent" shall mean, with respect to the Offered Obligations at any time that the Offered Obligations bear interest at Auction Rates, the Trustee, and its successor or successors and any other bank or banking association having trust powers or trust company which may at any time be substituted in its place pursuant to the Indenture.

"Authorized Denomination" shall mean, with respect to any Series of the Auction Rate Securities, $100,000 or any integral multiple thereof.

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

"Available Auction Rate Taxable Notes" shall have the meaning set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"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.

"Base Net Loan Rate" shall mean the greater of: (i) the rate of interest per annum (rounded to the next highest one-hundredth of one percent) equal to the applicable United States Treasury Security Rate plus 1.50% (with the applicable United States Treasury Security Rate being, for Auction Periods of 180 days or less, the rate for 91-day United States Treasury securities and the applicable United States Treasury Security Rate being, for Auction Periods of more than 180 days, the rate for one-year United States Treasury securities); or (ii) the rate of interest computed in accordance with a Corporation Order delivered to the Trustee and accompanied by written evidence from each Rating Agency that computing the Base Net Loan Rate in accordance with such Corporation Order will not cause the withdrawal or reduction of any Rating or Ratings then applicable to any of the Obligations.

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

"Bid" shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"Bidder" shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"BMA" shall mean the Bond Market Association, its successors and assigns.

"BMA Index" shall mean on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market data and published or made available by BMA or any Person acting in cooperation with or under the sponsorship of BMA and acceptable to the Market Agent, and effective from such date.

"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 Equivalent Yield" means, with respect of any security the rate for which is quoted in *The Wall Street Journal* on a bank discount basis, the "bond equivalent yield" (expressed as a percentage) for such security which appears on Telerate's United States Treasury and Money Market Composite Page 0233, rounded up to the nearest one-hundredth of one percent.

"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, the Contract of Insurance, any Certificate of Insurance, 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 or any regulations promulgated pursuant to such laws, as such powers, duties and functions relate to the Obligations.

"Bond Registrar" shall mean, with respect to the Offered Obligations, the Trustee or such other person, agency or office as determined by the Corporation to act as bond registrar for the Offered Obligations pursuant to the Indenture.

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

"Broker-Dealer" shall mean: (i) the Initial Broker Dealer, with respect to all currently outstanding Obligations other than the Series 2005-A-2 Bonds, the Series 2004-A-3 Notes and the Series 2005-A-5 Notes; (ii) the Series 2005-A-5 Broker-Dealer, with respect to the Series 2005-A-2 Bonds, the Series 2004-A-3 Notes and the Series 2005-A-5 Notes, and (iii) any other party or parties designated by the Corporation as a Broker-Dealer for a Series of Obligations constituting Auction Rate Securities; provided that each Broker-Dealer must (a) be a Participant (or an affiliate of a Participant); (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, dated as of July 1, 1999, between the Initial Auction Agent and the Initial Broker-Dealer.

"Broker-Dealer Fee" shall mean the fee paid to a Broker-Dealer pursuant to its respective 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 corporate trust office of the Trustee is located or a day on which the New York Stock Exchange is not open.

"Carry-over Amount" shall mean the excess, if any, of (a) the amount of interest on any Taxable Note that would have accrued with respect to the related Auction Period at the applicable Auction Rate over (b) the amount of interest on such Taxable Note that actually accrued with respect to such Auction Period based on the applicable Net Loan Rate, together with the unreduced portion of any such excess from prior Auction Periods; provided that any reference to "principal" or "interest" in this Offering Memorandum shall not include within the meanings of such words any Carry-over Amount or any interest accrued on any Carry-over Amount.

"Cash Flow Certificate" shall mean a Corporation Certificate (i) setting forth from 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.

"Certificate of Insurance" shall mean a certificate of federal loan insurance issued with respect to a Student Loan by the Secretary of Education pursuant to the provisions of the Higher Education Act (including, but not limited to, a certificate of comprehensive insurance with respect to Consolidation Loans).

"CFS" shall mean Collegiate Funding Services, L.L.C., a Virginia limited liability company.

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

"Change of Tax Law" shall mean any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury after the date of the Original Indenture which (a) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (b) imposes or would impose or reduces or would reduce or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any beneficial owner of the Auction Rate Tax-Exempt Bonds.

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

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

"Commercial Paper Dealers" shall mean the Initial Commercial Paper Dealer, its successors and assigns, and any other commercial paper dealer appointed as provided in the Indenture.

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

"Concurrent Senior Obligations" shall mean, collectively, the Series 2005-A-1 Bonds and the Series 2005-A-2 Bonds.

"Concurrent Subordinate Obligations" shall mean the Series 2005-B-1 Bonds.

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

"Contract of Insurance" shall mean the Contract of Federal Loan Insurance, effective August 12, 1982, entered into between the Trustee and the Secretary of Education, and any amendment thereto and any comparable agreement entered into between any successor Trustee and the Secretary.

"Conversion" shall mean 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, 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, 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.

"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 underwriters' 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, New York, New York, a limited purpose trust company.

"Effective Student Loan Rate" shall mean, for purposes of computing the Adjusted Net Loan Rate on an Auction Date, the aggregate earnings (taking into account borrower interest, Interest Subsidy Payments, Special Allowance Payments, rebate fees on Consolidation Loans and projected reductions based on borrower incentive programs) which accrued on all Pledged Eligible Loans during the second calendar month preceding such Auction Date (annualized on the basis of actual days in such month) divided by the average of the outstanding principal of all Pledged Eligible Loans as of the first and last days of such calendar month (or, if the Corporation shall determine that, as a result of significant changes during such month in the outstanding principal of Pledged

Eligible Loans, use of the average of the outstanding principal of all Pledged Eligible Loans as of the first and last days of such calendar month is inappropriate, the Corporation's best estimate of the average daily aggregate outstanding balance of principal of Pledged Eligible Loans during such month). Computations of accrued Special Allowance Payments will be based, at the Corporation's option, on either Special Allowance Payments received during the preceding calendar quarter; or the Corporation's best estimate, based on auctions of United States Treasury Securities occurring prior to the date of computation, of Special Allowance Payments actually accruing during such month.

"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 Loan Holder" shall mean the Trustee, the Foundation or both, 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 either Insured or Guaranteed and (unless the Corporation shall have 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 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 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 the date of the Original Indenture 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 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% 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 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; (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; and (g) unless the Corporation shall have provided to the Trustee written advice from each Rating Agency that treating a Student Loan which is not fully disbursed prior to July 1, 2006, as an "Eligible Loan" will not cause the withdrawal or reduction of any rating or ratings then applicable to any of the Obligations, was fully disbursed prior to July 1, 2006.

"Existing Holder" shall mean, (i) with respect to and for the purpose of dealing with an Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction, and (ii) with respect to and for the purpose of dealing with the (or a) Broker-Dealer in connection with an Auction, a Person who is a Beneficial Owner of Obligations subject to that Auction.

"Existing Holder Registry" shall mean the registry of Persons who are Existing Holders maintained by the Auction Agent as provided in the Auction Agent Agreement.

"FDE" shall mean Florida Department of Education.

"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.

"FISL Loans" shall mean student loans insured under the FISL Program.

"FISL Program" shall mean the federal loan insurance program created under the Higher Education Act whereby the Secretary of Education directly insures the repayment of at least eighty percent (80%) of the principal of (or in certain cases up to one hundred percent (100%) of the principal of and accrued interest on) Student Loans under the Higher Education Act.

"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 Agency" shall mean (i) ASA, (ii) GLHEGC, (iii) KHEAA, (iv) LASFAC, (v) PHEAA, (vi) TSAC, (vii) NSLP and (viii) USA Funds, each constituting a "Guaranty Agency" under Section 435(j) of the Higher Education Act.

"Guarantee Agreement" shall mean the Agreements to Guarantee Loans between the Trustee and Guarantors, including any supplements or amendments thereto.

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

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

"Guarantors" shall mean the Guarantee Agencies and all Other Qualified Guarantors.

"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" shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"Holder" or "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, Underwriters, trustee, partner, affiliate, subsidiary, director or Person performing similar functions.

"Index" shall mean on any Auction Date, (i) with respect to Auction Rate Tax-Exempt Bonds with an Auction Period of 60 days or less, the BMA Index, or if such rate is not published by the BMA, 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 BMA 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 Auction Rate Tax-Exempt Bonds 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 Auction Rate Tax-Exempt Bonds, 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 Auction Agent" shall mean Deutsche Bank Trust Company Americas (successor to Bankers Trust Company), a New York banking corporation, its successors and assigns.

"Initial Auction Agent Agreement" shall mean the Auction Agent Agreement, dated as of July 1, 1999, between the Corporation and the Initial Auction Agent, including any amendment thereof or supplement thereto.

"Initial Auction Rate Period" shall mean, with respect to a Series of the Offered Obligations, the respective periods from the Applicable Date of Issuance to and including the day as set forth as the last day of the first Auction Rate Period applicable to that Series of Offered Obligations, as set forth on the inside cover page of

this Offering Memorandum, and with respect to all Additional Obligations, the period designated least day nor set forth as the Initial Auction Rate Period in the Applicable Series Supplement.

"Initial Broker-Dealer" means Citigroup Global Markets Inc., as successor to Salomon Smith Barney Inc., and its successors and assigns.

"Initial Commercial Paper Dealer" shall mean Citigroup Global Markets Inc., and its successors and assigns.

"Initial Market Agent" means Citigroup Global Markets Inc., as successor to Salomon Smith Barney Inc., and its successors and assigns.

"Insurance" or "Insured" or "Insuring" shall mean, with respect to a Student Loan, the insuring by the Secretary of Education (as evidenced by a Certificate of Insurance or other document or certification issued under the provisions of the Higher Education Act) under the Higher Education Act of one hundred percent (100%) of the principal of and accrued interest on such Student Loan; provided, however, that a Student Loan for which an application for insurance commitment was received by the Secretary of Education prior to March 1, 1973, shall be deemed Insured if insured by the Secretary of Education to the extent of one hundred percent (100%) of the principal amount of such Student Loan and if at the same time the Corporation acquires such a pre- March 1, 1973, Student Loan it also acquires an Insured Loan executed by the same borrower after March 1, 1973.

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

"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 (a) when used with respect to payment of interest accruing on Taxable Notes at Auction Rates for Auction Periods of less than 180 days, the first day of the next Auction Period and any Conversion Date (except as changed pursuant to the Indenture) (b) when used with respect to payment of interest accruing on Tax-Exempt Bonds at Auction Rates, each March 1, and September 1 (except as changed pursuant to the Indenture); (c) when used with respect to payment of interest accruing on Taxable Notes at Auction Rates for Auction Periods of 180 days or longer, each April 1 and October 1 (except as changed pursuant to the Indenture); (d) when used with respect to payment of interest accruing on Obligations of a Series at Weekly Rates, each March 1 and September 1 or such other dates as may be provided in the Applicable Series Supplement or the Corporation Order directing conversion of such Series to Weekly Rates; (e) when used with respect to payment of interest accruing on Obligations of a Series at Adjustable Rates, each March 1 or September 1 or such other dates as may be provided for a Series in the Applicable Series Supplement or the Corporation Order directing conversion of such Series to Adjustable Rates; (f) when used with respect to payment of interest accruing on Obligations at a Fixed Rate, the first day of each March and September to which interest at such rate has accrued; and (g) when used with respect to payment of interest accruing on Obligations at the Credit Enhancement Facility Issuer Rate, each March 1 or September 1 or such other dates as may be provided for a Series in the Applicable Series Supplement or the Corporation Order directing conversion of such Series to Weekly Rates or Adjustable Rates.

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

"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 in its highest applicable 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 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 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) repurchase agreements and investment contracts (and, if applicable, related custody agreements) specifically referenced in the Original Indenture and the Series Supplements; and

(m) 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.

Investments described in paragraphs (a), (d), (e), (f), (i), (j) and (k) must also meet additional Rating Agency requirements.

"KHEAA" shall mean Kentucky Higher Education Assistance Authority.

"LASFAC" shall mean Louisiana Student Financial Assistance Commission.

"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 the Secretary of Education with respect to Insured Loans, or 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.

"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, dated as of July 1, 1999, 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.

"Master Note" shall mean a Master Promissory Note in the form mandated by Section 432(m)(1)(D) of the Higher Education Act, as added by Pub. L. 105-244, § 427, 112 Stat. 1702 (1998), 20 U.S.C. § 1082(m)(1)(D) evidencing one or more Pledged Eligible Loans.

"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 issuance thereof, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Maximum Rate" shall mean, as of any date of determination, (w) with respect to Auction Rate Tax-Exempt Bonds, 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 such Tax-Exempt Bonds; (x) with respect to Auction Rate Taxable Notes, the interest rate per annum equal to the least of (A) either (i) the Applicable LIBOR-Based Rate plus 1.50% (if the ratings assigned by each Rating Agency to such Series of Taxable Notes are not lower than the second highest General Rating Category of such Rating Agency) or (ii) the Applicable LIBOR-Based Rate plus 2.50% (if any one of the ratings assigned by any Rating Agency to such Series of Taxable Notes is lower than the second highest General Rating Category of such Rating Agency), (B) sixteen percent (16%) and (C) the highest rate the Corporation may legally pay, from time to time, as interest on such Taxable Notes; (y) with respect to the Obligations bearing interest at a Variable Rate other than a Long Rate, twelve percent (12%) per annum and (z) with respect to Obligations bearing interest at a Long Rate, eight percent (8%) per annum. The ratings referred to in this definition shall be the last ratings of which the Auction Agent has been given written notice pursuant to the Auction Agent Agreement.

"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 Loan Rate" shall mean, with respect to any Series of Auction Rate Taxable Notes and any Auction Date, the Base Net Loan Rate, not to exceed the Maximum Rate, unless either: (a) the Market Agent shall have advised the Corporation and the Trustee, not later than the third Business Day prior to such Auction Date, that the interest rate per annum established in an auction of securities comparable to the Auction Rate Taxable Notes during the seven day period preceding such notice exceeded the Base Net Loan Rate, computed as though the date of auction of such comparable securities were an Auction Date hereunder; or (b) Sufficient Clearing Bids shall not

have been received (other than because all applicable Auction Rate Taxable Notes were subject to Hold Orders) at the last Auction of Auction Rate Taxable Notes prior to such Auction Date. If the circumstances described in clauses (a) or (b) above exist, "Net Loan Rate" shall mean the greater of: (i) the Base Net Loan Rate; and (ii) the Adjusted Net Loan Rate, in either case not to exceed the Maximum Rate.

"Non-Payment Rate" shall mean, on any date of determination, (i) with respect to a Series of Auction Rate Tax-Exempt Bonds, the interest rate per annum equal to the lesser of (a) 265% of the Index on such date (as such percentage may be adjusted pursuant to the Indenture) and (b) fourteen percent (14%) and (ii) with respect to a Series of Auction Rate Taxable Notes, the interest rate per annum equal to One-Month LIBOR plus 1.50%, in either case not exceeding the Maximum Rate.

"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 National Student Loan Program, Inc.

"NYSHESC" shall mean New York State Higher Education Services Corporation.

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

"Offered Obligations" or "Offered Senior Obligations" shall mean, collectively, the Series 2005-A-3 Notes, the Series 2005-A-4 Notes and the Series 2005-A-5 Notes.

"One-Month LIBOR," "Three-Month LIBOR," "Six-Month LIBOR" or "One-Year LIBOR" shall mean the rate of interest per annum equal to the rate per annum at which United States dollar deposits having a maturity of one month, three months, six months or one year, respectively, are offered to prime banks in the London interbank market which appear on the Reuters Screen LIBOR Page as of approximately 11:00 a.m., London time, on the applicable Auction Date. If at least two such quotations appear, One-Month LIBOR, Three-Month LIBOR, Six-Month LIBOR or One-Year LIBOR, respectively, will be the arithmetic mean (rounded upwards, if necessary, to the nearest one-hundredth of one percent) of such offered rates. If fewer than two such quotes appear, One-Month LIBOR, Three-Month LIBOR, Six-Month LIBOR or One-Year LIBOR, respectively, with respect to such Auction Period will be determined at approximately 11:00 a.m., London time, on such Auction Date on the basis of the rate at which deposits in United States dollars having a maturity of one month, three months, six months or one year, respectively, are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by (a) the Auction Agent or (b) the Trustee, as applicable, and in a principal amount of not less than U. S. $1,000,000 and that is representative for a single transaction in such market at such time. The Auction Agent or the Trustee, as applicable, will request the principal London office of each of such banks to provide a quotation of its rate. If at least two quotations are provided, One-Month LIBOR, Three-Month LIBOR, Six-Month LIBOR or One-Year LIBOR, respectively, with respect to such Auction Period, will be the arithmetic mean (rounded upwards, if necessary, to the nearest one-hundredth of one percent) of such offered rates. If fewer than two quotations are provided, One-Month LIBOR, Three-Month LIBOR, Six-Month LIBOR or One-Year LIBOR, respectively, with respect to such Auction Period will be the arithmetic mean (rounded upwards, if necessary, to the nearest one-hundredth of one percent) of the rates quoted at approximately 11:00 a.m., New York City time on such Auction Rate Determination Date by three major banks in New York, New York selected by (i) the Auction Agent or (ii) the Trustee, as applicable, for loans in United States dollars to leading European banks having a maturity of one month, three months, six months or one year, respectively, and in a principal amount equal to an amount of not less than U. S. $1,000,000 and that is representative for a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid are not quoting as mentioned in this sentence, One-Month LIBOR, Three-Month LIBOR, Six-Month LIBOR or One-Year LIBOR, respectively, in effect for the applicable Auction Period will be One-Month LIBOR, Three-Month LIBOR, Six-Month LIBOR or One-Year LIBOR, respectively, in effect for the immediately preceding Auction Period.

"Order" shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

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

"Other Qualified Guarantor" shall mean CSAC, Student Loan Guarantee Foundation of Arkansas, TGSLC, FDE, and NYSHESC and any other agency or entity (other than ASA, GLHEGC, KHEAA, LASFAC, PHEAA, TSAC and USA Funds which are specifically included in the definition of Guarantee Agency in the Indenture) 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 (other than ASA, GLHEGC, KHEAA, LASFAC, NSLP, PHEAA, TSAC and USA Funds) 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 effective as of March 2, 1992, 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 Holder" shall mean, with respect to a Series of Obligations, any Person (including an Existing Holder that is (i) a Broker-Dealer when dealing with the Auction Agent and (ii) a potential Beneficial Owner when dealing with a Broker-Dealer), who may be interested in acquiring Obligations of such Series (or, in the case of an Existing Holder thereof, an additional principal amount of Obligations of such Series).

"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, with respect to the Trustee, on the date of this Offering Memorandum, the office of the Trustee located at 248 East Capitol Street, Jackson, Mississippi 39201, and from and including the day on which the Trustee notifies the Corporation in writing that it has designated another office as its office for purposes of this Indenture, the office so designated in such a writing.

"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 Taxable Notes and the Prior Series Tax-Exempt Bonds.

"Prior Series Senior Obligations" shall mean, collectively, the Prior Series Senior Tax-Exempt Bonds and the Prior Series Senior Taxable Notes.

"Prior Series Senior Tax-Exempt Bonds" shall mean, collectively, the Series 2001-A-1 Bonds, the Series 2000-A-2 Bonds, the Series 2000-A-4 Bonds, the Series 1999-A-1 Bonds and the Series 1999-A-2 Bonds.

"Prior Series Senior Taxable Notes" shall mean, collectively, the Series 2004-A-2 Notes, the Series 2004-A-3 Notes, the Series 2004-A-4 Notes, the Series 2003-A-1 Notes, the Series 2003-A-2 Notes, the Series 2003-A-3 Notes, the Series 2000-A-1 Notes, the Series 2000-A-3 Notes and the Series 1999-A-3 Notes.

"Prior Series Subordinate Obligations" shall mean, collectively, the Prior Series Subordinate Tax-Exempt Bonds and Prior Series Subordinate Taxable Notes.

"Prior Series Subordinate Tax-Exempt Bonds" shall mean, collectively, the Series 2000-B-2 Bonds, the Series 2000-B-3 Bonds and the Series 1999-B-1 Bonds.

"Prior Series Subordinate Taxable Notes" shall mean, collectively, the Series 2003-B-1 Notes and the Series 2000-B-1 Notes.

"Prior Series Tax-Exempt Bonds" shall mean, collectively, the Prior Series Senior Tax-Exempt Bonds and the Prior Series Subordinate Tax-Exempt Bonds.

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

"Prior Supplements" shall mean, collectively, the Series 2003-A-1&2&B-1 Supplement, the Series 2003-A-3 Supplement, the Series 2001-A-1 Supplement, the Series 2000-A-1&B-1 Supplement, the Series 2000-A-2&3&B-2 Supplement and the Series 2000-A-4&B-3 Supplement.

"Program" shall mean the Corporation's program for the acquisition of Student Loans.

"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 Rates, the last Business Day preceding the date on which such payment is made, (b) with respect to any regularly scheduled Interest Payment Date with respect to payment of interest accruing at other than Auction 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 2% of the Outstanding principal amount of the Outstanding Obligations; $500,000; or 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.

"S&P" shall mean Standard & Poor's Credit Market Services, and its successors and assigns.

"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"' shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"Senior Asset Requirement" shall mean: (a) with respect to expenditures and other uses of funds in the Surplus Account permitted by the Indenture and release of Student Loans from the lien of the Indenture under certain circumstances, 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 112%, and that the ratio of the Balances credited to the Trust Estate Fund to the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to 103%; (b) with respect to redemption of Obligations, including redemption of Subordinate Obligations by operation of Sinking Fund Requirements but excluding redemption of Senior Obligations by operation of Sinking Fund Requirements, and with respect to all other 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 110% and that the ratio of the Balances credited to the Trust Estate Fund to the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to 102%, 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. For purposes of issuance of the Offered Obligations, the Senior Asset Requirement will be the following as set forth in the Series 2005-A-1&2&3&4&5&B-1 Supplement in accordance with item (c) above: that the ratio of (1) the Balances credited to the Trust Estate Fund to (2) the aggregate principal amount of 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 108%, and that the ratio of the

Balances credited to the Trust Estate Fund to the aggregate principal of and accrued and unpaid interest on all Outstanding Obligations is at least equal to 98%.

"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 any Credit Enhancement Facility with respect to the Offered Senior Obligations, the Concurrent Senior Obligations or any Series of the Prior Series Senior Obligations and any Credit Enhancement Facility designated as a Senior Credit Enhancement Facility in a future Series Supplement authorizing execution thereof or authorizing issuance of the Series of Senior Obligations to which such Credit Enhancement Facility corresponds.

"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 Concurrent Senior Obligations, the Prior Series Senior Obligations and any Additional Senior Obligations issued after the issuance of the Offered Senior Obligations.

"Senior Remarketing Agreement" shall mean a Remarketing Agreement with respect to the Offered Senior Obligations, the Concurrent Senior Obligations or any Series of the Prior Series Senior Obligations and any Remarketing Agreement, designated as a Senior Remarketing Agreement in a future Series Supplement authorizing execution thereof or authorizing issuance of the Series of Senior Obligations to which such Remarketing Agreement corresponds.

"Senior Series" shall mean the Offered Senior Obligations, the Concurrent Senior Obligations, the Prior Series Senior Obligations and any Additional Senior Obligations of a Series issued after the issuance of the Offered 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 Offered Senior Obligations, the Concurrent Senior Obligations or any Series of the Prior Series Senior Obligations and any Swap Agreement designated as a Senior Swap Agreement in a future Series Supplement authorizing execution thereof or authorizing issuance of the Series of Senior Obligations to which such Swap Agreement corresponds.

"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.

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

"Series 1999-A Obligations" shall mean, collectively, the Series 1999-A-1 Bonds, the Series 1999-A-2 Bonds and the Series 1999-A-3 Notes.

"Series 1999-A-1 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Senior Series 1999-A-1.

"Series 1999-A-2 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Senior Series 1999-A-2.

"Series 1999-A-3 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 1999-A-3.

"Series 1999-B-1 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Subordinate Series 1999-B-1.

"Series 2000-A-1 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 2000-A-1.

"Series 2000-A-2 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Senior Series 2000-A-2.

"Series 2000-A-3 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 2000-A-3.

"Series 2000-A-4 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Senior Series 2000-A-4.

"Series 2000-A-1&B-1 Supplement" shall mean the Series 2000-A-1 and 2000-B-1 Supplement, dated as of January 1, 2000, authorizing issuance of the Series 2000-A-1 Notes and the Series 2000-B-1 Notes.

"Series 2000-A-2&3&B-2 Supplement" shall mean the Series 2000-A-2, 2000-A-3 and 2000-B-2 Supplement, dated as of March 1, 2000, authorizing issuance of the Series 2000-A-2 Bonds, the Series 2000-A-3 Notes, and the Series 2000-B-2 Bonds.

"Series 2000-A-4&B-3 Supplement" shall mean the Series 2000-A-4 and 2000-B-3 Supplement to the Indenture, dated as of July 1, 2000, authorizing issuance of the Series 2000-A-4 Bonds and the Series 2000-B-3 Bonds.

"Series 2000-B-1 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Subordinate Series 2000-B-1.

"Series 2000-B-2 Bonds" shall mean the Corporations Student Loan Revenue Bonds, Subordinate Series 2000-B-2.

"Series 2000-B-3 Bonds" shall mean the Corporations Student Loan Revenue Bonds, Subordinate Series 2000-B-3.

"Series 2001-A-1 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Senior Series 2001-A-1.

"Series 2001-A-1 Supplement" shall mean the Series 2001-A-1 Supplement to the Indenture, dated as of August 1, 2001, authorizing issuance of the Series 2000-A-1 Bonds.

"Series 2003-A-1 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 2003-A-1.

"Series 2003-A-1&2&B-1 Notes" shall mean, collectively, the Series 2003-A-1 Notes, the Series 2003-A-2 Notes and the Series 2003-B-1 Notes.

"Series 2003-A-1&2&B-1 Supplement" shall mean the Corporation's Series 2003-A-1, 2003-A-2 and 2003-B-1 Supplement, dated as of June 1, 2003, authorizing the issuance of the Series 2003-A-1&2&B-1 Notes.

"Series 2003-A-2 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 2003-A-2.

"Series 2003-A-3 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 2003-A-3.

"Series 2003-A-3 Supplement" shall mean the Corporation's Series 2003-A-3 Supplement, dated as of August 1, 2003, authorizing the issuance of the Series 2003-A-3 Notes.

"Series 2003-B-1 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Subordinate Series 2003-B-1.

"Series 2004-A-2 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 2004-A-2.

"Series 2004-A-3 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 2004-A-3.

"Series 2004-A-4 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 2004-A-4.

"Series 2004-A-2&3&4 Notes" shall mean, collectively, the Corporation's Series 2004-A-2 Notes, Series 2004-A-3 Notes and the Series 2004-A-4 Notes.

"Series 2004-A-2&3&4 Supplement" shall mean the Corporation's Series 2004-A-2, 2004-A-3 and 2004-A-4 Supplement, dated as of August 1, 2004, authorizing the issuance of the Series 2004-A-2&3&4 Notes.

"Series 2005-A-1 Bonds", shall mean the Corporation's Student Loan Revenue Bonds, Senior Series 2005-A-1.

"Series 2005-A-1&2&3&4&5&B-1 Supplement" shall mean the Corporation's Series 2005-A-1, 2005-A-2, 2005-A-3, 2005-A-4, 2005-A-5 and 2005-B-1 Supplement, to be dated as of September 1, 2005, authorizing the issuance of the Offered Obligations and the Concurrent Obligations.

"Series 2005-A-2 Bonds, shall mean the Corporation's Student Loan Revenue Bonds, Senior Series 2005-A-2.

"Series 2005-A-3 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 2005-A-3.

"Series 2005-A-3&4&5 Notes" means, collectively, the Series 2005-A-3 Notes, the Series 2005-A-4 Notes and the Series 2005-A-5 Notes.

"Series 2005-A-4 Notes" shall mean the Corporation's Student Loan Asset Backed Notes, Senior Series 2005-A-4.

"Series 2005-A-5 Broker-Dealer" shall mean Banc of America Securities LLC, and its successors and assigns.

"Series 2005-A-5 Notes" shall mean the Corporation's Student Loan Asset-Backed Notes, Senior Series 2005-A-5.

"Series 2005-B-1 Bonds" shall mean the Corporation's Student Loan Revenue Bonds, Subordinate Series 2005-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-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 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).

"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.

"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 tax of every

corporation as set forth in Section 11 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 September 1, 2005, is 35%.

"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, and as amended, 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" shall mean 12:30 p.m., eastern time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

"Submitted Bid" shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"Submitted Hold Order" shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"Submitted Order" shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"Submitted Sell Order" shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"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 any Credit Enhancement Facility with respect to any Series of the Prior Series Subordinate Obligations or the Concurrent Subordinate Obligations and any Credit Enhancement Facility designated as a Subordinate Credit Enhancement Facility in a future Series Supplement authorizing execution thereof or authorizing issuance of the Series of Subordinate Obligations to which such Credit Enhancement Facility corresponds.

"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 Concurrent Subordinate Obligations, and all Additional Obligations of a Series hereafter issued on a parity therewith.

"Subordinate Remarketing Agreement" shall mean any Remarketing Agreement with respect to any Series of the Prior Series Subordinate Obligations or the Concurrent Subordinate Obligations and any Remarketing Agreement designated as a Subordinate Remarketing Agreement in a future Series Supplement

authorizing execution thereof or authorizing issuance of the Series of Subordinate Obligations to which such Remarketing Agreement corresponds.

"Subordinate Series" shall mean any Series of the Prior Series Subordinate Obligations, the Concurrent Subordinate Obligations and any other Series of Obligations designated as a Subordinate Series pursuant to the Series Supplement authorizing issuance thereof.

"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 any Series of the Prior Series Subordinate Obligations or the Concurrent Subordinate Obligations and any Swap Agreement designated as a Subordinate Swap Agreement in the applicable Series Supplement.

"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" shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

"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 Offering Memorandum, the Series of Tax-Exempt Bonds Outstanding under the Indenture include the Prior Series Tax-Exempt Bonds and will include the Concurrent Obligations upon their issuance.

"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 Offering Memorandum, the Series of Taxable Notes Outstanding under the Indenture include solely the Prior Series Taxable Notes and will include the Offered Obligations upon their issuance.

"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 Term Obligations in the Series Supplement authorizing issuance thereof.

"TGSLC" shall mean Texas Guaranteed Student Loan 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 Trustmark National Bank, a national banking association with its principal office in the City of Jackson, 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" shall mean, collectively with respect to the Offered Obligations, Citigroup Global Markets Inc. and Banc of America Securities LLC.

"United States Treasury Security Rate" shall mean, for purposes of calculating the Net Loan Rate applicable to an Auction, that rate of interest per annum equal to the Bond Equivalent Yield on the applicable United States Treasury securities sold at the last auction thereof that immediately precedes the applicable Auction Date.

"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, and any successor thereto.

"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 of 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" shall have the meaning, with respect to Auction Rate Taxable Notes, as set forth in APPENDIX E -- "AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES."

Indenture Summary

The following is a brief summary of certain provisions of the Indenture, in addition to the provisions thereof summarized elsewhere in this Offering Memorandum 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
    - Subordinate Current Debt Service - Interest Subaccount
    - Subordinate Current Debt Service- Principal Subaccount
    - Subordinate Sinking Fund Subaccount
    - Subordinate Credit Enhancement 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 NET PROCEEDS OF THE OFFERED OBLIGATIONS" in this Offering Memorandum.

Applications of Funds and Accounts

Acquisition Account

There shall be credited to the Transferred Proceeds Subaccount and the Original Proceeds Subaccount proceeds of Obligations of a Series and other amounts as provided in the Indenture and in one or more Series Supplements. The proceeds of the Offered Obligations shall be credited to the Original Proceeds Account. 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 that:

(a) The Trustee shall make disbursements from the Acquisition Account (first from the Revolving Subaccount, second from the Transferred Proceeds Subaccount and thereafter from the Original Proceeds Subaccount unless the Corporation shall have directed otherwise) to acquire, or to reimburse the Corporation for acquiring, Eligible Loans that have been fully or partially disbursed upon receipt by the Trustee of an Eligible Loan Acquisition Certificate as set forth in the Indenture and all documents, opinions, if any, and certificates required thereby. Amounts so disbursed will be paid to the payee designated in the Eligible Loan Acquisition Certificate.

(b) The Trustee will disburse amounts from the Trust Estate Fund with respect to Pledged Eligible Loans that have not been fully disbursed as directed in a Corporation Order in form acceptable to the Trustee (an "Eligible Loan Disbursement Order"). Any such disbursement with respect to a Pledged Eligible Loan will be made, directly or indirectly, by check, electronic funds transfer or other method acceptable to the Trustee to the borrower of such Pledged Eligible Loan, such borrower's eligible institution, a disbursement agent or another Person (including the Corporation

to the extent appropriate to reimburse the Corporation for funds previously disbursed by the Corporation) specified in the Eligible Loan Disbursement Order. Any such disbursement will be made on the date set forth in such Eligible Loan Disbursement Order. Each Eligible Loan Disbursement Order will include a certification that the amount to be disbursed pursuant thereto with respect to each Pledged Eligible Loan, together with any other amounts previously disbursed with respect to such Pledged Eligible Loan by any Lender from which such Pledged Eligible Loan will have been purchased, by the Corporation, and/or by the Trustee, does not exceed the maximum amount available to or for the benefit of such borrower from such Pledged Eligible Loan, including all fees payable to any Guarantor and/or the Secretary of Education.

(c) 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 the 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 the Indenture.

(d) No moneys will be disbursed from the Acquisition Account to acquire (i) a Proprietary School Student Loan if, after such disbursement, the Aggregate Market Value of Proprietary School Student Loans included in the Trust Estate will exceed five percent (5%) of the Aggregate Market Value of all Pledged Student Loans; (ii) an Unsubsidized Stafford Loan if, immediately following such disbursement, the Aggregate Market Value of Unsubsidized Stafford Loans included in the Trust Estate will exceed fifty percent (50%) of the Aggregate Market Value of all Pledged Student Loans; and (iii) Two-Year School Loans if, immediately following such disbursement, the Aggregate Market Value of Two-Year School Loans included in the Trust Estate will exceed fifteen percent (15%) of the Aggregate Market Value of all Pledged Student Loans; provided that, in each case, if the Trustee has received written evidence from each Rating Agency that applying a higher percentage for purposes of this provision will not cause the withdrawal or reduction of any rating then in effect for the Obligations, this provision will be applied using such higher percentage, subject to such restrictions, if any, as may be set forth in such written evidence from the Rating Agencies.

(e) Unless the most recent quarterly report provided to the Trustee pursuant to the Indenture indicates that the Aggregate Market Value of Proprietary School Student Loans, Unsubsidized Stafford Loans or Two-Year School Loans included in the Trust Estate will exceed the applicable percentages of the Aggregate Market Value of all Pledged Student Loans specified in paragraph (d) above, the Trustee will be entitled to rely upon a certification from the Corporation that all of the conditions specified in the Indenture for the acquisition of Eligible Loans identified in an Eligible Loan Acquisition Certificate have been satisfied as evidenced and that the acquisition of such Eligible Loans and any disbursement of moneys in connection with such acquisition will not violate the requirements of such paragraph (d) above.

The aggregate of all proceeds of the Series 2005-A-3&4&5 Notes credited to the Original Proceeds Subaccount ("Series 2005-A-3&4&5 Original Proceeds") which are disbursed in connection with the acquisition (by purchase or origination) of Eligible Loans, including all Series 2005-A-3&4&5 Original Proceeds disbursed to acquire such Eligible Loans and all Series 2005-A-3&4&5 Original Proceeds disbursed to pay or reimburse fees and expenses (other than Servicing Fees) relating to such acquisitions, shall not exceed 104.85% 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.

The aggregate of all amounts 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 103% 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.

Except as provided in the next succeeding sentence any amounts allocable to the Offered Obligations credited to the Original Proceeds Subaccount pursuant to the Series 2005-A-1&2&3&4&5&B-1 Supplement which have not been expended to acquire Student Loans on or prior to June 1, 2006 shall be transferred on the first day of the next succeeding month to the Redemption Subaccount. If prior to July 1, 2006, 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 sentence shall be applied by substituting such date as shall have been set forth in such Corporation Order instead of June 1, 2006. In such event, this provision may also be applied in the future with the first day of the next succeeding month being substituted herein for July 1, 2006

Except as provided in the next succeeding sentence, any Balances (other than Student Loans) consisting of amounts allocable to the Offered Obligations and credited to the Revolving Subaccount on September 1, 2006 shall be transferred on the first day of the next succeeding month to the Redemption Subaccount. If prior to October 1, 2006, the Corporation shall have delivered to the Trustee a Corporation Order specifying a later date on which such amounts shall be transferred from the Revolving Subaccount to the Redemption Subaccount, together with written evidence from each Rating Agency that deferring such date will not cause the withdrawal or reduction of any rating or ratings then applicable to any of the Obligations, the immediately preceding sentence shall be applied by substituting such date as shall have been set forth in such Corporation Order instead of September 1, 2006. In such event, this provision may also be applied in the future with the first day of the next succeeding month being substituted herein for October 1, 2006. Balances will be allocable to the Offered Obligations if allocated on the books and records of the Corporation to the Offered Obligations. In making such allocation, the Corporation shall generally allocate the following to the Offered Obligations: receipts with respect to Student Loans credited to, or acquired with moneys credited to, the Original Proceeds Subaccount pursuant to the Series 2005-A-1&2&3&4&5&B-1 Supplement or acquired with moneys otherwise allocable to the Offered Obligations; investment earnings on any moneys credited to the Original Proceeds Subaccount or the Reserve Subaccount pursuant to the Series 2005-A-1&2&3&4&5&B-1 Supplement and any moneys otherwise allocable to the Offered 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 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 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 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 liability (if any) through and including such day of the Corporation to all Senior Swap Counterparties on all Senior Swap Agreements;

(f) 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;

(g) 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);

(h) 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;

(i) 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;

(j) 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;

(k) 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;

(l) 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

(m) 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 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, 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 a payment 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 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 a payment 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.

Surplus Account

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

From time to time and subject to any limitations applicable to amounts in the Surplus Account allocable to a specific Series of Obligations as set forth in the Series Supplement for such Series of Obligations, 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 or purchase Outstanding Obligations, upon receipt by the Trustee of a Cash Flow Certificate with respect to such transfer and such use; 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 and, if the date of transfer shall be after the date on which Balances credited to the Revolving Subaccount shall have been required to be transferred to the Redemption Subaccount, a Cash Flow Certificate with respect to such transfer and such use.

From time to time amounts credited to the Surplus Account shall be applied to pay Carry-over Amounts.

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 102% 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 maintain or cause to be maintained with respect to each Fund, Account and Subaccount records of deposits, transfers and disbursements and of the Balances therein and shall provide to the Trustee, on or before the last Business Day of each calendar month, a complete accounting showing all such deposits, transfers and disbursements during the preceding calendar month and the Balance of each Account and Subaccount at the end of such preceding calendar month. The Corporation may also advise the Trustee of other transfers made between Funds, Accounts and Subaccounts and the Balances of such Funds, Accounts and Subaccounts after such transfers. At any time that no Event of Default shall have occurred and be continuing, the Trustee will rely upon all such accountings from the Corporation, absent manifest error or a failure of such accounting to account for all monies and other assets received or held by the Trustee and all disbursements made by the Trustee.

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 FISL Program, the Guarantee Program 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, Certificates of Insurance and Contract of Insurance

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, all Certificates of Insurance and all Contracts of Insurance 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, Certificate of Insurance or the Contract of Insurance 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.

The Indenture provides that one or more Pledged Student Loans may be evidenced by a Master Note. In such event, the Indenture provides that the Corporation shall cause any Servicing Agreement pursuant to which any Servicer will hold Master Notes to include provisions with respect to such Master Notes as provided for in the Indenture. The Indenture further provides that the Corporation shall cause any Master Notes delivered to it to be promptly delivered to either a Servicer or the Trustee.

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 2005-A-1&2&3&4&5&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 a Cash Flow Certificate and 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 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 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.

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 with respect to Pledged Student Loans if the Trustee requires the provision of and reviews the information required to be provided to the Trustee by the Indenture.

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 the Indenture, the Trustee will then specify in writing 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 the Indenture unless, within 30 days (or such longer period as the Trustee may approve) thereafter, the Corporation shall have submitted to the Trustee a certificate of a firm of certified public accountants 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 the 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, insurance payments, Special Allowance Payments and all Guarantee or Insurance payments from any Guarantor or from the Secretary of Education 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 delivery 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 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 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 Obligation, 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 of principal 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 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 equal 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 (l) 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) 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.

(B) 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 (C) below.

(C) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except

(1) to the extent otherwise described in paragraph (A) 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.

(D) 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 (B) above, subject, however, to the applicable provisions of (C) 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.

(E) 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.

(F) 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.

(G) 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.

(H) 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.

(I) The Trustee shall not be required to give any bond or surety.

(J) 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.

(K) 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 authenticates all such filings and agrees that Uniform Commercial Code filings may be made without notice to the Corporation and without the Corporation's signature.

(L) 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 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.

(M) The parties recognize that the Trustee has (or will have) special contractual obligations and rights with respect to the Guarantee Agencies and Other Qualified Guarantors which must be maintained and preserved in order for the Trustee to remain an Eligible Lender, and the Trustee specifically covenants 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 other 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.

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.

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.

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.

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MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
STUDENT LOAN ASSET-BACKED NOTES,
Senior Series 2005-A-3, Senior Series 2005-A-4 and Senior Series 2005-A-5

(AUCTION RATE TAXABLE NOTES)

APPENDIX C

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. 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 currently authorizes certain student loans to be covered under the FFEL program through December 31, 2005. However, loans disbursed through September 30, 2008 will be covered if given to enable students who have previously received FFEL program loans to continue or complete their education.

The Higher Education Act is currently in the process of reauthorization by Congress. Both the House of Representatives and the Senate are considering legislation to reauthorize the Higher Education Act. The House of Representatives is currently considering H.R. 609, the College Access and Opportunity Act, originally introduced on February 8, 2005. After extensive debate, the House Committee on Education and the Workforce voted primarily along party lines to approve a heavily amended version of H.R. 609 on July 22, 2005. The Senate is currently considering S. 1614, the Higher Education Amendments of 2005, originally introduced on September 6, 2005, which was unanimously approved on September 8, 2005, by the Senate Committee on Health, Education, Labor and Pensions. Although H.R. 609 has been sent to the full House for consideration, and S. 1614 has been ordered to be reported to the full Senate for consideration, it is unclear when final enactment of reauthorization of the Higher Education Act will occur. If reauthorization is not enacted prior to December 31, 2005, the current expiration date for the authority of the FFEL program would have to be extended in order to avoid a lapse in program authority. Congress has extended similar authorization dates for the Higher Education Act in the past to avoid such a lapse in program authority. However, there can be no assurance that the current authorization expiration date will again be extended or that other provisions of the Higher Education Act will not be amended prior to or in connection with reauthorization of the Higher Education Act.

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 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 Offering Memorandum. 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.

2001 HEROES Act. The 2001 HEROES Act authorized the Secretary of Education, during the period ending September 20, 2003, to waive or modify certain statutory or regulatory requirements 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, are relieved of certain financial and administrative burdens in connection with the national emergency declared by the President on September 14, 2001 with respect to certain terrorist attacks, or any subsequent national emergency declared by reason of terrorist attacks. 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.

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.

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 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. For PLUS loans made on or after July 1, 1993, the parent 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 repayment status or in a grace period, or be a defaulted borrower who has made arrangements to repay the defaulted loan(s) satisfactory to the holder of the defaulted loan(s).

A married couple, each of whom has outstanding loans under the FFEL program, and agrees to be jointly liable on a consolidation loan, for which the application is received on or after January 1, 1993, may be treated as an individual for purposes of obtaining a consolidation loan. 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.

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 A (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 7.9% 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 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 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 $8,500, 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.

In addition, since 1992, lenders of consolidation loans have been required to establish graduated or income-sensitive repayment schedules and lenders of Stafford and SLS loans have been required to offer borrowers the option of repaying in accordance with graduated or income-sensitive repayment schedules. The depositor may implement graduated repayment schedules and 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.

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. A guarantee agency is authorized to charge a 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.

Origination Fee. An eligible lender is 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. 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. For loans made prior to July 1, 1994, the maximum authorized fee for Stafford, PLUS and SLS loans was 5% and the required fee for unsubsidized Stafford loans was 6.5% of the principal amount of the loan.

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. 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. 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

The Higher Education Act provides for the payment by the Secretary of Education of additional subsidies, called Special Allowance Payments, to holders of qualifying student loans to ensure that the holders' returns fairly reflect current market conditions. The amount of the Special Allowance Payments, which are made on a quarterly basis, is computed by reference to the average of the bond equivalent rates of the 91-day Treasury Bills auctioned during the preceding quarter (the "Treasury Bill rate") or, in the case of loans disbursed on or after January 1, 2000 and before July 1, 2006, 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"). The quarterly rate for Special Allowance Payments for student loans made on or after October 1, 1981, and generally before November 16, 1986, is computed by subtracting the applicable interest rate on such loans from the Treasury Bill rate or the CP Rate as applicable, adding 3.5% to the resulting per centum, and dividing the resulting per centum by four. For loans disbursed on or after November 16, 1986, or loans to cover the costs of instruction for periods of enrollment beginning on or after November 16, 1986, 3.25% has been substituted for 3.5% in the foregoing formula. For loans disbursed on or after October 1, 1992, 3.1% has been substituted for 3.5% in such formula. For Stafford and unsubsidized Stafford loans made on or after July 1, 1995, 2.5% has been substituted for 3.1 % in such formula during in-school, grace and deferment periods. For Stafford and unsubsidized Stafford loans made on or after July 1, 1998, the 1998 amendments to the Higher Education Act substitute 2.2% for 3.1% in such formula during in-school, grace and deferment periods, and substitute 2.8% for 3.1% in such formula while such loans are in repayment. Special allowance rates for Stafford and unsubsidized Stafford loans disbursed between January 1, 2000 and July 1, 2006 are calculated to provide the holder with a minimum yield equal to CP Rate plus 1.74% during in-school, grace and deferment periods, or CP Rate plus 2.34% during repayment periods.

A holder of a PLUS, SLS or consolidation loan is eligible to receive Special Allowance Payments during any quarter equal to the amount by which (1) the average of the bond equivalent rates of 91-day Treasury bills auctioned during the quarter (or the CP Rate in the case of PLUS loans disbursed and consolidation loans for which the application is received, on or after January 1, 2000) plus the Interest Rate Margin (2.64% in the case of PLUS loans first disbursed, and consolidation loans for which the application is received, on or after January 1, 2000) exceeds (2) the specified Borrower Rate. However, Special Allowance Payments are available on variable rate

Federal PLUS and SLS Loans first disbursed before July 1, 1994, and PLUS loans first disbursed on or after July 1, 1998, only if the loan is accruing at the maximum interest rate specified by law and the interest rate for each July 1 to June 30 period (as calculated prior to applying the interest rate maximum or cap) exceeds the maximum interest rate for the loan. For PLUS Loans first disbursed on or after July 1, 2006, Special Allowance Payments will only be made when the CP Rate plus 2.64% exceeds 9%.

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.

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 …

(8) 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.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
STUDENT LOAN ASSET-BACKED NOTES,
Senior Series 2005-A-3, Senior Series 2005-A-4 and Senior Series 2005-A-5

(AUCTION RATE TAXABLE NOTES)

APPENDIX D

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MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
STUDENT LOAN ASSET-BACKED NOTES,
Senior Series 2005-A-3, Senior Series 2005-A-4 and Senior Series 2005-A-5

(AUCTION RATE TAXABLE NOTES)

APPENDIX E

AUCTION PROCEDURES -- AUCTION RATE TAXABLE NOTES

All of the provisions of this APPENDIX E relate only to a Series of Taxable Notes, including the Offered Obligations, while bearing interest as Auction Rate Taxable Notes. These Auction Procedures apply separately to each Series of the Auction Rate Taxable Notes.

Auction Participants

Existing Holders and Potential Holders

Participants in each Auction will include: Existing Holders and Potential Holders.

By purchasing Auction Rate Taxable Notes, whether in an Auction or otherwise, each prospective purchaser of the Auction Rate Taxable Notes or its Broker-Dealer must agree and will be deemed to have agreed: (i) to participate in Auctions on the terms described in the Indenture; (ii) so long as the beneficial ownership of the Auction Rate Taxable Notes is maintained in Book-Entry Form to sell, transfer or otherwise dispose of Auction Rate Taxable Notes, only pursuant to a Bid or a Sell Order (each as defined below) in an Auction, or through a Broker-Dealer, provided that in the case of all transfers other than those pursuant to an Auction, the Existing Holder of Auction Rate Taxable Notes so transferred, its Participant or Broker-Dealer must advise the Auction Agent of such transfer; (iii) to have its beneficial ownership of the Auction Rate Taxable Notes maintained at all times in Book-Entry Form for the account of its Participant, which in turn will maintain records of such beneficial ownership, and to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request; (iv) that a Sell Order placed by an Existing Holder will constitute an irrevocable offer to sell the principal amount of Auction Rate Taxable Notes specified in such Sell Order; (v) that a Bid placed by an Existing Holder will constitute an irrevocable offer to sell the principal amount of Auction Rate Taxable Notes specified in such Bid if the rate specified in such Bid is greater than, or in some cases equal to, the Auction Rate, determined in the Auction; (vi) that a Bid placed by a Potential Holder will constitute an irrevocable offer to purchase the principal amount, or a lesser principal amount, of the Auction Rate Taxable Notes specified in such Bid if the rate specified in such Bid is, respectively, less than or equal to the Auction Rate, determined in the Auction; and (vii) to tender its Auction Rate Taxable Notes for purchase at 100% of the principal amount thereof, plus accrued but unpaid interest and unpaid Carry-over Amount, if any, and interest accrued thereon, on a Conversion Date.

The principal amount of the Auction Rate Taxable Notes purchased or sold may be subject to proration procedures on the Auction Date. Each purchase or sale of the Auction Rate Taxable Notes 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, if any. 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 (successor to Bankers Trust Company) has been appointed in the Indenture as Initial Auction Agent to serve as agent for the Corporation in connection with Auctions. The Corporation has entered into the Initial Auction Agent Agreement with 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 66⅔% of the aggregate principal amount of the Auction Rate Securities 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 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 the 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 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 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 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 Auction Agent Agreement and the Broker-Dealer Agreements 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 Auction Agent Agreement and under the Broker-Dealer Agreements, such fees and expenses being payable as described above.

Broker-Dealer

Existing Holders and Potential Holders may participate in Auctions only by submitting orders (in the manner described below) through a "Broker-Dealer," including Citigroup Global Markets Inc., successor to Salomon Smith Barney Inc., the sole Broker-Dealer for all Auction Rate Taxable Notes under the Indenture except the Series 2004-A-3 Notes and the Series 2005-A-5 Notes, Banc of America Securities LLC, the sole Broker-Dealer for the Series 2004-A-3 Notes and the Series 2005-A-5 Notes, 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 a Participant or an affiliate of a Participant, (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 Market Agent Agreement, and in connection with the Auction Rate Taxable Notes, the "Market Agent," currently Citigroup Global Markets Inc., as successor to Salomon Smith Barney 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. The Initial 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 Rate for the Auction Rate Taxable Notes will be held on each Auction Date, except as described under "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 Auction Rate Taxable Notes will bear interest at the interest rate determined generally on the Business Day immediately preceding such delivery date. Thereafter, the "Auction Date" means, with respect to the Auction Rate Taxable Notes, the Business Day immediately preceding the first day of each Auction Period, other than: (i) an Auction Period which commences on a Conversion Date; (ii) each Auction Period commencing after the ownership of the Auction Rate Taxable Notes is no longer maintained in Book-entry Form; (iii) each Auction Period commencing after and during the continuance of a Payment Default; or (iv) any Auction Period commencing less than two Business Days after the cure or waiver of a Payment Default. Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed as described below under "Changes in Auction Terms."

Calculation of Net Loan Rate, Maximum Rate, All-Hold Rate, the Applicable LIBOR-Based Rate and the Non-Payment Rate

The Auction Agent will calculate the Base Net Loan Rate, the Maximum Rate, the All-Hold Rate, and the Applicable LIBOR-Based Rate on each Auction Date. Upon receipt of notice from the Trustee of a failed Conversion as described in the Indenture, the Auction Agent will calculate the Maximum Rate and the Net Loan Rate as of such failed Conversion Date and give notice thereof as provided and to the parties specified in the Auction Agent Agreement. If the ownership of the Auction Rate Taxable Notes is no longer maintained in Book-Entry Form, the Trustee will calculate the Maximum Rate and the Net Loan Rate on the Business Day immediately preceding each Auction Rate Adjustment Date after delivery of certificates representing the Auction Rate Taxable Notes. If a Payment Default has occurred, the Trustee will calculate the Non-Payment Rate on the first day of (i) each Auction Period commencing after the occurrence and during the continuance of such Payment Default and (ii) any Auction Period commencing less than two Business Days after the cure of any Payment Default. The Auction Agent will determine the Base Net Loan Rate and the Net Loan Rate for each Auction Period; provided, that, if a Payment Default has occurred, then the Trustee will determine the Base Net Loan Rate and the Net Loan Rate for each such Auction Period. The determination by the Trustee or the Auction Agent, as the case may be, of the Applicable LIBOR-Based Rate, the Net Loan Rate, the Base Net Loan Rate, the Maximum Rate and the Non-Payment Rate will (in the absence of manifest error) be final and binding upon the Registered Owners and all other parties. If calculated or determined by the Auction Agent, the Auction Agent will promptly advise the Trustee of the Applicable LIBOR-Based Rate. If calculated or determined by the Auction Agent, the Auction Agent shall promptly advise the Trustee and the Corporation of the Maximum Rate, the All Hold Rate, the Non-Payment Rate, the Applicable LIBOR-Based Rate, the Base Net Loan Rate and the Net Loan Rate.

If the Market Agent has advised the Corporation and the Trustee, not later than the third Business Day prior to an Auction Date, that the interest rate per annum established in an auction of securities comparable to the Auction Rate Taxable Notes during the seven day period preceding such notice exceeded the Base Net Loan Rate, computed as though the date of auction of such comparable securities was an Auction Date hereunder, the Corporation will calculate the Adjusted Net Loan Rate and give notice to the Auction Agent and the Trustee specifying such Adjusted Net Loan Rate, not later than the Business Day prior to such Auction Date.

If Sufficient Clearing Bids have not been received (other than because all of such Auction Rate Taxable Notes were subject to Hold Orders) at the immediately preceding Auction, the Corporation will calculate the Adjusted Net Loan Rate and give notice to the Auction Agent and the Trustee specifying such Adjusted Net Loan Rate, not later than the Business Day prior to the next Auction Date.

The determination by the Corporation of the Adjusted Net Loan Rate will (in the absence of manifest error) be final and binding upon the Registered Owners and all other parties.

Submission of Orders

An Existing Holder may sell, transfer or otherwise dispose of Auction Rate Taxable Notes only (i) pursuant to a Bid or Sell Order placed in an Auction or (ii) through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. Prior to a Conversion Date, Auctions for each Series of Auction Rate Taxable Notes 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 the Auction Rate Taxable Notes).

Prior to the Submission Deadline (defined as 12:30 p.m., eastern time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time) on each Auction Date:

(a) each Existing Holder of Auction Rate Taxable Notes may submit to a Broker-Dealer by telephone or otherwise information as to: (i) the principal amount of Outstanding Auction Rate Taxable Notes, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Period (a "Hold Order"); (ii) the principal amount of Outstanding Auction Rate Taxable Notes, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding Auction Period will be less than the rate per annum specified by such Existing Holder (a "Bid"); and/or (iii) the principal amount of Outstanding Auction Rate Taxable Notes, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Auction Period (a "Sell Order"); and

(b) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of Auction Rate Taxable Notes which each such Potential Holder offers to purchase, if the Auction Rate for the next succeeding Auction Period will not be less than the rate per annum specified by such Potential Holder (also a "Bid").

Each Hold Order, Bid and Sell Order will be an "Order." Each Existing Holder and each Potential Holder placing an Order is referred to as a "Bidder."

Subject to the provisions described below under "Validity of Orders," a Bid by an Existing Holder will constitute an irrevocable offer to sell: (i) the principal amount of Outstanding Auction Rate Taxable Notes specified in such Bid if the Auction Rate will be less than the rate specified in such Bid, (ii) such principal amount or a lesser principal amount of Outstanding Auction Rate Taxable Notes to be determined as described below under "Acceptance and Rejection of Orders," if the Auction Rate will be equal to the rate specified in such Bid or (iii) such principal amount or a lesser principal amount of Outstanding Auction Rate Taxable Notes 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) have not been made.

Subject to the provisions described below under "Validity of Orders," a Sell Order by an Existing Holder will constitute an irrevocable offer to sell: (i) the principal amount of Outstanding Auction Rate Taxable Notes specified in such Sell Order or (ii) such principal amount or a lesser principal amount of Outstanding Auction Rate Taxable Notes as described below under "Acceptance and Rejection of Orders," if Sufficient Clearing Bids have not been made.

Subject to the provisions described below under "Validity of Orders," a Bid by a Potential Holder will constitute an irrevocable offer to purchase: (i) the principal amount of Outstanding Auction Rate Taxable Notes

specified in such Bid if the Auction Rate will be higher than the rate specified in such Bid or (ii) such principal amount or a lesser principal amount of Outstanding Auction Rate Taxable Notes as described below in "Acceptance and Rejection of Orders," if the Auction Rate is equal to the rate specified in such Bid.

Each Broker-Dealer will submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and will specify with respect to each such Order: (i) the name of the Bidder placing such Order; (ii) the aggregate principal amount of Auction Rate Taxable Notes that are the subject of such Order; (iii) to the extent that such Bidder is an Existing Holder: (a) the principal amount of Auction Rate Taxable Notes, if any, subject to any Hold Order placed by such Existing Holder; (b) the principal amount of Auction Rate Taxable Notes, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and (c) the principal amount of Auction Rate Taxable Notes, if any, subject to any Sell Order placed by such Existing Holder; and (iv) to the extent such Bidder is a Potential Holder, the rate specified in such Potential Holder's Bid.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent will round such rate up to the next higher one-thousandth (.001) of one percent.

If an Order or Orders covering all Outstanding Auction Rate Taxable Notes held by any Existing Holder are not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent will deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Outstanding Auction Rate Taxable Notes held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

Neither the Corporation, the Trustee nor the Auction Agent will be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

An Existing Holder may submit multiple Orders, of different types and specifying different rates, in an Auction with respect to Auction Rate Taxable Notes then held by such Existing Holder. An Existing Holder that offers to purchase additional Auction Rate Taxable Notes is, for purposes of such offer, treated as a Potential Holder.

Any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by a Existing Holder and (ii) not be accepted if submitted by a Potential Holder.

Validity of Orders

If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding Auction Rate Taxable Notes held by such Existing Holder, such Orders will be considered valid as follows and in the following order of priority:

Hold Orders. All Hold Orders will be considered valid, but only up to the aggregate principal amount of Outstanding Auction Rate Taxable Notes held by such Existing Holder, and if the aggregate principal amount of Auction Rate Taxable Notes subject to such Hold Orders exceeds the aggregate principal amount of Auction Rate Taxable Notes held by such Existing Holder, the aggregate principal amount of Auction Rate Taxable Notes subject to each such Hold Order will be reduced pro rata so that the aggregate principal amount of Auction Rate Taxable Notes subject to all such Hold Orders equals the aggregate principal amount of Outstanding Auction Rate Taxable Notes held by such Existing Holder.

Bids. Any Bid will be considered valid up to an amount equal to the excess of the principal amount of Outstanding Auction Rate Taxable Notes held by such Existing Holder over the aggregate principal amount of Auction Rate Taxable Notes subject to any Hold Orders referred to above. Subject to the preceding sentence, if multiple Bids with the same rate are submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding Auction Rate Taxable Notes subject to such Bids is greater than such excess, such Bids will be considered valid up to the amount of such excess. Subject to the two preceding sentences, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids will be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then

at such rate up to the amount of such excess. In any event, the amount of Outstanding Auction Rate Taxable Notes, if any, subject to Bids not valid under the provisions described above will be treated as the subject of a Bid by a Potential Holder at the rate therein specified.

Sell Orders. All Sell Orders will be considered valid up to the amount of such excess of the principal amount of Outstanding Auction Rate Taxable Notes held by such Existing Holder over the aggregate principal amount of Auction Rate Taxable Notes subject to valid Hold Orders and valid Bids as referred to above.

If more than one Bid for Auction Rate Taxable Notes is submitted on behalf of any Potential Holder, each Bid submitted will be a separate Bid with the rate and principal amount therein specified. Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of Auction Rate Taxable Notes not equal to an Authorized Denomination will be rejected and will be deemed a Hold Order with respect to all Auction Rate Taxable Notes held by such Existing Holder, subject to any valid Bids or Sell Orders submitted by such Existing Holder. Any Bid submitted by a Potential Holder covering an aggregate principal amount of Auction Rate Taxable Notes not equal to an Authorized Denomination will be rejected.

A Hold Order, a Bid or a Sell Order that has been determined valid pursuant to the procedures described above is referred to as a "Submitted Hold Order," a "Submitted Bid" and a "Submitted Sell Order," respectively (collectively, "Submitted Orders").

Determination of Sufficient Clearing Bids and Winning Bid Rate

Not earlier than the Submission Deadline on each Auction Date, the Auction Agent will assemble all valid Submitted Orders and will determine:

(a) the excess of the total principal amount of Outstanding Auction Rate Taxable Notes over the sum of the aggregate principal amount of Outstanding Auction Rate Taxable Notes subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Auction Rate Taxable Notes"); and

(b) from such Submitted Orders whether the aggregate principal amount of Outstanding Auction Rate Taxable Notes subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Rate exceeds or is equal to the sum of (i) the aggregate principal amount of Outstanding Auction Rate Taxable Notes subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Rate and (ii) the aggregate principal amount of Outstanding Auction Rate Taxable Notes subject to Submitted Sell Orders (in the event such excess or such equality exists other than because all of the Outstanding Auction Rate Taxable Notes are subject to Submitted Hold Orders, such Submitted Bids by Potential Holders described above will be hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(c) if Sufficient Clearing Bids exist, the "Winning Bid Rate" will be the lowest rate specified in such Submitted Bids such that if:

(i) each such Submitted Bid from Existing Holders specifying such lowest rate and all other Submitted Bids from Existing Holders specifying lower rates were rejected (thus entitling such Existing Holders to continue to hold the principal amount of Auction Rate Taxable Notes subject to such Submitted Bids); and

(ii) each such Submitted Bid from Potential Holders specifying such lowest rate and all other Submitted Bids from Potential Holders specifying lower rates, were accepted,

the result would be that such Existing Holders described in subparagraph (i) above would continue to hold an aggregate principal amount of Outstanding Auction Rate Taxable Notes which, when added to the aggregate principal amount of Outstanding Auction Rate Taxable Notes to be purchased by such Potential Holders described in subparagraph (ii) above, would equal not less than the Available Auction Rate Taxable Notes.

Notice of Auction Rate

Promptly after the Auction Agent has made the determinations described above, the Auction Agent will advise the Trustee and the Corporation of the Net Loan Rate, the Applicable LIBOR-Based Rate, the Maximum Rate, and the All-Hold Rate and the components thereof on the Auction Date, and based on such determinations, the Auction Rate for the next succeeding Auction Period as follows:

(a) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding Auction Period will be equal to the Winning Bid Rate so determined;

(b) if Sufficient Clearing Bids do not exist (other than because all of the Outstanding Auction Rate Taxable Notes are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Auction Period will be equal to the Maximum Rate; or

(c) if all Outstanding Auction Rate Taxable Notes are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Auction Period will be equal to the All-Hold Rate.

In the event that the Auction Rate with respect of a Series of Auction Rate Taxable Rates is greater than the Net Loan Rate, the Auction Agent shall also, promptly after determining the Auction Rate, advise the Trustee of the Net Loan Rate and that the interest rate on the Auction Rate Obligations will be the Net Loan Rate.

Not later than the second Business Day of each Auction Period, the Trustee will notify the Registered Owners of the Auction Rate Taxable Notes of the Auction Rate or other rate of interest applicable to such Auction Period.

Acceptance and Rejection of Orders

Existing Holders will continue to hold the principal amount of Auction Rate Taxable Notes that are subject to Submitted Hold Orders. Submitted Bids and Submitted Sell Orders will be accepted or rejected and the Auction Agent will take such other action as set forth below:

Sufficient Clearing Bids. If Sufficient Clearing Bids have been made and the Net Loan Rate is equal to or greater than the Winning Bid Rate (in which case the Interest Rate on the Auction Rate Taxable Notes for the Auction Period will be the Winning Bid Rate), all Submitted Sell Orders will be accepted and, subject to the denomination requirements described below, Submitted Bids will be accepted or rejected as follows in the following order of priority and all other Submitted Bids will be rejected:

(a) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate will be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of Auction Rate Taxable Notes subject to such Submitted Bids;

(b) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate will be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of Auction Rate Taxable Notes subject to such Submitted Bids;

(c) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate will be accepted;

(d) Each Existing Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate will be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of Auction Rate Taxable Notes subject to such Submitted Bid, unless the aggregate principal amount of Auction Rate Taxable Notes subject to such Submitted Bids will be greater than the principal amount of Auction Rate Taxable Notes (the "remaining principal amount") equal to the excess of the Available Auction Rate Taxable Notes over the aggregate principal amount of Auction Rate Taxable Notes subject to Submitted Bids described in subparagraphs (b) and (c) above, in which event such Submitted Bid of such Existing Holder will be rejected in part and such Existing Holder will be entitled to continue to hold the principal amount of Auction Rate Taxable Notes subject to such

Submitted Bid, but only in an amount equal to the aggregate principal amount of Auction Rate Taxable Notes obtained by multiplying the remaining principal amount by a fraction, the numerator of which will be the principal amount of Outstanding Auction Rate Taxable Notes held by such Existing Holder subject to such Submitted Bid and the denominator of which will be the sum of the principal amount of Outstanding Auction Rate Taxable Notes subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate;

(e) Each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate will be accepted, but only in an amount equal to the principal amount of Auction Rate Taxable Notes obtained by multiplying the excess of the aggregate principal amount of Available Auction Rate Taxable Notes over the aggregate principal amount of Auction Rate Taxable Notes subject to Submitted Bids described in subparagraphs (b), (c) and (d) above by a fraction, the numerator of which will be the aggregate principal amount of Outstanding Auction Rate Taxable Notes subject to such Submitted Bid and the denominator of which will be the sum of the principal amount of Outstanding Auction Rate Taxable Notes subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate; and

(f) Each Potential Holder's Submitted Bid specifying a rate that is higher than the Winning Bid Rate will be rejected.

Insufficient Clearing Bids. If Sufficient Clearing Bids have not been made (other than because all of the Outstanding Auction Rate Taxable Notes are subject to Submitted Hold Orders), subject to the denomination requirements described below, Submitted Orders will be accepted or rejected as follows in the following order of priority and all other Submitted Bids will be rejected:

(a) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate will be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal amount of Auction Rate Taxable Notes subject to such Submitted Bids;

(b) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate will be accepted, and specifying any rate that is higher than the Maximum Rate will be rejected; and

(c) each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Rate and the Submitted Sell Order of each Existing Holder will be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the Auction Rate Taxable Notes subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of Auction Rate Taxable Notes obtained by multiplying the aggregate principal amount of Auction Rate Taxable Notes subject to Submitted Bids described in subparagraph (b) above by a fraction, the numerator of which will be the aggregate principal amount of Outstanding Auction Rate Taxable Notes held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which will be the aggregate principal amount of Outstanding Auction Rate Taxable Notes subject to all such Submitted Bids and Submitted Sell Orders.

All Hold Orders. If all Outstanding Auction Rate Taxable Notes are subject to Submitted Hold Orders, all Submitted Bids will be rejected.

Authorized Denominations Requirement. If, as a result of the procedures described above regarding Sufficient Clearing Bids and Insufficient Clearing Bids, any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of Auction Rate Taxable Notes that is not equal to an Authorized Denomination, the Auction Agent will, in such manner as in its sole discretion it will determine, round up or down the principal amount of Auction Rate Taxable Notes to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of Auction Rate Taxable Notes purchased or sold by each Existing Holder or Potential Holder will be equal to an Authorized Denomination. If, as a result of the procedures described above regarding Sufficient Clearing Bids or Insufficient Clearing Bids, any Potential Holder would be entitled or required to purchase a principal amount of Auction Rate Taxable Notes which is not in an Authorized Denomination, the Auction Agent will, in such manner as in its sole discretion it will determine, allocate Auction Rate Taxable Notes for purchase among Potential Holders so that only Auction Rate

Taxable Notes in an Authorized Denomination are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any Auction Rate Taxable Notes.

Based on the results of each Auction, the Auction Agent will determine the aggregate principal amount of Auction Rate Taxable Notes to be purchased and the aggregate principal amount of Auction Rate Taxable Notes to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of Auction Rate Taxable Notes to be sold differs from such aggregate principal amount of Auction Rate Taxable Notes to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer will deliver, or from which Broker-Dealers acting for one or more sellers such Broker-Dealer will receive, as the case may be, Auction Rate Taxable Notes.

The Corporation may not submit an Order in any Auction.

Any calculation by the Auction Agent (or the Trustee, if applicable) of the Auction Rate, the Applicable LIBOR-Based Rate, the Maximum Rate, the All-Hold Rate, the Net Loan Rate and the Non-Payment Rate will, in the absence of manifest error, be binding on all other parties.

Settlement Procedures

The Auction Agent is required to advise each Broker-Dealer that submitted an Order in an Auction of the Auction Rate for the next Auction Period, whether there were Sufficient Clearing Bids in such Auction and, if such Order was a Bid or Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, by telephone not later than 3:00 p.m., eastern time, on the Auction Date if the interest rate is the Auction Rate and not later than 4:00 p.m., eastern time, on the Auction Date if the interest rate is the Net Loan Rate. Each Broker-Dealer that submitted an Order on behalf of a Bidder is required to then advise such Bidder of the Auction Rate for the next Auction Period and if such Order was a Bid or a Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, confirm purchases and sales with each Bidder purchasing or selling Auction Rate Taxable Notes as a result of the Auction and advise each Bidder purchasing or selling Auction Rate Taxable Notes as a result of the Auction to give instructions to its Participant to pay the purchase price against delivery of such Auction Rate Taxable Notes or to deliver such Auction Rate Taxable Notes against payment therefor, as appropriate. Pursuant to the Auction Agent Agreement, the Auction Agent will record each transfer of Auction Rate Taxable Notes on the Existing Holder Registry to be maintained by the Auction Agent.

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 the Securities Depository, and the accounts of the respective Participants at DTC will be debited and credited and Auction Rate Taxable Notes delivered as necessary to effect the purchases and sales of Auction Rate Taxable Notes 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.

If any Existing Holder selling Auction Rate Taxable Notes in an Auction fails to deliver such Auction Rate Taxable Notes, the Broker-Dealer of any person that was to have purchased Auction Rate Taxable Notes in such Auction may deliver to such person a principal amount of Auction Rate Taxable Notes that is less than the principal amount of Auction Rate Taxable Notes that otherwise was to be purchased by such person but in any event equal to an Authorized Denomination. In such event, the principal amount of Auction Rate Taxable Notes to be delivered will be determined by such Broker-Dealer. Delivery of such lesser principal amount of Auction Rate Taxable Notes will constitute good delivery. Neither the Trustee nor the Auction Agent will have any responsibility or liability with respect to the failure of a Potential Holder, Existing Holder or their respective Broker-Dealer or Participant to deliver the principal amount of Auction Rate Taxable Notes or to pay for the Auction Rate Taxable Notes purchased or sold pursuant to an Auction or otherwise. For a further description of the settlement procedures, see APPENDIX F -- "SETTLEMENT PROCEDURES FOR AUCTION RATE TAX-EXEMPT BONDS AND AUCTION RATE TAXABLE NOTES."

Trustee and Corporation Not Responsible for Auction Agent, Market Agent and Broker-Dealers

Neither the Trustee nor the Corporation will be liable or responsible for the actions of or failure to act by the Auction Agent, the Market Agent or any Broker-Dealer under the Indenture or under the Auction Agent Agreement, the Market Agent Agreement or any Broker-Dealer Agreement. The Trustee and the Corporation may conclusively rely upon any information required to be furnished by the Auction Agent, the Market Agent or any Broker-Dealer without undertaking any independent review or investigation of the truth or accuracy of such information.

Changes in Auction Terms

Changes in Auction Period or Periods

While any of the Auction Rate Taxable Notes are Outstanding, the Corporation, from time to time, may change the length of one or more Auction Periods 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 length of the Auction Period and the interest rate borne by the Auction Rate Taxable Notes (an "Auction Period Adjustment"). The Corporation will not initiate such change in the length of the Auction Period unless it shall have (i) provided each Rating Agency with a Cash Flow Certificate, (ii) received written confirmation from each Rating Agency that the change in the Auction Period will not cause any rating or ratings applicable to such Auction Rate Taxable Notes to be reduced or withdrawn, and (iii) received written consent from the Market Agent, which consent shall not be unreasonably withheld, not less than three days nor more than 20 days prior to the effective date for such Auction Period. The Corporation will initiate an Auction Period Adjustment by giving written notice thereof in the form set forth in the Indenture to the Trustee, the Auction Agent, the Market Agent and the Securities Depository at least three days prior to the Auction Date for such Auction Period.

No Auction Period Adjustment may result in an Auction Period shorter than seven days or longer than one year.

If any Auction Period Adjustment will result in an Auction Period of less than 28 days, the notice described above will be effective only if it is accompanied by a written statement of the Trustee, the Auction Agent and the Securities Depository to the effect that they are capable of performing their duties, if any, under the Indenture, the Auction Agent Agreement and any Broker-Dealer Agreement with respect to such changed Auction Period.

No Auction Period Adjustment will be allowed unless Sufficient Clearing Bids existed (or all Outstanding Auction Rate Taxable Notes were subject to Submitted Hold Orders) at both the Auction immediately preceding the date on which the notice of the proposed change was given as described above and the Auction immediately preceding the proposed change.

An Auction Period Adjustment will take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m., eastern time, on the Business Day before the Auction Date for the first such Auction Period, a written consent from the Corporation authorizing an Auction Period Adjustment specified in such written consent, along with a copy of the written consent of the Market Agent and, if applicable, the written statement of the Trustee, the Auction Agent and the Securities Depository referred to above, and (B) Sufficient Clearing Bids exist (or all Outstanding Auction Rate Taxable Notes were subject to Submitted Hold Orders) at the Auction on the Auction Date for such first Auction Period. If the condition referred to in (A) is not met, the Auction Rate applicable for the next Auction Period will be determined pursuant to the Auction Procedures and the length of the Auction Period will be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met, but the condition referred to in (B) above is not met, the Auction Rate will be the Maximum Rate and the length of the Auction Period will be the Auction Period determined without reference to the proposed change.

Changes in the Auction Date

So long as any Auction Rate Taxable Notes are Outstanding, the Market Agent, with the written consent of the Corporation, may specify an earlier Auction Date (but in no event more than five Business Days

earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in APPENDIX B with respect to one or more specified Auction Periods 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 Auction Rate Taxable Notes. The Corporation will not consent to such change in the Auction Date unless the Corporation shall have received from the Market Agent not less than three days nor more than 20 days prior to the effective date of such change a written request for consent together with a certificate demonstrating the need for change in reliance on such factors. The Market Agent will provide notice of its determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least 10 days prior to the proposed changed Auction Date to the Trustee, the Auction Agent, the Corporation, and the Securities Depository. Such notice will be substantially in the form of, or contain substantially the information specified in, the Indenture.

Changes in the Interest Payment Dates

The Corporation may change the Interest Payment Date with respect to a Series of the Auction Rate Taxable Notes 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 dates on which interest should be paid and the interest rate borne on the Auction Rate Taxable Notes. The Corporation shall not initiate such change in the Interest Payment Date unless it shall have received the written consent of the Market Agent, which consent shall not be unreasonably withheld, not less than three days nor more than 20 days prior to the effective date of such change. The Corporation shall initiate the change in the Interest Payment Date of any Series of the Auction Rate Taxable Notes by giving written notice to the Trustee, the Auction Agent, the Market Agent and the Securities Depository in substantially the form set forth (or containing substantially the information required) in the Indenture at least 10 days prior to the Auction Date for such Auction Period.

A change in the Interest Payment Dates for any Series of the Auction Rate Taxable Notes shall not be allowed unless Sufficient Clearing Bids existed at both the Auction for such Series of the Auction Rate Taxable Notes before the date on which the notice of the proposed change was given as provided in the Indenture and the Auction for such Series of the Auction Rate Taxable Notes immediately succeeding the notice of the proposed change.

The changes in Auction terms described above may be made with respect to any Series of the Auction Rate Taxable Notes (but in such latter case separate notices will be prepared and delivered as provided above and, with respect to changes in the length of Auction Periods, the conditions specified above will be applied to each Series separately). In connection with any change in Auction terms described above, the Auction Agent will provide such further notice to such parties as is specified in the Auction Agent Agreement.

Additional Requirements

A change (a) in the length of one or more Auction Periods pursuant to an Auction Period Adjustment, (b) in the Auction Date or (c) in the Interest Payment Dates will not be allowed unless the Corporation receives (i) written confirmation from each Rating Agency that such change in the length of an Auction Period will not result in the withdrawal or reduction of its rating then applicable to any Obligation and (ii) an opinion of Bond Counsel in form and content acceptable to the Trustee to the effect that the proposed adjustment 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.

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MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
STUDENT LOAN ASSET-BACKED NOTES,
Senior Series 2005-A-3, Senior Series 2005-A-4 and Senior Series 2005-A-5

(AUCTION RATE TAXABLE NOTES)

APPENDIX F

SETTLEMENT PROCEDURES
FOR
AUCTION RATE TAX-EXEMPT BONDS
AND
AUCTION RATE TAXABLE NOTES

If not otherwise defined below, capitalized terms used below have the meanings given such terms in the Indenture. These Settlement Procedures apply separately to each Series of the Auction Rate Securities.

(a) Not later than (i) 3:00 p.m., eastern time, if the interest rate on the applicable Series of Auction Rate Securities is the Auction Rate or (2) 4:00 p.m., eastern time, if the interest rate is the Net Loan Rate, on each Auction Date, 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 Holder or Potential Holder of:

(i) the Auction Rate or the Net Loan Rate, as applicable, 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 Holder, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Auction Rate Securities, if any, to be purchased or sold by such Existing Holder;

(iv) if such Broker-Dealer (a "Buyer's Broker-Dealer") submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Auction Rate Securities, if any, to be purchased by such Potential Holder;

(v) if the aggregate amount of Auction Rate Securities to be sold by all Existing Holders on whose behalf such Broker-Dealer, acting as a Seller's Broker-Dealer submitted Bids or Sell Orders exceeds the aggregate principal amount of Auction Rate Securities to be purchased by all Potential Holders on whose behalf such Broker-Dealer acting as a Buyer's Broker-Dealer, submitted a Bid, 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 Auction Rate Securities and the principal amount of Auction Rate Securities to be purchased from one or more Existing Holders on whose behalf such Broker-Dealer, acting as a Seller's Broker-Dealer, acted by one or more Potential Holders on whose behalf each of such Buyer's Broker-Dealers acted;

(vi) if the aggregate principal amount of Auction Rate Securities to be purchased by all Potential Holders on whose behalf such Broker-Dealer, acting as a Buyer's Broker-Dealer, submitted a Bid exceeds the amount of Auction Rate Securities to be sold by all Existing Holders 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 Auction Rate Securities and the principal amount of Auction Rate Securities to be sold to one or more Potential Holders on whose behalf such Broker-Dealer, acting as a Buyer's

Broker-Dealer, acted by one or more Existing Holders on whose behalf each of such Seller's Broker-Dealers acted;

(vii) with respect to Auction Rate Tax-Exempt Bonds, unless previously provided, a list of all applicable Auction 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 Holder or Potential Holder will:

(i) advise each Existing Holder and Potential Holder 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 Holder on whose behalf such Buyer's Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Holder'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 Auction Rate Securities to be purchased pursuant to such Bid against receipt of such Auction Rate Securities;

(iii) in the case of a Broker-Dealer that is a Seller's Broker-Dealer, instruct each Existing Holder 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 Holder's Participant to deliver to such Seller's Broker-Dealer (or its Participant) through the Securities Depository the principal amount of Auction Rate Securities to be sold pursuant to such Order against payment therefor;

(iv) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order and each Potential Holder on whose behalf such Broker-Dealer submitted a Bid of the Auction Rate or Net Loan Rate, if applicable, for the next Auction Period;

(v) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order of the next Auction Date; and

(vi) advise each Potential Holder 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 Auction Rate Securities received by it in connection with such Auction as described in paragraph (b)(iii) above, among the Potential Holders, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Holders, 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 Holder and Existing Holder 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 an Participant of the Securities Depository will instruct its Participant to deliver such Auction Rate Securities 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 an 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 pursuant to (a)(vi) above the amount necessary, including accrued interest, if any, to purchase the Auction Rate Securities to be purchased as described in (b)(ii) above against receipt of such Auction Rate Securities.

(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 Holder selling Auction Rate Securities in an Auction fails to deliver such Auction Rate Securities (by authorized book-entry), a Broker-Dealer may deliver to the Potential Holder on behalf of which it submitted a Bid that was accepted a principal amount of Auction Rate Securities that is less than the principal amount of Auction Rate Securities that otherwise was to be purchased by such Potential Holder. In such event, the principal amount of Auction Rate Securities to be so delivered will be determined solely by such Broker-Dealer (but only in Authorized Denominations). Delivery of such lesser principal amount of Auction Rate Securities will constitute good delivery. Notwithstanding the foregoing terms of this paragraph (f), any delivery or nondelivery of Auction Rate Securities 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 Holder, an Existing Holder or their respective Broker-Dealer or Participant to take delivery of or deliver, as the case may be, the principal amount of the Auction Rate Securities or to pay for the Auction Rate Securities purchased or sold pursuant to an Auction or otherwise.

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MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
STUDENT LOAN ASSET-BACKED NOTES,
Senior Series 2005-A-3, Senior Series 2005-A-4 and Senior Series 2005-A-5

(AUCTION RATE TAXABLE NOTES)

APPENDIX G

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 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 and the structuring of the stated maturity and payment dates of 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 payment of such loans earlier than projected.

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. Because the Corporation relied on such assumptions for purposes of scheduling the payment dates and the Stated Maturity of the Offered Obligations, the receipt of principal payments earlier than projected may result in redemption of the Offered Obligations pursuant to the redemption provision described in "REDEMPTION -- Optional Redemption of Offered Obligations."

Additionally, if the actual rates of return on the Pledged Eligible Loans and the actual investment rates on the Investment Securities equal or exceed those assumed by the Corporation, the Corporation expects that moneys will be deposited into the Surplus Account. Moneys in the Surplus Account may be used, at the Corporation's option, to redeem Offered Obligations pursuant to the special redemption provision described in "REDEMPTION -- Optional Redemption of the Offered Obligations."

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 the 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 "Aaa" from Moody's and "AAA" from Fitch on the Offered Obligations, the Corporation assumed various default rates and Guarantee Agencies' reimbursement rates in accordance with each Rating Agency's specific Stress Tests scenarios. Although the Guarantors are obligated to make not less than 98% 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 99% insurance claim payments may be impaired if insurance claim payments exceed expectations or if its guarantee fund is inadequate. See "THE GUARANTEE AGENCIES 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."

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 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; (ii) Auction Rates for the Senior Tax-Exempt Bonds; (iii) Auction Rates for the Subordinate Tax-Exempt Bonds; (iv) Auction Rates for the Senior Taxable Notes; (v) Auction Rates for the Subordinate Taxable Notes, (vi) three failed Auctions; (vii) 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); (viii) 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; (ix) an acquisition price for Eligible Loans that the Corporation determines is appropriate; and (x) rebate payments on Consolidation Loans. In addition, the Corporation assumed that all Student Loans to Borrowers residing in, employed in, or attending an institution in areas affected by Hurricane Katrina would be granted additional periods of forbearance.

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.

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MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
STUDENT LOAN ASSET-BACKED NOTES,
Senior Series 2005-A-3, Senior Series 2005-A-4 and Senior Series 2005-A-5

(AUCTION RATE TAXABLE NOTES)

APPENDIX H

PORTFOLIO DATA FOR PLEDGED
ELIGIBLE LOANS HELD IN THE TRUST ESTATE†

	Principal Amount	Number of Loans		Average Loan Indebtedness
Current Loans Outstanding	$645,972,230	79,828	100.00%	$8,092[1]
School Type:				
4-year	$74,761,180	27,307	34.21%	$2,738
2-year	21,571,436	11,738	14.70%	1,838
Graduate/Profess	4,221,580	471	0.59%	8,963
Proprietary	433,592	99	0.12%	4,380
Consolidation	544,984,442	40,213	50.37%	13,552
Total	$645,972,230	79,828	100.00%	$8,092[1]
Loan Status:				
In School	$13,746,506	5,154	6.46%	$2,667
Grace	4,764,350	1,696	2.12%	2,809
Forbearance	55,742,552	6,550	8.21%	8,510
Deferment	74,210,317	10,226	12.81%	7,257
Repayment				
Current	422,062,668	41,413	51.88%	10,192
Delinquent	73,774,942	14,255	17.86%	5,175
Claim Filed	1,670,895	534	0.67%	3,129
Total	$645,972,230	79,828	100.00%	$8,092[1]
Loan Type:				
Stafford	$96,593,159	38,698	48.48%	$2,496
PLUS	4,251,165	878	1.10%	4,842
SLS	143,464	39	0.05%	3,679
Consolidation	544,984,442	40,213	50.37%	13,552
Total	$645,972,230	79,828	100.00%	$ 8,092[1]
Loan Guaranty Eligibility:				
100%	$1,600,262	168	0.21%	$9,521
98%	644,371,968	79,660	99.79%	8,089
Total	$645,972,230	79,828	100.00%	$8,092[1]
Guarantors:				
USA Funds	$243,617,857	48,672	60.97%	$5,005
California (CSAC)	19,321	2	0.00%	9,661
Florida (FDE)	28,057	10	0.01%	2,929
Kentucky (KHEAA)	692,694	223	0.28%	3,103
Louisiana (LASFAC)	120,778	6	0.01%	20,130
Massachusetts (ASA)	338,487,818	23,931	29.98%	14,144
National (NSLP)	3,392,185	1,155	1.45%	2,937
Pennsylvania (PHEAA)	50,141,851	3,657	4.58%	13,711
New York (NYSHESC)	3,257,098	207	0.26%	15,735
Tennessee (TSAC)	4,878,529	1,706	2.14%	2,860
Texas (TGSLC)	747,042	219	0.27%	3,405
Wisconsin (GLHEGC)	589,000	40	0.05%	14,725
Total	$645,972,230	79,828	100.00%	$8,092[1]
Servicers:				
CFS-SunTech	$544,460,777	57,183	71.63%	$9,521
PHEAA	91,254,843	19,192	24.04%	4,755
ESF	10,256,610	3,453	4.33%	2,970
Total	$645,972,230	79,828	100.00%	$8,092[1]

† The information set forth above is based on characteristics of Student Loans held as part of the Trust Estate on June 30, 2005.

Weighted average of the category.

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MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
STUDENT LOAN ASSET-BACKED NOTES,
Senior Series 2005-A-3, Senior Series 2005-A-4 and Senior Series 2005-A-5

(AUCTION RATE TAXABLE NOTES)

APPENDIX I

DESCRIPTION OF THE BOOK-ENTRY SYSTEM

The following information in this Appendix concerning DTC and DTC's Book-Entry System has been obtained from the document titled "Sample Offering Document Language Describing Book-entry Only Issuance" attached as Schedule A to the Memorandum dated January 1, 1998, from the DTC Underwriting Department regarding "Operational Arrangements Necessary for an Issue to Become Eligible for DTC Services" which document 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.

DTC will act as Securities Depository (the "Depository") for the Offered Obligations. Such Obligations will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each Series of the Offered Obligations, in the aggregate original principal amount of such Series of Offered Obligations and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Offered Obligations under the DTC system must be made by or through Direct Participants, which receive a credit for such 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, but Beneficial Owners are 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 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 such Obligations is discontinued.

To facilitate subsequent transfers, all Offered Obligations deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co or such other name as may be requested by an authorized representative of DTC. The deposit of such Obligations with DTC and their registration in the name of Cede & Co. 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 Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Offered Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Obligations, such as redemptions, defaults, and proposed amendments to the Indenture. Beneficial Owners of the Offered Obligations may wish to contact the Trustee, as Bond Registrar, and request that copies of notices be provided directly to them. The Trustee, however, is not obligated to do so.

Redemption notices will be sent to Cede & Co. If less than all of a Series of the Offered Obligations are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series of Offered Obligations to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Offered Obligations. Under its usual procedures, DTC will mail an omnibus proxy to the Corporation as soon as possible after the Record Date. Such omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such Obligations are credited on the Record Date (identified in a listing attached to the omnibus proxy).

Principal and interest 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 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 (nor its nominee), the Corporation or the Trustee subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee; disbursement of such payments to Direct Participants is the responsibility of DTC; and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

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 Trustee. Under such circumstances, unless a successor securities depository is obtained or the Corporation redeems all Outstanding Offered Obligations, bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Depository). In that event, bond certificates will be printed and delivered.

No dealer, broker, salesman 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 Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Auction Rate Securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Offering Memorandum is submitted in connection with the sale of the Auction Rate Securities and may not be used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from the Corporation, the Servicers, the Guarantors and other sources 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 Offering Memorandum in accordance with and as a part of their responsibilities to investors under the 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 Offering Memorandum 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 Servicers or the Guarantors since the date of this Offering Memorandum. This Offering Memorandum does not constitute a contract between the Corporation, or the Underwriters, and any one or more of the purchasers or Holders of the Auction Rate Securities.

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

Upon issuance, the Auction Rate Securities are not registered under the Securities Act of 1933 and are not 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 Offering Memorandum or approved the Auction Rate Securities for sale. The Indenture has not been qualified under the Trust Indenture Act of 1939.

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MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Student Loan Asset-Backed Notes, Senior Series 2005-A-3, Senior Series 2005-A-4 Senior Series 2005-A-5 (Auction Rate Taxable Notes)

OFFERING MEMORANDUM

CITIGROUP

BANC OF AMERICA SECURITIES LLC