

NEW ISSUE
BOOK-ENTRY ONLY

Rating: See "RATING" herein

In the opinion of McNair Law Firm, P.A., Bond Counsel, under existing laws as enacted and construed on the date of their initial delivery and assuming the accuracy of certain representations and compliance by the Authority with certain covenants and the provisions of the Internal Revenue Code of 1986, as amended, (the "Code") interest on the 2009-1 Bonds is excluded from gross income of holders of such 2009-1 Bonds for federal income tax purposes. Interest on the 2009-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the 2009-1 Bonds is exempt from all state, county, municipal, school district, and all other taxes or assessments provided by the laws of the State of South Carolina except estate, transfer, and certain franchise taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2009-1 Bonds. See "TAX MATTERS" herein.

\$85,000,000
SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
STUDENT LOAN REVENUE BONDS, 2009-1 SERIES

Dated: Date of Delivery

Due: October 1, as herein described

The following limited summary information is provided for convenient reference only and is subject in all respects to more complete information contained in this Official Statement. The offering of the 2009-1 Bonds to potential investors is made only by means of this entire Official Statement.

- Denominations** \$5,000 and integral multiples thereof.
- Purpose** The 2009-1 Bonds will be issued for the purposes of (i) making a Finance Loan (as herein defined) to its contractual agent, the South Carolina Student Loan Corporation (the "**Corporation**") to enable the Corporation to originate Student Loans (as herein defined), (ii) funding deposits to certain Accounts and Funds including, a Debt Service Reserve Fund, a Capitalized Interest Fund, an Operating Fund, and a Department Reserve Fund (all as defined and described herein), and (iii) paying the Costs of Issuance.
- Seniority** The 2009-1 Bonds are issued as Senior Bonds. Additional senior indebtedness on a parity and equality of payment priority with the 2009-1 Bonds (collectively, "**Senior Bonds**") may be issued as herein described.
- Registration/Book Entry** The 2009-1 Bonds are issued as fully registered bonds without coupons in book-entry only form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Purchasers will not receive certificates representing their interests in the 2009-1 Bonds. Ownership interest is to be recorded in book-entry form by participants of DTC and the interest of such participants is to be recorded in book-entry form by DTC. See "**THE 2009-1 BONDS - Book-Entry System**" herein.
- Interest Payments** Interest on the 2009-1 Bonds is payable on April 1, 2010, and on each April 1 and October 1 thereafter until maturity, earlier redemption, or acceleration. For so long as the Book-Entry System is in effect, the registered owner of the 2009-1 Bonds, for purposes of the receipt of all payments of principal thereof and interest thereon, will be Cede & Co., as nominee of DTC.
- Redemption** The 2009-1 Bonds are subject to optional redemption and mandatory redemption as herein described.
- Security** The 2009-1 Bonds are limited obligations of the Authority secured by and payable solely from the Trust Estate.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, AND CUSIP NUMBERS

<u>Maturity</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>	<u>Maturity</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>
2014	\$ 500,000	3.400%	3.400%	837114GV3	2019	\$4,000,000	4.550%	4.550%	837114HA8
2015	600,000	3.800	3.800	837114GW1	2020	4,250,000	4.600	4.700	837114HB6
2016	700,000	4.050	4.050	837114GX9	2021	6,000,000	4.625	4.850	837114HC4
2017	2,500,000	4.250	4.250	837114GY7	2022	8,000,000	4.700	4.920	837114HD2
2018	3,000,000	4.400	4.400	837114GZ4					

\$20,000,000 5.000% Term Bonds due October 1, 2024, Yield 5.100% CUSIP No. 837114HF7

\$35,450,000 5.100% Term Bonds due October 1, 2029, Yield 5.200% CUSIP No. 837114HG5

The 2009-1 Bonds are offered when, as, and if issued and received by the Underwriter, subject to prior sale, withdrawal, or modification of the offer without notice and to the approval of legality by McNair Law Firm, P.A., Charleston, South Carolina, as Bond Counsel. Bond Counsel will also pass on certain legal matters for the Authority and the Corporation. Certain legal matters will be passed on for the Underwriter by Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, as Counsel to the Underwriter. It is expected that the delivery of the 2009-1 Bonds will be made through the facilities of DTC on or about November 5, 2009.

RBC Capital Markets

October 29, 2009

SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY

Members of the Authority

The Honorable Mark Sanford, Governor of South Carolina
The Honorable Converse A. Chellis, III, State Treasurer of South Carolina
The Honorable Richard Eckstrom, Comptroller General of South Carolina
The Honorable Hugh K. Leatherman, Sr., Chairman, South Carolina Senate Finance Committee
The Honorable Daniel T. Cooper, Chairman, South Carolina House of
Representatives Ways and Means Committee

SOUTH CAROLINA STUDENT LOAN CORPORATION

Board of Directors

Robert R. Hill, Jr., *Chairman*
Frederick T. Himmelein, Esq., *Vice Chairman*
J. Edward Norris, III, *Treasurer*
Charlie C. Sanders, Jr., *Secretary*
Dr. Julia Boyd, *Director*
Loren D. Carlson, *Director*
R. Jason Caskey, CPA, *Director*
Neil E. Grayson, Esq., *Director*
J. Thornton Kirby, Esq., *Director*
William M. Mackie, Jr., *Director*
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Harry R. Brown, *Chief Financial Officer*
Thomas A. Dunnigan, *Chief Information Officer*
Michael E. Fox, *Vice President - Outreach*
Anne Harvin Gavin, *Senior Vice President - Administrative Services*
Gerald I. Long, *Vice President - Repayment Services*
Robin T. Price, *Vice President - Human Resources*
David C. Roupe, *Vice President - Guaranty Services*

BOND COUNSEL

McNair Law Firm, P.A.
Charleston, South Carolina

TRUSTEE

The Bank of New York Mellon Trust Company, National Association
Jacksonville, Florida

THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE 2009-1 BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE 2009-1 BONDS AS AN INVESTMENT UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

No dealer, broker, salesman, or other person has been authorized by the Authority to give any information or to make any representation, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the 2009-1 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has not been any change in the affairs of the Authority or the Corporation since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. The offering of the 2009-1 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. To the extent not otherwise herein defined, initially capitalized terms used herein are defined in the Resolution (as herein defined), some of which definitions are contained in APPENDIX “B” - GLOSSARY OF CERTAIN DEFINED TERMS appended hereto.

The Issuer

The South Carolina State Education Assistance Authority (the “*Authority*”) is a body politic and corporate and a public instrumentality of the State of South Carolina created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the Code of Laws of South Carolina, 1976, as amended (the “*Act*”).

The 2009-1 Bonds

\$85,000,000 aggregate principal amount of Student Loan Revenue Bonds, 2009-1 Series (the “*2009-1 Bonds*”) will be issued as Senior Bonds by the Authority for the purposes of (i) making a Finance Loan (as herein defined) to its contractual agent, the South Carolina Student Loan Corporation (the “*Corporation*”), pursuant to the 2009 PAL Loan Agreement, Security and Pledge Agreement (the “*Loan Agreement*”) between the Corporation and the Authority to enable the Corporation to originate Student Loans (as herein defined), (ii) funding deposits to certain Accounts and Funds established under the General Resolution including, the Debt Service Reserve Fund, the Capitalized Interest Fund, the Operating Fund, and the Department Reserve Fund (all as defined and described herein), and (iii) paying the Costs of Issuance. The 2009-1 Bonds will be issued pursuant to a General Resolution (the “*General Resolution*”) to be effective on October 29, 2009, a Series Resolution (the “*Series Resolution*”) to be effective on October 29, 2009 (collectively, the “*Resolution*”) and the Act.

Additional Parity Bonds

The Act and the General Resolution permit the issuance of additional Senior Bonds on a parity and equality of lien with the 2009-1 Bonds so long as certain tests and requirements under the General Resolution are met. See APPENDIX “C” – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – “*Issuance of Notes, Additional Bonds, and Other Obligations*” appended hereto.

FFELP Loans

FFELP Loans are obligations originated or to be originated by the Corporation with proceeds of a Finance Loan that represent advances of money made by an Eligible Lender to or on behalf of a student attending, enrolled, or having been enrolled at an Eligible Institution, for which the payment of principal and interest is guaranteed by the Authority or another qualified Guaranty Agency and reinsured as to principal amount and interest by the Secretary (the “*Secretary*”) of the United States Department of Education (the “*Department of Education*”) to the maximum extent authorized at the time of such loan under Title IV of the United States Higher Education Act of 1965, as amended (the “*Higher Education Act*”) and agreements entered into by a Guaranty Agency and the Secretary pursuant to the Higher Education Act; or such obligations for which there is a commitment by the Secretary to so insure or by the Authority and the Secretary to guarantee and reinsure. For the complete definition of FFELP Loans, as used herein, see APPENDIX “B” - GLOSSARY OF CERTAIN DEFINED TERMS. For information with respect to the level of such guarantee and reinsurance and certain conditions and limitations with respect thereto, see “THE AUTHORITY - Student Loan Insurance Program” herein and APPENDIX “A” hereto entitled “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM” and particularly the portion thereof entitled “*Guarantee and Reinsurance for FFELP Loans.*” For information with respect to the FFELP Loans financed and to be financed with the proceeds of the Bonds, see “NATURE AND EXTENT OF THE SECURITY” herein.

Private Loans

Private Loans are fixed rate obligations to be originated by the Corporation with proceeds of a Finance Loan that represent advances of money made to or on behalf of a borrower who is an eligible borrower under the South Carolina Student Loan (SCSL) Corporation Palmetto Assistance Loan (PAL) Program Policies and Procedures Manual that outlines policy and procedure and is used for the Financed Private Loans first disbursed on or after July 1, 2009 (as may be amended from time to time, the "*PAL Program Manual*") evidenced by one or more promissory notes, the payment of principal of and interest on which is not guaranteed by a Guaranty Agency nor reinsured by the Secretary under the Higher Education Act. For the complete definition of Private Loans, as used herein, see **APPENDIX "B" - GLOSSARY OF CERTAIN DEFINED TERMS**. For information with respect to the Private Loans financed and to be financed with the proceeds of the Bonds, see "**NATURE AND EXTENT OF THE SECURITY**" herein. There is no limitation contained in the Resolution as to the number of Private Loan that may be originated with the proceeds of Finance Loans. The FFELP Loans and the Private Loans are herein collectively referred to as "*Student Loans*."

Debt Service Reserve Fund

The Debt Service Reserve Fund is a common reserve fund that secures all Bonds. To the extent there are insufficient moneys otherwise available therefor under the Resolution, moneys in the Debt Service Reserve Fund will be used to pay principal of and interest on Senior Bonds first and then on any Subordinate Bonds. See **APPENDIX "C" - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "Application of Moneys in Other Funds and Accounts - *Application of Funds and Accounts to Avoid a Default; Order of Application*"** appended hereto. The Debt Service Reserve Requirement is equal to the sum of the debt service reserve requirements for each Series of Bonds. The Debt Service Reserve Requirement for the 2009-1 Bonds is equal to the greater of (i) 2% of the outstanding principal amount thereof or (ii) \$850,000. Immediately after issuance of the 2009-1 Bonds, the balance in the Debt Service Reserve Fund will equal \$1,700,000. See "**EXPECTED APPLICATION OF 2009-1 BOND PROCEEDS**" herein. The Debt Service Reserve Fund is part of the Trust Estate.

Capitalized Interest Fund

Immediately after the issuance of the 2009-1 Bonds, the balance in the Capitalized Interest Fund will be \$6,675,000. To the extent there are insufficient moneys otherwise available therefor under the Resolution, moneys in the Capitalized Interest Fund will be used to make one or more of the transfers described herein in items (i) through (vii) in **APPENDIX "C" - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "General Revenue Fund"** appended hereto. See also **APPENDIX "C" - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "Application of Moneys in Other Funds and Accounts - *Application of Funds and Accounts to Avoid a Default; Order of Application*"** appended hereto. The Capitalized Interest Fund is part of the Trust Estate. To the extent amounts in the Capitalized Interest Fund exceed the maximum amounts set forth in the table under the subheading "**THE 2009-1 BONDS - Security - *Capitalized Interest Fund***" herein on the respective dates set forth in such table, the Trustee will be required to transfer such excess to the General Revenue Fund.

Operating Fund

Immediately after the issuance of the 2009-1 Bonds, the balance in the Operating Fund will equal the Operating Fund Requirement. See "**EXPECTED APPLICATION OF 2009-1 BOND PROCEEDS**" herein. The Operating Fund Requirement as of any date equals (i) the Operating Costs of the Authority and the Corporation for the current month and (ii) such additional amount as the Authority deems appropriate, but in no event more than four (4) months of Operating Costs. Money on deposit in the Operating Fund will be used to pay all Operating Costs. Operating Costs may not be increased beyond the level reflected in a closing Cash Flow Certificate provided to each Rating Agency prior to the issuance of a Series of Bonds unless the Trustee shall first receive a Rating Agency Condition. See **APPENDIX "C" -**

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "Application of Moneys in Other Funds and Accounts - Operating Fund" appended hereto. Amounts in the Operating Fund, to the extent there are insufficient moneys otherwise available therefor under the Resolution, may also be used to pay principal of and interest on Senior Bonds first and then on any Subordinate Bonds. See APPENDIX "C" - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "Application of Moneys in Other Funds and Accounts - Application of Funds and Accounts to Avoid a Default; Order of Application" appended hereto. Amounts in the Operating Fund in excess of the Operating Fund Requirement will be required to be transferred to the General Revenue Fund. See APPENDIX "C" - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "Application of Moneys in Other Funds and Accounts - Operating Fund" appended hereto. The Operating Fund is part of the Trust Estate.

Department Reserve Fund

Immediately after the issuance of the 2009-1 Bonds, the balance in the Department Reserve Fund will equal the Department Reserve Fund Requirement. See "EXPECTED APPLICATION OF 2009-1 BOND PROCEEDS" herein. The Department Reserve Fund Requirement as of any date equals (i) the Department Reserve Fund Amount of the Authority for the current month and (ii) such additional amount as the Authority deems appropriate, but in no event more than three (3) months of Department Reserve Fund Amounts. Moneys in the Department Reserve Fund will be applied as directed by the Authority to pay Department Reserve Fund Amounts. See APPENDIX "C" - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "Application of Moneys in Other Funds and Accounts - Department Reserve Fund" appended hereto. Amounts in the Department Reserve Fund, to the extent there are insufficient moneys otherwise available therefor under the Resolution, may also be used to pay principal of and interest on Senior Bonds first and then on any Subordinate Bonds. See APPENDIX "C" - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "Application of Moneys in Other Funds and Accounts - Application of Funds and Accounts to Avoid a Default; Order of Application" appended hereto. Amounts in the Department Reserve Fund in excess of the Department Reserve Fund Requirement will be required to be transferred to the General Revenue Fund. See APPENDIX "C" - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "Application of Moneys in Other Funds and Accounts - Department Reserve Fund" appended hereto. The Department Reserve Fund is not part of the Trust Estate.

Limited Obligations

THE 2009-1 BONDS AND ALL OTHER BONDS HEREAFTER ISSUED UNDER THE GENERAL RESOLUTION ARE LIMITED OBLIGATIONS OF THE AUTHORITY, SECURED BY AND PAYABLE SOLELY FROM THE TRUST ESTATE.

Trust Estate

The "*Trust Estate*" means and includes the following:

(1) all rights, title, and interest of the Authority (a) under the Loan Agreement, including the master promissory note which evidences the Finance Loans and the Finance Loan Fund, and (b) in the Financed Student Loans and all amounts required to be paid to the Authority by the Corporation thereunder, including, without limitation, all Assigned Revenues;

(2) all rights, title, and interest of the Authority under any Deposit Account Control Agreement;

(3) all rights, title, and interest of the Authority under any Custodian Agreement;

(4) all moneys and securities from time to time held by the Trustee under the terms of the General Resolution (excluding moneys and securities held, or required to be deposited, in the Rebate Fund and the Department Reserve Fund), and

(5) any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the General Resolution.

Collateralization	Following the application of proceeds of the 2009-1 Bonds, the Senior Parity Percentage and the Parity Percentage are expected to be approximately 107.5%.
Redemption and Acceleration	The 2009-1 Bonds are subject to optional redemption and mandatory redemption prior to maturity and acceleration as herein described.
Higher Education Act	For information on the Federal Family Education Loan Program and changes thereto, see APPENDIX "A" hereto.
Risk Factors	For information on certain Risk Factors relating to the 2009-1 Bonds and to an investment therein, see " RISK FACTORS " herein.
Forward-Looking Statements	Statements in this Official Statement, including, but not limited to, those concerning the characteristics of Student Loans to be financed with the 2009-1 Bonds, constitute forward looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may vary materially from such expectations. Prospective purchasers of the 2009-1 Bonds should not place undue reliance on those forward-looking statements and should review the factors described under the heading " RISK FACTORS ," that could cause actual results to differ from expectations.
Continuing Disclosure	In the Series Resolution, the Authority has covenanted to provide such continuing secondary market disclosures and confirmations as are required by Act 442 of the 1994 Acts and Joint Resolutions of the South Carolina General Assembly and by Rule 15c2-12 of the Securities and Exchange Commission. The Authority has also covenanted to make certain additional continuing disclosures as described herein under the heading " CONTINUING DISCLOSURE ."
General	This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Official Statement in final form will be provided to the Municipal Securities Rulemaking Board for availability to the public on its Electronic Municipal Market Access web site known as EMMA. Copies of the General Resolution, the Series Resolution, and the Loan Agreement are available upon email request sent to investor_relations@scseaa.org . The Official Statement, including the cover page and the attached Appendices, contains specific information relating to the 2009-1 Bonds, the Authority, and the Corporation and other information pertinent to this issue.

OFFICIAL STATEMENT

\$85,000,000

SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY STUDENT LOAN REVENUE BONDS, 2009-1 SERIES

This Official Statement, which includes the cover page, the Summary Statement, and the Appendices hereto, is being provided by the South Carolina State Education Assistance Authority (the "**Authority**") with respect to the offering and sale of its Senior Student Loan Revenue Bonds, 2009-1 Series (the "**2009-1 Bonds**") being offered hereby pursuant to Chapter 115 of Title 59 of the Code of Laws of South Carolina, 1976, as amended (the "**Act**"), the General Resolution (the "**General Resolution**") of the Authority to be effective on October 29, 2009, and a Series Resolution (the "**Series Resolution**" and together with the General Resolution, the "**Resolution**") of the Authority to be effective on October 29, 2009, authorizing the State Treasurer of South Carolina (the "**State Treasurer**") to proceed with the public offering of the 2009-1 Bonds. The General Resolution permits bonds to be issued by the Authority for the purposes of financing FFELP Loans (as such term is hereinafter defined) under the Act and the Higher Education Act of 1965, as amended (the "**Higher Education Act**") and Private Loans (as such term is hereinafter defined) under the Act and the South Carolina Student Loan (SCSL) Corporation Palmetto Assistance Loan (PAL) Program Policies and Procedures Manual that outlines policy and procedure and is used for the Financed Private Loans first disbursed on or after July 1, 2009 (as may be amended or revised from time to time, the "**PAL Program Manual**") by its contractual agent, the South Carolina Student Loan Corporation (the "**Corporation**") and refunding bonds previously issued for such purpose. The 2009-1 Bonds will be the first series of Bonds issued under the General Resolution. The summaries of the Act, the General Resolution, the Series Resolution, the Higher Education Act, the PAL Program Manual, and other documents included in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document or legislation.

INTRODUCTION

In 1971, the General Assembly of South Carolina established the Authority to finance loans to South Carolina residents pursuing a post-secondary school education at eligible institutions. The Authority consists of the members, from time to time, of the State Budget and Control Board of South Carolina, *ex officio*. In financing such loans, the Authority has acted through the Corporation, a private nonprofit, public benefit corporation incorporated in 1973, under Chapter 31 of Title 33 of the Code of Laws of South Carolina, 1976, as amended, to which the Authority lends funds for such purpose.

As a result of the 1976 amendments to the Higher Education Act, the Authority in May, 1978, assumed the additional function of Guaranty Agency, as set forth in the Higher Education Act, and has entered into certain agreements with the Secretary (the "**Secretary**") of the United States Department of Education (the "**Department of Education**") as described herein in APPENDIX "A" under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM." Pursuant to such agreements, the Authority may guarantee loans held by any institution in South Carolina that qualifies as an eligible lender under the Higher Education Act and the Authority's regulations, and all such loans guaranteed by the Authority are reinsured by the Secretary as described herein. The Authority does not now guarantee any student or parent loans, other than those made and serviced by the Corporation, which is an eligible lender.

BONDS OF THE AUTHORITY

Pursuant to the Act, the Authority was established for the purpose of assuring that all eligible post-secondary education students have access to student and parent loans. Initially, the bonds of the Authority were issued to finance only FFELP Loans. FFELP Loans are obligations originated or to be originated by the Corporation with proceeds of a loan from the Authority that represent advances of money made by an Eligible Lender to or on behalf of a student attending, enrolled, or having been enrolled at an Eligible Institution evidenced by one or more promissory notes, including master promissory notes, the payment of principal of and interest on which is guaranteed by the Authority or another qualified Guaranty Agency and reinsured as to principal amount and interest by the Secretary to the maximum extent then authorized under the Higher Education Act and agreements entered into by the Authority and the Secretary pursuant to the Higher Education Act; or such obligations for which there is a commitment by the Secretary to so insure or by the Authority and the Secretary to guarantee and reinsure. For the

complete definition of FFELP Loans, as used herein, see **APPENDIX “B” - GLOSSARY OF CERTAIN DEFINED TERMS**. Such guarantee and reinsurance arrangements are discussed herein in **APPENDIX “A”** under the heading **“SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.”** To that end, the Authority issued an aggregate of \$428,105,000 of Insured Student Loan Revenue Bonds under a prior resolution (the **“1979 Resolution”**) adopted by the Authority, none of which are outstanding, and an aggregate of \$473,795,000 of Guaranteed Student Loan Revenue Bonds under a second prior resolution (the **“1993 Resolution”**) adopted by the Authority, none of which are outstanding.

The deterioration of the auction rate securities market in 2007 and 2008 created a desire on the part of the Authority to restructure its outstanding debt and reduce its exposure to obligations bearing interest at auction rates **“Auction Rate Securities”**). To that end the Authority effected the redemption of the remaining \$241,700,000 of bonds issued under the 1993 Resolution in April and May of 2008 and in August of 2009, all of which were Auction Rate Securities.

In 2002, the Authority made a determination that in order to fulfill its mission and achieve the purposes of the Act more fully, it should expand its authority to issue bonds to finance variable rate private loans, and consistent with such determination, adopted a third prior resolution (the **“2002 Resolution”**) which authorized the issuance of bonds of the Authority to finance not only FFELP Loans, but also, upon the satisfaction of certain requirements described therein, variable rate private loans the payment of principal of and interest on which were not guaranteed by the Authority or by another qualified Guaranty Agency nor reinsured as to principal amount and interest by the Secretary. To that end, the Authority issued an aggregate of \$905,500,000 Auction Rate Education Loan Revenue Bonds under the 2002 Resolution of which an aggregate of \$855,400,000 is outstanding. The FFELP Loans and the variable rate private loans financed under the 2002 Resolution were collectively referred to as **“Education Loans.”**

In April and May of 2008, the Authority effected the redemption of \$44,650,000 of Auction Rate Securities issued under the 2002 Resolution.

The Trust Estate is separate and distinct from any trust estate or pledged assets securing bonds previously issued by the Authority.

The Authority has determined to adopt the Resolution to finance both FFELP Loans and fixed rate Private Loans. Private Loans are obligations originated by the Corporation with proceeds of a Finance Loan that represent advances of money made to or on behalf of a borrower who is an eligible borrower under the PAL Program Manual evidenced by one or more promissory notes, the payment of principal of and interest on which is not guaranteed by a Guaranty Agency nor reinsured by the Secretary under the Higher Education Act. For the complete definition of Private Loans, as used herein, see **APPENDIX “B” - GLOSSARY OF CERTAIN DEFINED TERMS**. See **“EXPECTED APPLICATION OF 2009-1 BOND PROCEEDS”** herein. The amount of Private Loans that may be financed with proceeds of the Bonds is not limited under the General Resolution. See **“NATURE AND EXTENT OF THE SECURITY”** herein. FFELP Loans and Private Loans are herein collectively referred to as **“Student Loans.”**

THE 2009-1 BONDS AND ALL OTHER BONDS HEREAFTER ISSUED UNDER THE GENERAL RESOLUTION ARE LIMITED OBLIGATIONS OF THE AUTHORITY, SECURED BY AND PAYABLE SOLELY FROM THE TRUST ESTATE.

The descriptions of the 2009-1 Bonds and the documents authorizing and securing the 2009-1 Bonds contained herein do not purport to be definitive or comprehensive. All references herein to such documents are qualified in their entirety by reference to such documents. Copies of such documents may be obtained upon email request sent to investor_relations@scseaa.org.

THE 2009-1 BONDS

General

Principal Amounts, Stated Maturity Dates, Interest Rates, and Prices or Yields. The 2009-1 Bonds will mature in the amounts and on the dates, will bear interest at the rates, and will be priced or have yields, all as shown on the cover page hereof.

Method and Place of Payment and Dating. The 2009-1 Bonds will be issued in the form of fully registered bonds in Authorized Denominations. The principal of and premium, if any, and interest on the 2009-1 Bonds will

be payable in lawful money of the United States of America. The principal of and premium, if any, on the 2009-1 Bonds will be payable to the extent set forth in the Series Resolution on the Serial Maturity Dates, the Term Maturity Dates, or the Redemption Dates, as applicable, at the designated office of the Paying Agent.

The 2009-1 Bonds will be issued in the form of fully registered bonds without coupons in Authorized Denominations. The 2009-1 Bonds will initially be registered in the name of Cede & Co., as nominee of the Securities Depository. The Securities Depository will act as securities depository for the 2009-1 Bonds. Ownership interests in the 2009-1 Bonds will initially be recorded in book-entry form by Participants of the Securities Depository, and the interest of such Participants will be recorded in book-entry form by the Securities Depository. Payments of principal of and interest on the 2009-1 Bonds will be made to the Securities Depository.

In the event the Book-Entry System shall be discontinued, the Paying Agent will be required to maintain a supply of unissued blank bonds to be issued in lieu of bonds mutilated, lost, stolen, or destroyed. Such replacement bonds will be numbered in such fashion as to maintain a proper record thereof.

The Paying Agent, the Trustee, and the Authority may treat the registered owner of any 2009-1 Bond as the absolute owner thereof for all purposes, whether or not such 2009-1 Bond shall be overdue, and the Paying Agent, the Trustee, and the Authority will not be affected by any knowledge or notice to the contrary; and payment of the principal of and premium, if any, and interest on such 2009-1 Bond will be made only to such Bondholder, which payments shall be valid and effectual to satisfy and discharge the liability of such 2009-1 Bond to the extent of the sum or sums so paid. All 2009-1 Bonds paid, at maturity or on earlier redemption, pursuant to the Resolution will be cancelled by the Paying Agent.

The 2009-1 Bonds will bear interest at the applicable rate or rates during each applicable Interest Accrual Period until the entire principal amount of the 2009-1 Bonds shall have been paid.

Payment of Principal and Interest; Acceptance of Terms and Conditions. The interest on the 2009-1 Bonds will become due and payable on the applicable Interest Payment Dates in each year to and including the applicable Stated Maturity Date, on each applicable Redemption Date, and on the date of any acceleration thereof prior thereto. The principal of the 2009-1 Bonds will become due and payable to the extent set forth in the Series Resolution on the Serial Maturity Dates, the Term Maturity Dates, or the Redemption Dates, as applicable.

By the acceptance of its 2009-1 Bond, each Bondholder and each Beneficial Owner will be deemed to have agreed to all the terms and provisions of such 2009-1 Bond as specified therein and in the Resolution including, without limitation, the applicable interest rates, mandatory and optional redemption provisions applicable to such 2009-1 Bond, and method and timing of redemption. Each Bondholder and each Beneficial Owner will be deemed further to agree (i) that if, on any date upon which one of its 2009-1 Bonds is to be purchased, redeemed, or paid at maturity or earlier due date, funds are on deposit with the Paying Agent or the Trustee to pay the full amount due on such 2009-1 Bond, then such Bondholder or such Beneficial Owner will have no rights under the Resolution other than to receive such full amount due with respect to such 2009-1 Bond and (ii) that interest on such 2009-1 Bond will cease to accrue as of such date.

Calculation and Payment of Interest. Interest on the 2009-1 Bonds will be calculated on the basis of a 360 day year comprised of twelve 30-day months. Payment of interest on each 2009-1 Bond will be made on each applicable Interest Payment Date for unpaid interest accrued during the applicable Interest Accrual Period to each applicable Bondholder of record on the applicable Record Date.

Registrar; Paying Agent; Tender Agent; Place of Payment. The Bank of New York Mellon Trust Company, National Association will be appointed Registrar and Paying Agent for the 2009-1 Bonds. The principal or Redemption Price of and interest on the 2009-1 Bonds will be made payable to the Securities Depository as described above under the subheading "Method and Place of Payment and Dating" and below under the heading "**Book-Entry System.**" Subject to the provisions described below under the heading "**Book-Entry System,**" principal of the 2009-1 Bonds will be paid at the designated office of the Paying Agent, initially Jacksonville, Florida, or at the duly designated office of any duly appointed alternate or successor paying agent, in any coin or currency of the United States of America that at the time of payment shall be legal tender for the payment of public and private debts. Interest on the 2009-1 Bonds will be paid by check or draft (or other method as described below) on each Interest Payment Date drawn upon the Paying Agent and mailed to the Bondholders at their addresses as they appear on the registration books maintained at the designated corporate trust office of the Registrar, initially Jacksonville, Florida, as of the Record Date. Interest payable on any Interest Payment Date may be paid by wire transfer, or such other method as is acceptable to the Paying Agent and the Authority, in immediately available

funds to a designated account in any bank in the United States to any Bondholder owning \$1,000,000 or more in aggregate principal amount upon written request by such Bondholder received by the Trustee prior to the preceding applicable Record Date.

Rating Agency Condition. The Authority will be required to obtain a Rating Agency Condition before (i) using amounts in the Loan Account for the financing of Student Loans having different characteristics (including, without limitation, interest rate, repayment and forbearance options, borrower benefits, or amendments to the provisions of the Higher Education Act pursuant to reauthorization, amendments, or otherwise) than those assumed in the most recent cash flows provided to the Rating Agencies, (ii) increasing borrower benefits on Financed Student Loans, or (iii) beginning or increasing the funding with Trust Estate assets of borrower benefits, origination fees, or other fees.

Redemption

Optional Redemption, Prices and Terms. The 2009-1 Bonds maturing on or after October 1, 2020, will be subject to redemption prior to their respective Stated Maturity Dates at the option of the Authority on and after October 1, 2019, upon notice as provided in the General Resolution, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of such 2009-1 Bonds or portions thereof to be so redeemed and accrued but unpaid interest thereon to the Redemption Date.

If less than all of the 2009-1 Bonds shall be redeemed pursuant to the provisions of the Series Resolution described under this subheading "Optional Redemption, Prices and Terms," the Authority will be permitted to direct the Trustee using a Certificate to redeem: (i) *pro rata* across all Stated Maturity Dates, (ii) in chronological order by Stated Maturity Dates, or (iii) using any other method to the extent a Rating Agency Condition is provided to the Trustee regarding such method. To the extent that less than all the principal due on a Stated Maturity Date shall be redeemed, such portion will be redeemed as described below under the subheading "Manner of Redemption."

Mandatory Redemption. The 2009-1 Bonds will be subject to mandatory redemption prior to maturity in whole at any time or in part on any Business Day, at a Redemption Price equal to the principal amount thereof in Authorized Denominations plus interest accrued thereon, if any, to the Redemption Date, without premium, if there are sufficient moneys available to make such redemption on such date. To the extent that more than \$36,000,000 of original proceeds of the 2009-1 Bonds shall remain in the Loan Account on March 1, 2010, such excess will be required to be used for a mandatory redemption of the 2009-1 Bonds within fifteen (15) days, unless a Rating Agency Condition is provided to the Trustee. To the extent that more than \$18,000,000 of original proceeds of the 2009-1 Bonds shall remain in the Loan Account on October 1, 2010, such excess will be required to be used for a mandatory redemption of the 2009-1 Bonds within fifteen (15) days, unless a Rating Agency Condition is provided to the Trustee. To the extent that any original proceeds of the 2009-1 Bonds shall remain in the Loan Account on March 1, 2011, such amount will be required to be used for a mandatory redemption of the 2009-1 Bonds within fifteen (15) days, unless a Rating Agency Condition is provided to the Trustee.

The 2009-1 Bonds will also be subject to mandatory redemption: (i) to the extent that moneys in the Loan Account shall not have been applied as permitted by the General Resolution prior to the end of the Recycling Period; (ii) if the Authority shall determine such action is necessary because of a change in law detrimental to the owners or the Beneficial Owners of the 2009-1 Bonds or in order to prevent a default in the payment of principal of or interest on the 2009-1 Bonds; (iii) if the Authority shall determine that such action is necessary because it suffers unreasonable burdens or excessive liabilities in administering and maintaining the Student Loan Finance Program; or (iv) to the extent that amounts are available for such purpose pursuant to the provisions of the General Resolution described in paragraph (xv) in APPENDIX "C" - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "General Revenue Fund," except that redemptions pursuant to this item (iv) will be limited to Interest Payment Dates. Upon the occurrence of an event described under this subheading "Mandatory Redemption," amounts will be required to be deposited into the Principal Account to effectuate mandatory redemptions.

If less than all of the 2009-1 Bonds shall be redeemed pursuant to the provisions of the Series Resolution described under this subheading "Mandatory Redemption," the Trustee will redeem *pro rata* across all Stated Maturity Dates. To the extent that less than all of the principal due on a Stated Maturity Date shall be redeemed, such portion will be redeemed described below under the subheading "Manner of Redemption."

Manner of Redemption. The 2009-1 Bonds redeemed in accordance with the provisions described under this heading "**Redemption**" will be redeemed in the manner and upon notice as described in APPENDIX "C" -

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - “Redemption of Bonds.” Notices from the Authority to the Trustee pursuant to the provisions of the General Resolution described in **APPENDIX “C” - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - “Redemption of Bonds - Redemption at the Election or Direction of the Authority,”** will be required to be given at least fifteen (15) days prior to the Redemption Date or such shorter period as shall be acceptable to the Trustee. Such notice will be required to be sent by the Trustee to the applicable Bondholders and the Notice Parties not less than seven (7) days prior to the Redemption Date. To the extent that less than all the principal due on a Stated Maturity Date shall be redeemed, the portions of the principal due on such Stated Maturity Date to be redeemed will be selected by the Securities Depository in accordance with its rules and procedures while the 2009-1 Bonds are in book-entry form, or, if the 2009-1 Bonds are no longer in book-entry form, the portions of each Stated Maturity Date to be redeemed will be selected by lot by the Trustee.

Security

The 2009-1 Bonds are special, limited obligations of the Authority secured by and payable solely from the Trust Estate. For a description of the Funds and Accounts established by the General Resolution that are part of the Trust Estate, see **APPENDIX “C” - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION** appended hereto.

Capitalized Interest Fund. Simultaneously with the issuance and delivery the 2009-1 Bonds, the Trustee will be required to deposit \$6,675,000 to the Capitalized Interest Fund. Moneys in the Capitalized Interest Fund will be used to make one or more of the transfers described herein in items (i) through (vii) in **APPENDIX “C” - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - “General Revenue Fund”** appended hereto. To the extent amounts in the Capitalized Interest Fund exceed the maximum amounts on the respective dates set forth below, the Trustee will be required to transfer such excess to the General Revenue Fund.

September 1 of the Year	Maximum Amount
2010	\$5,475,000
2011	3,075,000
2012	1,375,000
2013	0

Debt Service Reserve Fund. Simultaneously with the issuance and delivery of any series of Bonds, the Trustee will be required to deposit in the Debt Service Reserve Fund moneys sufficient to cause the amounts in such Fund to at least equal the Debt Service Reserve Requirement, calculated as of the date of such issuance and delivery. The Debt Service Reserve Requirement is, as of any particular date of calculation, the sum of the amounts designated for each Series of Bonds in the Series Resolution related thereto as the “Debt Service Reserve Requirement” in respect of such Series. The Debt Service Reserve Requirement may be composed of cash, Investment Obligations or Reserve Alternative Instruments or any combination of the foregoing, as the Authority may determine. For the 2009-1 Bonds, the Debt Service Reserve Requirement is an amount equal to the greater of (i) 2% of the outstanding principal amount thereof or (ii) \$850,000, which is initially \$1,700,000.

Application of Funds and Accounts to Avoid a Default; Order of Application. Notwithstanding any provision of the General Resolution pertaining to the application of moneys in any Fund or Account (except the Rebate Fund and Department Reserve Fund), amounts deposited in all Funds and Accounts will be required to be used for the payment of principal of and interest on the Senior Bonds first and then on the Subordinate Bonds if there would otherwise be a default in payment. The order of Funds and Accounts from which moneys are to be transferred in the event that deposits of moneys in the General Revenue Fund to the Interest Account and Principal Account are insufficient to avoid a default in payment of principal of or interest on the Bonds will be as follows: the Capitalized Interest Fund, the Loan Account, the Finance Loan Fund (as set forth in the Loan Agreement), the Debt Service Reserve Fund and then the Operating Fund.

Acceleration

Upon the happening of any Event of Default under the General Resolution, the 2009-1 Bonds may be subject to acceleration as described in **APPENDIX “C” - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - “Defaults and Remedies.”**

Book-Entry System

Beneficial ownership interests in the 2009-1 Bonds will be available in book-entry form only. Purchases and sales by the beneficial owners of the 2009-1 Bonds can be made in Authorized Denominations. Purchasers of beneficial ownership interests in the 2009-1 Bonds will not receive certificates representing their interests in the 2009-1 Bonds purchased and will not be considered Bondholders under the General Resolution, except as described below.

The information which follows in this section “**Book-Entry System**” is based solely on information provided by Depository Trust Company (“**DTC**”). No representation is made as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, New York, New York, will act as securities depository for the 2009-1 Bonds. The 2009-1 Bonds 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 the 2009-1 Bonds in the aggregate principal amount of the 2009-1 Bonds and will be deposited with DTC. **SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2009-1 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR THE REGISTERED OWNERS OF THE 2009-1 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2009-1 BONDS.**

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of §17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “**Indirect Participants**”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2009-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2009-1 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2009-1 Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, 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 2009-1 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2009-1 Bonds, except in the event that use of the Book-Entry System for the 2009-1 Bonds is discontinued.

To facilitate subsequent transfers, all 2009-1 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2009-1 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2009-1 Bonds; DTC’s records reflect only the identity of the Direct Participants to

whose accounts such bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2009-1 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2009-1 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2009-1 Bonds may wish to ascertain that the nominee holding the 2009-1 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2009-1 Bonds within a Tranche are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Tranche to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2009-1 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2009-1 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and payments on the 2009-1 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee as set forth in the General Resolution and the Series Resolution, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2009-1 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2009-1 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2009-1 Bond certificates will be printed and delivered to DTC.

THE AUTHORITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS DIRECT OR INDIRECT PARTICIPANTS OR THAT THE DIRECT OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2009-1 BONDS (I) PAYMENTS OF PRINCIPAL OF OR INTEREST AND REDEMPTION PREMIUM, IF ANY, ON THE 2009-1 BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN 2009-1 BONDS, OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE 2009-1 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR ITS DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

So long as Cede and Co. or its registered assign is the registered owner of the 2009-1 Bonds, the Authority and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the General Resolution and any applicable laws, notwithstanding any notice to the contrary received by the Authority or the Trustee, and the Authority and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any Beneficial Owner of the 2009-1 Bonds.

If any Beneficial Owner wishes to receive a copy of any notices or other communications to 2009-1 Bond owners, that Beneficial Owner may file a request with the Registrar asking that the Beneficial Owner be put on a list to receive copies of all notices and other communications sent to Cede & Co. for the ensuing twelve (12) month period. The Authority will use its best efforts to cause copies of such notices to be forwarded to any Beneficial Owner who has made such request within the twelve (12) months preceding the date of mailing of the notice; however, the failure to give any such notices to any Beneficial Owner, any defect in any such notice, or the failure of any Beneficial Owner who has requested such notices to receive such notices will in no way affect the matter to which the notice pertains, i.e., full notice shall have been given if it has been provided to Cede & Co.; copies of notices provided to Beneficial Owners are provided as a courtesy only.

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

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC OR ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT WITH RESPECT TO THE BENEFICIAL OWNERSHIP INTEREST IN THE 2009-1 BONDS; (II) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, AND REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE 2009-1 BONDS; (III) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE GENERAL RESOLUTION OR THE SERIES RESOLUTION TO BE GIVEN TO REGISTERED OWNERS OF 2009-1 BONDS; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2009-1 BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS A REGISTERED OWNER OF 2009-1 BONDS.

The descriptions of ownership interests in the 2009-1 Bonds, payment of principal and interest on the 2009-1 Bonds to Participants or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2009-1 Bonds, and other bond-related transactions by and between DTC, Participants and Beneficial Owners, are based solely on information furnished by DTC and have not been independently verified by the Authority, the Underwriter or Bond Counsel. The inclusion of this information is not, and should not be construed as, a representation by the Authority, the Underwriter or Bond Counsel as to its accuracy or completeness or otherwise.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry System

If the Securities Depository shall determine not to continue to act as Securities Depository for the 2009-1 Bonds, or if the Authority shall advise the Securities Depository and the Trustee of the Authority's determination that the Securities Depository is incapable of discharging its duties, the Authority will be required to attempt to retain another qualified securities depository to replace the Securities Depository. Upon receipt by the Authority or the Trustee of the 2009-1 Bonds together with an assignment duly executed by the discharged Securities Depository, the Authority will be required to execute and deliver to the successor Securities Depository 2009-1 Bonds of the same principal amount, interest rate and maturity.

If the Authority shall be unable to retain a qualified successor to the Securities Depository or the Authority shall determine that it is in the best interest of the Authority not to continue the Book-Entry System of transfer or that the interest of the Beneficial Owners of the 2009-1 Bonds might be adversely affected if the Book-Entry System of transfer is continued, and shall make provision to so notify Beneficial Owners of the 2009-1 Bonds by transmitting by Electronic Means an appropriate notice to the Securities Depository, upon receipt by the Authority of the 2009-1 Bonds together with an assignment duly executed by the Securities Depository, the Authority, at its expense, will be required, subject to the limitations of the Series Resolution, to execute, and cause to be authenticated and delivered pursuant to the instructions of the Securities Depository, 2009-1 Bonds in fully registered form and in Authorized Denominations.

NATURE AND EXTENT OF THE SECURITY

The 2009-1 Bonds will be issued in accordance with the provisions of and pursuant to the General Resolution and the Series Resolution. The General Resolution permits Student Loan Revenue Bonds to be issued by the Authority for the purposes of financing Student Loans by the Corporation and refunding bonds previously issued for such purposes. The 2009-1 Bonds will be the first series of Bonds to be issued under the General Resolution.

Portfolio of Student Loans Securing Bonds under the General Resolution

Existing Portfolio of FFELP Loans. Approximately \$25 million of the proceeds of the 2009-1 Bonds will be deposited in the Loan Account of the Program Fund and will be used within fifteen (15) days of the Issue Date to refinance FFELP Loans made by the Corporation prior to April 1, 2006. Such FFELP Loans will consist entirely of Consolidation Loans having a guarantee percentage of 98% and fixed interest rates. The gross loan yield will be equal to the greater of the borrower's fixed interest rate and the special allowance support level, which is based on a variable rate equal to 2.64% over the bond equivalent yield of the three-month financial commercial paper rate. As part of proposed legislation that has recently passed the House of Representatives (SAFRA), conversion of the special allowance support level to one-month LIBOR on student loans ("*FFELP loans*") originated under the Federal Family Education Loan Program ("*FFELP*") on or after January 1, 2000, may be allowed. See "**RISK FACTORS**" herein. Consolidation Loans are subject to a consolidation loan rebate fee of 1.05% that must be paid to the Department of Education. As of October 15, 2009, such Consolidation Loans had a weighted average interest rate of 3.50% (excluding the impact of any borrower benefit interest rate reductions and without considering the consolidation loan rebate fee) and a weighted average remaining term to maturity of 243 months, excluding any deferment or forbearance periods. As of such date, approximately 50% of these Consolidation Loans qualified for an interest subsidy to be paid by the Department of Education during qualifying deferment periods.

On the Issue Date, the Authority will pledge additional FFELP Loans consisting of approximately \$8.2 million of principal and accrued interest of Consolidation Loans made on or after October 1, 2007. Such Consolidation Loans have a guarantee percentage of 97%, fixed borrower interest rates and special allowance support levels based on a variable rate equal to 2.24% over the bond equivalent yield of the three-month financial commercial paper rate. The amount by which the borrower interest rate exceeds the special allowance support level must be paid to the Department of Education on a quarterly basis on these Consolidation Loans, resulting in a variable effective yield to the Trust Estate. As of October 15, 2009, such Consolidation Loans had a weighted average interest rate of 6.69% (excluding the impact of any borrower benefit interest rate reductions and without considering the consolidation loan rebate fee) and a weighted average remaining term to maturity of 164 months, excluding any deferment or forbearance periods. As of such date, all of these Consolidation Loan borrowers were in repayment status, and approximately 53% of these Consolidation Loans qualified for an interest subsidy to be paid by the Department of Education during qualifying deferment periods.

Most of the FFELP loans described above are eligible for borrower benefits in the form of a 1% interest rate reductions for prompt and regular payments and up to 0.50% interest rate reductions for payments made by automatic bank draft, as well as partial loan forgiveness for borrowers who had earned educational degrees, applied for such forgiveness as of December 10, 2008, and who make timely payments for the life of their respective loan.

For a description of certain features of the FFELP Loan program, see "**SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM**" in APPENDIX "A" hereto.

Additional Student Loans. The remaining approximately \$49.3 million of the proceeds of the 2009-1 Bonds expected to be deposited in the Loan Account of the Program Fund is expected to be used on or before March 1, 2011, to finance the origination of Private Loans by the Corporation. Any excess cash flow may also be used for the origination or refinancing of additional Private Loans during the Recycling Period as herein described within the limitations imposed by the Series Resolution and the Rating Agencies.

Private Loans. As a means to help students and parents finance educational expenses not covered from other sources of financial aid, the Corporation began originating private student loans as "Palmetto Assistance Loans" in 1996. Before the program was suspended in November of 2008 as a result of a lack of funding, Palmetto Assistance Loans were originated with variable interest rates. Palmetto Assistance Loans offered in the fall of 2009 bear fixed rates. Such fixed rate Palmetto Assistance Loans are referred to herein as "*Private Loans*."

Private Loans are offered to citizens, nationals, or permanent residents of the United States residing in South Carolina or attending a college or university in South Carolina. The borrowers must be students or parents of students enrolled at least half-time in approved certificate or degree programs at eligible institutions. The largest amount of loan volume in recent years has gone to or for the benefit of students attending the University of South Carolina, Clemson University, the Medical University of South Carolina, Charleston School of Law, and Coastal Carolina University, but loans are made to or for the benefit of students at other educational institutions that are public or private, nonprofit institutions that meet additional requirements.

Borrowers must be at least twenty-four (24) years old and have a minimum FICO score of 670, or obtain an eligible cosigner. The borrowers must also be in good standing on any other student loans held by the Corporation.

Interest on Private Loans is based on a fixed rate. Borrowers who agree to pay interest while enrolled receive a lower interest rate than borrowers who agree to make a minimum monthly payment while enrolled. Private Loan borrowers are also eligible for a 0.25% interest rate reduction when making payments by automatic bank draft. This benefit has the effect of reducing the loan term.

An origination fee is charged to the borrower and may be paid from the proceeds of the loan.

The annual maximum Private Loan amount is the cost of education minus any other aid, and is made co-payable to the school and the borrower and is sent to the school for disbursement. The aggregate maximum Private Loan amount per borrower is currently \$100,000.

Private Loan borrowers are eligible for thirty-six (36) months of forbearance after enrollment, but no more than twelve (12) months in any 24-month period. Principal and interest may be deferred during such forbearance periods.

The repayment options for Private Loans require level amortization over the following terms:

Loan Amount	Maximum Repayment Term
Less than \$17,500	10 years
\$17,500 or more	15 years

Payments on Private Loans may be combined by the borrower with any payments on a FFELP loan to such borrower. Payment allocation is prorated by the Corporation based on the outstanding balance of each loan at the time the payment is received if all the due dates are the same.

Liability for Excess Loan Yield. Federal tax law limits the loan yield to a certain percentage relative to the bond yield, requiring the Authority to either make Yield Reduction Payments to the United States Treasury or provide loan forgiveness or interest rate reductions to, or pay certain fees on behalf of, borrowers before retiring the 2009-1 Bonds in full. The Authority expects to provide loan forgiveness or interest rate reductions on the Financed Student Loans if necessary to maintain compliance, which would have the effect of reducing the amount of assets in the Trust Estate.

RISK FACTORS

Experience May Vary from Assumptions

There can be no assurance that the assumptions and considerations relied upon by the Authority with respect to its expectations concerning the timing and sufficiency of receipts of revenues with respect to the Trust Estate are accurate or that actual experience will not vary from such assumptions and considerations.

Possible Loss of Tax Exemption of the Interest on the 2009-1 Bonds

Provisions of the Internal Revenue Code of 1986, as amended (the "Code") impose continuing requirements that must be met after the issuance of the 2009-1 Bonds for interest thereon to be and remain

excludable from gross income for federal income tax purposes. Noncompliance with such requirements may cause the interest on the 2009-1 Bonds to be includable in gross income for such purposes, either prospectively or retroactively to the date of issuance thereof. See "TAX MATTERS" and "NATURE AND EXTENT OF THE SECURITY - Portfolio of Student Loans Securing Bonds under the General Resolution - *Liability for Excess Loan Yield*" herein.

Changes in Federal Law

The programs effected by the Higher Education Act have been the subject of numerous statutory and regulatory changes over the last several years that have resulted in material modifications to such programs. For example, one law, among other things, reduced the interest rates on certain types of new loans, reduced loan guarantee levels on new loans, reduced the special allowance support level on new loans, and increased up-front origination fees paid by lenders. There can be no assurance that recent amendments will not have a material impact on the Authority, the Corporation, or the student loan finance program.

Additional legislation has been proposed or passed by members of either the U.S. House of Representatives or the U.S. Senate. Among other things, some of such legislation increases lender disclosure requirements, restricts lender marketing practices, restricts the way lenders interact with educational institutions, and restricts the means by which educational institutions choose or allow lenders to originate loans at their institution. There can be no assurance that relevant federal laws, including the Higher Education Act, will not be changed in a manner that might adversely affect the Authority, the Corporation, or the student loan finance program.

See APPENDIX "A" under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

In addition, there are various other legislative proposals currently under consideration by the United States Congress. The Authority cannot predict the likelihood that any of these proposals would become law or the potential effect of such legislation on the Guaranty Agencies, the Servicers, or the Financed Student Loans.

Proposed Legislation Eliminating the Federal Family Education Loan Program

The President's fiscal year 2010 budget submitted to Congress in 2009 proposed the elimination of the FFELP in favor of the government-run Direct Loan program, beginning July 1, 2010.

On September 17, 2009, the United States House of Representatives passed SAFRA. SAFRA calls for all new federal student loans to be originated through the Direct Loan program effective July 1, 2010. SAFRA spends the projected budgetary savings on increased maximum Pell Grants, Access and Completion Grants, community college grants, grants for minority-servicing institutions, school construction and early childhood education. The bill allows for the conversion of the special allowance support level on FFELP loans originated on or after January 1, 2000, to be based on the one-month LIBOR rate versus the current calculation based on the three-month Commercial Paper rate.

SAFRA provides an opportunity for state-based non-profit lenders to service the new loans made in the Direct Loan program. This servicing would be in addition to the servicing these holders would be doing on the loans outstanding as of July 1, 2010.

It is uncertain what changes will be made to the bill before and if it becomes law. This process is not expected to be completed until November, 2009. If SAFRA becomes law in substantially its current form, the Corporation's ability to originate, service, and finance additional FFELP loans would terminate and such occurrence would decrease its revenues and could potentially jeopardize its ability to continue as a going concern. This might increase the costs of servicing the Financed Student Loans and adversely affect the Authority's ability to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs.

Noncompliance with the Higher Education Act

Noncompliance with the Higher Education Act with respect to FFELP loans originated by the Corporation may adversely affect payment of principal of and interest on the 2009-1 Bonds when due. The Higher Education Act and the applicable regulations thereunder require the lenders making FFELP loans, Guaranty Agencies guaranteeing FFELP loans and lenders or servicers servicing FFELP loans to follow certain due diligence procedures in an effort to ensure that FFELP loans are properly made and disbursed to, and timely repaid by, the

borrowers. Such due diligence procedures include certain loan application procedures, certain loan origination procedures and, when a FFELP loan is delinquent, certain loan collection procedures. The procedures to make, guarantee and service Higher Education Act loans are set forth in the Code of Federal Regulations and other documents of the Department of Education, and no attempt has been made in this Official Statement to describe those procedures in their entirety. Failure to follow such procedures may result in the Secretary's refusal to make reinsurance payments to a Guaranty Agency on such loans or may result in the Guaranty Agency's refusal to honor its guarantee on such loans to holders of FFELP loans, including the Corporation. Such action by the Secretary could adversely affect a Guaranty Agency's ability to honor guarantee claims, and loss of guarantee payments to the Corporation could adversely affect the ability of the Authority to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs.

Projections and Assumptions May Not be Accurate

The Authority expects that the Trust Estate will be sufficient to pay when due the principal of and interest on the 2009-1 Bonds and the Operating Costs. This expectation is based upon projections and cash flow assumptions, which the Authority believes are reasonable, regarding the financing and repayment performance of Financed Student Loans, and the occurrence of certain future events and conditions.

There can be no assurance, however, that principal and interest payments from the Financed Student Loans will be received as anticipated, that the projected yield on the Financed Student Loans will be realized, that the reinvestment rates assumed with respect to the investment of various funds and accounts will be realized, or that Operating Costs will be incurred at the levels and on the schedule anticipated. Such projections are based upon the Authority's prior experience with student loan origination and performance. There can be no assurance, however, that the origination and performance experience of the Financed Student Loans will conform to that of previously originated student loans. Furthermore, future events over which the Authority has no control, such as general economic conditions, the job market for graduates of institutions of higher education, the college graduation rate, military and national emergencies and regulatory changes among others, may adversely affect the Authority's actual receipt of revenues from the Trust Estate. The effect of these factors, including the effect on the amount of assets from the Trust Estate available to make payments of principal of and interest on the 2009-1 Bonds and Operating Costs, is impossible to predict.

Timing and Sufficiency of Receipts

Collections on the Student Loans during a monthly collection period may vary greatly in both timing and amount from the payments actually due on such Student Loans for that monthly collection period for a variety of economic, social, and other factors.

Failures by borrowers to pay timely the principal and interest on their Student Loans or an increase in deferments or forbearances could affect the timing and amount of available funds for any monthly collection period and the ability to pay principal and interest on the 2009-1 Bonds. The effect of these factors, including the effect on the timing and amount of available funds for any monthly collection period and the ability to pay principal and interest on the 2009-1 Bonds, is impossible to predict.

General Economic Conditions

The student loan finance program was established in 1973. Regional and national economic developments over the past two years have, by a number of measures, resulted in a greater reduction in household wealth and in the availability of civilian employment than during any comparable period during which the Authority's student loan finance program has operated. Such developments have also resulted in a reduction in the availability of consumer credit and of general financial market liquidity. It is impossible to predict how long such conditions may continue or whether such conditions may worsen during the period for which they continue. Future performance of Financed Student Loans may be adversely affected by the current economic recession or by subsequent economic and other events affecting the employment prospects of borrowers or otherwise affecting their ability and willingness to incur and to repay Financed Student Loans. High levels of unemployment, either regionally or nationally, may result in increased borrower delinquency and default. Failures by borrowers to pay the principal of and interest on the Financed Student Loans in a timely fashion or an increase in deferments or forbearances could affect the timing and amount of available funds for any collection period. The effect of these factors on the timing and amount of available funds for any collection period, the ability of the Authority to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs and the likelihood of redemption of the 2009-1 Bonds prior to their maturity, is impossible to predict.

Uncertainty as to Available Remedies

The remedies available to owners of the 2009-1 Bonds upon an Event of Default under the General Resolution or other documents described herein are in many respects dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the General Resolution and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the 2009-1 Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally.

Financial Health of Guaranty Agencies

The FFELP loans are not secured by any collateral of the borrowers. Payments of principal and interest are guaranteed in whole or in part, as herein further described in **APPENDIX "A,"** by Guaranty Agencies to the extent described herein. Excessive borrower defaults on FFELP loans could impair a Guaranty Agency's ability to meet its guarantee obligations with respect to FFELP loans, and registered owners of the 2009-1 Bonds could experience a delay in payment or losses on the 2009-1 Bonds. The financial health of a Guaranty Agency could affect the timing and amount of available funds for any collection period and the Authority's ability to pay principal of and interest on the 2009-1 Bonds. A Guaranty Agency's financial health could be adversely affected by a number of factors, including the amount of claims made against such Guaranty Agency as a result of borrower defaults, changes in legislation that may reduce expenditures by the applicable state and federal agencies that support such Guaranty Agencies, and the amount of claims reimbursed by the Secretary. In the event of a deterioration of a Guaranty Agency's financial condition, registered owners of the 2009-1 Bonds may suffer delays in payment or losses on the 2009-1 Bonds.

Dependence Upon Corporation as Servicer

The Authority is currently dependent upon the Corporation to originate and service Financed Student Loans. The cash flow projections relied upon by the Authority in structuring the 2009-1 Bonds were based upon assumptions with respect to servicing and origination costs based on the Authority's existing arrangements with the Corporation. If the Corporation is unable to perform as Servicer for the Financed Student Loans, no assurance can be given that the Authority will be able to enter into agreements with another Servicer or Servicers at the assumed level of servicing and origination cost. The timing of payments to be actually received with respect to Financed Student Loans will be dependent upon the ability of the Corporation to originate and service the Financed Student Loans adequately. In addition, investors and the Authority will be relying on the Corporation's compliance with applicable federal and state laws and regulations.

In the event of the failure by the Corporation to service the Student Loans resulting solely from certain events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of either a successor Servicer or originator, as the case may be, and delays in origination or collections in respect of the Financed Student Loans may occur. Delays in the receipts of payments with respect to Financed Student Loans in excess of the delinquency and default assumptions adopted by the Authority for purposes of preparing cash flow projections as a basis for structuring the 2009-1 Bonds may delay the payment of scheduled principal of and interest on the 2009-1 Bonds and of Operating Costs.

Secretary's Failure to Make Reinsurance Payments

If a Guaranty Agency should be unable to meet its guarantee obligations, a holder of FFELP loans could submit default claims for payment directly to the Secretary pursuant to §432(o) of the Higher Education Act. The Secretary's obligation to pay such claims is dependent on its determination that such Guaranty Agency is unable to meet its insurance obligations. There is no assurance that the Secretary would make such a determination or that it would pay claims in a timely manner. The Corporation may, however, receive claim payments on FFELP loans directly from the Secretary under §432(o) if such a determination is made. See **APPENDIX "A" - SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.** If the Secretary does not make such a determination or does not pay claims in a timely manner, the ability of the Authority to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs may be adversely affected.

Withdrawal or Downgrade of Initial Rating

A Rating Agency may revise or withdraw its rating of the 2009-1 Bonds at any time if it believes circumstances have changed. A subsequent downward change in a rating is likely to decrease the value of the 2009-1 Bonds and the price a subsequent purchaser is willing to pay for such securities.

Certain Actions May Be Taken without Bondholder Approval

The General Resolution provides that the Authority and the Trustee may undertake various actions without Bondholder approval based upon receipt by the Trustee of a Rating Agency Condition. Such actions include, but are not limited to, amending the Resolution via a Supplemental Resolution (which may be done without the consent of the registered owners of the 2009-1 Bonds in certain circumstances), the issuance of additional Bonds under the General Resolution ("**Additional Bonds**"), and the acquisition of certain Investment Obligations. To the extent such actions are taken after issuance of the 2009-1 Bonds, investors in the 2009-1 Bonds will be relying on the evaluation by the Rating Agencies of such actions and their impact on credit quality.

2009-1 Bonds Issued in Book-Entry Form Only

The 2009-1 Bonds will be issued in book-entry form only, represented by a single fully registered bond, initially registered in the name of Cede & Co., the nominee of DTC. The Beneficial Owners of the 2009-1 Bonds will be able to exercise their rights as Beneficial Owners only indirectly through DTC and its participating organizations (collectively, "**DTC Participants**").

The furnishing of notices and other communications by DTC to DTC Participants, and directly and indirectly through the DTC 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. Furthermore, the Beneficial Owners may suffer delays in the receipt of distributions on the 2009-1 Bonds, and the ability of any Beneficial Owner to pledge or otherwise take actions with respect to its interest in the 2009-1 Bonds may be limited due to the lack of a physical certificate evidencing such interest. See "**THE 2009-1 BONDS - Book-Entry System.**"

Military Service Obligations and Disaster Areas

Military service obligations and national disasters may result in delayed payments from borrowers.

Certain federal statutes and other guidelines provide relief to borrowers who enter active military service, to borrowers in reserve status who are called to active duty after the origination of their student loan, and to individuals who live in a disaster area or suffer a direct economic hardship as a result of a national emergency.

The number and aggregate principal balance of Student Loans that may be affected by the application of these new statutes and other guidelines will not be known at the time the Authority issues the 2009-1 Bonds. If a substantial number of borrowers of Student Loans become eligible for the relief under these new statutes and other guidelines, there could be an adverse effect on the total collections on those Student Loans and the ability of the Authority to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs.

Congressional Actions May Affect the Student Loans

Funds for payment of interest subsidies and other payments under the FFELP are subject to annual budgetary appropriation by Congress. In recent years, federal budget legislation has contained provisions that restricted payments made under the FFELP to achieve reductions in federal spending. Future federal budget legislation may adversely affect expenditures by the Department of Education and the financial condition of the Guaranty Agencies.

Recent Illiquid Market Conditions May Continue In The Future

Despite recent federal market interventions and programs, the recent period of general market illiquidity may continue or even worsen and may adversely affect the secondary market for the 2009-1 Bonds. Accordingly, Bondholders may not be able to sell their 2009-1 Bonds when they want to do so or they may be unable to obtain the price that they wish to receive for the 2009-1 Bonds and, as a result, Bondholders may suffer a loss on their investment.

Consumer Protection Lending Laws

Private Loans are subject to applicable laws regulating loans to consumers. Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. Some state and federal laws impose finance charge restrictions and other restrictions on certain consumer transactions and require certain disclosures of legal rights and obligations. Furthermore, to the extent applicable, these laws can impose specific statutory liabilities upon creditors who fail to comply with their provisions and may affect the enforceability of the loan. In addition, the remedies available to the Trustee or the Bondholders upon an Event of Default under the General Resolution may not be readily available or may be limited by applicable state and federal laws. As they relate to FFELP loans, these state laws are generally preempted by the Higher Education Act. However, Private Loans may be subject to applicable state and federal laws regulating loans to consumers. If the application of consumer protection laws were to cause the Financed Private Loans, or any of the terms of the Financed Private Loans, to be unenforceable against the borrowers or co-signers, the Authority's ability to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs could be adversely affected.

Amendments of the General Resolution and Waivers of Defaults

Under the General Resolution, registered owners of specified percentages of the aggregate principal amount of Bonds may amend or supplement provisions of the General Resolution and waive Events of Default and compliance provisions without the consent of the other Bondholders. A registered owner of the 2009-1 Bonds may have no recourse if other Bondholders vote and such Bondholder disagrees with the vote on these matters. The Bondholders may vote in a manner that impairs the ability of the Authority to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs.

Composition and Character of Portfolio of Student Loans

The Student Loans that the Authority intends to finance or refinance with the proceeds of the 2009-1 Bonds are described in this Official Statement. See "**NATURE AND EXTENT OF THE SECURITY - Portfolio of Student Loans Securing Bonds under the General Resolution**" herein. The characteristics of the Student Loan portfolio pledged to secure the Finance Loans will change from time to time as new Student Loans are originated by the Corporation and may also change as a result of amendments to the Higher Education Act, changes in terms of the Student Loan Finance Program, changes in the Private Loan program, sales or exchanges of loans, and scheduled amortization, prepayments, delinquencies, and defaults on the Student Loans. Any new Student Loan so originated may bear a lower rate of return and have a greater risk of loss from borrower defaults and adversely affect the Authority's ability to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs.

Investment of Funds and Accounts

The General Resolution requires or permits investments of moneys in each Fund and Account, consistent with the required uses of such moneys, in Investment Obligations. Investment Obligations means certain designated securities, if and to the extent the same are at the time legal for investment of moneys and funds held under the General Resolution. Investment Obligations are subject to the risks inherent in investment securities, such as fluctuating returns and loss of principal; accordingly, the value of each Fund and Account is subject to the risks inherent in investment securities. Furthermore, to the extent the Authority enters into investment agreements and such investment agreements are terminated as a result of default by the counterparty thereto, it may not be possible to recover the full amount invested or any of the expected investment return and the ability of the Authority to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs might be adversely affected.

Additional Bonds

The Authority may, from time to time, issue additional bonds or incur other obligations secured by the Trust Estate without the consent or approval of any existing Bondholders. These Bonds or other obligations may be on a parity with or subordinate to existing classes of Bonds in right of payment.

Moreover, since the Trust Estate secures, on a parity basis, the 2009-1 Bonds and any Additional Bonds, it may be expected that the issuance of any Additional Bonds will result in dilution of the security currently provided by the Trust Estate with respect to the 2009-1 Bonds.

Competition

The Corporation faces competition from other lenders that could decrease the volume of Student Loans that could be originated. Additionally, the Higher Education Act provides for a Federal Direct Student Loan Program. This program could result in reductions in the volume of Private Loans.

Because the reinvestment rate on the funds on deposit in the Trust Estate will likely be less than the interest rate on the 2009-1 Bonds, the resulting negative arbitrage will cause a reduction in the Value of the Trust Estate and thus, the Parity Percentage and Senior Parity Percentage. The longer that proceeds of the 2009-1 Bonds remain in the Loan Account, the more that (i) the Parity Percentage and the Senior Parity Percentage will fall and (ii) funds from the Capitalized Interest Fund and perhaps the Debt Service Reserve Fund will be diminished for the payment of debt service and Operating Costs. Reduced volume in the Corporation's program in particular and in the FFELP in general may cause increased costs due to reduced economies of scale. These cost increases could reduce the ability of the Corporation to service the Student Loans or reduce revenues received by the Guaranty Agency available to pay claims on defaulted FFELP Loans. See APPENDIX "A" – SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.

Redemption of Bonds

Student Loans to be financed by the Authority with the proceeds of the 2009-1 Bonds are expected to bear effective interest rates and to offer other terms and conditions that are competitive with fixed rate student loans that are currently made available by other lenders. However, interest rates applicable to fixed rate loans made to fund the costs of post-secondary education, or interest rates applicable to other loans available to borrowers, may decline significantly during the loan origination period or other material changes may occur in competing student loan programs. In addition, Private Loans compete with the Federal Direct Student Loan Program, with variable rate loans, and with grants and other forms of student assistance. There is no assurance that the Authority will be able to apply the full amount of 2009-1 Bond proceeds that are currently expected to be made available therefor to the financing of Private Loans. The demand for student loans is affected by a number of factors, including general economic conditions, student perceptions of the value of post-secondary education, and students' ability to participate in post-secondary education programs on at least a half-time basis, factors affecting the costs of post-secondary education, the availability of other forms of financial assistance, the ability of borrowers and cosigners to satisfy credit criteria and the schedule upon which students and their families must pay post-secondary education costs, which is generally based upon an academic year commencing in August, or upon semesters commencing in August and January. To the extent that the proceeds of the 2009-1 Bonds are not expended as fast as expected, such proceeds will be required to be used to redeem 2009-1 Bonds prior to the Stated Final Maturity pursuant to the mandatory redemption provisions of the Resolution. See "THE 2009-1 BONDS - Redemption - Mandatory Redemption."

Receipt of principal of and interest on Financed Student Loans may be accelerated, causing an unanticipated redemption of 2009-1 Bonds due to various factors, including, without limitation: (i) faster than anticipated Student Loan origination; (ii) the commencement of principal repayment by borrowers on earlier dates than are assumed; and (iii) economic conditions that induce borrowers to refinance or repay their loans prior to maturity. In addition, the availability of student loan consolidation financing from other sources may materially increase the rate of prepayment actually experienced by the Authority with respect to Financed Student Loans. The Authority reserves the right to finance student loans, the proceeds of which are to be applied, in whole or in part, to fund the consolidation of Financed Student Loans. To the extent that Financed Student Loans are prepaid, the proceeds of such prepayments may result in a redemption of the 2009-1 Bonds prior to the Stated Final Maturity pursuant to the optional redemption provisions of the Resolution. See "THE 2009-1 BONDS - Redemption - Optional Redemption, Prices and Terms," and "- Mandatory Redemption."

To the extent that a Bondholder's 2009-1 Bonds are redeemed prior to their Stated Maturity Date, such Bondholder may not achieve the anticipated yield on the investment and may not be able to reinvest at a similar yield.

Sale of Student Loans After Default

Upon the occurrence of an Event of Default under the General Resolution, Student Loans may have to be sold. However, it may not be possible to find a purchaser for the Student Loans. Also, the market value of the Student Loans plus other assets available for the payment of Bonds may not equal the principal amount of Bonds Outstanding plus accrued interest. The Bondholders may suffer a loss in circumstances such as these if purchaser(s)

cannot be found who are willing to pay sufficient prices for the Student Loans. The market for Private Loans is not as developed as the market for FFELP Loans. There may be fewer potential buyers for those loans, and therefore lower prices available in the secondary market.

Differing Borrower Benefit Programs and Repayment Terms

Under some borrower benefit programs, a portion of the principal of Student Loans may be forgiven and/or interest rates on Financed Student Loans may be reduced. The Authority cannot predict which borrowers will qualify for or decide to participate in these programs. The effect of these borrower benefit programs may be to reduce the yield on the Student Loans.

Private Loans Will Not Have the Benefit Of Any Guarantees Or Insurance

The Financed Private Loans will not be guaranteed, insured, or reinsured by the United States or any state-sponsored guaranty agency or private insurer or by any other insurance or external credit enhancement. The primary credit enhancement for the 2009-1 Bonds is overcollateralization, the Debt Service Reserve Fund, and the Capitalized Interest Fund. The Private Loans are also not secured by any collateral of the borrowers. The repayment of the Financed Private Loans is dependent upon the ability and willingness of the borrowers (and, where applicable, co-signers) to repay. Private Loans are typically made to students who may have higher debt burdens than student loan borrowers as a whole. Financed Private Loan borrowers may have already borrowed up to the maximum annual or aggregate limits under the Higher Education Act. As a result, Private Loan borrowers may be more likely than other student loan borrowers as a whole to default on their payments or have a higher need for forbearances. Failures by borrowers to pay timely the principal and interest on their Financed Private Loans or an increase in forbearances could affect the timing and amount of available funds for any collection period and adversely affect the Authority's ability to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs.

Risk Of Bankruptcy Discharge Of Financed Private Loans

Private education student loans made for qualified education expenses are generally not dischargeable by a borrower in bankruptcy. Private education student loans can become dischargeable if the borrower proves that keeping the loans non-dischargeable would impose an undue hardship on the debtor and the debtor's dependents. If the obligations of a substantial number of borrowers of Financed Private Loans are discharged in bankruptcy or otherwise fail to make payments in respect of their Financed Private Loans, there could be an adverse effect on the total collections on those Financed Private Loans and the ability of the Authority to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs.

Past Default Rates On Palmetto Assistance Loans Made by the Corporation May Not Be Indicative Of Future Default Rates

The Corporation has established forbearance policies for private student loans under which it provides the borrower with temporary relief from payment of principal or interest. During the forbearance period, generally granted in one to three month increments, interest that the borrower otherwise would have paid is typically capitalized quarterly and at the end of the forbearance term. At September 30, 2009, approximately 13.1% of the Corporation's managed private student loans in repayment and forbearance were in forbearance. Forbearance is used most heavily when the borrower's loan enters repayment; however, borrowers may apply for forbearance multiple times and a significant number of private student loan borrowers have taken advantage of this option. When a borrower ends forbearance and enters repayment, the account is considered current. Accordingly, a borrower who may have been delinquent in his or her payments or may not have made any recent payments on his or her account will be accounted for as a borrower in current repayment status when the borrower exits the forbearance period. In addition, past default rates on the Corporation's private student loans may not be indicative of future default rates because of, among other things, the Corporation has changed its forbearance policies and may do so again in the future. If the forbearance policies prove over time to be less effective on cash collections than the Corporation expects or if the Corporation limits the circumstances under which forbearance may be granted under its forbearance policies, these changes could have a material adverse effect on the amount of future defaults and the ability of the Authority to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs.

Performance of the Private Loan Portfolio May Differ From Historical Palmetto Assistance Loan Performance

This Official Statement contains certain information relating to the origination and payment experience of the Corporation in connection with its previously originated Palmetto Assistance Loans. Such information is included for general reference purposes only and is not intended as a representation that the origination and payment experience of the portfolio of Financed Private Loans will be similar to that of previously originated Palmetto Assistance Loans during any period or over the respective lives of such Financed Private Loans.

There can be no assurance that the performance of Financed Private Loans will in fact be consistent with that of previously originated Palmetto Assistance Loans. Previously originated Palmetto Assistance Loans bear variable interest rates. In addition, the Authority has from time to time modified the credit criteria and certain other origination and repayment terms applicable to Palmetto Assistance Loans. As a result, the majority of previously originated Palmetto Assistance Loans were originated on the basis of credit criteria that differ and bear terms that differ in certain respects from those expected to be applicable to newly originated Financed Private Loans. There can be no assurance that the ability of borrowers of newly originated Financed Private Loans to repay such loans, or their propensity to prepay such loans, may not differ materially from that of borrowers of previously originated Palmetto Assistance Loans. The General Resolution permits the Authority to apply proceeds of the 2009-1 Bonds to finance Private Loans with terms and conditions that vary from those described herein, upon compliance with certain requirements of the General Resolution, including the requirement, in certain cases, of a Rating Agency Condition.

Superior Security Interest

If, through inadvertence or fraud, Student Loans were to be sold to a purchaser who purchases in good faith without knowledge of the Trustee's security interest, such purchaser could defeat the Trustee's security interest. The Corporation maintains custody of the loan documents for the Student Loans. The loan documents may not be physically segregated or marked to evidence the Trustee's interest in those loans. A third party that obtained control of the loan documents might be able to assert rights that defeat the Trustee's security interest.

2009-1 Bonds Not Suitable Investment for all Investors

The 2009-1 Bonds are not a suitable investment if an investor requires a regular or predictable schedule of payments or payment on any specific date. The 2009-1 Bonds are complex investments that should be considered only by investors who, either alone or with their financial, tax, and legal advisors, have the expertise to analyze the prepayment, reinvestment, default, and market risk, the tax consequences of an investment, and the interaction of these factors.

Federal Audits of the Authority or the Corporation

Federal audits of and potential penalties assessed on the Authority or the Corporation may result in a reduction in the financial wherewithal of the Authority and/or the Corporation. Information about such audits could also affect the market value and marketability of the 2009-1 Bonds. See "**THE AUTHORITY - Internal Revenue Service Audit of 1998 Bonds of Authority**" and "**- Lender of Last Resort and Conflict of Interest Findings.**"

Potential for Auction Rate Securities Litigation

Over the last decade, a common structure in which student loan backed debt obligations have been issued has been as auction rate securities ("**Auction Rate Securities**"). Both the Corporation and the Authority have issued Auction Rate Securities and, at the present time have \$334 million and approximately \$855 million, respectively, in principal amount of Auction Rate Securities outstanding. In February, 2008, the market for Auction Rate Securities encountered a serious disruption when all of the major investment banking firms that act as broker-dealers for Auction Rate Securities announced they would no longer purchase Auction Rate Securities for their own accounts to ensure that the auctions not fail. At such time and thereafter, a significant amount of auctions for Auction Rate Securities have failed. Beginning in March, 2008, several class action lawsuits have been filed against many of the investment banking firms who have acted as broker-dealers for Auction Rate Securities and also against issuers of Auction Rate Securities. Among the theories on which such litigation has been based are inadequate disclosure and misrepresentation. Some of the complaints have alleged that Auction Rate Securities were sold to investors as "cash equivalents," and that Auction Rate Securities are now illiquid.

Neither the Corporation nor the Authority has been party to any such lawsuit nor has any such lawsuit been threatened against the Corporation or the Authority. However, no assurance can be given that such a lawsuit will not be filed against either the Corporation or the Authority or that if such a lawsuit is filed against the Corporation or the Authority and is successful that the Authority's ability to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs would not be materially impaired.

Student Loan Auction Rate Securities, Interest Rate Exchange Agreements and Investment Agreements of the Authority Could Affect the Authority's Student Loan Finance Program

The 2009-1 Bonds are fixed rate securities and will be the first series of Bonds to be issued under the General Resolution. No interest rate exchange agreements have been entered into by the Authority with respect to 2009-1 Bonds. The General Resolution permits the Authority to issue variable rate Bonds upon compliance with certain requirements of the General Resolution, including the requirement of a Rating Agency Condition. The Authority may enter into interest rate exchange agreements with respect to Bonds upon compliance with certain requirements of the General Resolution, including the requirement of a Rating Agency Condition. The Authority does not currently plan to take such actions, but reserves the right to do so in the future to provide funding for Student Loans.

The Authority has previously issued a number of Auction Rate Securities under trust documents that are separate and apart from the General Resolution. The Authority has obtained a credit rating upon each series of Auction Rate Securities that is based solely upon the expected performance of the applicable trust estate assets pledged to secure such series. None of the Auction Rate Securities is payable from the general funds of the Authority or from the Trust Estate. There can be no assurance as to the nature or timing of any future ratings actions that might directly affect the respective ratings that are currently assigned to one or more series of such Auction Rate Securities.

The Authority has also entered into collateralized repurchase agreements with various financial institution counterparties with respect to certain series of its bonds and may enter into such an agreement with respect to the 2009-1 Bonds. A default under one or more such collateralized repurchase agreements could result in a loss to the trust estate securing the affected series of bonds that could adversely affect the security for such series or the credit rating currently assigned to such series.

An adverse rating action by one or more rating agencies regarding the Authority's or the Corporation's bonds, whether or not based upon the factors described above, could adversely affect the Authority's overall student loan finance program or the secondary market price of or existence of a secondary market for the 2009-1 Bonds. Such an adverse effect upon the Authority's student loan finance program or the secondary market for 2009-1 Bonds could also occur without the occurrence of a rating action.

Corporation's Exempt Status

The Corporation has been determined by the Internal Revenue Service to be exempt from taxation as a 501(c)(3) organization. The Internal Revenue Service has recently announced its intention to increase the frequency of audits of the 501(c)(3) tax-exempt status of organizations. The Corporation has not been notified that it will be the subject of such an audit, but believes that in the event the Internal Revenue Service conducted such an audit, the Corporation would be successful in any audit proceeding. However, if the Corporation were to lose its tax-exempt status it may have an adverse affect on the ability of the Authority to make payments of principal of and interest on the 2009-1 Bonds and pay Operating Costs.

FORWARD-LOOKING STATEMENTS

Statements in this Official Statement, including, but not limited to, those concerning the expected Senior Parity Percentage and the expected Parity Percentage and expectations as to the characteristics of the Student Loans to be financed with the 2009-1 Bonds, constitute forward looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may vary materially from such expectations. Prospective purchasers of the 2009-1 Bonds should not place undue reliance on those forward-looking statements and should review the factors described under the heading "RISK FACTORS," that could cause actual results to differ from expectations.

EXPECTED APPLICATION OF 2009-1 BOND PROCEEDS

Proceeds of the 2009-1 Bonds will be deposited in the various Funds and Accounts as detailed in the table below. The Trustee will withdraw moneys from the Cost of Issuance Account from time to time for the purpose of paying such costs of issuance, and moneys so withdrawn and paid will be free and clear of the pledge created by the General Resolution.

The Authority expects that all of the proceeds of the 2009-1 Bonds deposited in the Loan Account of the Program Fund will be utilized to finance Student Loans originated by the Corporation; provided, that all such proceeds deposited in the Loan Account of the Program Fund must be disbursed on or prior to certain benchmark dates to finance Student Loans. If any moneys shall remain after such dates, any excess will be required to be used to effect a mandatory redemption of 2009-1 Bonds. See "THE 2009-1 BONDS - Redemption - Mandatory Redemption" herein.

The net proceeds of the sale of the 2009-1 Bonds will be:

Par Amount	\$85,000,000
Less Original Issue Discount	970,647
Less Underwriter Discount	<u>679,150</u>
Net Proceeds	<u>\$83,350,203</u>

The Authority currently estimates that the net proceeds of the sale of the 2009-1 Bonds will be applied approximately as follows:

Deposit to the Loan Account of Program Fund to be used to finance Student Loans	\$74,620,203
Deposit to the Debt Service Reserve Fund	1,700,000
Deposit to the Capitalized Interest Fund	6,675,000
Deposit to the Operating Fund	50,000
Deposit to the Department Reserve Fund	75,000
Other Costs of Issuance	<u>230,000</u>
Total	<u>\$83,350,203</u>

The Authority will also pledge certain additional FFELP Loans under the General Resolution as described above under "NATURE AND EXTENT OF SECURITY - Portfolio of Student Loans Securing Bonds under the General Resolution - Existing Portfolio of FFELP Loans."

THE AUTHORITY

The Authority is a body politic and corporate and a public instrumentality of the State of South Carolina. It was created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the Code of Laws of South Carolina, 1976, as amended (the "Act"). The constitutionality of the Act was sustained in Durham v. McLeod, 259 S.C. 409,192 S.E.2d 202 (1972), appeal dismissed 413 U.S. 902 (1973). The Authority was originally created in order to provide a means of making loans to students in order to enable them to attend institutions of higher learning, post-secondary business, trade or technical educational schools, and vocational and training schools that have been approved by the Authority. Such institutions may be located within or beyond the boundaries of the State.

The Authority is governed by its members who, under the Act, are the members of the State Budget and Control Board of South Carolina, *ex officio*. The Authority's address is Office of State Treasurer, Post Office Box 11778, Columbia, South Carolina 29211.

As of the date hereof the members of the Authority are as follows:

Members of the Authority

Name of Member	Office Held
The Honorable Mark Sanford	Governor of South Carolina
The Honorable Converse A. Chellis, III	State Treasurer of South Carolina
The Honorable Richard Eckstrom	Comptroller General of South Carolina
The Honorable Hugh K. Leatherman, Sr.	Chairman, South Carolina Senate Finance Committee
The Honorable Daniel T. Cooper	Chairman, South Carolina House of Representatives Ways and Means Committee

The Authority discharges its statutory obligations through two distinct programs. The program through which the Authority conducts its guarantee activities is herein referred to as the “*student loan insurance program*.” The program through which the Authority finances the making of Education Loans under the 2002 Resolution and the making of Student Loans under the General Resolution is herein referred to as the “*student loan finance program*.”

Student Loan Insurance Program

In May of 1978, the Authority initiated its student loan insurance program and commenced guaranteeing FFELP loans as the guaranty agency for the State of South Carolina under Section 428(c) of the Higher Education Act. In order to administer its student loan insurance program effectively, the Authority processes loans submitted for guarantee, issues loan guarantees, provides collection assistance for delinquent loans, pays claims for loans in default, collects loans on which default claims have been paid, and makes appropriate responses to the Secretary. The Authority is also responsible for initiating policy and performing compliance reviews as required by the Higher Education Act with respect to certain schools participating in the student loan insurance program. As of June 30, 2009, the outstanding principal amount of FFELP loans guaranteed by the Authority and originated and serviced by the Corporation was approximately \$3.3 billion of which approximately \$1.7 billion was in repayment status.

For a further description of the terms and conditions of these types of loans, see APPENDIX “A” hereto entitled “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM” herein.

Pursuant to the Authority’s student loan insurance program, any eligible holder of a FFELP loan guaranteed by the Authority, including the Corporation in its capacity as an eligible holder, is currently entitled to reimbursement from the Authority for one hundred percent (100%) of any proven loss incurred resulting from the following: (i) the default of a loan disbursed prior to October 1, 1993; (ii) the death or permanent and total disability of a borrower; (iii) the discharge of a loan due to false certification or closed school; (iv) the bankruptcy of the borrower; or (v) ineligible borrower claims for loans first disbursed on or after July 1, 2006. Subject to the foregoing circumstances, the Corporation is currently entitled to ninety-eight percent (98%) reimbursement for loans made October 1, 1993, through June 30, 2006, ninety-seven percent (97%) reimbursement for loans made July 1, 2006, through September 30, 2012, and ninety-five percent (95%) reimbursement for loans made on or after October 1, 2012. See APPENDIX “A” hereto entitled “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM” herein.

The Authority must pay a lender for a defaulted FFELP loan prior to submitting a claim to the Secretary for reimbursement. The Authority’s experience is that reimbursement from the Secretary occurs approximately forty-five (45) days from the time that a request is submitted for reimbursement. The Higher Education Act requires the Authority to submit a request for reimbursement by the Secretary within thirty (30) days from the date the claim is paid. Under present practice, after the Secretary reimburses the Authority for a default claim paid on a FFELP loan, the Authority must continue to seek repayment from the borrower. Following are the Authority’s default and recovery rates for the federal fiscal years set forth below:

Federal Fiscal Year Ended September 30	Default Claims	Default Rate (Trigger Rate)*	Recoveries	Recovery Rate
2004	\$ 7,916,040	0.60%	\$11,485,910	22.93%
2005	12,623,138	0.85	13,440,517	28.31
2006	13,320,889	0.80	17,624,344	31.52
2007	13,711,301	0.76	21,472,234	31.99
2008	15,326,430	0.82	27,404,061	35.14

* Trigger Rate indicates the loan balances defaulted during a federal fiscal year divided by the loan balances in repayment at the beginning of such fiscal year. Under the Higher Education Act, as currently in effect, if a guaranty agency's Trigger Rate exceeds 5% then the applicable percentage at which the Secretary reinsures loans guaranteed by that guaranty agency begins to decline below the otherwise applicable level.

If a payment on a FFELP loan is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of such payment. An equitable share is deemed to be the balance remaining after the Authority deducts an amount equal to (i) the complement of the reimbursement percentage in effect at the time of reimbursement and (ii) certain administrative costs, to the extent such costs do not exceed 19.58%. Under this formula, the Authority retains sixteen percent (16%) of the borrower's payment and remits the balance to the Secretary. See APPENDIX "A" hereto entitled "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Federal Student Loan Reserve Fund

The 1998 reauthorization of the Higher Education Act required each guaranty agency to establish a Federal Student Loan Reserve Fund (the "**Federal Fund**") into which all federal reserves are to be deposited and, subject to some transitional exceptions, such amounts deposited in the Federal Fund can only be used to pay lender claims on defaulted loans and to disburse default aversion fees to an agency operating fund ("**Agency Operating Fund**"). All loan processing and issuance fees, account maintenance fees, and default aversion fees paid by the Secretary as well as the unreinsured portion of default collections (after payment of the Secretary's equitable share and excluding required deposits in the Federal Fund) are required to be deposited in the Agency Operating Fund. Except for funds transferred from the Federal Fund, the Agency Operating Fund is considered to be the property of the respective guaranty agency. As of June 30, 2009, the balance in the Authority's Agency Operating Fund was \$35,292,087.

The fund that the Authority established pursuant to the Act that satisfies such requirement is also referred to in the Act as the "State Education Assistance Authority Loan Guarantee Reserve Fund," which may be used by the Authority to remedy defaults on student or parent loans to the extent such defaulted loans are not covered by an existing or future program of federal guarantees or reinsurance. Sources of funds for the Federal Fund include premiums, if any, received by the Authority for guaranteeing student or parent loans and all moneys made available to the Authority for the guaranteeing of FFELP loans, including federal funds made available for such purpose. As of June 30, 2009, the balance in the Federal Fund established by the Authority was \$13,982,603.

The Higher Education Act requires that the Authority charge a federal default fee for certain FFELP loans made on or after July 1, 2006, and deposit to the Federal Fund. Moneys in the Federal Fund may not be pledged to the repayment of any bonds. The liability of the Authority to guarantee student and parent loans does not constitute a pledge of the full faith and credit of the State of South Carolina, but is payable solely from moneys in the Federal Fund.

See also the discussion of the Federal Student Loan Reserve Fund in APPENDIX "A" hereto under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM – Guarantee and Reinsurance for FFELP Loans."

Recall of Guaranty Agency Reserves

A guaranty agency's reserve ratio is determined by dividing its Federal Fund balance by the original principal amount of outstanding loans it has agreed to guarantee. The following table sets forth the Authority's reserve ratio for the federal fiscal years set forth below:

Federal Fiscal Year Ended September 30	Original Principal Amount of Outstanding Loans	Federal Fund Balance	Reserve Ratio
2004	\$2,388,747,296	\$10,011,005	0.42%
2005	2,670,079,723	8,930,667	0.33
2006	2,851,392,708	6,988,735	0.25
2007	2,987,687,924	8,364,511	0.31
2008	3,374,702,424	11,632,943	0.37

See also the discussion of amendments to the Higher Education Act related to guaranty agency reserves in APPENDIX "A" hereto entitled "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Student Loan Finance Program

The Authority was originally created in order to provide a means of making loans to Students in order to enable them to attend Eligible Institutions, as such terms are defined in the Higher Education Act. Such loan financing has been conducted by the Authority through its student loan finance program which has, since its initiation, been administered by the Corporation.

Pursuant to the Act, the Authority was established for the purpose of assuring that all eligible post-secondary education students have access to student and parent loans. In order to achieve such purpose, the Authority and the Corporation are empowered to finance student loans. To that end, the Authority issued an aggregate of \$428,105,000 of Insured Student Loan Revenue Bonds under the 1979 Resolution none of which are outstanding; an aggregate of \$473,795,000 of Guaranteed Student Loan Revenue Bonds under the 1993 Resolution none of which are outstanding; and an aggregate of \$905,500,000 of Education Loan Revenue Bonds under the 2002 Resolution of which an aggregate of \$855,400,000 is outstanding.

The Corporation and the Authority have entered into the Loan Agreement pursuant to the terms of which the Authority has agreed to lend the proceeds of each Series of Bonds to the Corporation to enable the Corporation to originate Student Loans. The obligation of the Corporation to repay the Finance Loans is evidenced by a promissory note of the Corporation and is secured by a pledge under the Loan Agreement of (i) all Student Loans originated by the Corporation with proceeds of Finance Loans, (ii) all revenues at any time received by or payable to the Corporation in respect of any Financed Student Loans, including all payments of principal of and interest received on such Financed Student Loans, (iii) all special allowance payments authorized to be made by the Secretary pursuant to §438 of the Higher Education Act in respect of Financed FFELP Loans or similar allowances authorized from time to time by federal law or regulation, (iv) all interest subsidy payments payable by the Secretary pursuant to §438 of the Higher Education Act in respect of any Financed FFELP Loans.

For information concerning Student Loans originated and to be originated with proceeds of the 2009-1 Bonds, see "NATURE AND EXTENT OF THE SECURITY - Portfolio of Student Loans Securing Bonds under the General Resolution."

Internal Revenue Service Audit of 1998 Bonds of Authority

In the second quarter of 2008, the Authority received a letter from the Internal Revenue Service informing the Authority that the Internal Revenue Service would be auditing the \$49,850,000 in aggregate principal amount of South Carolina State Education Assistance Authority Guaranteed Student Loan Revenue Bonds, 1998 Series (the "1998 Bonds") issued by the Authority in 1998 and redeemed in full in 2008. The 1998 Bonds were audited as part of an Internal Revenue Service project initiative involving student loan bonds.

As part of the audit of the 1998 Bonds, the Internal Revenue issued the Authority a Form 5701-TEB Notice of Proposed Issue ("**Form 5701**") in March of 2009 which raised issues regarding (i) the Authority's methodology for tracking student loans originated with the proceeds of the 1998 Bonds and (ii) the treatment of the consolidation loan rebate fee paid by the Corporation to the Department of Education. The Form 5701 asserts that because of the

foregoing issues, the bond issue fails to qualify as a tax-exempt bond issue and that, therefore, interest on the 1998 Bonds to the bondholders would not be excludable from gross income under Section 103(a) of the Code. In the Form 5701, the Internal Revenue Service estimates the tax exposure to bondholders of the 1998 Bonds in an amount of \$1,001,636, based on an application of 29% to collectable past and future interest paid. The Authority believes the Internal Revenue Service position is inconsistent with industry practice. The Authority has responded to the Internal Revenue Service by disputing the conclusions contained in the Form 5701 and is awaiting a response from the Internal Revenue Service.

The Authority does not predict the outcome of this matter nor does it predict whether the Internal Revenue Service will identify additional issues relating to the 1998 Bonds set forth in the Form 5701 or whether the Internal Revenue Service will open other bond audits of the Authority as a result of this inquiry.

Lender of Last Resort and Conflict of Interest Findings

On September 8, 2009, in connection with its review of the process for determining whether borrowers qualify for a FFELP Loan under the Lender-of-Last-Resort Program (the "**LLR Program**") of the Authority established under the Higher Education Act and the Authority's internal controls relating to the FFEL Program, the Department of Education made findings that (i) since 1993, the Corporation has made FFELP loans under the LLR Program ("**LLR Loans**") without a request from the borrower to do so in violation of the Higher Education Act, (ii) since 1994, the Corporation has denied conventional FFELP loans to borrowers based solely on the borrowers' being bankrupts or debtors under the Bankruptcy Reform Act of 1994 (the "**Bankruptcy Act**") and on the basis on such denial made LLR Loans to such borrowers in violation of the Bankruptcy Act and guidance relating thereto issued by the Department of Education, and (iii) the Corporation has performed default aversion activities on behalf of the Authority in violation of the conflict of interest prohibitions contained in the Code of Federal Regulations promulgated under the Higher Education Act.

As a result of these findings the Department of Education has determined that (i) the Authority must update its policies and procedures relating to the LLR Program, reclassify all LLR Loans made since 1993, calculate the amount of overpaid reinsurance relating to such LLR Loans, and refund such overpayment to the Department of Education, and (ii) obtain an independent servicer, other than the Corporation, to perform default aversion activities on its behalf or begin to perform those activities with its own employees.

The Department of Education has calculated that the amount to be paid as a result of the incorrect classification of loans as LLR Loans and the resulting overpayment of reinsurance on LLR Loans is approximately \$4.1 million plus interest of \$654,000 by the Authority and approximately \$1 million by the Corporation.

The Authority and the Corporation intend to appeal these findings of the Department of Education.

THE CORPORATION

The Corporation was incorporated in 1973. Under its Restated and Amended Articles of Incorporation it has the power to receive, invest, administer, and disburse funds for educational purposes so as to enable persons to attend eligible educational institutions beyond the secondary school level and to make, handle, service and deal with education loans. The Corporation, as agent of and independent contractor with the Authority, serves as the sole originator and servicer of Student Loans.

Management and Administration

The Corporation is governed by its Board of Directors, which may officially act by a majority of its members. The Corporation's Chairman and other Directors are as follows:

Name of Director	Principal Occupation	Term Ends June 30,
Robert R. Hill, Jr., Chairman	President and CEO, SCBT Financial Corporation	2012
Frederick T. Himmelein, Esq., Vice Chairman	Self Employed, Legal and Financial Consultant	2010
J. Edward Norris, III, Treasurer	Chairman, President and CEO, Plantation Federal Bank	2010
Charlie C. Sanders, Jr., Secretary	President and CEO, South Carolina Student Loan Corporation	2010
Dr. Julia Boyd	Retired Executive Director of Community Relations, Richland School District Two	2011
Loren D. Carlson	Retired Managing Director, RBC Capital Markets Corporation	2011
R. Jason Caskey, CPA	Shareholder, Elliott Davis, LLC	2011
Neil E. Grayson, Esq.	Partner, Nelson Mullins Riley & Scarborough, LLP	2011
J. Thornton Kirby, Esq.	President and CEO, South Carolina Hospital Association	2011
William M. Mackie, Jr.	Retired President and CEO, South Carolina Student Loan Corporation	2010
Jeffrey R. Scott	Retired, Senior Vice President and Human Resources Director, Community Resource Bank	2012

The Corporation's principal office is located at the William M. Mackie, Jr. Interstate Center, Suite 210, 16 Berryhill Road, Columbia, South Carolina 29210, and its telephone number is (803) 772-9480. The Corporation employs a staff of approximately 205 people. The Corporation's Senior Management is as follows:

Senior Management

Charlie C. Sanders, Jr., *President and CEO*
 Harry R. Brown, *Chief Financial Officer*
 Thomas A. Dunnigan, *Chief Information Officer*
 Michael E. Fox, *Vice President - Outreach*
 Anne Harvin Gavin, *Senior Vice President - Administrative Services*
 Gerald I. Long, *Vice President - Repayment Services*
 Robin T. Price, *Vice President - Human Resources*
 David C. Roupe, *Vice President - Guaranty Services*

Charlie C. Sanders, Jr. serves as President and CEO of the South Carolina Student Loan Corporation and is responsible for the day-to-day management and coordination of all corporate business activities. Mr. Sanders served as Director of Investments and Debt Management for the South Carolina State Treasurer's Office from 1988 to 2001. He received his B.S. in Banking and Finance from the University of South Carolina. Mr. Sanders serves on the Board of Trustees of Anderson University, the Board of Directors of the South Carolina Independent

Colleges and Universities, the Greater Columbia Educational Advancement Foundation, and the National Council of Higher Education Loan Programs, the Executive Board of the South Carolina Association of Student Financial Aid Administrators and the Southern Association of Student Financial Aid Administrators, and is a Board Member and the Vice Chairman of the Education Finance Council.

Harry R. Brown serves as Chief Financial Officer of the South Carolina Student Loan Corporation and is responsible for the day-to-day management of all Financial Services activities, such as accounting, internal and external reporting, compliance, budgeting and internal controls. Mr. Brown served as Executive Vice President & Chief Financial Officer of Carolina National Corporation from May 2006 until February 2008, as Senior Officer and Director of Accounting Systems and Projects of NetBank, Inc. from November 1998 until April 2006, and as Executive Vice President, Chief Financial Officer and Chief Operating Officer of ComSouth BankShares, Inc. from January 1992 until November 1998. He received his B.S. in Accounting from the University of South Carolina and has been a licensed Certified Public Accountant with the State of South Carolina since January 1989.

Program Administration

In its administration of the student loan finance program for the Authority, the Corporation serves as a central, statewide lender and assists students and parents in obtaining funds to attend institutions of post-secondary education within or beyond the boundaries of the State of South Carolina. Since its inception, the Corporation has originated more than 1,726,000 loans to more than 410,000 students and parents.

Servicing of Student Loans

FFELP Loans. Since May 31, 1979, the Corporation has serviced all FFELP loans originated by the Corporation and all FFELP loans financed or owned by various commercial banks, pending purchase by the Corporation of such loans from the proceeds of a series of bonds.

The Corporation provides the personnel necessary to perform all servicing of student loans, which services include, but are not limited to: (i) verifying that all required documents for each student loan have been delivered and that each loan qualifies as a FFELP loan; (ii) maintaining and updating all loan records; (iii) performing due diligence necessary to collect loans according to standards set by the Secretary and the Authority, as applicable; (iv) taking any action necessary to collect delinquent loans; and (v) performing any other functions associated with the servicing of FFELP loans.

As of June 30, 2009, the aggregate principal amount of FFELP loans being serviced by the Corporation was approximately \$3.3 billion. Since the inception of the Corporation, the cumulative aggregate principal amount of FFELP loans serviced by the Corporation totals approximately \$7.4 billion. Shown in the table below is information with respect to guarantee claims filed by the Corporation in the last five (5) years with regard to FFELP loans serviced by the Corporation. There can be no assurance that the Corporation's experience, as reflected in the table below, will not be materially different in the future.

Static Analysis of Guarantee Claims, Rejects, and Cures

Federal Fiscal Year	Total Claims Filed ¹	Gross Reject Amount ¹	Gross Reject Rate	Cure Amount ²	Net Reject Amount	Net Reject Rate
2004	\$ 20,224,909	\$ 0	0.00%	\$ 0	\$ 0	0.00%
2005	30,914,255	0	0.00	0	0	0.00
2006	32,474,143	18,809	0.06	4,655	14,154	0.04
2007	39,647,387	8,218	0.02	0	8,218	0.02
2008	45,695,796	20,390	0.04	0	20,390	0.04
Grand Total	\$168,956,490	\$47,417	0.03%	\$4,655	\$42,762	0.03%

¹ Includes one hundred percent (100%) of principal and interest, rather than only the guaranteed portion. Also includes lender-of-last-resort loan claims as well as claims for deaths, disabilities, and bankruptcies. Loans that are subsequently rehabilitated or repurchased are not netted from the claims filed.

² Amount of the rejects that had been cured as of September 30, 2009.

Palmetto Assistance Loans. Beginning in 1996, the Corporation began making Palmetto Assistance Loans and has serviced all such loans it has made. The Corporation provides the personnel necessary to perform all servicing of Palmetto Assistance Loans, which services include, but are not limited to: (i) maintaining and updating all loan records; (ii) performing due diligence necessary to collect loans according to standards set by the Corporation; (iii) taking any action necessary to collect delinquent loans; and (iv) performing any other functions associated with the servicing of Palmetto Assistance Loans.

As of June 30, 2009, the Corporation has made an aggregate of \$342 million of Palmetto Assistance Loans (including \$20 million private consolidation loans), and the amount of Palmetto Assistance Loans being serviced by the Corporation was \$332 million. The program was suspended in the fall of 2008, because of a lack of funding. Shown in the table below is the Corporation's origination history for Palmetto Assistance Loans:

Fiscal Year	Origination of Palmetto Assistance Loans
1996	\$ 66,989
1997	1,217,270
1998	1,635,493
1999	2,144,541
2000	1,487,744
2001	2,908,231
2002	3,890,082
2003	8,630,465
2004	18,468,065
2005	33,761,723
2006	59,310,118
2007	71,388,673
2008	87,742,129
2009	49,194,698
Total	\$341,846,221

The following table details the default experience of the Corporation's variable rate Palmetto Assistance Loans having had FICO scores of at least 670 at the time of underwriting. While the Corporation has offered a Palmetto Assistance Loan to allow borrowers to consolidate existing private student loans, that is no longer offered. Accordingly, such private consolidation loans have been excluded from the table below. The various columns below represent pools, or groups, of loans having entered repayment in the four-month period ending in February of the years listed in the column headers. The percentages in the table represent the principal balance of loans becoming 180 days past due in the various 6-month repayment periods listed in the first column:

6-month Repayment Period	2000 Pool	2001 Pool	2002 Pool	2003 Pool	2004 Pool	2005 Pool	2006 Pool	2007 Pool	2008 Pool	Weighted Average
1	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.14%	0.20%	0.14%
2	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.73%	0.64%	0.23%	0.35%
3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.27%	1.08%	0.57%	0.58%
4	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	1.34%	2.58%		1.60%
5	0.00%	0.36%	0.00%	0.00%	0.00%	1.35%	1.40%	1.11%		1.04%
6	0.00%	0.00%	0.00%	0.00%	0.30%	0.91%	0.40%			0.41%
7	0.00%	0.00%	0.00%	0.00%	0.00%	0.46%	0.83%			0.48%
8	0.00%	0.00%	0.00%	0.00%	0.00%	1.09%				0.45%
9	0.00%	0.00%	0.00%	0.00%	0.00%	0.23%				0.09%
10	0.00%	0.00%	0.00%	0.21%	0.71%					0.24%
11	0.00%	0.00%	0.00%	0.00%	0.00%					0.00%
12	0.00%	0.00%	0.00%	0.00%						0.00%
13	0.00%	0.00%	0.00%	0.00%						0.00%
14	0.00%	0.00%	0.00%							0.00%
15	0.00%	0.00%	0.00%							0.00%
16	0.00%	0.00%								0.00%
17	0.00%	0.00%								0.00%
18	0.00%									0.00%
19	0.00%									0.00%
Totals	0.00%	0.36%	0.00%	0.21%	1.01%	4.12%	4.96%	5.55%	1.00%	5.38%
Total Principal	664,899	1,064,901	1,096,087	563,737	1,424,812	3,356,777	7,006,921	14,763,255	32,729,038	

Past performance does not guarantee future results. See “RISK FACTORS - Past Default Rates On Palmetto Assistance Loans Made by the Corporation May Not Be Indicative Of Future Default Rates” and “ - Performance of the Private Loan Portfolio May Differ From Historical Palmetto Assistance Loan Performance” herein.

Other Programs

The Corporation currently administers other loan programs in the State of South Carolina, including a Teachers Loan Program.

Financial Information

As of June 30 2009, the Corporation had total assets of approximately \$3.9 billion, total liabilities of approximately \$3.6 billion, and a fund balance of approximately \$381 million. Audited financial statements of the Corporation are generally available on the Corporation’s web site.

The Corporation has no outstanding or issued capital stock. As of September 15, 2009, the Corporation had approximately \$2.1 billion of bonds and notes outstanding issued under other, unrelated resolutions securing separate trust estates of which approximately \$334 million constitute auction rate securities.

As of September 15, 2009, the Corporation had two financing facilities established pursuant to federal programs, as well as three financing facilities with commercial banks. All of these facilities are secured by, and payable from, certain pools of FFELP loans that are not part of the Trust Estate.

The Corporation is indebted to the Authority under a loan agreement securing a trust estate relating to the Authority and to the Authority’s approximately \$855 million of outstanding bonds issued under the 2002 Resolution. The obligations of the Corporation under such loan agreement is secured by, and payable only from, certain pools of FFELP loans that are not part of the Trust Estate.

No Prior Defaults

The Corporation has not previously experienced any defaults with respect to the payment of principal of or interest on any of its bonds, notes, or lines of credit.

CONTINUING DISCLOSURE

In the Series Resolution, the Authority will covenant to provide such continuing secondary market disclosures and confirmations as are required by Act 442 of the 1994 Acts and Joint Resolutions of the South Carolina General Assembly and such additional continuing disclosure as is described under the immediately succeeding heading “**SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE CERTIFICATE.**” In addition, the Authority and the Corporation will each enter into a Continuing Disclosure Certificate for the benefit of the owners of the 2009-1 Bonds. Certain covenants, terms and provisions of the Continuing Disclosure Certificate are summarized below under the heading “**SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE CERTIFICATE.**”

SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE CERTIFICATE

The Authority and the Corporation will each enter into a Continuing Disclosure Certificate (the “*Continuing Disclosure Certificate*”) for the benefit of the registered owners and Beneficial Owners of the 2009-1 Bonds and in order to assist any underwriter participating in the sale of the 2009-1 Bonds in complying with the Rule. The Authority represents that it has been in compliance with all of its prior undertakings under the Rule.

The Continuing Disclosure Certificate will contain various covenants and provisions, certain of which are summarized below. Reference should be made to the Continuing Disclosure Certificate for a full and complete statement of their respective provisions.

Pursuant to the terms of the Continuing Disclosure Certificate, the Authority and the Corporation will be required to provide to each Repository Quarterly Reports containing the information described below and that are consistent with the requirements of the Continuing Disclosure Certificate. Each Quarterly Report must be provided to the Repositories on or prior to the last day of each January, April, July, and October, commencing in January, 2010.

The Quarterly Reports provided by the Corporation will be required to contain or incorporate by reference loan data for Financed Student Loans and contain, at a minimum, loan type distribution, borrower status distribution, school type distribution, delinquency distribution, the balances of Outstanding Bonds, the Parity Percentage and the Senior Parity Percentage.

The Authority will also be required to provide to the Repositories the annual audited financial statements of the Authority and the Corporation not more than four (4) months after the end of the end of each fiscal year (currently June 30). The annual audited financial statements will be required to be prepared in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*. Such standards will be required to be updated from time to time by the Governmental Accounting Standards Board.

Pursuant to the terms of the Continuing Disclosure Certificate, the Authority will be required to give notice to the Repositories of the occurrence of any of the following events:

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. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities; and
11. Rating changes.

Whenever the Authority or the Corporation, on behalf of the Authority, obtains knowledge of the occurrence of any of these events, whether such knowledge is obtained by notification from the Trustee or otherwise, the Authority will be required as soon as possible to determine if such event would constitute material information for the registered owners of the 2009-1 Bonds (provided that any adverse tax opinions or events affecting the tax-exempt status of the Bonds will always be deemed to be material). If the Corporation, on behalf of the Authority shall determine that, under applicable federal securities laws, such event would be material, it will be required to file or cause to be filed promptly a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository.

Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in (1), (3), (4), (5), (6), or, but only if the Value of the property released, substituted, or sold exceeds \$100,000 in any one year or \$250,000 in the aggregate, (10) above will be required to be so given, and notice of Listed Events described in (8) and (9) above need not be given any earlier than the notice (if any) of the underlying event is given to registered owners of affected 2009-1 Bonds pursuant to the General Resolution.

In the event of a failure by either the Authority or the Corporation to comply with any provision of the Continuing Disclosure Certificate, any registered owner of the 2009-1 Bonds or Beneficial Owner of the 2009-1 Bonds may take such actions as may be necessary and appropriate to cause the Authority or the Corporation, as appropriate, to comply with its obligations under its Continuing Disclosure Certificate. A default under the Continuing Disclosure Certificate will not be deemed an Event of Default under the General Resolution or the Series Resolution, and the sole remedy for any failure to comply with the terms, provisions, and covenants of the Continuing Disclosure Certificate is an action to compel performance.

The obligations of the Authority and the Corporation under the Continuing Disclosure Certificate will terminate upon the defeasance, prior redemption, or payment in full of all of the 2009-1 Bonds.

CONCERNING SUCCESSOR TRUSTEES

The Bank of New York Mellon Trust Company, National Association, Jacksonville, Florida, currently serves as Trustee under the terms of the General Resolution. The Trustee may resign by giving not less than sixty (60) days' written notice to the Authority and publishing notice thereof, specifying the date when such resignation shall take effect. Such resignation will take effect immediately upon the appointment and qualification of such successor trustee, which successor trustee must be an Eligible Lender. Any successor trustee will be a trust company or bank having the powers of a trust company within or outside of the State having a capital and surplus aggregating at least One Hundred Million Dollars. See **APPENDIX "C" - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - "Concerning Fiduciaries - *Resignation of Trustee*"** appended hereto.

LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the 2009-1 Bonds in South Carolina are securities in which all public officers and public bodies of the State and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees, and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. The 2009-1 Bonds are also securities which may properly and legally be deposited with and received by any State or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds or obligations of the State is authorized by law.

TAX MATTERS

In the opinion of McNair Law Firm, P.A. ("*Bond Counsel*"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2009-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Series 2009-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. The opinions in the prior sentence reflect the enactment of the American Recovery and Reinvestment Act of 2009, which includes provisions that modify the alternative minimum tax treatment of interest on certain bonds, such as the 2009-1 Bonds, issued in 2009 and 2010. Bond Counsel is further of the opinion that interest on the 2009-1 Bonds is exempt from all state, county, municipal, school district, and all other taxes or assessments provided by the laws of the State of South Carolina except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise and certain franchise taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina, 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the 2009-1 Bonds. Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2009-1 Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX "E" hereto.

Original Issue Discount

The initial public offering price of certain of the 2009-1 Bonds may be less than the amount payable on such 2009-1 Bond at maturity. The excess of the amount payable at maturity over the initial public offering price at which a substantial amount of such 2009-1 Bonds are sold constitutes original issue discount. Any prices set forth on the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the 2009-1 Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those 2009-1 Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on such a bond is excluded from gross income of the owners thereof for federal income tax purposes. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during such semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Beneficial Owners of 2009-1 Bonds having original issue discount, and especially any owner who is not an original owner of such a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of a disposition of such 2009-1 Bonds.

Miscellaneous

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2009-1 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2009-1 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2009-1 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2009-1 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2009-1 Bonds may adversely affect the value of, or the tax status of interest on, the 2009-1

Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

The ownership or disposition of, or the accrual or receipt of interest on, the 2009-1 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2009-1 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2009-1 Bonds. Prospective purchasers of the 2009-1 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2009-1 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2009-1 Bonds ends with the issuance of the 2009-1 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Corporation or the Beneficial Owners regarding the tax-exempt status of the 2009-1 Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the Authority and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the Authority legitimately disagrees, may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the 2009-1 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2009-1 Bonds, and may cause the Authority to incur significant expense.

ABSENCE OF MATERIAL LITIGATION

There is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 2009-1 Bonds, or in any way contesting or affecting the validity of the 2009-1 Bonds, any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the 2009-1 Bonds or the due existence of powers of the Authority or the Corporation.

APPROVAL OF LEGALITY

The legality of the authorization, issuance, and sale of the 2009-1 Bonds is subject to the approving legal opinion of McNair Law Firm, P. A., Bond Counsel to the Authority. The opinion of Bond Counsel to be delivered with the 2009-1 Bonds is to be substantially in the form appended to this Official Statement as **APPENDIX "E."**

NO PRIOR DEFAULTS

The Authority has not previously experienced any defaults with respect to the payment of principal of or interest on any of its bonds.

RATING

Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("**S&P**") is expected to assign the 2009-1 Bonds the rating of "AA." Receipt of a letter confirming such rating is a condition precedent to the delivery of the 2009-1 Bonds. If received, such rating will reflect only the view of S&P at the time such rating was issued and an explanation of the significance of such rating may be obtained only from S&P. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward, limited, or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward revision, limitation, or withdrawal of any such rating is subject to disclosure in accordance with the terms of the Continuing Disclosure Certificate and can be expected to adversely affect the market price of the 2009-1 Bonds.

UNDERWRITING

The 2009-1 Bonds are to be purchased by RBC Capital Markets Corporation (the "**Underwriter**") pursuant to the terms and conditions of a Bond Purchase Agreement dated October 29, 2009, between the Authority and the Underwriter, subject to certain conditions, at an aggregate purchase price equal to \$83,350,203 reflecting original issue discount of \$970,647 and underwriter's discount of \$679,150. The Bond Purchase Agreement provides that the Underwriter shall not be obligated to purchase any 2009-1 Bonds unless all such Bonds are available for purchase. The initial public offering price may be changed by the Underwriter from time to time without notice. Although there can be no assurance that any market for the 2009-1 Bonds will commence or be maintained, the Underwriter expects to make a market in the 2009-1 Bonds for a limited period of time after the initial public offering.

FINANCIAL STATEMENTS

Appended hereto as **APPENDIX "D"** are certain financial statements of the Authority as of and for the 12-month periods ended June 30, 2008, and 2009, and the report thereon of Derrick, Stubbs & Stith, independent certified public accountants. Such financial statements have been included herein in reliance upon the report of Derrick, Stubbs & Stith as experts in auditing and accounting. To the best of the knowledge, information and belief of the Authority, the financial statements included in **APPENDIX "D"** are generally representative of the financial condition of the Authority as of the date hereof, and no event has occurred or failed to occur as of the date hereof which has or could cause the financial condition of the Authority to vary in any materially adverse way from that shown in the financial statements included in **APPENDIX "D."**

MISCELLANEOUS

All quotations from, and summaries and explanations of, the Higher Education Act, the Act, the General Resolution, the Series Resolution, and the Loan Agreement contained herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. The Appendices appended hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Act and such other documents may be obtained upon email request directed to the Authority at investor_relations@scseaa.org.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or registered owners of any of the 2009-1 Bonds.

Dated: October 29, 2009.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE
AUTHORITY**

By: _____
State Treasurer, State of South Carolina

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APPENDICES

TO

OFFICIAL STATEMENT

\$85,000,000

**SOUTH CAROLINA STATE EDUCATION
ASSISTANCE AUTHORITY
Student Loan Revenue Bonds,
2009-1 Series**

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APPENDIX "A"

**SUMMARY OF CERTAIN PROVISIONS OF
THE FEDERAL FAMILY EDUCATION LOAN PROGRAM**

**SUMMARY OF CERTAIN PROVISIONS OF
THE FEDERAL FAMILY EDUCATION LOAN PROGRAM**

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INTRODUCTION

Generally

The Federal Family Education Loan Program (“*FFELP*”), formerly known as the Guaranteed Student Loan Program, is part of a number of federal education programs contained in the Higher Education Act of 1965, as amended (the “*Higher Education Act*”) and was originally enacted by the U.S. Congress and signed into law as Public Law 89-329. FFELP provisions are presently contained in Title IV, Part B of the Higher Education Act and are codified at 20 United States Code, Sections 1071 *et seq.*

FFELP currently includes:

- the Federal Stafford Loan Program,
- the Federal Supplemental Loans for Students (SLS) Program, (repealed in 1994)
- the Federal PLUS Program, and
- the Federal Consolidation Loan Program.

FFELP attempts to assure access of students and their parents to loans for postsecondary educational endeavors by providing lenders with certain federal incentives to make what otherwise would be unsecured higher risk loans. Toward that end, qualifying loans under FFELP are either (i) guaranteed by a state guaranty agency or authorized private guaranty agency and reinsured by the U.S. Government or (ii) insured directly by the U.S. Secretary of Education (the “*Secretary*”). One type of FFELP loan made to need-qualified students is subject to special treatment under which the Secretary pays interest on the loan while the student is in school and prior to the time the student is scheduled to begin loan repayment. Several types of FFELP loans are subject to so-called “Special Allowance Payments” where the Secretary makes periodic payments to loan holders to make up the difference between the interest rate paid by the borrower and the calculated market interest rates or where the Secretary recaptures excess interest on certain FFELP Loans.

A federal direct student loan program (“*FDSL*”) was created by the Student Loan Reform Act of 1993 and became operational for the 1994-1995 academic year. Unlike the FFELP, which relies on a national network of private for-profit and nonprofit lenders as well as state and local governmental and quasi-governmental lenders for the origination and funding of loans, the FDSL utilizes direct federal funding of student loans through participating educational institutions.

Currently, interest rate information for FFELP loans can be found in §427A of the Higher Education Act (20 U.S.C. 1077a); insurance and guarantee/reinsurance information for FFELP loans can be found in §§429 through 432 of the Higher Education Act (20 U.S.C. 1079 through 1082); and, information on student borrower and parent borrower eligibility for FFELP loans can currently be found in §§427 and 428B of the Higher Education Act (20 U.S.C. 1077 and 1078-2).

The following summary of certain provisions of FFELP is not intended to be complete and is qualified in its entirety by reference to the complete provisions of the Higher Education Act and the regulations thereunder. This summary is intended as a general description of FFELP and speaks only as of the date on the front cover of this Official Statement. Neither the Authority, the Underwriters, nor their respective counsel are under any obligation to update or supplement the information herein contained after the date hereof.

Legislative and Administrative Matters

Since original enactment, both the Higher Education Act and the regulations promulgated thereunder have been the subject of extensive amendments, and there can be no assurance that further amendments or modifications will not adversely impact the programs described below and FFELP loans made thereunder. The Higher Education Act is currently subject to reauthorization. During that process, which is ongoing, proposed amendments to the Higher Education Act are more commonplace and a number of proposals have been introduced in Congress. No representation is made as to the effect, if any, of recent or future federal budgetary appropriation, legislation, or

regulatory actions upon expenditures by the Department of Education or upon the financial condition of the Authority.

The College Cost Reduction and Access Act was signed into law on September 27, 2007, and made substantial changes to the FFELP. Among other things, it reduced the interest rates on certain types of new loans, reduced loan guaranty levels on new loans, reduced the special allowance support level on new loans, and increased up-front origination fees paid by lenders.

The Ensuring Continued Access to Student Loans Act contained many new provisions, some which took effect immediately including (i) increasing annual and maximum borrowing limits; (ii) reducing credit requirements for PLUS Loans; (iii) providing for the Department of Education's purchasing or entering into participation interests for certain FFEL Program loans for the 2008-2009 academic year; and (iv) authorizing the Secretary to provide funding for, and purchase loans made under, the Lender-of-Last-Resort program.

The Higher Education Opportunity Act (HEOA) (P. L. 110-315) reauthorizes the Higher Education Act of 1964, as amended, and was signed into law by President Bush on August 14, 2008. Several provisions of HEOA were effective upon enactment while others were subject to negotiated rulemaking and the promulgation of final regulation expected prior to November 1, 2009. HEOA provisions include updated disclosure requirements for FFEL borrowers, the applicability of the interest limitation under the Servicemembers Civil Relief Act to FFEL borrowers, as well as new loan forgiveness opportunities (subject to congressional appropriation).

Proposed Legislation Eliminating the FFEL Program

The President's fiscal year 2010 budget submitted to Congress in 2009 proposed the elimination of the FFEL Program in favor of the government-run Direct Loan program, beginning July 1, 2010.

On September 17, 2009, the United States House of Representatives passed the Student Aid and Fiscal Responsibility Act (H.R. 3221) ("**SAFRA**"). SAFRA calls for all new federal student loans to be originated through the Direct Loan program effective July 1, 2010. SAFRA spends the projected budgetary savings on increased maximum Pell Grants, Access and Completion Grants, community college grants, grants for minority-servicing institutions, school construction and early childhood education. The adopted bill language, which will now move to the House floor for a vote, allows for the conversion of the yield on FFELP loans originated on or after January 1, 2000, to be based on the one-month LIBOR rate versus the current calculation based on the three-month Commercial Paper rate.

SAFRA provides an opportunity for state-based non-profit lenders to service the new loans made in the Direct Lending program. This servicing would be in addition to the servicing these holders would be doing on the loans outstanding as of July 1, 2010.

It is uncertain what changes will be made to the proposed legislation as it moves to the House floor and through the Senate HELP Committee and eventually to the Senate floor. This process is not expected to be completed until November, 2009.

THE FEDERAL STAFFORD LOAN PROGRAM

Generally. FFELP currently provides for (a) a Stafford Loan Program, which includes (i) federal insurance or separate guarantee and federal reinsurance (described below), (ii) interest subsidy payments ("**Interest Subsidy Payments**") to eligible lenders for certain eligible borrowers with "subsidized" loans, and (iii) in some circumstances, special allowance payments ("**Special Allowance Payments**") paid by the Secretary to holders of certain eligible loans or paid by holders to the Secretary; and (b) an unsubsidized Stafford Loan Program, which includes federal insurance or separate guarantee and federal reinsurance and Special Allowance Payments in some circumstances.

Both subsidized and unsubsidized Stafford Loans are eligible for federal insurance or separate guarantee and federal reinsurance if made to eligible students (see below). In connection with eligible Stafford Loans, there are limits as to the maximum amount which may be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. These aggregate limitations exclude loans made under the PLUS

Program. The Secretary may authorize higher limits to accommodate students undertaking specialized training requiring exceptionally high costs of education. Subject to these limits, Stafford Loans are available to eligible students in amounts not exceeding their unmet need for financing determined in accordance with applicable FFELP need analysis. As used in this summary, a “new borrower” is an individual who, at the time of determination, has no outstanding principal or interest due on prior loans under FFELP.

Eligible Student. Generally, a loan may be made only to a United States citizen or national or otherwise eligible individual under federal regulations who:

(a) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution,

(b) is carrying at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution,

(c) has agreed to notify promptly the holder of the loan of any address change,

(d) meets the applicable “need” requirements,

(e) if he or she is an undergraduate enrolled in an institution participating in the Pell Grant Program, then his or her eligibility or ineligibility for the Pell Grant Program has been determined,

(f) is not in default on any other federal education loan nor owes an overpayment on any other Title IV program (or has made satisfactory arrangements with the holder to repay such debt), and

(g) is in compliance with Selective Service System registration requirements.

Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations.

Promissory Notes. Each loan, whether subsidized or unsubsidized, is to be evidenced by an unsecured unendorsed promissory note. Currently, all such loans are in the form of a “Master Promissory Note.” A Master Promissory Note is designed to be used as both a single year and as a multi-year note. Under the Master Promissory Note process, most borrowers will sign a promissory note once, at the time they first borrow. They may obtain additional loans, based on that same note, during the same year or in subsequent years. Generally, a lender’s ability to make subsequent loans to a borrower, based on the Master Promissory Note, expires upon the earliest of (i) twelve (12) months after the original Master Promissory Note is signed if no disbursements have been made using that Master Promissory Note, (ii) ten (10) years from the date the Master Promissory Note is signed, or (iii) the date the lender receives written notice from the borrower that the Master Promissory Note may no longer be used as the basis for making additional loans.

Maximum Loan Amounts. Currently, the annual Stafford Loan limit for an academic year is as follows:

- \$3,500 for the first year of undergraduate study,
- \$4,500 for the second year of undergraduate study,
- \$5,500 per year for the remainder of undergraduate study, and
- \$8,500 per year for graduate and professional students.

The aggregate limit on total Stafford Loans is generally \$23,000 for undergraduates (excluding PLUS and SLS loans) and \$65,500 for graduate and professional students. These loan limits may be increased substantially in some circumstances. See “SLS AND UNSUBSIDIZED STAFFORD LOAN PROGRAMS – Loan Amounts.”

Applicable Interest Rates. The interest rates applicable to Stafford Loans vary significantly depending, among other things, on the time period during which the loan or its first disbursement was made and whether the loan was to a new borrower or an existing borrower.

Historical Fixed Rates. Prior to October of 1992, all Stafford Loans to new borrowers bore interest at fixed rates which varied depending on the period of instruction the loan was to cover. For example, Stafford Loans made prior to January 1, 1981 (and subsequent loans to the same borrowers) bore interest at a fixed rate not in excess of 7% per annum. On and after January 1, 1981, the fixed interest rate for new borrowers was 9% per annum unless the Secretary of the Treasury determined that the average of the bond equivalent rates of 91-day Treasury Bills auctioned for any twelve (12) month period beginning on or after January 1, 1981, was equal to or less than 9% in which case the fixed interest rate was 8% for any period of enrollment beginning on or after the date which was three (3) months after such determination. For loans first disbursed to new borrowers on or after July 1, 1988, the fixed interest rate was 8% from the date of loan disbursement through the fourth year of repayment and then converted in the fifth year of repayment to a fixed rate of 10% for the remainder of the repayment period.

Required Conversion Of Older Fixed Rate Loans To Annual Variable Rates. Pursuant to the Higher Education Technical Amendments of 1993, which was signed into law on December 20, 1993, lenders were required to convert all fixed rate loans disbursed on or after July 23, 1993, to an annual variable rate by January 1, 1995. The annual variable rate to which such loans were converted is adjusted each July 1 to a rate equal to the bond equivalent rate of the 91-day Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus a spread of 3.25% for loans first disbursed to new borrowers on or after July 1, 1988, for which the otherwise applicable fixed interest rate was 10%; or, in the case of a loan made on or after October 1, 1992, to a borrower with outstanding loans under FFELP, the bond equivalent rate of the 91-day Treasury Bill, determined as described above, plus 3.10%.

Variable Interest Rates. Loans first disbursed to new borrowers on or after October 1, 1992, and before July 1, 1994, bear interest at an annual variable rate which is reset each July 1 and which is equal to the bond equivalent rate of the 91-day Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus a spread of 3.10% with a cap on the rate of 9%. For loans first disbursed (whether to a new or existing borrower) on or after July 1, 1994, the cap on the rate is reduced to 8.25%. For loans first disbursed on or after July 1, 1995, and before July 1, 1998, the permitted spread above the bond equivalent rate of the 91-day Treasury Bill is reduced to 2.50% during the period of the loan prior to the commencement of repayment and during the deferment of repayment and the rate is capped at 8.25%. For loans first disbursed on or after July 1, 1998, and before July 1, 2006, the permitted spread is 1.7% during the in-school period, the grace period and certain deferment periods and 2.3% during the repayment period and any periods of forbearance, in each case with the maximum rate capped at 8.25%. FFELP specifically provides that the foregoing interest rates are maximum rates only and that lenders may charge interest rates that are lower than the applicable FFELP rates.

Fixed Interest Rates. All Stafford Loans disbursed on or after July 1, 2006, bear a fixed interest rate of not greater than 6.8%, except that subsidized Stafford Loans to undergraduate students having first disbursement dates as follows will have the following permitted fixed interest rates:

Date of First Disbursement	Permitted Interest Rate
On or after July 1, 2008 and before July 1, 2009	6.0%
On or after July 1, 2009 and before July 1, 2010	5.6%
On or after July 1, 2010 and before July 1, 2011	4.5%
On or after July 1, 2011 and before July 1, 2012	3.4%

Interest Subsidy Payments. Interest Subsidy Payments are interest payments made by the Secretary on behalf of certain student borrowers during the period prior to the commencement of the obligation to begin repayment and also during deferment of repayment of their subsidized Stafford Loans. With respect to loans for which the eligible institution has completed its portion of the loan application after September 30, 1981, Interest Subsidy Payments are available only if certain income and need criteria are met by the borrower. Factors in this

need analysis include the student's estimated cost of attendance, estimated financial assistance and expected family contribution. Interest Subsidy Payments will be paid:

- (a) during a period which the borrower is enrolled at least half-time in an eligible institution,
- (b) during a six (6) month grace period pending commencement of repayment of the loans,
- (c) during certain deferment periods, and
- (d) in the case of loans initially disbursed prior to October 1, 1981, during a six (6) month grace period following any authorized deferment period before repayment is required to resume.

The Secretary makes Interest Subsidy Payments quarterly on behalf of the borrower to the holder of the loan in an amount equal to the interest accruing on the unpaid principal amount of the loan during the applicable period. The Higher Education Act provides that the holder of a loan meeting the specified criteria has a contractual right, as against the United States, to receive Interest Subsidy Payments from the Secretary. Receipt of Interest Subsidy Payments is conditioned on compliance with the Higher Education Act, including continued eligibility of the loan for insurance or guarantee/reinsurance benefits. Such eligibility may be lost if the requirements of the Higher Education Act or applicable guarantee agreements relating to the servicing and collection of the loans are not met. If Interest Subsidy Payments have not been paid within thirty (30) days after the Secretary receives an accurate, timely, and complete request therefor, the Secretary must pay daily interest on the amounts due beginning on the 31st day at a rate equal to the sum of the daily equivalent loan interest rate and the daily equivalent Special Allowance rate, both as applicable to the affected loans.

FFELP limits the Secretary's authority to make Interest Subsidy Payments to the period ending at the close of business on September 30, 2012, for eligible loans to new borrowers and September 30, 2016, for eligible loans to existing borrowers.

Grace Period, Deferment Periods, Forbearance. Repayment of principal of a FFELP loan (other than a PLUS or Consolidation Loan) must generally commence following a period of (a) not less than nine (9) months or more than twelve (12) months with respect to loans for which the applicable interest rate is 7% per annum, and (b) not more than six (6) months with respect to loans for which the applicable interest rate is other than 7% after the student borrower ceases to pursue at least a half-time course of study (a "**Grace Period**"). However, during certain other periods and subject to certain conditions, no principal repayments need be made, including periods when the student has returned to an eligible educational institution on at least a half-time basis or is pursuing studies pursuant to an approved graduate fellowship program, or when the student is a member of the Armed Forces or a volunteer under the Peace Corps Act or the Domestic Volunteer Service Act of 1973, or when the borrower is temporarily totally disabled, or during which the borrower is unable to secure employment, or when the borrower is experiencing economic hardship (the "**Deferment Periods**"). The lender may also, and in some cases must, allow periods of forbearance during which the borrower may defer principal and/or interest payments because of temporary financial hardship. The 1992 Reauthorization Bill simplified the deferment categories for new loans and expanded the opportunities for students to obtain forbearance from lenders due to temporary financial hardship.

Repayment. Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student in school, but generally begins on the day following the sixth (6th) month after the qualified student ceases to carry the required course load at an eligible institution. In general, each such loan must be scheduled for repayment over a period of not more than ten (10) years after the commencement of repayment (excluding any Deferment Period or Forbearance Period as defined in the Higher Education Act).

FFELP currently requires that no more than six (6) months prior to the date on which a borrower's first payment is due, the lender must offer Stafford Loan borrowers the option of repaying the loan in accordance with

- (i) a standard repayment plan, with a fixed annual repayment amount paid over a fixed period of time, not to exceed ten (10) years, except that the borrower must repay annually a minimum amount equal to the lesser of \$600 or the borrower's loan balance;
- (ii) a graduated repayment plan paid over a fixed period of time, not to exceed ten (10) years;

(iii) an income-sensitive repayment plan, with income-sensitive repayment amounts paid over a fixed period of time, not to exceed ten (10) years, except that the borrower's scheduled payments cannot be less than the amount of interest due;

(iv) for new borrowers on or after October 7, 1998, who accumulate (after such date) outstanding Stafford Loans (subsidized and unsubsidized) totaling more than \$30,000, an extended repayment plan, with a fixed annual or graduated repayment amount paid over an extended period of time, not to exceed twenty-five (25) years; and

(v) an income based repayment plan, effective July 1, 2009,

except that with respect to plans described in (ii) through (iv) above, in no instance may the payment be less than the amount of interest due and payable, and with respect to the plan described in (v) above, the payment may be less than the amount of interest due and payable.

If a borrower fails to select from among the offered repayment plans, the lender is required to provide the borrower with the standard repayment plan.

Loan Forgiveness. Section 428J of the Higher Education Act authorizes the Department of Education to repay a maximum of \$5,000 (combined total for loans obtained under both the FFELP and the FDSL P of a qualified borrower's Stafford loan obligations, and Consolidation loan obligations to the extent that a Consolidation loan repaid a borrower's qualifying Stafford loan(s). No borrower may receive benefit for the same teaching service under both the Teacher Loan Forgiveness Program and subtitle D of Title I of the National and Community Service Act of 1990 (AmeriCorps). The Taxpayer-Teacher Protection Act of 2004 increased the maximum repayment to \$17,500 for certain qualified borrowers.

To be eligible for loan forgiveness under this program, a borrower must be a "new borrower" and have had no outstanding balance on a FFELP or FDSL P loan on October 1, 1998, or had no outstanding balance on a FFELP or a FDSL P loan on the date he or she obtained a loan after October 1, 1998.

Effective July 1, 2008, a FFELP borrower may obtain a consolidation loan under the FDSL P to consolidate FFELP Loans and/or other FDSL P loans for the purposes of using the FDSL P Public Service Loan Forgiveness Program.

THE FEDERAL SLS AND UNSUBSIDIZED STAFFORD LOAN PROGRAMS

History. The 1981 amendments to the Higher Education Act included a new program to provide unsubsidized loans to graduate and professional students and independent undergraduate students similar to PLUS Loans (see "**PLUS LOAN PROGRAM**" below). Loans under this new program were designated "Auxiliary Loans for Students" or "ALAS" and subsequently renamed "Supplemental Loans to Students" or "SLS" by the October 1986 amendments. The 1992 amendments to the Higher Education Act added specific provisions for an unsubsidized Stafford Loan Program for independent undergraduate students and graduate/professional students which addressed most of the same financing needs of students as were addressed by the SLS Program. Hence, the Omnibus Budget Reconciliation Act of 1993 eliminated the SLS Program as a separate program and, effective for periods of enrollment beginning on or after July 1, 1994, the SLS Program was merged into the unsubsidized Stafford Loan Program. Therefore, unsubsidized Stafford Loans made for periods of enrollment before July 1, 1994, may have benefits and conditions different from unsubsidized Stafford Loans made after that date.

Loan Amounts. Both the SLS and unsubsidized Stafford Loan Programs were designed to facilitate borrowing for students who do not qualify for the full subsidized Stafford Loan after application of the required need analysis methodology. Such students are entitled to borrow the difference between the unsubsidized Stafford Loan maximum and their subsidized Stafford eligibility through the new program so long as the total loan does not exceed their cost of attendance. The amount of an unsubsidized Stafford Loan is determined by subtracting from the student's estimated cost of attendance any estimated financial assistance reasonably available to such student. Annual loan limits are those applicable to subsidized Stafford Loans but are increased for independent students or students whose parents are unable to borrow under the FFELP PLUS Program or the FDSL P PLUS Program by:

- (i) \$6,000 during the first and second years of undergraduate study,
- (ii) \$7,000 for undergraduate study after the first and second years,
- (iii) \$7,000 for those borrowers who either have a baccalaureate degree and must take preparatory courses prior to entering a graduate program, or who are in a teacher certification program; and
- (iv) \$12,000 for graduate or professional study.

Aggregate loan limits are generally the same as for subsidized Stafford Loans but are increased to reflect any applicable increases in annual limits for the unsubsidized Stafford Loans and do not include any capitalized interest. Aggregate limits of \$31,000 for a dependent undergraduate, \$57,500 for an independent undergraduate and certain dependent undergraduates if the parent is denied a PLUS loan, and \$138,500 for a graduate student include the total of outstanding loans under the Stafford Loan Program, SLS Loan Program and loans under the FDSLPL.

Insurance and Interest Subsidy. The basic provisions for federal insurance and separate guarantee/federal reinsurance applicable to SLS are similar to those of unsubsidized Stafford Loans. Interest Subsidy Payments are not available for SLS and unsubsidized Stafford Loans.

Interest Rates.

Unsubsidized Stafford Loans. Interest rates on unsubsidized Stafford Loans, like subsidized Stafford Loans, vary significantly depending, among other things, on the time period during which the loan or its first disbursement was made. Interest accruing on an unsubsidized Stafford Loan while the borrower is in school or in grace or deferment is either capitalized and added to the principal amount of the loan when it enters repayment or paid monthly or quarterly by the student. Amortization of unsubsidized Stafford Loans is established by assuming an interest rate equal to the applicable rate at the time the repayment of the principal amount of the loan commences. At the option of the lender, the periodic payment amount may be adjusted annually or the period of repayment of principal may be lengthened or shortened in order to reflect adjustments in applicable interest rates.

SLS Loans. Interest rates on SLS Loans are higher than those on Stafford Loans. The applicable interest rate depends upon the date of the loan and the period of enrollment for which the loan is to apply. For SLS Loans issued on or after October 1, 1981, but for periods of educational enrollment beginning prior to July 1, 1987, the applicable rate of interest was either 12% or 14% per annum.

An annual variable interest rate applies to SLS Loans made and disbursed on or after July 1, 1987, or those made prior to such time that are reissued at a variable rate. The applicable annual variable rate is determined on the basis of any twelve (12) month period beginning on July 1 and ending on the following June 30, and is equal to the sum of the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction held prior to the June 1 immediately preceding the applicable twelve (12) month period, plus a permitted spread.

For SLS Loans made and disbursed on or after July 1, 1987, the permitted spread is 3.25% and the maximum rate is 12% per annum. For SLS Loans first disbursed on or after October 1, 1992, the permitted spread is 3.10% and the maximum rate is 11% per annum. Since the SLS Program was eliminated as a separate program in 1993, no new SLS Loans have been originated since June 30, 1994. On or after July 1, 2001, the interest rate on outstanding SLS Loans will be based on the weekly average one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, in substitution for the bond equivalent rate of auctioned 52-week Treasury Bills.

Repayment. See information above under "THE FEDERAL STAFFORD LOAN PROGRAM - Repayment."

Refinancing of SLS Loans. A lender may refinance multiple outstanding SLS Loans to the same borrower under a single repayment schedule for principal and interest, with a new repayment period calculated from the date of repayment of the most recent included loan. Unless the borrower elects a variable interest rate, the interest rate of such a consolidated SLS Loan is the weighted average of the rates of all loans being refinanced.

A lender may also refinance a SLS Loan which was initially originated at a fixed rate prior to July 1, 1987, in order to permit the borrower to obtain the variable interest rate available on SLS Loans on and after July 1, 1987. If a lender is unwilling to reissue the original SLS Loan, the borrower may obtain a loan from another lender for the purpose of discharging the loan and obtaining a variable interest rate.

A lender may not refinance SLS and PLUS Loans together to obtain a single repayment schedule.

THE FEDERAL PLUS LOAN PROGRAM

History. Under the 1980 amendments to the Higher Education Act (which became effective, with respect to Part B of Title IV of the Higher Education Act, on January 1, 1981), the U.S. Congress established a program to provide educational loans to parents of eligible dependent undergraduate students, or for loans certified on or after July 1, 2006, eligible graduate and professional students. Loans under this program were designated Parent Loans for Undergraduate Students or "PLUS Loans." To be eligible for a PLUS Loan, borrowers or a loan endorser, as applicable, cannot have an adverse credit history. With Parent PLUS Loans, the student's parents may borrow jointly or separately for the student. If they borrow separately, the loan limits on behalf of dependent students apply to the total of both loans, not to each loan individually. If the parents borrow jointly, both are liable for repayment of the loan as co-makers.

Loan Amounts. Originally, loans under the Federal PLUS Loan Program were limited to the lesser of \$4,000 per academic year or the estimated cost of attendance less other financial aid for which the student was eligible, with a maximum aggregate amount of \$20,000. However, for PLUS Loans for which the first disbursement is made on or after July 1, 1993, annual and aggregate loan limits have been repealed. However, a PLUS Loan may not exceed the student's estimated cost of attendance minus other available financial assistance during the period of enrollment.

Insurance and Interest Subsidy. The basic provisions for federal insurance and separate guarantee/federal reinsurance applicable to PLUS Loans are similar to those of unsubsidized Stafford Loans. Like unsubsidized Stafford Loans, federal Interest Subsidy Payments are not available for PLUS Loans. Special Allowance Payments, however, are made for PLUS Loans under certain limited conditions.

Interest Rates. Interest rates on PLUS Loans are higher than those on Stafford Loans. The applicable interest rate depends upon the date of the loan and the period of enrollment for which the loan is to apply. For PLUS Loans issued on or after October 1, 1981, but for periods of educational enrollment beginning prior to July 1, 1987, the applicable rate of interest was either 12% or 14% per annum.

An annual variable interest rate applies to PLUS Loans made and disbursed on or after July 1, 1987. The annual variable interest rate also applies to PLUS Loans that are refinanced on or after July 1, 1987 (as discussed below). The applicable annual variable rate is determined on the basis of any twelve (12) month period beginning on July 1 and ending on the following June 30, and is equal to the sum of the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction held prior to the June 1 immediately preceding the applicable twelve (12) month period, plus a permitted spread.

For PLUS Loans made and disbursed on or after July 1, 1987, the permitted spread is 3.25% and the maximum rate is 12% per annum. For PLUS Loans first disbursed on or after October 1, 1992, the permitted spread is 3.10% and the maximum rate is 10%. For PLUS Loans first disbursed on or after July 1, 1994, the permitted spread is 3.10% and the maximum rate is 9%. For PLUS Loans first disbursed on or after July 1, 1998, but before July 1, 2006, the interest rate for any twelve (12) month period beginning on July 1 and ending on June 30 will be determined at the final auction held prior to the immediately preceding June 1 and will be equal to the lesser of (i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to June 1 plus 3.1% or (ii) 9%. On or after July 1, 2001, the interest rate on outstanding PLUS Loans disbursed on or after July 1, 1987, but before July 1, 1998, will be based on the weekly average one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, in substitution for the bond equivalent rate of auctioned 52-week Treasury Bills.

All new PLUS Loans disbursed on or after July 1, 2006, bear a fixed interest rate of not greater than 8.5%.

Repayment. Repayment of principal of PLUS Loans is required to commence no later than sixty (60) days after the date of the last disbursement of such loan, subject to certain deferral provisions. The deferral provisions which apply are more limited than those which apply to Stafford Loans. Interest on PLUS Loans for which principal payments are deferred may be paid monthly or quarterly if agreed by the borrower and the lender, or may be capitalized and added to the principal amount of the loan not more frequently than quarterly by the lender. PLUS Loan borrowers must be offered the same repayment options as Stafford borrowers, except that an income based repayment plan is not available to PLUS Loan borrowers who are parents or to Consolidation borrowers if their Consolidation Loans were used to pay off Parent PLUS Loans. See “**THE FEDERAL STAFFORD LOAN PROGRAM – Repayment**” above.

Refinancing of PLUS Loans. A lender may refinance multiple outstanding PLUS Loans to the same borrower under a single repayment schedule for principal and interest, with a new repayment period calculated from the date of repayment of the most recent included loan. Unless the borrower elects a variable interest rate, the interest rate of such a consolidated PLUS Loan is the weighted average of the rates of all loans being refinanced.

A lender may also refinance a PLUS Loan which was initially originated at a fixed rate prior to July 1, 1987, in order to permit the borrower to obtain the variable interest rate available on PLUS Loans on and after July 1, 1987. If a lender is unwilling to reissue the original PLUS Loan, the borrower may obtain a loan from another lender for the purpose of discharging the loan and obtaining a variable interest rate.

A lender may not refinance PLUS and SLS Loans together to obtain a single repayment schedule.

THE FEDERAL CONSOLIDATION LOAN PROGRAM

History. In 1986, the U.S. Congress established a program to provide loans to eligible borrowers for consolidating their FFELP Loans. Amendments to the Consolidation Loan Program were made in 1992, 1993 and 1998. The Corporation suspended originations under the Federal Consolidation Loan Program on April 1, 2008.

Eligibility. Under the Consolidation Loan Program, an eligible borrower means a borrower with outstanding FFELP indebtedness who, at the time of application, is in repayment status or in a grace period preceding repayment, or is a delinquent or defaulted borrower who will reenter repayment through loan consolidation. An eligible borrower also cannot be subject to a judgment or a wage garnishment with respect to FFELP loans. Prior to July 1, 1994, a borrower also had to have an outstanding balance of at least \$7,500 in FFELP loans to be eligible for consolidation. This \$7,500 threshold was eliminated for loans consolidated on or after July 1, 1994. A lender may make a Consolidation Loan to an eligible borrower at the request of the borrower. An eligible borrower may also obtain a Consolidation Loan from the Secretary under the Federal Direct Student Loan Program if the borrower is unable to obtain a FFELP Consolidation Loan or is unable to obtain a FFELP Consolidation Loan having income-sensitive repayment terms acceptable to such borrower. Title IV loans (NDSL/Perkins) and loans made under Subpart I of Part A of Title VII of the Public Health Service Act may also be consolidated with FFELP Loans.

Interest Rates. Consolidation Loans made before July 1, 1994, bear interest at a rate equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent subject to a floor rate of 9% per annum. Consolidation Loans made on or after July 1, 1994, and before November 13, 1997, bear interest at the same weighted average rate but are not subject to a floor 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 the application is received on or after October 1, 1998, bear interest at a rate equal to the lesser of (i) the weighted average interest rate of the loans consolidated, rounded up to the nearest 1/8th of a percent, and (ii) 8.25 percent. For Consolidation Loans discharging HEAL Loans for which an application was received by an “eligible lender” on or after November 13, 1997, the interest rate is based on the average of bond equivalent rates on the 91-day Treasury Bills auctioned for the quarter ending June 30 of each year plus a spread. Such rate is variable and adjusted each July 1. There is no maximum rate of interest for a HEAL Loan portion of a Consolidation Loan.

Repayment. For Consolidation Loans made on or after July 1, 1994, lenders are required to offer borrowers graduated or income-sensitive repayment schedules providing for repayment over ten (10) years with a minimum payment of accrued and unpaid interest. Absent some other permissible arrangement with the lender,

repayment periods for Consolidation Loans may vary from up to ten (10) years to not more than thirty (30) years, depending on the sum of the balance on the Consolidation Loan and any other FFELP and education loans of the borrower, but the outstanding balance of such other FFELP and education loans counted may not exceed the balance of the Consolidation Loan for purposes of determining the repayment term pursuant to §428C (2)(A) of the Higher Education Act. Currently, the different repayment periods required to be offered for Consolidation Loans, based on the sum of the principal balances of the Consolidation Loan and other student loans (up to but not in excess of the balance of the Consolidation Loan), are as follows:

Principal Balance	Repayment Term	Principal Balance	Repayment Term
Less than \$7,500	Not more than 10 years	\$20,000 to \$39,999	Not more than 20 years
\$7,500 to \$9,999	Not more than 12 years	\$40,000 to \$59,999	Not more than 25 years
\$10,000 to \$19,999	Not more than 15 years	\$60,000 or more	Not more than 30 years

New borrowers on or after October 7, 1998, who accumulate (after such date) outstanding Consolidation Loans (subsidized and unsubsidized) totaling more than \$30,000 qualify for an extended repayment plan, with a fixed annual or graduated repayment amount paid over an extended period of time, not to exceed twenty-five (25) years, except that in no instance may the payment be less than the amount of interest due and payable.

Repayment must commence within sixty (60) days after all holders have discharged the liability of the borrower on the loans selected for consolidation. The minimum repayment installment cannot be less than the accrued and unpaid interest.

Insurance and Interest Subsidy. For Consolidation Loan applications received by lenders on or after August 10, 1993, and before November 13, 1997, the Secretary will not make Interest Subsidy Payments on Consolidation Loans unless they consolidate only subsidized Stafford Loans. For Consolidation Loan applications received by lenders on or after November 13, 1997, the Secretary will make Interest Subsidy Payments on only the portion of the Consolidation Loan that repays subsidized Stafford Loans. No interest subsidy is payable with respect to the portion of a Consolidation Loan representing loans made under Subpart I of Part A of Title VII of the Public Health Service Act or Perkins Loans.

Further, no insurance premium may be charged to a borrower and no insurance premium may be charged to a lender in connection with a Consolidation Loan. However, a fee may be charged to the lender by the guaranty agency to cover the costs of increased or extended liability with respect to a Consolidation Loan.

Holder Rebate to Federal Government. Each holder of a Consolidation Loan first disbursed on or after October 1, 1993, is required to pay to the Secretary a rebate fee calculated on an annual basis and equal to 1.05% of the principal plus accrued and unpaid interest on the Consolidation Loan, such fee to be paid in monthly installments. The 1998 Reauthorization Bill made a temporary reduction in the Consolidation Loan Rebate Fee from 1.05% to 0.62% per annum for loans on which applications are received between October 1, 1998, and January 31, 1999.

Direct Loans. If a borrower is unable to obtain a Consolidation Loan with income-sensitive repayment terms acceptable to the borrower from the holders of the borrower's outstanding loans (which are selected for consolidation), or from any other lender, the Secretary is required to offer the borrower, if the borrower so requests, a direct Consolidation Loan under the FDSLPL. Such direct Consolidation Loans shall be repaid either pursuant to income contingent repayment or any other repayment provisions under the Consolidation Loan provisions. If the Secretary determines that the U.S. Department of Education does not have the necessary origination and servicing arrangements in place for such loans, the Secretary shall not offer such loans.

SPECIAL ALLOWANCE PAYMENTS

FFELP provides, subject to certain conditions, for Special Allowance Payments ("SAP") to be made for quarterly periods by the Secretary to holders of qualifying FFELP Loans. In addition, loan revenue is subject to

quarterly recapture by the Department of Education for any loan revenue in excess of the special allowance support level for loans disbursed on or after April 1, 2006.

The rate of Special Allowance Payments for a particular loan is dependent on a number of factors including when the loan was disbursed and for what period of enrollment the loan covers. Generally, on older loans, the sum of the stated interest on the loan and the applicable Special Allowance Payment is between 3.1 and 3.5 percentage points above the average of bond equivalent rates of 91-day Treasury Bills auctioned for that quarter (the “*T-Bill Basis*”). For loans made on or after October 1, 1992, the Special Allowance Payment is calculated based on the T-Bill Basis plus 3.1%, except that Stafford Loans made on or after July 1, 1995, and before July 1, 1998, qualify for Special Allowance Payments based on the T-Bill Basis plus 2.5% while the borrower is in school, grace or deferment status.

For Stafford Loans disbursed on or after July 1, 1998, and before January 1, 2000, Special Allowance Payments are based on the T-Bill Basis plus 2.2% while borrowers are in school, grace or deferment status, or 2.8% while borrowers are in repayment periods. For PLUS Loans disbursed on or after July 1, 1998, and before January 1, 2000, Special Allowance Payments are based on the T-Bill Basis plus 3.1% to the extent such computation exceeds 9%. The rate of Special Allowance Payments is subject to reduction by the amount of certain origination fees charged to borrowers and may be reduced as a result of certain federal budget deficit reduction measures.

Special Allowance Payments are made on Consolidation Loans whenever the rate charged the borrower is limited by the 9%/8.25% cap. However, for applications received on or after October 1, 1998, Special Allowance Payments are paid in order to afford the lender a yield equal to the 91-day Treasury Bill plus 3.1% whenever the formula exceeds the borrower’s interest rate. For Consolidation Loans based upon consolidation applications received on or after October 1, 1998, and before January 1, 2000, there would be no Special Allowance Payments for such loans during any three (3) month period ending March 31, June 30, September 30, or December 31 unless the T-Bill Basis for the applicable quarter plus 3.1% exceeds the interest determined for such loans. Notwithstanding the foregoing, no Special Allowance Payments are made with respect to the portion of a Consolidation Loan representing loans made under Subpart I of Part A of Title VII of the Public Health Service Act.

For eligible loans first disbursed on or after January 1, 2000 (or in the case of Consolidation Loans, applications received on or after January 1, 2000), the Special Allowance Payment is calculated based on the average of the bond equivalent rates of the quotes of the three (3) month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H-15 (or its successor) (the “*CP Rate*”) plus the following rates:

Loan Type	Loans Made January 1, 2000, through September 30, 2007	Loans Made on or after October 1, 2007, and Held by For-Profit Holder	Loans Made on or after October 1, 2007 and Held by Eligible Not-For-Profit Holder
Stafford Loan*	1.74%/2.34%	1.19%/1.79%	1.34%/1.94%
PLUS Loan	2.64%	1.79%	1.94%
Consolidation Loan	2.64%	2.09%	2.24%

* The lower figures listed in each category for Stafford Loans indicate the applicable spread to the CP Rate during the in-school period, the grace period, and deferment periods, while the higher figures indicate the applicable spread to the CP Rate during repayment and forbearance periods.

No Special Allowance Payment will be made on a loan for any quarterly period in which the applicable interest rate on the loan exceeds the CP Rate plus the applicable spread.

The foregoing table and the paragraph preceding it describe the “special allowance support level.” For loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level. However, lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed

on or after April 1, 2006, and are required to rebate any such “excess interest” to the federal government on a quarterly basis. This modification effectively limits lenders’ returns to the special allowance support level.

The Higher Education Act provides that a holder of a qualifying loan who is entitled to receive Special Allowance Payments has a contractual right against the United States, during the life of the loan, to receive those Special Allowance Payments. Receipt of Special Allowance Payments, however, is conditioned on compliance with the Higher Education Act, including continued eligibility of the loan for federal insurance or reinsurance benefits. Such eligibility may be lost due to violations of the Higher Education Act or applicable guarantee agreements specifying servicing and collection of the loan in the event of delinquency. The Higher Education Act also provides that if Special Allowance Payments have not been made within thirty (30) days after the Secretary receives an accurate, timely and complete request therefor, the Secretary must pay interest on the amounts due beginning on the 31st day at a rate equal to the sum of the daily equivalent loan interest rate and the daily equivalent Special Allowance Payment rate, both as applicable to the affected loans.

ORIGINATION FEES

Lender Origination Fees. The lender is required to pay to the Secretary a fee based on the original principal balance of each loan made. This fee has been increased from 0.5% to 1% effective for loans disbursed on or after October 1, 2007.

Borrower Origination Fees. The lender is required to pay to the Secretary a fee equal to a specified percentage of the original principal balance of Stafford Loans made and may charge such fee to the borrower, typically by adding to the loan balance. The lender is required to pay to the Secretary a fee equal to a specified percentage of the original principal balance of PLUS Loans made and shall charge such fee to the borrower, typically by adding to the loan balance. Such fees are as follows:

Applicable Loans	Borrower Origination Fee
Stafford Loans made July 1, 2007 through June 30, 2008	1.5%
Stafford Loans made July 1, 2008 through June 30, 2009	1.0%
Stafford Loans made July 1, 2009 through June 30, 2010	0.5%
Stafford Loans made on or after July 1, 2011	0.0%
PLUS Loans	3.0%
Consolidation Loans	0.0%

Federal Default Fees. See “**GUARANTEE AND REINSURANCE FOR FFELP LOANS – Federal Administrative Cost Allowances, Insurance Fees and Reinsurance Fees**” below.

GUARANTEE AND REINSURANCE FOR FFELP LOANS

Guarantee Payments To Lenders. The lender or holder is entitled to be reimbursed by the guaranty agency based on a specific guaranty percentage of the unpaid principal balance of the loan plus accrued unpaid interest on any loan defaulted so long as such loan has been properly serviced. Such guaranty percentages vary based on the date of the first disbursement on the loan and certain other factors, as detailed in the table below:

	Guaranty Percentage
Loans made (i) prior to October 1, 1993; (ii) pursuant to a lender of last resort program; or (iii) pursuant to any agreement resulting from a guaranty agency insolvency	100%
Any non-default claim as a result of the death, disability or bankruptcy of the borrower, false certification claim, or closed school claim	100%
Loans made October 1, 1993 through June 30, 2006	98%
Loans made July 1, 2006 through September 30, 2012	97%
Loans made on or after October 1, 2012	95%

Federalization and Recall of Guaranty Agency Reserves.

1993 Amendments to the Higher Education Act. §422 of the Higher Education Act (particularly the amendment by Public Law 103-66 effective on August 10, 1993) provides that the reserve funds of all guaranty agencies under the Higher Education Act shall be considered the property of the United States to be used in connection with the Federal Family Education Loan Programs and Consolidation Loan Programs under Parts B and C of Title IV of the Higher Education Act (United States Code, Title 20, Section 1072(g)). The Higher Education Act further provides that the Secretary may direct a guaranty agency to return to the Secretary a portion of its reserve fund which the Secretary determines is unnecessary to pay the program expenses and contingent liabilities of the guaranty agency.

Higher Education Act Amendments of 1998. The Higher Education Act Amendments of 1998 add new §§422A and 422B to the Higher Education Act. §422A requires each guaranty agency to establish a Federal Student Loan Reserve Fund (the "**Federal Fund**") into which all federal reserves must be deposited. Additionally, all reinsurance payments from the Secretary and the reinsurance percentage of all default collections must be deposited in the Federal Fund. Subject to some transitional exceptions, amounts in the Federal Fund may only be used to pay lender claims on defaulted loans and to disburse default prevention fees to an Agency Operating Fund required to be established under new §422B. Earnings on the Federal Fund would be the sole property of the federal government.

§422B requires each guaranty agency to establish an Agency Operating Fund within forty-five (45) days of enactment of the proposed reauthorization legislation. All loan processing and issuance fees, portfolio maintenance fees and default prevention fees paid by the Secretary as well as the unreinsured portion of default collections (after payment of the Secretary's equitable share and excluding required deposits in the Federal Fund) must be deposited in the Agency Operating Fund. Funds in the Agency Operating Fund may only be used for application processing, loan disbursement, enrollment and repayment status management, permitted default prevention activities, default collection activities, school and lender training, compliance monitoring and other student financial aid related activities as determined by the Secretary and for voluntary irrevocable transfers to the Federal Fund. Except for funds transferred from the Federal Fund, the Agency Operating Fund may be considered to be the property of the guaranty agency.

Payment by Secretary Upon Guaranty Agency Insolvency. Under §432(o) of the Higher Education Act, in the event that the Secretary determines that a guaranty agency is unable to meet its insurance obligations with respect to payment of default claims, the holder of loans insured by the guaranty agency may submit insurance claims directly to the Secretary and the Secretary shall pay to the holder the full insurance obligation of the guaranty agency, in accordance with insurance requirements no more stringent than those of the guaranty agency. However, the Secretary's obligation to pay guarantee claims directly in this fashion is contingent upon the Secretary making the determination referred to above. There can be no assurance that the Secretary would ever make such a determination with respect to any specific guaranty agency or, if such a determination was made, whether such determination or the ultimate payment of such guarantee claims would be made in a timely manner.

Federal Reinsurance Payments to Guaranty Agencies.

Generally. The Secretary enters into a guarantee agreement with each guaranty agency, which provides for federal reinsurance for amounts paid to eligible lenders by the guaranty agency with respect to defaulted loans. Pursuant to such agreements, the Secretary is to reimburse a guaranty agency for 100% of the amounts owed on a loan made prior to October 1, 1993, and 98% of the amounts owed on a loan made on or after October 1, 1993, and before October 1, 1998, and 95% of the amounts owed on a loan made on or after October 1, 1998, for losses upon notice and determination of such amounts subject to reduction based on the guaranty agency's claims rate (as described below). The Secretary is also authorized to acquire the loans of borrowers who are at high risk of default and who request an alternative repayment option from the Secretary.

Reductions in Reinsurance Payments Based on Claims Rate. The amount of such reinsurance payments is subject to reduction based upon the annual claims rate of the guaranty agency calculated to equal the amount of federal reinsurance received as a percentage of the original principal amount of FFELP Loans in repayment on the last day of the prior fiscal year. The original principal amount of loans guaranteed by a guaranty agency that are in repayment for purposes of computing reimbursement payments to a guaranty agency means the original principal amount of all loans guaranteed by a guaranty agency less: (1) the original principal amount of such loans that have been fully repaid either by borrowers or by guarantee payments, and (2) the original amount of such loans for which the first principal installment payment has not become due. Claims resulting from the death, bankruptcy, total and permanent disability of a borrower, the death of a student whose parent is the borrower of a PLUS Loan, or claims by borrowers who received loans on or after January 1, 1986, and who are unable to complete the programs in which they are enrolled due to a school closure or borrowers whose borrowing eligibility was falsely certified by the eligible institution are not included in calculating a guaranty agency's claims rate experience for federal reinsurance purposes and are reimbursed at 100%. The first trigger for a reduction in reinsurance payments is when the amount of the defaulted loan reimbursements exceeds 5% of the amount of all loans guaranteed by the guaranty agency in repayment status at the beginning of the federal fiscal year. The second trigger is when the amount of defaults exceeds 9% of the loans in repayment. The claims experience is not accumulated from year to year, but is determined solely on the basis of claims paid in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year. Guarantee reinsurance rates are presented in the following table:

Claims Paid Date	Maximum	5% Trigger	9% Trigger
Before October 1, 1993	100%	90%	80%
October 1, 1993 – September 30, 1998*	98%	88%	78%
On or after October 1, 1998*	95%	85%	75%

* Other than loans made pursuant to the lender-of-last resort program or student loans transferred by an insolvent guaranty agency, both of which are reinsured at 100%

After a federal reinsurance claim is paid, the guaranty agency is, however, entitled to deduct from payments received from a borrower an amount equal to the amount of the borrower payment multiplied by the complement of the reinsurance percentage.

Guaranty Agency Insolvency. In addition, if a guaranty agency is unable to meet its guarantee obligations, holders of loans may submit insurance claims directly to the Secretary until such time as the obligations are transferred to a new guaranty agency capable of meeting such obligations or until a successor guaranty agency assumes such obligations. Federal reinsurance and insurance payments for defaulted loans are paid from the Student Loan Insurance Fund established under the Higher Education Act. The Secretary is authorized, to the extent provided in advance by appropriations acts, to issue obligations to the Secretary of the Treasury to provide funds to make such federal payments.

Timing of Default Claims and Payment. A Federal Family Education Loan is generally considered to be in default upon the borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the borrower no longer intends to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments.

When a loan becomes sixty (60) or more days past due, the holder is required to request default aversion assistance from the applicable guaranty agency before the 120th day of delinquency in order to attempt to cure the delinquency. The holder is required to continue collection efforts until the loan is past due for the applicable time period. At the time of payment of the claim, the holder must assign to the applicable guaranty agency all rights accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a guaranty agency from filing a claim for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon or later than forty-five (45) days after the guaranty agency's discharge of its obligation on the loan.

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

The Secretary may withhold reimbursement payments if a guaranty agency makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. A supplemental guarantee agreement between a guaranty agency and the Secretary is subject to termination for cause by the Secretary. All guaranty agencies are required to comply with certain due diligence requirements established pursuant to the Secretary's regulations regarding collection procedures to be exercised on loans for which the guaranty agency pays a default claim. In particular, since March 1987, guaranty agencies have been required to institute civil litigation against certain borrowers within a specified time period, unless: (i) the cost of litigation would exceed the likelihood of recovery or (ii) the borrower has insufficient means to satisfy a substantial portion of a judgment on the debt. Noncompliance with this requirement may result in a guaranty agency being required to repay reinsurance payments received on such loans. In addition, the Secretary may, among other remedial actions available to it, elect to withhold payments to the guaranty agency and suspend or terminate all agreements with the guaranty agency.

Federal Administrative Cost Allowances, Insurance Fees and Reinsurance Fees. For loans originated during federal fiscal years beginning on or after October 1, 2003, the Secretary pays each guaranty agency a loan processing and issuance fee equal to 0.40% of the total principal amount of the loans on which insurance was issued during such fiscal year. A guaranty agency is also currently paid an account maintenance fee of 0.06% of the original principal amount of outstanding loans under the FFELP insured by such guaranty agency.

Under the guarantee agreements and the supplemental guarantee agreements, if a payment on an eligible loan guaranteed by a guaranty agency is received after reimbursement by the Secretary, the guaranty agency is entitled to receive a share of the payment. Guaranty agency retention on such collections was reduced to 16% for payments received on or after October 1, 2007.

For Federal Stafford and PLUS Loans guaranteed on or after July 1, 2006, the guaranty agency is required to charge a federal default fee equal to 1% of the principal amount of each loan. The federal default fee is to be deposited by the guaranty agency into the Federal Fund. The fee may be deducted from the proceeds of each loan or paid on the borrower's behalf from non-federal sources.

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APPENDIX "B"

GLOSSARY OF CERTAIN DEFINED TERMS

The following are some of the terms defined in the General Resolution and the Series Resolution pursuant to which the 2009-1 Bonds are issued. Where appropriate or necessary for a clearer indication of meaning for purposes of this Official Statement, some of the following definitions have been modified slightly. For purposes of such definitions, unless the context otherwise requires:

(i) words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, or other legal entities including public bodies, as well as natural persons; and,

(ii) the terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms refer to the General Resolution or the Series Resolution, as appropriate, or sections or subsections of the General Resolution or the Series Resolution, as applicable, and the term "hereafter" means after the date of adoption of the General Resolution or the Series Resolution, as applicable.

Some of these terms are used in this Official Statement and, unless the context in which such terms are used clearly indicates some other meaning, such terms used herein shall have the same meanings ascribed to them in the General Resolution or the Series Resolution, as appropriate.

DEFINED TERMS

"Accepted Servicing Procedures" means, with respect to any Financed Student Loan serviced by the Servicer, procedures (including collection procedures) that comply with applicable federal, state, and local law, that are in accordance with standards set by the Secretary with respect to Financed FFELP Loans and in accordance with the PAL Program Manual with respect to Financed Private Loans. Such Financed Student Loans shall also be serviced in accordance with the accepted student loan servicing practices of prudent lending institutions which service student loans of the same type in the United States.

"Account" or **"Accounts"** means one or more of the separate accounts which are established within Funds created pursuant to the Resolution.

"Act" means the South Carolina State Education Assistance Act, codified as Chapter 115 of Title 59, Code of Laws of South Carolina, 1976, as amended.

"Adjusted Equity Amount" means the greater of (i) zero and (ii) the amount set forth as such in each Series Resolution or any Certificate less amounts paid by the Corporation for borrower origination fees (which shall include federal default fees) and other borrower benefits with respect to the Financed Student Loans.

"Applicable Rating Criteria for Investment Obligations" means:

(i) for as long as Fitch is a Rating Agency, a rating by a Nationally Recognized Rating Service no lower than AA (or the equivalent) or F-1+ (or the equivalent), as appropriate;

(ii) for as long as Moody's is a Rating Agency, a rating by Moody's no lower than (a) with respect to Investment Obligations with maturities less than 3 months (or providers of such investments), A1 and P-1, (b) with respect to Investment Obligations with maturities less than 6 months but at least 3 months (or providers of such investments), Aa3 and P-1, or (c) with respect to Investment Obligations with maturities of 6 months or more (or providers of such investments), Aaa and P-1; provided that, if such Investment Obligations consist of money market funds as described herein, such Investment Obligations must bear a rating by Moody's of Aaa;

(iii) for as long as S&P is a Rating Agency, a rating by S&P no lower than AA, A-1+, or AAAM-G, as appropriate; and

(iv) other Rating Agency criteria subject to a Rating Agency Condition.

“Assigned Revenues” means all revenues at any time received by or payable to the Corporation in respect of any Financed Student Loans, including all repayments, of interest on any Financed Student Loans, Recoveries of Principal, Interest Subsidy Payments, Special Allowance Payments and earnings on investment of moneys within the Finance Loan Fund of the Corporation under the Loan Agreement, all as assigned by the Corporation to the Authority under the Loan Agreement and then by the Authority to the Trustee pursuant to the General Resolution.

“Authority” means the South Carolina State Education Assistance Authority, a body politic and corporate and a public instrumentality of the State of South Carolina.

“Authorized Denominations” means \$5,000 and any integral multiple thereof.

“Authorized Newspaper” means a newspaper of general circulation in the State.

“Authorized Officer” means (i) in the case of the Authority, the Chairman of the Authority, the State Treasurer, any Deputy State Treasurer or any other person designated as such in a Certificate signed by the State Treasurer and filed with the Trustee, and (ii) in the case of the Corporation, the Chairman, President, Secretary, Chief Financial Officer, Chief Operating Officer, or any other officer of the Corporation designated as such in a Certificate signed by the President and filed with the Trustee.

“Beneficial Owner” means, so long as the 2009-1 Bonds are negotiated in the Book-Entry System, any Person who acquires a beneficial ownership interest in a 2009-1 Bond held by the Securities Depository. If at any time the 2009-1 Bonds are not held in the Book-Entry System, Beneficial Owner means Bondholder.

“Bond” or **“Bonds”** means any South Carolina State Education Assistance Authority Student Loan Revenue Bonds of any Series authorized by an applicable Series Resolution and issued under the General Resolution.

“Bondholder” means the registered owner of a Bond Outstanding, including the Securities Depository.

“Book-Entry System” means the book-entry system established and operated for the recordation of beneficial ownership interests in the 2009-1 Bonds authorized by the Series Resolution relating thereto.

“Business Day” means any day other than (i) a Saturday or Sunday or (ii) a day on which the designated notice address office location of the Trustee or the Paying Agent is required or authorized to be closed or (iii) a day on which The New York Stock Exchange is closed.

“Capitalized Interest Fund” means the Fund so designated which is created under the General Resolution.

“Cash Flow Certificate” means a certificate prepared by or on behalf of the Authority setting forth, for the period extending from the date of such certificate to the payment in full of the Bonds then Outstanding, (i) all Revenues Available for Debt Service expected to be received during such period; (ii) the application of all such Revenues Available for Debt Service in accordance with the General Resolution; (iii) the resulting balances and parity ratio; and (iv) establishing under all assumptions and scenarios requested by each Rating Agency that anticipated Revenues Available for Debt Service will be at least sufficient to pay the principal of and interest on the Bonds when due, to pay all other amounts payable under the General Resolution when due and to meet any required parity ratio.

“Certificate” means a document signed by an Authorized Officer attesting to or acknowledging the circumstances or other matters therein stated.

“Class” means Bonds all sharing the same payment priority.

“Code” means the Internal Revenue Code of 1986, as amended from time to time or the Internal Revenue Code of 1954, as amended, as applicable. Each reference to a Section of the Code herein, shall be deemed to

include the United States Treasury Regulations, including temporary and proposed regulations, relating to such sections which are applicable to the Bonds or the use of the proceeds thereof.

“Corporation” means the South Carolina Student Loan Corporation, a private, not-for-profit corporation established in 1973 under Title 33, Chapter 31, Code of Laws of South Carolina, 1976, as amended, acting in its capacity as an Eligible Lender or as agent of the Authority in administering certain components of the Student Loan Insurance Program, and its successors and assigns.

“Costs of Issuance” means, when used with respect to any Series of Bonds, the costs of issuing such Series of Bonds as may be limited by the Code.

“Cost of Issuance Account” means the account so designated which is established pursuant to the General Resolution.

“Counsel’s Opinion” means an opinion in writing, including supplemental opinions thereto, signed by such attorney or firm of attorneys of recognized national standing as bond counsel on student loan revenue bond transactions as may be selected by the Authority.

“Cumulative Sinking Fund Payment” means any payment made in accordance with the provisions of the General Resolution described in items (viii) and (ix) in **APPENDIX “C” - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - “General Revenue Fund.”**

“Cumulative Sinking Fund Payment Date” means each date on which a Cumulative Sinking Fund Payment is to be made in accordance with an applicable Cumulative Sinking Fund Payment Schedule.

“Cumulative Sinking Fund Payment Schedule” means the schedule for making Cumulative Sinking Fund Payments on the Cumulative Sinking Fund Payment Dates in accordance with a Series Resolution.

“Custodian Agreement” means any agreement between the Authority and the Corporation relating to the custody or possession of any of the Financed Student Loans.

“Debt Service Fund” means the Fund so designated which is created by the General Resolution.

“Debt Service Reserve Fund” means the Fund so designated which is created by the General Resolution.

“Debt Service Reserve Requirement” means, as of any particular date of calculation, the sum of the amounts designated for each Series of Bonds in the Series Resolution related thereto as the “Debt Service Reserve Requirement” in respect of such Series; provided that, the Debt Service Reserve Requirement shall in no event exceed the amount permitted as a reasonably required reserve or replacement fund for tax-exempt bonds under the Code. The Debt Service Reserve Requirement may be composed of cash, Investment Obligations or Reserve Alternative Instruments or any combination of the foregoing, as the Authority may determine.

“Default Payment” means moneys received, realized or recovered through proceedings taken by the Authority or the Corporation in the event of default in respect of any Financed Student Loan or in respect of any insurance on or guarantee with respect to any Financed Student Loan, including moneys received pursuant to a contract of insurance in respect of any Financed Student Loan.

“Defeasance Obligations” means non-callable direct obligations of, or obligations the timely payment of principal and interest on which is fully and unconditionally guaranteed by, the United States of America to the extent that such securities are a legal investment of funds of the Authority.

“Department Reserve Fund” means the Fund so designated which is created by the General Resolution.

“Department Reserve Fund Amount” means costs for expenses for payments due and payable by the Corporation to the U.S. Department of Education related to the Financed FFELP Loans or any other payment due and payable to a Guaranty Agency relating to its guaranty of Financed FFELP Loans or any other payment due to the Corporation, another entity or trust estate, if amounts due under the General Resolution to the U.S. Department

of Education or a Guaranty Agency with respect to Financed FFELP Loans were paid by the Corporation, such other entity or trust estate, pursuant to a joint sharing agreement, an intercreditor agreement or otherwise.

“Department Reserve Fund Requirement” means as of any date, an amount equal to the Department Reserve Fund Amount of the Authority for the current month and such additional amount as the Authority deems appropriate all as evidenced by a Certificate of the Authority; provided, in no event shall the Department Reserve Fund Requirement exceed the limitation set forth in the General Resolution described in APPENDIX “C” - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - ***“Application of Moneys in Other Funds and Accounts - Department Reserve Fund.”***

“Deposit Account Control Agreement” means any agreement among a commercial bank, the Authority and the Corporation relating to the perfection of a security interest in a bank account representing monies held in the Finance Loan Fund.

“Derivative Payment” means a payment required to be made by or on behalf of the Authority due to a Reciprocal Payor pursuant to a Derivative Product (excluding Termination Payments).

“Derivative Payment Date” means, with respect to a Derivative Product, any date specified in the Derivative Product on which both or either of the Derivative Payment and/or a Reciprocal Payment is due and payable under the Derivative Product.

“Derivative Product” means a written contract or agreement between the Authority and a Reciprocal Payor entered into pursuant to the General Resolution.

“Eligible Institution” means any educational institution which is an eligible institution as described in the Higher Education Act and also so described in the Act.

“Eligible Lender” means the Corporation and all other entities which are eligible lenders as described in the Higher Education Act (including but not limited to “eligible lender trustees”), which have in force a contract with a Guaranty Agency providing for loan guarantees to be issued by such Guaranty Agency to such entity under the Higher Education Act and the Act.

“Event of Default” shall have the meaning specified in Article VIII of the General Resolution.

“Event of Insolvency” means the occurrence of one or more of the following events:

(i) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of the Authority or the Corporation;

(ii) the commencement by or against the Authority or the Corporation of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the Authority or the Corporation for its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for the Authority or the Corporation or any substantial part of its property;

(iii) the making by the Authority or the Corporation of an assignment for the benefit of creditors;

(iv) the inability or failure of the Authority or the Corporation to generally pay its debts as they become due or any admission by the Authority or the Corporation in writing of its inability to pay its debts as they become due;

(v) the declaration of a moratorium with respect to the payment of the debts of the Authority or the Corporation; or

(vi) the initiation by the Authority or the Corporation of any action in furtherance of or to authorize any of the foregoing.

“**FFELP Loan**” means a student loan having the following characteristics:

- (i) such obligation constitutes an instrument, account or a general intangible as defined in the UCC as in effect in the jurisdiction that governs the perfection of the interests therein;
- (ii) the borrower thereunder is an eligible borrower under the Higher Education Act;
- (iii) such obligation represents advances of money made by an Eligible Lender to or on behalf of a student attending, enrolled, or having been enrolled at an Eligible Institution, evidenced by one or more promissory notes;
- (iv) such obligation is an obligation the payment of principal of and interest on which is guaranteed by a Guaranty Agency and reinsured as to principal amount and interest by the Secretary to the maximum extent then authorized under the Higher Education Act and agreements entered into by a Guaranty Agency and the Secretary pursuant to the Higher Education Act; or such an obligation for which there is a commitment by the Secretary to so insure or by the Guaranty Agency and the Secretary to so guarantee and reinsure;
- (v) such obligation, together with the related note that evidences the FFELP Loan, represents the genuine, legal, valid and binding payment obligation of the related borrower, enforceable by or on behalf of the holder thereof against such borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance and similar laws relating to creditors’ rights generally and subject to general principles of equity; and that has not been satisfied, subordinated or rescinded and no right of rescission, setoff, counterclaim or defense has been asserted or, to the Authority’s knowledge, overtly threatened in writing with respect to such FFELP Loan;
- (vi) such obligation is originated or financed using funds from the Trust Estate not in excess of the Value thereof unless a Rating Agency Condition has been satisfied;
- (vii) such obligation provides or, when the payment schedule with respect thereto is determined, will provide for payments on a periodic basis that fully amortize the Principal Balance thereof by its original stated maturity date, as such stated maturity date may be modified in accordance with any applicable deferral or forbearance periods granted in accordance with applicable laws or program requirements, including those of the Higher Education Act or any Guaranty Agreement;
- (viii) such obligation is subject to a Perfected Interest;
- (ix) such obligation is an obligation for which the granting of a security interest does not contravene or conflict with any law or regulation or require the consent or approval of, or notice to, any Person;
- (x) such obligation is the subject of a valid Guaranty Agreement with an eligible Guaranty Agency under the Higher Education Act and as to which a Guaranty Agency Event of Default has not occurred;
- (xi) such obligation qualifies the holder thereof to receive guarantee payments equal to the highest amount authorized under the Higher Education Act of principal and interest from the Guaranty Agency and qualifies the Guaranty Agency to receive payments thereon from the Secretary pursuant to a Federal Reimbursement Contract;
- (xii) such obligation is an obligation with respect to which the Corporation is not in default in any material respect in the performance of any of its covenants and agreements made in the applicable Guaranty Agreement and/or Federal Reimbursement Contract;
- (xiii) such obligation is an obligation with respect to which all amounts due and payable to the Secretary or a Guaranty Agency, as the case may be, have been paid in full; and

(xiv) the payment terms thereof have not been altered or amended other than in accordance with the Higher Education Act and the interest rate of which is the highest rate allowed by the Higher Education Act except as may be permitted as borrower benefits under the Student Loan Finance Program, the General Resolution, and any applicable Series Resolution.

"Federal Reimbursement Contract" means any agreement between a Guaranty Agency 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) partial reimbursement of amounts paid or payable upon defaulted Financed FFELP Loans and other student loans guaranteed or insured by the Guaranty Agency and Interest Subsidy Payments to holders of qualifying student loans guaranteed by the Guaranty Agency.

"Fiduciary" or ***"Fiduciaries"*** means the Trustee and any successor, the Registrar, any Paying Agent, or any of or all of them, as may be appropriate.

"Finance Loan" means any loan made to the Corporation by the Authority under the Loan Agreement from proceeds derived from the sale of Bonds issued under the General Resolution (collectively, the ***"Finance Loans"***).

"Finance Loan Fund" means special trust fund established pursuant to the Loan Agreement into which is deposited the proceeds of Finance Loans.

"Financed FFELP Loans" means, collectively, (i) FFELP Loans financed by the Corporation with amounts deposited to the Loan Account of the Program Fund or credited to the Finance Loan Fund of the Corporation, (ii) FFELP Loans substituted or exchanged for other FFELP Loans described in the foregoing clause (i) pursuant to the General Resolution, (iii) FFELP Loans that become part of the Trust Estate as a result of a refunding of other bonds of the Authority, and (iv) FFELP Loans from other sources pledged as part of the Trust Estate, but, in any event, shall not include FFELP Loans released as security under the Loan Agreement and the General Resolution (each, a ***"Financed FFELP Loan"***).

"Financed Private Loans" means, collectively, (i) Private Loans financed by the Corporation with amounts deposited to the Loan Account or credited to the Finance Loan Fund of the Corporation, (ii) Private Loans substituted or exchanged for other Private Loans described in the foregoing clause (i) pursuant to the General Resolution, (iii) Private Loans that become part of the Trust Estate as a result of a refunding of other bonds of the Authority, and (iv) Private Loans from other sources pledged as part of the Trust Estate, but, in any event, shall not include Private Loans released as security under the Loan Agreement and the General Resolution (each, a ***"Financed Private Loan"***).

"Financed Student Loans" means, collectively, (i) Student Loans financed by the Corporation with amounts deposited to the Loan Account or credited to the Finance Loan Fund of the Corporation, (ii) Student Loans substituted or exchanged for other Student Loans described in the foregoing clause (i) pursuant to the General Resolution, (iii) Student Loans that become part of the Trust Estate as a result of a refunding of other bonds of the Authority, and (iv) Student Loans from other sources pledged as part of the Trust Estate, but, in any event, shall not include Student Loans released as security under the Loan Agreement and the General Resolution (each, a ***"Financed Student Loan"***).

"Fiscal Year" means each annual period which begins on July 1 in any calendar year and ends on June 30 in the following calendar year or other period if modified by the Authority.

"Fitch" means Fitch Ratings, its successors and their assigns.

"Fund" or ***"Funds"*** means one or more of the special trust funds which are created in the General Resolution.

"General Resolution" means the General Resolution as the same may be amended or supplemented from time to time in accordance with the terms thereof.

"General Revenue Fund" means the Fund so designated which is created by the General Resolution.

“Guaranty Agency” means the Authority acting in its capacity as a state guaranty agency under the Higher Education Act or other authorized guaranty agency under the Higher Education Act.

“Guaranty Agency Event of Default” means an event which permits a Guaranty Agency to not pay claims on Financed FFELP Loans.

“Guaranty Agreements” means the blanket guarantee or other guarantee agreements by or from any Guaranty Agency to the Corporation for the purpose of guaranteeing Financed FFELP Loans, and any amendment of any of the foregoing entered into in accordance with the provisions thereof or of the General Resolution.

“Higher Education Act” means the United States Higher Education Act of 1965 including any regulations thereto, as amended, or any successor legislation or regulation pursuant to which programs are established for the direct federal insurance of student loans, reinsurance of loans (including FFELP Loans) insured by a Guaranty Agency, and other purposes.

“Interest Account” means the account so designated within the Debt Service Fund which is created by the General Resolution.

“Interest Accrual Period” means the period during which a 2009-1 Bond accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest shall have been paid (or, if no interest has been paid, from the Issue Date) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of authentication of any 2009-1 Bond, interest is in default or overdue on such 2009-1 Bonds, such 2009-1 Bond shall bear interest from the date to which interest shall have previously been paid in full or made available for payment in full on Outstanding 2009-1 Bonds. In the event that the Interest Payment Date is defined as the first day of a given month, but interest must be paid on a later day because the first day is not a Business Day, the Interest Accrual Period shall remain unchanged.

“Interest Payment Date” means any date upon which interest on the Bonds of any Series shall be payable as specified in the applicable Series Resolution in accordance with the General Resolution. With respect to the 2009-1 Bonds, **“Interest Payment Date”** means April 1, 2010, and each October 1 and April 1 thereafter to and including the Stated Maturity Date.

“Interest Rates” means the interest rates on the Serial Bonds and Term Bonds in accordance with a Series Resolution.

“Interest Subsidy Payments” means interest subsidy payments payable in respect to any Financed FFELP Loans by the Secretary under Section 428 of the Higher Education Act.

“Investment Obligations” means any of the investments authorized by §11-9-660, Code of Laws of South Carolina, 1976, as amended; provided that such investments and/or the providers, as applicable, meet the Applicable Rating Criteria for Investment Obligations during the time that such Investment Obligations comprise a portion of the Trust Estate.

“Issue Date” means, with respect to Bonds of a particular Series, the date specified and determined by the Series Resolution authorizing such Bonds as the date on which such Bonds are issued.

“Loan Agreement” means that certain 2009 PAL Loan Agreement, Security and Pledge Agreement, dated as of October 29, 2009, between the Authority and the Corporation providing for Finance Loans to the Corporation and the assignment by the Corporation to the Authority of the Assigned Revenues, the Financed Student Loans (including the notes and other instruments evidencing the same) and all amounts on deposit within the Finance Loan Fund as collateral for the repayment of such Finance Loans, the Bonds and all other amounts payable under the General Resolution.

“MSRB” means the Municipal Securities Rulemaking Board and its lawful successors.

“Majority of the Bondholders” means the registered owners of not less than a majority in aggregate principal amount of the Bonds Outstanding.

“Mandatory Sinking Fund Installment” means the principal amount of Bonds of all Series which, pursuant to the applicable Series Resolutions, the Authority is unconditionally required to redeem on any particular date (such that failure to redeem such principal amount is, regardless of the availability of moneys therefor, an Event of Default).

“Moody’s” means Moody’s Investor Service, Inc., its successors and their assigns.

“Nationally Recognized Rating Service” means any of S&P, Moody’s and Fitch (or the successor to any) or other nationally recognized securities rating agency.

“National Repositories” means, collectively, the MSRB through its Electronic Municipal Market Access (EMMA System) and/or any other repository designated by the United States Securities and Exchange Commission as a central repository (each, a **“National Repository”**).

“Notice Parties” means the Authority, the Trustee, and the Paying Agent.

“Operating Costs” means all of the Authority’s and the Corporation’s expenses in carrying out and administering the Student Loan Finance Program under the General Resolution and shall include, without limiting the generality of the foregoing, Servicing Fees, salaries, acquisition fees, supplies, utilities, mailing, labor, materials, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, Rating Agency fees, fees and expenses, if any, incurred in remarketing the Bonds, fees and expenses of the Fiduciaries in accordance with provision of the General Resolution, Costs of Issuance not otherwise paid or provided for from the proceeds of Bonds, travel, payments for pension, thrift savings, retirement, health and hospitalization, and life and disability insurance benefits, all to the extent properly allocable to a financing under the General Resolution.

“Operating Fund” means the Fund so designated which is created by the General Resolution.

“Operating Fund Requirement” means as of any date, an amount equal to the Operating Costs of the Authority and the Corporation for the current month and such additional amount as the Authority deems appropriate, but not, more than four (4) months of Operating Costs in total as limited as described in **APPENDIX “C” - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - “Application of Moneys in Other Funds and Accounts - Operating Fund.”**

“Outstanding” when used with reference to any Bonds, means, as of any date, all Bonds theretofore or then being authenticated and delivered under the General Resolution except:

- (i) any Bonds canceled by the Trustee at or prior to such date;
- (ii) Bonds (or portions thereof) for the payment of which there shall be held in trust under the General Resolution (whether at or prior to the Stated Maturity Date) (a) cash, equal to the principal amount or Redemption Price thereof, with interest to the Stated Maturity Date or Redemption Date, as applicable, or (b) Defeasance Obligations in amounts sufficient to pay the Redemption Price on such Bonds when due;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III of the General Resolution; and
- (iv) Bonds deemed to have been paid as provided in the General Resolution. (See **APPENDIX “C” - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - “Defeasance”** appended hereto.)

“PAL Program Manual” means the South Carolina Student Loan Corporation Palmetto Assistance Loan (PAL) Program Policies and Procedures Manual that outlines policy and procedure and is used for the Financed Private Loans first disbursed on or after July 1, 2009, as may be amended from time to time.

“Parity Percentage” means the ratio expressed as a percentage of (i) the Value of the Trust Estate, to (ii) the sum of the principal amount of and accrued interest on all Bonds then Outstanding, accrued but unpaid Operating Costs not funded in the Operating Fund on any given date, excess yield liability pursuant to the General Resolution not deposited to the Rebate Fund on any given date, any Rebate Amount not deposited to the Rebate Fund on any given date and any accrued but unpaid Department Reserve Fund Amounts not funded in the Department Reserve Fund on any given date.

“Participant,” “Direct Participant,” or “Indirect Participant” means a participant in the electronic, computerized book-entry system of transferring beneficial ownership interest in any of the 2009-1 Bonds administered by the Securities Depository.

“Paying Agent” means the Trustee.

“Payment Date” means any Interest Payment Date and any date established for the payment of principal or Redemption Price all in accordance with the applicable Series Resolution.

“Perfected Interest” means a security interest in personal property as to which all necessary steps to perfect the same under the Higher Education Act and the UCC, as applicable, have been taken.

“Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, incorporated organization or government or any agency or political subdivision thereof.

“Principal Account” means the account so designated within the Debt Service Fund created by the General Resolution.

“Principal Balance” when used with respect to a Financed Student Loan, means the unpaid principal amount thereof (including any unpaid interest thereon that has been capitalized as authorized under the Higher Education Act or the Student Loan Finance Program) as of a given date.

“Principal Installment” means, as of the date of calculation and with respect to any Series of Bonds Outstanding, (i) the principal amount of Bonds of such Series due on a Stated Maturity Date; (ii) the unsatisfied balance of any Mandatory Sinking Fund Installments in a principal amount equal to said unsatisfied balance of such Mandatory Sinking Fund Installments on the redemption dates set forth in the applicable Series Resolution; (iii) if such future dates coincide as to different Bonds of such Series, the sum of the unsatisfied balance of Mandatory Sinking Fund Installments and principal amount of Bonds due on such date; and (iv) the principal amount of Bonds duly called for any redemption pursuant to any Series Resolution.

“Principal Installment Date” means any date upon which any Principal Installment on Bonds of any Series shall be due and payable pursuant to the applicable Series Resolution.

“Private Loan” means a student loan having the following characteristics:

(i) such obligation constitutes an instrument, account or a general intangible as defined in the UCC as in effect in the jurisdiction that governs the perfection of the interests therein;

(ii) the borrower thereunder is an eligible borrower under the PAL Program Manual;

(iii) such obligation represents advances of money made by the Corporation to or on behalf of a student attending, enrolled, or having been enrolled at an institution in accordance with the PAL Program Manual, evidenced by one or more promissory notes;

(iv) such obligation, that together with the related note that evidences the Private Loan, represents the genuine, legal, valid and binding payment obligation of the related borrower, enforceable by or on behalf of the holder thereof against such borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance and similar laws relating to creditors' rights generally and subject to general principles of equity; and that has not been satisfied, subordinated or

rescinded and no right of rescission, setoff, counterclaim or defense has been asserted or, to the Authority's knowledge, overtly threatened in writing with respect to such Private Loan;

(v) such obligation is originated or financed using funds from the Trust Estate not in excess of the Value thereof unless a Rating Agency Condition has been satisfied;

(vi) such obligation provides or, when the payment schedule with respect thereto is determined, will provide for payments on a periodic basis that fully amortize the Principal Balance thereof by its original stated maturity date, as such stated maturity date may be modified in accordance with any applicable deferral or forbearance periods granted in accordance with applicable laws or program requirements, including those set forth in the PAL Program Manual;

(vii) such obligation is subject to a Perfected Interest;

(viii) such obligation is an obligation for which the granting of a security interest does not contravene or conflict with any law or regulation or require the consent or approval of, or notice to, any Person; and

(ix) the payment terms thereof have not been altered or amended other than in accordance with the PAL Program Manual and the interest rate of which is the highest rate allowed by the PAL Program Manual except as may be permitted as borrower benefits under the Student Loan Finance Program the General Resolution, and any applicable Series Resolution.

"Program Fund" means the Fund so designated which is created by the General Resolution.

"Rating Agency" or **"Rating Agencies"** means any Nationally Recognized Rating Service to the extent any such rating service has been requested in writing by the Authority to issue a rating on one or more Series of Bonds and such rating service has issued and continues to maintain a rating on such Bonds at the time in question.

"Rating Agency Condition" means, as of any date, a letter from each Rating Agency addressed to the Trustee confirming that the action proposed to be taken by the Authority as described in such letter will not, in and of itself, result in a downgrade of such Rating Agency's rating on any Bonds Outstanding or cause such Rating Agency to suspend or withdraw its rating on any Bonds Outstanding.

"Rebate Amount" means the excess of (i) the aggregate amount earned from the date of delivery of a Series of Bonds (the interest on which is intended to be excluded from gross income) on the investment of Gross Proceeds (within the meaning of Section 148 of the Code) in Nonpurpose Investments (within the meaning of said Section 148) over (ii) the amount that would have been earned on such Nonpurpose Investments (other than amounts attributable to such excess) and the amounts then invested at a rate equal to the Yield (within the meaning of said Section 148) on the Bonds, plus any income attributable to such excess.

"Rebate Fund" means the Fund so designated which is created by the General Resolution.

"Reciprocal Payments" means any payment to be made to, or for the benefit of, the Authority under a Derivative Product.

"Reciprocal Payor" means any counterparty under a Derivative Product.

"Record Date" means such date as shall be determined in the applicable Series Resolution with respect to payments to be made thereunder. With respect to the 2009-1 Bonds, **"Record Date"** means the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

"Recoveries of Principal" means all amounts received in respect of payment of principal on Financed Student Loans, including Default Payments, scheduled, delinquent, and advance payments, payouts, or prepayments, and proceeds from the sale, assignment, or other disposition of a Financed Student Loan.

“Recycling Period” means the period provided in any applicable Series Resolution with such period in the most recent Series Resolution superseding any previous Series Resolution. With respect to the 2009-1 Bonds, **“Recycling Period”** means the period commencing on the Issue Date and ending on October 1, 2010, except that such period may be extended upon receipt by the Trustee of a Rating Agency Condition.

“Redemption Date” means a date fixed for redemption of Bonds subject to redemption pursuant to any applicable redemption provision of the General Resolution and any Series Resolution.

“Redemption Price” means the total of principal, premium (if any) and accrued but unpaid interest on any Bond redeemed on a Redemption Date. With respect to the 2009-1 Bonds, **“Redemption Price”** means an amount equal to the principal thereof and premium, if any, and accrued interest, if any, thereon to be paid on the applicable Redemption Date.

“Refunding Bonds” means all Bonds, whether issued in one or more Series, authenticated and delivered pursuant to the General Resolution.

“Registrar” means the Paying Agent, and its successor or successors hereafter appointed, as registrar for any Series of Bonds.

“Repositories” means, collectively, each National Repository and each State Repository (each, a **“Repository”**).

“Resolution” means, collectively, the General Resolution and the Series Resolution.

“Reserve Alternative Instrument” means an insurance policy or surety bond or irrevocable letter of credit or guaranty deposited in the Debt Service Reserve Fund in lieu of or in partial substitution for the deposit of cash and Investment Obligations in satisfaction of the Debt Service Reserve Requirement. The Reserve Alternative Instrument shall be payable (upon the giving of notice as required thereunder) to remedy any deficiency in the appropriate subaccounts in the Interest Account and the Principal Account in order to provide for the timely payment of interest and principal (whether at the Stated Maturity Date or to pay a Mandatory Sinking Fund Installment therefor). The provider of a Reserve Alternative Instrument shall be (i) an insurer that has been assigned a rating which continuously meets the Reserve Alternative Instrument Applicable Rating Criteria, or (ii) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which have been assigned a rating which continuously meets the Reserve Alternative Instrument Applicable Rating Criteria. The Rating Agencies and the Trustee will be given prior written notice describing such Reserve Alternative Instrument.

“Reserve Alternative Instrument Applicable Rating Criteria” means:

- (i) for as long as Fitch is a Rating Agency, a rating by a Nationally Recognized Rating Service no lower than AA (or the equivalent) and F-1+ (or the equivalent), as appropriate;
- (ii) for as long as Moody’s is a Rating Agency, a rating by Moody’s no lower than (a) short term ratings of P-1 (or the equivalent) and long term ratings of A1 (or the equivalent) or (b) if only a long term rating is applicable, long term ratings of Aa3 (or the equivalent), as appropriate; and
- (iii) for as long as S&P is a Rating Agency, a rating by S&P no lower than the highest rating on any Outstanding Bonds or A-1, A-1+ or AAAm-G, as appropriate.

“Revenues Available for Debt Service” means all amounts received with respect to and from the assets comprising the Trust Estate.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Secretary” means the United States Secretary of Education, or any other officer, board, body, commissioner or agency succeeding to the functions thereof under the Higher Education Act.

“Securities Depository” means any institution defined as such under any applicable Series Resolution. With respect to the 2009-1 Bonds, **“Securities Depository”** means The Depository Trust Company and such other securities depository as the Authority may designate in an Authority Certificate delivered to the Trustee.

“Senior Bonds” means any Bonds so designated in the applicable Series Resolution authorizing such Senior Bonds.

“Senior Parity Percentage” means the ratio expressed as a percentage of (i) the Value of the Trust Estate to (ii) the sum of the principal amount of and accrued interest on all Senior Bonds then Outstanding, accrued but unpaid Operating Costs not funded in the Operating Fund on any given date, excess yield liability not deposited to the Rebate Fund on any given date, any Rebate Amount not deposited to the Rebate Fund on any given date and any accrued but unpaid Department Reserve Fund Amounts not funded in the Department Reserve Fund on any given date.

“Serial Bonds” means the 2009-1 Bonds designated as Serial Bonds maturing on the applicable Serial Maturity Dates.

“Serial Maturity Dates” means the dates on which the Serial Bonds mature, as determined herein.

“Serial Payments” means the principal payments to be made on the Serial Bonds on the Serial Maturity Dates.

“Series” means all of the Bonds authenticated and delivered pursuant to a Series Resolution and designated therein as a Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds pursuant thereto and to the General Resolution.

“Series Resolution” means a resolution of the Authority authorizing the issuance of a Series of Bonds in accordance with the terms and provisions of the General Resolution and adopted by the Authority in accordance with the General Resolution.

“Servicer” means the Corporation and any other organization with which the Authority has entered into a servicing agreement and, in any case, so long as such party acts as servicer of Financed Student Loans.

“Servicing Fees” means the fees payable by the Authority to the Servicer to cover, inter alia, the Servicer’s reasonable and necessary expenses for operation and administration of the Student Loan Finance Program. The fees shall cover, but are not limited to, the Authority’s and the Corporation’s reasonable and necessary expenses for operation and administration of the Student Loan Finance Program including those expenditures made for the purchase of furniture and equipment as well as those expenditures associated with the operation and maintenance of the facilities of the Authority and the Corporation.

“Special Allowance Payments” means special allowance payments authorized to be made by the Secretary in respect of the Financed FFELP Loans pursuant to Section 438 of the Higher Education Act or similar allowances authorized from time to time by federal law or regulation.

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw Hill Companies, Inc., its successors and their assigns.

“State” means the State of South Carolina.

“State Repository” means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date hereof, there is no State Repository.

“Stated Maturity Date” means, with respect to any Bond, the date designated as such in a Series Resolution related to a Series of Bonds and on which the final payment of principal of and interest on a Bond is due and payable, to the extent not previously paid.

“Student Loans” means, collectively, FFELP Loans and Private Loans (each, a **“Student Loan”**).

“Student Loan Finance Program” means and includes any acts or things done by the Authority or the Corporation pursuant to the Act and the General Resolution for the purpose of making Student Loans available pursuant to the Act.

“Student Loan Insurance Program” means the guarantee program of the Authority authorized by the Act related to FFELP Loans.

“Subordinate Bonds” means any Bonds that are so designated in the Series Resolution authorizing such Bonds.

“Supplemental Resolution” means any resolution supplemental to or amendatory of the General Resolution or any Series Resolution adopted by the Authority.

“Tax Exemption Certificate” means any agreement or certificate delivered in connection with the issuance of each Series of Bonds issued under the authorization of §Section 144(b) of the Code, to establish the Authority’s continuing compliance with §148 of the Code and all regulations applicable thereto.

“Termination Payment” means, with respect to a Derivative Product, any Termination Payment payable by the Authority under such Derivative Product relating to an early termination of such Derivative Product by the Reciprocal Payor, as the non-affected party or non-defaulting party, after the occurrence of a termination event or Event of Default specified in such Derivative Product.

“Term Bonds” means the 2009-1 Bonds designated as Term Bonds maturing on the applicable Term Maturity Dates.

“Term Maturity Dates” means the dates on which the Term Bonds mature, as determined herein.

“Term Payments” means the principal payments to be made on the Term Bonds on the Term Maturity Dates.

“Transaction Documents” means the General Resolution, the Loan Agreement, any applicable Series Resolution or Supplemental Resolution, any Bonds, and any Derivative Product.

“Trust Estate” means (together with any proceeds with respect to any of the following) (i) all rights, title, and interest of the Authority (a) under the Loan Agreement, including the master promissory note which evidences the Finance Loans and the Finance Loan Fund, and (b) in the Financed Student Loans and all amounts required to be paid to the Authority by the Corporation thereunder, including, without limitation, all Assigned Revenues; (ii) all rights, title, and interest of the Authority under any Deposit Account Control Agreement; (iii) all rights, title, and interest of the Authority under any Custodian Agreement; (iv) all moneys and securities from time to time held by the Trustee under the terms of the General Resolution (excluding moneys and securities held, or required to be deposited, in the Rebate Fund and the Department Reserve Fund), and (v) any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the General Resolution.

“Trustee” means The Bank of New York Mellon Trust Company, National Association and the successor or successors thereto and any other corporation which may at any time be substituted in its place.

“UCC” means the Uniform Commercial Code as in effect in the State, as amended.

“Value,” on any calculation date when required under the General Resolution, means the value of the Trust Estate calculated by the Servicer as to (i) and (ii) below and by the Trustee as to (iii) through (vi), inclusive, below, as follows:

(i) with respect to any Financed FFELP Loan, the unpaid Principal Balance, accrued but unpaid interest, Interest Subsidy Payment or Special Allowance Payment that is required to be paid to the Corporation for the benefit of the Authority with respect to such Financed FFELP Loan and that is required pursuant to the General Resolution to be transferred to the Trustee, less the unguaranteed portion of Financed FFELP Loans in claims status;

(ii) with respect to any Financed Private Loan (a) being less than one hundred eighty (180) days' delinquent and (b) which has not been extinguished by bankruptcy proceedings, the unpaid Principal Balance and accrued but unpaid interest;

(iii) with respect to any funds of the Authority held under the General Resolution and credited to any Fund or Account except the Rebate Fund, the Department Reserve Fund and the Operating Fund on deposit in any commercial bank or as to any banker's acceptance or repurchase agreement or investment contract, the amount thereof plus accrued but unpaid interest thereon;

(iv) with respect to any Investment Obligations of an investment company, the bid price of the shares as reported by the investment company plus accrued but unpaid interest; and

(iv) subject to the General Resolution, as to other investments, the fair market value based on accepted industry standards and from accepted industry providers, such as Financial Times Interactive Data Corporation, or other provider selected by the Trustee.

“Yield Reduction Payments” means the definition for such term established in the Code.

APPENDIX "C"

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The General Resolution contains various covenants and security provisions, certain of which are summarized below. Reference should be made to the General Resolution for a full and complete statement of its provisions.

Obligation of Bonds

The General Resolution creates a continuing pledge and first perfected lien on the Trust Estate to secure the full and final payment of the principal and Redemption Price of and interest on all Outstanding Bonds. The Bonds will be special obligations of the Authority, payable only from the Trust Estate pledged by the Authority to the Trustee under the General Resolution, for the payment of the principal or Redemption Price of, and interest on, said Bonds. The Bonds will contain on their face a statement that the Authority is not obligated to pay the principal or Redemption Price thereof or the interest thereon except from the revenues, funds, and assets pledged for their payment, that neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal or Redemption Price thereof or the interest thereon and that such Bonds will not be deemed to constitute a debt, liability or obligation of the State or of any political subdivision thereof other than the Authority.

No Recourse Under General Resolution or on Bonds

All covenants, stipulations, promises, agreements, and obligations of the Authority contained in the General Resolution will be deemed to be the covenants, stipulations, promises, agreements, and obligations of the Authority and not of any director, member, officer, or employee of the Authority in his individual capacity, and no recourse will be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on the General Resolution against any director, member, officer, or employee of the Authority or any natural person executing the Bonds. Such payments of principal or Redemption Price of or interest on the Bonds or claim based thereon or all other payment obligations thereunder will be payable solely from the Trust Estate and will not be a general obligation of the Authority or the Corporation.

Funds and Accounts

The General Resolution creates the following Funds and Accounts:

- (1) Program Fund
 - Loan Account
 - Tax Exempt Bond Subaccount
 - Taxable Bond Subaccount
 - Cost of Issuance Account
- (2) General Revenue Fund
- (3) Debt Service Fund
 - Interest Account
 - Principal Account
- (4) Capitalized Interest Fund
- (5) Operating Fund
- (6) Department Reserve Fund
- (7) Debt Service Reserve Fund
- (8) Rebate Fund

The Authority has appointed The Bank of New York Mellon Trust Company, National Association, Jacksonville, Florida, as Trustee. Each of the above Funds and Accounts, and any other Accounts which may be established within such Funds from time to time, will be held and maintained by the Trustee pursuant to the provisions of the General Resolution and are at all times pledged for the payment of the principal of and interest on the Bonds. The Trust Estate will be administered as a separate and distinct trust estate from the trust estates created under any of the Authority's other general resolutions or master indentures and each Fund or Account created under the General Resolution and the assets therein will be segregated from all other funds of the Authority.

Application of Bond Proceeds; Program Fund

Under the General Resolution, the Trustee is required to establish within the Program Fund a Cost of Issuance Account and a Loan Account. The Trustee will, from time to time, pay out, or permit the withdrawal of, moneys credited to the Cost of Issuance Account, free and clear of any lien, pledge, or assignment in trust created by the General Resolution, for the purpose of paying any Costs of Issuance for which provision is not otherwise made, upon receipt by said Trustee of a written requisition from the Authority.

The remainder of the proceeds of any series of Bonds will be deposited in the Loan Account. Moneys in the Loan Account will be advanced as needed to the Corporation for the financing of Student Loans under the Student Loan Finance Program. Under the Loan Agreement, the Corporation is required to establish the Finance Loan Fund of the Corporation. Moneys in the Loan Account of the Authority that are loaned to the Corporation are to be deposited in the corresponding Finance Loan Fund of the Corporation. All Student Loans financed with moneys in the Loan Account are to be credited to the Finance Loan Fund of the Corporation. Amounts deposited in the Loan Account, as well as all other Funds and Accounts, are to be used for the payment of principal of and interest on the Bonds if there would otherwise be a default in payment. The Authority may at any time direct the Trustee or the Corporation to transfer any moneys in the Loan Account or the Finance Loan Fund of the Corporation to the Principal Account of the Debt Service Fund and will so direct the Trustee to make such transfer to effect a mandatory redemption of Bonds to the extent that monies deposited in the Loan Account have not been expended to finance Student Loans prior to the date set forth therefor in any applicable Series Resolution. See "**Application of Moneys in Other Funds and Accounts - *Application of Funds and Accounts to Avoid a Default; Order of Application***" below. In the event the Student Loan Finance Program is discontinued by law or otherwise, any moneys remaining in the Loan Account and the Finance Loan Fund of the Corporation, after providing for commitments to finance Student Loans, will be transferred to the Principal Account of the Debt Service Fund to effect a mandatory redemption of Bonds.

General Revenue Fund

All moneys received by or on behalf of the Authority as assets of, or with respect to, the Trust Estate will be required to be deposited promptly, but no later than two (2) Business Days from the receipt thereof, to the credit of the General Revenue Fund. There may also be paid into the General Revenue Fund, at the option of the Authority, any moneys received by the Authority from any other source, unless required to be otherwise applied. Not later than the tenth (10th) day of each calendar month (unless an Authorized Officer of the Authority directs the Trustee in a Certificate to do so more frequently or as specifically provided in a Series Resolution), the Trustee will be required to withdraw from the General Revenue Fund and, to the extent that there are amounts in the General Revenue Fund available therefor, make deposits to the credit of the Funds and Accounts, together with such other payments as are set forth below, in the amounts and in order of priority as follows:

- (i) to the Department Reserve Fund, an amount that, when added to the amount therein will equal the Department Reserve Fund Requirement.
- (ii) to the Rebate Fund for Rebate Amounts and, if elected by the Authority, amounts for Yield Reduction Payments.
- (iii) to the Operating Fund, an amount that, when added to the amount therein will equal the Operating Fund Requirement.

(iv) to the Interest Account, and segregated in a subaccount therein for Senior Bonds and any Derivative Product on parity with Senior Bonds, an amount such that, if the same amounts are so paid and credited to such subaccount from the same source on the same day of each succeeding calendar month thereafter prior to the next Interest Payment Date or Derivative Payment Date, as applicable, the aggregate of the amounts so paid and credited to the subaccount, when added to any amount on deposit in such subaccount on the day of the calculation, would on such Interest Payment Date or Derivative Payment Date, as applicable, be equal to the interest on all Outstanding Senior Bonds or any Derivative Payment on all Derivative Products on parity with Senior Bonds, as applicable, accrued and unpaid as of such date. In the event that different Interest Payment Dates or Derivative Payment Dates, as applicable, shall be established in respect of different Senior Bonds and any Derivative Product on parity with Senior Bonds, deposits in the subaccount of the Interest Account will be made in accordance with the foregoing calculation applied separately to each such different Senior Bonds or Derivative Products. The Authority may direct the Trustee in a Certificate to retain additional amounts in such Interest Account but no more than the estimated amount of interest to be paid on Senior Bonds and Derivative Payments on Derivative Products on the next Interest Payment Date or Derivative Payment Date, as applicable.

(v) to the Interest Account, and segregated in a subaccount therein for Subordinate Bonds and any Derivative Product on parity with Subordinate Bonds, an amount such that, if the same amounts are so paid and credited to such subaccount from the same source on the same day of each succeeding calendar month thereafter prior to the next Interest Payment Date or Derivative Payment Date, as applicable, the aggregate of the amounts so paid and credited to the subaccount, when added to any amount on deposit in such subaccount on the day of the calculation, would on such Interest Payment Date or Derivative Payment Date, as applicable, be equal to the interest on all Outstanding Subordinate Bonds or any Derivative Payment on all Derivative Products on parity with Subordinate Bonds, as applicable, accrued and unpaid as of such date. In the event that different Interest Payment Dates or Derivative Payment Dates, as applicable, shall be established in respect of different Subordinate Bonds and any Derivative Product on parity with Subordinate Bonds, deposits in the subaccount of the Interest Account will be made in accordance with the foregoing calculation applied separately to each such different Subordinate Bonds or Derivative Products. The Authority may direct the Trustee in a Certificate to retain additional amounts in such Interest Account but no more than the estimated amount of interest to be paid on Subordinate Bonds and Derivative Payments on Derivative Products on the next Interest Payment Date or Derivative Payment Date, as applicable.

(vi) to the Principal Account, whenever a Principal Installment of Senior Bonds is to fall due within one year of the date of transfer, an amount such that, if the same amounts are so paid and credited to the Principal Account from the same source on the same day of each succeeding calendar month thereafter prior to the next day upon which a Principal Installment is due, the aggregate of the amounts so paid and credited to the Principal Account, when added to any amount on deposit in the Principal Account on the day of the calculation and segregated therein for such purpose, would on such Principal Installment Date be equal to the amount of all accrued and unpaid Principal Installments of Senior Bonds estimated to be due as of such date. In the event that different dates (within one year of the date of transfer) on which Principal Installments fall due shall be established in respect of different Series of Senior Bonds, deposits in the Principal Account will be made in accordance with the foregoing calculation applied separately to each such different Series. The Authority may direct the Trustee in a Certificate to retain additional amounts in such Principal Account but no more than the estimated amount of principal to be paid on Senior Bonds on the next applicable Principal Installment Dates.

(vii) to the Principal Account, whenever a Principal Installment of Subordinate Bonds is to fall due within one year of the date of transfer, an amount such that, if the same amounts are so paid and credited to the Principal Account from the same source on the same day of each succeeding calendar month thereafter prior to the next day upon which a Principal Installment is due, the aggregate of the amounts so paid and credited to the Principal Account, when added to any amount on deposit in the Principal Account on the day of the calculation and segregated therein for such purpose, would on such Principal Installment Date be equal to the amount of all accrued and unpaid Principal Installments of Subordinate Bonds estimated to be due as of such date. In the event that different dates (within one year of the date of transfer) on which Principal Installments fall due shall be established in respect of different Series of Subordinate Bonds, deposits in the Principal Account will be made in accordance with the foregoing calculation applied separately to each such different Series. The Authority may direct the Trustee in a Certificate to retain additional amounts in such

Principal Account but no more than the estimated amount of principal to be paid on Subordinate Bonds on the next applicable Principal Installment Dates.

(viii) to the Principal Account, an amount such that, if available amounts are so paid and credited to the Principal Account from the same source on the same day of each succeeding calendar month thereafter, then prior to the next day upon which a Cumulative Sinking Fund Payments for Senior Bonds is to fall due within one year of the date of transfer, the aggregate of the amounts so paid and credited to the Principal Account, when added to any amount on deposit in the Principal Account on the day of the calculation and segregated therein for such purpose, would on such Cumulative Sinking Fund Payment Date be equal to (but not exceed) the amount of all accrued and unpaid Cumulative Sinking Fund Payments for such Senior Bonds as of such date; provided, that, if Revenues Available for Debt Service are not sufficient to pay Cumulative Sinking Fund Payments with respect to each Series, then payments will be required to be made on a *pro rata* basis based upon the amount of the Cumulative Sinking Fund Payments due, as adjusted. The amount of such insufficiency will be added to the next payment or date, as applicable, contemplated by the applicable Cumulative Sinking Fund Payment Schedule.

(ix) to the Principal Account, an amount such that, if available amounts are so paid and credited to the Principal Account from the same source on the same day of each succeeding calendar month thereafter, then prior to the next day upon which a Cumulative Sinking Fund Payments for Subordinate Bonds is to fall due within one year of the date of transfer, the aggregate of the amounts so paid and credited to the Principal Account, when added to any amount on deposit in the Principal Account on the day of the calculation and segregated therein for such purpose, would on such Cumulative Sinking Fund Payment Date be equal to (but not exceed) the amount of all accrued and unpaid Cumulative Sinking Fund Payments for such Subordinate Bonds as of such date; provided, that, if Revenues Available for Debt Service are not sufficient to pay Cumulative Sinking Fund Payments with respect to each Series, then payments will be required to be made on a *pro rata* basis based upon the amount of the Cumulative Sinking Fund Payments due, as adjusted. The amount of such insufficiency will be added to the next payment or date, as applicable, contemplated by the applicable Cumulative Sinking Fund Payment Schedule.

(x) to the Debt Service Reserve Fund, so much as may be required so that the amount therein shall equal the Debt Service Reserve Requirement.

(xi) upon receipt by the Trustee of a Certificate of the Authority setting forth any amounts necessary to pay unpaid Termination Payments due on a Derivative Payment Date and any other Derivative Payment, to any Reciprocal Payor who has provided a Derivative Product secured on a parity with the Senior Bonds, provided that such amounts will not be paid unless the Senior Parity Percentage is greater than or equal to 120% respectively, after such payment is made or a Rating Agency Condition is provided to the Trustee.

(xii) upon receipt by the Trustee of a Certificate of the Authority setting forth any amounts necessary to pay unpaid Termination Payments due on a Derivative Payment Date and any other Derivative Payment, to any Reciprocal Payor who has provided a Derivative Product secured on a parity with the Subordinate Bonds, provided that such amounts will not be paid unless the Senior Parity Percentage is greater than or equal to 120% respectively, after such payment is made or a Rating Agency Condition is provided to the Trustee.

(xiii) upon receipt by the Trustee of a Certificate of the Corporation setting forth an amount that, subject to any limitations set forth in the most recent Cash Flow Certificate, may be paid to the Corporation and used solely for the Student Loan Finance Program, such amount may be paid to the Corporation and so used, provided that such amounts will not be paid unless (a) the Senior Parity Percentage is greater than or equal to 120% after such payment is made or a Rating Agency Condition is provided to the Trustee and (b) the Value of the Trust Estate after such payment is made shall be not less than the sum of the principal amount of and accrued interest on all Bonds then Outstanding, any accrued but unpaid Operating Costs not funded in the Operating Fund, any excess loan yield liability not deposited to the Rebate Fund, any Rebate Amount not deposited to the Rebate Fund, any accrued but unpaid Department Reserve Fund Amounts not funded in the Department Reserve Fund and the Adjusted Equity Amount.

(xiv) during any Recycling Period, the balance, if any, will be transferred to the Loan Account (subject to any limitations imposed in an applicable Certificate, Series Resolution, or Supplemental Resolution). Such amounts will be allocated to the various subaccounts of the Loan Account as directed by the Authority;

(xv) the balance, if any, will be transferred to the Principal Account to effect a mandatory redemption of Bonds or Cumulative Sinking Fund Payments (as directed in an applicable Series Resolution, Certificate of the Authority, Supplemental Resolution, or in the absence of any such direction as directed in the General Resolution).

Application of Moneys in Other Funds and Accounts

Interest Account. Moneys in each subaccount of the Interest Account will be required to be applied to pay interest when due on the related Bonds and Derivative Payments.

Principal Account. Unless directed otherwise in a Series Resolution, moneys in each subaccount of the Principal Account will be required to be applied to pay when due Principal Installments and Cumulative Sinking Fund Payments with respect to the related Bonds. There will be deposited in the Principal Account, whenever Bonds have been duly called for redemption and such redemption is to occur within thirty (30) days, an amount equal to the Redemption Price of Bonds to be redeemed on such Redemption Date.

Operating Fund. Moneys will be required to be deposited in the Operating Fund so that it contains an amount not exceeding the Operating Fund Requirement.

Moneys in the Operating Fund will be required to be applied as directed by the Authority to pay Operating Costs (and when so paid out are free and clear of the pledge created by the General Resolution) Operating Costs of the Authority and the Corporation include all expenses of administering the Student Loan Finance Program and the Authority's Student Loan Insurance Program, fees and expenses of the Paying Agents and Costs of Issuance other than those paid from Bond proceeds, including payments for commitments to purchase Student Loans. Operating Costs may not be increased beyond the level reflected in a closing Cash Flow Certificate provided to each Rating Agency prior to the issuance of a Series of Bonds unless the Trustee shall first receive a Rating Agency Condition.

Department Reserve Fund. Moneys will be required to be deposited in the Department Reserve Fund so that it contains an amount not exceeding the Department Reserve Fund Requirement.

Moneys in the Department Reserve Fund will be required to be applied as directed by the Authority to pay Department Reserve Fund Amounts.

Application of Funds and Accounts to Avoid a Default; Order of Application. Notwithstanding any provision of the General Resolution pertaining to the application of moneys in any Fund or Account (except the Rebate Fund and Department Reserve Fund), amounts deposited in all Funds and Accounts will be required to be used for the payment of principal of and interest on the Senior Bonds first and then on the Subordinate Bonds if there would otherwise be a default in payment. The order of Funds and Accounts from which moneys are to be transferred in the event that deposits of moneys in the General Revenue Fund to the Interest Account and Principal Account are insufficient to avoid a default in payment of principal of or interest on the Bonds will be as follows: the Capitalized Interest Fund, the Loan Account, the Finance Loan Fund (as set forth in the Loan Agreement), the Debt Service Reserve Fund and then the Operating Fund.

Transfer of Excess; Retirement of Bonds. Unless directed otherwise in a Series Resolution or Supplemental Resolution, moneys may not be transferred to or maintained in the Debt Service Reserve Fund, the Department Reserve Fund, or the Operating Fund in excess of, respectively, the Debt Service Reserve Requirement (as valued on at least a quarterly basis), the Department Reserve Fund Requirement, or the Operating Fund Requirement. Any moneys in such Funds in excess of the amounts herein described will be required to be transferred following such valuation to the General Revenue Fund; provided, that moneys transferred from the Debt Service Reserve Fund that were derived from the proceeds of Bonds the interest on which is excluded from the gross income of the registered owners thereof for federal income tax purposes will be deposited to the Principal Account and applied to pay principal on such Bonds. If at any time the balance in the Debt Service Reserve Fund (not constituting Reserve

Alternative Investments), together with other available funds of the Authority on deposit with the Trustee, shall be sufficient to retire all Bonds Outstanding and subject to retirement, such balance may be applied at the direction of the Authority to retire all Bonds Outstanding.

Capitalized Interest Fund. There will be deposited into the Capitalized Interest Fund the amount, if any, set forth in a Series Resolution. On each date that amounts are withdrawn from the General Revenue Fund as described under the heading “GENERAL REVENUE FUND” above, to the extent there are insufficient moneys in the General Revenue Fund to make one or more of the transfers described under such heading in items (i) through (vii), the Trustee will be required to withdraw from the Capitalized Interest Fund on the date that amounts are withdrawn from the General Revenue Fund, an amount equal to such deficiency and to deposit such amount in the General Revenue Fund. To the extent amounts in the Capitalized Interest Fund exceed the maximum amounts set forth below on the respective dates set forth below, the Trustee will be required to transfer such excess to the General Revenue Fund.

September 1 of the Year	Maximum Amount
2010	\$5,475,000
2011	3,075,000
2012	1,375,000
2013	0

Amounts deposited in the Capitalized Interest Fund, as well as all other Funds and Accounts, are required to be used for the payment of principal of and interest on the Bonds if there would otherwise be a default in payment. See “*Application of Funds and Accounts to Avoid a Default; Order of Application*” below.

Debt Service Reserve Fund. Moneys will be required to be deposited in the Debt Service Reserve Fund so that it contains an amount at least equal to the Debt Service Reserve Requirement.

Rebate Fund

Within ninety (90) days after the end of a Fiscal Year with respect to each Series of Bonds issued under the General Resolution with the intention that the interest thereon be excluded from the gross income of the owners thereof (including the 2009-1 Bonds), the Authority will be required to file or cause to be filed with the Trustee a report setting forth the Rebate Amount and to deposit or cause the deposit into the Rebate Fund of any and all Rebate Amounts. Moneys in the Rebate Fund, including investment earnings thereon, if any, will not be subject to the pledge of the General Resolution. Amounts deposited in the Rebate Fund will be applied to pay Rebate Amounts or Yield Reduction Payments owed to the United States pursuant to Section 148 of the Code. The Trustee, upon receipt of written instructions from the Authority will be required to pay out of amounts in the Rebate Fund each Rebate Amount or each Yield Reduction Payment. Other than its duty to invest moneys therein, the Trustee will have no responsibility for compliance with Section 148 of the Code or any Regulations thereunder including calculation for payment of any Rebate Amounts or Yield Reduction Payments. The Authority may direct the Trustee in a Certificate to withdraw excess amounts from the Rebate Fund and deposit such withdrawal into the General Revenue Fund.

For any Series of Bonds issued under the General Resolution with the intention that the interest thereon be excluded from the gross income of the owners thereof (including the 2009-1 Bonds), the Authority will be required annually to prepare or cause to be prepared a report of the yield on Financed Student Loans and to carry out a program of repayment incentives or take other action required to assure yield compliance under Section 148 of the Code. The Authority may (i) cause moneys in the Rebate Fund to be used to make Yield Reduction Payments or (ii) fund its program of repayment incentives and borrower benefits through interest and principal forgiveness and/or reduction or otherwise if it determines that such actions are necessary and permitted under the Code to maintain arbitrage yield compliance on the Financed Student Loans.

Investment of Funds and Accounts

The General Resolution requires or permits investments of moneys in each Fund and Account, consistent with the required uses of such moneys, in Investment Obligations. Investment Obligations are investments

authorized by §11-9-660, Code of Laws of South Carolina 1976, as amended; provided that such investments meet the Applicable Rating Criteria for Investment Obligations. Investment Obligations will be deemed to be part of the Fund or Account for which purchased, and gains and losses on Investment Obligations will be credited or charged to the Fund or Account for which the Investment Obligations were purchased. Interest earned on Investment Obligations in all Funds and Accounts, however, is part of the Trust Estate and will be required to be deposited in the General Revenue Fund.

Conditions Precedent to Delivery of a Series of Bonds

Bonds of each series may be authenticated by the Trustee and delivered by the Authority only upon receipt of:

- (i) a certified copy of the Series Resolution authorizing such series;
- (ii) the Certificate of an Authorized Officer of the Authority as to the delivery of such Bonds and describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the purchase price of such Bonds;
- (iii) an approving Counsel's Opinion;
- (iv) a Certificate of an Authorized Officer of the Authority directing the deposit in the Debt Service Reserve Fund (which may be in the form of a Reserve Alternative Instrument if permitted pursuant to the terms of the General Resolution) of so much (if any) of (a) the proceeds of the Bonds to be issued, upon their issuance, sale and delivery or (b) such other funds of the Authority, so that the aggregate amount then held by the Trustee in said Fund is equal to the Debt Service Reserve Requirement;
- (v) a certificate of an Authorized Officer of the Authority stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution or any Series Resolution;
- (vi) a certificate of an Authorized Officer of the Authority establishing that for the current and each future Fiscal Year until all Bonds to be Outstanding after the delivery of the Bonds of such Series are no longer Outstanding, Revenues Available for Debt Service in each such Fiscal Year are anticipated to be fully sufficient to pay when due principal of, premium, if any, and interest on all Bonds Outstanding, as well as Department Reserve Amounts and Operating Costs for each such Fiscal Year, which Certificate may rely upon data and computations made on behalf of the Authority;
- (vii) the amount of the proceeds of the Series to be deposited in any Fund or Account and such further documents, moneys and securities as are required by the General Resolution or by the applicable Series Resolution;
- (viii) evidence of ratings, if any, by each Rating Agency and a Rating Agency Condition (if any Bonds are and will remain Outstanding);
- (ix) UCC-1 financing statements and evidence that appropriate arrangements have been made for the filing of such UCC-1 financing statements; and
- (x) a certificate of an Authorized Officer of the Corporation as to the consent of the Corporation to the issuance of Bonds under such Series Resolution.

Issuance of Refunding Bonds

Bonds of one or more series may be issued to refund Outstanding Bonds or bonds outstanding under another resolution of the Authority subject to the following additional requirements:

- (i) except in the case of Bonds to be paid at the Stated Maturity Date, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds or bonds outstanding under

another resolution to be redeemed from any of the proceeds of such Series on the Redemption Date or Dates specified in such instructions;

(ii) either (a) moneys in an amount sufficient, without any investment thereof, to effect payment of principal or the applicable Redemption Price of the Bonds or bonds outstanding under another resolution to be refunded, together with interest due or to become due on such Bonds or bonds to the Stated Maturity Date or such Redemption Date, which moneys shall either be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective registered owners of Outstanding Bonds or outstanding bonds being refunded, or (b) Defeasance Obligations sufficient to comply with the provisions of the General Resolution described under the heading "DEFEASANCE" below, and any moneys required pursuant to such description (with respect to all or any part of the Outstanding Bonds or outstanding bonds being refunded) which Defeasance Obligations or evidence thereof and moneys will be required to be held in a segregated trust account and used only as so described below; and

(iii) a Certificate of an Authorized Officer of the Authority containing such additional statements as may be reasonably necessary to show compliance with the requirements of the General Resolution.

The Trustee will be required to furnish to the Authority at the time of delivery of the Refunding Bonds a certificate (which may be based upon a verification report of a certified public accountant) stating that, as of the Issue Date, upon receipt of the amounts described in (ii) above, it will hold in trust the moneys and/or Defeasance Obligations required to effect such payment in full of the Outstanding Bonds or outstanding bonds being refunded, and accrued interest thereon.

Covenant to Administer All Aspects of the Student Loan Finance Program

The Authority will covenant that it will administer, operate, and diligently perform or cause the Corporation to administer, operate, and diligently perform all acts and things required to administer, operate, and maintain the Student Loan Finance Program in strict compliance with the Act, in such manner as to assure that such program and the Financed FFELP Loans made thereunder will continue to benefit from the Federal Reimbursement Contracts, federal programs of insurance and reinsurance of FFELP Loans, pursuant to the Higher Education Act, or from any other federal statute providing for any such federal program of insurance or reinsurance, and to assure continued entitlement to receive any applicable Interest Subsidy Payments and Special Allowance Payments, with respect to all Financed FFELP Loans and otherwise in accordance with the Higher Education Act. The Authority will further covenant to administer or cause the Corporation to administer the program for Private Loans in accordance with all requirements of the General Resolution and the PAL Program Manual.

Certain Covenants Relating to Financed Student Loans

The Authority will covenant that only Student Loans eligible to be financed pursuant to the General Resolution and the Act shall be financed from Bond proceeds, or from funds replaced by Bonds proceeds from proceeds of Finance Loans. The Authority, or the Corporation, as the case may be, will be required to collect all principal and interest payments on all the Financed Student Loans and, all grants, subsidies, donations, insurance payments, Special Allowance Payments, and all Default Payments from the Secretary or the Guaranty Agency that relate to Financed Student Loans. The Authority or the Corporation, as the case may be, will be required to use due diligence in perfecting all claims for payment related to Financed FFELP Loans from the Secretary and the Guaranty Agency as rapidly as possible. The Corporation will assign to the Guaranty Agency such Financed FFELP Loans for payment of guarantee or insurance benefits. The Authority will comply, and cause the Corporation to comply, with all United States statutes, rules and regulations which apply to the Student Loan Finance Program and all servicing activities on the Financed Student Loans. The Authority will be required, at all times, to comply and cause the Corporation to comply, with all provisions of the General Resolution and the PAL Program Manual. The Authority and the Corporation will not be permitted to make changes to the PAL Program Manual without first obtaining a Rating Agency Condition unless such change is required by law or regulation, in which case the Authority or the Corporation will provide each Rating Agency with a copy of such change. The Authority will also be required to perform and comply fully and in a timely fashion with all material provisions, covenants, and other promises required to be observed by it under the Higher Education Act, the Act, the Financed Student Loans, the

Guaranty Agreements and other agreements to which the Authority or the Corporation on behalf of the Authority is a party relating to the Trust Estate.

Certain Other Covenants

The Corporation has covenanted in the Loan Agreement to do all such things as the Authority has covenanted in the General Resolution that the Corporation will do and to refrain from doing anything that the Authority has covenanted in the General Resolution that the Corporation will not do. Among other covenants made by the Authority and the Corporation in the General Resolution and the Loan Agreement are those related to the following matters:

Accounts and Reports. The Authority will be required to keep proper books and accounts in which complete and accurate entries will be required to be made of all transactions relating to the Student Loan Finance Program and all Funds and Accounts established by the General Resolution, which will at all reasonable times be subject to the inspection of the Trustee and the registered owners of an aggregate of not less than five percent (5%) in principal amount of Bonds of any Series then outstanding or their representatives duly authorized in writing. The Authority will also be required to cause the Corporation to provide its annual audited financial statements to the Authority and the Trustee within one hundred twenty (120) days from the end of each Fiscal Year and to cause the Corporation to post such annual audited financial statement on the website of the Corporation.

Tax Covenant. With respect to Bonds the interest on which is intended to be excluded from the gross income of the owners thereof pursuant to the authorization of §144(b) of the Code, the Authority will be required not to take any action or inaction, or fail to take any action, or permit any action or inaction to be taken on its behalf or cause or permit any circumstance within its control to arise or continue, with any such action or inaction that would adversely effect the exclusion from gross income for federal income tax purposes of the interest on such Bonds under §103 of the Code.

The Authority will also be required to take any action required to ensure that all Financed Student Loans shall at all times constitute “acquired purpose obligations” within the meaning of §148 of the Code and to that end shall carry out a program of interest rate reductions, loan forgiveness, make yield reduction payments, or take other action to comply with restrictions on excess yield set forth in the Code from time to time.

In furtherance of the foregoing covenants, the Authority covenants to comply with each Tax Exemption Certificate.

Waiver of Laws. The Authority and the Corporation will covenant not to insist upon or plead in any manner whatsoever or to claim or take the benefit of advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the General Resolution, in any Series or Supplemental Resolution, or in the Bonds, and all benefit or advantage of such law or laws has been expressly waived by the Authority.

Personnel and Servicing of Student Loan Finance Program. The Authority will be required at all times to utilize competent and qualified personnel for the purpose of carrying out the Student Loan Finance Program and the Student Loan Insurance Program and will be required to establish and enforce reasonable rules, regulations, tests, and standards governing the employment of such personnel at reasonable compensation, salaries, fees, and charges and all persons so employed will be required to be qualified for their respective positions. Independent contractor companies will be permitted to be engaged to perform any such duties upon notice to the Trustee and the Rating Agencies. However, no such notice is required if the Authority or Corporation engages temporary personnel or consultants.

Pledge of the Trust Estate. Under the General Resolution, the Authority pledges and assigns for the payment of the principal (or, if the Bonds have been duly called for redemption, the Redemption Price) of and interest on Bonds, in accordance with their terms and the provisions thereof and the applicable Series Resolution, and all other payment obligations under the General Resolution subject only to the provisions of the General Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth in the General Resolution, the Trust Estate to the Trustee for the benefit of the Trustee and the Bondholders. It is expressly understood in the General Resolution that there will be released from the lien of such pledge such

Financed Student Loans as may be sold or transferred by the Authority or by the Corporation to the extent that such sale or transfer is authorized under the General Resolution.

The Trust Estate will immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge will be valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the Authority. The security interest granted in the General Resolution with respect to the Financed Student Loans will be required to be perfected in the manner provided by the Higher Education Act and the UCC, as applicable.

It is expressly understood in the General Resolution that, subject to the limitations set forth therein, in any Series Resolution or Supplemental Resolution, there will be released from the lien of such pledge such Trust Estate assets as may be sold, disposed of, or transferred by the Authority or the Corporation to the extent that such sale, disposition or transfer shall be directed by a Certificate of an Authorized Officer of the Authority. The Trustee will be required, upon receipt of a Certificate from such Authorized Officer and subject to the provisions of the General Resolution and any Series Resolution or Supplemental Resolution, to take all actions reasonably necessary to effect the release of any Trust Estate assets from the lien of the General Resolution and the Loan Agreement, as applicable, as directed by such Certificate to permit the sale, disposition, or transfer of such Trust Estate assets.

Subject to the limitations described in the preceding paragraph and elsewhere in the General Resolution or the Loan Agreement, upon receipt of such Certificate of an Authorized Officer, the Trustee will be required to execute instruments provided by such Authorized Officer to release such Trust Estate assets from the lien of the General Resolution and the Loan Agreement, as applicable, or convey the Trustee's interest in the same, in a manner and under circumstances that are not inconsistent with the provisions of the General Resolution and the Loan Agreement. No party relying upon an instrument executed by the Trustee as described under this subheading "Pledge of the Trust Estate," will be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

The Trustee will be required, at such time as there are no Bonds Outstanding and all amounts due and owing under the General Resolution, to release any remaining portion of the Trust Estate from the lien of the General Resolution and to release to the Authority or its assigns any funds then on deposit in the Funds and Accounts.

Sale, Transfer, or other Disposition of Financed Student Loans. The Authority has covenanted that it will not and will not permit the Corporation to sell, transfer, or otherwise dispose of Financed Student Loans unless (i) the Authority first obtains a Rating Agency Condition, (ii) the Authority has been directed to make any such sale following the occurrence of an Event of Default, (iii) it has complied with the asset release requirement upon a refunding as described below under the subheading "**Redemption of Bonds - Asset Release Upon Refunding**," or (iv) all Outstanding Bonds are (subject to the provisions set forth in any applicable Series Resolution) redeemed or defeased within thirty (30) days of such sale, transfer, or disposal.

If necessary or desirable for administrative purposes or, with respect to any particular Student Loan, if requested by the borrower, the Corporation will be permitted to substitute Student Loans for (or purchase for cash at Value) existing Financed Student Loans if the substituted Student Loans have characteristics (including principal amount, maturity date, interest, rate and borrower benefits which shall be no greater than the Student Loans being substituted) which are substantially similar to the characteristics of the substituted Financed Student Loans, and the Trustee shall have received a Certificate of the Corporation certifying that such substitution (or purchase for cash at Value) will not materially adversely affect the Authority's ability to pay principal and interest on the Bonds and all other payment obligations under the General Resolution. In addition, the Corporation will be permitted to substitute one or more Student Loans (of approximately the same aggregate Principal Balance and accrued borrower interest as the substituted Financed Student Loans) for existing Financed Student Loans in order to (i) evidence the additional obligations of borrowers whose Student Loans have been previously Financed under the General Resolution; or (ii) substitute Financed Student Loans that are no longer eligible to be Financed Student Loans under the General Resolution. Any such Financed Student Loans so transferred to the General Resolution in exchange for Student Loans previously Financed from the Loan Account will, for all purposes of the General Resolution, be deemed to have been Financed with moneys in the Loan Account and will be credited to the Finance Loan Fund. No such substitution will be permitted if the Value of such Student Loans being transferred to the General Resolution in such substitution, combined with the Value of all prior transfers, exceeds ten percent (10%) of the aggregate Value of the

Trust Estate since the applicable Issue Date unless a Rating Agency Condition is obtained. Each Rating Agency will be required to be provided notice of such substitution by the Authority, and the Authority will be required to provide a report summarizing the change in the characteristics of the Financed Student Loans. If there is a purchase for cash at Value as described under this subheading, such cash will be deposited into the General Revenue Fund.

Status as Eligible Lender. All Financed FFELP Loans will be required to be originated by an Eligible Lender. The Corporation will be required to maintain its status as an “eligible lender” under the Higher Education Act.

Servicing Covenants From the date of the General Resolution until all of the obligations of the Authority thereunder and under the other Transaction Documents shall be paid in full, the Servicer will be required to service, administer, and make collections with respect to the Financed Student Loans in accordance in all material respects with Accepted Servicing Procedures.

Defaults and Remedies

Events of Default Defined. Under the General Resolution, each of the following events is an Event of Default:

(i) default by the Authority in the payment of any (a) installment of interest on the Bonds or (b) Derivative Payment on a Derivative Product, when due;

(ii) default by the Authority in the payment of any Principal Installment or Redemption Price;

provided, however, that, while there are any Senior Bonds Outstanding, with respect to both items (i) and (ii), failure to pay any installment of interest or principal on any Subordinate Bonds or any Derivative Payment on a Derivative Product on a parity therewith (after the Trustee has drawn upon the Debt Service Reserve Fund with respect to any interest or principal then due or any Derivative Payment on a Derivative Product on a parity therewith), will constitute an Event of Default but such failure shall not give rise to the remedy of acceleration unless there is a corresponding failure to make timely payment of interest or principal on a Senior Bond or Derivative Payment on a Derivative Product on a parity therewith; provided further, that, if (a) on any Interest Payment Date or Redemption Date moneys in the Interest Account shall be sufficient to pay an installment of interest, or (b) if on any Principal Installment Date or Redemption Date moneys in the Principal Account shall be sufficient to pay a Principal Installment or Redemption Price, then in either such event the Trustee shall make the respective payment then due and failure by the Trustee to make such payment shall constitute an Event of Default; provided further that failure to make a Cumulative Sinking Fund Payment will not constitute an Event of Default; or

(iii) failure or refusal by the Authority to comply with the provisions of the Act or default in the performance or observance of any other of the covenants, agreements, or conditions contained in the General Resolution, any Series or Supplemental Resolution, or the Bonds, and such failure, refusal, or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the registered owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds. The Rating Agencies will be required to be notified of such event by the Trustee following such forty-five (45) day period;

(iv) an Event of Insolvency for the Authority shall have occurred; or

(v) an Event of Insolvency for the Corporation shall have occurred.

The Trustee will be required to give immediate notice to any Rating Agency of any Event of Default.

Remedies. The General Resolution provides that upon the happening and continuance of any event described in item (i) or (ii) of the immediately preceding subheading “Event of Default Defined,” the Trustee will be required independently, but only upon the written request of the registered owners of twenty-five percent (25%) or more in principal amount of Outstanding Bonds, to proceed to protect and enforce the rights of the Bondholders by such of the following remedies as they deem most effectual:

(i) enforce by mandamus or other suit, action, or proceedings at law or in equity all rights of the Bondholders, including the right to require the Authority to receive and collect the Trust Estate assets, adequate to carry out the covenants and agreements as to, and pledge of, such Trust Estate, and to require the Authority to carry out any other covenant or agreement with Bondholders and to perform duties under the Act;

(ii) bring suit upon the Bonds;

(iii) require the Authority or the Corporation by action or suit to account as if it were the trustee of an express trust for the Bondholders;

(iv) enjoin by action or suit any acts or things which may be unlawful or in violation of the rights of the Bondholders;

(v) except as limited with respect to Subordinate Bonds, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of not less than twenty-five percent (25%) in principal amount of the registered owners of Outstanding Bonds, to annul such declaration and its consequences; and

(vi) in the event that all Bonds are declared due and payable, to sell all Financed Student Loans, Investment Obligations, and all other Trust Estate assets to the extent necessary to effect their payment.

Additional Discretionary Remedies. Upon the happening of any Event of Default described in item (iii) of the second preceding subheading "*Event of Default Defined*," the Trustee will have the discretion to do any of the following:

(i) sell Financed Student Loans and Trust Estate assets to the extent necessary if it is determined prior to such sale that the proceeds of such sale are sufficient to pay Bondholders the entire amount of principal of, premium, if any, and interest due; provided however that no acceleration of payment will be declared until the Trustee shall hold sufficient funds to effect such payment;

(ii) sell Financed Student Loans and Trust Estate assets without regard to the sufficiency of proceeds if one hundred percent (100%) of the Bondholders approve such sale; or

(iii) to the extent funds in the Trust Estate are available therefor, continue to pay principal of and interest on the Bonds and other amounts payable under the General Resolution in accordance with the terms of the General Resolution.

Corporation's Purchase of Financed Student Loans Permitted. If the Trustee shall determine to sell the Financed Student Loans under the General Resolution as a remedy upon an Event of Default as described in the two immediately preceding subheadings "*Remedies*" and "*Additional Discretionary Remedies*," the Corporation or its designee will be permitted to purchase such Financed Student Loans for an amount equal to the greater of (i) the Value of the Financed Student Loans as of the cutoff date or the date of sale or (ii) an amount sufficient to pay all principal of and interest owing to the Bondholders and all accrued fees and expenses of the Trust Estate; provided, such date of sale will be considered a date of acceleration and the Corporation will be required to pay on such date of sale all amounts due and owing under the General Resolution as a result of such Event of Default and acceleration of the Bonds. The Corporation will have twenty (20) Business Days from its receipt of written notice from the Trustee that an Event of Default has occurred and that the period during which the Corporation may exercise its option to purchase the Financed Student Loans has commenced, to enter into a written agreement to exercise its option to purchase such Financed Student Loans. Such written agreement will be required to specify a purchase date occurring no more than twenty-five (25) Business Days after the Trustee gives written notice that an Event of Default has occurred.

Limitation on Action. No Bondholder shall have any right to institute any action except as described under this heading "**Defaults and Remedies.**" Nothing contained in the General Resolution will impair the right of any Bondholder to enforce payment of principal of, Redemption Price and interest on such Bondholder's Bonds.

Priority of Payments After Default. In the event that, upon the happening and continuance of any Event of Default, the funds held by the Trustee and Paying Agents are insufficient for the payment of principal and interest then due on the Bonds of all Series then Outstanding, such funds and any other moneys received or collected pursuant to the Act and the General Resolution are required to be applied after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees of and expenses, liabilities and advances incurred or made by the Trustee, including, but not limited to, the fees and expenses of its counsel and other agents, as follows:

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

First: For the payment of Operating Costs and Department Reserve Fund Amounts;

Second: With respect to Senior Bonds or Derivative Products on parity with such Senior Bonds, to the payment to the persons entitled thereto of all installments of interest then due on such Senior Bonds and Derivative Payments (excluding Termination Payments) in the order of such installments and, if the amount available shall not be sufficient to pay in full all the Senior Bonds, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

Third: With respect to the Subordinate Bonds or Derivative Products on parity with such Subordinate Bonds, to the payment to the persons entitled thereto of all installments of interest then due on such Subordinate Bonds and Derivative Payments (excluding Termination Payments) in the order of such installments and, if the amount available shall not be sufficient to pay in full all the Subordinate Bonds, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

Fourth: With respect to Senior Bonds, to the payment to the persons entitled thereto of the unpaid principal of any such Senior Bonds, and, if the amounts available shall not be sufficient to pay in full all the Senior Bonds, then to the payment thereof ratably, without any discrimination or preference;

Fifth: With respect to the Subordinate Bonds to the payment to the persons entitled thereto of the unpaid principal of any such Subordinate Bonds, and, if the amounts available shall not be sufficient to pay in full all the Subordinate Bonds, then to the payment thereof ratably, without any discrimination or preference;

Sixth: To pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Senior Bonds;

Seventh: To pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Subordinate Bonds.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable:

First: For the payment of Operating Costs and Department Reserve Fund Amounts;

Second: With respect to the Senior Bonds, to the payment to the persons entitled thereto of all unpaid principal of any Senior Bonds and of installments of interest then due on such Senior Bonds and Derivative Payments (excluding Termination Payments) and, if the amount available shall not be sufficient to pay in full such principal, interest and Derivative Payments, then to the payment of such, without any preference or priority, ratably according to the aggregate amounts due, to the persons entitled thereto;

Third: With respect to the Subordinate Bonds, to the payment to the persons entitled thereto of all unpaid principal of any Subordinate Bonds and of installments of interest then due on such Subordinate Bonds and Derivative Payments (excluding Termination Payments) and, if the

amount available shall not be sufficient to pay in full such principal, interest and Derivative Payments, then to the payment of such, without any preference or priority, ratably according to the aggregate amounts due, to the persons entitled thereto;

Fourth: To pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Senior Bonds; and

Fifth: To pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Subordinate Bonds.

Notice of Event of Default. The General Resolution requires the Trustee to give notice of each Event of Default to Bondholders known to the Trustee within thirty (30) days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice of an Event of Default will be given by the Trustee by mailing written notice thereof: (i) to all Bondholders, as the names and addresses of such Bondholders appear upon the books for registration and transfer of Bonds as kept by the Trustee; (ii) to such Bondholders as have filed their names and addresses with the Trustee for that purpose; and (iii) to such other persons as is required by law. The Trustee will be required to give to each Rating Agency notice of each Event of Default within thirty (30) days after knowledge of the occurrence thereof and to provide written notice to each Rating Agency of any acceleration under the General Resolution.

Modifications of the General Resolution and Outstanding Bonds

Modification and Amendment Without Consent. The General Resolution provides procedures whereby the Authority, with the consent of the Corporation, but without the consent of the Bondholders, may amend the General Resolution by adoption of a Supplemental Resolution. The Authority may adopt at any time or from time to time Supplemental Resolutions, for any one or more of the following purposes:

(i) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the General Resolution as may be set forth in a Rating Agency Condition and, in the opinion of the Trustee, who may rely upon an opinion of counsel, shall not materially and adversely affect the interest of the Bondholders; or

(ii) to surrender any right, power, or privilege reserved to or conferred upon the Authority by the terms of the General Resolution as may be set forth in a Rating Agency Condition, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the General Resolution and, in the opinion of the Trustee, who may rely upon an opinion of counsel, shall not materially and adversely affect the interest of the Bondholders; or

(iii) to confirm as further assurance any pledge under and the subjection to any lien, claim, or pledge created or to be created by the provisions of the General Resolution; or

(iv) to cure any ambiguity or defect or inconsistent provision in the General Resolution or to insert such provisions clarifying matters or questions arising under the General Resolution as are necessary or desirable as may be set forth in a Rating Agency Condition; provided such cure or additional provisions and agreements shall not, in the opinion of the Trustee, who may rely upon an opinion of counsel, materially and adversely affect the interest of the Bondholders; or

(v) to take any action that may be required to maintain compliance with the Higher Education Act or other law applicable to the Student Loan Finance Program; or

(vi) to add provisions allowing derivatives, interest rate swap agreements, interest rate caps or other similar hedging contracts to the General Resolution upon receipt of a Rating Agency Condition; or

(vii) to maintain the tax exempt status of the interest on a series of Bonds; or

- (vii) upon receipt of a Rating Agency Condition.

Supplemental Resolutions Effective with Consent of Bondholders. The provisions of the General Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Bondholders in accordance with and subject to the provisions of the General Resolution described below under the subheadings “Powers of Amendment With Consent of Bondholders,” “Mailing of Notices,” and “Modifications by Unanimous Consent,” such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. A copy of such filing will also be required to be sent by the Authority to each Rating Agency.

General Provisions Relating to Supplemental Resolutions. The General Resolution will not be permitted to be modified or amended in any respect except in accordance with and subject to the provisions of the General Resolution described under this heading “**Modifications of the General Resolution and Outstanding Bonds.**” Nothing contained in the provisions of the General Resolution described under this heading “**Modifications of the General Resolution and Outstanding Bonds.**” Will affect or limit the rights or obligations of the Authority to adopt, make, do, execute, or deliver any resolution, act, or other instrument pursuant to the provisions of the General Resolution described below under the subheading “Modifications by Unanimous Consent” or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the General Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Supplemental Resolution adopted by the Authority when filed with the Trustee will be required to be accompanied by a Counsel’s Opinion stating that such Supplemental Resolution has been duly adopted in accordance with the provisions of the General Resolution, is authorized by the General Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms.

The Trustee is authorized in the General Resolution to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the provisions of the General Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee will be fully protected in relying on a Counsel’s Opinion that such Supplemental Resolution is authorized by the provisions of the General Resolution.

The General Resolution provides that no Supplemental Resolution changing, amending, or modifying any of the rights or obligations of the Trustee or of any Paying Agent may be adopted by the Authority without the written consent of the Trustee or Paying Agent affected thereby.

Powers of Amendment with Consent of Bondholders. Any modification or amendment of the General Resolution and of the rights and obligations of the Authority and of the Bondholders, may be made by a Supplemental Resolution, with the written consent given as hereinafter described under this subheading, of the registered owners of at least a majority in principal amount of the Bonds Outstanding of each affected Class at the time such consent is given. Unless with the unanimous written consent of all Bondholders however, no such amendment will be permitted to:

- (i) permit a change in the terms of redemption or Stated Maturity Date of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount thereof or the rate of interest thereon,
- (ii) reduce the percentage of Bonds the consent of the Bondholders of which is required to effect such amendment, or
- (iii) change the existing preferences or priorities of Bonds over any other Bonds or create any new preferences or priorities.

A copy of such Supplemental Resolution (or brief summary thereof or reference thereto) together with a request to Bondholders for their consent thereto, will be required, promptly after adoption, to be mailed by the Authority to Bondholders (but failure to mail such copy and request will not affect the validity of the Supplemental Resolution when consented to as in under this subheading described). Such Supplemental Resolution will not be effective unless and until:

(i) there shall have been filed with the Trustee (a) the written consents of registered owners of the percentage of Outstanding Bonds described under this subheading and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly adopted and filed by the Authority in accordance with the provisions of the General Resolution, is authorized by the General Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and

(ii) a notice shall have been mailed as hereinafter under this subheading described.

Each such consent will be effective only if accompanied by proof of the holding at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates filed with the Trustee that the Trustee has examined such proof and that such proof is sufficient under the provisions of the General Resolution will be conclusive that the consents have been given by the Bondholders described in such certificate or certificates. Any such consent will be binding upon the registered owner of the Bonds giving such consent and, anything in the General Resolution to the contrary notwithstanding, upon any subsequent registered owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Bondholder thereof has notice thereof), unless such consent is revoked in writing by the registered owner of such Bonds giving such consent or a subsequent registered owner thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in under this subheading described is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the registered owners of the required percentage of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee will be required to make and file with the Authority a written statement that such Bondholders have filed such consents. Such written statement will be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the registered owners of the required percentages of Bonds and will be effective as described under this subheading, will be required to be given to Bondholders by the Authority by mailing such notice to Bondholders as described below under the subheading "Mailing of Notices" (but failure to mail such notice will not prevent such Supplemental Resolution from becoming effective and binding as under this subheading described). The Authority will be required to file with the Trustee proof of the mailing thereof. A transcript, consisting of the papers required or permitted by provisions of the General Resolution described under this subheading to be filed with the Trustee, will be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification will be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent, and the Bondholders at the expiration of thirty (30) days after the filing with the Trustee of the proof of the mailing of such last-described notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such 30-day period; provided, however, that the Authority, the Trustee, and any Paying Agent during such 30-day period and any such further period during which any such action or proceeding may be pending will be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Mailing of Notices. Any provision described under this heading "**Modifications of the General Resolution and Outstanding Bonds**" for the mailing of a notice or other document to Bondholders will be deemed fully complied with if it is mailed postage prepaid only

(i) to each Bondholder at his address, if any, appearing upon the registry books of the Authority, and

(ii) to the Trustee.

Modifications by Unanimous Action. Notwithstanding anything described under this heading "**Modifications of the General Resolution and Outstanding Bonds**," the rights and obligations of the Authority and of the Bondholders and the terms and provisions of the Bonds or of the General Resolution may be modified or amended in any respect upon the adoption of a Supplemental Resolution by the Authority and the consent all of the Bondholders, such consent to be given as described above under the subheading "Powers of Amendment with Consent of Bondholders;" provided, however, that no such modification or amendment will change or modify any of

the rights or obligations of any Fiduciary without its written assent thereto in addition to the consent of the Authority and of the Bondholders.

Exclusion of Bonds. Unless the Authority owns all of the Bonds Outstanding, Bonds, if any, owned or held by or for the account of the Authority will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the General Resolution, and the Authority will not be entitled with respect to such Bonds to give any consent or take any other action provided for in the General Resolution. At the time of any consent or other action taken under the General Resolution, the Authority will be required to furnish the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Issuance of Notes, Additional Bonds, and Other Obligations

The General Resolution will provide that the Authority may, at any time or from time to time, issue notes, bonds, and other obligations having such terms and provisions and secured by a pledge of such moneys or other assets of the Authority as the resolution authorizing the same shall provide; provided however, that any pledge to the holders of any such notes, bonds, or other obligations, of the Trust Estate, any Fund or Account, or other moneys or assets of the Authority pledged or assigned to the Trust Estate under the General Resolution will be, and will be required to be expressed to be, subordinate in all respects to the pledge or assignment on the Trust Estate created under the General Resolution, and subject in all respects to the provisions thereof concerning the permitted application of such pledged moneys and assets comprising the Trust Estate. The Authority may make or otherwise finance student loans with moneys not constituting Trust Estate assets other than those Financed Student Loans financed pursuant to the terms of the General Resolution, provided that such program does not in any way jeopardize or impair the pledge or assignment of any revenues or other assets for the benefit of the Bondholders under the General Resolution, or any rights of the Bondholders thereunder.

Defeasance

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to all of the Bondholders the principal or Redemption Price, if applicable, and interest due or to become due thereon and all other payment obligations under the General Resolution at the times and in the manner stipulated therein and in the General Resolution, then the pledge of any Trust Estate to the Bondholders and other parties secured by the Trust Estate, will thereupon cease, terminate, and become void and be discharged and satisfied. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Outstanding Bonds of a particular Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, and all other payment obligations with respect thereto at the times and in the manner stipulated therein and in the General Resolution, such Bonds shall cease to be entitled to any lien, benefit, or security under the General Resolution, and all covenants, agreements, and obligations of the Authority to the registered owners of such Bonds shall thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds or interest installments thereon for the payment or redemption of which moneys shall have been set aside and shall be held in trust by Fiduciaries (through deposit by the Authority of funds for such payment or redemption or otherwise) will, at the due date, Stated Maturity Date, or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph. All Outstanding Bonds will, prior to the Stated Maturity Date or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if (i) in case any of said Bonds are to be redeemed on any date prior to their Stated Maturity Date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail a notice of redemption on said date of such Bonds, (ii) there shall have been deposited with, or credited to the account (at a Federal Reserve Bank) of, the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due and without reinvestment will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, and interest due and to become due on said Bonds on and prior to the due date, Redemption Date, or Stated Maturity Date thereof, as the case may be; provided that, except in the event of a full cash defeasance or a current refunding of less than ninety (90) days to the Stated Maturity Date or Redemption Date, the sufficiency of such moneys or investments must be confirmed to the Authority in a report of an independent certified public accountant, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding ninety (90) days, the

Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the registered owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. Neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Obligations may be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal or Redemption Price, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or Stated Maturity Date thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien, or pledge.

If, through the deposit of moneys by the Authority or otherwise, the Fiduciaries shall hold, pursuant to the General Resolution, moneys sufficient to pay the principal and interest to the Stated Maturity Date on all Outstanding Bonds and all other payment obligations under the General Resolution, or in the case of Bonds in respect of which the Authority shall have taken all action necessary to redeem prior to the Stated Maturity Date, sufficient to pay the Redemption Price and interest to such Redemption Date and all other payment obligations under the General Resolution, then at the request of the Authority all moneys held by any Paying Agent will be paid over to the Trustee and, together with other moneys held by it under the General Resolution, will be held by the Trustee for the payment or redemption of Outstanding Bonds and payment of all other payment obligations under the General Resolution.

Concerning Fiduciaries

Trustee. The Trustee will be required, prior to any Event of Default and after the curing of all Events of Default that may have occurred, to perform such duties and only such duties of the Trustee as are specifically set forth in the General Resolution and in any Series Resolution. The Trustee will be required, during the existence of any Event of Default that has not been cured, to exercise such of the rights and powers vested in it by the General Resolution 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/her own affairs.

The Trustee will not be liable for any action taken or omitted by it in good faith without negligence which it believes to be authorized under the General Resolution and within its powers. The Trustee will not be liable for any action taken or omitted by it in good faith at the direction of the Bondholders, as to the time, method, and place of conducting any proceedings for any remedy available to the Trustee or the exercise of any power conferred by the General Resolution.

Appointment and Acceptance of Duties of Paying Agents. Prior to the delivery of each Series of Bonds, a Paying Agent or Agents for the Bonds of such Series will be required to be appointed in the Series Resolution authorizing such Series unless a book-entry system is directed for a given Series of Bonds in which event the depository under such system will serve as paying agent.

The Trustee and any Paying Agent will be designated Fiduciaries for purposes of the provisions of the General Resolution described under this heading.

Responsibility of Fiduciaries. The recitals of fact in the General Resolution, in any Series Resolution, and in the Bonds contained will be taken as the statements of the Authority, and no Fiduciary will assume any responsibility for the correctness of the same. No Fiduciary will make any representations as to the validity or sufficiency of the General Resolution, of any Series Resolution, or of any Bonds issued thereunder or in respect of the security afforded by the General Resolution, and no Fiduciary will incur any responsibility in respect thereof. No Fiduciary will be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof in accordance with the provisions of the general Resolution or the application of any moneys paid to the Authority or to the Corporation. No Fiduciary will be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary will be under any obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any suit in respect

hereof, or to advance any of its own moneys, unless properly indemnified against all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. No Fiduciary will be liable in connection with the performance of its duties under the General Resolution except for its own negligence or default. The permissive right of any Fiduciary to do things enumerated in the General Resolution will not be construed as a duty of such Fiduciary, and such Fiduciary will be answerable only for its own negligence or willful misconduct.

Permitted Acts and Functions. The Fiduciaries may become a Bondholder with the same rights they would have if they were not such Fiduciaries. Any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the General Resolution, whether or not any such committee shall represent a Majority of the Bondholders.

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the General Resolution by giving not less than sixty (60) days' written notice to the Authority and publishing notice thereof, specifying the date when such resignation shall take effect, once in an Authorized Newspaper, and such resignation will take effect only upon the appointment, acceptance, and qualification of a successor trustee, which successor trustee must be an Eligible Lender.

Removal of Trustee. The Trustee will be required to be removed by the Authority if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Authority, and signed by a Majority of the Bondholders or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority. The Authority will be permitted to remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the Authority by filing with the Trustee an instrument signed by an Authorized Officer of the Authority. Such removal will take effect only upon the appointment, acceptance, and qualification of a successor Trustee, which successor Trustee must be an Eligible Lender.

Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Authority will covenant and agree that it will thereupon appoint a successor Trustee which successor Trustee must be an Eligible Lender. The Authority will be required to publish notice of any such appointment made by it in an Authorized Newspaper, such publication to be made once within twenty (20) days after such appointment. Such appointment will take effect only upon the qualification of such successor Trustee.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the provisions of the General Resolution described under this heading within forty-five (45) days after the Trustee shall have given to the Authority written notice, as described above under the subheading "Removal of Trustee," or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or any Bondholder, at the expense of the Authority, may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee so appointed in succession to the Trustee will be required to be a trust company or bank having the powers of a trust company within or outside of the State, having a capital and surplus aggregating at least One Hundred Million Dollars (\$100,000,000) if there be such a trust company or bank, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Resolution. The Authority will be required to notify each Rating Agency of the appointment of a successor Trustee (which shall include appointment of a successor Paying Agent, Registrar and Tender Agent).

Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under the General Resolution will be required to execute, acknowledge, and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, will become fully vested with all moneys, estates, properties, rights, powers, duties, and obligations of such predecessor Trustee, with like effect as if originally named as Trustee. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and

certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing will, on request, and so far as may be authorized by law, be executed, acknowledged, and delivered by the Authority. Any such successor Trustee will be required to notify the Paying Agents promptly of its appointment as Trustee.

Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion, or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank that is qualified to be a successor to such Fiduciary under the provisions described the subheading "Appointment of Successor Trustee" above or the subheading "Resignation or Removal of the Paying Agent or Registrar and Appointment of Successors," below as applicable, and shall be authorized by law to perform all the duties imposed upon such Fiduciary by the General Resolution, will be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Resignation or Removal of the Paying Agent or Registrar and Appointment of Successors. The Paying Agent or the Registrar will be permitted at any time to resign and be discharged of the duties and obligations created by the General Resolution by giving at least sixty (60) days' written notice to the Authority and Trustee. The Paying Agent or the Registrar will be permitted to be removed at any time by an instrument filed with such Paying Agent or the Registrar and the Trustee and signed by an Authorized Officer of the Authority. Any successor Paying Agent or Registrar will be required to be appointed by an Authorized Officer of the Authority and to be a trust company or bank having the powers of a trust company within or outside the State, having a capital and surplus aggregating at least One Hundred Million Dollars (\$100,000,000), and willing and able to accept the office of Paying Agent or Registrar on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Resolution.

Appointment of Co-Trustee. The Authority and the Trustee will have power to appoint and upon the request of the Trustee the Authority will be required for such purpose to join with the Trustee in the execution of all instruments necessary or proper to appoint another corporation or one or more persons approved by the Trustee, either to act as co-trustee or co-trustees jointly with the Trustee of all or any of the property subject to the lien of the General Resolution, or to act as separate trustee or trustee of all or any such property, with such powers as may be provided in the instrument of appointment and to vest in such corporation or person or persons as such separate trustee or co-trustee any property, title, right, or power deemed necessary or desirable. In the event that the Authority shall not have joined in such appointment within thirty (30) days after the receipt by it of a request so to do, the Trustee will be permitted to request a court appointment of such co-Trustee. Should any deed, conveyance or instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed for more fully and certainly vesting in and confirming to him or to it such properties, rights, powers, trusts, duties, and obligations, any and all such deeds, conveyances, and instruments in writing will be required, on request, to be executed, acknowledged, and delivered by the Authority.

Trustee's Duty to Service Financed Student Loans. The Trustee will be under no duty to service the Financed Student Loans or to monitor the servicing of the Financed Student Loans; provided, however, upon the occurrence of any Event of Default and for so long as any Event of Default shall be continuing, the Trustee will be required to monitor the servicing of Financed Student Loans, and if reasonably necessary in the judgment of the Trustee under the circumstances, to provide for the servicing of Financed Student Loans. The duties of the Trustee described under this subheading "Trustee's Duty to Service Financed Student Loans" will be permitted to be performed by the Trustee or by any qualified agent, employee, or other entity selected by the Trustee in the exercise of its reasonable judgment and discretion.

Redemption of Bonds

Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to the Stated Maturity Date pursuant to a Series Resolution will be redeemable, upon notice as described under this heading "**Redemption of Bonds**," at such times, at such Redemption Prices, and upon such terms as may be specified in the Series Resolution authorizing such Series.

Redemption at the Election or Direction of the Authority. In the case of any redemption of Bonds otherwise than as described below under the subheading "Redemption Otherwise than at Authority's Election or Direction," the Authority will be required to give written notice to the Trustee of its election or direction so to redeem, of the Redemption Date, of the Class and Series, of the principal amounts of the Bonds of each Stated Maturity Date of such Class and Series to be redeemed (which Redemption Date, Class, Series, maturities, and principal amounts thereof may be determined in its sole discretion, subject to any limitations with respect thereto contained in the General Resolution and any Series Resolution) and of any moneys to be applied to the payment of the Redemption Price. Such notice will be required to be given in accordance with a Series Resolution or such shorter period as shall be acceptable to the Trustee in its sole discretion. In the event notice of redemption shall have been given as described below under the subheading "Notice of Redemption," the Trustee will be required, prior to the Redemption Date, to pay to the appropriate Paying Agent or Paying Agents from the Debt Service Fund an amount in cash that, in addition to other moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof, all of the Bonds to be redeemed.

Redemption Otherwise than at Authority's Election or Direction. Whenever by the terms of the General Resolution, the Trustee shall be required to redeem Bonds otherwise than at the election or direction of the Authority, and subject to and in accordance with the terms of described under this heading "**Redemption of Bonds,**" the Trustee will be required to select the redemption date of the Bonds to be redeemed, give the notice of redemption, and pay the Redemption Price to the appropriate Paying Agents from the Debt Service Fund.

Selection of Bonds to be Redeemed. Each Series Resolution will be required to provide for the manner of redemption in the event of redemption of less than all the Outstanding Bonds of a Series. In the absence of direction by a Series Resolution, Supplemental Resolution, or Certificate of the Authority, the Trustee will be required to redeem Bonds in chronological order of the date that Principal Installments are due, subject to the procedures of the Securities Depository. In the event that Bonds have Principal Installments due on the same date, the Trustee will be required first to redeem *pro rata* among any such taxable Bonds and then to redeem *pro rata* among any such tax-exempt Bonds subject to the procedures of the Securities Depository.

Notice of Redemption. Unless otherwise directed in an applicable Series Resolution, when the Trustee shall receive notice from the Authority of its election or direction to redeem Bonds as described above under the subheading "Redemption at the Election or Direction of the Authority," and when redemption of Bonds is required by the General Resolution as described above under the subheading "Redemption Otherwise than at Authority's Election or Direction," the Trustee will be required to give notice in the name of the Authority, of the redemption of such Bonds, which notice will be required to specify the Series and maturities of the Bonds to be redeemed, the Redemption Date, and the place or places where amounts due upon such redemption will be payable, and, if less than all of the Bonds of any like Series and Stated Maturity Date are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Such notice will be required further to state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such Redemption Date, interest thereon will cease to accrue and be payable. Such notice will be required, however, to state that it is a conditional notice and that the redemption shall be cancelled if moneys are not available on the Redemption Date as described below under the subheading "Payment of Redeemed Bonds." The Trustee will be required to mail a copy of such notice in accordance with the applicable Series Resolution.

Payment of Redeemed Bonds. Notice having been given in the manner described above under the subheading "Notice of Redemption," the Bonds or portions thereof so called for redemption will become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with, a written instrument of transfer duly executed by the Bondholder or his duly authorized attorney, such Bonds, or portion thereof will be paid at the Redemption Price plus interest accrued and unpaid to the Redemption Date. If there shall be drawn for redemption less than all of a Bond, the Authority will be required to execute and the Trustee will be required to authenticate and the Paying Agent to deliver, upon the surrender of such Bond, without charge to the Bondholder, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the Bondholder, Bonds of like Series, interest rate and Stated Maturity Date in any Authorized Denominations. If, on

the Redemption Date, moneys for the redemption of all the Bonds (or portions thereof) to be redeemed, together with interest to the Redemption Date, shall be held by any Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as described above, then, from and after the Redemption Date interest on the Bonds or portions thereof so called for redemption will cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, the redemption will be required to be cancelled, and such Bonds or portions thereof will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Asset Release Upon Refunding. Subject to the limitations described above under the heading “**DEFEASANCE**,” Outstanding Bonds may be refunded and the associated assets transferred and released in conjunction with such refunding from the lien of the General Resolution and the Loan Agreement. The amount of assets released may be less than or equal to any of the following as certified by an Authorized Officer of the Authority: (i) if the Parity Percentage is greater than or equal to 120% such amount that would cause the Parity Percentage immediately following such transfer to equal or exceed the Parity Percentage immediately prior to the refunding transaction, (ii) if the Parity Percentage is less than 120%, such amount that would cause the Parity Percentage immediately following such transfer to equal or exceed 120%, or (iii) such greater amount referenced in a Rating Agency Condition.

APPENDIX "D"

**FINANCIAL INFORMATION
WITH RESPECT TO THE AUTHORITY**

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SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY

COLUMBIA, SOUTH CAROLINA

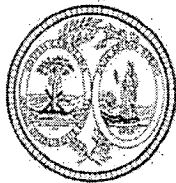
FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2009 AND 2008

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State of South Carolina



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DEPUTY STATE AUDITOR

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October 2, 2009

The Honorable Mark Sanford, Governor
and
Members of the Authority
South Carolina State Education Assistance Authority
Columbia, South Carolina

This report on the audit of the basic financial statements of the South Carolina State Education Assistance Authority and the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the fiscal year ended June 30, 2009, was issued by Derrick, Stubbs & Stith, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Authority
South Carolina State Education Assistance Authority
Columbia, South Carolina

We have audited the accompanying financial statements of the Enterprise Fund of the South Carolina State Education Assistance Authority as of and for the years ended June 30, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 statements presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Enterprise Fund of the South Carolina State Education Assistance Authority.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise Fund of the South Carolina State Education Assistance Authority as of June 30, 2009 and 2008, and the respective changes in its financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the South Carolina State Education Assistance Authority taken as a whole. The schedules, listed in the table of contents as supplementary information, are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Derrick, Stubbs & Stith, L.L.P.

September 15, 2009

**South Carolina State Education Assistance Authority
Management's Discussion and Analysis**

The South Carolina State Education Assistance Authority (Authority) functions to guarantee and provide financing for education loans for students and parents. As a guarantor, the Authority processes loans submitted for guarantee, issues loan guarantees, provides collection assistance for delinquent loans, pays claims for loans in default, collects loans on which default claims have been paid, and makes appropriate responses to the Secretary. As a provider of financing, the Authority issues bonds to finance education loans.

The Authority was originally created to provide a means of making loans to students in order to enable them to attend eligible institutions, as such terms are defined in the Higher Education Act. Such loan financing has been conducted by the Authority through its Student Loan Finance Program which has been administered by the South Carolina Student Loan Corporation (Corporation) since its inception.

The Corporation and the Authority have entered into Loan Agreements pursuant to the terms of which the Authority has agreed to lend bond proceeds to the Corporation to enable the Corporation to make or acquire education loans. The obligation of the Corporation to repay the finance loans is evidenced by a promissory note of the Corporation and is secured by a pledge under the Loan Agreement.

This section of the Authority's annual financial report presents a discussion and analysis of the Authority's financial performance for the fiscal year ended June 30, 2009. Please read it in conjunction with the Authority's statement of net assets, statements of revenue, expenses and changes in net assets, statement of cash flows, and the notes to financial statements, which follow this section.

FINANCIAL HIGHLIGHTS:

●	The Authority's total assets at June 30, 2009 were approximately \$1,177,983,000, which is a decrease of approximately \$16,578,000 or 1% less than June 30, 2008.
●	The Authority's finance loans at June 30, 2009 were approximately \$1,068,992,000, which is an increase of approximately \$58,094,000 or 6% over June 30, 2008.
●	The Authority's operating revenue for the fiscal year ended June 30, 2009 was approximately \$55,135,000, which is a decrease of approximately \$24,675,000 or 31% over the fiscal year ended June 30, 2008.
●	The Authority's interest expense for the fiscal year ended June 30, 2009 was approximately \$25,826,000, a decrease of approximately \$26,618,000 or 51% less than reported during the fiscal year ended June 30, 2008.
●	The Authority's total other operating expenses for the fiscal year ended June 30, 2009 was approximately \$26,872,000, which is an increase of approximately \$2,067,000 or 8% over the fiscal year ended June 30, 2008.
●	The Authority's change in net assets for the fiscal year ended June 30, 2009 was approximately \$1,228,000, which is an increase of 1% in net assets over the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied on an accrual basis. Under the accrual basis of GAAP, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The three basic financial statements presented within the financial statements are:

Statements of Net Assets – This statement presents information regarding the Authority's assets, liabilities and net assets. Net assets represent the total assets less the total liabilities. The statement of net assets classifies assets, liabilities and net assets as current, long-term and restricted.

Statements of Revenues, Expenses and Changes in Net Assets – This statement presents the Authority's interest income, cost of funds, operating expenses and changes in net assets for the fiscal year.

Statements of Cash Flows – The Authority's statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, non-capital financing, capital and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY:

The Authority's total net assets at June 30, 2009 were approximately \$146,057,000 which is an increase of approximately \$1,228,000 or 1% over June 30, 2008. Components of the Authority's balance sheet as of June 30, 2009 and June 30, 2008 were as follows:

	2009	2008	Percentage Increase/(Decrease)
Current Assets	\$ 155,729,653	\$ 254,127,980	-39%
Capital assets	160,075	222,779	-28%
Other Long-Term Assets	1,022,092,905	940,209,592	9%
Restricted Assets	<u>0</u>	<u>0</u>	0%
Total Assets	\$ <u>1,177,982,633</u>	\$ <u>1,194,560,351</u>	-1%
Current Liabilities	\$ 17,412,335	\$ 36,701,137	-53%
Long-Term Liabilities Payable	<u>1,014,513,773</u>	<u>1,013,030,435</u>	-0%
Total Liabilities	\$ <u>1,031,926,108</u>	\$ <u>1,049,731,572</u>	-2%
Net Assets:			
Invested in Capital Assets	\$ 160,075	\$ 222,779	-28%
Restricted	144,669,418	143,387,960	1%
Unrestricted	<u>1,227,032</u>	<u>1,218,040</u>	1%
Total Net Assets	\$ <u>146,056,525</u>	\$ <u>144,828,779</u>	1%
Total Liabilities and Net Assets	\$ <u>1,177,982,633</u>	\$ <u>1,194,560,351</u>	-1%

Please see Note 6 and Note 8 respectively for more detail on capital assets and long-term debt activity. The decrease noted above in the Authority's total assets is due to the retirement of bonds and a subsequent decrease in cash. Total assets decreased from approximately \$1,194,560,000 at June 30, 2008 to approximately \$1,177,983,000 at June 30, 2009. Finance loans increased 6% from approximately \$1,010,898,000 at June 30, 2008 to approximately \$1,068,992,000 at June 30, 2009.

Components of the statement of revenues, expenses and changes in net assets for these two fiscal years are as follows:

	2009	2008	Percentage Increase/(Decrease)
Loan Interest Income	\$ 36,188,442	\$ 56,841,428	-36%
Guaranty Agency Income**	17,979,433	14,212,213	27%
Investment Interest Income	<u>967,101</u>	<u>8,756,366</u>	-89%
Total Operating Revenue	\$ <u>55,134,976</u>	\$ <u>79,810,007</u>	-31%
Interest Expense	\$ <u>25,826,245</u>	\$ <u>52,443,987</u>	-51%
Other Operating Expenses:			
General Administration	5,157,751	4,268,164	21%
External Loan Servicing	5,326,708	7,999,494	-33%
Borrower Incentives	2,380,298	1,353,378	76%
Consolidation and Lender Rebate Fees	2,591,141	3,164,621	-18%
Other Fees	<u>11,416,378</u>	<u>8,019,603</u>	42%
Total Other Operating Expenses	\$ <u>26,872,276</u>	\$ <u>24,805,260</u>	8%
Total Operating Expenses	\$ 52,698,521	\$ 77,249,247	-32%
Total Non-Operating (Income)Expenses	<u>1,208,709</u>	<u>(4,342,458)</u>	-128%
Change in Net Assets	1,227,746	6,903,218	-82%
Beginning Net Assets	<u>144,828,779</u>	<u>137,925,561</u>	5%
Ending Net Assets	\$ <u>146,056,525</u>	\$ <u>144,828,779</u>	1%

The decrease noted above in the Authority's change in net assets of \$5,675,472 over the prior year was due to multiple reductions in the short-term interest rates during the period. Additionally, the Authority is restricted to a statutory amount of interest that it can earn on each FFELP loan. As an incentive to offer FFELP loans, the Authority was allowed to retain the difference between the loan rate and the allowed statutory rate prior to 2006. As of 2006, however, the difference between the statutory rate and the rate earned on each loan was required to be paid to the U.S. Department of Education. The statutory rate allowed to be earned on each FFELP loan is based on an index of the three month Financial Commercial Paper rate and as a result of the economic downturn during the reporting period the normal spread relationship between the borrower's rate on the loan and the statutory rate allowed to be earned on the loans became skewed. This abnormal relationship also contributed to decrease in interest revenue during this reporting period.

The decrease in investment interest income during the year ended June 30, 2009 is primarily due to multiple reductions in short term interest rates during the reporting period. The decrease in interest expense during the year ended June 30, 2009 is also the result of multiple reductions in interest rates during the reported period due to the existing economic environment.

As noted above, the Authority's other operating expenses for the fiscal year ended June 30, 2008 increased by 8% over the previous fiscal year.

The Authority prepares an annual operating budget that is used as a management control device for tracking the various expenses. Accounting principles generally accepted in the United States of America do not require a comparison of budget to actual expenses for proprietary funds.

Non-operating expenses increased by approximately \$5,551,000 or 128% due to an increase in arbitrage payable as discussed in Note 13 of the financial statements.

DEBT ADMINISTRATION:

The Authority has funded student loan notes by issuing tax-exempt bonds. The bonds must be approved by the Authority's and the Corporation's boards prior to being issued. Tax-exempt bonds also must receive an allocation of the State of South Carolina private activity volume ceiling or "cap". In addition, the financings must comply with federal statutes and with the rules and regulations of the United States Treasury Department.

At June 30, 2009 and June 30, 2008, the Authority had \$1,011,050,000 principal amount of bonds outstanding. Detailed information on the Authority's debt is presented in Note 8 to the financial statements.

All \$1,011,050,000 of Authority debt is publicly held and has long-term credit ratings assigned by Moody's Investors Service (Moody's), or Standard and Poor's (S&P) based on the type of security as shown in the table below. The credit ratings have been maintained, and periodically the ratings have been confirmed in connection with new parity debt issues or extensions of recycling periods.

<u>Credit Rating(s)</u>	<u>Principal Amount</u>	<u>Type of Security</u>
AAA S&P or Aaa Moody's	\$984,050,000	Senior Lien
A2 Moody's	\$ 27,000,000	Subordinate Lien

CONDITIONS AFFECTING FINANCIAL POSTION

President Obama's fiscal year 2010 budget submitted to Congress earlier this year proposed the elimination of the FFEL Program in favor of the government run Direct Loan program beginning July 1, 2010.

On July 21, 2009, the House Education and Labor Committee concluded a markup by voting to approve the Student Aid and Fiscal Responsibility Act (H.R. 3221) ("SAFRA"). SAFRA calls for all new federal student loans to be originated through the Direct Loan program effective July 1, 2010. SAFRA plans to spend the projected budgetary savings on increased maximum Pell Grants, Access and Completion Grants, community college grants, grants for minority-servicing institutions, school construction and early childhood education. On September 17, 2009, the U.S. House of Representatives adopted SAFRA. The Senate is expected to introduce their version in late September which will be considered by the Senate HELP Committee for review and eventually to the Senate floor. It is uncertain what changes will be made to the proposed legislation as it moves through the Senate and prior to the final vote by the Senate. This process is not expected to be completed until November 2009.

If the legislation eventually becomes law, it is expected that it will have an impact on the future earnings of the Authority. The impact expected cannot be projected as the terms of the legislation have not yet been completed, therefore an estimate cannot be reasonably predicted.

The U.S. Department of Education issued a report on September 8, 2009 claiming an overpayment to the Authority of approximately \$4,200,000 of principal, and over \$650,000 in interest as a result of findings in a prior examination of the Lender of Last Resort Program (LLR). The Authority believes that this claim is without merit and plans to contest the claim. Please see Note 15 to the financial statements for more detailed information.

In the second quarter of 2008, the Internal Revenue Service (IRS) performed an audit on the South Carolina State Education Assistance Authority Guaranteed Student Loan Revenue Bonds, 1998 Series (the "1998 Bonds"), issued by the Authority. As a result of the audit, the IRS issued the Authority a Form 5701-TEB notice of Proposed Issue in March of 2009 which raised issues regarding the methodology for tracking student loans originated with the proceeds of the 1998 Bonds and the treatment of the consolidation loan rebate fee paid by the Corporation to the Department of Education. The IRS asserts that the bond issue fails to qualify as a tax-exempt bond due to their findings and that interest on the 1998 Bonds to the bondholders would not be excludable from gross income under Section 103(a) of the Code. The IRS estimates that the tax exposure is approximately \$1,000,000. The Authority has responded to the IRS by disputing the conclusions contained in the Form 5701 and is awaiting a response from the IRS. Please see Note 15 to the financial statements for more detailed information.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
STATEMENTS OF NET ASSETS
ENTERPRISE FUND
JUNE 30, 2009 AND 2008**

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 75,285,947	\$ 139,958,318
Cash and cash equivalents - restricted	19,927,477	33,800,215
Receivables		
Current portion of finance loans	50,820,000	75,000,000
Due from South Carolina Student Loan Corporation	6,845,590	1,579,200
Accrued interest receivable	1,728	58,369
Federal reinsurance receivable	2,026,472	3,088,865
Loan processing issuance fee receivable	287,939	177,253
Account maintenance fee receivable	534,500	465,760
Total current assets	155,729,653	254,127,980
Long-Term and Other Assets		
Receivables		
Finance loans, less current portion	1,018,171,820	935,897,827
Deferred cost of issuance of bonds	3,921,085	4,311,765
Total long-term and other assets	1,022,092,905	940,209,592
Property, Plant & Equipment		
Furniture and equipment	620,431	562,025
Automobile	22,338	22,338
Less: accumulated depreciation	(482,694)	(361,584)
Total property, plant & equipment	160,075	222,779
Total assets	\$ 1,177,982,633	\$ 1,194,560,351
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 53,192	\$ 82,608
Compensated absences	296,098	252,042
Due to South Carolina Student Loan Corporation	12,543,342	18,782,783
Consolidation rebate fee payable	1,040,492	1,096,404
Payable from restricted assets		
Accrued bond interest payable	3,306,945	16,487,300
Arbitrage payable to Federal government	172,266	-
Total current liabilities	17,412,335	36,701,137
Long-Term Liabilities		
Bonds payable, less current maturities, deferred amount of debt refunding of \$ 17,350 in 2009 and \$ 23,738 in 2008 and bond premium and discounts of \$ 513,713 in 2009 and \$ 783,025 in 2008	1,010,518,937	1,010,243,237
Provision for losses on student loans	959,765	788,570
Arbitrage payable to federal government payable from restricted funds	3,035,071	1,998,628
Total long-term liabilities	1,014,513,773	1,013,030,435
Total liabilities	1,031,926,108	1,049,731,572
Net Assets		
Invested in capital assets	160,075	222,779
Restricted for		
Debt service		
Bond indentures - 1993 resolution	88,410,122	90,453,838
Bond indentures - 2002 resolution	5,903,276	6,818,286
Other		
Federal government	13,982,603	9,893,783
Guaranty agency operating account	36,373,417	36,222,053
Unrestricted	1,227,032	1,218,040
Total net assets	\$ 146,056,525	\$ 144,828,779

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUND
YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Operating Revenue		
United States Department of Education		
Loan processing and issuance fee	\$ 2,704,107	\$ 1,927,215
Account maintenance fee	2,166,053	2,322,593
Default aversion fee income	1,313,300	1,377,985
Retention on default collections (net of payments to federal government of \$ 6,437,809 in 2009 and \$ 5,666,878 in 2008)	4,157,185	3,623,024
Income from South Carolina Student Loan Corporation		
Subsidized Interest	3,400,557	4,112,817
Special allowance	(6,825,597)	49,252
Non-subsidized interest	10,525,847	12,847,444
Late charges	36,400	63,116
Miscellaneous payments of student loans	(164)	2,007
Reimbursement of bond expense	29,051,399	39,766,792
Reinsurance recoveries	275,536	246,011
Miscellaneous income	1,254,545	14
Guaranty fees	6,108,707	4,715,371
Interest/investment income	976,383	8,830,795
Net (decrease) in the fair value of investments	(9,282)	(74,429)
Total operating revenue	<u>55,134,976</u>	<u>79,810,007</u>
Operating Expenses		
Personnel	3,734,409	2,896,378
Contractual	636,915	631,205
General operating	786,427	740,581
South Carolina Student Loan Corporation for operating costs	5,326,708	7,999,494
Bond interest expense	25,826,245	52,443,987
Amortization - deferred cost of bond issuance	390,680	323,009
Default aversion fee expense	1,313,300	1,377,985
Loan fees	2,591,141	3,164,621
Federal default fee	6,108,707	2,348,304
Borrower incentives	2,380,298	1,353,378
Broker/dealer fees	2,062,946	1,956,987
Reinsurance expense	1,077,294	1,376,477
Other fees	463,451	636,841
Total operating expenses	<u>52,698,521</u>	<u>77,249,247</u>
Operating income	2,436,455	2,560,760
Non-Operating Revenues (Expenses)		
Arbitrage income (expense)	<u>(1,208,709)</u>	<u>4,342,458</u>
Change in net assets	1,227,746	6,903,218
Net Assets		
Beginning	<u>144,828,779</u>	<u>137,925,561</u>
Ending	<u>\$ 146,056,525</u>	<u>\$ 144,828,779</u>

See notes to financial statements.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Receipts from borrowers and U.S. Department of Education	\$ 19,248,992	\$ 14,025,303
Receipts from SCSLC services provided	71,392,397	122,051,466
Payments to suppliers	(69,360,886)	(96,043,231)
Payments to employees	(3,690,353)	(2,916,190)
Net cash provided by (used in) operating activities	<u>17,590,150</u>	<u>37,117,348</u>
Cash Flows from Non-Capital Financing Activities		
Finance loan advances to South Carolina Student Loan Corporation for student loans	(170,284,884)	(519,408,896)
Finance loan payments received from South Carolina Student Loan Corporation	112,190,891	322,194,496
Payment on bonds payable	-	(147,353,736)
Proceeds from issuing revenue and refunding bonds for student loans	-	131,700,000
Costs of bond issuance paid from refunding bond proceeds	-	(685,377)
Interest paid on revenue bonds	(39,006,600)	(49,287,723)
Net cash provided by (used in) non-capital financing activities	<u>(97,100,593)</u>	<u>(262,841,236)</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(58,406)	(78,769)
Cash Flows from Investing Activities		
Interest received on investment securities	1,033,022	9,825,523
Sale of investments	-	-
Net increase (decrease) in fair value of investments reported as cash equivalents	(9,282)	(74,429)
Net cash provided by investing activities	<u>1,023,740</u>	<u>9,751,094</u>
Net increase (decrease) in cash and cash equivalents	(78,545,109)	(216,051,563)
Cash and Cash Equivalents		
Beginning	<u>173,758,533</u>	<u>389,810,096</u>
Ending	<u>\$ 95,213,424</u>	<u>\$ 173,758,533</u>

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)		
Operating Activities		
Operating income	\$ 2,436,455	\$ 2,560,760
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Purchase of student loans due to loan guarantees	(39,159,984)	(37,455,321)
Payments received from U.S. Department of Education under federal reinsurance program	40,222,380	36,822,448
Amortization of deferred cost of bond issuance	390,680	323,009
Amortization of deferred amount on refunding - interest expense	6,388	13,179
Amortization of premiums and discounts on bonds payable - interest expense	269,311	193,084
Interest/investment income (investing activities category)	(976,383)	(8,830,795)
Depreciation expense	121,110	112,674
Provision for loan losses	171,195	588,560
Net decrease in fair value of investments reported as cash equivalents (investing activities category)	9,282	74,429
Bond interest expense (non-capital financing activities category)	25,826,245	52,237,723
Changes in assets and liabilities		
(Increase) decrease in due from South Carolina Student Loan Corporation	(5,266,390)	9,477,794
(Increase) in loan processing and issuance fee receivable	(110,686)	(32,497)
(Increase) decrease in account maintenance fee receivable	(68,740)	260,826
(Decrease) in accounts payable	(29,416)	(183,397)
Increase (decrease) in compensated absences liability	44,056	(19,812)
Increase (decrease) in consolidation rebate fee payable	(55,912)	14,746
(Decrease) in federal reserve funds payable	-	(574,141)
(Decrease) in due to South Carolina Student Loan Corporation	(6,239,441)	(18,465,921)
Net cash provided by operating activities	<u>17,590,150</u>	<u>37,117,348</u>
Supplemental Disclosures of Cash Flow Information		
Interest collected on finance loans - operating activities	<u>13,924,676</u>	<u>7,482,468</u>
Arbitrage income incurred and liability accrued - non-capital financing activity	<u>(1,208,709)</u>	<u>4,342,458</u>
Retirement of fixed assets - capital and related financing activity	<u>-</u>	<u>63,806</u>
Write-off of accumulated depreciation related to retired assets - capital and related financing activity	<u>\$ -</u>	<u>\$ 63,806</u>

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Reporting entity: The South Carolina State Education Assistance Authority (Authority) is a body politic and corporate and a public instrumentality of the State of South Carolina. The Authority is a part of the State of South Carolina created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the Code of Laws of South Carolina, 1976, as amended. The Authority is governed by its members, who under the Act are the members of the State Budget and Control Board (Board). The Board consists of five (5) members by virtue of their position in state government. They are the Governor, Treasurer, Comptroller General, Chairman of Senate Finance Committee and Chairman of South Carolina House of Representatives Ways and Means Committee.

The Authority is considered to be part of the State of South Carolina because of the common Board and its financial accountability over the Authority. The funds of the Authority are included in the Comprehensive Annual Financial Report of the State of South Carolina. The financial statements of the Authority present the financial position, results of operations and cash flows solely of the Authority and do not include any component units, organizations, or other funds of the State of South Carolina.

The Authority discharges its statutory obligations through two distinct programs. The program through which the Authority conducts its guarantee activities is herein referred to as the "Student Loan Insurance Program." The program through which the Authority finances the making of education loans by South Carolina Student Loan Corporation (SCSLC) is herein referred to as the "Student Loan Finance Program."

The Authority was originally created in order to provide a means of making loans to students in order to enable them to attend eligible institutions, as such terms are defined in the Higher Education Act. Such loan financing has been conducted by the Authority through its Student Loan Finance Program which has, since its inception, been administered by SCSLC.

The Authority has been authorized by the State of South Carolina to issue revenue bonds for the purpose of making student loans. The Authority has approved SCSLC as an eligible lender under its program and has designated it as the private, non-profit agency to administer these loans. It is the duty of SCSLC to process applications, make student loans and collect principal, interest, fees and penalties on such loans. Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace and deferred periods by the U.S. Department of Education. Upon entering the repayment period, the interest is paid by the borrower. Special Allowance Payments (SAP) are made to SCSLC from the U.S. Department of Education (USDE). In general, the amount of SAP is the difference between the amount of interest SCSLC receives from the borrower or the government and the variable amount that is provided under requirements of the Higher Education Act of 1965, as amended, which is a predefined rate for each type of loan. Any revenue, or expense related to SAP is paid, or charged to the Authority along with the principal and interest collected on loans as it is received for bonds under the 1993 General Resolution. Under the 2002 General Resolution, the amount necessary to pay debt service on the Authority's bonds is required to be reimbursed as defined by the 2002 General Resolution.

The operations of the Authority are administered by employees of SCSLC. The Authority reimburses SCSLC upon request for the actual operating expenses incurred in the administration of the program in accordance with a previously approved budget. All leases and property are in the name of SCSLC and the Authority pays its pro rata share based on space occupied, equipment usage, and loan servicing costs.

Neither the Authority nor SCSLC is considered a component unit of the other because each is a legal separate organization and not financially accountable to/for the other.

In May 1978, the Authority initiated its Student Loan Insurance Program and commenced guaranteeing Guaranteed Loans as the guaranty agency for the State under §428(c) of the Higher Education Act. In order to administer its Student Loan Insurance Program effectively, the Authority processes loans submitted for guarantee, issues loan guarantees, provides collection assistance for delinquent loans, pays claims for loans in default, collects loans on which default claims have been paid, and makes appropriate responses to the Secretary. The Authority is also responsible for initiating policy and performing compliance reviews as required by the Higher Education Act with respect to certain schools participating in the Student Loan Insurance Program.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Business – type activity: The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of each account uses a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenue and expenses.

The Authority's Enterprise Fund, called "Education Assistance Fund", reports the activities to fulfill the entity's authorized purposes of issuing revenue bonds to finance student loans which are handled by South Carolina Student Loan Corporation and guaranteeing guaranteed loans. The Authority's Enterprise Fund is composed of the Collection Account Prior Unpledged, 1993 Resolution, 2002 Resolution, Agency Operating Account, and the Federal Student Loan Reserve Account. These accounts, except for the Federal Student Loan Reserve Account, Agency Operating Account and Collection Account Prior Unpledged, constitute pledged income for the liquidation of outstanding bonds after transfers for operations.

The Authority reports net assets reserved for current debt service as the accrued interest plus ten months of the outstanding bond principal due as of year end as required by the bond indentures (see Note 8). Under the 1993 General Resolution, restricted for bond indentures represents net assets for future debt service and includes six months interest to become due on the principal amount or three percent of the outstanding bond principal as specified under each bond series plus principal and interest collected on student loans not yet required to meet current debt service or used to make student loans. Under the 2002 General Resolution, restricted for bond indentures represents net assets for future debt service and includes one percent (1%) of the outstanding bond principal as specified under each bond series plus principal and interest allocated on student loans not yet required to meet current debt service. Under the bond resolutions, the restricted for bond indentures also includes one to four months projected operating expenses and any unamortized costs of issuances. The unrestricted is the residual equity not legally reserved for bond indentures.

The 1993 and 2002 resolution accounts each include a sinking account that is used to deposit the proceeds from the sale of bonds and collections on loans including federal interest and income from SCSLC which, as lender, bills the Department of Education directly. All investment income on investments in the debt reserve fund of the sinking account is recorded in the sinking account as required by the bond indentures. The sinking account is used to make transfers to the debt reserve and loan accounts.

The 1993 and 2002 resolution accounts each include a debt reserve account that is a part of the sinking account. Simultaneously with the issuance and delivery of any series of bonds, the Authority is required to deposit monies equal to the debt reserve requirements, based on a percentage of outstanding bonds, into the debt reserve account. These requirements include the forward funding of the debt service monies necessary to make debt service account interest, principal and cumulative sinking fund payments when due and payable. The current debt service account must contain accrued interest payable and a portion of the outstanding bond principal as of June 30, as required in the bond indentures. The balance of the account for future debt service consists of a portion of the original bond issue and a portion of the outstanding balance.

The 1993 and 2002 resolution accounts each include a loan account that is used to deposit bond proceeds which are transferred from the sinking account for the purpose of making loans and paying the cost of issuance of bonds. Other transfers from the sinking account are deposited into the loan account to reimburse monies which have been transferred to SCSLC for operations.

The Collection Account Prior Unpledged collects all payments on loans on behalf of the Authority and SCSLC. The account is required to disburse to each Authority account and to SCSLC by the tenth of each month for the prior month.

The Federal Student Loan Reserve Account (FSLRF) is used to account for activity as required by the 1998 reauthorization of the Higher Education Act. This account is used to account for investment income and insurance premiums which are paid on behalf of the borrower utilizing funds from the Agency Operating Account. The Authority has not charged insurance premiums for loans guaranteed since March 1, 1999; however, the Higher Education Act requires that the Authority charge a Federal Default Fee for certain guaranteed loans made on or after July 1, 2006 and deposit to this account.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Business – type activity (continued): Amounts in the Federal Student Loan Reserve Account can only be used to pay lender claims on defaulted loans and to disburse default aversion fees to the Agency Operating Account for default aversion activities. Upon payment to lenders for defaulted loans, these funds are then reimbursed to the Federal Student Loan Reserve Account by the U. S. Department of Education at a percentage determined by the Authority's default rate. Payments to lenders for defaulted loans are recorded as Federal Reinsurance Receivables. Reimbursement by the U. S. Department of Education reduces the Federal Reinsurance Receivable. The Authority has always received the maximum reimbursement allowable under the Supplemental Guarantee Agreement and does not anticipate falling below this level (See Note 3).

The Agency Operating Account is used to account for all loan processing and issuance fees, account maintenance fees, default aversion fees, and the retention on default collections. The U. S. Department of Education pays all of the fees except the default aversion fees reimbursed by the Federal Student Loan Reserve Account. The loan processing issuance fee was equal to 0.65% of the total principal amount of loans originated prior to October 1, 2003. As of October 1, 2003 the loan processing fee changed to 0.40%. The account maintenance fee was equal to 0.10% of the ending original principal balance of loans outstanding for the fiscal year prior to October 1, 2007. As of October 1, 2007, the account maintenance fee changed to 0.06% of the ending original principal balance of loans outstanding for the fiscal year. The default aversion fee is equal to one percent of the principal and interest of a loan upon which default aversion activity was performed. This is reimbursed from the Federal Student Loan Reserve Account. Should this loan subsequently default, the default aversion fee is refunded back to the FSLRF. Retention on Default Collections is reported by the Authority directly to the Department of Education for services it performs in its role as guarantor. The Authority recognizes income related to a specified portion (16% as of October 1, 2007, 23% from October 1, 2003 to September 30, 2007, and 24% prior to October 1, 2003) of collections adjusted for certain items made on behalf of the Federal government on defaulted loans. The remaining balance of collections is remitted to the Federal government. The total cumulative value at June 30, 2009 and 2008 of all defaulted student loans purchased by the Authority is \$ 309,326,403 and \$ 270,195,387, respectively (See Note 3). The Authority records the purchased defaulted loans as assets, but only recognizes its portion of the share of any recoveries in the year of collection. Funds in the Agency Operating Account can only be used for application processing, loan disbursement, enrollment and repayment status management, permitted default prevention activities, default collection activities, school and lender training, compliance monitoring and other student financial aid related activities as determined by the Secretary and for voluntary irrevocable transfers to the FSLRF. Except for funds transferred from the Federal Student Loan Reserve Account for operating shortfalls the Agency Operating Account is considered to be the property of the guaranty agency. To date, no funds have been transferred from the FSLRF to the Agency Operating Account for operating shortfalls.

Basis of accounting: The accrual basis of accounting is used for the Education Assistance Fund. Under the accrual basis of accounting, revenue is recognized when earned, and expenses are recorded when incurred. Investment income is recorded at stated interest rates with no amortization of premiums or discounts. Net increase (decrease) in the fair value of investments includes unrealized and realized gains and losses. Bond payable premiums and discounts are amortized over the life of the bonds and netted against interest expense. The Authority applies all Government Accounting Standards Board (GASB) pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, when not in conflict with GASB pronouncements. In accordance with GASB Statement 20, the Authority has elected not to implement FASB Statements 103 and after.

Budget and budgetary accounting: Certain expenses for the Enterprise Fund are budgeted as a management control device. However, the cost of issuing bonds, SCSLC expenses, interest expense, reinsurance and other fees and revenue are not budgeted. Accounting principles generally accepted in the United States of America do not require a comparison of budget to actual expenses.

These budgets are approved by the SCSLC Board and the State Treasurer and are not adopted by the Legislature or printed in the Appropriations Act. The Authority is subject to State laws and regulations.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Budget and budgetary accounting (continued): Expenditures in excess of the budgeted amounts are not in violation of State laws. However, these are approved by the Board.

Compensated absences: Depending on length of employment, employees earn annual vacation at the rate of twelve (12) to twenty-five (25) days per year. Employees are expected to use at least one week (5 consecutive days) each year. An employee may not carry forward more than five (5) vacation days to the next year without management's permission. Earned, but unused, annual vacation will be paid when an employee terminates employment except when this termination is involuntary or inadequate notice is given. Sick leave is earned at the rate of 7 to 10 days per year depending on length of employment. An employee may not carry forward more than sixty (60) sick days to the next year without management's approval. Employees are not paid for earned, but unused, sick days upon termination of employment. The Authority calculates the gross compensated absences liability based on recorded balances of unused vacation leave, compensatory holiday and overtime leave for those specific SCSLC employees who administer Authority operations. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded. The net change in the liability is recorded in the current year in the personnel expenses.

Non-exchange transactions: The Authority adheres to GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* which standardizes the accounting and financial reporting for non-exchange transactions involving financial or capital resources. For the Authority, there generally are two types of non-exchange transactions, *Government-mandated non-exchange transactions* which occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose and *voluntary non-exchange transactions* which result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement. The Authority recognizes non-exchange transactions when they are both measurable and probable of collection. For *Government-mandated non-exchange transactions* and *voluntary non-exchange transactions*, the Authority recognizes assets when all applicable eligibility requirements are met or resources are received, whichever is first, and revenue when all applicable eligibility requirements are met.

Use of 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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: The amounts shown in the financial statements as "cash and cash equivalents" represent cash on deposit in banks, cash on hand with the State Treasurer and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool and cash invested in various instruments by the Bank of New York Mellon.

Because the State's internal cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of domestic corporations, certificates of deposit and collateralized repurchase agreements. Most State agencies participate in the cash management pool; however, some agency accounts are not included in the pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities including those that are classified as restricted having a maturity at the time of purchase of three months or less.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Cash and cash equivalents (continued): The Authority records and reports its deposits in the general deposit account at cost. The Authority reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Authority's special deposit accounts is posted to the Authority's account at the end of each month and is retained by the Authority. Interest earnings are allocated based on the percentage of the Authority's accumulated daily interest receivable to the total undistributed interest received by the pool. Reported interest income includes interest earnings, realized gains/losses, and unrealized gains/losses arising from changes in fair value of investments in the pool. Realized gains and losses are allocated monthly and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the Authority's percentage ownership in the pool.

Although the State's internal cash management pool includes some long-term investments, it operates as a demand deposit account; therefore, for credit risk information pertaining to the State's internal cash management pool, see the deposits disclosures in Note 2.

For the Authority's funds not held by the State Treasurer, cash equivalents include investments in short-term, highly liquid securities having a maturity at the time of purchase of three months or less.

Amortization of deferred cost of issuance of bonds and bond premiums and discounts: Cost of issuance of bonds is being amortized over the lives of the bond issues on a straight-line basis and is included in operating expenses. Bond premiums and discounts are amortized over the terms of the bonds using the straight-line method and are recorded as an addition or deduction to interest expense.

Deferred amount of debt refunding: The deferred amount of debt refunding is the difference between the reacquisition price and the net carrying amount of the old debt. Reacquisition price is the amount required to repay previously issued debt in a refunding transaction and it includes principal of the old debt plus any call premium. The net carrying amount is the amount due at maturity, adjusted for any unamortized premium or discount and issuance costs related to the old debt. The amount is being amortized as a component of interest expense on the straight line basis over the shorter of the remaining life of the old debt or the life of the new debt. It is being charged to operations using the effective - interest method. This treatment applies to debt refunding after July 1, 1994.

Risk management: The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority pays insurance premiums to certain other State agencies to cover risks that may occur in normal operations. In addition, the Authority pays premiums to the State's Insurance Reserve Fund which accumulates assets to cover general tort claims.

Premiums for worker's compensation, property insurance including fixed assets, group life, fidelity bonds, and employee health insurance are paid to private insurance carriers and the Authority's coverage is subject to the limits of these policies. The expense for these items is charged to the enterprise fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Property and equipment: Furniture, equipment and automobiles costing over \$ 5,000 are capitalized at cost when purchased. Depreciation has been provided using the straight-line method over useful lives of three to ten years for furniture and equipment and three years for automobiles and computers.

Operating and non-operating revenues/expenses: Balances classified as operating revenues and expenses are those which comprise the Authority's principle ongoing operations. Since the Authority's operations are similar to those of any other finance company, all revenues and expenses are considered operating except the recall of Federal Reserve Funds and arbitrage expense.

Applying restricted or unrestricted resources: The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Provision for losses on student loans: The provision for losses on student loans represents the Authority's estimate of the costs related to the 2% to 5% risk sharing on FFELP loans and losses related to servicing of loans by the Authority. In making the estimate, the Authority considers the trend in default rates in the loan guarantee portfolio, past and anticipated loss experience, current operating information, and changes in economic conditions. The provision is based on total guaranteed loans times the default rate times 3%. However, the evaluation is inherently subjective and the provisions may significantly change in the future. The allowance for loan losses was \$ 959,765 and \$ 788,570 at June 30, 2009 and 2008, respectively.

Note 2. Deposits and Investments

All deposits and investments of the Authority are under the control of the State Treasurer who, by law, has sole authority for investing State funds. Certain of the Authority's deposits and investments are deposited with the Bank of New York Mellon or Wachovia Bank, N.A. as authorized by the State Treasurer. Deposits and investments of \$ 81,910,929 and \$ 152,009,481 at June 30, 2009 and 2008, respectively, are held by the Bank of New York Mellon as trustee or custodian for the Authority.

The following schedule reconciles deposits and investments within the footnotes to the balance sheet amounts:

	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>
Statement of Net Assets			Footnotes		
Cash and Cash Equivalents	\$ 75,285,947	\$ 139,958,318	Cash at banks	\$ 181,771	\$ 207,522
			Deposits - STO ICM pool	13,120,725	21,541,530
			Investments		
Restricted Assets			Bank repurchase agreements	59,465,887	117,538,240
Cash and cash equivalents	<u>19,927,477</u>	<u>33,800,215</u>	U.S. treasury notes	22,445,041	34,471,241
			U.S. agency bonds	-	-
Total	<u><u>\$ 95,213,424</u></u>	<u><u>\$ 173,758,533</u></u>	Total	<u><u>\$ 95,213,424</u></u>	<u><u>\$ 173,758,533</u></u>

Deposits: State law requires full collateralization of all State Treasurer balances. The State Treasurer must correct any deficiencies in collateral within seven (7) days. At June 30, 2009 and 2008, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

At June 30, 2009 and 2008, Wachovia Bank, N.A. carried a bank balance at \$ 8,645 and \$ 17,956, respectively, of unspent federal grants for the Authority. These accounts are covered by FDIC insurance.

At June 30, 2009 and 2008, the Bank of New York Mellon carried a bank balance at \$ 173,126 and \$ 189,569. These accounts are covered by FDIC insurance.

All other deposits are in the State Treasurer Internal Cash Management Account. The value of the Authority's investment in the State's Internal Cash Management Account is determined based on the fair value of the Pool's underlying portfolio.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

Deposits (continued): The reported amount and fair value of deposits held for the various accounts of the Authority were as follows at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Collection/unpledged prior	<u>\$ 13,120,725</u>	<u>\$ 21,541,530</u>

Investments: Investments are valued and reported at fair value based on quoted market prices when available or otherwise at the amount at which the instrument could be exchanged in a current transaction. Investment income on investments is recorded when earned. Purchases and sales are accounted for on the trade date. Unrealized gains and losses on investments have been recorded. Realized gains and losses on securities transactions are recorded on the accrual basis.

The reported amount and fair value of investments held for the various accounts of the Authority were as follows at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Collection/unpledged prior account - Bank of New York Mellon Bank repurchase agreements	<u>\$ 1,227,030</u>	<u>\$ 1,218,018</u>
1993 resolution account - Bank of New York Mellon U.S. Treasury notes	8,489,413	8,476,594
Bank repurchase agreements	9,338,807	72,751,420
Total	<u>17,828,220</u>	<u>81,228,014</u>
2002 resolution account - Bank of New York Mellon U.S. Treasury notes	13,955,629	25,994,647
Bank repurchase agreements	266,009	271,380
Total	<u>14,221,638</u>	<u>26,266,027</u>
Agency operating account - Bank of New York Bank repurchase agreements	<u>35,474,607</u>	<u>35,605,825</u>
Federal student loan reserve account - Bank of New York Mellon Bank repurchase agreements	<u>13,159,434</u>	<u>7,691,597</u>
Totals	<u>\$ 81,910,929</u>	<u>\$ 152,009,481</u>

Investments are restricted by bond indentures to direct obligations of (or obligations guaranteed by) the United States of America, interest bearing time deposits, certificates of deposit or repurchase agreements fully secured by direct obligations of the United States of America, and obligations of certain Federal Agencies and instrumentalities.

Interest rate risk: In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than twelve months.

Credit risk: The Authority adheres to the State of South Carolina's investment policy, and invests in primarily U.S. government-backed obligations. The Authority does not make any investments in commercial paper, corporate bonds, or equities.

Concentration of credit risk: The Authority's investment policy does not allow for an investment in any one issuer that is in excess of five percent (5%) of the total investments. Most investments are U.S. governmental obligations.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

Foreign currency risk: The Authority has no foreign currency investments.

Custodial credit risk: This is the risk that the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counter party to the investment transaction fails. The investments at Bank of New York Mellon are categorized to give an indication of the level of the custodial credit risk assumed by the Authority at June 30, 2009 and 2008. All Bank of New York Mellon investments are insured or registered by the Authority or its agent in the Authority's name. There are no uninsured investments.

Note 3. Student Loans, Federal Family Education Loans (FFEL), and Federal Reinsurance of FFEL Loans

These loans bear interest at a fixed rate of 2.875% to 12% or an annual variable rate of 1.88% to 3.73%, which is reset each July 1 and which is equal to the bond equivalent rate of the 91-day or 52-week Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus 1.7 to 3.25 percent with a cap on the rate of 8.25 to 12.00 percent. These loans are repayable over a period of five (5) to thirty (30) years with a minimum payment of \$ 360 or \$ 600 per year. Repayment of principal may be scheduled to begin within sixty (60) days of final disbursement or six (6) to ten (10) months after the student graduates or ceases to be enrolled on at least a half-time basis in an eligible institution.

Loans disbursed for the 1978-79 Academic year and subsequent years appear on SCSLC's financial statements. These loans are guaranteed by the Authority and reinsured by the U.S. Department of Education. (See Note 12.) The federal default fee required by the Higher Education Act on guaranteed loans made on or after July 1, 2006 is paid by the Authority on the borrower's behalf.

Since the Authority entered into a Supplemental Guaranty Agreement with the U.S. Department of Education in 1978, under which the Federal government reinsures the Authority for amounts paid in connection with defaulted loans, the Authority has received cumulative payments to date of \$ 307,299,931 and \$ 267,106,522 as of June 30, 2009 and 2008, respectively, of federal reinsurance.

The percentage of the defaulted claims to be reimbursed by the federal government is dependent upon the Authority's default rate experience, as follows:

<u>Claims Rate</u>	<u>Federal Payment for Loans made prior to October 1, 1993</u>	<u>Federal Payment for Loans made on or after October 1, 1993</u>	<u>Federal Payment for Loans made on or after October 1, 1998</u>
0% up to 5%	100% of claims	98% of claims	95% of claims
5% up to 9%	100% of all claims up to 5%; and 90% of claims 5% and over	98% of all claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5%; and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% and over up to 9%; and 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% and over up to 9%; and 78% of claims 9% and over	95% of claims up to 5%; 85% of claims 5% and over up to 9%; and 75% of claims 9% and over

The calculation of the default rate is based upon the claims paid in a given year as of the Federal government's fiscal year ending September 30 to the total loans in collection on the previous October 1. Based upon data maintained by the Authority, the default rate in the period ended September 30, 2008 and 2007 was approximately .82% and .76%, respectively. The Authority expects the default rate to remain approximately 1%.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 4. Note Receivable Finance Loans

Each bond resolution of the Authority requires that all funds advanced to SCSLC by the Authority for the purpose of making student loans be evidenced by a loan agreement, assignment of collateral and assignment of revenues between the two parties, with the student loans providing security to the bond trustee. Increases (decreases) to SCSLC from the Authority's 1993 General Resolution are made pursuant to a loan agreement dated August 31, 1993, and increases (decreases) to SCSLC from the Authority's 2002 General Resolution are made pursuant to a loan agreement dated June 12, 2002. Each loan is calculated as set forth in the respective loan agreements. The finance loans as of June 30, 2009 and 2008 are as follows:

Authority Bond Resolution	2008			2009			Balance 6/30/2009
	Balance 6/30/2007	Increases	Decreases	Balance 6/30/2008	Increases	Decreases	
1993	\$ 253,471,463	\$ 187,300,000	\$ 276,673,997	\$ 164,097,466	\$ 170,284,884	\$ 112,190,891	\$ 222,191,459
2002	560,211,966	332,108,895	45,520,500	846,800,361	-	-	846,800,361
Total	<u>\$ 813,683,429</u>	<u>\$ 519,408,895</u>	<u>\$ 322,194,497</u>	<u>\$ 1,010,897,827</u>	<u>\$ 170,284,884</u>	<u>\$ 112,190,891</u>	<u>\$ 1,068,991,820</u>

Note 5. Amounts Due from/to SCSLC

The \$ 6,845,590 and \$ 1,579,200 at June 30, 2009 and 2008, respectively, amount due from SCSLC represents funds due for income earned, but not yet received, from the U.S. Department of Education and borrowers thus not remitted to the Authority and funds collected on behalf of the Authority. The Authority also owes SCSLC for funds collected on their behalf of \$ 12,543,542 and \$ 18,782,783 at June 30, 2009 and 2008, respectively. Funds collected on behalf of SCSLC are required to be paid to SCSLC by the tenth of each month.

Note 6. Capital Assets

The following is a summary of changes in capital assets for fiscal years ended June 30, 2009 and 2008:

Cost	Balance 6/30/2007			Balance 6/30/2008			Balance 6/30/2009
	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008	Additions	Deletions	
Furniture and equipment	\$ 547,062	\$ 78,769	\$ (63,806)	\$ 562,025	\$ 58,406	\$ -	\$ 620,431
Automobiles	22,338	-	-	22,338	-	-	22,338
Total	<u>569,400</u>	<u>78,769</u>	<u>(63,806)</u>	<u>584,363</u>	<u>58,406</u>	<u>-</u>	<u>642,769</u>
Accumulated Depreciation							
Furniture and equipment	(305,891)	(105,228)	63,806	(347,313)	(113,664)	-	(460,977)
Automobiles	(6,825)	(7,446)	-	(14,271)	(7,446)	-	(21,717)
Less, accumulated depreciation	<u>(312,716)</u>	<u>(112,674)</u>	<u>63,806</u>	<u>(361,584)</u>	<u>(121,110)</u>	<u>-</u>	<u>(482,694)</u>
Net capital assets	<u>\$ 256,684</u>	<u>\$ (33,905)</u>	<u>\$ -</u>	<u>\$ 222,779</u>	<u>\$ (62,704)</u>	<u>\$ -</u>	<u>\$ 160,075</u>

Note 7. Loan Guarantees

As an incentive for the states to set up state guaranty agencies, the U.S. Department of Education has made certain funds available to the states to assist in establishing a federal student loan reserve account which replaced the loan guarantee account by the 1998 Reauthorization of the Higher Education Act (Act) on July 1, 1998. Maintenance of the federal student loan reserve account will depend upon possible further Federal and State advances, investment income, federal default fee on student loans as collected, and reinsurance payments from the U.S. Department of Education. Prior to July 1, 1998, the account accumulated retention of default collections, administrative cost allowance and supplemental preclaims assistance. The Act eliminated this format (See Note 14). The U.S. Department of Education reserved the right to request repayment of advances under the Advance

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 7. Loan Guarantees (Continued)

Agreement within such period as it deemed appropriate in light of the maturity and solvency of the Authority's federal student loan reserve account. As of June 30, 2009 and 2008, the Authority has reimbursed all such advances to the U.S. Department of Education that they have requested.

The 1993 Amendments to the Higher Education Act, Section 422 of the Higher Education Act of 1965, as amended, provides that the federal student loan reserve account of all guaranty agencies under the Act shall be considered the property of the United States to be used in connection with the Federal Family Education Loan Programs and Consolidation Loan Programs under Parts B and C of Title IV of the Act. The Act further provides that the Secretary may direct a guaranty agency to return to the Secretary a portion of its federal student loan reserve account which the Secretary determines is unnecessary to pay the program expenses and contingent liabilities of the guaranty agency. (See Note 14).

Effective July 1, 1998, the Act allowed a new account called the Agency Operating Account to be established. As described in Note 1, this account accumulates funds to operate the guaranty agency.

Note 8. Bonds and Other Payables and Restricted Assets

The Authority issues Guaranteed Student Loan Revenue Bonds or Education Loan Revenue Bonds as needed to make finance loans to the South Carolina Student Loan Corporation to make student loans (See Note 4). The finance loans to the South Carolina Student Loan Corporation are secured by loans funded by bond proceeds, related revenue from such loans, investments in accounts and earnings thereon. The bond resolutions permit the Authority or the SCSLC to accumulate borrowers' payments during the year to pay principal and interest on bonds as due. The bonds do not constitute a debt, liability or obligation of the State of South Carolina or a pledge of the faith and credit of the State of South Carolina. As of June 30, 2008, the current debt service account must contain assets equal to the accrued interest payable plus ten months of the outstanding bond principal due the following September 1 plus four (4) months principal due the following March 1 as required in the bond documents. As of June 30, 2009 and 2008, the Authority was required to have assets deposited in the current debt service account of \$ 3,550,895 and \$ 17,423,633, respectively. The Authority has deposits in restricted assets equal to the current debt service requirement in 2009 and 2008. Restricted assets of \$ 19,927,477 in 2009 and \$ 33,800,215 in 2008 include the current debt service deposits of \$ 12,623,500 in both 2009 and 2008, and the arbitrage rebate liability deposits of \$ 3,035,071 in 2009 and \$ 1,998,628 in 2008.

The Student Loan Revenue bonds as of June 30, 2009 and 2008 follow:

Issued	Original Amount	Interest Rate	Maturity Date	Balance Outstanding 6/30/2007	Issued (Retired) During FY 08	Balance Outstanding 6/30/2008	Issued (Retired) During FY 09	Balance Outstanding 6/30/2009
8/31/1994	\$ 86,845,000	4.75-6.30%	9/1/96-2014	\$ 58,475,000	\$ (6,425,000)	\$ 52,050,000	\$ -	\$ 52,050,000
8/30/1995	62,055,000	5.00-6.00%	9/1/99-2015	40,335,000	(10,435,000)	29,900,000	-	29,900,000
6/16/1999	67,300,000	Auction	9/1/07-2019	39,250,000	(15,550,000)	23,700,000	-	23,700,000
6/17/1998	49,850,000	Auction	9/1/05-2033	17,250,000	(17,250,000)	-	-	-
6/29/2000	59,050,000	Auction	3/1/05-2020	56,550,000	(36,550,000)	20,000,000	-	20,000,000
6/20/2001	49,200,000	Auction	3/1/05-2021	46,700,000	(16,700,000)	30,000,000	-	30,000,000
6/12/2002	117,500,000	Auction	3/1/05-2022	115,000,000	(36,000,000)	79,000,000	-	79,000,000
8/20/2003	100,150,000	Auction	9/1/05-2023	97,650,000	(5,650,000)	92,000,000	-	92,000,000
8/11/2004	174,700,000	Auction	3/1/06-2024	174,700,000	(3,000,000)	171,700,000	-	171,700,000
11/22/2005	208,300,000	Auction	9/1/06-2025	208,300,000	-	208,300,000	-	208,300,000
10/3/2006	172,700,000	Auction	9/1/07-2026	172,700,000	-	172,700,000	-	172,700,000
10/23/2007	131,700,000	Auction	9/1/08-2027	-	131,700,000	131,700,000	-	131,700,000
				<u>\$ 1,026,910,000</u>	<u>\$ (15,860,000)</u>	<u>\$ 1,011,050,000</u>	<u>\$ -</u>	<u>\$ 1,011,050,000</u>

The 1994, 1995, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006 and 2007 bond issues include auction rate bonds totaling \$ 1,011,050,000. The interest rate on these bonds varies every thirty-five days depending on auction rate bond markets. The average interest rates for fiscal years 2009 and 2008 have been approximately 2.50% and 3.96%, respectively. The maximum interest rate is 12%. Future interest payment projections are based upon a five year average of historical rates for these bonds. The rates used for future interest payment projections for 2009 and 2008 are 2.90% and 4.93%, respectively.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 8. Bonds and Other Payables and Restricted Assets (Continued)

Optional redemption features are available for certain of the various outstanding bonds. The Authority's auction rate bonds can be optionally redeemed in full on the business day following any auction date without any call premium due.

Due to adverse market conditions, most auctions associated with auction rate bonds across a variety of sectors and asset classes have experienced widespread failure since February 11, 2008. All of the Authority's auctions have failed since this date and remain in such a state. This has had the effect of increasing the Authority's relative cost of funds. However, the historic decrease in interest rates during the 2008 and 2009 years counteracted this trend, leading to fairly low overall interest rates for the bonds.

Although the Authority has no requirement to pay off the bonds early, the Authority is actively exploring all refinancing options. They seek to issue other bonds that will refund and restructure the auction rate bonds into another security type. The Authority will likely pursue such a restructuring whenever the capital markets can provide favorable financing terms for a form of security with stable long term prospects.

The changes in debt for the years ending June 30, 2009 and 2008 follow:

<u>Long-Term Liabilities</u>	<u>6/30/2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2009</u>	<u>Current Portion</u>
Bonds payable	\$ 1,026,910,000	\$ 131,700,000	\$ (147,560,000)	\$ 1,011,050,000	\$ -	\$ -	\$ 1,011,050,000	\$ -
Compensated absences payable	271,854	292,070	(311,882)	252,042	344,056	(300,000)	296,098	296,098
Arbitrage payable to federal government	6,341,086	-	(4,342,458)	1,998,628	1,208,709	-	3,207,337	-
Deferred amount of debt refunding	(36,917)	-	13,179	(23,738)	-	6,388	(17,350)	(6,388)
Unamortized bond revenues retirement	(976,109)	-	193,084	(783,025)	-	269,312	(513,713)	(269,311)
Total	\$ 1,032,509,914	\$ 131,992,070	\$ (152,008,077)	\$ 1,012,493,907	\$ 1,552,765	\$ (24,300)	\$ 1,014,022,372	\$ 20,399

The annual requirements to retire these bonds as of June 30, 2009 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ -	\$ 29,696,318	\$ 29,696,318
2011	-	29,696,318	29,696,318
2012	-	29,696,318	29,696,318
2013	-	29,696,318	29,696,318
2014	-	29,696,318	29,696,318
2015	52,050,000	28,931,918	80,981,918
2016	29,900,000	27,728,410	57,628,410
2017	-	27,289,302	27,289,302
2018	-	27,289,302	27,289,302
2019	23,700,000	27,289,302	50,989,302
2020	20,000,000	26,593,191	46,593,191
2021	30,000,000	26,005,756	56,005,756
2022	79,000,000	25,124,603	104,124,603
2023	92,000,000	22,804,234	114,804,234
2024	171,700,000	20,102,032	191,802,032
2025	208,300,000	15,058,901	223,358,901
2026	-	8,940,764	8,940,764
2027	172,700,000	6,404,512	179,104,512
2028	131,700,000	1,934,130	133,634,130
	\$ 1,011,050,000	\$ 439,977,947	\$ 1,451,027,947

On October 23, 2007, the Authority issued \$ 131,700,000 in Education Loan Revenue Bonds with a variable auction interest rate which is capped at 12.0 percent to provide financing for student loans. The gross proceeds were used to pay issuance costs of \$ 705,912, make certain deposits to funds of \$ 1,317,000, and purchase new student loans in the amount of \$ 129,677,088.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 8. Bonds and Other Payables and Restricted Assets (Continued)

The deferred amount of debt refunding at June 30, 2009 and 2008 is \$ 17,350 and \$ 23,738, respectively. The amount of the unamortized bond discounts at June 30, 2009 and 2008 is \$ 513,713 and \$ 783,025, respectively.

Note 9. Paul Douglas Teacher Scholarship Program

The Authority administers the Paul Douglas Teacher Scholarship Program (formerly the Congressional Teacher Scholarship Program). This is a federally funded scholarship program designed to attract bright high school students and encourage them to enter the field of teaching. As of June 30, 1995, the federal government has suspended the loan program and the Authority will reimburse all funds collected for the program.

During the fiscal years ended June 30, 2009 and 2008, collections were \$ 9,141 and \$ 19,005, respectively, from repayments by participants. The Authority repaid these amounts to the Federal Government during the years ended June 30, 2009 and 2008 due to suspension of the program. Any repayments not repaid to the Federal Government are recorded as a liability.

Note 10. Related Party Transactions

The Authority has significant transactions with the State of South Carolina and SCSLC. Services received at no cost from State Agencies include maintenance of certain accounting records from the Comptroller General, investment and banking functions from the State Treasurer and legal services from the Attorney General.

The Authority paid the University of South Carolina \$ 1,110 and \$ 8,961 for the years ended June 30, 2009 and 2008, respectively, for data processing services and the expense is recorded as contractual expenses.

See Note 1 regarding transactions with SCSLC.

Note 11. Employee Benefit Plans

The Authority provides retirement benefits through the South Carolina Student Loan Corporation Money Purchase Pension Plan for all employees who have completed one year of service and attained age 21. SCSLC has adopted the Branch Banking & Trust Co. (BB&T) Money Purchase Pension Plan, a single employer plan. BB&T is the Trustee of the Plan. The authority under which benefits provisions are established or amended is provided in the Plan document as administered by the Plan Trustee. The Plan issues a stand-alone report annually and may be obtained by writing to the South Carolina Student Loan Corporation, Post Office Box 21487, Columbia, S.C. 29221 or by calling (803) 772-9480.

This is a defined contribution plan in which the employer is required to contribute 5.6% of the participant's total annual compensation plus 5.6% of compensation exceeding the Social Security wage base. Contributions are paid monthly. A participant is 20% vested after two years service and 100% vested after six years. A participant receives normal retirement at age sixty-five. At termination of employment or reaching normal retirement age, the participant has the right to elect to receive all or any portion of his vested benefit derived from employer contributions. Voluntary contributions are not permitted. Under the plan, the portion of an employee's account that has not vested when an employee terminates, called forfeitures, reduces the employer's contribution in the year following the Plan year in which the forfeiture occurs. The total pension expense is fully funded and is included in personnel expenses under the retirement category.

Pension expense, total salary and covered salary are as follows:

	<u>2009</u>	<u>2008</u>
Total salary	\$ 2,359,625	\$ 2,398,716
Total covered salary	2,358,479	2,372,251
Pension expense (actual and required)	116,512	130,256
Percent pension expense to covered salary	4.94%	5.49%

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 11. Employee Benefit Plans (Continued)

The Authority participates in a supplemental retirement plan. The Plan is called the South Carolina Student Loan Corporation Defined Benefit Plan, a single employer plan. The authority under which benefit provisions are established or amended is provided in the Plan document as administered by the Plan Trustee. The Plan is a defined benefit pension plan covering substantially all employees with one year of service and over 21 years of age. The Plan provides benefits based on years of service and compensation. The benefit formula uses one percent (1%) of the average of the five highest consecutive years' pay of each eligible employee multiplied by the number of years of service not to exceed 30 years. The Corporation's funding policy is to make at least the minimum annual contribution that is actuarially computed by the projected unit credit method required by the Plan. The Authority will contribute the amount billed to them by the Corporation. The Corporation issues a publicly available financial report that includes financial statements and required supplementary information for the South Carolina Student Loan Corporation Defined Benefit Plan. That report may be obtained by writing to South Carolina Student Loan Corporation, Post Office Box 21487, Columbia, South Carolina 29221 or by calling (803) 772-9480.

The total required and paid contributions for the years ended June 30, 2009 and 2008 were \$ 369,196 and \$ 470,641, respectively, representing 15.65% and 19.84% of covered salary of \$ 2,358,479 and \$ 2,372,251, respectively. Total salaries for the years ended June 30, 2009 and 2008 were \$ 2,359,625 and \$ 2,398,716, respectively. Contributions are included in the personnel expense category.

The Authority participates in the 403 (b) Defined Contribution Plan established by the South Carolina Student Loan Corporation on November 5, 2002. The Plan provides for a 5% contribution based on the participant's total annual compensation. The total amount contributed under the plan was \$ 103,003 in 2009 and \$ 96,048 in 2008. All employees are eligible who have completed one year of service and attainment of age 21. Contributions are 100% vested when made.

Certain health care, dental, long-term disability and life insurance benefits are provided to active employees through various private insurers. Employees scheduled for 30 hours or more per week may be eligible to receive these benefits. Employer contributions applicable to those benefits were \$ 565,275 and \$ (373,852) in 2009 and 2008, respectively, and are recorded as expenses under the personnel expense category, and are paid monthly as billed by insurers. In 2008, due to a change in the retiree health insurance plan sponsored by the Corporation, employer contributions of \$ 624,154 were reduced by a benefit of \$ 998,806. The retiree health insurance plan sponsored by the South Carolina Student Loan Corporation was terminated as of June 30, 2009.

Note 12. Student Loan Guarantees

The total approved amount and outstanding balance of student loans that the Authority has under guarantee is as follows at June 30:

	<u>2009</u>	<u>2008</u>
Approved Amount for Loans	\$ 8,164,390,909	\$ 7,377,601,158
Outstanding Balance	3,338,300,223	2,865,198,181

Note 13. Rebate and Excess Earnings Liability

The Internal Revenue Code (IRC) and arbitrage regulations issued by the IRS require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. Regulations also exist for calculating rebate earnings in connection with the accounting for bond proceeds, refunding issues, and proceeds that are commingled with other funds for investment purposes. Rebates are payable every five years from date of bond issue or upon maturity of the bonds, whichever is earlier.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 13. Rebate and Excess Earnings Liability (Continued)

The IRC and U. S. Treasury Regulations permit issuers of qualified student loan tax-exempt obligations to earn no more than 1.5% to 2.0% above the bond yield on the qualified student loans financed with such tax-exempt obligations. For excess earnings on qualified student loans, issuers may elect to pay such excess to the U. S. Treasury or return such excess to the borrowers of qualified student loans financed by the tax-exempt obligations. The Authority has elected to implement a program of borrower benefits in order to return such excess to borrowers and the program resulted in decreasing the liability. The South Carolina State Treasurer had computations made to determine the liability at June 30, 2009 and 2008. Based on those results, the Authority incurred expense (income) of \$ 1,208,709 for 2009 and \$ (4,342,458) for 2008. This expense is determined using the "Future Value" method of determining rebate and excess earnings liability, as set forth in the U.S. Treasury Regulations and is based on cash flows created by investment, sale, maturity of and earnings on gross bond proceeds. As of June 30, 2009 and 2008, the Authority reports \$ 3,035,071 and \$ 1,998,628, respectively, as rebate and excess earnings liability. See Note 15.

Note 14. Required Information on Business Type Activity for State of South Carolina

The Authority is only one major enterprise fund which is not required to present government-wide financial statements. However, the State of South Carolina requires business type activities for the State's government-wide Statement of Activities. The required information follows:

	<u>2009</u>	<u>2008</u>
Charges for Services		
United States Department of Education		
Loan processing and issuance fee	\$ 2,704,107	\$ 1,927,215
Account maintenance fee	2,166,053	2,322,593
Default aversion fee income	1,313,300	1,377,985
Retention on default collections	4,157,185	3,623,024
Income from South Carolina Student Loan Corporation		
Subsidized interest	3,400,557	4,112,817
Special allowance	(6,825,597)	49,252
Non-subsidized interest	10,525,847	12,847,444
Late charges	36,400	63,116
Miscellaneous payments of student loans	(164)	2,007
Reimbursement of bond expense	29,051,399	39,766,792
Guaranty fees	6,108,707	4,715,371
Reinsurance recoveries	275,536	246,011
Total charges for services	<u>52,913,330</u>	<u>71,053,627</u>
Operating grants and contributions		
Interest/investment income	976,383	8,830,795
Net increase(decrease) in the fair value of investments	(9,282)	(74,429)
Miscellaneous income	1,254,545	14
Arbitrage income (expense)	(1,208,709)	4,342,458
Total operating grants and contributions	<u>1,012,937</u>	<u>13,098,838</u>
Total program revenue	<u>53,926,267</u>	<u>84,152,465</u>
Less, expenses	<u>52,698,521</u>	<u>77,249,247</u>
Change in net assets	1,227,746	6,903,218
Net Assets		
Beginning	<u>144,828,779</u>	<u>137,925,561</u>
Ending	<u>\$ 146,056,525</u>	<u>\$ 144,828,779</u>

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
YEARS ENDED JUNE 30, 2009 AND 2008**

Notes to Financial Statements

Note 15. Contingency

On September 8, 2009, in connection with its review of the process for determining whether borrowers qualify for a FFELP Loan under the Lender-of-Last-Resort Program (the "*LLR Program*") of the Authority established under the Higher Education Act and the Authority's internal controls relating to the FFELP Program, the United States Department of Education made findings that (i) since 1993, the Corporation has made FFELP loans under the LLR Program ("*LLR Loans*") without a specific LLR application from the borrower pursuant to the Higher Education Act, (ii) since 1994, the Corporation has denied conventional FFELP loans to borrowers based solely on the borrowers' being bankrupts or debtors under the Bankruptcy Reform Act of 1994 (the "*Bankruptcy Act*") and on the basis on such denial made LLR Loans to such borrowers in violation of the Bankruptcy Act and guidance relating thereto issued by the United States Department of Education, and (iii) the Corporation has performed default aversion activities on behalf of the Authority in violation of the Federal Regulations promulgated under the Higher Education Act.

As a result of these findings, the United States Department of Education has determined that (i) the Authority must update its policies and procedures relating to the LLR Program, reclassify all LLR Loans made since 1993, calculate the amount of overpaid reinsurance relating to such LLR Loans, and refund such overpayment to the United States Department of Education, and (ii) obtain an independent servicer, other than the Corporation, to perform default aversion activities on its behalf or begin to perform those activities with its own employees.

The United States Department of Education has calculated that the amount to be paid as a result of the incorrect classification of loans as LLR Loans and the resulting overpayment of reinsurance on LLR Loans is approximately \$ 4,850,000 by the Authority and \$ 1,000,000 by the Corporation.

The Authority and the Corporation intend to appeal these findings of the United States Department of Education.

In the second quarter of 2008, the Authority received a letter from the Internal Revenue Service informing the Authority that the Internal Revenue Service would be auditing the \$ 49,850,000 in aggregate principal amount of South Carolina State Education Assistance Authority Guaranteed Student Loan Revenue Bonds, 1998 Series (the "*1998 Bonds*") issued by the Authority in 1998 and redeemed in full in 2008. The 1998 Bonds were audited as part of a project initiative involving student loan bonds.

As part of the audit of the 1998 Bonds, the Internal Revenue issued the Authority a Form 5701-TEB Notice of Proposed Issue ("*Form 5701*") in March of 2009 which raised issues regarding (i) the Authority's methodology for tracking student loans originated with the proceeds of the 1998 Bonds and (ii) the treatment of the consolidation loan rebate fee paid by the Corporation to the Department of Education. The Form 5701 asserts that because of the foregoing issues, the bond issue fails to qualify as a tax-exempt bond issue and that, therefore, interest on the 1998 Bonds to the bondholders would not be excludable from gross income under Section 103(a) of the Code. In the Form 5701, the Internal Revenue Service estimates the tax exposure to bondholders of the 1998 Bonds in an amount of \$ 1,001,636, based on an application of 29% to collectable past and future interest paid. The Authority believes the Internal Revenue Service position is inconsistent with industry practice. The Authority has responded to the Internal Revenue Service by disputing the conclusions contained in the Form 5701 and is awaiting a response from the Internal Revenue Service.

The Authority is unable to predict the outcome of this matter at this time and is not currently able to predict whether the Internal Revenue Service will identify additional issues relating to the 1998 Bonds that are not set forth in the Form 5701 or whether the Internal Revenue Service will open other audits of other bonds of the Authority as a result of this inquiry.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
SCHEDULE OF NET ASSETS BY ACCOUNTS
ENTERPRISE FUND
JUNE 30, 2009**

	Collection Account Prior Unpledged	93 Resolution	02 Resolution	Agency Operating Account	Federal Student Loan Reserve Account	Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 14,356,400	\$ 11,886,607	\$ 311,236	\$ 35,493,222	\$ 13,238,482	\$ 75,285,947
Cash and cash equivalents - restricted	-	6,017,076	13,910,401	-	-	19,927,477
Receivables						
Current portion of finance loans	-	9,860,000	40,960,000	-	-	50,820,000
Due from South Carolina Student Loan Corporation	41	3,077,925	2,526,219	1,241,405	-	6,845,590
Accrued interest receivable	2	-	1,631	69	26	1,728
Federal reinsurance receivable	-	-	-	-	2,026,472	2,026,472
Loan processing issuance fee receivable	-	-	-	287,939	-	287,939
Account maintenance fee receivable	-	-	-	534,500	-	534,500
Due from other funds	(560,842)	702,617	-	(299,421)	157,646	-
Total current assets	13,795,601	31,544,225	57,709,487	37,257,714	15,422,626	155,729,653
Long-term and other assets						
Receivables						
Finance loans, less current portion	-	212,331,459	805,840,361	-	-	1,018,171,820
Deferred cost of issuance of bonds	-	426,581	3,494,504	-	-	3,921,085
Total long-term and other assets	-	212,758,040	809,334,865	-	-	1,022,092,905
Property, plant & equipment						
Furniture and equipment	-	-	-	620,431	-	620,431
Automobile	-	-	-	22,338	-	22,338
Less: accumulated depreciation	-	-	-	(482,694)	-	(482,694)
Total property, plant & equipment	-	-	-	160,075	-	160,075
Total assets	\$ 13,795,601	\$ 244,302,265	\$ 867,044,352	\$ 37,417,789	\$ 15,422,626	\$ 1,177,982,633

SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
 SCHEDULE OF NET ASSETS BY ACCOUNTS
 ENTERPRISE FUND
 JUNE 30, 2009

	Collection Account Prior Unpledged	93 Resolution	02 Resolution	Agency Operating Account	Federal Student Loan Reserve Account	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 53,192	\$ -	\$ -	\$ -	\$ -	\$ 53,192
Compensated absences	-	-	-	296,098	-	296,098
Due to South Carolina Student Loan Corporation	11,474,885	-	-	588,199	480,258	12,543,342
Consolidation rebate fee payable	1,040,492	-	-	-	-	1,040,492
Payable from restricted assets	-	-	-	-	-	-
Accrued bond interest payable	-	468,792	2,838,153	-	-	3,306,945
Arbitrage payable to Federal government	-	172,266	-	-	-	172,266
Total current liabilities	12,568,569	641,058	2,838,153	884,297	480,258	17,412,335
Long-Term Liabilities						
Bonds payable, less current maturities, deferred amount of debt refunding and bond premium and discounts	-	155,118,937	855,400,000	-	-	1,010,518,937
Provision for losses on student loans	-	-	-	-	959,765	959,765
Arbitrage payable to federal government payable from restricted funds	-	132,148	2,902,923	-	-	3,035,071
Total long-term liabilities	-	155,251,085	858,302,923	-	959,765	1,014,513,773
Total liabilities	12,568,569	155,892,143	861,141,076	884,297	1,440,023	1,031,926,108
Net Assets						
Invested in capital assets	-	-	-	160,075	-	160,075
Restricted for						
Debt service	-	-	-	-	-	-
Bond indentures	-	88,410,122	5,903,276	-	-	94,313,398
Other	-	-	-	-	-	-
Federal government	-	-	-	-	13,982,603	13,982,603
Guaranty agency operating account	-	-	-	36,373,417	-	36,373,417
Unrestricted	1,227,032	-	-	-	-	1,227,032
Total net assets	\$ 1,227,032	\$ 88,410,122	\$ 5,903,276	\$ 36,533,492	\$ 13,982,603	\$ 146,056,525

SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
 SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS BY ACCOUNTS
 ENTERPRISE FUND
 YEAR ENDED JUNE 30, 2009

	Collection Account Prior Unpledged	1993 Resolution	2002 Resolution	Agency Operating Account	Federal Student Loan Reserve Account	Total
Operating Revenue						
United States Department of Education						
Loan processing issuance fee	\$ -	\$ -	\$ -	2,704,107	\$ -	\$ 2,704,107
Account maintenance fee	-	-	-	2,166,053	-	2,166,053
Default aversion fee income	-	-	-	1,313,300	-	1,313,300
Retention on default collections	-	-	-	4,157,185	-	4,157,185
Income from South Carolina Student Loan Corporation						
Subsidized interest	-	3,400,557	-	-	-	3,400,557
Special allowance	-	(6,825,597)	-	-	-	(6,825,597)
Non-subsidized interest	-	10,525,847	-	-	-	10,525,847
Late charges	-	36,400	-	-	-	36,400
Miscellaneous payments of student loans	-	(164)	-	-	-	(164)
Reimbursement of bond expense	-	-	29,051,399	-	-	29,051,399
Reinsurance recoveries	-	-	-	-	275,536	275,536
Miscellaneous income	-	-	-	1,241,405	13,140	1,254,545
Guaranty fees	-	-	-	-	6,108,707	6,108,707
Interest/investment income	8,992	349,883	284,676	271,306	61,526	976,383
Net increase in the fair value of investments	-	(9,282)	-	-	-	(9,282)
Total operating revenue	8,992	7,477,644	29,336,075	11,853,356	6,458,909	55,134,976
Operating Expenses						
Personnel	-	-	-	3,734,409	-	3,734,409
Contractual services	-	-	-	636,915	-	636,915
General operating	-	-	-	786,427	-	786,427
South Carolina Student Loan Corporation for operations	-	1,179,108	4,147,600	-	-	5,326,708
Bond interest expense	-	2,800,169	23,026,076	-	-	25,826,245
Amortization - deferred cost of bond issuance	-	136,211	254,469	-	-	390,680
Default aversion fee	-	-	-	-	1,313,300	1,313,300
Loan fees	-	2,591,141	-	-	-	2,591,141
Federal default fee	-	-	-	6,108,707	-	6,108,707
Borrower incentives	-	2,380,298	-	-	-	2,380,298
Broker/dealer fees	-	570,274	1,492,672	-	-	2,062,946
Reinsurance expense	-	20,505	-	-	1,056,789	1,077,294
Other fees	-	(34,787)	-	498,238	-	463,451
Total operating expenses	-	\$ 9,642,919	\$ 28,920,817	\$ 11,764,696	\$ 2,370,089	\$ 52,698,521

SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
 SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS BY ACCOUNTS
 ENTERPRISE FUND
 YEAR ENDED JUNE 30, 2009

	Collection Account Prior Unpledged	1993 Resolution	2002 Resolution	Agency Operating Account	Federal Student Loan Reserve Account	Total
Operating income	\$ 8,992	\$ (2,165,275)	\$ 415,258	\$ 88,660	\$ 4,088,820	\$ 2,436,455
Non-Operating Income (Expenses)						
Arbitrage income (expense)	-	121,559	(1,330,268)	-	-	(1,208,709)
Change in net assets	8,992	(2,043,716)	(915,010)	88,660	4,088,820	1,227,746
Net assets						
Beginning	1,218,040	90,453,838	6,818,286	36,444,832	9,893,783	144,828,779
Ending	\$ 1,227,032	\$ 88,410,122	\$ 5,903,276	\$ 36,533,492	\$ 13,982,603	\$ 146,056,525

SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
 SCHEDULE OF CASH FLOWS BY ACCOUNTS
 ENTERPRISE FUND
 YEAR ENDED JUNE 30, 2009

	Collection Account Prior Unpledged	1993 Resolution	2002 Resolution	Agency Operating Account	Federal Student Loan Reserve Account	Total
Cash Flows from Operating Activities						
Receipts from borrowers and U.S. Department of Education	\$ -	\$ -	\$ -	\$ 11,727,690	\$ 7,521,302	\$ 19,248,992
Receipts from SCSLC services provided	-	10,304,714	61,087,683	-	-	71,392,397
Payments to suppliers, lenders and borrowers	(8,430,116)	(11,425,917)	(39,006,032)	(8,384,072)	(2,114,749)	(69,360,886)
Payments to employees	-	-	-	(3,690,353)	-	(3,690,353)
Net cash provided by (used in) operating activities	(8,430,116)	(1,121,203)	22,081,651	(346,735)	5,406,553	17,590,150
Cash Flows from Non-capital Financing Activities						
Finance loan increases/advances to South Carolina Student Loan Corporation for student loans	-	(170,284,884)	-	-	-	(170,284,884)
Finance loan decreases/payments received from South Carolina Student Loan Corporation	-	112,190,891	-	-	-	112,190,891
Interest paid on revenue bonds	-	(4,565,041)	(34,441,559)	-	-	(39,006,600)
Net cash (used in) non-capital financing activities	-	(62,659,034)	(34,441,559)	-	-	(97,100,593)
Cash Flows from Capital and Related Financing Activities						
Purchase of capital assets	-	-	-	(58,406)	-	(58,406)
Cash Flows from Investing Activities						
Interest received on investment securities	9,013	374,963	315,518	271,881	61,647	1,033,022
Net increase in fair value of investments reported as cash equivalents	-	(9,282)	-	-	-	(9,282)
Net cash provided by investing activities	9,013	365,681	315,518	271,881	61,647	1,023,740
Net increase (decrease) in cash and cash equivalents	(8,421,103)	(63,414,556)	(12,044,390)	(133,260)	5,468,200	(78,545,109)
Cash and Cash Equivalents						
Beginning	22,777,503	81,318,239	26,266,027	35,626,482	7,770,282	173,758,533
Ending	14,356,400	17,903,683	14,221,637	35,493,222	13,238,482	95,213,424

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
SCHEDULE OF EXPENSES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2009**

	Budget	Actual	Variance (Over) Under
Operating Expenses			
Personnel			
Staff salaries	\$ 2,598,790	\$ 2,359,625	\$ 239,165
Contracted Services	-	39,571	(39,571)
Social security	198,808	167,143	31,665
Group insurance	641,996	565,275	76,721
Retirement	509,750	596,751	(87,001)
Unemployment	6,600	6,044	556
Total personnel	<u>3,955,944</u>	<u>3,734,409</u>	<u>221,535</u>
Contractual			
Loan servicing	440,791	410,421	30,370
Legal	5,000	597	4,403
Accounting	9,700	12,671	(2,971)
Credit bureau fees	237,600	75,932	161,668
Skip tracing	160,000	113,634	46,366
Enrollment verification	35,100	23,660	11,440
Total contractual	<u>888,191</u>	<u>636,915</u>	<u>251,276</u>
General Operating			
Rent	100,800	100,729	71
Telephone	77,600	67,932	9,668
Printing	78,750	68,458	10,292
Postage	243,715	241,828	1,887
Supplies	65,000	33,159	31,841
Travel	40,000	15,106	24,894
Equipment maintenance	74,830	67,080	7,750
Subscriptions and fees	32,000	29,107	2,893
Meeting and conference expense	1,000	-	1,000
Insurance - general and automotive	31,894	23,888	8,006
Outreach and awareness	53,000	15,486	37,514
Contingencies	20,000	2,544	17,456
Depreciation expense	132,500	121,110	11,390
Total general operating	<u>951,089</u>	<u>786,427</u>	<u>164,662</u>
Capital Additions			
Equipment, furniture and fixtures	\$ 71,400	58,406	\$ 12,994
Total personnel expenses		3,734,409	
Total contractual		636,915	
Total general operating		786,427	
Total operating expenses		<u>5,157,751</u>	
South Carolina Student Loan Corporation Operating Costs		<u>5,326,708</u>	
Other Expenses			
Interest on bonds		25,826,245	
Amortization - deferred cost of bond issuance		390,680	
Default aversion fee expense		1,313,300	
Borrower incentives		2,380,298	
Reinsurance expense and other fees		13,512,249	
Total other expenses		<u>43,422,772</u>	
Total expenses		<u>\$ 53,907,231</u>	

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
SCHEDULE OF ORGANIZATIONAL DATA
YEAR ENDED JUNE 30, 2009**

CREATION

Created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the 1976 Code (the "Act"). The Constitutionality of the Act was sustained in Durham vs. McLeod, 259 S.C. 409, 192 E. 2d 202, appeal dismissed 413 U.S. 902.

To make, insure and guarantee student loans; to acquire contingent interest in student loans from eligible banks or other lending institutions (up to 100% of the face amount thereof); to develop and administer all programs and to perform all functions necessary or convenient to promote and facilitate the making, guaranteeing and insuring of student loans and to provide such other student loan assistance and services as the Authority shall deem necessary or desirable and to enable it to qualify for loans, grants, insurance and other benefits and assistance under any program of the United States now or hereafter authorized fostering student loans; to appoint one or more banking institutions as its fiscal agent to perform such functions with respect to student loans and its revenue bonds; to approve as eligible, institutions otherwise qualified as such.

MEMBERS OF THE AUTHORITY

<u>Name</u>	<u>Office Held</u>
Mark Sanford	Governor of South Carolina
Converse A. Chellis, III	State Treasurer of South Carolina
Richard Eckstrom	Comptroller General of South Carolina
Hugh K. Leatherman, Sr.	Chairman, South Carolina Senate Finance Committee
Daniel T. Cooper	Chairman, South Carolina House of Representatives Ways and Means Committee

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Amount of Grant</u>	<u>Expenses</u>
U.S. Department of Education Programs			
Federal Family Education Loan Program			
Direct			
Loan processing and issuance fee	84.032		\$ 2,704,107
Account maintenance fee	84.032		2,166,053
Default aversion fee income	84.032		1,313,300
Retention on default collections	84.032		4,157,185
Passed through South Carolina Student Loan Corporation			
Special allowance	84.032		-
Subsidized interest	84.032		<u>3,400,557</u>
Total Federal Family Education Loan Program (Major program)			<u>13,741,202</u>
Paul Douglas Teachers Scholarship Program (Note 6)	84.176		-
Total Department of Education			\$ <u>13,741,202</u>

Notes - CFDA #84.032:

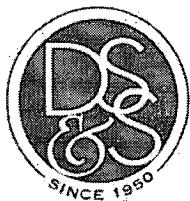
1. Summary of Significant Accounting Policies:

This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* The financial activity shown in this schedule reflects amounts recorded by the Authority during its fiscal year July 1, 2008 through June 30, 2009.

2. The total approved amount at June 30, 2009, of all student loans under guarantee by the South Carolina State Education Assistance Authority was \$ 8,164,390,909. The total outstanding balance of these loans was \$ 3,338,300,223. Special Allowances and Subsidized Interest are earned based on outstanding balance. The Account maintenance fee is based on average principal outstanding for the fiscal year for loans serviced, subject to a cap. The loan processing and issuance fee is based on loans originated during the fiscal year. The default aversion fee is based on the balance of principal and interest on a loan that was prevented from defaulting.
3. The South Carolina State Education Assistance Authority received \$ 40,222,380 during the year ended June 30, 2009, under Federal Reinsurance Agreements pursuant to Sections 428A and 428(c) of the Higher Education Act of 1965, as amended.
4. The total value at June 30, 2009, since inception, of all defaulted student loans which the South Carolina State Education Assistance Authority has purchased under Federal reinsurance agreements was \$ 309,326,403. Retention of Default Collections is generated when the Authority retains a portion of the amount it collects on these loans on behalf of the Federal Government.
5. The U.S. Department of Education (USDE) now requires lenders to pay the USDE when the lenders have negative special allowance. The Authority paid \$ 6,825,597 for the year ending June 30, 2009.

Notes - CFDA #84.176:

6. Program participants repaid \$ 9,141 to the Authority. The Authority owes the Federal Government \$ 9,141 at June 30, 2009.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Authority
South Carolina State Education Assistance Authority
Columbia, South Carolina

We have audited the financial statements of the South Carolina State Education Assistance Authority as of and for the year ended June 30, 2009, and have issued our report thereon dated September 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Carolina State Education Assistance Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Carolina State Education Assistance Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Carolina State Education Assistance Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Carolina State Education Assistance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the Board of Directors and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Derrick, Stubbs & Stith, LLP

September 15, 2009



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Members of the Authority
South Carolina State Education Assistance Authority
Columbia, South Carolina

Compliance

We have audited the compliance of the South Carolina State Education Assistance Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The South Carolina State Education Assistance Authority's major federal program is identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the South Carolina State Education Assistance Authority's management. Our responsibility is to express an opinion on the South Carolina State Education Assistance Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the South Carolina State Education Assistance Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the South Carolina State Education Assistance Authority's compliance with those requirements.

In our opinion, the South Carolina State Education Assistance Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the South Carolina State Education Assistance Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the South Carolina State Education Assistance Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the South Carolina State Education Assistance Authority's internal control over compliance.

To the Members of the Authority
South Carolina State Education Assistance Authority
Page 2

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, the Board of Directors and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Derick, Stulke + Stith, LLP

September 15, 2009

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

1. Summary of Auditor's Results:
 - (i) Type of report issued on financial statements Unqualified
 - (ii) Material weaknesses in internal control over financial reporting None Identified
 - (iii) Significant deficiencies not considered to be material weaknesses in internal control over financial reporting None Identified
 - (iv) Noncompliance material to the financial statements None Noted
 - (v) Material weaknesses in internal control over major programs None Identified
 - (vi) Significant deficiencies not considered to be material weaknesses in internal control over major programs None Identified
 - (vii) Type of report issued on compliance for major programs Unqualified
 - (viii) Audit findings required to be reported under paragraph .510(a) OMB 133 None Disclosed
 - (ix) Identification of major programs:

U.S. Department of Education	
Federal Family Education Loan Program	<u>CFDA#</u> <u>Expenditure</u>
Loan processing and issuance fee	84.032 \$ 2,704,107
Account maintenance fee	84.032 2,166,053
Default aversion fee income	84.032 1,313,300
Retention on default collections	84.032 4,157,185
Passed Through South Carolina Student Loan Corporation	
Subsidized interest	84.032 <u>3,400,557</u>
Total Federal Family Education Loan Program (Major program)	\$ <u>13,741,202</u>
 - (x) Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000
 - (xi) South Carolina State Education Assistance Authority qualifies as a low risk auditee under paragraph .530 OMB 133 Yes
2. Findings related to the financial statements which are required to be reported in accordance with GAGAS None Reported
3. Findings and questioned costs for Federal awards including audit findings as defined in paragraph .510(a) OMB 133
 - (i) Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) None Reported
 - (ii) Audit findings which relate to both the financial statements and Federal awards None Reported

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
SCHEDULE OF SUMMARY OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009**

There are no prior audit findings and questioned costs relative to Federal Awards.

**SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY
SCHEDULE OF CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2009**

There is no corrective action plan required since there are no prior audit findings and questioned costs relative to Federal Awards.

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APPENDIX "E"

FORM OF OPINION OF BOND COUNSEL

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November 5, 2009

Re: \$85,000,000 South Carolina State Education Assistance Authority Student Loan Revenue Bonds, 2009-1 Series

We have examined the Constitution and applicable statutes of the State of South Carolina (the "State"), a certified copy of the proceedings and other proofs relating to the authorization and issuance of the Student Loan Revenue Bonds, 2009-1 Series, described above (the "2009-1 Series Bonds") of the South Carolina State Education Assistance Authority (the "Authority"), a body politic and corporate and a public instrumentality of the State. This opinion is limited to the law of the State and applicable federal law covered herein.

The 2009-1 Series Bonds are issued by the Authority pursuant to:

- (i) the State Education Assistance Act, codified as Chapter 115 of Title 59, Code of Laws of South Carolina, 1976, as amended (the "Act");
- (ii) "A 2009 PAL General Resolution Providing for the Issuance and Sale of South Carolina State Education Assistance Authority Student Loan Revenue Bonds, and Other Matters Relating Thereto" effective October 29, 2009 (the "2009 PAL General Resolution"); and
- (iii) "A Series Resolution Providing for the Issuance and Sale of Not Exceeding Eighty-Five Million Dollars (\$85,000,000) South Carolina State Education Assistance Authority Student Loan Revenue Bonds, 2009-1 Series; and Other Matters Relating Thereto" effective October 29, 2009 (the "2009-1 PAL Series Resolution").

The 2009 PAL General Resolution and the 2009-1 PAL Series Resolution are herein collectively called the "Resolutions," and capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolutions.

The Series 2009-1 Bonds have been issued pursuant to the Series 2009-1 Resolution. The Authority has entered into a 2009 PAL Loan Agreement dated as of October 29, 2009 (the "2009 PAL Loan Agreement") with the South Carolina Student Loan Corporation, a South Carolina nonprofit corporation (the "Corporation") pursuant to which the proceeds of the 2009-1 Series Bonds will be loaned by the Authority to the Corporation and the Corporation has agreed to make certain payments to the Authority as set forth more fully therein. Such loan proceeds shall be used by the Corporation to finance loans to eligible students for the purposes and subject to the requirement set forth in the 2009 PAL General Resolution (the "Student Loans"). Under the Resolutions, the Authority has pledged and assigned its rights under the 2009 PAL Loan Agreement, including its interest in the Student Loans, for the payment of principal and interest on the 2009-1 Series Bonds when due.

Regarding questions of fact material to our opinion, we have relied on the representations of the Authority contained in the Resolutions and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

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Based upon the foregoing, under existing law, it is our opinion that:

1. The Authority is validly existing as a body politic and corporate and a public instrumentality of the State with the power to issue the 2009-1 Series Bonds and to perform all of its obligations under the Resolutions.

2. The Authority has the power under the Act to adopt the Resolutions, and the Resolutions have been duly adopted by the Authority and constitute valid and binding obligations of the Authority, enforceable in accordance with their terms, except to the extent that the enforceability of the Resolutions may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally, and by equitable principles, whether considered at law or in equity, and by the discretion of the court, judicial body or other arbiter before which any enforcement proceeding may be brought.

3. The Resolutions create a valid lien on the 2009 PAL Loan Agreement and the Funds and Accounts held by the Trustee as for the security of the 2009-1 Series Bonds on a parity with other senior bonds issued under the Resolutions and executed subject to the provisions and conditions of the Resolutions.

4. The 2009-1 Series Bonds have been duly authorized and executed by the Authority and constitute valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, except to the extent that the enforceability of the 2009-1 Series Bonds may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally, and by equitable principles, whether considered at law or in equity, and by the discretion of the court, judicial body or other arbiter before which any enforcement proceeding may be brought. Such 2009-1 Series Bonds are secured in the manner and to the extent prescribed by the Resolutions and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements set forth in the Resolutions.

5. The 2009-1 Series Bonds are not a debt or grant or loan of credit of the State, the Authority or any political subdivision thereof, and neither the State, the Authority nor any political subdivision thereof is liable thereon, nor shall the 2009-1 Series Bonds be payable out of any funds other than those of the Authority pledged therefor under the Resolutions.

6. Interest on the 2009-1 Series Bonds is excludable from gross income for federal income tax purposes. Interest on the 2009-1 Series Bonds is not an item of tax preference in computing the alternative minimum tax imposed on individuals and corporations under the Code. Interest on the 2009-1 Series Bonds is not included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax under the Code. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2009-1 Series Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with all such requirements in the Tax Exemption Certificate. Failure to comply with certain of such requirements may cause interest on the 2009-1 Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2009-1 Series Bonds. Ownership of tax-exempt obligations, including the 2009-1 Series Bonds, may result in collateral federal income tax consequences to certain taxpayers. We express no opinion regarding other federal tax consequences arising with respect to the 2009-1 Series Bonds.

7. Interest on the 2009-1 Series Bonds is exempt from all state, county, municipal, school district, and all other taxes or assessments provided by the laws of the State of South Carolina except estate or other transfer taxes, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise and certain franchise taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina, 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the 2009-1 Series Bonds.

November 5, 2009

MCNAIR
ATTORNEYS

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

McNAIR LAW FIRM, P.A.

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