$700,800,000
Student Loan Asset-Backed Notes, 2012-1 Series

EFS Volunteer No. 3, LLC
Issuer

EFS Volunteer No. 3, LLC, a Delaware limited liability company (the "Issuer"), is offering $679,800,000 aggregate principal amount of its Student Loan Asset-Backed Notes, 2012-1 Series, as Class A-1 Notes, Class A-2 Notes and Class A-3 Notes (collectively, the "Class A Notes" or the "Offered Notes") in the principal amounts set forth below and is issuing $21,000,000 aggregate principal amount of its Student Loan Asset-Backed Notes, 2012-1 Series, as Class B Notes (the "Class B Notes" and together with the Class A Notes, the "Notes") as set forth below:

Class	Original Principal Amount	Interest Rate	Offering Price	Stated Maturity Date	Expected Ratings S&P/Fitch*
A-1 Notes	$358,600,000	1 Month LIBOR + 0.60% per annum	99.71285%	October 25, 2021	AA+(sf)/AAAsf
A-2 Notes	$154,000,000	1 Month LIBOR + 1.00% per annum	99.66360%	February 25, 2025	AA+(sf)/AAAsf
A-3 Notes	$167,200,000	1 Month LIBOR + 1.00% per annum	93.47956%	April 25, 2033	AA+(sf)/AAAsf
B Notes**	$21,000,000	1 Month LIBOR + 1.00% per annum***	100.00000%	August 25, 2044	NR/NR

* See the heading "RATINGS" herein.
** All of the Class B Notes will be initially held by EFS (as defined below) and are not being offered hereby.
*** Subject to the Class B Interest Cap (as defined below) and the Class B Interest Subordination Trigger Event (as defined herein).
"NR" means not rated

The Notes are being issued by the Issuer pursuant to an Indenture of Trust dated as of June 1, 2012 (the "Indenture") among the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee") and as eligible lender trustee (the "Eligible Lender Trustee"). The proceeds from the sale of the Class A Notes and the Class B Notes will be used to acquire the student loans that will be pledged under the Indenture. A portion of the purchase price of these student loans will be applied to pay the purchase price and redemption price, as applicable, of the EFS Existing Bonds as more fully described herein.

The Notes will be secured under the Indenture by a pool of student loans made under the Federal Family Education Loan Program (the "FFELP"), rights the Issuer has under certain agreements, a Debt Service Reserve Fund, an Acquisition Fund, a Capitalized Interest Fund (each as defined herein) and the other moneys and investments pledged to the Trustee under the Indenture.

The interest rate on the Notes is LIBOR-based. A description of how LIBOR is determined appears under "DESCRIPTION OF THE NOTES—Determination of LIBOR" herein. The Notes will receive monthly distributions of principal and interest on the 25th day (or the next Business Day (as defined herein) if it is not a Business Day) of each calendar month as described in this Private Placement Memorandum, beginning September 25, 2012 until the Notes are paid in full. In general, payments of principal will be made sequentially to the Class A Notes (in numerical order of the Tranche (as defined herein) designation) and to the Class B Notes, in that order, until each such Class is paid in full and payments of interest will be made sequentially to the Class A Notes (ratably across all Tranches of the Class A Notes) and to the Class B Notes (subject to the Class B Interest Cap and the Class B Interest Subordination Trigger Event (each as defined herein)).

Credit enhancement for the Notes will consist of overcollateralization, excess interest on the Financed Student Loans (as defined herein) and cash on deposit in the Debt Service Reserve Fund and the Capitalized Interest Fund. Overcollateralization will include in part, (i) for holders of the Class A-1 Notes and the Class A-2 Notes, the sequential payment of principal within the Class A Notes, which is paid in numerical order of Tranche designation and (ii) for holders of Class A Notes, the sequential payment of principal and interest on the Class A Notes before the Class B Notes. The Notes are not insured or guaranteed by any government agency or instrumentality, by any insurance company, or by any other person or entity.

It is a condition to the issuance of the Notes that each Tranche of Class A Notes be rated "AAAsf" by Fitch Ratings, Inc. ("Fitch") and "AA+(sf)" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P" and together with Fitch, the "Rating Agencies"). The Class B Notes will not be rated. As of December 2, 2011, Fitch's Rating Outlook for all existing and new issuances of "AAA" rated tranches of FFELP securitizations is Negative, which reflects Fitch's Negative Rating Outlook on the long-term foreign and local currency issuer default ratings of the United States.

Potential investors should carefully review the risk factors listed under "RISK FACTORS" herein.

THE NOTES ARE LIMITED OBLIGATIONS ONLY OF THE ISSUER PAYABLE SOLELY FROM AND SECURED SOLELY BY THE TRUST ESTATE CREATED UNDER THE INDENTURE DESCRIBED HEREIN. THE ISSUER HAS NO TAXING POWER. THE NOTES DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR THE TAXING POWER, OF THE STATE OF TENNESSEE OR ANY OF ITS AGENCIES OR POLITICAL SUBDIVISIONS.

The Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities or blue sky laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities or blue sky laws. Accordingly, the Offered Notes are being offered and sold only to Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this Private Placement Memorandum. Any representation to the contrary is a criminal offense.

We are offering the Offered Notes through the Initial Purchasers when and if issued. The Offered Notes are offered when, as and if received by the Initial Purchasers, subject to prior sale, to withdrawal or modification of the offer without notice. The Offered Notes and the Class B Notes are expected to be delivered in book-entry only form through the facilities of The Depository Trust Company on or about June 22, 2012.

BofA Merrill Lynch **BMO Capital Markets**

Dated: June 14, 2012

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ADDITIONAL INFORMATION

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Initial Purchasers to give any material information or to make any material representations, other than those contained in this Private Placement Memorandum, 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 Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Offered Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except as set forth herein, no action has been taken or will be taken to register or to qualify the Offered Notes or otherwise to permit a public offering of the Offered Notes in any jurisdiction where actions for that purpose would be required. The distribution of this Private Placement Memorandum and the offering of the Offered Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Private Placement Memorandum comes are required by the Issuer and the Initial Purchasers to inform themselves about and to observe any such restrictions. This Private Placement Memorandum has been prepared by the Issuer solely for use in connection with the proposed offering of the Offered Notes described herein. For a description of certain further restrictions on offers and sales of the Notes and distribution of this Private Placement Memorandum, see "Important Notice."

THIS PRIVATE PLACEMENT MEMORANDUM WAS PREPARED BY THE ISSUER. THE INITIAL PURCHASERS HAVE REVIEWED THE INFORMATION IN THIS PRIVATE PLACEMENT MEMORANDUM, BUT THE INITIAL PURCHASERS HAVE NOT INDEPENDENTLY VERIFIED ANY OF THE INFORMATION CONTAINED HEREIN AND MAKE NO REPRESENTATION OR WARRANTY OR GUARANTY AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION, AND NOTHING HEREIN SHALL BE DEEMED TO CONSTITUTE SUCH A REPRESENTATION OR WARRANTY OR GUARANTY BY THE INITIAL PURCHASERS. IN MAKING AN INVESTMENT DECISION WITH RESPECT TO THE NOTES, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER (INCLUDING, WITHOUT LIMITATION, THE TRUST ESTATE CREATED UNDER THE INDENTURE AND THE ISSUER'S OTHER ASSETS) AND THE TERMS AND CONDITIONS OF THE OFFERING OF THE OFFERED NOTES, INCLUDING THE RISKS INVOLVED, AND SHALL NOT CONSTRUE THE CONTENTS OF THIS PRIVATE PLACEMENT MEMORANDUM, OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE ISSUER OR THE INITIAL PURCHASERS OR ANY OF THEIR OFFICERS, EMPLOYEES OR AGENTS AS INVESTMENT, LEGAL, ACCOUNTING, REGULATORY OR TAX ADVICE. PRIOR TO ANY INVESTMENT IN THE NOTES, A PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN ADVISORS TO DETERMINE THE APPROPRIATENESS AND CONSEQUENCES OF SUCH AN INVESTMENT IN RELATION TO THAT INVESTOR'S SPECIFIC CIRCUMSTANCES.

THIS PRIVATE PLACEMENT MEMORANDUM IS BEING PROVIDED ON A CONFIDENTIAL BASIS ONLY TO INVESTORS THAT ARE REASONABLY BELIEVED TO BE "QUALIFIED INSTITUTIONAL BUYERS" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT WHO ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS INVOLVED WITH OWNERSHIP OF THE NOTES. SEE "INVESTOR SUITABILITY."

THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. SUBSEQUENT PURCHASERS OR TRANSFEREES MUST BE QUALIFIED INSTITUTIONAL BUYERS. PROSPECTIVE PURCHASERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE NOTES FOR AN INDEFINITE PERIOD OF TIME. See "NOTICE TO INVESTORS: TRANSFER RESTRICTIONS." Each initial and subsequent purchaser of the Notes will be deemed by its acceptance of such notes to have made certain acknowledgments, representations and agreements intended to restrict the resale or other transfer of the Notes as described in this Private Placement Memorandum and, in connection therewith, may be required to provide confirmation of its compliance with such resale and other transfer restrictions in certain cases. The Notes will bear a legend referring to such restrictions and investors must be prepared to bear the risks of their acquisition of the Notes for an indefinite period of time.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Private Placement Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

This Private Placement Memorandum contains certain statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on beliefs of the Issuer's management as well as assumptions and estimates based on information currently available to the Issuer, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, depending on a variety of factors, including economic and market instability, the financial health of the Issuer and the Guaranty Agencies, changes in federal and state laws applicable to the Issuer and the Notes and interest rate fluctuations. Should one or more of these risks or uncertainties materialize adversely, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described. See "RISK FACTORS."

Within this Private Placement Memorandum are cross-references to captions found elsewhere in this Private Placement Memorandum, under which you can find further related discussions. The table of contents in this Private Placement Memorandum indicates where such captions and discussions are located.

The Offered Notes will be available only to investors that are Qualified Institutional Buyers and only in book-entry form. The Issuer expects that the Notes sold pursuant hereto to Qualified Institutional Buyers will be issued in the form of fully-registered note certificates totaling the aggregate principal amount of the Notes, which will be deposited with, or on behalf of, DTC and registered in its name or in the name of its nominee. Beneficial interests in the Notes will be shown on, and transfers thereof to Qualified Institutional Buyers only will be effected through, records maintained by DTC and its participants.

An investor or potential investor in the Notes (and each employee, representative, or other agent of such person or entity) may disclose to any and all persons, without limitation, the tax treatment and tax structure of the transaction and all directly related materials of any kind, including opinions or other tax analyses, that are provided to such person or entity. However, such person or entity may not disclose any other information relating to this transaction unless such information is directly related to such tax treatment and tax structure.

There currently is no secondary market for the Notes. There are no assurances that any market will develop or, if it does develop, how long it will last. The Issuer does not intend to list the Notes on any exchange, including any exchange in either Europe or the United States.

The Offered Notes are being offered subject to prior sale or withdrawal, cancellation or modification of the offer without notice and subject to the approval of certain legal matters by counsel and certain other conditions. No Notes may be sold without delivery of this Private Placement Memorandum.

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sales of the Notes, the Administrator will be required, for so long as any Note is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act, to provide, upon request of any holder of a Note (a "Noteholder"), to such Noteholder and a prospective purchaser designated by such Noteholder, the information which is required to be delivered under Rule 144A(d)(4) under the Securities Act, if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

COMPLIANCE WITH APPLICABLE SECURITIES LAWS

THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY AND THIS PRIVATE PLACEMENT MEMORANDUM MAY NOT BE DISTRIBUTED IN OR FROM OR PUBLISHED IN ANY COUNTRY OR JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE HANDS THIS PRIVATE PLACEMENT MEMORANDUM COMES ARE REQUIRED BY THE ISSUER AND THE INITIAL PURCHASERS TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN EACH COUNTRY OR JURISDICTION IN WHICH THEY PURCHASE, SELL OR DELIVER THE NOTES OR HAVE IN THEIR POSSESSION OR DISTRIBUTE SUCH PRIVATE PLACEMENT MEMORANDUM, IN ALL CASES AT THEIR OWN EXPENSE.

IRS CIRCULAR 230 NOTICE

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, NOTEHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PRIVATE PLACEMENT MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY NOTEHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON NOTEHOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCLOSURE IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) NOTEHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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SUMMARY OF TERMS

The following summary is a general overview of the terms of the Notes and does not contain all of the information that you need to consider in making your investment decision. Before deciding to purchase the Notes, you should consider the more detailed information appearing elsewhere in this Private Placement Memorandum.

References to the "Issuer" refer to EFS Volunteer No. 3, LLC. References herein to the "Notes" shall refer to the Class A Notes and Class B Notes. References herein to the "Offered Notes" shall refer to the Class A Notes. References herein to a "Tranche" or "Class" of the Notes shall refer to each of the Class A-1 Notes, Class A-2 Notes, Class A-3 Notes and Class B Notes.

This Private Placement Memorandum contains forward-looking statements that involve risks and uncertainties. See "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS" herein.

All capitalized terms used in this Private Placement Memorandum and not otherwise defined herein have the same meanings as assigned to them in the Indenture, which definitions are included in "EXHIBIT II—GLOSSARY OF CERTAIN DEFINED TERMS."

General

The Notes will be issued pursuant to the Indenture which is a discrete indenture and will include a class of senior Notes (Class A, including Class A-1 Notes, Class A-2 Notes and Class A-3 Notes) and a class of subordinate Notes (Class B) having the rights described in this Private Placement Memorandum. The Class A Notes offered by this Private Placement Memorandum will be the only series of Class A Notes issued pursuant to the Indenture. The Class B Notes described in this Private Placement Memorandum will be the only series of Class B Notes issued pursuant to the Indenture. The Class B Notes are being initially held by EFS and are not being offered by this Private Placement Memorandum. No additional notes will be issued under the Indenture.

The Restructuring Plan

Educational Funding of the South, Inc. ("EFS") previously issued various series of bonds (the "EFS Existing Bonds") pursuant to an Indenture of Trust, dated as of December 1, 2004, between EFS and Wells Fargo Bank, National Association, as successor trustee (the "EFS Existing Trustee"), as supplemented and amended (the "EFS Existing Indenture"). The EFS Existing Bonds are limited obligations of EFS payable solely from and secured solely by certain pledged assets held in the trust estate created under the EFS Existing Indenture. The assets of the trust estate under the EFS Existing Indenture include student loans, collections and other payments on those student loans and certain funds held in trust accounts under the EFS Existing Indenture. The student loans are education loans to students and parents of students made under the Federal Family Education Loan Program, known as FFELP.

Certain of the proceeds of the Notes are expected to be used to acquire the student loans that currently serve as collateral for the EFS Existing Bonds. The purchase price of such Student Loans paid by the Issuer to EFS as Seller under the Student Loan Purchase Agreement will be transferred to and applied by the EFS Existing Trustee to pay the purchase price or redemption price, as applicable, of the EFS Existing Bonds on the Issue Date. The redemption price of the EFS Existing Bonds to be redeemed is equal to the par amount thereof plus accrued interest to the Issue Date. The purchase price of the EFS Existing Bonds to be purchased will be less than the par amount thereof plus accrued interest to the Issue Date. Upon the completion of the transactions contemplated hereby, the EFS Existing Indenture will be terminated. Upon the sale of the Student Loans by the Seller, any liens or security interests relating to the Student Loans sold and any associated debt of the Seller will be extinguished.

All of the student loans held by the Issuer will be pledged to the Trustee to secure repayment of the Notes issued under the Indenture. The sole sources of funds for payment of the Notes issued under the Indenture are the student loans and the investments that we pledge to the Trustee and the payments that we receive on those student loans and investments.

Principal Parties and Dates

Issuer

EFS Volunteer No. 3, LLC ("we," "us," "our," the "Issuer"), a special purpose, Delaware limited liability company, which is a wholly owned subsidiary of EFS. EFS serves as a secondary market conduit for loans made to finance post secondary education that are made under the Higher Education Act ("Eligible Loans") funded with bond proceeds throughout the United States.

Master Servicer

Educational Funding of the South, Inc. will act as Master Servicer.

Servicers

Edfinancial Services, LLC ("Edfinancial Services").

Pennsylvania Higher Education Assistance Agency ("PHEAA").

Back-up Servicer

PHEAA will serve as Back-up Servicer for Edfinancial Services.

Guaranty Agencies

We expect that all of the Financed Student Loans, as defined below, will be loans originated under the Federal Family Education Loan Program ("FFELP"), guaranteed by a Guaranty Agency, which is any entity authorized to guarantee student loans under the Higher Education Act and reinsured by the U.S. Department of Education (the "Department"), and with which the Issuer (or Eligible Lender Trustee on behalf of the Issuer) maintains a Guaranty Agreement.

For the definition of "Student Loan," see "EXHIBIT II—GLOSSARY OF CERTAIN DEFINED TERMS."

"Financed" when used with respect to Student Loans, means or refers to the Student Loans (i) acquired or transferred by the Issuer and deposited in or otherwise constituting a part of the Trust Estate, and (ii) substituted or exchanged as permitted by the Indenture for Financed Student Loans but, in any event, shall not include Student Loans released from the lien of the Indenture pursuant to the terms thereof.

Seller

EFS.

Trustee, Paying Agent and Registrar

Wells Fargo Bank, National Association.

Eligible Lender Trustee

Wells Fargo Bank, National Association, is our Eligible Lender Trustee under a trust agreement, and will hold legal title to the Financed Student Loans beneficially owned by us.

Administrator

EFS will act as Administrator. Edfinancial Services acts as sub-administrator to EFS.

Application of Proceeds

We will use the proceeds from the sale of the Notes to acquire a pool of FFELP student loans from the Seller through our Eligible Lender Trustee, each of which is guaranteed by a Guaranty Agency as to unpaid principal and accrued interest pursuant to the Higher Education Act, as further discussed in this Private Placement Memorandum; fund a deposit to the Acquisition Fund, including the Temporary Costs of Issuance Account created therein, the Capitalized Interest Fund and the Debt Service Reserve Fund for the Notes and pay, out of the Temporary Costs of Issuance Account, the costs of issuance relating to the Notes. See "SOURCES AND USES."

All of the Student Loans described under "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" to be purchased by the Issuer from the Seller are currently pledged under the EFS Existing Indenture and secure the EFS Existing Bonds. The purchase price of such Student

Loans paid by the Issuer to EFS under the Student Loan Purchase Agreement will be transferred to and applied by the EFS Existing Trustee to pay the purchase price and redemption price of the EFS Existing Bonds as described under "—The Restructuring Plan." Upon such purchase and redemption, the EFS Existing Indenture and associated debt of the Seller will be extinguished and the related lien and security interests related to the Student Loans will be released.

Distribution Dates

Distribution Dates for the Notes will be the 25th day of each calendar month, or if such day is not a Business Day, the next succeeding Business Day, beginning on September 25, 2012 (each, a "Distribution Date").

Collection Periods

The collection periods will be one-month periods ending on the last day of the month preceding each Distribution Date. However, the initial Collection Period will begin on the Issue Date and end on August 31, 2012.

Interest Periods

The Initial Interest Period for the Notes begins on the Issue Date and ends on September 24, 2012 (the day before the first Distribution Date for the Notes). For any other Distribution Date, the Interest Period will begin on the prior Distribution Date and end on the day before such Distribution Date.

Cut-off Date

The cut-off date for any Student Loan pledged to the Trustee by the Issuer under the Indenture is the date of such pledge. All loan revenues received with respect to such Financed Student Loan portfolio starting on the applicable cut-off date will be deposited in the Collection Fund.

For the definition of "Student Loan," see "EXHIBIT II—GLOSSARY OF CERTAIN DEFINED TERMS."

Information Relating to the Financed Student Loans

The information presented in this Private Placement Memorandum relating to the Student Loans is as of April 30, 2012, which we refer to as the "Statistical Cut-off Date." We believe that the information set forth in this Private Placement Memorandum with respect to the Student Loans as of the Statistical Cut-off Date is materially representative of the characteristics of the pool of Student Loans that will ultimately be pledged to the Trustee under the Indenture at the end of the Acquisition Period. See "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" and "EXHIBIT VI—PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE NOTES" herein.

Issue Date

The Issue Date for the Notes is expected to be on or about June 22, 2012.

Description of the Notes

General

We are offering the following Notes (each of which is referred to herein as a "Tranche"):

- Class A-1 Notes in the aggregate principal amount of $358,600,000.
- Class A-2 Notes in the aggregate principal amount of $154,000,000.
- Class A-3 Notes in the aggregate principal amount of $167,200,000.

We are also issuing the following Notes (which is also referred to herein as a "Tranche"), which Notes are being initially held by EFS and are not being offered hereby:

- Class B Notes in the aggregate principal amount of $21,000,000.

The Notes are limited debt obligations of the Issuer and will be issued and secured pursuant to the Indenture. The Notes will receive payments primarily from collections on the pool of Financed Student Loans held in the Trust Estate. The Notes do not constitute a debt, liability, or obligation of any state or of any agency or political subdivision of any state, or a pledge of the full faith and credit of any state or of any agency or political subdivision of any state. The Issuer has no taxing power.

The Class A-1 Notes will be issued in minimum denominations of $250,000, the Class A-2 Notes will be issued in minimum denominations of

$250,000, the Class A-3 Notes will be issued in minimum denominations of $250,000 and the Class B Notes will be issued in minimum denominations of $250,000, and in each case, in integral multiples of $1,000 in excess thereof. Principal of and interest on the Notes will be payable on each Distribution Date to the record owners of the Notes as of the close of business on the day before the related Distribution Date.

Priority of Principal Payments

We will pay principal on the Notes sequentially on each Distribution Date, to the extent of any Available Funds remaining after payments with a higher priority have been made, first to the Class A Notes (in numerical order of the Tranche designation) until paid in full and second to the Class B Notes until paid in full, in the priorities and as described under clause eighth and tenth of "THE TRUST ESTATE—Flow of Funds—Distribution Dates" and "DESCRIPTION OF THE NOTES—Distributions of Principal" in this Private Placement Memorandum, except that, when an Event of Default under the Indenture has occurred that results in the acceleration of the Notes, principal will be paid ratably across all Tranches of the Class A Notes.

Principal on the Notes paid on any Distribution Date may be paid in amounts greater than or less than the Principal Distribution Amount. Failure to pay principal on the Notes is not an Event of Default (except on the applicable Stated Maturity Date). See "EXHIBIT III—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The principal payments described in the paragraph above could result in the Notes being paid in full prior to their final maturity.

No Additional Notes

The Indenture, and the Trust Estate created thereunder, will be discrete. The Indenture will not permit the issuance of any additional bonds, notes, or other evidences of indebtedness secured by the Trust Estate.

Interest on the Notes

Except for the Initial Interest Period, the Notes will bear interest at an annual rate equal to one-month LIBOR plus 0.60% per annum for the Class A-1 Notes, one-month LIBOR plus 1.00% per annum for the Class A-2 Notes, one-month LIBOR plus 1.00% per annum for the Class A-3 Notes and one-month LIBOR plus 1.00% per annum for the Class B Notes, subject, in the case of the Class B Notes, to the Class B Interest Cap and the Class B Interest Subordination Trigger Event (each as described below).

The Trustee will determine the rate of interest on the Notes for the next Interest Period on the second Business Day immediately preceding each Distribution Date. Interest on the Notes will be calculated on the basis of the actual number of days elapsed during the Interest Period divided by 360 (and rounding to the fifth decimal place the resultant figure equal to the actual number of days elapsed divided by 360). For the Initial Interest Period, the Trustee will determine the interest rate for the Notes according to a formula described below in "DESCRIPTION OF THE NOTES—Interest Payments."

The LIBOR rate for the Initial Interest Period for each Tranche of the Notes will be calculated as described under "DESCRIPTION OF THE NOTES—Interest Payments."

Interest accrued on the outstanding principal balance of each Note during each Interest Period will be paid on the following Distribution Date ratably across all Tranches of the Class A Notes and then the Class B Notes, in that order. The payment of interest on the Class B Notes is subject to the Class B Interest Cap. If the Class B Interest Subordination Trigger Event has occurred and is continuing, the interest accruing on the Class B Notes during any related Interest Period will be characterized as a Class B Carry-Over Amount, and will be paid as described in clause eleventh of "THE TRUST ESTATE—Flow of Funds—Distribution Dates" and "DESCRIPTION OF THE NOTES—Distributions of Principal" under "—Flow of Funds." The Class B Interest Subordination Trigger Event occurs on any Distribution Date when the Class B Parity Ratio is less than 101.25% and the Class A Notes remain Outstanding.

If the Class B Interest Subordination Trigger Event is no longer continuing (either because the Class B Parity Ratio is at least equal to 101.25% or none of the Class A Notes remain outstanding), the Interest Distribution Amount payable on the Class B Notes on any subsequent Distribution Date will be paid as described under clause sixth of "THE TRUST ESTATE—Flow of Funds—Distribution Dates" and "DESCRIPTION OF THE NOTES—Distributions of Principal" in this Private Placement Memorandum.

"Class B Parity Ratio" means (a) on the Issue Date or any other date prior to the expiration of the Acquisition Period, (i) the Pool Balance as of such date (including all accrued interest on the Financed Student Loans), plus the remaining amount on deposit in the Acquisition Fund (less any amounts on deposit in the Temporary Costs of Issuance Account), plus the amount on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund on such date divided by (ii) the Outstanding Amount of the Class A Notes and the Class B Notes on such date and (b) on any Distribution Date after the end of the Acquisition Period, (i) the Pool Balance (including all accrued interest on the Financed Student Loans) as of the end of the related Collection Period, plus the amount on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund after giving effect to distributions made on that Distribution Date, divided by (ii) the Outstanding Amount of the Class A Notes and the Class B Notes, after giving effect to distributions made on that Distribution Date.

The "Class B Interest Cap" means, with respect to any Distribution Date, an amount equal to (a) the actual number of days in the current year divided by 360 multiplied by the difference between (i) the sum of all non-principal amounts accrued on the Financed Student Loans during the related Collection Period, whether due from a borrower, a Guaranty Agency or the Department (including, without limitation, Special Allowance Payments and Interest Subsidy Payments) and (ii) amounts not attributable to principal that are payable to the Department that accrued during the related Collection Period (including, without limitation, Special Allowance Payments and consolidation rebate fees); less (b) the Trustee Fee, the Servicing Fees and the Administration Fees accrued during the related Collection Period and less (c) the Interest Accrual Amount on the Class A Notes for such Distribution Date. The Class B Interest Cap may not be less than zero.

Failure to make interest payments on the Class B Notes is not an Event of Default under the Indenture if any Class A Notes remain outstanding. Payment of the Class B Carry-Over Amount (as hereafter defined) is payable at a lower priority, and the failure to pay such Class B Carry-Over Amount is not an Event of Default under the Indenture. To the extent that there are insufficient Available Funds for the payment of Class B Carry-Over Amount on or after the Stated Maturity Date of the Class B Notes, such Class B Carry-Over Amount and the interest thereon shall be cancelled and shall not be paid (and the Class B Carry-Over Amount may not be paid in the event of a mandatory redemption of the Notes as described under "DESCRIPTION OF THE NOTES--Mandatory Redemption").

"Interest Accrual Amount" means, for any Distribution Date, with respect to any Tranche of the Notes, the aggregate amount of interest accrued for the Notes at the related LIBOR indexed rate set forth on the cover page of this Private Placement Memorandum for such Tranche of Notes for the related Interest Period on the Outstanding Amount of such Tranche of Notes since the immediately preceding Distribution Date after giving effect to all principal distributions to the related Noteholders on that preceding Distribution Date, or in the case of the first Distribution Date, on the Issue Date.

Stated Maturity

The Distribution Date on which the Class A-1 Notes are due and payable in full is the Distribution Date on October 25, 2021, the Distribution Date on which the Class A-2 Notes are due and payable in full is the Distribution Date on February 25, 2025, the Distribution Date on which the Class A-3 Notes are due and payable in full is the Distribution Date on April 25, 2033, and the Distribution Date on which the Class B Notes are due and payable in full is the Distribution Date on August 25, 2044 (each such date, a "Stated Maturity Date").

The principal of the Notes may be paid prior to the applicable Stated Maturity Date if, for example:

- there are prepayments on the Financed Student Loans;
- the mandatory redemption of the Notes occurs if the amount on deposit in the Debt Service Reserve Fund (after all required transfers and distributions have been made therefrom), together with other Available Funds, equals or exceeds the outstanding principal balance of and accrued interest on the Notes (excluding the Class B Carry-Over Amount, as hereinafter defined) as described under "DESCRIPTION OF THE NOTES—Mandatory Redemption" in this Private Placement Memorandum; or
- the Issuer exercises its option to sell all of the Financed Student

Loans, and thereby redeem the Notes in whole, but not in part, which option may be exercised on any Distribution Date commencing with the first Distribution Date on which the outstanding Pool Balance (as of the last day of the related Collection Period) is 10% or less of the Initial Pool Balance.

See "DESCRIPTION OF THE NOTES—Optional Redemption" and "—Mandatory Redemption" in this Private Placement Memorandum. The "Pool Balance" is defined under "DESCRIPTION OF THE NOTES—Distributions of Principal" in this Private Placement Memorandum.

Description of the Issuer

EFS Volunteer No. 3, LLC, the Issuer, was formed on May 24, 2012, under the Limited Liability Company Act of the State of Delaware (registered number 5159473) pursuant to a certificate of formation. The Issuer operates pursuant to a limited liability company agreement (the "Limited Liability Company Agreement") entered into by the Member and the Independent Manager (each such term as defined in "EXHIBIT II—GLOSSARY OF CERTAIN DEFINED TERMS"). The registered office of EFS Volunteer No. 3, LLC is located at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle, telephone number (302) 658-7581.

We are a special purpose limited liability company formed under the laws of the State of Delaware, pursuant to the Limited Liability Company Agreement. Our purpose is limited solely to: (i) acquiring, refinancing and beneficially owning Student Loans beneficially owned by EFS as provided in the agreements referenced in clauses (ii) and (iii) below; (ii) entering into agreements relating to the offer, sale and issuance of the Notes and the servicing and administration of the Trust Estate; (iii) entering into the agreements providing for the administration, servicing and collection of amounts due on any Student Loans; (iv) lending or investing proceeds from Student Loans; (v) entering into such other agreements and instruments of any kind as may be contemplated by the Limited Liability Company Agreement or the Indenture, and/or are necessary, convenient or incidental to accomplishing the purposes stated above; and (vi) engaging in any lawful act or activity and exercising any powers permitted to limited liability companies established under the laws of the State of Delaware provided such act or activity is incidental to and necessary, suitable or convenient for the accomplishment of the foregoing purposes.

Pursuant to the Limited Liability Company Agreement, the Issuer has covenanted to maintain an Independent Manager at all times while the Notes are Outstanding. Such Independent Manager is not a member of the Board of Directors of the Issuer, however, the approval of the Independent Manager is required to amend the Issuer's certificate of formation and several sections of the Limited Liability Company Agreement. Unanimous approval of the Member, the Board of Directors and the Independent Manager is required for specific actions of the Issuer, in particular the ability to commence any case or proceeding to put the Issuer into bankruptcy. See "THE ISSUER—General" herein for more information.

We have pledged the Trust Estate and all payments to be received with respect thereto to the Trustee as security for the Notes issued under and secured by the Indenture.

Prior to the offering of the Offered Notes, we have not conducted any business in any material respect and have not issued any debt or any other securities in any other transaction. At the time of formation, the Issuer entered into or otherwise became a party to certain Indenture Related Agreements.

100% of our membership interests are owned by EFS. EFS is a Tennessee nonprofit corporation.

The only sources of funds for payment of the Notes are the Financed Student Loans and investments pledged to the Trustee and the payments we receive on those Financed Student Loans and investments.

The Trust Estate

The Trust Estate is a discrete trust estate that will consist primarily of:

- the Financed Student Loans, which are Student Loans originated under the FFELP and pledged to the Trustee pursuant to the Indenture and any Student Loans substituted or exchanged therefor in accordance with the provisions of the Indenture;

- collections and other payments received on account of the Financed Student Loans;
- money and investments held in funds created under the Indenture, including the Acquisition Fund, the Collection Fund, the Capitalized Interest Fund, and the Debt Service Reserve Fund, but excluding the Department Reserve Fund; and
- 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 Indenture.

A Guaranty Agency guarantees, and the Department reinsures, the Financed Student Loans, both to the maximum extent permitted by the Higher Education Act.

Joint Sharing Agreement

Due to a U.S. Department of Education policy limiting the granting of eligible lender identification numbers, billings submitted to the U.S. Department of Education for origination fees, Interest Subsidy Payments, and Special Allowance Payments with respect to other EFS-related trust estates may be consolidated with billings for the payments for FFELP loans using the same lender identification number. U.S. Department of Education payments are made in lump sum form. The same may be applicable with respect to payments by a Guaranty Agency. In addition, if amounts are owed from other unrelated EFS trust estates to the U.S. Department of Education, U.S. Department of Education lump sum payments may be offset by these amounts and therefore may affect other trust estates using the same eligible lender number. We have agreed, in a joint sharing agreement with EFS and the Eligible Lender Trustee to allocate properly and to pay to or from the applicable trust estate amounts that should be reallocated to reflect payment on the FFELP loans of each such trust estate. See "RISK FACTORS—Payment Offsets by a Guaranty Agency or the Department Could Prevent the Issuer from Paying You the Full Amount of the Principal and Interest Due on Your Notes."

Description of Funds and Accounts

The Acquisition Fund

Cash in the expected amount of $1,189,649 will be deposited into the Temporary Costs of Issuance Account of the Acquisition Fund and Financed Student Loans and/or cash in the expected amount of $700,847,749 will be deposited into the Acquisition Fund on the Issue Date. The amount on deposit in the Temporary Costs of Issuance Account will be used to pay, upon direction of the Issuer, the costs of issuance of the Notes (including fees to the Initial Purchasers) and certain other payments or amounts described under "THE TRUST ESTATE—The Acquisition Fund." Funds on deposit in the Acquisition Fund will be used to purchase or acquire the pool of Student Loans described in (and as may be modified as described in) "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO." The Issuer expects to purchase or acquire the majority of the pool of Student Loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" on the Issue Date, but is permitted to acquire such Student Loans at any time within 30 days of the Issue Date (such period, the "Acquisition Period"). During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of Student Loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO," and after giving effect to the purchase or acquisition of such Student Loans, any remaining available amounts up to $20 million may be used to acquire or purchase additional Student Loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" but that otherwise satisfy the eligibility criteria described in "THE FINANCED STUDENT LOANS—Student Loan Eligibility Criteria."

All funds remaining on deposit in the Acquisition Fund, including any remaining amounts on deposit in the Temporary Costs of Issuance Account, at the end of the Acquisition Period will be transferred to the Collection Fund on the first Business Day following the end of the Acquisition Period and shall constitute Available Funds on the next Distribution Date. Except for (a) acquisitions or purchases of Student Loans described above, (b) any substitutions of Financed Student Loans to be made by the Issuer as described under "THE ISSUER—Student Loan Purchase Agreement" or (c) any acquisition of student loans that were previously

Financed Student Loans repurchased back from a Guaranty Agency, the Master Servicer or a Servicer, there will be no subsequent acquisitions of or recycling of student loans into the trust estate.

The Collection Fund

The Trustee will establish the Collection Fund as part of the Trust Estate. The Trustee will deposit into the Collection Fund all moneys received by or on behalf of the Issuer as assets of, or with respect to, the Trust Estate.

Moneys on deposit in the Collection Fund will be used as described below under "THE TRUST ESTATE—Flow of Funds" in this Private Placement Memorandum.

The Department Reserve Fund

A Department Reserve Fund will be established under the Indenture. The Department Reserve Fund will not be a part of the Trust Estate. Amounts on deposit in the Department Reserve Fund will be used as directed by the Issuer to pay amounts accrued on a monthly basis by the Issuer to the Department related to the Financed Student Loans or any payment then due and payable to a Guaranty Agency relating to its Guaranty of Financed Student Loans, or any such payment then accrued to the Issuer, another entity or trust estate if amounts under the Indenture due to the Department or a Guaranty Agency with respect to the Financed Student Loans were paid by the Issuer or such other entity or trust estate pursuant to a joint sharing agreement. We refer to such amount as the "Department Reserve Fund Amount." The Department Reserve Fund will be funded as described under "THE TRUST ESTATE—Flow of Funds" in this Private Placement Memorandum in an amount equal to the Department Reserve Fund Amount of the Issuer for the current month. We refer to this amount as the "Department Reserve Fund Requirement." Amounts in the Department Reserve Fund in excess of the Department Reserve Fund Requirement will be transferred to the Collection Fund.

The Capitalized Interest Fund

The Trustee will establish the Capitalized Interest Fund as part of the Trust Estate. The Capitalized Interest Fund will be created with an initial deposit by the Issuer on the Issue Date of cash in an expected amount equal to $4,000,000 as described under "THE TRUST ESTATE—The Capitalized Interest Fund." The initial deposit will not be replenished. Amounts held from time to time in the Capitalized Interest Fund will be held for the benefit of the Noteholders. If (i) on any Distribution Date, the amount of Available Funds on deposit in the Collection Fund is insufficient to pay any of the items specified in clauses (i), (ii), (iii), (iv), (v) and (vi) under "THE TRUST ESTATE—Flow of Funds—Distribution Dates" in this Private Placement Memorandum or (ii) on July 25, 2012 or August 27, 2012, there are insufficient moneys on deposit in the Collection Fund to pay any of the amounts specified in the second to last paragraph under "THE TRUST ESTATE—Flow of Funds—Distribution Dates" in this Private Placement Memorandum, amounts on deposit in the Capitalized Interest Fund on such Distribution Date, July 25, 2012 or August 27, 2012, as applicable, will be withdrawn by the Trustee and deposited into the Collection Fund to cover such shortfalls, to the extent of funds on deposit therein, and will be allocated in the same order of priority as shown under "THE TRUST ESTATE—Flow of Funds—Distribution Dates" in this Private Placement Memorandum.

All funds remaining on deposit in the Capitalized Interest Fund on the June 2015 Distribution Date will be transferred to the Collection Fund and included in Available Funds on that Distribution Date. The Capitalized Interest Fund is intended to enhance the likelihood of timely distributions of interest to the Noteholders of the Class A Notes (and the Class B Notes except in the event that a Class B Interest Subordination Trigger Event is then occurring) through the June 2015 Distribution Date.

The Debt Service Reserve Fund

The Trustee will establish the Debt Service Reserve Fund as part of the Trust Estate. On the Issue Date, we will make a deposit to the Debt Service Reserve Fund in the expected amount of $1,752,250 as described under "THE TRUST ESTATE—The Debt Service Reserve Fund." The Debt Service Reserve Fund is subject to a required minimum balance equal to (a) on the Issue Date, the amount of the initial deposit set forth above and (b) on any Distribution Date, the greater of 0.25% of the Pool Balance as of the last day of the related Collection Period or 0.15% of the Initial Pool Balance. We refer to such minimum amount as the "Debt Service Reserve Fund Requirement." If on any Distribution Date, the amount of Available Funds on deposit in the Collection Fund is insufficient to pay any of the items specified in (i), (ii), (iii), (iv), (v) and (vi) under "THE TRUST ESTATE—Flow of

Funds—Distribution Dates" in this Private Placement Memorandum or July 25, 2012 or August 27, 2012, there are insufficient moneys on deposit in the Collection Fund to pay any of the amounts specified in the second to last paragraph under "THE TRUST ESTATE—Flow of Funds—Distribution Dates" in this Private Placement Memorandum, to the extent moneys are not available to cover such deficiency from the Capitalized Interest Fund, amounts on deposit in the Debt Service Reserve Fund on such Distribution Date, July 25, 2012 or August 27, 2012, as applicable, will be withdrawn by the Trustee and deposited into the Collection Fund to cover such shortfalls therein, to the extent of funds on deposit therein, and will be allocated in the same order of priority as shown under "THE TRUST ESTATE—Flow of Funds—Distribution Dates" in this Private Placement Memorandum. To the extent the amount on deposit in the Debt Service Reserve Fund falls below the Debt Service Reserve Fund Requirement, the Debt Service Reserve Fund will be replenished on each Distribution Date from funds available in the Collection Fund as described below under "THE TRUST ESTATE—Flow of Funds—Distribution Dates" in this Private Placement Memorandum. Funds on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement will be transferred to the Collection Fund. Amounts on deposit in the Debt Service Reserve Fund, other than amounts in excess of the Debt Service Reserve Fund Requirement, will not be available to make principal payments on the Notes except upon their applicable Stated Maturity Date or earlier if amounts on deposit in the Debt Service Reserve Fund, together with other Available Funds, equal or exceed the outstanding principal balance of and accrued interest on the Notes (excluding the Class B Carry-Over Amount) as described below under "DESCRIPTION OF THE NOTES—Mandatory Redemption" or if the Notes are accelerated following an Event of Default under the Indenture.

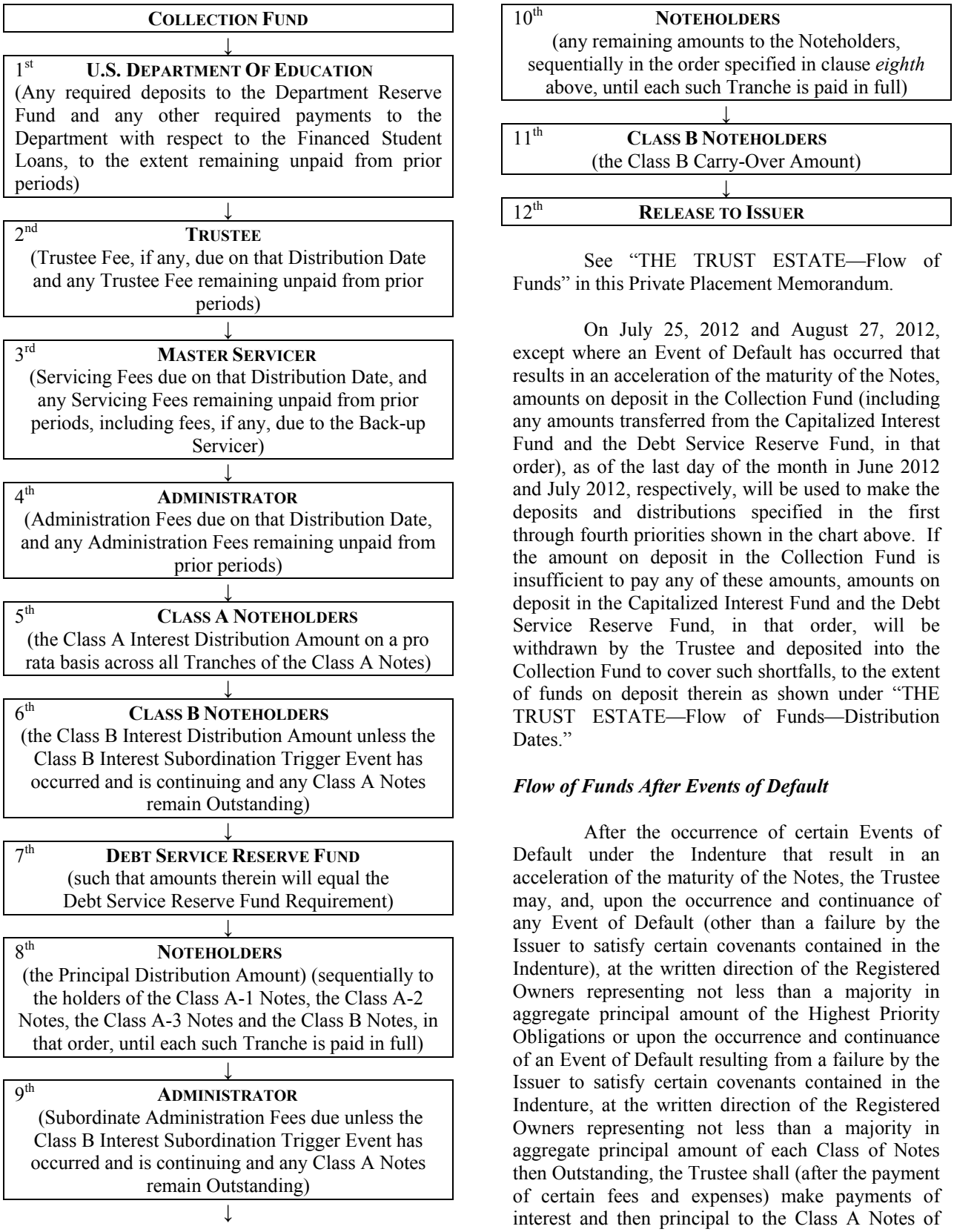
Characteristics of the Financed Student Loan Portfolio

As of the Issue Date, the Issuer will transfer through its Eligible Lender Trustee a portfolio of Student Loans, which are described more fully below under "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO." As of the Statistical Cut-off Date, the weighted average annual interest rate of the Student Loans was approximately 5.06% and their weighted average remaining term to scheduled maturity was approximately 152 months. The Financed Student Loans will be subsidized and unsubsidized Stafford loans, unsubsidized PLUS loans and Consolidation loans under FFELP. The Indenture does not permit the funding of private student loans.

In the event that the principal amount of Student Loans required to provide collateral for the Notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain the rating on the Notes described on the cover page of this Private Placement Memorandum, the rate of amortization or prepayment on the portfolio of student loans from the Statistical Cut-off Date to the Issue Date varying from the rates that were anticipated, or otherwise, the portfolio of Student Loans to be pledged to the Trustee may consist of a subset of the pool of Student Loans described herein or may include additional Student Loans not described under "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO."

Flow of Funds

On each Distribution Date, except where an Event of Default has occurred that results in an acceleration of the maturity of the Notes, Available Funds on deposit in the Collection Fund (including any amounts transferred from the Capitalized Interest Fund and the Debt Service Reserve Fund, in that order), as of the last day of the month prior to such Distribution Date, will be used to make the following deposits and distributions, to the extent funds are available, in the amounts and in the priorities set forth in the following chart:



See "THE TRUST ESTATE—Flow of Funds" in this Private Placement Memorandum.

On July 25, 2012 and August 27, 2012, except where an Event of Default has occurred that results in an acceleration of the maturity of the Notes, amounts on deposit in the Collection Fund (including any amounts transferred from the Capitalized Interest Fund and the Debt Service Reserve Fund, in that order), as of the last day of the month in June 2012 and July 2012, respectively, will be used to make the deposits and distributions specified in the first through fourth priorities shown in the chart above. If the amount on deposit in the Collection Fund is insufficient to pay any of these amounts, amounts on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund, in that order, will be withdrawn by the Trustee and deposited into the Collection Fund to cover such shortfalls, to the extent of funds on deposit therein as shown under "THE TRUST ESTATE—Flow of Funds—Distribution Dates."

Flow of Funds After Events of Default

After the occurrence of certain Events of Default under the Indenture that result in an acceleration of the maturity of the Notes, the Trustee may, and, upon the occurrence and continuance of any Event of Default (other than a failure by the Issuer to satisfy certain covenants contained in the Indenture), at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of the Highest Priority Obligations or upon the occurrence and continuance of an Event of Default resulting from a failure by the Issuer to satisfy certain covenants contained in the Indenture, at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of each Class of Notes then Outstanding, the Trustee shall (after the payment of certain fees and expenses) make payments of interest and then principal to the Class A Notes of each Tranche (ratably across all Tranches of Class A Notes) until paid in full, and then payments of

interest and then principal will be made on the Class B Notes until paid in full, in each case in accordance with the provisions of the Indenture. See "EXHIBIT III—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Defaults and Remedies."

Initial Parity Ratio

Based on information relating to the portfolio of Student Loans as of the Statistical Cut-off Date, the Issuer estimates that on the Issue Date (i) the Class A Parity Ratio will be approximately 103.94% and (ii) the Class B Parity Ratio will be approximately 100.83%. The Class B Parity Ratio on the Issue Date is expected to be below 101.25% and therefore, a Class B Interest Subordination Trigger Event will initially be occurring, and the interest accruing on the Class B Notes during any related Interest Period will be characterized as Class B Carry-Over Amount, and will be paid as described in clause eleventh of "THE TRUST ESTATE—Flow of Funds—Distribution Dates" and "DESCRIPTION OF THE NOTES—Distributions of Principal" under "—Flow of Funds."

"Class A Parity Ratio" means (a) on the Issue Date or any other date prior to the expiration of the Acquisition Period, (i) the Pool Balance as of such date (including all accrued interest on the Financed Student Loans), plus the remaining amount on deposit in the Acquisition Fund (less any amounts on deposit in the Temporary Costs of Issuance Account), plus the amount on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund on such date divided by (ii) the Outstanding Amount of the Class A Notes on such date and (b) on any Distribution Date after the end of the Acquisition Period, (i) the Pool Balance (including all accrued interest on the Financed Student Loans) as of the end of the related Collection Period, plus the amount on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund after giving effect to distributions made on that Distribution Date, divided by (ii) the Outstanding Amount of the Class A Notes, after giving effect to distributions made on that Distribution Date.

For a description of the Class B Parity Ratio, see "Description of the Notes—Interest on the Notes" herein.

The Student Loans actually pledged under the Indenture on the Issue Date or during the Acquisition Period will have characteristics that differ somewhat from the characteristics of the Student Loans described herein due to payments received on and other changes in the Student Loans that occur during the period from the Statistical Cut-off Date to the Issue Date. These changes could result in the actual parity ratios on the Issue Date varying somewhat from the estimated parity ratios set forth above. However, the Issuer does not expect that the actual parity ratios on the Issue Date will differ materially from the estimated parity ratios provided above. The parity ratio for each Class of Notes for each Distribution Date will be reported in the related Distribution Date Information Form. The parity ratios will be tracked only for such reporting purposes. The level of the parity ratios, which will vary from time to time, will not affect the flow of funds under the Indenture, including but not limited to the amount that is required to be distributed on the Notes, on any Distribution Date or at any other time.

Credit Enhancement

Credit enhancement for the Notes will consist of overcollateralization, excess interest on the Financed Student Loans and cash on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund as described above under "Description of Funds and Accounts—The Capitalized Interest Fund" and "—The Debt Service Reserve Fund." Overcollateralization, will include in part, (i) for holders of the Class A-1 Notes and the Class A-2 Notes, the sequential payment of principal within the Class A Notes, which is paid in numerical order of Tranche designation and (ii) for holders of Class A Notes, the sequential payment of principal and interest on the Class A Notes before Class B Notes.

Master Servicing and Administration

EFS will serve as Master Servicer and as Administrator, and will be paid the Servicing Fees, in addition to the Administration Fee and the Subordinate Administration Fee. EFS, as Master Servicer, will be responsible for servicing, maintaining custody of and making collections on the Financed Student Loans. It will also bill and collect payments from the Guaranty Agencies and the Department. With respect to the Financed Student Loans, the Master Servicer will perform its servicing obligations through separate Servicing Agreements with Edfinancial Services and PHEAA. See "STUDENT LOAN SERVICING" herein. Pursuant to a back-up subservicing agreement, PHEAA will act as the back-up servicer with respective to any Financed Student Loans serviced by Edfinancial Services. The Master Servicer will pay the Servicers out of the Servicing Fees for the servicing of Financed Student Loans according to schedules set

forth in each Servicing Agreement (including the Servicing Agreements with the Back-up Servicer). The fees are charged on a per borrower basis or a percentage of the principal balance of the Financed Student Loans serviced. See "DESCRIPTION OF THE NOTES—Fees and Expenses" and "THE TRUST ESTATE—Compensation of Servicers and the Master Servicer" for a description of the Servicing Fees.

The "Administration Fee" is equal to (i) for each Distribution Date, a monthly fee equal to $1/12^{th}$ of 0.20% of the then outstanding Principal Balance of the Financed Student Loans as of the last day of the previous month and (ii) no more than $75,000 annually for Rating Agency surveillance fees and certain other fees relating to the administration of the Trust Estate. The "Subordinate Administration Fee" is equal to, for each Distribution Date on which the Class B Interest Subordination Trigger Event is not then occurring, a monthly fee equal to $1/12^{th}$ of 0.05% of the then outstanding Principal Balance of the Financed Student Loans as of the last day of the previous month.

On each Distribution Date, the Servicing Fees shall be paid to the Master Servicer in an amount equal to the greater of (i) the Servicing Fee Floor plus no more than $25,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement and (ii) for (A) the Stafford/PLUS Financed Student Loans, no more than 0.90% per annum, of the principal balance of such loans, and (B) the Consolidation Financed Student Loans, which fee shall be no more than 0.50% per annum, of the principal balance of such loans plus no more than $25,000 annually for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement. The Master Servicer shall pay out of the Servicing Fees to each Servicer and the Back-up Servicer the Servicer's fees under the related Servicing Agreement and expenses reimbursable to the Servicer thereunder for the servicing (or back-up servicing, as applicable).

"Servicing Fee Floor" shall mean $2.50 per borrower per month, subject to 3% inflation per annum.

Edfinancial Services acts as sub-administrator to EFS and will be paid out of the Administration Fees and Subordinate Administration Fees received by EFS for their role as Administrator.

Optional Redemption and Mandatory Redemption

The Notes are subject to redemption in full prior to maturity at a redemption price of 100% of the principal amount thereof plus interest accrued to the redemption date (as described below) from amounts deposited into the Collection Fund from the sale of the Financed Student Loans by the Issuer pursuant to the exercise of the sale option granted to the Issuer under the Indenture. The Issuer will have the option to sell the Financed Student Loans as of the last day of any Collection Period immediately preceding a Distribution Date whenever the then outstanding Pool Balance is 10% or less of the Initial Pool Balance. To exercise such option, the Issuer is required to deposit in the Collection Fund, on or prior to the next Distribution Date, an amount equal to the Minimum Purchase Amount (as defined below) (it being understood that such amount is not required to represent actual sale proceeds). In the event that the Issuer sells the Financed Student Loans, the Notes will be subject to redemption in full on the next Distribution Date immediately succeeding such sale date with the proceeds from the sale of the Financed Student Loans and any other amounts available in the Debt Service Reserve Fund and the Collection Fund. See "DESCRIPTION OF THE NOTES—Optional Redemption" and "—Mandatory Redemption" herein. The Trustee will, upon an election of the Issuer to sell the Financed Student Loans as described above, give prompt written notice of such election to the Noteholders specifying that the Notes will be subject to redemption in full on the next Distribution Date. All expenses of the Trustee relating to the sale of the Financed Student Loans will be paid out of the Collection Fund prior to the Noteholders in the event of such a sale.

"Minimum Purchase Amount" means, for any Distribution Date, that amount which, when added to all moneys in the Debt Service Reserve Fund, would be sufficient to (i) reduce the Outstanding Amount of the Notes on such Distribution Date to zero, (ii) pay to the respective Noteholders of each Class of Notes, the Interest Distribution Amount on the Notes payable on such Distribution Date, plus, with respect to the Class B Notes, any Class B Carry-Over Amount, (iii) pay any accrued and unpaid fees and expenses due and owing under this Indenture, (iv) pay any consolidation rebate fees or other amounts payable to the Department with respect to the Financed Student Loans and (v) pay amounts payable under the Joint Sharing Agreement and any other applicable joint sharing agreement or otherwise remove amounts

deposited in the Trust Estate which represent amounts that are allocable to Student Loans that are not Financed Student Loans.

The Notes are subject to mandatory redemption on any Business Day from amounts on deposit in the Debt Service Reserve Fund (after all required transfers and distributions have been made therefrom), when such amounts, together with other Available Funds, equal or exceed the Outstanding Amount of and accrued interest on the Notes (excluding the Class B Carry-Over Amount) at a redemption price for Notes equal to 100% of the principal amount thereof, plus interest accrued to the redemption date (excluding the Class B Carry-Over Amount). The Trustee shall provide written notice to the Noteholders at least ten (10) Business Days prior to the mandatory redemption date, but failure to provide such notice shall not prevent the mandatory redemption of the Financed Student Loans.

Book-Entry Registration

The Notes will be delivered in book-entry form through The Depository Trust Company. You will not receive a certificate representing your Notes except in very limited circumstances. See "EXHIBIT IV—BOOK ENTRY SYSTEM" and "EXHIBIT V—GLOBAL CLEARANCE, SETTLEMENT, AND TAX DOCUMENTATION PROCEDURES."

Transfer Restrictions

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. Any purchaser or transferee must be a Qualified Institutional Buyer (as hereinafter defined). Prospective purchasers should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time. See "NOTICE TO INVESTORS: TRANSFER RESTRICTIONS."

Ratings

It is a condition to the issuance of the Notes that (i) the Class A-1 Notes be rated "AA+(sf)" by S&P and "AAAsf" by Fitch; (ii) the Class A-2 Notes be rated "AA+(sf)" by S&P and "AAAsf" by Fitch; and (iii) the Class A-3 Notes be rated "AA+(sf)" by S&P and "AAAsf" by Fitch. The Class B Notes will not be rated. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revisions or withdrawal at any time by the assigning Rating Agency. See "RATINGS" herein.

Considerations for ERISA and Other U.S. Benefit Plan Investors

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), place certain restrictions on those pension and other employee benefit plans (each a "Benefit Plan Investor") to which such statutes apply. Governmental and non-electing church plans are not subject to the fiduciary and prohibited transaction provision of ERISA or the Code, but may be subject to similar restrictions under applicable state, local or other law ("Similar Law"). Subject to the considerations discussed under "CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS," the Notes are eligible for purchase by Benefit Plan Investors, governmental plans and non-electing church plans. Fiduciaries of such plans and accounts are urged to carefully review the matters discussed in this Private Placement Memorandum and consult with their legal advisors before making an investment decision.

By its acquisition of a Note (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) shall be deemed to represent and warrant that either (i) it is not acquiring such Note (or interest therein) with the assets of a Benefit Plan Investor, governmental plan or church plan; or (ii) the acquisition and holding of such Note (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a nonexempt violation of any Similar Law.

See "CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS" in this Private Placement Memorandum.

Tax Matters

See "TAX MATTERS" in this Private Placement Memorandum.

Reports to Noteholders

Under the Indenture, the Issuer has agreed to make available monthly reports to Noteholders on the EFS website at www.edsouth.org. See "REPORTS TO NOTEHOLDERS" in this Private Placement Memorandum. These periodic reports will contain information concerning the Notes.

CUSIP Number*:

Class A-1 Notes: 26845CAA5

Class A-2 Notes: 26845CAB3

Class A-3 Notes: 26845CAC1

Class B Notes: 26845CAD9

International Securities Identification

Number (ISIN):

Class A-1 Notes: US26845CAA53

Class A-2 Notes: US26845CAB37

Class A-3 Notes: US26845CAC10

Class B Notes: US26845CAD92

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RISK FACTORS

You should consider the following risk factors, together with all other information in this Private Placement Memorandum in deciding whether to purchase the Notes. The following discussion of possible risks is not meant to be an exhaustive list of the risks associated with the exchange or purchase of the Notes and does not necessarily reflect the relative importance of the various risks. Additional risk factors relating to an investment in the Notes are described throughout this Private Placement Memorandum, whether or not specifically designated as risk factors. There can be no assurance that other risk factors will not become material in the future.

Experience May Vary from Assumptions

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

Interest Rates and Differentials

There is a degree of basis risk associated with the Notes. Basis risk is the risk that shortfalls might occur because the interest rates of the Financed Student Loans and those of the Notes adjust on the basis of different indexes or at different times. As described above, the interest rates on the Notes will be based on LIBOR, thus the interest rates on the Notes are variable and will fluctuate from one Interest Period to another in response to changes in benchmark rates, general market conditions, national and international conditions, and numerous other factors, all of which are beyond our control or anticipation. We can make no representation as to what these rates may be in the future. The interest payments, and certain other interest related payments, received by us from the Financed Student Loans will also vary from time to time based on changes in the bond equivalent rate of U.S. Treasury Bills, one-month LIBOR and Commercial Paper rates, as applicable. Because of the differences in the bases for the calculation of interest payable on the Notes and the determination of the interest and interest-related payments received by us from the Financed Student Loans, there could be times when payments received by the Trust Estate are not sufficient to cover principal and/or interest payments to be made on the Notes and other costs of the Issuer in administering the Trust Estate. In particular, Public Law 112-74, dated December 23, 2011, amended the Higher Education Act, to allow FFELP lenders to make an affirmative election to permanently change the index for Special Allowance Payment calculations on all FFELP loans in the lender's portfolio (with certain exceptions) disbursed after January 1, 2000 from the three-month commercial paper (financial) rate to the one-month LIBOR index, commencing with the Special Allowance Payment calculations for the calendar quarter beginning on April 1, 2012. EFS, the Seller of the Financed Student Loans, elected to change the index for Special Allowance Payment calculations on the Financed Student Loans disbursed after January 1, 2000 to the one-month LIBOR index beginning on April 1, 2012. See "EXHIBIT I— SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM—Special Allowance Payments." Further, moneys in the funds and accounts under the Indenture may be invested from time to time in Investment Securities that bear interest at rates that fluctuate and that differ from, and may be less than, the interest rates on the Notes.

You May Have Difficulty Selling Your Notes

There currently is no secondary market for the Notes. We cannot assure you that any market will develop or, if it does develop, how long it will last or that it will provide investors with a sufficient level of liquidity. Although the Initial Purchasers have advised that they may from time to time attempt to make a market in the Notes, the Initial Purchasers are under no obligation to do so. A market may fail to develop despite some degree of market-making activities and the Initial Purchasers may discontinue market-making activities at any time without prior notice.

If a secondary market for the Notes does develop, the spread between the bid price and the ask price for the Notes may widen, thereby reducing the net proceeds to you from the sale of your Notes. The Issuer does not intend to list the Notes on any exchange. Under current market conditions, you may not be able to sell your Notes when you want to do so (you may be required to bear the financial risks of an investment in the Notes for an indefinite

period of time) or you may not be able to obtain the price that you wish to receive. The market values of the Notes may fluctuate and movements in price may be significant.

Retention of the Class B Notes May Reduce the Liquidity of the Class B Notes

All of the Class B Notes will initially be held by EFS and are not being offered hereby. All or a portion of the Class B Notes could be subsequently sold in the secondary market at varying prices from time to time. If a portion of the Class B Notes is sold, the market for the Class B Notes may be less liquid than would be the case if all of the Class B Notes are sold and the demand and market price for other Class B Notes already in the market could be adversely affected.

New Rules Could Adversely Affect the Asset-Backed Securities Market

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (as may be amended from time to time, the "Dodd-Frank Act") to reform and strengthen supervision of the U.S. financial services industry. The Dodd-Frank Act requires the creation of new federal regulatory agencies, and grants additional authorities and responsibilities to existing regulatory agencies, to identify and address emerging systemic risks posed by the activities of financial services firms. The Dodd-Frank Act also provides for enhanced regulation of derivatives, restrictions on executive compensation and enhanced oversight of credit rating agencies.

The Dodd-Frank Act will result in comprehensive changes to the regulation of most financial institutions operating in the United States. It will also foster new regulation in the business and the markets in which the Issuer, EFS and its affiliates operate. Specifically, significant new regulation is anticipated is many areas of consumer financial products and services and in particular private education loans. Under the Dodd-Frank Act, entities such as EFS and its affiliates will be subject to regulations developed by a new agency designed to regulate federal consumer financial protection laws, the Consumer Financial Protection Bureau (the "CFPB"). The CFPB will be an independent agency housed within the Federal Reserve Board but not subject to Federal Reserve Board jurisdiction or to the Congressional appropriations process. It will have substantial power to regulate financial products and services received by consumers from both banks and non-bank lenders. The CFPB will be developing rules in enumerated areas of federal law traditionally applicable to consumer lending such as Truth in Lending, Fair Credit Reporting and Fair Debt Collection. Further, the CFPB will be utilizing new, untested standards to ensure that consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination. The addition of statutory protection for consumers from "abusive" acts or practices is a new consumer protection standard that was added by the Dodd-Frank Act. Rulemaking authority applicable to all banks, regardless of size, was transferred from the bank regulatory agencies to the CFPB. As a result, the CFPB will be promulgating rules under the Dodd-Frank Act that will cover consumer finance activities of all banks and bank holding companies. In addition to its rulemaking authority for consumer protection laws that had been applicable to banks and bank holding companies, the CFPB was provided with specific authority to regulate non-depository entities engaged in areas such as payday lending and private education lending. Each area is expected to be subject to significant new rulemaking and may introduce, for the first time, new federal oversight of non-depository entities engaged in educational lending.

Another factor that could impact the costs associated with EFS' and its affiliates' lending activities is the change in federal law preemption enacted as part of the Dodd-Frank Act. Specifically, significant new enforcement authority is provided to state governments including the authority of states attorneys general to bring lawsuits under federal consumer protection laws with the consent of the CFPB. It is unclear what the operational impact of these developments will be on EFS or its affiliates but it is likely, however, that operational expenses will increase as new or additional compliance requirements and risk of enforcement activities are imposed on operations.

Additionally, the Dodd-Frank Act creates an orderly liquidation framework for the resolution of bank holding companies with over $50 billion in assets and other systemically significant non-bank financial companies defined therein as "covered financial companies."

The effects of the Dodd-Frank Act will depend significantly upon the content and implementation of the rules and regulations issued pursuant to its provisions. It is not yet clear how the Dodd-Frank Act and its associated rules and regulations will affect the asset-backed securities market generally, or the Issuer and the Notes, in

particular. No assurance can be given that the new regulations will not have an adverse effect on the value or liquidity of the Notes.

Changes to Federal Law

Changes to federal law, including the enactment of the Health Care and Education Reconciliation Act of 2010 ("Reconciliation Act"), changes to the Higher Education Act and other applicable law and other Congressional action may affect your notes and the Financed Student Loans. On March 30, 2010, the Reconciliation Act was enacted into law. Effective July 1, 2010, the Reconciliation Act eliminated the FFELP and ended the origination of new FFELP loans after June 30, 2010. All loans made under the Higher Education Act beginning on July 1, 2010 will be originated under the Federal Direct Student Loan Program (the "Direct Loan Program"). The terms of existing FFELP loans are not materially affected by the Reconciliation Act and continue to be subject to the terms of the FFELP.

In addition to the passage of the Reconciliation Act, Title IV of the Higher Education Act and the regulations promulgated by the United States Department of Education (the "Department") thereunder have been the subject of frequent and extensive amendments and reauthorizations in recent years. See "EXHIBIT I — SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto for more information on the Higher Education Act and various amendments thereto. 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 proposed 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 Issuer and the Financed Student Loans.

The Issuer cannot predict the effects of the passage of the Reconciliation Act or whether any other changes will be made to the Higher Education Act or other relevant federal laws, and rules and regulations promulgated by the U.S. Secretary of Education (the "Secretary") in future legislation, or the effect of such legislation on the Issuer, the Master Servicer, the Servicers, the Guaranty Agencies, the Financed Student Loans or the Issuer's loan programs, including on our ability to have the Financed Student Loans serviced on similar terms and conditions as the Financed Student Loans are currently being serviced.

See "EXHIBIT I—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Competition from the Direct Loan Program and the Temporary Special Direct Consolidation Loan Program

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

The Department has also announced in a letter dated October 26, 2011 on its "Information for Financial Aid Professionals" website that it will offer Special Direct Consolidation Loans to eligible borrowers from January 1, 2012 through June 30, 2012. Eligible borrowers must have (i) at least one student loan held by the Department (a Federal Direct Loan or a FFELP Loan owned by the Department and serviced by one of the Department's servicers); and (ii) at least one commercially-held FFELP loan (a FFELP Loan that is owned by a FFELP lender and serviced either by that lender or a servicer contracted by that lender). Special Direct

Consolidation Loans are intended to help borrowers manage their debt by ensuring all of their federal loans are serviced by the same entity, resulting in one bill and one payment. Borrowers will also receive an interest rate reduction on Special Direct Consolidation Loans as a repayment incentive. The Special Direct Consolidation Loans offered by the Department also result in a reduced volume and variety of student loans available to be purchased by the Issuer and may result in prepayments of financed student loans if such financed student loans are consolidated under the Direct Loan Program in this manner. For more information on the Special Direct Consolidation Loans, see "EXHIBIT I — SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM ."

Due to the limited recourse nature of the Trust Estate created under the Indenture for the Notes, competition from the Direct Loan Program should not impact the payment of the Notes unless it causes (a) erosion in the finances of the Issuer to such an extent that it cannot honor its repurchase, administration or similar obligations under the Indenture, (b) the interest rates and subsidies received by the Issuer on the Financed Student Loans to decrease relative to the interest rates on the Notes, or (c) prepayments of Financed Student Loans if such Financed Student Loans are consolidated under the Direct Loan Program.

As a result of the enactment of the Reconciliation Act and new federal student loans being originated solely under the Direct Loan Program, the Master Servicer or the Servicers may experience increased costs due to reduced economies of scale. These cost increases could reduce the ability of the Master Servicer or each Servicer to satisfy its obligations to service the Financed Student Loans. This could also reduce revenues of Guaranty Agencies that would otherwise be available to pay claims on defaulted student loans. The level of demand currently existing in the secondary market for loans made under FFELP could also be reduced, resulting in fewer potential buyers of the student loans and lower prices available in the secondary market for those loans.

Noncompliance with the Higher Education Act

Noncompliance with the Higher Education Act with respect to Financed Student Loans may adversely affect payment of principal of and interest on the Notes 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 FFELP loans are set forth in the Code of Federal Regulations and other documents of the Department, and no attempt has been made in this Private Placement Memorandum 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 Eligible Lender Trustee on behalf of the Issuer. Such action by the Secretary could adversely affect a Guaranty Agency's ability to honor guarantee claims, and loss of guarantee payments to us could adversely affect our ability to make payment of principal of and interest on the Notes from assets in the Trust Estate.

Eligible Lender Trustee Under the Higher Education Act

The Higher Education Act provides that only "eligible lenders" may hold title to loans made under the FFELP. Our Eligible Lender Trustee may become disqualified as an "eligible lender" under the Higher Education Act, fail to comply with the provisions of the Higher Education Act or may resign as Eligible Lender Trustee in accordance with the Eligible Lender Trust Agreement. In such an event, a suitable replacement eligible lender trustee must be appointed. Failure of the Financed Student Loans to be owned by an eligible lender would result in the loss of guarantee payments, Interest Subsidy Payments and Special Allowance Payments with respect thereto.

Timing and Sufficiency of Receipts

Amounts received with respect to the Trust Estate, including, but not limited to, collections on the Financed Student Loans, may vary materially in both timing of receipts and amounts received as a result of innumerable factors (such as, by way of example only, collectability of loans and guaranty or other payments with respect thereto, deferral or forbearance of a borrower's repayment obligation, timing of the quarterly filings for and receipt

of Interest Subsidy Payments and Special Allowance Payments with respect to Financed Student Loans, general economic conditions that can affect the ability of borrowers to pay principal of and interest on Financed Student Loans, or default claims that can affect the solvency of a Guaranty Agency). 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 and could require a lender to rebate excess interest accrued but not yet received. For fixed rate loans, the excess interest owed to the federal government will be greater when one-month LIBOR rates are relatively low, causing the special allowance support level to fall below the loan rate. See "EXHIBIT I—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM." There can be no assurance that such factors or other types of factors will not occur or that, if they occur, such occurrence will not materially adversely affect the sufficiency of the Trust Estate to pay the principal of and interest on the Notes, as and when due.

Uncertainty as to Available Remedies

The remedies available to owners of the Notes upon the occurrence of an Event of Default under the Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Indenture and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the Notes will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency, judicial discretion, or other similar laws affecting the rights of creditors generally. There can be no assurance that the occurrence of an Event of Default or a bankruptcy, reorganization, or insolvency proceeding will not occur or that, if they occur, such occurrence will not materially adversely affect our ability to pay the principal of and interest on the Notes from the assets in the Trust Estate, as and when due.

Bankruptcy or Insolvency Risk of EFS or the Issuer

EFS is the sole member of the Issuer, is the Seller of the Student Loans to the Issuer and acts as the Administrator and the Master Servicer. We have taken steps to ensure that a bankruptcy proceeding involving EFS or any other subsidiary of EFS under the United States Bankruptcy Code will not result in the consolidation of the assets and liabilities of the Issuer with those of EFS or any other subsidiary of EFS. EFS is a nonprofit Tennessee corporation and the Issuer was established as a special purpose Delaware limited liability company. The Limited Liability Company Agreement for the Issuer contains certain requirements regarding its operations that are intended to reduce the possibility that the Issuer would become a debtor in a bankruptcy proceeding. The Issuer also has an Independent Manager that will participate in some decisions regarding the Issuer, such as a decision to seek bankruptcy relief under the bankruptcy laws. However, we cannot guarantee that the Issuer will not become a debtor in an insolvency proceeding or that the Issuer's activities will not result in a court concluding that its assets and liabilities should be consolidated with those of EFS or any other subsidiary of EFS in a proceeding under any insolvency law. If a court were to reach this conclusion or a filing were made under any insolvency law by or against us, or if an attempt were made to litigate this issue, then delays in distributions on the Notes or reductions in these amounts could result.

The assets of the trust estate under the EFS Existing Indenture include student loans, collections and other payments on those student loans and certain funds held in trust accounts under the EFS Existing Indenture. The purchase price of the Student Loans paid by the Issuer, to EFS as Seller under the Student Loan Purchase Agreement will be transferred to and applied by the EFS Existing Trustee to pay the purchase price and the redemption price of the EFS Existing Bonds on the Issue Date, on which date the EFS Existing Indenture will be terminated and discharged. We intend that each purchase of Student Loans by the Issuer from EFS pursuant to the Student Loan Purchase Agreement will constitute a true sale and we have taken steps to structure each such loan sale such that the loans sold should not be included in the bankruptcy estate of the Seller (or the parties selling to the Seller prior to the transfer to the Issuer), if EFS or any such other party were to be a debtor in a bankruptcy proceeding. If a court disagrees with this position, we could experience delays in receiving payments on the Student Loans and this could

then result in delays in investors receiving principal and interest on the Notes, or even a reduction in payments on the Notes. If EFS were to become subject to an insolvency proceeding, and a creditor, a trustee-in-bankruptcy or EFS itself were to take the position that the sale of Student Loans to the Issuer should instead be treated as a pledge of the Student Loans to secure a borrowing of EFS, delays and reductions in payments on the Notes could occur. A determination that the sale should be treated as a pledge could also subject the Student Loans to a superior tax or government lien arising before the sale of the Student Loans to the Issuer.

If the Issuer were to become the debtor in a bankruptcy proceeding under the United States Bankruptcy Code, the automatic stay that arises upon the filing of the case would prohibit the Trustee from proceeding with any exercise of remedies under the various agreements, including the Indenture. As a result, payments on the Notes could be delayed and a bankruptcy court could confirm a plan that could affect Noteholders by reducing or eliminating the amount of the Issuer's indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities and otherwise compromising, modifying or terminating and discharging the rights and remedies of Noteholders against the Issuer. Furthermore, the bankruptcy court has the power to avoid and recover certain payments made to creditors prior to the filing of the bankruptcy case.

EFS Is Not Restricted From Holding Notes

EFS will retain the Class B Notes and is not restricted from acquiring any of the other Notes described herein and will have the same rights and benefits as any other Noteholder. These rights and benefits include the voting rights of a Noteholder after the occurrence of certain Events of Default that result in an acceleration of the maturity of the Notes, among others, as described in this Private Placement Memorandum under the heading "EXHIBIT III—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Defaults and Remedies." EFS' interests in voting on matters concerning Noteholders may differ materially from other Noteholders.

The Financed Student Loans are Unsecured and the Ability of a Guaranty Agency to Honor its Guarantee May Become Impaired

The Higher Education Act requires that all FFELP loans be unsecured. As a result, the only security for payment of the Financed Student Loans held in the Trust Estate is the guarantee provided by a Guaranty Agency.

A deterioration in the financial status of a Guaranty Agency and its ability to honor guarantee claims on defaulted FFELP loans could delay or impair the Guaranty Agency's ability to make claims payments. The financial condition of a Guaranty Agency can be adversely affected if it submits a large number of reimbursement claims to the Department, which results in a reduction of the amount of reimbursement that the Department is obligated to pay the Guaranty Agency. The Department may also require a Guaranty Agency to return its reserve funds to the Department upon a finding that the reserves are unnecessary for the Guaranty Agency to pay its program expenses or to serve the best interests of the federal student loan program. The inability of a Guaranty Agency to meet its guarantee obligations could reduce the amount of money available to pay principal and interest to you as an owner of Notes or delay those payments past their due date.

If the Department has determined that a Guaranty Agency is unable to meet its guarantee obligations, the loan holder may submit claims directly to the Department and the Department is required to pay the full guarantee claim amount due with respect to such claims. However, the Department's obligation to pay guarantee claims directly in this fashion is contingent upon the Department's making the determination that a Guaranty Agency is unable to meet its guarantee obligations. The Department may not ever make this determination with respect to a Guaranty Agency and, even if the Department does make this determination, payment of the guarantee claims may not be made in a timely manner.

Payment Offsets by a Guaranty Agency or the Department Could Prevent the Issuer from Paying You the Full Amount of the Principal and Interest Due on Your Notes

The Eligible Lender Trustee on behalf of the Issuer may use the same Department lender identification number for Financed Student Loans as it uses for other FFELP loans it holds that are not part of the Trust Estate. If

so, the billings submitted to the Department and the claims submitted to a Guaranty Agency with respect to such Financed Student Loans will be consolidated with the billings and claims for payments for FFELP loans that are not part of the Trust Estate using the same lender identification number. Payments on those billings by the Department as well as claim payments by a Guaranty Agency will be made to the Eligible Lender Trustee on behalf of the Issuer in lump sum form. Those payments may need to be allocated by the Master Servicer or a Servicer for the benefit of the Issuer among FFELP loans in various trust estates that reference the same lender identification number. The Issuer has agreed, in a joint sharing agreement with EFS and the Eligible Lender Trustee, to allocate properly and to pay to or from the applicable trust estate amounts that should be reallocated to reflect payment on the FFELP loans of each trust estate.

If the Department or a Guaranty Agency determines that the Eligible Lender Trustee on behalf of the Issuer owes it a liability on any FFELP loan, the Department or a Guaranty Agency may seek to collect that liability by offsetting it against payments due to the Eligible Lender Trustee on behalf of the Issuer in respect of the Financed Student Loans. Any offsetting or shortfall of payments due to the Eligible Lender Trustee on behalf of the Issuer could adversely affect the amount of funds available to the Trust Estate and thus the Issuer's ability to pay you principal and interest on your Notes from assets in the Trust Estate.

Reliance on a Third-Party as Sub-Administrator

The Administrator has engaged Edfinancial Services to act as its sub-administrator under the Administration Agreement and to perform substantially all of the duties and obligations of the Administrator thereunder. See "THE ISSUER—Administration of Issuer's Student Loan Programs—Description of Administration Agreement." You will therefore rely on Edfinancial Services to perform these administrative services under the Indenture and the other transaction documents. In the event of a default by Edfinancial Services of its duties and obligations as sub-administrator to the Administrator, whether resulting from events of insolvency or bankruptcy or otherwise, although the Administrator remains liable for the actions or inactions of Edfinancial Services pursuant to the terms of the Administration Agreement, delays in the performance of these duties and obligations may result which may adversely affect the Trust Estate and the Notes.

The Servicing Function May be Transferred, Resulting in Additional Costs to Us, Increased Servicing Fees, or a Diminution in Servicing Performance, Which Could Cause Delays in Payment or Losses on the Notes

In the event that the Issuer transfers servicing functions with respect to FFELP loans to a successor Master Servicer or in the event that the Master Servicer transfers servicing functions with respect to FFELP loans from Edfinancial Services or PHEAA to a successor Servicer, we cannot predict the cost of the transfer of servicing to the successor, the ability of the successor to perform the obligations and duties of the Master Servicer or the Servicer, as applicable, under any master servicing agreement or servicing agreement, or the servicing fees charged by any successor Servicer. Among the events that could cause a transfer of servicing are material breaches of or defaults under the Master Servicing Agreement or the related servicing agreement or the exercise by the a Servicer of a resignation or termination right under the related servicing agreement, as described in the following risk factor. The occurrence of these events could adversely affect us or our ability to pay principal of and interest on the Notes from the assets in the Trust Estate.

The Bankruptcy of a Servicer Could Delay the Appointment of a Successor Servicer or Reduce Payments on Your Notes

In the event of default by a Servicer resulting solely from certain events of insolvency or the bankruptcy of the Servicer, a court, conservator, receiver or liquidator may have the power to prevent either the Trustee, the Master Servicer or the Noteholders from appointing a successor Servicer or prevent the Servicer from appointing a sub-servicer, as the case may be, and delays in the collection of payments on the Financed Student Loans may occur. It is possible that in a bankruptcy of a Servicer that the servicing agreement could be transferred to a new Servicer over the objection of the Master Servicer or the Issuer. Any delay in the collection of payments on the Financed Student Loans may delay or reduce payments to Noteholders.

The Master Servicing Agreement and the Servicing Agreements (Including the Back-up Servicing Agreement) May Be Terminated Prior to the Payment in Full of the Notes

Under the terms of the Master Servicing Agreement and the Servicing Agreements (including the Back-up Servicing Agreement as defined herein), the Master Servicer, the Servicers and the Back-up Servicer may resign or the agreements may be terminated prior to the payment in full of the Notes. The Master Servicer cannot resign nor can the Master Servicing Agreement be terminated without a successor Master Servicer in place. In the case of the Servicers, such resignation or termination is not subject to the appointment of a successor Servicer or Back-up Servicer. See "STUDENT LOAN SERVICING—Description of the Master Servicing Agreement with EFS," "—Description of the Servicing Agreement with Edfinancial Services," "—Description of the Servicing Agreement with PHEAA," and "—Description of the Back-up Servicing Agreement with PHEAA" in this Private Placement Memorandum. In the event of any such resignation or termination, the Issuer or the Master Servicer would be required to obtain the services of a comparable replacement servicer that is eligible to service FFELP loans. There can be no assurance regarding the availability or cost of a replacement servicer. Any of the foregoing could result in some disruption of the collection activity with respect to the Financed Student Loans, which may cause delayed or reduced payments on the Notes, and could reduce the market value of the Notes.

The Fees Charged Under the Servicing Agreements (Including the Back-up Servicing Agreement) are Subject to Increases and Noteholders Could Suffer Losses

The Servicing Agreements contracts with each Servicer and the Back-up Servicer provide for monthly fees for the servicing of Financed Student Loans according to schedules set forth in each Servicing Agreement (including the Servicing Agreement with the Back-up Servicer). The fees are charged on a per borrower basis or a percentage of the principal balance of the Financed Student Loans serviced. The Servicing Fees payable from the Trust Estate are an amount equal to the greater of (i) the Servicing Fee Floor plus no more than $25,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement and (ii) for (A) the Stafford/PLUS Financed Student Loans, no more than 0.90% per annum, of the principal balance of such loans, and (B) the Consolidation Financed Student Loans, which fee shall be no more than 0.50% per annum, of the principal balance of such loans, plus no more than $25,000 annually for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement. The Servicing Fees are paid to the Master Servicer for payment to the Servicers and the Back-up Servicer. The Master Servicer is responsible for paying any servicing fees to subcontractors, including the Servicers and the Back-up Servicer, including amounts that exceed the Servicing Fees paid to the Master Servicer from the Trust Estate. The Servicing Fees payable to the Master Servicer are senior in priority to payments on the Notes. In the event the Master Servicer cannot pay any servicing fees and expenses to the Servicers that exceed the Servicing Fees paid to the Master Servicer, the Servicers have a right to terminate their respective Servicing Agreements. The Master Servicer is required to service the Financed Student Loans pursuant to the Master Servicing Agreement; however, any delay in finding a replacement Servicer may cause delayed or reduced payments on the Notes and Noteholders could suffer losses on their investments as a result.

Indemnity by Servicers and Back-up Servicer with Respect to Financed Student Loans

Under their respective Servicing Agreements, each of PHEAA and Edfinancial Services agrees to indemnify the Master Servicer and the Issuer for certain losses, liabilities and expenses arising out of or relating to certain breaches, acts or omissions on the part of PHEAA or Edfinancial Services, as applicable, with regard to the performance of services under the respective Servicing Agreements. In the Master Servicing Agreement, the Master Servicer agrees to indemnify the Issuer, for certain losses, liabilities and expenses arising out of or relating to certain breaches, acts or omissions on the part of Master Servicer, as applicable, with regard to the performance of services under the Master Servicing Agreement. However, the amount of funds available to the Trust Estate from such indemnification, for any reason including contractual limitations of liability, may not necessarily be adequate to compensate the Trust Estate and investors in the Notes for any previous reduction in the Available Funds.

Treatment of Student Loans Upon Breach of Representations and Warranties Under Student Loan Purchase Agreement

Under the Student Loan Purchase Agreement between EFS, as the Seller, and the Issuer, pursuant to which all of the Financed Student Loans will be acquired by the Issuer, the Seller has made certain representations and

warranties that the Student Loans purchased under the Student Loan Purchase Agreement are Eligible Loans. If the Seller fails to comply with certain representations and warranties set forth in the Student Loan Purchase Agreement, we, under certain circumstances, may compel the repurchase of such Student Loans by the Seller. For certain failures to comply with the representations and warranties, or for other breaches of contract, we may also be indemnified for the loss. EFS as the Seller may not have sufficient assets to repurchase the Financed Student Loans or indemnify us for such loss at such time or may not be in existence at the time of any loss. Failure to repurchase or receive adequate indemnification may cause some of the Financed Student Loans held in the Trust Estate to be held as Financed Student Loans without Department reinsurance, Interest Subsidy Payments and Special Allowance Payments. Failure to receive adequate indemnification may cause our Trust Estate to suffer a loss. The Issuer's right to enforce the Student Loan Purchase Agreement with EFS has been assigned by the Issuer to the Trustee under the Indenture.

In addition, EFS previously acquired certain of the Student Loans from unaffiliated third-party sellers, who may have made similar representations and warranties to those described above and who may also have repurchase or indemnification obligations to EFS. The rights of EFS to enforce these obligations under the agreements under which it acquired Student Loans from unaffiliated third-party sellers have not been assigned by EFS to the Issuer, or by the Issuer to the Trustee under the Indenture and, as a result, neither the Issuer nor the Trustee has any right to enforce such obligations.

The Ratings of the Notes from the Rating Agencies are Not A Recommendation to Purchase and May Change, Affecting the Price of Your Notes

It is a condition to the issuance of the Notes that (i) the Class A-1 Notes be rated "AA+(sf)" by S&P and "AAAsf" by Fitch, (ii) the Class A-2 Notes be rated "AA+(sf)" by S&P and "AAAsf" by Fitch and (iii) the Class A-3 Notes be rated "AA+(sf)" by S&P and "AAAsf" by Fitch. The Class B Notes will not be rated. Ratings are based primarily on the creditworthiness of the underlying student loans, the amount of credit enhancement, and the legal structure of the transaction. The ratings are not a recommendation to you to purchase, hold, or sell your Notes inasmuch as the ratings do not comment as to market price or suitability for you as an investor. Ratings may be increased, lowered, or withdrawn by any Rating Agency if, in the Rating Agency's judgment, circumstances so warrant. A downgrade in the rating of your Notes is likely to decrease the price a subsequent purchaser will be willing to pay for your Notes. The ratings of the Notes by the Rating Agencies will not address the market liquidity of the Notes.

The Notes May Be Assigned Lower Ratings From Rating Agencies Not Engaged to Assign Ratings

The Issuer, or an affiliate, will pay a fee to the Rating Agencies to assign the initial credit ratings to the Notes on or before the Issue Date. Being paid by the Issuer or an affiliate or an underwriter to issue or maintain a credit rating on an asset-backed security may create a conflict of interest for rating agencies, and that this conflict is particularly acute because arrangers of asset-backed securities transactions provide repeat business to such rating agencies.

Under Rule 17g-5 under the Exchange Act, information conveyed to the Rating Agencies in connection with this transaction is required to be made available to other nationally recognized statistical rating organizations ("NRSROs") within the meaning of Section 3(a)(62) of the Exchange Act. Any such NRSRO may use this information to issue whatever rating is, in its opinion, warranted.

NRSROs may have different methodologies, criteria, models and requirements, which may result in ratings that are lower than those assigned by the Rating Agencies. Any unsolicited ratings may be issued prior to, on or after the Issue Date and will not be reflected herein. Depending upon the level of the ratings assigned by one or more NRSROs, what NRSROs are involved, what their stated reasons are for assigning a lower rating, and other factors, if an NRSRO issues a lower rating, the liquidity, market value and regulatory characteristics of the Notes could be materially and adversely affected. In addition, the mere possibility that such a rating could be issued may affect price levels in any secondary market that may develop.

Ratings of Other Student Loan Backed Securities May be Reviewed or Downgraded; Lowering of the Credit Rating of the United States of America May Adversely Affect the Market Value of Your Notes

Recent disruptions in the credit markets, the widening of interest rate spreads and the collapse of the auction rate securities market have caused certain of the rating agencies to announce that they are reviewing or intend to review the ratings assigned to certain securities, including student loan backed securities. Additionally, most student loan asset-backed securities are sensitive to spreads between commercial paper rates and LIBOR rates, and such spreads have been wider than historical levels since the credit market disruption began in 2008. Ratings actions may take place at any time. We cannot predict the timing of any ratings actions, nor can we predict whether the ratings assigned to these Notes will be downgraded.

The ratings assigned by S&P on certain of EFS affiliates' outstanding student loan-backed securities have been lowered in connection with S&P's downgrade of its long-term sovereign credit rating on the obligations of the United States, as the Department of Education is obligated to make special allowance and interest subsidy payments with respect to the FFELP student loans securing such student loan-backed securities, and to reimburse the guaranty agencies for payments made on defaulted FFELP student loans. In November, 2011, Fitch affirmed its AAA rating of the long-term debt of the United States of America, but revised its Outlook from Stable to Negative. Subsequently, Fitch revised its Outlook to Negative on all AAA-rated FFELP student loan asset-backed notes. In Fitch's view, the rating on FFELP student loan asset-backed notes is directly linked to the long-term debt rating of the United States of America, since the underlying collateral is guaranteed by the Department, which carries the full faith and credit of the United States government. While the "AAAsf" rating is still attainable for new issuances of FFELP student loan asset-backed notes (including the Offered Notes), Fitch will designate the Outlook on those as Negative on the Issue Date. Depending on the ratings assigned, the stated reasons for a lower rating and other factors, the liquidity, market value and regulatory characteristics of the Notes could be materially and adversely affected. The Issuer cannot predict the timing of any ratings actions.

The Notes are not auction rate securities and the Issuer has not previously conducted any business or issued any debt or other securities. Nevertheless, any further adverse action by the rating agencies regarding other student loan-backed securities issued previously by EFS or its affiliates or by any other entities may adversely affect the market value of the Notes or any secondary market for the Notes that may develop.

EFS Existing Indenture Paid in Full

Simultaneous with the issuance of the Notes, the proceeds of the Notes will be used to purchase the Student Loans and the purchase price thereof paid to EFS will be transferred to and applied by the EFS Existing Trustee to pay the purchase price and redemption price of the EFS Existing Bonds, as applicable, on the Issue Date. Upon the completion of the transactions contemplated hereby, the EFS Existing Indenture and any associated debt of the Seller will be extinguished, the related lien and security interests related to the Student Loans will be released and the Student Loans will be pledged by the Issuer under the Indenture as security for the Notes.

Notes Issued in Book-Entry Form Only

Each Class of the Notes will be issued in book-entry form only, represented by a single fully registered note, initially registered in the name of Cede & Co., the nominee of DTC. You will be able to exercise your rights as beneficial owner 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 you, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Furthermore, you may suffer delays in the receipt of distributions on the Notes, and your ability to pledge or otherwise take actions with respect to your interest in your Notes may be limited due to the lack of a physical certificate evidencing such interest.

Military Service Obligations and Natural Disasters

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

Congress has enacted statutes and other guidelines that 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. See "—Higher Education Relief Opportunities for Students Act of 2003 May Result in Delayed Payments from Borrowers."

The number and aggregate principal balance of Financed Student Loans that may be affected by the application of these statutes and other guidelines will not be known at the time we issue the Notes. If a substantial number of borrowers of Financed Student Loans become eligible for the relief under these statutes and other guidelines, there could be an adverse effect on the total collections on those Financed Student Loans and our ability to make principal and interest payments on the Notes from assets in the Trust Estate.

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

The Higher Education Relief Opportunities for Students Act of 2003 ("HEROES Act of 2003") authorizes the Secretary to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary for the benefit of "affected individuals" who:

- are serving on active military duty or performing qualifying national guard duty during a war or other military operation or national emergency;
- reside or are employed in an area that is declared by any federal, state or local office to be a disaster area in connection with a national emergency; or
- suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary.

The Secretary is authorized to waive or modify any provision of the Higher Education Act to ensure that:

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

The number and aggregate principal balance of student loans that may be affected by the application of the HEROES Act of 2003 is not known at this time. Accordingly, payments we receive on student loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers

become eligible for the relief provided under the HEROES Act of 2003, there could be an adverse effect on the total collections on the trust's Financed Student Loans and our ability to pay principal and interest on the Notes.

Congressional Actions May Affect the Student Loan Portfolio

The Department's authority to provide Interest Subsidy Payments, Special Allowance Payments, and guarantees and federal reinsurance for loans originated under the Higher Education Act terminates on a date specified in the Higher Education Act. The Higher Education Act must be reauthorized by Congress periodically in order to prevent sunset of the Higher Education Act. The current reauthorization of the Higher Education Act expires in 2014. Funds for payment of interest subsidies and other payments under the FFELP are subject to annual budgetary appropriation by Congress. Federal budget legislation has in the past 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, and the financial condition of a Guaranty Agency.

Congressional amendments to the Higher Education Act or other relevant federal laws, and rules and regulations promulgated by the Secretary, may adversely impact holders of FFELP loans. For example, changes might be made to the rate of interest paid on FFELP loans, to the level of guarantee provided by guaranty agencies or to the servicing requirements for FFELP loans. See "EXHIBIT I—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Variety of Factors Affecting Borrowers

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

Failures by borrowers to pay timely the principal and interest on their Financed Student Loans or an increase in deferments or forbearances could affect the timing and amount of Available Funds for any Collection Period and our ability to pay principal of and interest on the Notes from the assets in the Trust Estate. The effect of these factors, including the effect on the timing and amount of Available Funds for any Collection Period and our ability to pay principal of and interest on the Notes from the assets in the Trust Estate, is impossible to predict.

In general, a Guaranty Agency reinsured by the Department will guarantee 100% of each FFELP loan originated on or before October 1, 1993, 98% of each FFELP loan originated after October 1, 1993 and before July 1, 2006, and 97% of each student loan originated on or after July 1, 2006. As a result, if a borrower of a Financed Student Loan defaults on a loan that is not 100% guaranteed, the Issuer will experience a loss of approximately 2% or 3% of the outstanding principal and accrued interest on each of the defaulted loans depending upon when it was first disbursed. The Issuer does not have any right to pursue the borrower for the remaining portion that is not subject to the guarantee. If defaults occur on the Financed Student Loans and the credit enhancement described herein is not sufficient, you may suffer a delay in payment or a loss on your Notes.

Consumer Protection Laws

Consumer protection laws impose requirements upon lenders and servicers. Some state laws impose finance charge restrictions on certain 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. As they relate to FFELP loans, these state laws are generally preempted by the Higher Education Act.

Amendments of the Indenture and Waivers of Defaults; Voting Rights

Under the Indenture, holders of specified percentages of the aggregate principal amount of Class A Notes (and, in the event that there are no Class A Notes outstanding, the aggregate principal amount of Class B Notes) may amend or supplement provisions thereof, direct remedies upon the occurrence of an Event of Default and waive Events of Default and compliance provisions without the consent of the other holders. A holder of the Notes may

have no recourse if other holders of such Class of Notes vote and such holder disagrees with the vote on these matters. The holders may vote in a manner that impairs our ability to pay principal and interest on the Notes from assets in the Trust Estate.

The Notes are Limited Obligations of the Issuer Payable Solely from the Trust Estate

The Notes are limited obligations of the Issuer and are ultimately backed by and will be payable and secured solely from payments and other collections on or in respect of the Financed Student Loans, among other sources of revenue and security within the Trust Estate. See "THE TRUST ESTATE." The Issuer has no taxing power. The Notes are limited obligations of the Issuer and will not and do not represent a debt, liability or obligation, or a pledge of the full faith and credit or the taxing power, of the State of Tennessee or any of its agencies or political subdivisions. Payments of interest and principal on the Notes will ultimately depend on the amount and timing of payments and other collections in respect of the Financed Student Loans and interest paid or earnings on the Funds held in the accounts established pursuant to the Indenture (and the amounts on deposit therein). No insurance or guarantee of the Notes will be provided by any government agency or instrumentality, by any insurance company or by any other person or entity. The Issuer will not have any obligation to use any of its other assets or sources of funds other than the Trust Estate to make payments on the Notes. You will have no recourse against any party, including the Issuer, if the Trust Estate created under the Indenture is insufficient for repayment of the Notes. If these sources of funds are unavailable or insufficient to make payments on the Notes, you may experience a loss on your investment.

Sale of Financed Student Loans After an Event of Default

Upon the occurrence of an Event of Default or to prevent an Event of Default under the Indenture, Financed Student Loans may have to be sold. However, it may not be possible to find a purchaser for such Financed Student Loans. Also, the market value of such Financed Student Loans plus other assets in the Trust Estate available for the payment of the Notes may not equal the principal amount of the Notes Outstanding plus accrued interest. The secondary market for Student Loans also could be further diminished, resulting in fewer or no potential buyers of such Financed Student Loans and lower prices or no bids available in the secondary market for such Financed Student Loans. You may suffer a loss in circumstances such as these if purchaser(s) cannot be found who are willing to pay sufficient prices for such Financed Student Loans.

Differing Incentive and Borrower Benefit Programs May Affect Your Notes

Most of the Financed Student Loans are subject to borrower incentive programs, which may vary. Under some borrower payment incentive programs, a portion of the principal of Financed Student Loans may be forgiven and/or interest rates on Financed Student Loans may be reduced based upon the graduation and payment performance of the borrowers, and may result in the principal amount of Financed Student Loans amortizing faster than anticipated. We cannot predict which borrowers will qualify for or decide to participate in these programs. The effect of these incentive programs may be to reduce the yield on the Financed Student Loans. See "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO—Borrower Benefit Programs" below.

Superior Security Interest

If, through inadvertence or fraud, Financed Student Loans were to be sold to a purchaser who purchases in good faith without knowledge of the Trustee's security interest, such purchaser may defeat the Trustee's security interest. Custody of the loan documents for the Financed Student Loans is maintained for us by the Master Servicer and our Servicers. The loan documents may not be physically segregated or marked to evidence the Trustee's interest in those Financed Student Loans. A third party that obtained control of the loan documents might be able to assert rights that defeat the Trustee's security interest.

The Financed Student Loans May Be Evidenced by a Master Promissory Note

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

A loan evidenced by a master promissory note may be pledged as security or sold independently of the other loans evidenced by the master promissory note. If the Eligible Lender Trustee on behalf of the Issuer acquires a Financed Student Loan evidenced by a master promissory note, other parties could claim an interest in the Financed Student Loan. This could occur if another party secured by another loan evidenced by the same promissory note or the holder of the master promissory note were to take an action inconsistent with the Issuer's rights to a Financed Student Loan, such as delivery of a duplicate copy of the master promissory note to a third party for value. Although such action would not defeat our rights to the Financed Student Loan or impair the security interest held by the Trustee for your benefit, it could delay receipt of principal and interest payments on the Financed Student Loan.

Commingling of Payments on Student Loans Could Prevent Us from Paying You the Full Amount of the Principal and Interest Due on Your Notes

Payments received on our student loans generally are deposited into an account in our name each business day. However, payments received on the Financed Student Loans will not be segregated from payments on other student loans owned by our Eligible Lender Trustee under the same lender identification number. Such amounts are transferred to the related trust estates on a daily basis. If the commingled account becomes subject to a claim in litigation or is attached in a proceeding in bankruptcy or otherwise, the Master Servicer or the applicable Servicer may be unable to transfer payments received on the Financed Student Loans to the Trustee, and we may be unable to pay principal and interest on the Notes from assets in the Trust Estate.

Sequential Payment of the Notes May Result in a Great Risk of Loss; Interest on the Class B Notes is Subject to the Class B Interest Subordination Trigger Event and the Class B Interest Cap

The payment of principal on the Notes will be sequential, with the Class A Notes of a lower numerical Tranche designation receiving principal payments before the Class A Notes of a higher numerical Tranche designation, and all of the Class A Notes receiving principal payments before the Class B Notes, except that, where an Event of Default under the Indenture has occurred that results in the acceleration of the Notes, the principal will be paid ratably across all Tranches of the Class A Notes. The payment of interest on the Notes will be sequential in the same order of priority described above, except that the payment of interest on the Class A Notes will be paid ratably across all Tranches of the Class A Notes and payment of interest on the Class B Notes is subject to the Class B Interest Cap. If the Class B Interest Subordination Trigger Event has occurred and is continuing, the interest accruing on the Class B Notes during any related Interest Period will be characterized as a Class B Carry-Over Amount and will be paid as described in clause eleventh of "THE TRUST ESTATE—Flow of Funds—Distribution Dates" and "DESCRIPTION OF THE NOTES—Distributions of Principal" under "—Flow of Funds." If the Class B Interest Subordination Trigger Event is no longer continuing (either because the Class B Parity Ratio is at least equal to 101.25% or none of the Class A Notes remain outstanding), current interest payable to the Class B Noteholders on any subsequent Distribution Date will no longer be characterized as Class B Carry-Over Amount and will be paid as described under clause sixth of "THE TRUST ESTATE—Flow of Funds—Distribution Dates" and "DESCRIPTION OF THE NOTES—Distributions of Principal" in this Private Placement Memorandum. Failure to make interest payments on the Class B Notes is not an Event of Default under the Indenture if any Class A Notes remain outstanding. Payment of the Class B Carry-Over Amount is payable at a lower priority, and the failure to pay such Class B Carry-Over Amount is not an Event of Default under the Indenture. To the extent that there are insufficient Available Funds for the payment of Class B Carry-Over Amount on or after the Stated Maturity Date of the Class B Notes, such Class B Carry-Over Amount and the interest thereon shall be cancelled and shall not be paid (and the Class B Carry-Over Amount may not be paid in the event of a mandatory redemption of the Notes as described under "DESCRIPTION OF THE NOTES—Mandatory Redemption"). See "THE TRUST ESTATE—Flow of Funds—Distribution Dates" herein. As a result of the foregoing, holders of Class A Notes with a higher numerical designation bear a greater risk of loss than holders of Class A Notes with a lower numerical designation

and holders of Class B Notes bear a greater risk of loss than do holders of the Class A Notes. Potential purchasers of the Notes should consider the priority of payment of each Class of Notes before making an investment decision.

The Notes May be Redeemed Due to an Optional Redemption or Mandatory Redemption and Your Yield May Be Affected

The Notes may be repaid before you expect them to be if the Issuer exercises its option to sell all the Financed Student Loans (when the Pool Balance is 10% or less of the Initial Pool Balance as described under "DESCRIPTION OF THE NOTES —Optional Redemption" and "—Mandatory Redemption") or the amounts on deposit in the Debt Service Reserve Fund (after all required transfers and distributions have been made therefrom), together with other Available Funds, equal or exceed the outstanding principal balance of and accrued interest on the Notes (excluding the Class B Carry-Over Amount) as described under "DESCRIPTION OF THE NOTES— Mandatory Redemption").

Any such event would result in the early retirement of the Notes Outstanding on that date. If this happens, the yield on your Notes may be affected and you will bear the risk that you cannot reinvest the money you receive in comparable notes at an equivalent yield. All costs of the Trustee relating to the optional sale of the Financed Student Loans will be paid out of the Collection Fund in the event of such sale, potentially affecting your ability to recover the full principal of your investment. The Notes may also be repaid after you expect them to be in the event the Issuer's sale option is not exercised. If this happens, the yield on your Notes may be affected and you will not recover the principal of your investment as soon as you may have expected.

Certain Credit and Liquidity Enhancement Features Are Limited and if They Are Partially or Fully Depleted, There May Be Shortfalls in Distributions to Noteholders

Credit and liquidity enhancement for the Notes will consist of overcollateralization, cash on deposit in the Debt Service Reserve Fund and the Capitalized Interest Fund and additionally (i) for holders of Class A-1 Notes and the Class A-2 Notes, the sequential payment of principal within the Class A Notes, which is paid in numerical order of Tranche designation (except in an Event of Default that results in acceleration of the Notes, in which case interest and then principal are paid ratably across all Tranches of the Class A Notes) and (ii) for holders of Class A Notes, the sequential payment of principal and interest on the Class A Notes before the Class B Notes. The amounts on deposit in each such Fund are limited in amount. In addition, the Capitalized Interest Fund will not be replenished, is available for a limited duration and will not be extended. In certain circumstances, if there is a shortfall in available funds, such amounts may be partially or fully depleted. This depletion could result in shortfalls and delays in distributions to Noteholders and the Notes will bear any risk of loss.

You Will Bear Prepayment and Extension Risk Due to Actions Taken by Individual Borrowers and Other Variables Beyond Our Control

A borrower may prepay a Financed Student Loan in whole or in part, at any time. The rate of prepayments on the Financed Student Loans may be influenced by a variety of economic, social, competitive and other factors, including changes in interest rates, the availability of alternative financings and the general economy. Various loan consolidation programs available to eligible borrowers may increase the likelihood of prepayments. In addition, the Issuer may receive unscheduled payments due to defaults and purchases by the Master Servicer or a Servicer. Because the pool will include thousands of Financed Student Loans, it is impossible to predict the amount and timing of payments that will be received and paid to Noteholders in any period. If the Issuer receives prepayments on the Financed Student Loans, those amounts will be used to make principal payments as described below under "THE TRUST ESTATE—Flow of Funds," which could shorten the average life of the Notes. Consequently, the length of time that the Notes are outstanding and accruing interest may be shorter than you expect, and may significantly affect your actual yield to maturity.

In October of 2011, President Obama announced a program permitting students with both FFELP loans and Direct Loans to consolidate their existing FFELP loans into the Department of Education's Direct Loan program during the period from January 1, 2012 through June 30, 2012, and such students will receive up to a 0.5% interest rate reduction on the consolidated FFELP loan. The terms and conditions of the students' existing student loans would continue. Holders of such FFELP loans, such as the Issuer, would be paid 100 percent of the outstanding

principal and interest balance on any FFELP loans consolidated, and such payment would be treated as a prepayment of the Financed Student Loan under the Indenture. The Issuer cannot presently determine how many of its financed eligible loans could be affected by such a consolidation.

In addition, President Obama's 2012 fiscal year budget proposal permits students with both FFELP loans and Direct Loans to convert their existing FFELP loans to the Department of Education's Direct Loan program during the period from January 1, 2012 through September 30, 2012 through moving their FFELP loans and the servicing thereon to the Department of Education. The terms and conditions of the borrowers' existing student loans would continue. Holders of such FFELP loans, such as the Issuer, would be paid 100 percent of the outstanding principal and interest balance on any student loans converted, and such payment would be treated as a prepayment of the Financed Student Loan under the Indenture. Borrowers would be eligible for an incentive of a reduction of their FFELP loan balance of up to 2 percent to convert their FFELP loans to the Department of Education's Direct Loan program. No assurance can be given as to whether or not such a provision will be included in the final budget approved by Congress and, if enacted, the Issuer cannot presently determine how many of its financed eligible loans could be affected by such a conversion.

On the other hand, the Financed Student Loans may be extended as a result of grace periods, deferment periods and, under some circumstances, forbearance periods, which may all be extended as authorized by the Higher Education Act. This may lengthen the remaining term of the Financed Student Loans and delay principal payments to you. In addition, the amount available for distribution to you will be reduced if borrowers fail to pay timely the principal and interest due on the Financed Student Loans. Consequently, the length of time that the Notes are outstanding and accruing interest may be longer than you expect. The redemption of the Notes that would result from the Issuer exercising its option to acquire the remaining Financed Student Loans (in the case when the Pool Balance is 10% or less of the Initial Pool Balance) create additional uncertainty regarding the timing of payments to Noteholders. The effect of these factors is impossible to predict. You will bear entirely any reinvestment risks resulting from a faster or slower incidence of prepayment of the Financed Student Loans.

The Characteristics of the Portfolio of Financed Student Loans May Change

The characteristics of the pool of Student Loans expected to be pledged to the Trustee are described under "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" and are described herein as of the Statistical Cut-off Date. In the event that the principal amount of Student Loans required to provide collateral for the Notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain the rating on the Notes described on the cover page of this Private Placement Memorandum, the rate of amortization or prepayment on the portfolio of Student Loans from the Statistical Cut-off Date to the Issue Date varying from the rates that were anticipated, or otherwise, the portfolio of Student Loans to be pledged to the Trustee may consist of a subset of the pool of Student Loans described herein or may include additional Student Loans not described under "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO." During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of Student Loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO," and after giving effect to the purchase or acquisition of such Student Loans, any remaining available amounts up to $20 million may be used to acquire or purchase additional Student Loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO."

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

The Issuer believes that the information set forth in this Private Placement Memorandum with respect to the pool of Student Loans as of the Statistical Cut-off Date is representative of the characteristics of the pool of Student Loans as they will exist at the end of the Acquisition Period once the pool of Student Loans described in

"CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" have been pledged to the Trustee under the Indenture. You should consider potential variances when making your investment decision concerning the Notes. See "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" in this Private Placement Memorandum.

The Issuer May Not Be Able to Use All of the Note Proceeds to Acquire Student Loans and May Be Required to Pay Principal on Notes Earlier Than Anticipated

The pool of Student Loans described in (and as may be modified, as described in) "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO," will be pledged to the Trustee. The Issuer expects to purchase or acquire the majority of the pool of Student Loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" on the Issue Date, but is permitted to acquire Student Loans at any time during the Acquisition Period. During the Acquisition Period, in addition to such pool of Student Loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO," any remaining available amounts up to $20 million may be used to acquire or purchase additional Student Loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO." All amounts remaining on deposit in the Acquisition Fund at the end of the Acquisition Period will be transferred to the Collection Fund on the first Business Day following the end of the Acquisition Period and this could result in additional principal payments on the Notes, resulting in payment of principal earlier than anticipated and a shortening of the weighted average life of the Notes, and any reinvestment risk would be borne by the Noteholders.

Notes Not Suitable Investment for All Investors

The Notes are not a suitable investment if an investor requires a regular or predictable schedule of payments or payment on any specific date. The Notes 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.

Recent Investigations and Inquires of the Student Loan Industry

A number of state attorneys general and the U.S. Senate Committee on Health, Education, Labor and Pensions have announced or are reportedly conducting broad inquiries or investigations of the activities of various participants in the student loan industry, including, but not limited to, activities that may involve perceived conflicts of interest.

There is no assurance that we, EFS or any Servicer or Guaranty Agency will not be subject to inquiries or investigations. While we cannot predict the ultimate outcome of any inquiry or investigation, it is possible that these inquiries or investigations and regulatory developments may materially affect the FFELP, our ability to perform our obligations under the Indenture and pay principal of and interest on the Notes Outstanding from assets in the Trust Estate.

EFS' Exempt Status

Our parent and the Seller, the Master Servicer and the Administrator, EFS, has been determined by the Internal Revenue Service to be exempt from taxation as a 501(c)(3) organization. The Internal Revenue Service has announced its intention to increase the frequency of audits of the 501(c)(3) tax-exempt status of organizations. EFS 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, EFS would be successful in any audit proceeding. An audit that results in the disqualification of EFS from being a 501(c)(3) corporation may also make EFS more susceptible to an involuntary bankruptcy petition under bankruptcy law.

Voluntary Closing Agreement Program for Certain Tax-Exempt Student Loan Issuers

On March 20, 2012, the Internal Revenue Service ("IRS") released Announcement 2012-14, which describes a voluntary closing agreement program (the "Program") under which issuers of tax-exempt qualified student loan bonds may enter into a closing agreement with the IRS to resolve certain concerns of the IRS. In the announcement, the IRS describes certain "loan transfers" between student loan bond issues which it believes violate the applicable law and regulations relating to arbitrage bonds. The announcements sets forth terms under which an issuer may resolve any IRS issues described in the announcement and preserve the tax-exempt status of its bonds. An issuer who participates in the Program would enter into a closing agreement with the IRS, and would make a payment to the IRS of a settlement amount. The Program is currently available for voluntary closing agreement requests submitted no later than July 31, 2012.

EFS has not determined whether to submit a request for a closing agreement under the Program, nor are any of its tax-exempt qualified student loan bonds currently under examination by the IRS. Any payments that EFS would be required to make in connection with (a) the Program or (b) any examination of its bonds could reduce funds available to honor repurchase, administration, servicing or other obligations under various agreements relative to the student loans and that EFS may have with the Issuer. It is not presently expected that any payments made in connection with the Program or any examination of its bonds would prevent EFS from fulfilling such obligations.

Because the interest on Notes is includable in gross income for federal tax purposes, the Notes are not subject to the Program. Should EFS elect to participate in the Program, no funds under the Indenture would be available to make any payments to the IRS under the Program.

Forward-Looking Statements

If and when included in this Private Placement Memorandum, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Issuer. These forward-looking statements speak only as of the date of this Private Placement Memorandum. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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INTRODUCTION

This Private Placement Memorandum is being provided by EFS Volunteer No. 3, LLC with respect to the issuance of its $700,800,000 Student Loan Asset Backed Notes, 2012-1 Series, as Class A Notes and Class B Notes. The Class A Notes are being offered hereby, and the Class B Notes are being initially held by EFS and are not being offered hereby. The Notes are issued as LIBOR indexed notes pursuant to the Indenture of Trust, dated as of June 1, 2012 (the "Indenture"), among the Issuer, the Trustee and the Eligible Lender Trustee.

THE NOTES ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM AND SECURED SOLELY BY THE TRUST ESTATE CREATED UNDER THE INDENTURE DESCRIBED HEREIN. THE ISSUER HAS NO TAXING POWER. NEITHER THE STATE OF TENNESSEE NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PRICE, IF ANY, OR INTEREST ON THE NOTES AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO SUCH PAYMENT.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR ANY STATE SECURITIES OR BLUE SKY LAWS, AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES OR BLUE SKY LAWS. ACCORDINGLY, THE OFFERED NOTES ARE BEING OFFERED AND SOLD ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN COMPLIANCE WITH RULE 144A.

THE NOTES ARE NOT INSURED OR GUARANTEED BY ANY GOVERNMENT AGENCY OR INSTRUMENTALITY, BY ANY INSURANCE COMPANY, OR BY ANY OTHER PERSON OR ENTITY. THE HOLDERS OF THE NOTES WILL HAVE RECOURSE TO THE TRUST ESTATE PURSUANT TO THE INDENTURE, BUT WILL NOT HAVE RECOURSE TO ANY OF THE ISSUER'S OTHER ASSETS.

EFS previously issued the EFS Existing Bonds pursuant to the EFS Existing Indenture. The EFS Existing Bonds are limited obligations of EFS payable solely from and secured solely by certain pledged assets held in the trust estate created under the EFS Existing Indenture. The assets of the trust estate under the EFS Existing Indenture include student loans, collections and other payments on those student loans and certain funds held in trust accounts under the EFS Existing Indenture. The student loans are education loans to students and parents of students made under the Federal Family Education Loan Program ("FFELP").

Certain of the proceeds of the Notes are expected to be used to acquire the student loans that currently serve as collateral for the EFS Existing Bonds. The purchase price of such student loans paid by the Issuer to EFS as the Seller under the Student Loan Purchase Agreement will be transferred to and applied by the EFS Existing Trustee to pay the purchase price or redemption price, as applicable, of the EFS Existing Bonds on the Issue Date. The redemption price of the EFS Existing Bonds to be redeemed is equal to the par amount thereof plus accrued interest to the Issue Date. The purchase price of the EFS Existing Bonds to be purchased will be less than the par amount thereof plus accrued interest to the Issue Date.

In connection with the transactions described herein, all of the assets pledged under the EFS Existing Indenture will be released from the lien thereof, and the released student loans will be sold to the Issuer pursuant to the Student Loan Purchase Agreement and pledged under the Indenture as security for the Notes. All of the student loans held by the Issuer will be pledged to the Trustee to secure repayment of the Notes issued under the Indenture. The sole source of funds for payment of the Notes issued under the Indenture is the student loans and the investments that we pledge to the Trustee and the payments that we receive on those student loans and investments.

The initial proceeds of the Notes and other funds of the Issuer are being used in connection with the Issuer's Program to:

- acquire Student Loans through its Eligible Lender Trustee, guaranteed by a Guaranty Agency as to unpaid principal and accrued interest pursuant to the Higher Education Act,

- fund a deposit to the Department Reserve Fund, if any,
- fund a deposit to the Acquisition Fund,
- fund a deposit to the Capitalized Interest Fund,
- fund a deposit to the Debt Service Reserve Fund, and
- fund a deposit to the Temporary Costs of Issuance Account in the Acquisition Fund to pay costs and expenses associated with the issuance of the Notes. See "SOURCES AND USES."

All capitalized terms used in this Private Placement Memorandum and not otherwise defined herein have the same meanings as assigned to them in the Indenture, certain of which definitions are included in "EXHIBIT II—GLOSSARY OF CERTAIN DEFINED TERMS."

Brief summaries and descriptions of the Notes, the Issuer, the Guaranty Agencies, the Indenture, the FFELP under the Higher Education Act, and certain statutes, regulations and other documents and materials are included in this Private Placement Memorandum. These summaries and descriptions do not purport to be comprehensive or definitive. All references to the Notes, the Indenture and statutes, regulations and other documents and materials summarized, described or referred to herein are qualified in their entirety by reference to such documents, statutes, regulations and other materials. Copies of the Indenture are available for inspection at the registered office of the Administrator (501 Corporate Centre Drive, Suite 320, Franklin, Tennessee 37067) during usual business hours on any weekday (public holidays excepted) for the term of the Notes and are available to holders of the Notes upon written request to the Trustee.

DESCRIPTION OF THE NOTES

General

The Notes will be issued pursuant to the terms of the Indenture. Under the Indenture, Wells Fargo Bank, National Association has been named the initial Trustee. The following summary describes the material terms of the Notes. However, it is not complete and is qualified in its entirety by the actual provisions of the Notes and the Indenture.

The Class A-1 Notes will be issued in minimum denominations of $250,000, the Class A-2 Notes will be issued in minimum denominations of $250,000, the Class A-3 Notes will be issued in minimum denominations of $250,000 and the Class B Notes will be issued in minimum denominations of $250,000, and in each case, in integral multiples of $1,000 in excess thereof. Principal of and interest on the Notes will be payable on each Distribution Date to the record owners of the Notes as of the close of business on the day before the related Distribution Date.

Other than the information provided under "THE TRUSTEE" and "ELIGIBLE LENDER TRUSTEE" in this Private Placement Memorandum, neither the Trustee nor the Eligible Lender Trustee participated in the preparation of this Private Placement Memorandum and make no representations concerning the Notes, the collateral or any other matter stated in this Private Placement Memorandum. Neither the Trustee nor the Eligible Lender Trustee has any duty or obligation to pay the Notes from its own funds, assets, or corporate capital or to make inquiry regarding, or investigate the use of, amounts disbursed from the Trust Estate.

Interest Payments

Interest will accrue on the outstanding principal balance of the Notes at the respective interest rates described below for each applicable Tranche of Notes during each applicable Interest Period. The amount of interest actually payable on each Distribution Date is equal to the Interest Distribution Amount (as defined below), which includes any Interest Distribution Amounts payable as of any prior Distribution Date but not previously paid plus, to the extent lawful, interest on prior unpaid Interest Distribution Amounts at the interest rate applicable to

such Tranche of Notes. The Interest Distribution Amount will be payable on each Distribution Date to the Noteholders of record as of the close of business on the record date (the Business Day preceding the related Distribution Date) until maturity or earlier payment of the Notes. Interest distributions on the Class B Notes are subject to the Class B Interest Subordination Trigger Event. The Class B Interest Subordination Trigger Event occurs when the Class B Parity Ratio is less than 101.25% and the Class A Notes remain Outstanding. If the Class B Interest Subordination Trigger Event has occurred and is continuing, the interest accruing on the Class B Notes during any related Interest Period will be characterized as a Class B Carry-Over Amount, and will be paid as described in clause eleventh of "THE TRUST ESTATE—Flow of Funds—Distribution Dates" and "DESCRIPTION OF THE NOTES—Distributions of Principal" under "—Flow of Funds." If the Class B Interest Subordination Trigger Event is no longer continuing (either because the Class B Parity Ratio is at least equal to 101.25% or none of the Class A Notes remain outstanding), the Interest Distribution Amount payable on the Class B Notes on any subsequent Distribution Date will be paid as described under clause sixth of "THE TRUST ESTATE—Flow of Funds—Distribution Dates" and "DESCRIPTION OF THE NOTES—Distributions of Principal" in this Private Placement Memorandum.

Interest distributions on the Class B Notes are subject to the Class B Interest Cap, which, for any Distribution Date, may result in the Interest Accrual Amount for the Class B Notes exceeding the Interest Distribution Amount for the Class B Notes. Any such excess is referred to herein as the Class B Carry-Over Amount, as defined below. To the extent lawful, the Class B Carry-Over Amount shall bear interest at the interest rate applicable to the Class B Notes.

Interest payments on the Notes for any Distribution Date will generally be funded from Available Funds remaining after all required prior distributions, including, with respect to the Class B Notes, interest distributions on the Class A Notes; and if necessary, from amounts on deposit, in the Capitalized Interest Fund and the Debt Service Reserve Fund, in that order. Interest Distribution Amounts relating to an Interest Period will be paid on the following Distribution Date first to the Class A Notes (on a pro rata basis amongst all Tranches of Class A Notes), and second to the Class B Notes, in that order. Failure to make interest payments on the Class B Notes is not an Event of Default under the Indenture if any Class A Notes remain outstanding. Payment of the Class B Carry-Over Amount is payable at a lower priority, and the failure to pay such Class B Carry-Over Amount is not an Event of Default under the Indenture. To the extent that there are insufficient Available Funds for the payment of Class B Carry-Over Amount on or after the Stated Maturity Date of the Class B Notes, such Class B Carry-Over Amount and the interest thereon shall be cancelled and shall not be paid (and the Class B Carry-Over Amount may not be paid in the event of a mandatory redemption of the Notes as described under "DESCRIPTION OF THE NOTES—Mandatory Redemption"). See "THE TRUST ESTATE—Flow of Funds" in this Private Placement Memorandum. To the extent that there are insufficient Available Funds for the payment of the Class B Interest Distribution Amount, the Interest Shortfall with respect to the Class B Notes, will be allocated pro rata to the Class B Noteholders, based upon the principal amount held by each Class B Noteholder. To the extent that there are insufficient Available Funds for the payment of Class A Interest Distribution Amount, the Interest Shortfall with respect to the Class A Notes, will be allocated pro rata to the Class A Noteholders, based upon the principal amount held by each Class A Noteholder. If an Event of Default under the Indenture has occurred that results in the acceleration of the Notes, the payment of interest on the Class B Notes is further subordinated to payments of principal on the Class A Notes. See "THE TRUST ESTATE—Flow of Funds" in this Private Placement Memorandum.

The interest rate on the Notes for each Interest Period, except for the Initial Interest Period, will be equal to:

Class	Interest Rate
Class A-1 Notes	One-month LIBOR plus 0.60% per annum
Class A-2 Notes	One-month LIBOR plus 1.00% per annum
Class A-3 Notes	One-month LIBOR plus 1.00% per annum
Class B Notes	One-month LIBOR plus 1.00% per annum*

* Subject to the Class B Interest Cap and Class B Interest Subordination Trigger Event.

The interest rate for the Notes for the Initial Interest Period will be calculated by reference to the following formula:

> x + [(a / b) * (y-x)] plus (0.60% with respect to the Class A-1 Notes, 1.00% with respect to the Class A-2 Notes, 1.00% with respect to the Class A-3 Notes and 1.00% with respect to the Class B Notes), as calculated by the Trustee.
>
> where:
>
> x = Three-Month LIBOR two Business Days prior to the Issue Date;
>
> y = Four-Month LIBOR two Business Days prior to the Issue Date;
>
> a = the actual number of days from the maturity date of Three-Month LIBOR to the first Distribution Date; and
>
> b = the actual number of days from the maturity date of Three-Month LIBOR to the maturity date of Four-Month LIBOR.

The Trustee will determine LIBOR for the specified maturity for each Interest Period on the second Business Day immediately preceding each Distribution Date as described under "DESCRIPTION OF THE NOTES—Determination of LIBOR" below.

"Interest Distribution Amount" means, for any Distribution Date:

(a) with respect to each Tranche of Class A Notes, the sum of (i) the Interest Accrual Amount with respect to such Tranche of Class A Notes and (ii) the Interest Shortfall for all prior Distribution Dates with respect to such Tranche of Class A Notes; and

(b) with respect to the Class B Notes, the sum of (i) the lesser of (A) Interest Accrual Amount on the Class B Notes and (B) the Class B Interest Cap and (ii) the Interest Shortfall for all prior Distribution Dates with respect to the Class B Notes.

"Interest Accrual Amount" shall mean, for any Distribution Date, with respect to any Tranche of the Notes, the aggregate amount of interest accrued for such Tranche of the Notes at the related LIBOR indexed rate set forth above for each such Tranche of the Notes for the related Interest Period on the Outstanding Amount of such Tranche of the Notes since the immediately preceding Distribution Date after giving effect to all principal distributions to the related Noteholders on that preceding Distribution Date, or in the case of the first Distribution Date, on the Issue Date.

"Interest Shortfall" shall mean, for any Distribution Date and any Class of Notes, the excess of (i) the Interest Distribution Amount for such Class of Notes on the preceding Distribution Date, over (ii) the amount of interest actually distributed to the Noteholders of such Class of Notes on that preceding Distribution Date, plus interest on the amount of that excess, to the extent permitted by law, at the applicable LIBOR indexed rate set forth above for such Class of Notes from that preceding Distribution Date to the current Distribution Date. Class B Carry-Over Amount shall not be characterized as Interest Shortfalls for purposes of this definition.

"Class B Carry-Over Amount" shall mean, with respect to any Interest Period, (i) the amount, if any, by which the Interest Accrual Amount on the Class B Notes for such Interest Period exceeds the Class B Interest Cap, and (ii) the Interest Accrual Amount on the Class B Notes for such Interest Period remaining unpaid while a Class B Interest Subordination Trigger Event has occurred and is continuing, plus the Class B Carry-Over Amount from prior periods plus interest on the amount of that Class B Carry-Over Amount, to the extent permitted by law, at the

LIBOR indexed rate set forth on the cover page of this Private Placement Memorandum applicable for the Class B Notes from that preceding Distribution Date to the current Distribution Date.

"Class B Interest Cap" shall mean, with respect to any Distribution Date, an amount equal to (a) the actual number of days in the current year divided by 360 multiplied by the difference between (i) the sum of all non-principal amounts accrued on the Financed Student Loans during the related Collection Period, whether due from a borrower, a Guaranty Agency or the Department (including, without limitation, Special Allowance Payments and Interest Subsidy Payments) and (ii) amounts not attributable to principal that are payable to the Department that accrued during the related Collection Period (including, without limitation, Special Allowance Payments and consolidation rebate fees); less (b) the Trustee Fee, the Servicing Fees and the Administration Fees accrued during the related Collection Period and less (c) the Interest Accrual Amount on the Class A Notes for such Distribution Date. The Class B Interest Cap may not be less than zero.

The Class B Interest Subordination Trigger Event occurs on any Distribution Date when the Class B Parity Ratio is less than 101.25% and the Class A Notes remain Outstanding.

Interest due for any Interest Period will always be determined based on the actual number of days elapsed in the Interest Period over a 360-day year (and rounding to the fifth decimal place the resultant figure equal to the actual number of days elapsed divided by 360).

Distributions of Principal

Except as otherwise described in this Private Placement Memorandum in regards to the Principal Distribution Amount, principal payments will be made sequentially to the Noteholders on each Distribution Date, to the extent of any Available Funds remaining after payments with a higher priority have been made, first to the Class A Notes (in numerical order of the Tranche designation) until paid in full, then to the Class B Notes until paid in full, in an amount generally equal to the Principal Distribution Amount for that Distribution Date, until the principal balance of the Notes is reduced to zero, except that, where an Event of Default under the Indenture has occurred that results in the acceleration of the Notes, the principal will be paid ratably across all Tranches of the Class A Notes. In addition to the principal payments described above, remaining funds are also required to be distributed to the Noteholders on each Distribution Date until the Notes are paid in full with any Available Funds remaining after all required prior distributions as described in the tenth clause below under "THE TRUST ESTATE—Flow of Funds—Distribution Dates." Such additional payments of principal could result in the Notes being paid in full prior to the applicable Stated Maturity Date. Principal on the Notes can be paid in amounts greater than or less than the Principal Distribution Amount. Failure to pay the principal on the Notes is not an Event of Default (except on the applicable Stated Maturity Date). Principal payments on the Notes will be funded from Available Funds as hereinafter defined (subject to all prior required distributions including, with respect to the Class A Notes, distributions on the Class A Notes with lower numerical Tranche designation and, with respect to the Class B Notes, distributions on the Class A Notes). See "THE TRUST ESTATE—Flow of Funds—Distribution Dates" below.

"Principal Distribution Amount" shall mean:

- for the first Distribution Date, the amount, if any, by which the sum of the Initial Pool Balance, plus any moneys transferred from the Acquisition Fund to the Collection Fund at the end of the Acquisition Period and the initial amounts deposited into the Capitalized Interest Fund and the Debt Service Reserve Fund exceeds the Adjusted Pool Balance as of the last day of the related Collection Period;

- for each Distribution Date thereafter, the amount, if any, by which the Adjusted Pool Balance as of the last day of the related Collection Period for the preceding Distribution Date exceeds the Adjusted Pool Balance as of the last day of the related Collection Period for the current Distribution Date; and

- after giving effect to the amounts already defined above, on the Stated Maturity Date for any Tranche of Notes, the amount necessary to reduce the aggregate principal balance of such Tranche of Notes to zero.

"Adjusted Pool Balance" shall mean (a) for any date during the Acquisition Period, the sum of the Pool Balance as of such date, the remaining amounts on deposit in the Acquisition Fund (less any amounts on deposit in the Temporary Costs of Issuance Account) and the initial amounts on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund as of the Issue Date and (b) for any Distribution Date after the end of the Acquisition Period, the sum of the Pool Balance as of the last day of the related Collection Period, plus the amount of cash then on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund as of the last day of the related Collection Period.

"Pool Balance" shall mean, for any date, the aggregate Principal Balance of the Financed Student Loans contained in the Trust Estate on that date, including accrued interest thereon that is expected to be capitalized, after giving effect to the following, without duplication: (i) all payments allocable to principal received by the Issuer through that date from or on behalf of borrowers, Guaranty Agencies and the Department; (ii) all amounts allocable to principal received by the Trustee through that date from sales of Financed Student Loans permitted under the Indenture, the Student Loan Purchase Agreement, the Master Servicing Agreement and the Servicing Agreements; (iii) all amounts in respect of principal received in connection with Liquidation Proceeds and Realized Losses on the Financed Student Loans liquidated through that date; (iv) the amount of any adjustment to the Outstanding Principal Balances of the Financed Student Loans that the Master Servicer or the Servicers make and that are permitted to be made under the Master Servicing Agreement or the Servicing Agreements through that date; and (v) the aggregate amount by which reimbursements by Guaranty Agencies of the unpaid principal balances of defaulted Student Loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

"Initial Pool Balance" shall mean the Pool Balance as of the end of the Acquisition Period.

Amounts on deposit in the Debt Service Reserve Fund, other than amounts in excess of the Debt Service Reserve Fund Requirement that are transferred to the Collection Fund, will not be available to make principal payments on the Notes except upon their applicable Stated Maturity Date or earlier if the Notes are accelerated following an Event of Default under the Indenture.

The outstanding principal balance of each Class of Notes will be due and payable in full on the applicable Stated Maturity Date. The Notes are subject to early redemption in the event of the exercise by the Issuer of its option to sell the Financed Student Loans as described below under "—Optional Redemption," or in the event of a mandatory redemption as described below under "—Mandatory Redemption."

See also "RISK FACTORS" in this Private Placement Memorandum as to factors that may affect the actual date on which the aggregate outstanding principal of and accrued interest on the Notes is paid.

Optional Redemption

The Notes are subject to redemption in full prior to maturity at a redemption price of 100% of the principal amount thereof plus interest accrued to the redemption date from amounts deposited into the Collection Fund from the sale of all Financed Student Loans by the Issuer pursuant to the exercise of the sale option granted to the Issuer under the Indenture. The Issuer will have the option to sell the Financed Student Loans as of the last day of any Collection Period immediately preceding a Distribution Date whenever the then outstanding Pool Balance is 10% or less of the Initial Pool Balance. To exercise such option, the Issuer is required to deposit in the Collection Fund, on or prior to the next Distribution Date, an amount equal to the Minimum Purchase Amount (it being understood that such amount is not required to represent actual sale proceeds). In the event that the Issuer effects the sale of the Financed Student Loans, the Notes will be subject to redemption in full on the next Distribution Date immediately succeeding such sale date with the proceeds from the sale of the Financed Student Loans and any other amounts available in the Debt Service Reserve Fund. The Trustee will, upon an election of the Issuer to sell the Financed Student Loans as described above, give prompt written notice of such election to the Noteholders specifying that the Notes will be subject to redemption in full on the next Distribution Date. All expenses of the Trustee relating to the sale of the Financed Student Loans will be paid out of the Collection Fund prior to the Noteholders in the event of such sale.

Mandatory Redemption

The Notes are subject to mandatory redemption on any Business Day from amounts on deposit in the Debt Service Reserve Fund (after all required transfers and distributions have been made therefrom) when such amounts, together with other Available Funds, equal or exceed the Outstanding Amount of and accrued interest on the Notes (excluding the Class B Carry-Over Amount) at a redemption price for the Notes equal to 100% of the principal amount thereof, plus interest accrued to the redemption date (excluding the Class B Carry-Over Amount). The Trustee shall provide written notice to the Noteholders at least ten (10) Business Days prior to the mandatory redemption date, but failure to provide such notice shall not prevent the mandatory redemption of the Financed Student Loans.

Determination of LIBOR

"LIBOR Rate," "One-Month LIBOR Rate," "Three-Month LIBOR Rate" and "Four-Month LIBOR Rate" shall mean, with respect to any Interest Period, the London interbank offered rate for deposits in U.S. dollars having the applicable Index Maturity as it appears on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related Interest Rate Determination Date as obtained by the Trustee from such source. If this rate does not appear on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. dollars, having the applicable Index Maturity and in a principal amount of not less than $1,000,000, are offered at approximately 11:00 a.m., London time, on that Interest Rate Determination Date, to prime banks in the London interbank market by the Reference Banks. The Trustee will request the principal London office of each Reference Bank to provide a quotation of its rate. If at least two Reference Banks provide quotations, the rate for that day will be the arithmetic mean of the quotations. If fewer than two Reference Banks provide quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Administrator at approximately 11:00 a.m., Eastern time, on that Interest Rate Determination Date, for loans in U.S. dollars to leading European banks having the applicable Index Maturity and in a principal amount of not less than $1,000,000. If the banks selected as described above do not provide such quotations, One-Month LIBOR, Three-Month LIBOR or Four-Month LIBOR as the case may be, in effect for the applicable Interest Period will be One-Month LIBOR, Three-Month LIBOR or Four-Month LIBOR, as the case may be, in effect for the previous Interest Period.

"Business Day" means for purposes of calculating the LIBOR Rate, any day on which banks in New York, New York and London, England are open for the transaction of international business.

"Index Maturity" means with respect to any Interest Period, a period of time equal to one month with respect to One-Month LIBOR Rate, three months with respect to Three-Month LIBOR Rate or four months with respect to Four-Month LIBOR Rate, as applicable.

"Reference Banks" means, with respect to a determination of LIBOR for any Interest Period by the Trustee, the four largest United States banks with an office in London by total consolidated assets, as listed by the Federal Reserve in its most current statistical release on its website with respect thereto.

Prepayment, Yield and Maturity Considerations

The rate of payment of principal of the Notes and the yield on the Notes will be affected by prepayments on the Financed Student Loans that may occur as described below. Each Financed Student Loan is prepayable in whole or in part, without penalty, by the borrowers at any time, or as a result of a borrower's default, death, disability or bankruptcy and subsequent liquidation or collection of guarantee payments with respect thereto. The rate of those prepayments cannot be predicted and may be influenced by a variety of economic, social, competitive and other factors, as described below. Therefore, payments on the Notes could occur significantly earlier than expected. Consequently, the actual maturity on the Notes could be significantly earlier, the average life of the Notes could be significantly shorter, and periodic balances could be significantly lower, than expected. In general, the rate of prepayments may tend to increase to the extent that alternative financing becomes available on more favorable terms or at interest rates significantly below the interest rates applicable to the Financed Student Loans. In addition, the Seller is obligated to purchase from the Trust Estate any Financed Student Loan that is not an eligible loan,

including if it ceases to be guaranteed or insured as the result of circumstances or events that occurred prior to the sale of such Financed Student Loans to the Issuer under the Student Loan Purchase Agreement (and with respect to which a guarantee or insurance claim is not paid by a Guaranty Agency or by the United States) or is determined to be encumbered by a lien other than the lien of the Indenture.

On the other hand, the rate of principal payments and the yield on the Notes will be affected by scheduled payments with respect to, and maturities and average lives of, the Financed Student Loans. These may be lengthened as a result of, among other things, grace periods, deferral periods, forbearance periods, or repayment term or monthly payment amount modifications. Therefore, payments on the Notes could occur significantly later than expected. Consequently, the actual maturity and weighted average life of the Notes could be significantly longer than expected and periodic balances could be significantly higher than expected. The rate of payment of principal of the Notes and the yield on the Notes may also be affected by the rate of defaults resulting in losses on defaulted Financed Student Loans which have been liquidated, by the severity of those losses and by the timing of those losses, which may affect the ability of a Guaranty Agency to make timely guarantee payments with respect to the Financed Student Loans. In addition, the maturity of certain of the Financed Student Loans could extend beyond the applicable Stated Maturity Date for the Notes.

The rate of prepayments on the Financed Student Loans cannot be predicted due to a variety of factors, some of which are described above, and any reinvestment risks resulting from a faster or slower incidence of prepayment of Financed Student Loans will be borne entirely by the Noteholders. Such reinvestment risks may include the risk that interest rates and the relevant spreads above particular interest rate indices are lower at the time Noteholders receive payments from the Issuer than those interest rates and those spreads would otherwise have been if those prepayments had not been made or had those prepayments been made at a different time.

Prepayments, Extensions, Weighted Average Lives and Expected Maturities of the Notes. The projected weighted average life, expected maturity date and percentages of remaining principal amount of Notes under various assumed prepayment scenarios may be found under "EXHIBIT VI—PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE NOTES" in this Private Placement Memorandum.

Book-Entry Notes

The Notes will be delivered in book-entry form through The Depository Trust Company. You will not receive a certificate representing your Notes except in very limited circumstances. See "EXHIBIT IV—BOOK ENTRY SYSTEM" and "EXHIBIT V—GLOBAL CLEARANCE, SETTLEMENT, AND TAX DOCUMENTATION PROCEDURES."

Fees and Expenses

The fees and expenses payable in respect of the Notes and the Trust Estate from the assets of the Trust Estate are estimated in the following table.

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Fees	Amount
Servicing Fees (Stafford/PLUS)	
- Repayment & Non-repayment	0.90%[(1)]
Servicing Fees (Consolidation Loan)	
- Repayment & Non-repayment	0.50%[(1)]
Administration Fees	0.20%[(2)]
Subordinate Administration Fees	0.05%[(3)]
Trustee Fee	0.0075%[(4)]

(1) As a percentage of the Pool Balance as of the end of the preceding month, approximately one-twelfth of such amount is payable monthly. The percentages above are estimated based on the aggregate Servicing Fees on the Financed Student Loans, as of the Statistical Cut-off Date. The Servicing Fees are paid to the Master Servicer in an amount equal to the greater of (i) the Servicing Fee Floor plus no more than $25,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement and (ii) the percentages of the Pool Balance listed above, plus no more than $25,000 annually for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement. Because of the Servicing Fee Floor which is a fee that is charged on a per borrower basis, it is expected that the Servicing Fees will increase over time (as the principal balance of the Financed Student Loans is reduced) as a percentage of the principal balance of the Financed Student Loans. The Master Servicer will pay out of the Servicing Fees the fees and expenses owed to the Servicers and the Back-up Servicer under the Servicing Agreements and the Back-up Servicing Agreement. The fees due to the Servicers are also subject to increase from time to time under the terms of the related Servicing Agreements. Pursuant to the terms of the Master Servicing Agreement, the Master Servicer is responsible for any increase in Servicing Fees above the percentages listed above. See "THE TRUST ESTATE—Compensation of Servicers and the Master Servicer."

(2) As a percentage of the then outstanding Principal Balance of the Financed Student Loans as of the end of the preceding month, approximately one-twelfth of such amount is payable monthly. This amount does not include the annual Rating Agency surveillance fee and other fees related to the administration of the Trust Estate.

(3) As a percentage of the then outstanding Principal Balance of the Financed Student Loans as of the last day of the previous month, approximately one-twelfth of such amount is payable on each Distribution Date on which the Class B Interest Subordination Trigger Event is not then occurring.

(4) Paid annually in full on the Distribution Date occurring in June of each year as a percentage of the aggregate Outstanding Amount of the Notes, with the first payment to be made on September 25, 2012. The Trustee Fee listed above is the maximum fee payable under the Indenture. The initial Trustee Fee shall be 0.007% per annum based on the aggregate Outstanding Amount of the Notes

The amounts payable by the Master Servicer to each Servicer to cover such Servicer's fees under the related Servicing Agreement and expenses reimbursable to the Servicer thereunder for the servicing (or back-up servicing, as applicable) of the Financed Student Loans (the "Servicing Fees") are described below under "THE TRUST ESTATE—Compensation of Servicers and the Master Servicer." Any amounts due to the Trustee for reasonable extraordinary fees owed in excess of the Trustee Fee will be paid by EFS.

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SOURCES AND USES

Proceeds of the Notes[1] are expected to be applied approximately as follows:

SOURCES	
Proceeds of the Notes	$664,630,848
Total	$664,630,848
USES	
Deposit to the Debt Service Reserve Fund	$ 1,752,250
Deposit to the Capitalized Interest Fund	4,000,000
Deposit to the Acquisition Fund, to be used to acquire Student Loans on the Issue Date and during the Acquisition Period[2]	657,688,949
Deposit to the Temporary Costs of Issuance Account of the Acquisition Fund[3]	1,189,649
Total	$664,630,848

[1] The Class A Notes and the Class B Notes will be the only Notes issued pursuant to the Indenture. No additional notes or obligations will be issued under the Indenture.

[2] Consists of Student Loans and/or cash. These amounts on deposit in the Acquisition Fund will be used to acquire or purchase the Student Loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" during the Acquisition Period. Any remaining available amounts up to $20 million on deposit in the Acquisition Fund may be used to purchase or acquire additional Student Loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO." The amount deposited into the Temporary Costs of Issuance Account within the Acquisition Fund to pay a portion of the costs of issuance is reflected separately. To the extent that the Issuer determines that an initial deposit to the Department Reserve Fund is necessary upon the acquisition of Student Loans, certain of these amounts will be deposited into the Department Reserve Fund.

[3] This deposit will be used to pay the Initial Purchasers' fees and other costs of issuance.

Certain of the proceeds of the Notes are expected to be used by the Issuer to acquire the Student Loans that currently serve as collateral for the EFS Existing Bonds. The purchase price for such Student Loans paid by the Issuer to EFS as Seller under the Student Loan Purchase Agreement will be transferred to and applied by the EFS Existing Trustee to pay the purchase price or the redemption price of the EFS Existing Bonds, as applicable, on the Issue Date. The redemption price of the EFS Existing Bonds to be redeemed is equal to the par amount thereof plus accrued interest to the Issue Date. The purchase price of the EFS Existing Bonds to be purchased will be less than the par amount thereof plus accrued interest to the Issue Date. Upon the completion of the transactions contemplated hereby, the EFS Existing Indenture will be terminated, and associated debt of the Seller will be extinguished and the Student Loans will be pledged by the Issuer under the Indenture as security for the Notes. All such Student Loans will be sold to the Issuer pursuant to a Student Loan Purchase Agreement (as defined herein). See "THE ISSUER—Student Loan Purchase Agreement." Upon the sale of the Student Loans by the Seller, any liens or security interests relating to the Student Loans sold will be extinguished. These Financed Student Loans are expected to comprise a portion of the Issuer's Trust Estate and be pledged to the Trustee pursuant to the Indenture.

THE TRUST ESTATE

General

The Notes are limited obligations of the Issuer, secured by and payable from the discrete Trust Estate pledged by the Issuer to the Trustee. Under the Indenture, the assets comprising the Trust Estate consist of:

- Financed Student Loans acquired from the Seller and its eligible lender trustee by the Issuer and the Eligible Lender Trustee on behalf of the Issuer using funds on deposit in the Acquisition Fund made available and pledged pursuant to the Indenture, and any Student Loans substituted or exchanged therefor in accordance with the provisions of the Indenture. See "SOURCES AND USES" and "DESCRIPTION OF THE NOTES—Fees and Expenses" above. Each such Financed Student Loan is to be guaranteed and reinsured as described herein.

- The rights of the Issuer under the Master Servicing Agreement with EFS, the Servicing Agreements with Edfinancial Services and PHEAA, including the Back-up Servicing Agreement (as defined herein) with PHEAA, the Custodian Agreements, the Eligible Lender Trust Agreement, the Administration Agreement, the Student Loan Purchase Agreement, the Joint Sharing Agreement, the Guaranty Agreements and any assignments thereof, as the same relate to the Financed Student Loans.

- Interest payments, proceeds, charges and other income received by the Trustee or the Issuer with respect to Financed Student Loans made by or on behalf of borrowers accrued and paid on or after the Issue Date.

- All amounts received on or after the Issue Date in respect of payment of principal of Financed Student Loans and all other obligations of the borrowers thereunder, including, without limitation, scheduled, delinquent and advance payments, payouts or prepayments, and proceeds from the guarantee, or from the sale, assignment or other disposition of Financed Student Loans.

- Any applicable "Special Allowance Payments" authorized to be made by the Secretary in respect of Financed Student Loans pursuant to Section 438 of the Higher Education Act, paid on or after the Issue Date, payable in respect of any Financed Student Loan, subject to recapture of excess interest on certain Financed Student Loans, or any similar allowances authorized from time to time by federal law or regulation.

- Any applicable "Interest Subsidy Payments" payable in respect of any Financed Student Loans by the Secretary under Section 428 of the Higher Education Act paid on or after the Issue Date.

- Available Funds (other than moneys released from the lien of the Indenture), together with all moneys and investments held in the Funds established under the Indenture (other than the moneys and investments held in the Department Reserve Fund), including all proceeds thereof and all income thereon.

- Any proceeds from any property described in the previous paragraphs, and any and all other property, rights and interests of every kind or description that from time to time is granted, conveyed, pledged, assigned, or transferred or delivered to the Trustee as and for additional security under the Indenture.

For a description of the Funds established by the Indenture, see "EXHIBIT III—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Funds."

The Acquisition Fund

On the Issue Date, Student Loans and cash will be deposited into the Acquisition Fund, including a cash deposit to the Temporary Costs of Issuance Account, created under the Indenture in the amount described under "SOURCES AND USES." An estimate of the amount of Student Loans and cash to be deposited in the Acquisition Fund on or about the Issue Date is set forth under "SOURCES AND USES." The amount deposited in the Temporary Costs of Issuance Account will be used to pay, upon direction by the Issuer, the costs of issuance of the Notes, including the fees owed to the Initial Purchasers. Certain of the amounts deposited into the Acquisition Fund will be used to acquire the pool of Student Loans as described in (and as may be modified as described in) "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO," which will be acquired from EFS as the Seller. EFS will pay off the EFS Existing Indenture in full and the assets pledged under the EFS Existing Indenture will be released from the lien thereof, with the released Student Loans sold to the Issuer and pledged under the Indenture as security for the Notes. All Student Loans acquired by the Issuer will be deposited into the Acquisition Fund. The Issuer expects to purchase or acquire the majority of the pool of Student Loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" on the Issue Date, but is permitted to acquire such Student Loans at any time during the Acquisition Period. During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of Student Loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO," and, any remaining available amounts up to $20 million may be used to acquire or purchase additional Student Loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" but that otherwise satisfy the

eligibility criteria described in "THE FINANCED STUDENT LOANS—Student Loan Eligibility Criteria." All funds remaining on deposit in the Acquisition Fund, including funds on deposit in the Temporary Costs of Issuance Account, at the end of the Acquisition Period will be transferred to the Collection Fund on the first Business Day following the end of the Acquisition Period and shall constitute Available Funds on the next Distribution Date. Student Loans deposited in or acquired with funds deposited in the Acquisition Fund that are pledged to the Trust Estate created under the Indenture will be held by the Trustee or its agent or bailee and accounted for as a part of the Acquisition Fund. Except for (a) the acquisition or purchase of the pool of Student Loans described above, (b) any substitutions of Financed Student Loans to be made by the Issuer as described under "THE ISSUER—Student Loan Purchase Agreement" or (c) any acquisition of student loans that were previously Financed Student Loans repurchased from a Guaranty Agency, the Master Servicer or a Servicer, there will be no subsequent acquisitions of or recycling of student loans into the Trust Estate.

The Collection Fund

The Trustee will establish the Collection Fund as part of the Trust Estate. All loan revenues received with respect to the Financed Student Loans will be transferred from Master Servicer and the Servicers to the Issuer (who will forward the same to the Trustee) or directly to the Trustee, as applicable under the Master Servicing Agreement and each respective Servicing Agreement or the Indenture. The Trustee will deposit into the Collection Fund daily, in addition to all loan revenues with respect to the Financed Student Loans, all moneys received by or on behalf of the Issuer as assets of, or with respect to, the Trust Estate, including, without limitation, all proceeds of any sale of Financed Student Loans, all amounts received under any joint sharing agreement, any amounts transferred from other Funds created under the Indenture, and any earnings on investment of moneys on deposit in Funds and accounts established under the Indenture as they are earned.

Moneys on deposit in the Collection Fund will be used as described below under "—Flow of Funds."

Flow of Funds

Moneys on deposit in the Collection Fund will be transferred or distributed by the Trustee on each Distribution Date (and, as specified, on July 25, 2012 and August 27, 2012) in the priority described below.

Distribution Dates. On each Distribution Date prior to the occurrence of certain Events of Default under the Indenture that result in an acceleration of the maturity of the Notes, Available Funds on deposit in the Collection Fund (including any amounts transferred from the Capitalized Interest Fund and the Debt Service Reserve Fund, in that order), as of the last day of the month prior to such Distribution Date, will be used to make the following deposits and distributions, to the extent funds are available, as follows (as set forth on the Distribution Date Certificate):

(i) ***First***, to the Department Reserve Fund, the amount necessary to bring the balance of the Department Reserve Fund to an amount equal to the expected Department Reserve Fund Amount of the Issuer accrued through the current month for that Distribution Date (the "Department Reserve Fund Requirement") and any other required payments to the Department with respect to the Financed Student Loans to the extent remaining unpaid from prior periods.

(ii) ***Second***, to the Trustee, the portion of the annual Trustee Fee, if any, then due under the Indenture, and any Trustee Fee remaining unpaid from prior periods.

(iii) ***Third***, to the Master Servicer, the Servicing Fees due with respect to the preceding calendar month, together with Servicing Fees remaining unpaid from prior periods including fees, if any, payable from the Trust Estate and due to the Back-up Servicer, out of which the Master Servicer will pay all Servicing Fees due to the Servicers and the Back-up Servicer under the Servicing Agreements and the Back-up Servicing Agreement.

(iv) ***Fourth***, to the Administrator, any Administration Fees due and remaining unpaid from prior periods.

(v) ***Fifth***, to the Class A Noteholders of each Tranche of Class A Notes, the Class A Noteholders' Interest Distribution Amount on a pro rata basis across all Tranches of the Class A Notes, based on the amounts owed to each such Tranche.

(vi) ***Sixth***, to the Class B Noteholders, unless a Class B Interest Subordination Trigger Event has occurred and is continuing and the Class A Notes are Outstanding, the Interest Distribution Amount payable on the Class B Notes.

(vii) ***Seventh***, to the Debt Service Reserve Fund, the amount, if any, necessary to reinstate the balance of the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

(viii) ***Eighth***, to the Noteholders, the Principal Distribution Amount, sequentially to the Class A-1 Notes, the Class A-2 Notes, the Class A-3 Notes and the Class B Notes, in that order, until each such Tranche is paid in full and pro rata within a Tranche.

(ix) ***Ninth***, to the Administrator, unless a Class B Interest Subordination Trigger Event has occurred and is continuing and the Class A Notes are Outstanding, any Subordinate Administration Fees then due.

(x) ***Tenth***, to the Noteholders, any remaining amounts until the Notes are paid in full, sequentially in the same order of priority as specified in clause *eighth* above, until each such Class is paid in full.

(xi) ***Eleventh,*** to the Class B Noteholders, the Class B Carry-Over Amount.

(xii) ***Twelfth***, to the Issuer, any remaining amounts after application of the preceding clauses.

Additionally, on July 25, 2012 and August 27, 2012, except where an Event of Default has occurred that results in an acceleration of the maturity of the Notes, amounts on deposit in the Collection Fund (including any amounts transferred from the Capitalized Interest Fund and the Debt Service Reserve Fund, in that order), as of the last day of June 2012 and July 2012, respectively, will be used to make the deposits and distributions specified in the first through fourth priorities shown above. If the amount on deposit in the Collection Fund is insufficient to pay any of these amounts, amounts on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund, in that order, will be withdrawn by the Trustee and deposited into the Collection Fund to cover such shortfalls, to the extent of funds on deposit therein.

To the extent that the amount on deposit in the Collection Fund is insufficient to pay any of the amounts specified in clauses (i), (ii), (iii), (iv), (v) and (vi) under "—Flow of Funds—Distribution Dates" above, then, after the required transfers from the Capitalized Interest Fund and the Debt Service Reserve Fund, any funds on deposit in the Collection Fund collected for the following Collection Period may be used to make the payments specified in clauses (i), (ii), (iii), (iv), (v) and (vi) under "—Flow of Funds—Distribution Dates" above.

Following an Event of Default. Generally, after the occurrence of certain Events of Default under the Indenture that result in an acceleration of the maturity of the Notes, the Trustee may, and, upon the occurrence and continuance of any Event of Default (other than a failure by the Issuer to satisfy certain covenants contained in the Indenture), at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of the Highest Priority Obligations Outstanding at the time or upon the occurrence and continuance of an Event of Default resulting from a failure by the Issuer to satisfy certain covenants contained in the Indenture, at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of each Class of Notes then Outstanding, the Trustee shall (after the payment of certain fees and expenses) make payments of interest and then principal to the Class A Notes of each Tranche (ratably across all Tranches of Class A Notes) until paid in full, and then payments of interest and then principal will be made on the Class B Notes until paid in full, in each case in accordance with the provisions of the Indenture. Any amounts remaining after all other payments required by the Indenture at such time have been made will be released to the Issuer. See "EXHIBIT III—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Defaults and Remedies."

The Department Reserve Fund

A Department Reserve Fund will be established under the Indenture. The Department Reserve Fund will not be a part of the Trust Estate. Amounts on deposit in the Department Reserve Fund will be used as directed by the Issuer to pay amounts accrued by the Issuer to the Department related to the Financed Student Loans (including, without limitation, any Monthly Rebate Fees and Department Rebate Interest Amounts due on each Department Rebate Payment Date) or any payment then due and payable to a Guaranty Agency relating to its Guaranty of Financed Student Loans, or any such other payment then accrued to the Issuer, another entity or trust estate, if amounts under the Indenture due to the Department or a Guaranty Agency with respect to the Financed Student Loans were paid by the Issuer or such other entity or trust estate pursuant to the Joint Sharing Agreement or any other applicable joint sharing agreement (the "Department Reserve Fund Amount"). The Department Reserve Fund will be funded as described under "—Flow of Funds" above in an amount equal to the Department Reserve Fund Amount of the Issuer accrued through the current month (the "Department Reserve Fund Requirement"). Amounts in the Department Reserve Fund in excess of the Department Reserve Fund Requirement will be transferred to the Collection Fund. If amounts on deposit in the Department Reserve Fund are insufficient to make any required payments to the Department, the Issuer shall direct the Trustee in an Issuer Order to transfer funds equal to such deficiency from the Collection Fund to the Department Reserve Fund or to pay such amount to the Department directly from the Collection Fund.

The Capitalized Interest Fund

The Capitalized Interest Fund will be created with an initial deposit by the Issuer on the Issue Date of cash in an amount equal to the amount described under the heading "SOURCES AND USES." The initial deposit into the Capitalized Interest Fund will not be replenished. Amounts held from time to time in the Capitalized Interest Fund will be held for the benefit of the Noteholders. If (i) on any Distribution Date, the amount of Available Funds on deposit in the Collection Fund is insufficient to pay any of the items specified in clauses (i), (ii), (iii), (iv), (v) and (vi) under "—Flow of Funds—Distribution Dates" above or (ii) on July 25, 2012 or August 27, 2012, there are insufficient moneys on deposit in the Collection Fund to pay any of the amounts specified in the second to last paragraph under "—Flow of Funds—Distribution Dates" above, amounts on deposit in the Capitalized Interest Fund on such Distribution Date, July 25, 2012 or August 27, 2012, as applicable, will be withdrawn by the Trustee to cover such shortfalls, to the extent of funds on deposit therein, and will be allocated in the same order of priority as shown under "Flow of Funds—Distribution Dates."

All funds remaining on deposit in the Capitalized Interest Fund on the June 2015 Distribution Date will be transferred to the Collection Fund and included in Available Funds on that Distribution Date. The Capitalized Interest Fund is intended to enhance the likelihood of timely distributions of interest to the Noteholders of the Class A Notes (and the Class B Notes except in the event that a Class B Interest Subordination Trigger Event is then occurring) through the June 2015 Distribution Date.

The Debt Service Reserve Fund

The Debt Service Reserve Fund will be created with an initial deposit by the Issuer on the Issue Date of cash in an amount equal to the amount described under the heading "SOURCES AND USES." The Debt Service Reserve Fund is subject to a minimum balance equal to the greater of 0.25% of the Pool Balance as of the last day of the related Collection Period or 0.15% of the Initial Pool Balance. We refer to such minimum amount as the "Debt Service Reserve Fund Requirement." If (i) on any Distribution Date, the amount of Available Funds on deposit in the Collection Fund is insufficient to pay any of the items specified in clauses (i), (ii), (iii), (iv), (v) and (vi) under "—Flow of Funds—Distribution Dates" above or (ii) on July 25, 2012 or August 27, 2012, there are insufficient moneys on deposit in the Collection Fund to pay any of the amounts specified in the second to last paragraph under "—Flow of Funds—Distribution Dates" above, to the extent moneys are not available to cover such deficiency from the Capitalized Interest Fund, amounts on deposit in the Debt Service Reserve Fund on such Distribution Date, July 25, 2012 or August 27, 2012, as applicable, will be withdrawn by the Trustee and deposited into the Collection Fund to cover such shortfalls, to the extent of funds on deposit therein, and will be allocated in the same order of priority as shown under "Flow of Funds—Distribution Dates" above. To the extent the amount in the Debt Service Reserve Fund falls below the Debt Service Reserve Fund Requirement, the Debt Service Reserve Fund will be replenished on each Distribution Date from funds available in the Collection Fund as described in the priority set forth in clause

(vi) under "—Flow of Funds—Distribution Dates" above. Funds on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement will be transferred to the Collection Fund and will be applied as described under "—Flow of Funds—Distribution Dates" above.

The Debt Service Reserve Fund is intended to enhance the likelihood of timely distributions of interest to the Noteholders of the Class A Notes (and the Class B Notes except in the event that a Class B Interest Subordination Trigger Event is then occurring) and to decrease the likelihood that the Noteholders of the Class A Notes (and the Class B Notes except in the event that a Class B Interest Subordination Trigger Event is then occurring) will experience losses. In some circumstances, however, the Debt Service Reserve Fund could be reduced to zero. On the final Stated Maturity Date of the Notes, or earlier if amounts on deposit in the Debt Service Reserve Fund, together with other Available Funds, equal or exceed the outstanding principal balance of and accrued interest on the Notes (excluding the Class B Carry-Over Amount) or upon any acceleration of the Notes after an Event of Default under the Indenture, any amounts on deposit in the Debt Service Reserve Fund will be available to pay principal on such Notes and accrued interest.

Joint Sharing Agreement

Due to a U.S. Department of Education policy limiting the granting of eligible lender identification numbers, billings submitted to the U.S. Department of Education for origination fees, Interest Subsidy Payments, and Special Allowance Payments with respect to other EFS-related trust estates may be consolidated with billings for the payments for FFELP loans using the same lender identification number. U.S. Department of Education payments are made in lump sum form. The same may be applicable with respect to payments by a Guaranty Agency. In addition, if amounts are owed from other unrelated EFS trust estates to the U.S. Department of Education, U.S. Department of Education lump sum payments may be offset by these amounts and therefore may affect other trust estates using the same eligible lender number. We have agreed, in a joint sharing agreement with EFS and the Eligible Lender Trustee, to allocate properly and to pay to or from the applicable trust estate amounts that should be reallocated to reflect payment on the FFELP loans of each such trust estate.

Compensation of Servicers and the Master Servicer

The Master Servicer will be entitled to receive the Servicing Fees as compensation for performing the functions as Servicer in accordance with the Master Servicing Agreement, dated as of June 1, 2012 (the "Master Servicing Agreement"), by and between EFS, as Master Servicer and the Issuer. The amount of the Servicing Fees are described herein under "DESCRIPTION OF THE NOTES—Fees and Expenses." The Servicing Fees will be payable to the Master Servicer on each Distribution Date and will be paid solely out of Available Funds and, if necessary, from amounts on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund on that date. Each Servicer and the Back-up Servicer will be entitled to receive fees from the Master Servicer, such fees to be paid out of the Servicing Fees as compensation for performing the functions as Servicer and Back-up Servicer, respectively, in accordance with its respective Servicing Agreement or Back-up Servicing Agreement.

The Servicing Agreements with each Servicer provide for monthly fees for the servicing of student loans according to schedules set forth in each Servicing Agreement. The fees are charged on a per borrower basis or as a percentage of the principal balance of the student loans serviced. The Servicing Agreement with the Back-up Servicer provides for fees of $25,000 per annum. In addition, because certain of the fees are charged on a per borrower basis, it is expected that the servicing fees payable to the Servicers under the Servicing Agreements will increase over time (as the principal balance of the Financed Student Loans is reduced) as a percentage of the principal balance of the Financed Student Loans, which will decrease the amount of the Servicing Fees retained by the Master Servicer for performing its duties and obligations under the Master Servicing Agreement. If those servicing fees owed to the Servicers exceed the amount of the Servicing Fees payable to the Master Servicer out of the Trust Estate, the Master Servicer is responsible for paying such amounts pursuant to the Master Servicing Agreement.

Compensation of Administrator

The Administrator will be entitled to receive the Administration Fee and the Subordinate Administration Fee from the Issuer as compensation for performing the functions as Administrator. Edfinancial Services as sub-

administrator to EFS will perform substantially all of the duties and obligations of the Issuer under the Administration Agreement and will be paid out of the Administration Fee and Subordinate Administration Fee received by EFS for their role as Administrator. The Administration Fee will be payable on each Distribution Date and will be paid solely out of Available Funds and, if necessary, from amounts on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund on that date. The Subordinate Administration Fee will be payable on each Distribution Date, unless a Class B Interest Subordination Trigger Event has occurred and is continuing, and such Subordinate Administration Fee, if any, will be paid solely out of Available Funds. Certain Rating Agency fees will additionally be paid annually as part of the Administration Fees.

THE FINANCED STUDENT LOANS

General

During the Acquisition Period, we will use amounts deposited into the Acquisition Fund, representing substantially all of the net proceeds to us from the issuance of the Notes, to acquire from EFS, as the Seller under the Student Loan Purchase Agreement, through our Eligible Lender Trustee, Student Loans that were released from the lien of the EFS Existing Indenture. The Issuer will pledge and transfer such Financed Student Loans to the Trust Estate. Before the end of the Acquisition Period and after giving effect to the purchase of the Student Loans from the Seller, as described in the "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO," any remaining available amounts up to $20 million in the Acquisition Fund may be used to acquire or purchase from the Seller additional Student Loans not described herein.

The Acquisition Period will begin on the Issue Date and will end thirty (30) calendar days thereafter. Any amounts remaining in the Acquisition Fund at the end of the Acquisition Period will be transferred on the first Business Day after the end of the Acquisition Period to the Collection Fund.

Student Loan Eligibility Criteria

The Student Loans we expect to acquire on or about the Issue Date and pledge and transfer to the Trust Estate were selected using several criteria, including that as of the Statistical Cut-off Date, each such Student Loan:

- is guaranteed as to principal and interest by a Guaranty Agency under a Guaranty Agreement and the Guaranty Agency is reinsured by the Department in accordance with the FFELP;
- contains terms in accordance with those required under the FFELP, the Guaranty Agreements and other applicable requirements;
- is not a private student loan; and
- has Special Allowance Payments, if any, based on the three-month commercial paper rate or the 91-day Treasury bill rate.

CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO

The Financed Student Loans to be acquired with a portion of the proceeds of the sale of the Notes will be transferred to, and constitute a substantial portion of, the Trust Estate. The following charts provide summary information concerning certain characteristics of the Student Loans as of the Statistical Cut-off Date, April 30, 2012. All loan cash flow received with respect to such Financed Student Loan portfolio starting on the applicable cut-off date (the date such Financed Student Loan is pledged to the Trustee under the Indenture), will be deposited in the Collection Fund. This information, particularly specific dollar amounts that change as a result of payments received, may have changed since the Statistical Cut-off Date.

Please note that percentages and numbers appearing in the following tables have been rounded to the nearest one-tenth of one percent and nearest whole number respectively. Due to such rounding, the sum of the percentages or numbers in any particular column may not exactly equal the totals shown.

In the event that the principal amount of Student Loans required to provide collateral for the Notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain the rating on the Notes described on the cover page of this Private Placement Memorandum, the rate of amortization or prepayment on the portfolio of Student Loans from the Statistical Cut-off Date to the Issue Date varying from the rates that were anticipated, or otherwise, the portfolio of Student Loans to be pledged to the Trustee may consist of a subset of the pool of Student Loans described herein or may include additional Student Loans not described below.

The pool of Student Loans described below is the pool that the Issuer expects to pledge to the Trustee on the Issue Date, but that may be pledged at any time prior to the end of the Acquisition Period. Before the end of the Acquisition Period and after giving effect to the purchase of the Student Loans described below from the Seller, any remaining available amounts up to $20 million in the Acquisition Fund may be used to acquire or purchase additional Student Loans from the Seller not described herein.

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

The Issuer believes that the information set forth in this Private Placement Memorandum with respect to the pool of Student Loans as of the Statistical Cut-off Date is materially representative of the characteristics of the pool of Student Loans as they will exist as of the end of the Acquisition Period. During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of Student Loans described below or other Student Loans not described below. All funds remaining on deposit in the Acquisition Fund, including any remaining amounts on deposit in the Temporary Costs of Issuance Account, at the end of the Acquisition Period will be transferred to the Collection Fund and applied as Available Funds on the first Business Day following the end of the Acquisition Period. You should consider potential variances when making your investment decision concerning the Notes.

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EFS Volunteer No. 3, LLC
Identified Student Loans Portfolio to be Financed into Trust Estate

Composition of the Financed Student Loans as of the Statistical Cut-off Date

Aggregate Principal Balance	$687,980,965
Aggregate Accrued Interest	$12,671,462
Aggregate Outstanding Principal Balance & Interest ("Aggregate Outstanding Balance")	$700,652,427
Number of Borrowers[(1)]	58,633
Average Outstanding Principal Balance & Interest per Borrower	$11,950
Number of Loans	135,011
Average Outstanding Balance & Interest per Loan	$5,190
Weighted Average Remaining Term to Scheduled Maturity (months)	152
Weighted Average Original Term to Scheduled Maturity (months)	207
Weighted Average Interest Rate[(2)]	5.06%
Weighted Average SAP Repayment Margin[(3)]	2.476%

[(1)] A single borrower can have more than one account if such borrower had different types of underlying FFELP loans with certain characteristics.

[(2)] Determined using the interest rates applicable to the Student Loans as of April 30, 2012. However, the interest rate does not represent the actual rate of return with respect to loans under the Higher Education Act, due to Special Allowance Payments and special allowance support level. See "EXHIBIT I—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

[(3)] The Weighted Average SAP Repayment Margin refers to the margin (assuming all Student Loans are in repayment) by which the combination of interest (net of the excess over the special allowance support level) and Special Allowance Payment rates, assuming all payments are made when due, exceeds the 1-month LIBOR rate or 91-day US Treasury bill rate index. See "EXHIBIT I— SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM—Special Allowance Payments." The margin has not been reduced to take into account any interest rate reductions as a result of the repayment incentives described under "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO—Borrower Benefit Programs."

Distribution of the Financed Student Loans by Loan Type as of the Statistical Cut-off Date

Loan Type	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Unsubsidized - Stafford	46,493	$201,679,071	28.78%
Subsidized - Stafford	62,920	189,270,990	27.01
Consolidation - Unsubsidized	10,719	152,658,704	21.79
Consolidation - Subsidized	10,316	128,035,380	18.27
PLUS	4,016	21,636,617	3.09
Grad PLUS	547	7,371,666	1.05
TOTAL	**135,011**	**$700,652,427**	**100.00%**

Distribution of the Financed Student Loans by Rehab Status as of the Statistical Cut-off Date

Rehab Status	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Non Rehab Loans	133,321	$695,792,656	99.31%
Rehab Loans	1,690	4,859,771	0.69
TOTAL	**135,011**	**$700,652,427**	**100.00%**

Distribution of the Financed Student Loans by Range of Outstanding Principal Balances as of the Statistical Cut-off Date

Outstanding Balances	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Less than or equal to $2,000.00	38,449	$42,922,340	6.13%
$2,000.01 - $4,000.00	44,785	134,648,033	19.22
$4,000.01 - $6,000.00	22,971	116,875,746	16.68
$6,000.01 - $8,000.00	9,029	62,489,352	8.92
$8,000.01 - $10,000.00	5,771	52,371,885	7.47
$10,000.01 - $15,000.00	6,206	77,045,782	11.00
$15,000.01 - $20,000.00	2,927	51,210,849	7.31
$20,000.01 - $25,000.00	1,790	40,497,303	5.78
$25,000.01 - $30,000.00	1,075	29,879,675	4.26
$30,000.01 - $40,000.00	1,100	38,604,590	5.51
$40,000.01 - $50,000.00	450	20,124,529	2.87
$50,000.01 - $60,000.00	182	10,076,323	1.44
Greater than $60,000.00	276	23,906,019	3.41
TOTAL	**135,011**	**$700,652,427**	**100.00%**

Distribution of the Financed Student Loans by Borrower Payment Status as of the Statistical Cut-off Date

Borrower Payment Status	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
In School	6,264	$24,478,790	3.49%
Grace	2,137	8,149,884	1.16
Deferment	26,270	118,231,799	16.87
Forbearance	17,739	118,516,301	16.92
Repayment (First Year)	4,870	19,192,697	2.74
Repayment (Second Year)	6,272	25,796,665	3.68
Repayment (Third Year)	10,299	42,404,072	6.05
Repayment (Fourth Year)	16,928	62,941,888	8.98
Repayment (Fifth Year)	11,927	70,204,634	10.02
Repayment (Sixth Year)	11,080	90,178,236	12.87
Repayment (Seventh Year)	5,975	36,042,922	5.14
Repayment (More than Seven Years)	14,091	79,067,337	11.28
Claims Filed	1,159	5,447,203	0.78
TOTAL	**135,011**	**$700,652,427**	**100.00%**

Scheduled Weighted Average Remaining Months in Status by Current Borrower Payment Status as of the Statistical Cut-off Date

Current Status of Account	In-School WAM	Grace WAM	Deferment WAM	Forbearance WAM	Repayment WAM	Total Term
In-School	19.6	6.0	-	-	120.0	145.6
Grace	-	1.9	-	-	120.0	121.9
Deferment	-	-	16.6	-	150.2	166.8
Forbearance	-	-	-	2.6	167.1	169.8
Repayment	-	-	-	-	151.2	151.2
TOTAL	**19.6**	**5.0**	**16.6**	**2.6**	**152.4**	**156.5**

Current borrower payment status refers to the status of the borrower of each initial Financed Student Loan as of the Statistical Cut-off Date. The borrower:

- may still be attending school – in-school;
- may be in a grace period after completing school and prior to repayment commencing – grace;
- may have temporarily ceased repaying the loan through a deferment or a forbearance period; or
- may be currently required to repay the loan – repayment.

See "EXHIBIT I—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Each of the Financed Student Loans provides or will provide for the amortization of its outstanding principal balance over a series of regular payments. Except as described below, each regular payment consists of an installment of interest which is calculated on the basis of the outstanding principal balance of the Financed Student Loan. The amount received is applied first to interest accrued to the date of payment and the balance of the payment, if any, is applied to reduce the unpaid principal balance. Accordingly, if a borrower pays a regular installment before its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be less than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly greater. Conversely, if a borrower pays a monthly installment after its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be greater than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly less. In addition, if a borrower pays a monthly installment after its scheduled due date, the borrower may owe a fee on that late payment. If a late fee is applied, that payment will be applied first to the applicable late fee, second to interest and third to principal. As a result, the portion of the payment applied to reduce the unpaid principal balance may be less than it would have been had the payment been made as scheduled. In either case, subject to any applicable deferment periods or forbearance periods, and except as provided below, the borrower pays a regular installment until the final scheduled payment date, at which time the amount of the final installment is increased or decreased as necessary to repay the then outstanding principal balance of that Financed Student Loan.

In accordance with the terms of the FFELP and the terms of its loan program, the Issuer makes available, through the Master Servicer and the Servicers, to borrowers of the Financed Student Loans, payment terms that may result in the lengthening of the remaining term of the Financed Student Loans. For example, not all of the Financed Student Loans provide for level payments throughout the repayment term of such Financed Student Loans. Some Financed Student Loans provide for interest only payments to be made for a designated portion of the term of the Financed Student Loans, with amortization of the principal of the loans occurring only when payments increase in the latter stage of the term of the Financed Student Loans. Other Financed Student Loans provide for a graduated

phase in of the amortization of principal with a greater portion of principal amortization being required in the latter stages than would be the case if amortization were on a level payment basis. Some of the Financed Student Loans are or may be subject to an income-sensitive repayment plan, under which repayments are based on the borrower's income. Under that plan, ultimate repayment may be delayed up to five years. See "EXHIBIT I—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

The following table provides certain information about the Financed Student Loans subject to the repayment terms described in the preceding paragraphs.

Distribution of the Financed Student Loans by Repayment Terms as of the Statistical Cut-off Date

Loan Repayment Terms	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Level repayment[(1)]	117,293	$533,128,351	76.09%
Other repayment options[(2)]	17,718	167,524,077	23.91
TOTAL	**135,011**	**$700,652,427**	**100.00%**

[(1)] Also includes in-school and in-grace loans.

[(2)] Includes, among others, graduated repayment, income-sensitive and interest-only period loans.

Borrowers that are not entitled to other repayment options as of the Statistical Cut-off Date may become entitled or eligible for such options in the future. If such repayment terms are offered to and accepted by borrowers, the weighted average life of the securities could be lengthened. See "DESCRIPTION OF THE NOTES—Prepayment, Yield and Maturity Considerations" and "EXHIBIT I—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Distribution of the Financed Student Loans by First Disbursement Date – SAP Margin as of the Statistical Cut-off Date

Origination Date SAP Margin	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Prior to October 17, 1986	12	$26,353	0.00%
October 17, 1986 to September 30, 1992	97	290,121	0.04
October 1, 1992 to June 30, 1995	191	553,215	0.08
July 1, 1995 to June 30, 1998	794	2,304,021	0.33
July 1, 1998 to December 31, 1999	1,593	3,611,314	0.52
January 1, 2000 to September 30, 2007	131,399	689,311,234	98.38
October 1, 2007 to Present	925	4,556,169	0.65
TOTAL	**135,011**	**$700,652,427**	**100.00%**

Distribution of the Financed Student Loans by Disbursement Date
as of the Statistical Cut-off Date

Date of Disbursement[1]	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Prior to April 1, 2006	62,696	$266,447,198	38.03%
April 1, 2006 to Present	72,315	434,205,229	61.97
TOTAL	**135,011**	**$700,652,427**	**100.00%**

[1] For FFELP Loans disbursed on or after April 1, 2006, if the stated interest rate is higher than the rate applicable to such loan including Special Allowance Payments, the holder of the loan is to credit the difference to the Department, whereas, the holder of the loans is not required to credit the difference to the Department for FFELP Loans disbursed prior to April 1, 2006.

Distribution of the Financed Student Loans by Percent Guaranteed
as of the Statistical Cut-off Date

Percent Guaranteed[1]	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
97%	68,555	$405,349,901	57.85%
98%	66,282	294,738,685	42.07
100%	174	563,841	0.08
TOTAL	**135,011**	**$700,652,427**	**100.00%**

[1] The percent guaranteed refers to the percentage of the principal of and accrued interest on a Financed Student Loan that would be payable on a default claim. See "EXHIBIT I—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Distribution of the Financed Student Loans by School Type
as of the Statistical Cut-off Date

School Type	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
4-Year University/Grad	109,744	$589,275,067	84.10%
2-Year University	16,952	56,627,031	8.08
Proprietary/Vocational/Technical	8,307	54,677,072	7.80
Unknown/Other	8	73,257	0.01
TOTAL	**135,011**	**$700,652,427**	**100.00%**

Distribution of the Financed Student Loans
by Current Borrower Interest Rate as of the Statistical Cut-off Date

Current Borrower Interest Rate	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Less than or equal to 3.00%	56,816	$186,835,788	26.67%
3.01% - 3.50%	4,675	39,418,363	5.63
3.51% - 4.00%	2,064	26,894,270	3.84
4.01% - 4.50%	1,557	19,235,198	2.75
4.51% - 5.00%	3,291	44,643,610	6.37
5.01% - 5.50%	1,743	24,204,997	3.45
5.51% - 6.00%	2,262	19,847,721	2.83
6.01% - 6.50%	903	14,821,188	2.12
6.51% - 7.00%	55,925	260,989,244	37.25
7.01% - 7.50%	3,086	32,026,412	4.57
7.51% - 8.00%	517	7,712,049	1.10
Greater than 8.00%	2,172	24,023,587	3.43
TOTAL	**135,011**	**$700,652,427**	**100.00%**

Distribution of the Financed Student Loans by
SAP Interest Rate Index as of the Statistical Cut-off Date

SAP Interest Rate Index	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
One-Month LIBOR Index	132,324	$693,867,403	99.03%
91 Day T-Bill Index	2,687	6,785,024	0.97
TOTAL	**135,011**	**$700,652,427**	**100.00%**

*EFS, the Seller of the Financed Student Loans elected to change the index for Special Allowance Payment calculations on the Financed Student Loans disbursed after January 1, 2000 from the three-month commercial paper rate to the one-month LIBOR index beginning on April 1, 2012. The one-month LIBOR index rate for Special Allowance Payment calculations is applicable to approximately 99.03% of these Financed Student Loans.

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Distribution of the Financed Student Loans by Remaining Months to Scheduled Maturity as of the Statistical Cut-off Date

Remaining Pay Term (months)	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Less than or equal to 24	3,512	$1,722,796	0.25%
25 - 36	3,105	3,062,641	0.44
37 - 48	3,750	5,694,287	0.81
49 - 60	5,003	11,962,262	1.71
61 - 72	6,853	19,661,969	2.81
73 - 84	10,392	31,724,143	4.53
85 - 96	11,884	42,567,470	6.08
97 - 108	13,506	52,980,003	7.56
109 - 120	50,811	221,463,183	31.61
121 - 144	9,505	69,885,087	9.97
145 - 168	2,879	29,176,706	4.16
169 - 192	2,988	38,269,674	5.46
193 - 216	1,422	22,964,834	3.28
217 - 240	1,921	36,485,869	5.21
241 - 300	6,927	84,470,398	12.06
Greater than 300	553	28,561,105	4.08
TOTAL	**135,011**	**$700,652,427**	**100.00%**

Distribution of the Financed Student Loans by Delinquency Status as of the Statistical Cut-off Date

Delinquency Status	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Current	109,966	$573,874,207	81.91%
Less than 30 days	9,101	47,655,883	6.80
31 to 60 Days	3,889	21,428,512	3.06
61 to 90 Days	2,647	12,913,971	1.84
91 to 120 Days	1,594	7,566,403	1.08
121 to 150 Days	1,661	7,362,656	1.05
151 to 180 Days	1,160	6,343,570	0.91
181 to 210 Days	988	4,267,107	0.61
211 to 240 Days	898	4,330,879	0.62
241 to 270 Days	692	3,806,261	0.54
Greater than 270 Days	2,415	11,102,977	1.58
TOTAL	**135,011**	**$700,652,427**	**100.00%**

Distribution of the Financed Student Loans by Servicer as of the Statistical Cut-off Date

Servicer	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Edfinancial Services	132,023	$659,267,588	94.09%
PHEAA	2,988	41,384,839	5.91
TOTAL	**135,011**	**$700,652,427**	**100.00%**

Distribution of the Financed Student Loans by Guaranty Agency
as of the Statistical Cut-off Date

Guaranty Agency	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Tennessee Student Assistance Corporation	78,127	$396,462,052	56.58%
United Student Aid Funds	15,410	58,848,371	8.40
American Education Services	3,272	43,125,729	6.16
American Student Assistance	3,466	39,963,904	5.70
National Student Loan Program	5,332	38,001,706	5.42
New York State Higher Education Services Corporation	2,899	32,275,858	4.61
Kentucky Higher Education Assistance Authority	11,487	32,190,445	4.59
Georgia Higher Education Assistance Corporation	3,451	12,727,766	1.82
Educational Credit Management Corporation	2,698	11,707,366	1.67
EdFund	2,208	11,523,523	1.64
Texas Guaranteed Student Loan Corporation	1,597	6,461,643	0.92
Illinois Student Assistance Commission	1,952	5,276,441	0.75
Great Lakes Higher Education Guaranty Corporation	582	3,881,833	0.55
Student Loan Guarantee Foundation of Arkansas	518	1,605,929	0.23
Louisiana Student Financial Assistance Commission	604	1,566,583	0.22
Rhode Island Higher Education Assistance Authority	220	1,486,606	0.21
Missouri DHE Student Loan Program	605	1,426,511	0.20
Office of Student Financial Assistance	310	1,269,886	0.18
Michigan Higher Education Assistance Authority	221	451,209	0.06
Oklahoma Guaranteed Student Loan Program	16	221,534	0.03
New Jersey Higher Education Student Assistance Authority	20	101,602	0.01
Northwest Education Loan Association	16	75,933	0.01
TOTAL	**135,011**	**$700,652,427**	**100.00%**

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Distribution of the Financed Student Loans
by State of Borrower's Address as of the Statistical Cut-off Date

State Distribution[1]	Number of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Tennessee	64,436	$329,569,279	47.04%
Alabama	15,892	63,153,193	9.01
Georgia	8,866	55,623,557	7.94
Virginia	3,405	21,959,657	3.13
Mississippi	4,820	21,130,450	3.02
Illinois	3,664	20,359,538	2.91
Texas	3,371	16,833,952	2.40
Kentucky	2,832	13,722,489	1.96
Louisiana	2,710	12,896,669	1.84
California	3,329	12,951,115	1.85
Indiana	1,741	12,321,814	1.76
North Carolina	1,849	12,298,982	1.76
Florida	2,097	12,264,445	1.75
Ohio	1,667	11,154,363	1.59
Maryland	1,644	10,591,329	1.51
Arkansas	930	6,502,325	0.93
New York	1,124	6,491,507	0.93
Pennsylvania	1,175	6,495,751	0.93
South Carolina	836	5,384,438	0.77
Missouri	1,255	5,209,159	0.74
Michigan	847	4,182,444	0.60
New Jersey	433	3,866,986	0.55
Colorado	669	3,541,383	0.51
West Virginia	426	3,124,019	0.45
Massachusetts	502	2,954,869	0.42
Wisconsin	416	2,749,484	0.39
Washington	484	2,658,432	0.38
Connecticut	361	2,288,120	0.33
Arizona	401	2,152,783	0.31
Other	233	1,481,241	0.21
District of Columbia	222	1,414,329	0.20
Oregon	270	1,376,371	0.20
Minnesota	206	1,372,735	0.20
Oklahoma	243	1,230,589	0.18
Kansas	218	1,037,776	0.15
Nevada	162	970,875	0.14
New Mexico	129	815,278	0.12
Delaware	146	666,109	0.10
Iowa	107	648,979	0.09
Rhode Island	74	627,206	0.09
Maine	99	622,160	0.09
Utah	64	561,553	0.08
Idaho	82	512,648	0.07
New Hampshire	82	494,682	0.07
Alaska	101	437,164	0.06
Hawaii	83	416,729	0.06
Nebraska	64	342,688	0.05
Montana	36	251,998	0.04
North Dakota	29	223,462	0.03
South Dakota	53	208,779	0.03
Vermont	53	202,877	0.03
Wyoming	37	135,538	0.02
Puerto Rico	23	98,413	0.01
Virgin Islands	7	49,945	0.01
Guam	6	19,771	0.00
TOTAL	**135,011**	**$700,652,427**	**100.00%**

[1] Based on the billing addresses of the borrowers of the Financed Student Loans shown on the Servicers' records. Because nearly 1% (by outstanding balance) of the Financed Student Loans were to borrowers who were still in school or grace, these amounts may not be representative of the distribution at the time the loans are in repayment.

Borrower Benefit Programs

For Financed Student Loans transferred in connection with the issuance of the Notes, the Issuer offers certain borrower benefits in the form of interest rate and principal reductions for prompt and regular payments or payments made by automatic bank draft, as well as loan forgiveness for certain borrowers.

As of the Statistical Cut-off Date, approximately 6.4% of the Aggregate Outstanding Balance of Financed Student Loans are receiving an interest rate reduction for borrowers who make monthly payments by automatic bank draft. The interest rate reduction for automatic bank draft ranges from 0.25% to 0.50%. The remaining 93.6% of the Aggregate Outstanding Balance of Financed Student Loans may be eligible in the future for an interest rate reduction for automatic bank draft. As of the Statistical Cut-off Date, approximately 16.9% of the Aggregate Outstanding Balance of Financed Student Loans are eligible or have already received an interest rate reduction ranging from 0.25% to 3.0% after 0 to 48 months of prompt and regular payments. The remaining 83.1% of the Aggregate Outstanding Balance of Financed Student Loans are not eligible for such interest rate reduction. As of the Statistical Cut-off Date, approximately 11.6% of the Aggregate Outstanding Balance of Financed Student Loans are eligible for a reduction in principal ranging from 1.00% to 5.00% after 0 to 36 months of prompt and regular payments. The remaining 88.4% of the Aggregate Outstanding Balance of Financed Student Loans have already received the principal balance reduction or are not eligible for such principal balance reduction.

We cannot predict which borrower will qualify for or decide to participate in these programs. The effect of these incentive programs may be to reduce the yield on the Financed Student Loans. Although such repayment incentives and borrower benefits may decrease the payments to be received from the Financed Student Loans, the Issuer does not expect these repayment incentives and borrower benefits to impair its ability to make payments of principal and interest on the Notes when due.

THE ISSUER

General

EFS Volunteer No. 3, LLC (the "Issuer") was formed on May 24, 2012 under the Limited Liability Company Act of the State of Delaware (registered number 5159473) pursuant to a certificate of formation. The Issuer operates pursuant to the Limited Liability Company Agreement. The registered office of EFS Volunteer No. 3, LLC is located at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle, telephone number (302) 658-7581. The membership interest of the Issuer is wholly owned by EFS.

The Issuer is a special purpose limited liability company formed, under the laws of the State of Delaware, and operates pursuant to the Limited Liability Company Agreement. Pursuant to the Limited Liability Company Agreement, the Issuer has covenanted to maintain an Independent Manager at all times while the Notes are Outstanding. The Independent Manager is an individual who is employed by a nationally-recognized company that provides independent directors or managers to special purpose entities in the ordinary course of business and who, at the time of such appointment was not, and will not be, and during the previous five years has not been, affiliated with the Issuer, EFS as Member of the Issuer, or any affiliate of the Issuer or EFS, or as a direct or indirect legal or beneficial owner, creditor, customer or supplier of the Issuer, EFS or any of their affiliates, or an employee, officer, director or member of the Issuer, EFS or any of their affiliates. The Independent Manager is not a member of the Board of Directors of the Issuer; however, approval of the Independent Manager is required to amend the Issuer's certificate of formation and amend several sections of the Limited Liability Company Agreement, including the sections related to the purpose and authority of the Issuer, meetings of the Board of Directors, restrictions of resignation of the Member of the Issuer and restrictions on the dissolution of the Issuer, among others. Unanimous approval of the Member, Board of Directors and Independent Manager is required for any of the Issuer, the Member, the Board of Directors or the Independent Manager to act in contravention of the Limited Liability Company Agreement, to confess a judgment against the Issuer, to assign rights in specific assets of the Issuer or to commence any case or proceeding to put the Issuer into bankruptcy. The Independent Manager cannot resign nor be removed unless a successor Independent Manager has been appointed and accepted such appointment.

The purpose of the Issuer is limited solely to: (i) acquiring, refinancing and beneficially owning Student Loans beneficially owned by EFS as provided in the agreements referenced in clauses (ii) and (iii) below; (ii) entering into agreements relating to the offer, sale and issuance of the Notes and the servicing and administration of the Trust Estate; (iii) entering into the agreements providing for the administration, servicing and collection of amounts due on any Student Loans; (iv) taking all action necessary in connection with the offering, issuance and sale of the Notes; (v) lending or investing proceeds from Student Loans; (vi) entering into such other agreements and instruments of any kind as may be contemplated by the Limited Liability Company Agreement or the Indenture, and/or are necessary, convenient or incidental to accomplishing the purposes stated above; and (vii) engaging in any lawful act or activity and exercising any powers permitted to limited liability companies established under the laws of the State of Delaware provided such act or activity is incidental to and necessary, suitable or convenient for the accomplishment of the foregoing purposes. The Issuer has pledged the Trust Estate and all payments to be received with respect thereto to the Trustee as security for the Notes issued under and secured by the Indenture. So long as any Notes are Outstanding, the Issuer will not engage in any other financings or transactions except for the transaction contemplated by the Indenture and the Indenture Related Agreements.

Pursuant to the Limited Liability Company Agreement, the Issuer has covenanted, among other things, that it will (i) maintain its own bank accounts and correct and complete financial and other entity records, accounts and books of account separate and distinct from those of any other person; not commingle its records, accounts, books of account and bank accounts with the organizational or other records, accounts, books of account or bank accounts of any other person; and cause such records, accounts, books of account and bank accounts to reflect the separate existence of the Issuer; (ii) act solely in its own name and through its duly authorized Member, Special Member, Board of Directors, Independent Manager, officers or agents in the conduct of its business; (iii) prepare all of its correspondence in the Issuer's name; (iv) hold itself out as a separate entity from any other person; (v) conduct its business so as not to mislead others as to the identity of the entity with which they are concerned; (vi) correct any misunderstanding regarding its separate identity known to the Issuer or its Member or Special Member; (vii) refrain from engaging in any activity that compromises the separate legal identity of the Issuer; (viii) strictly comply with all organizational and statutory formalities to maintain its separate existence; (ix) segregate and separately maintain (or cause to be maintained) its funds and assets as identifiable funds and assets held in its name in such a manner that it is not costly or difficult to segregate, ascertain or identify its individual funds and assets from the funds and assets of any other person; (x) prepare and maintain annual and quarterly financial statements separate from any other person, pay or bear the cost of preparation of its own financial statements and disclose in the annual financial statements of the Issuer the effects of its transactions in accordance with generally accepted accounting principles; and (xi) not engage in any activity that would cause the Issuer to be recognized as an investment company under the Investment Company Act of 1940, as amended.

Prior to the offering of the Offered Notes, we have not conducted any business in any material respect and have not issued any debt or any other securities in any other transaction. At the time of formation, the Issuer entered into or otherwise became a party to certain Indenture Related Agreements. EFS, the Seller of the Financed Student Loans, elected to change the index for Special Allowance Payment calculations on the Financed Student Loans disbursed after January 1, 2000 from the three-month commercial paper rate to the one-month LIBOR index beginning on April 1, 2012. Effective as of such date, approximately 99.03% of the Financed Student Loans are subject to Special Allowance Payment calculations based on the one-month LIBOR index. See EXHIBIT I—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM—Special Allowance Payments."

Board of Directors

EFS Volunteer No. 3, LLC is governed by a Board of Directors consisting of two directors. The present membership of the Board of Directors is as follows:

Name and Board Function

Ron Gambill, Chairman
John Mays, Secretary

Management

Ron Gambill is the President of the Issuer. He also serves as the Chief Executive Officer and Chairman of the Board of Directors for Educational Funding of the South, Inc. Prior to joining the Issuer or its affiliates, he was Executive Director of the Tennessee Student Assistance Corporation for over 17 years and served as a financial aid director for Nashville State Technical Institute for over 11 years before his appointment to the Tennessee Student Assistance Corporation. Mr. Gambill has served on the Board of Directors of the National Council of Higher Education Loan Programs for several terms. Mr. Gambill also serves on the Executive Boards of the Tennessee Association of Student Financial Aid Administrators and the National Student Clearinghouse. He holds a Bachelor's degree from David Lipscomb University and a Master's degree from Middle Tennessee State University.

Ken Mann is Chief Financial Officer of the Issuer and also serves as Assistant Vice President of EFS. Mr. Mann joined EFS in 2011 and brings more than 17 years of experience in the financial services industry. Mr. Mann previously worked for more than 9 years as AVP of Client Marketing for Edfinancial Services, Inc., a student loan servicer in the Federal Student Loan Program and also spent 8 years in banking and corporate treasury management. Mr. Mann holds a Bachelor's degree in finance from the University of Tennessee and is a Certified Treasury Professional. He is also a member of the Association for Financial Professionals.

Educational Funding of the South, Inc.

EFS is a nonprofit, public-benefit corporation created in 1985 under State of Tennessee law. EFS has received its 501(c)(3) determination and operates as a 150(d) corporation under the Code in the States of Tennessee and Florida. Its principal office is located in Knoxville, Tennessee and it also maintains an office located in Jacksonville, Florida. Prior to January 1, 1996, EFS was known as Volunteer State Student Funding Corporation. At the request of the government of Knox County, Tennessee and pursuant to a Plan for Doing Business approved by the Governor of the State of Tennessee, in accordance with former requirements of the Act, EFS implemented various programs to assist eligible borrowers in financing the costs of post-secondary education at eligible schools, colleges and universities.

EFS serves as a secondary market for eligible loans under the Higher Education Act funded with bond proceeds throughout the United States. EFS is authorized to (i) provide funding for the acquisition of Eligible Loans made to eligible borrowers attending eligible post-secondary educational institutions and (ii) provide procedures for the servicing of such loans in accordance with applicable law. As of April 30, 2012, EFS had approximately $3,600,181,811 of total assets.

EFS also owns 100% of the membership interests in EFS Interim Funding, LLC ("EFS Interim"), a Delaware single member limited liability company established on April 14, 2010. EFS Interim acquires and sells student loans through its eligible lender trustee arrangement established with Wells Fargo Bank, National Association. As of April 30, 2012, EFS Interim had $0 of assets.

EFS also owns 100% of the membership interests in EFS Volunteer, LLC ("EFS Volunteer"), a Delaware single member limited liability company established on April 20, 2010. EFS Volunteer acquires and sells student loans through its eligible lender trustee arrangement established with Wells Fargo Bank, National Association. As of April 30, 2012, EFS Volunteer had over approximately $197,478,626 of assets.

EFS also owns 100% of the membership interests in EFS Volunteer No. 2, LLC ("EFS Volunteer No. 2"), a Delaware single member limited liability company established on April 16, 2012. EFS Volunteer No. 2 acquires and sells student loans through its eligible lender trustee arrangement established with Wells Fargo Bank, National Association. On May 22, 2012, EFS Volunteer No. 2 issued its $698,500,000 Student Loan Asset Backed Notes, 2012-1 Series.

EFS also owns 100% of the membership interests in EFS Conduit Funding, LLC ("EFS Conduit"), a Delaware single member limited liability company established by EFS solely to fund eligible student loans under the Straight-A Funding, LLC Conduit. As of April 30, 2012, EFS Conduit had over approximately $42,572,451 of assets.

Administration of Issuer's Student Loan Programs – Description of Administration Agreement

The Issuer has entered into an Administration Agreement with EFS to act as Administrator with respect to the Indenture. Under the Administration Agreement, the Administrator will be paid an Administration Fee and a Subordinate Administration Fee. The Administration Fee is equal to (i) for each Distribution Date, a monthly fee equal to $1/12^{th}$ of 0.20% of the then outstanding Principal Balance of the Financed Student Loans as of the last day of the previous month and (ii) no more than $75,000 annually for certain Rating Agency surveillance fees and other fees related to the administration of the Trust Estate. The Subordinate Administration Fee is equal to, for each Distribution Date on which the Class B Interest Subordination Trigger Event is not then occurring, a monthly fee equal to $1/12^{th}$ of 0.05% of the then outstanding Principal Balance of the Financed Student Loans as of the last day of the previous month.

In carrying out the duties or any of its other obligations under the Administration Agreement, the Administrator may enter into transactions or otherwise deal with a subcontractor or any of its affiliates. Edfinancial Services acts as sub-administrator to EFS. The term of the Administration Agreement may be terminated by either party upon sixty days' prior written notice to the other party and shall be terminated by the Trustee upon the occurrence of certain termination events specified therein. No resignation or removal of the Administrator will be effective until a successor Administrator will have been appointed by the Trustee or the Issuer and such successor Administrator will have agreed in writing to be bound by the terms of the Administration Agreement in the same manner and to the same extent as the Administrator is bound thereunder.

The Administrator agrees to perform all its duties as Administrator and specified duties under the Indenture. In addition, the Administrator shall consult with the Trustee regarding its duties under the Indenture Related Agreements. The Administrator shall monitor the performance of the Issuer and shall advise the Trustee when action is necessary to comply with the Issuer's duties under the Indenture. The Administrator shall prepare for execution by the Issuer, or shall cause the preparation by other appropriate persons or entities of, all such documents, reports, filings, instruments, certificates and opinions that it shall be the duty of the Issuer to prepare, file or deliver pursuant to the Indenture Related Agreements. In furtherance of the foregoing, the Administrator shall take all appropriate action that is the duty of the Issuer to take pursuant to the Indenture and related agreements thereto or under the Higher Education Act, including, but not limited to, any trustee activity, general financial oversight and reporting and other ministerial duties.

Edfinancial Services acts as sub-administrator to EFS. The Administration Agreement between Edfinancial Services and EFS (the "Edfinancial Administration Agreement") expires on June 30, 2013. Under the Edfinancial Administration Agreement, EFS pays Edfinancial Services a monthly fee based upon total assets held by EFS at the end of each month payable not later than the end of the month following that for which said fee is payable. The term of the Edfinancial Administration Agreement may be terminated by either party upon an uncured material breach by the other party and on other grounds set forth therein. Edfinancial Services serves as administrator for EFS and performs all necessary administrative activities for EFS pursuant to the Edfinancial Administration Agreement. Under the Edfinancial Administration Agreement, the services to be provided by Edfinancial Services include, but are not limited to, the following: (i) Web hosting for all websites including storage space and back-up; (ii) technical support/installation/consultation for hardware and software; (iii) corporate communications; (iv) working with EFS' management to develop and implement various marketing plans; (v) assisting in acquiring additional tax-exempt allocation; (vi) formulating and presenting proposals to the Board of Directors of EFS; (vii) providing all accounting, audit assistance, bond related data as needed; (viii) providing professional personnel and dedicated call center employees, as needed; (ix) providing all compliance advice and oversight for these programs; (x) providing all reports reasonably requested to EFS reflecting results of the programs and operations of EFS; (xi) providing storage in fire proof vaults of all documents or files; (xii) acquiring supplies, equipment, telephone and furnishing necessary for conducting administrative activities; and (xiii) paying all expenses associated with the above programs. Under this agreement, Edfinancial Services will perform most of the duties and obligations of EFS under the Administration Agreement, and the fees owed to Edfinancial Services for their role as sub-administrator will be paid by the Administrator out of the Administration Fee.

Student Loan Purchase Agreement

The Issuer will acquire all of the Student Loans to be pledged to the Trustee under the Indenture from EFS pursuant to the Student Loan Purchase Agreement by and among the Seller, the Issuer and the Eligible Lender Trustee (acting as eligible lender trustee for both the Seller and the Issuer). Pursuant to the terms of the Student Loan Purchase Agreement, EFS makes a variety of representations and warranties to the Issuer with respect to the Student Loans. Some of the representations relate to (i) the valid corporate organization and authorization to enter into the Student Loan Purchase Agreement; (ii) compliance with all requirements of the Higher Education Act and all applicable Guaranty Agency regulations pertaining thereto in originating, servicing, accounting, reporting and collecting on the Student Loans; (iii) Student Loan guarantees by a Guaranty Agency; (iv) reinsurance by the U.S. Department of Education; (v) liens and security interests on the Student Loans subject to purchase; and (vi) Student Loan characteristics and status.

Under the Student Loan Purchase Agreement, upon a breach of EFS' representations or warranties with respect to a Financed Student Loan, EFS must repurchase such Financed Student Loan from the Issuer. The Student Loan Purchase Agreement also provides that EFS will indemnify and hold harmless the Issuer from and against any and all loss, liability, cost, damage or expense, including reasonable attorneys' fees and costs of litigation, incurred as a result of EFS' breach of its representations, warranties or covenants or a false or misleading representation of EFS and other specified breaches with respect to the representation and warranties of EFS under the Student Loan Purchase Agreement. For a description of the risks associated with student loan purchase contracts, see "RISK FACTORS—Treatment of Student Loans Upon Breach of Representations and Warranties under Student Loan Purchase Agreement." The rights of the Issuer to enforce the Student Loan Purchase Agreement have been assigned by the Issuer to the Trustee under the Indenture.

EFS, as the Seller, is expected to sell Student Loans to the Issuer that are currently securing the EFS Existing Indenture. Simultaneous with the issuance of the Notes, certain of the proceeds of the Notes are expected to be used by the Issuer to purchase such Student Loans and the purchase price thereof will be transferred to and applied by the EFS Existing Trustee to pay the purchase price or the redemption price of the EFS Existing Bonds, as applicable, on the Issue Date. Upon the completion of the transactions contemplated hereby, the EFS Existing Indenture will be terminated, any liens or security interests relating to the Student Loans sold and any associated debt of the Seller will be extinguished and the Student Loans will be pledged by the Issuer under the Indenture as security for the Notes.

Each sale of Student Loans to the Issuer will be structured to constitute a "true sale" of the Student Loans. EFS as Seller will represent and warrant that each sale of Student Loans to the Issuer is a valid sale of those Student Loans. In addition, the Seller, the Trustee, the Eligible Lender Trustee and the Issuer will treat the conveyance of the Student Loans as a sale. The Seller will take all actions that are required so the Eligible Lender Trustee will be treated as the legal owner of the Student Loans.

ISSUER'S DEBT OUTSTANDING

There is no outstanding or issued capital stock of the Issuer or EFS and there is no previously issued debt of the Issuer. EFS has previously issued student loan revenue bonds under five separate trust indentures. The aggregate outstanding balance as of April 30, 2012, of such student loan revenue bonds was approximately $2,437,068,763. On May 22, EFS purchased and redeemed approximately $987,800,000 outstanding revenue bonds, defeasing one of its separate trust indentures in its entirety. EFS expects to purchase or redeem approximately $776,975,000 outstanding revenue bonds (consisting of the EFS Existing Bonds) on the Issue Date in connection with the transactions described herein. See "SUMMARY OF TERMS—The Restructuring Plan." These outstanding revenue bonds issued by EFS, including the EFS Existing Bonds, were issued under separate trust indentures to which the Issuer is not a party, were secured under separate collateral pools and are not subject to the lien of the Indenture under which the Notes will be issued. Furthermore, the Notes to be issued under the Indenture will not be secured by the indentures referred to above, or any other transaction document with respect to EFS' prior issuance of bonds.

STUDENT LOAN SERVICING

General

EFS will act as Master Servicer pursuant to the Servicing Agreement with the Issuer and the Trustee. The Master Servicer and its affiliates have entered into Servicing Agreements with PHEAA and Edfinancial Services pursuant to which all of the Financed Student Loans will be serviced. Each of the Issuer and the Master Servicer reserves the right to contract with other servicers to the extent permitted by applicable laws, regulations and contractual commitments and to the extent allowed under the Indenture.

The Master Servicing Agreement and the Servicing Agreements contain detailed provisions relating to the servicing of the Financed Student Loans, including provisions regarding recordkeeping, collection of loans and making insurance or guarantee claims. In addition to the detailed provisions of the Master Servicing Agreement and the Servicing Agreements, EFS, PHEAA and Edfinancial Services have agreed to comply with the procedures manual or guidelines established by a Guaranty Agency. The Issuer or the Trustee may require the Master Servicer or the Servicers to change their procedures under the Master Servicing Agreement or Servicing Agreements if a change is required to comply with the Higher Education Act, upon written advice from the Secretary of revised procedures, rules or regulations or upon changes in the criteria of a Guaranty Agency.

EFS, its subsidiaries and affiliates, including the Issuer, by and through Wells Fargo Bank, National Association, as successor eligible lender trustee, entered into a Back-up Servicing Agreement with Edfinancial Services and PHEAA on June 23, 2010, as amended. See "Description of the Back-up Servicing Agreement with PHEAA." The Back-up Servicing Agreement governs the appointment and acceptance of PHEAA as successor servicer with respect to the Financed Student Loans serviced by Edfinancial Services under its Servicing Agreement, after the occurrence of certain Conversion Events (as hereafter defined) specified therein and the removal of Edfinancial Services, as the servicer.

EFS, Master Servicer

For a description of the Master Servicer, see "THE ISSUER—Educational Funding of the South, Inc." above.

Description of the Master Servicing Agreement with EFS

The Issuer has entered into a Master Servicing Agreement with EFS to act as Master Servicer with respect to the Financed Student Loans. Under the Master Servicing Agreement, the Master Servicer will be paid each month the Servicing Fees, in an amount equal to the greater of (i) the Servicing Fee Floor plus no more than $25,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement and (ii) for (A) the Stafford/PLUS Financed Student Loans, no more than 0.90% per annum, of the principal balance of such loans, and (B) the Consolidation Financed Student Loans, which fee shall be no more than 0.50% per annum, of the principal balance of such loans plus no more than $25,000 annually for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement. Payment of any subcontractors, including Edfinancial Services and PHEAA, will be paid by the Master Servicer from its Servicing Fees. If the servicing fees paid to any subcontractors exceed the Servicing Fees paid to the Master Servicer, the Master Servicer is responsible for paying such amounts pursuant to the Master Servicing Agreement.

In carrying out the duties or any of its other obligations under the Master Servicing Agreement, the Master Servicer may enter into transactions or otherwise deal with a subcontractor or any of its affiliates. The Master Servicing Agreement will automatically terminate upon dissolution of the Issuer or replacement of the Master Servicer. The term of the Master Servicing Agreement may be terminated by either party upon sixty days' prior written notice to the other party and shall be terminated by the Trustee upon the occurrence of certain termination events specified therein. No resignation or removal of the Master Servicer will be effective until a successor Master Servicer will have been appointed by the Trustee or the Issuer, until such successor Master Servicer will have agreed in writing to be bound by the terms of the Master Servicing Agreement in the same manner and to the same extent as the Master Servicer is bound thereunder and until the Rating Agencies have received notification.

The Master Servicer agrees to perform all its duties as Master Servicer and specified duties under the Indenture. Pursuant to the Master Servicing Agreement, the Master Servicer generally agrees to provide or cause the Servicers to provide certain student loan servicing activities, as more fully set forth therein, with respect to the Financed Student Loans. Such services generally include maintaining accurate and complete accounts, records and computer systems, including any records evidencing promissory notes. The Master Servicer has agreed to service and cause the Servicers to service the Financed Student Loans in compliance in all material respects with all applicable federal and state laws, including the Higher Education Act, and with the applicable requirements of the Department, the Indenture and the Guaranty Agreements. The Master Servicing Agreement provides that the Master Servicer agrees to indemnify the Issuer, the Trustee for any claim, loss, liability or expense, including reasonable attorney's fees, arising out of or relating to the Master Servicer's acts or omissions with respect to the services provided by the Master Servicer under the Master Servicing Agreement. The Master Servicer shall not be liable for any claim, loss, liability or expense arising out of or relating to the actions of its subcontractors.

Edfinancial Services and PHEAA currently serve as Servicers. See "STUDENT LOAN SERVICING—Description of the Servicing Agreement with Edfinancial Services", "—Description of the Servicing Agreement with PHEAA" and "—Description of the Back-up Servicing Agreement with PHEAA."

The Trustee will be a third party beneficiary of the Master Servicing Agreement entitled to enforce the rights thereunder as if it were directly a party thereto.

Servicing and Due Diligence

We have covenanted in the Indenture to have the Financed Student Loans serviced and collected in accordance with all applicable requirements of the Higher Education Act, the Department, the Indenture, and the Guaranty Agreements. The Higher Education Act requires that the originating lender, and their agents exercise due diligence in the making, servicing and collection of Student Loans and that a Guaranty Agency exercise due diligence in collecting loans which it holds. The Higher Education Act defines "due diligence" as requiring the holder of a student loan to utilize servicing and collection practices at least as extensive and forceful as those generally practiced by financial institutions for the collection of consumer loans, and requires that certain specified collection actions be taken within certain specified time periods with respect to a delinquent loan or a defaulted loan. The Guaranty Agencies have established procedures and standards for due diligence to be exercised by each Guaranty Agency with regard to loans that are guaranteed by the respective Guaranty Agency.

Edfinancial Services, LLC, Servicer

Edfinancial Services, LLC is a Nevada limited liability company that is empowered and legally authorized by its organizational documents to conduct business required by its obligations under the Higher Education Act and the Servicing Agreement. The principal office of Edfinancial Services is located at 298 North Seven Oaks Drive, Knoxville, Tennessee, with an operations center located at 120 North Seven Oaks Drive, Knoxville, Tennessee. Edfinancial Services also maintains offices in Little Rock, Arkansas and Jacksonville, Florida. Edfinancial Services provides full student loan servicing for lenders and secondary markets nationwide, which servicing includes assets of the U.S. Department of Education. As of April 30, 2012, Edfinancial Services' loan servicing volume was approximately $16,500,000,000.

As of April 30, 2012, Edfinancial Services employed a staff of over 400 full time and part time personnel performing various functions, including loan servicing, regulatory compliance and internal accounting. Edfinancial Services' loan servicing portfolio is currently housed on the remote servicing system owned by PHEAA. Edfinancial Services has submitted a Notice of Termination of its remote agreement to PHEAA, and has entered in a license agreement with 5280 Solutions, LLC ("5280," a subsidiary of Nelnet, Inc.) for use of 5280's servicing system. The terms and conditions of the PHEAA remote agreement shall continue to govern the remote servicing arrangement between PHEAA and Edfinancial Services until the date on which all of Edfinancial's serviced portfolio is deconverted off of PHEAA's remote system and onto the 5280 remote servicing system.

Description of the Servicing Agreement with Edfinancial Services

EFS and its subsidiaries and affiliates, including the Issuer, have a servicing agreement with Edfinancial Services (the "Edfinancial Servicing Agreement") that has a termination date of July 1, 2013, subject to automatic extension for a successive 7-year term unless the Servicer or EFS provides notice of termination no later than six (6) months prior to such date. Pursuant to the Edfinancial Servicing Agreement, Edfinancial Services generally agrees to provide certain student loan servicing activities, as more fully set forth therein, with respect to the Student Loans it services. Such services generally include maintaining custody of copies of promissory notes and related documentation, billing for and processing payments from borrowers, establishing and maintaining records with respect to its servicing activities, and providing certain reports of its activities and the student loan portfolios serviced by it. Edfinancial Services has agreed to service the Financed Student Loans that it services in compliance with the Higher Education Act, directives pertaining to the Higher Education Act, and all applicable guarantor program requirements, as may be in effect from time to time when published in final form. The Edfinancial Servicing Agreement provides that Edfinancial Services agrees to indemnify EFS for any loss, liability or expense, including reasonable attorney's fees, arising out of or relating to Edfinancial Services' acts or omissions with respect to the services provided under the Edfinancial Servicing Agreement.

Edfinancial Services will be paid fees for the servicing of Financed Student Loans serviced by it according to the fee schedule set forth in the Edfinancial Servicing Agreement. The fees are subject to periodic increases. See "THE TRUST ESTATE—Compensation of Servicers and the Master Servicer" in this Private Placement Memorandum.

The Edfinancial Servicing Agreement may be terminated by either party in the case of a default that remains unremedied for 150 days following notice thereof and upon certain bankruptcy or insolvency events of either party. In the event that the Edfinancial Servicing Agreement is terminated by EFS, unless the Edfinancial Servicing Agreement is terminated as a result of a breach by Edfinancial Services, EFS will pay Edfinancial Services a servicing transfer fee as set forth in the Edfinancial Servicing Agreement.

The Trustee will be a third party beneficiary of the Edfinancial Servicing Agreement entitled to enforce the rights thereunder as if it were directly a party thereto.

Pennsylvania Higher Education Assistance Agency, Servicer

The Pennsylvania Higher Education Assistance Agency is a body corporate and politic constituting a public corporation and government instrumentality created pursuant to an act of the Pennsylvania Legislature. Under its enabling legislation, PHEAA is authorized to issue bonds or notes, with the approval of the Governor of the Commonwealth of Pennsylvania for the purpose of purchasing, making, or guaranteeing loans. Its enabling legislation also authorizes PHEAA to undertake the origination and servicing of loans made by PHEAA and others. PHEAA's headquarters are located in Harrisburg, Pennsylvania with regional offices located throughout Pennsylvania.

As of April 30, 2012, PHEAA had approximately 2,700 employees. PHEAA's two principal servicing products are its full servicing operation (in which it performs all student loan servicing functions on behalf of its customers) and its remote servicing operation (in which it provides only data processing services to its customers that have their own servicing operations). As of April 30, 2012, PHEAA services approximately 7.1 million student loan accounts representing an aggregate of approximately $133.9 billion outstanding principal amount for its full servicing customers which consist of national and regional banks and credit unions, secondary markets, and government entities, including $71.8 billion serviced for the Department of Education. Under PHEAA's remote servicing operation, the remote clients service approximately 1.8 million student borrowers representing approximately $29.5 billion outstanding principal amount, including $10.6 billion owned by the Department. One remote client has provided notice of the termination of their remote servicing agreement. This client has approximately $7.3 billion in outstanding principal and 533,000 student borrowers as of April 30, 2012. This volume will be deconverted from the PHEAA system over a period of time between July and December 2012.

FFELP Net Reject Rate

As a servicer, PHEAA works to minimize the net reject rate, which is the amount of claims submitted for payment that are rejected by the guarantor and are subsequently unable to be cured. The net reject rate for both the number and dollar value of loans for the last three calendar years is listed below.

	FFELP Net Reject Rate	
Year	**Loans**	**Dollars**
2011	0.027%	0.016%
2010	0.005%	0.002%
2009	0.000%	0.000%

The net reject rate is calculated based on claims submitted three years prior which were unable to be cured during the three year cure period which ended during the calendar years noted above. The number and dollar value of rejected claims not cured is divided by the total claims filed during that same period three years prior.

PHEAA's most recent audited financial reports are available at www.pheaa.org. In no event is such information or any information on PHEAA's website incorporated herein by reference. Neither the Issuer nor the Initial Purchasers are responsible for the accuracy of information contained on the PHEAA website.

Description of the Servicing Agreement with PHEAA

EFS and its subsidiaries and affiliates, including the Issuer, have a servicing agreement with PHEAA (the "PHEAA Servicing Agreement") that is subject to termination at such time as the student loans subject to the PHEAA Servicing Agreement are paid in full unless terminated by either party pursuant to the PHEAA Servicing Agreement. PHEAA generally agrees to provide certain student loan servicing activities, as more fully set forth therein, with respect to the Student Loans it services. Such services generally include maintaining custody of copies of promissory notes and related documentation, billing for and processing payments from borrowers, establishing and maintaining records with respect to its servicing activities, and providing certain reporting data and schedules of its activities and the student loan portfolios serviced by it. The PHEAA Servicing Agreement provides that PHEAA agrees to indemnify EFS for any claim, loss, liability or expense, including reasonable attorney's fees, arising out of or relating to PHEAA's acts or omissions with respect to the services provided under the PHEAA Servicing Agreement where a final determination of the liability of PHEAA has been established by a court of law or in a settlement, provided, however, that for PLUS, Stafford, SLS or Consolidation loans disbursed after October 1, 1993, PHEAA's liability is limited to a percentage no greater than an amount that would have been paid by a Guaranty Agency.

PHEAA will be paid fees for the servicing of Financed Student Loans serviced by it according to the fee schedule set forth in the PHEAA Servicing Agreement. The fees are subject to periodic increases. See "THE TRUST ESTATE—Compensation of Servicers" in this Private Placement Memorandum.

The PHEAA Servicing Agreement may be terminated by PHEAA in the case of a non-payment default with at least 150 days notice thereof, unless the default is cured within the 150 days and upon certain bankruptcy or insolvency events of either party. At the expiration of the term of the PHEAA Servicing Agreement EFS will pay PHEAA a servicing transfer fee as set forth in the PHEAA Servicing Agreement.

The Trustee will be a third party beneficiary of the PHEAA Servicing Agreement entitled to enforce the rights thereunder as if it were directly a party thereto.

Description of the Back-up Servicing Agreement with PHEAA

PHEAA is Back-up Servicer for the Financed Student Loans serviced by Edfinancial Services pursuant to a Back-up Servicing Agreement by and among PHEAA, EFS and its wholly-owned subsidiaries, EFS Interim and the Issuer, Wells Fargo Bank, National Association, as Eligible Lender Trustee for EFS, EFS Interim and the Issuer, and Edfinancial Services (the "Back-up Servicing Agreement").

PHEAA generally agrees to act as Back-up Servicer for the Financed Student Loans currently serviced by Edfinancial Services and to provide certain student loan servicing activities, as more fully set forth therein, following the occurrence of a Conversion Event. A "Conversion Event" shall mean a default by Edfinancial Services under the existing servicing agreement between EFS, its subsidiaries and affiliates and Edfinancial Services (the "Edfinancial Servicing Agreement"), which has not been cured. The expiration of the Edfinancial Servicing Agreement between EFS, its subsidiaries and affiliates, and Edfinancial Services is not a Conversion Event. The aggregate principal amount of Financed Student Loans that may be subject to the Back-up Servicing Agreement will not exceed Three Billion Dollars ($3,000,000,000) unless consented to by PHEAA. The Three Billion Dollars ($3,000,000,000) shall apply first to the Financed Student Loans that are beneficially owned by EFS Volunteer and pledged to the Trustee under the Indenture, as such amount shall amortize over time. The student loan servicing activities PHEAA will perform upon the occurrence of a Conversion Event will generally include maintaining custody of copies of promissory notes and related documentation, billing for and processing payments from borrowers, establishing and maintaining records with respect to its servicing activities, and providing certain reports of its activities and the student loan portfolios serviced by it. Following a Conversion Event, PHEAA has agreed to service the Financed Student Loans pursuant to the PHEAA Servicing Agreement, in accordance with the Higher Education Act, rules, regulations, instructions or procedures issued by the Secretary or by a Guaranty Agency, directives pertaining to the Higher Education Act and all applicable guarantor program requirements, as may be in effect from time to time when published in final form.

PHEAA will be paid fees for acting as a Back-up Servicer for the Financed Student Loans currently serviced by Edfinancial Services and for the servicing of Financed Student Loans following a Conversion Event according to the fee schedule set forth in the Back-up Servicing Agreement. The fees are subject to periodic increases. See "THE TRUST ESTATE–Compensation of Servicers and the Master Servicer" in this Private Placement Memorandum. Under the Back-up Servicing Agreement, past-due fees of PHEAA will bear interest at 1.25% per month on the unpaid balance until fully paid. If such fees are not paid within 60 days of receipt of an invoice, a default will occur under the Back-up Servicing Agreement. If such default is not cured within thirty (30) days of notice thereof, PHEAA has the right to immediately terminate the Back-up Servicing Agreement.

The Back-up Servicing Agreement may be terminated by either party upon a material breach of the Back-up Servicing Agreement by the other party that remains unremedied for 90 days following notice thereof. The Back-up Servicing Agreement may also be terminated upon, among other things, certain bankruptcy or insolvency events of PHEAA, certain failures of PHEAA to make payments or deposits to be made by it, certain failures of PHEAA to remain eligible to service Financed Student Loans under the Higher Education Act or the inability of PHEAA and EFS to agree to an increase in fees. In the event that the Back-up Servicing Agreement is terminated by EFS for any reason other than a default by PHEAA, EFS will pay PHEAA an early termination fee as set forth in the Back-up Servicing Agreement. The Back-up Servicing Agreement will terminate two (2) years after its effective date, subject to successive one (1) year period extensions prior to any Conversion Event unless either PHEAA or EFS provides written notice of its intent to terminate the Back-up Servicing Agreement at least 180 days prior to the next scheduled termination date. Upon the occurrence of a Conversion Event, the term of the Back-up Servicing Agreement shall extend until such time as the principal of and interest on the Financed Student Loans are paid in full, unless terminated pursuant to the termination provisions of the Back-up Servicing Agreement.

The maximum liability on the part of PHEAA under the Back-up Servicing Agreement for all losses incurred by EFS or the Eligible Lender Trustee on Financed Student Loans serviced by the Back-up Servicer as a result of servicing deficiencies shall not exceed three percent (3%) of the total dollar value of Financed Student Loans owned and/or managed by Edfinancial Services and Eligible Lender Trustee and serviced by PHEAA.

The Trustee will be a third party beneficiary of the Back-up Servicing Agreement with the power and right to enforce the provisions thereof as if it were directly a party thereto.

In the Indenture, the Issuer and EFS have each covenanted that the Financed Student Loans serviced by Edfinancial Services will always be covered by a Back-up Servicing Agreement.

GUARANTY AGENCIES

General

All of the Financed Student Loans held under the Indenture will be guaranteed as to principal and interest by a Guaranty Agency to at least the minimum percentage of the principal of and accrued interest on such Financed Student Loan allowed by the terms of the Higher Education Act and reinsured by the Secretary under the Higher Education Act, and in all cases other than unsubsidized loans, must be eligible for Interest Subsidy Payments paid by the Secretary.

If a Student Loan is guaranteed by a Guaranty Agency in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the Guaranty Agency for 98% for Student Loans first disbursed on or after October 1, 1993 through June 30, 2006 and 97% for Student Loans first disbursed on or after July 1, 2006 through June 30, 2010. The eligible lender is reimbursed 100% of the unpaid principal balance of the Student Loan plus accrued unpaid interest on any defaulted Student Loan so long as the eligible lender has properly originated and serviced such Student Loan for (i) Student Loans first disbursed before October 1, 1993; (ii) any filing by or against the borrower thereof of a petition in bankruptcy pursuant to any chapter of the Federal bankruptcy code, as amended; (iii) the death of the borrower thereof; (iv) the total and permanent disability of the borrower, as certified by a qualified physician; and (v) lender of last resort Student Loans. The Guaranty Agency's guaranty obligation is unaffected by its particular recovery rate or claims rate experience. To the extent, however, that the Guaranty Agency is financially unable to pay claims under its guarantee, whether due to reductions in reimbursement from the Department or for other reasons, and to the extent the Department does not step in and perform the Guaranty Agency's obligations as they become due but instead requires holders of defaulted Student Loans to first make claims against the Guaranty Agency and thereafter to make claims directly against the Department, payment to holders of Student Loans may be delayed.

There can be no assurance that the claims rate experience of any of the Guaranty Agencies for which information is provided below for any future year will be similar to the historical claims rate experience set forth below. See "RISK FACTORS—The Financed Student Loans are Unsecured and the Ability of a Guaranty Agency to Honor its Guarantee May Become Impaired" herein.

Federal Reinsurance

The Higher Education Act establishes a program of federal reimbursement to certain state agencies or other private nonprofit corporations administering student loan insurance programs of losses sustained in the operation of their student loan guarantee programs. These Guaranty Agencies are reimbursed by the Secretary pursuant to certain agreements between the Secretary and the state agency or organization for amounts expended in discharging their student loan guarantee obligations. See "EXHIBIT I—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Pursuant to its respective Guaranty Agreement, each of the Guaranty Agencies guarantees payment of 100% of the principal (including any interest capitalized from time to time) and accrued interest for each Student Loan guaranteed by it as to which any one of the following events has occurred:

(a) failure by the borrower thereof to make monthly principal or interest payments on such Student Loan when due, provided such failure continues for a period of 270 days (except that such guarantee against such failures will be 98% of principal and accrued interest for Student Loans first disbursed on or after October 1, 1993 through June 30, 2006 and 97% of principal and accrued interest for Student Loans first disbursed on or after July 1, 2006 through June 30, 2010);

(b) any filing by or against the borrower thereof of a petition in bankruptcy pursuant to any chapter of the Federal bankruptcy code, as amended;

(c) the death of the borrower thereof; or

(d) the total and permanent disability of the borrower, as certified by a qualified physician.

When the conditions in (b) or (d) above are satisfied, the Higher Education Act requires the Guaranty Agencies generally to pay the claim within forty-five (45) days of its submission by the lender, and within ninety (90) days when the conditions in (a) or (c) are satisfied. The obligations of the Guaranty Agencies pursuant to their respective Guaranty Agreements are obligations solely of the Guaranty Agencies, respectively, and are not supported by the full faith and credit of any state government.

Each of the Guaranty Agencies' guarantee obligations with respect to any Student Loan are conditioned upon the satisfaction of all the conditions set forth in the applicable Guaranty Agreement. These conditions include, but are not limited to, the following: (i) the origination and servicing of such Student Loan being performed in accordance with the Higher Education Act and other applicable requirements, (ii) the timely payment to the Guaranty Agencies of any guarantee fee charged with respect to such Student Loan, (iii) the timely submission to the Guaranty Agencies of all required pre-claim delinquency status notifications and of the claim with respect to such Student Loan and (iv) the transfer and endorsement of the promissory note evidencing such Student Loan to the Guaranty Agencies, upon and in connection with making a claim to receive Guarantee Payments thereon. Failure to comply with any of the applicable conditions, including the foregoing, may result in the refusal of the Guaranty Agencies to honor their Guaranty Agreements with respect to such Student Loan, in the denial of guarantee coverage with respect to certain accrued interest amounts with respect thereto or in the loss of certain Interest Subsidy Payments and Special Allowance Payments with respect thereto. In such event, the Issuer may have recourse under the Master Servicing Agreement or the applicable Servicing Agreement or may be able to require the Seller to repurchase such loan under the Student Loan Purchase Agreement.

Information Concerning Guaranty Agencies

Entities that serve as Guaranty Agencies for a significant portion (at least 10%) of Financed Student Loans expected to be included in the Trust Estate as of the Statistical Cut-off Date include Tennessee Student Assistance Corporation. Additional information with respect to such Guaranty Agencies is set forth below. Other entities that serve as Guaranty Agencies for the Financed Student Loans expected to be included in the Trust Estate (each such Guaranty Agency guarantees less than 10% of the Financed Student Loans as of the Statistical Cut-off Date) include:

- United Student Aid Funds
- American Education Services
- American Student Assistance
- National Student Loan Program
- Kentucky Higher Education Assistance Authority
- New York State Higher Education Services Corporation
- Georgia Higher Education Assistance Corporation
- Educational Credit Management Corporation
- EdFund
- Texas Guaranteed Student Loan Corporation
- Illinois Student Assistance Commission
- Great Lakes Higher Education Guaranty Corporation
- Student Loan Guarantee Foundation of Arkansas
- Louisiana Student Financial Assistance Commission
- Rhode Island Higher Education Assistance Authority
- Missouri DHE Student Loan Program
- Office of Student Financial Assistance
- Michigan Higher Education Assistance Authority
- Oklahoma Guaranteed Student Loan Program
- New Jersey Higher Education Student Assistance Authority
- Northwest Education Loan Association

Tennessee Student Assistance Corporation

The information included herein relating to the Tennessee Student Assistance Corporation ("TSAC") has been obtained from TSAC and, while thought to be reliable, is not guaranteed as to accuracy or completeness by the Issuer or the Initial Purchasers.

TSAC is a nonprofit corporation created in 1974 pursuant to section 49 4 201 et seq. of the Tennessee Code Annotated in order to administer student assistance programs as provided by law. TSAC is required to be registered with the Tennessee Secretary of State and to be generally subject to the corporate laws of the State of Tennessee.

In accordance with its statutory and corporate responsibilities, TSAC currently administers on behalf of the State of Tennessee the following assistance programs:

Federal Stafford Loan Program	Federal PLUS Loan Program
Federal Consolidation Loan Program	Federal SLS Loan Program
Tennessee Student Assistance Award Program	Ned McWherter Scholars Program
Christa McAuliffe Scholarship Program	Robert C. Byrd Honors Scholarship Program
HOPE Scholarship	Tennessee HOPE Access Grant
Aspire Award	General Assembly Merit Scholarship Grant
Dual Enrollment Grant	Tennessee HOPE Foster Care Grant
TN HOPE Scholarship for Non Traditional Students	Helping Heroes Grant
TN Rural Health Loan Forgiveness Program	TN Math & Science Teacher Loan Forgiveness Program
Wilder Naifeh Technical Skills Grant	Minority Teaching Fellows Program
Tennessee Teaching Scholars Program	Tennessee Graduate Nursing Loan Forgiveness Program
	Paul Douglas Scholarship Program
Dependent Children Scholarship Program	John R. Justice Student Loan Repayment Program

Currently, the members of the Board of Directors of TSAC, and their principal occupation or affiliation are as follows:

Director	Principal Occupation or Affiliation
The Honorable Bill Haslam (Chairman)	Governor of Tennessee
Dr. Richard Rhoda (Vice Chairman)	Executive Director, Tennessee Higher Education Commission
Dr. Claude O. Pressnell, Jr. (Secretary)	President, Tennessee Independent Colleges and Universities Association
Mr. David H. Lillard, Jr.	Treasurer, State of Tennessee
Mr. Justin P. Wilson	Comptroller of the Treasury, State of Tennessee
Commissioner Mark Emkes	Department of Finance and Administration, State of Tennessee
Mr. Kevin Huffman	Acting Commissioner, State Department of Education
Mr. John Morgan	Chancellor, Tennessee Board of Regents
Dr. Dan Boone	President, Trevecca Nazarene University
Dr. Joe Dipietro	President, University of Tennessee
Dr. J. Gary Adcox	President, Tennessee Proprietary Business School Association, Inc
Mr. Lester McKenzie	President, Tennessee Association of Student Financial Aid Administrators
Mr. William Samuel Stuard, Jr.	Commercial Lender Representative
Mr. Jeff Wilson	Citizen Member
Mr. William Clark Pinkston	Citizen Member
Dr. Fred Johnson	Citizen Member
Mr. John Alexander Peek (Alex)	Student Member

The principal members of TSAC's corporate management are:

Name	Title
Dr. Richard G. Rhoda	Executive Director
Peter Abernathy	Senior Executive Director for Compliance and Legal Affairs
Diane LeJeune	Associate Executive Director for Communication Services
Jane Pennington	Associate Executive Director for Loan Administration
Tim Phelps	Associate Executive Director for Grant and Scholarship Programs
Russ Deaton	Associate Executive Director of Fiscal Policy & Administration

When fully staffed, TSAC employs 56 individuals. TSAC currently receives computer based and administrative assistance from Nelnet Guarantor Solutions, Denver, Colorado.

Pursuant to State of Tennessee law, TSAC has been given full power and authority to guarantee up to 100% of any loan made to a student or to the parents of a student under the provisions of the Higher Education Act. In fulfilling these obligations, TSAC is required by State of Tennessee law to maintain a reserve at least equal to the amount required by the Higher Education Act.

This statutory reserve is invested by the Treasurer of the State of Tennessee along with idle cash of the State of Tennessee, and a pro rata share of the monthly interest earned is paid to TSAC. By agreement, TSAC may withdraw from this investment pool such amounts as may be needed in order to honor its commitment under loan insurance agreements with commercial lenders. At March 31, 2012, TSAC had guaranteed loans outstanding of $3,510,361,927. As of March 31, 2012, the Treasurer of the State of Tennessee held short term investments and cash belonging to TSAC's federal student loan program reserve in the amount of $11,293,542. TSAC has always been in compliance with State of Tennessee and Federal Reserve requirements.

TSAC's "federal reimbursement rate" represents the percentage of default claims (based on dollar value) paid by TSAC that were reimbursed by the Department. As reflected in the preceding paragraph for the last six fiscal years, TSAC was fully reimbursed by the Department and had a "federal reimbursement rate" of 100%, for periods prior to October 1, 1993; 98% for the period of October 1, 1993 to September 30, 1998 and 95% for periods subsequent to October 1, 1998.

As of December 31, 2011, the TSAC loans outstanding for Tennessee schools consists of 24.7% to students attending Board of Regents Universities, 9.4% to community colleges and technology centers, 22% to University of Tennessee institutions, 35.6% to independent private colleges, and 8.2% were to students attending proprietary business and trade schools.

TSAC is currently number four nationally in the traditional collection of defaulted student loans. TSAC is also currently number twelve nationally in the rehabilitation of defaulted borrowers. This program allows defaulted borrowers to bring their loans out of default and back into satisfactory status.

TSAC will provide a copy of its most recent annual report upon receipt of a written request directed to its office at Suite 1510, Parkway Towers, 404 James Robertson Parkway, Nashville, Tennessee 37243 0820, Attention: Jane Pennington (jane.pennington@tn.gov).

THE TRUSTEE

Wells Fargo Bank, National Association is a national banking association and a wholly-owned subsidiary of Wells Fargo & Company. Its corporate trust office is located at Wells Fargo Center, 625 Marquette Avenue, Minneapolis, Minnesota 55402, Attn: Asset Backed Securities Department. A diversified financial services company, Wells Fargo & Company provides banking, insurance, trust, mortgage and consumer finance services throughout the United States and internationally. Wells Fargo Bank, National Association provides retail and

commercial banking services and corporate trust, custody, securities lending, securities transfer, cash management, investment management and other financial and fiduciary services. Wells Fargo Bank, National Association has provided corporate trust services since 1934.

ELIGIBLE LENDER TRUSTEE

The eligible lender trustee for the Issuer and EFS is Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States (the "Eligible Lender Trustee"). It maintains a trust address at 625 Marquette Avenue, Minneapolis, Minnesota 55402. Wells Fargo Bank, National Association has been, and currently is, serving as eligible lender trustee for numerous securitization transactions and programs involving pools of student loan receivables.

The Eligible Lender Trustee, on behalf of the Issuer, has entered into separate Guaranty Agreements with the Guaranty Agencies described in this Private Placement Memorandum with respect to the Financed Student Loans. The Eligible Lender Trustee qualifies as an Eligible Lender and the holder of the Financed Student Loans for all purposes under the Higher Education Act and the Guaranty Agreements.

REPORTS TO NOTEHOLDERS

Not later than four Business Days prior to the Interest Rate Determination Date preceding each Distribution Date, the Issuer will prepare and deliver to the Trustee a certificate which will specify the amounts to be deposited or distributed by the Trustee on the next Distribution Date (the "Distribution Date Certificate"). Upon receipt of the Distribution Date Certificate from the Issuer, the Trustee will prepare a certificate which will include the information described below (the "Distribution Date Information Form"). The Trustee may conclusively rely and accept the information described in the Distribution Date Certificate from the Issuer, with no further duty to know, determine or examine such reports. Once completed, and in any case, on the Interest Rate Determination Date, the Trustee will provide the Distribution Date Information Form to the Issuer. Upon receiving the completed Distribution Date Information Form from the Trustee, the Issuer will post and provide electronic access to the form on EFS' website at www.edsouth.org. The website is not incorporated into and shall not be deemed to be a part of this Private Placement Memorandum. Any Noteholder requesting a copy of the Distribution Date Information Form from the Trustee will be directed to the electronic form posted on EFS' website or such other location from which copies of the Distribution Date Information Form may be obtained. Such reports will not be audited and will not constitute financial statements prepared in accordance with generally adopted accounting principles. The Issuer has authorized the execution, delivery and distribution of this Private Placement Memorandum in connection with the offering and sale of the Offered Notes.

The Distribution Date Information Form prepared by the Trustee and posted by the Issuer on its website will include the following information:

- the amount of the distribution allocable to interest on the Notes with respect to such Distribution Date;
- the amount of the distribution allocable to principal of the Notes with respect to such Distribution Date;
- the amount of Available Funds from the immediately preceding Collection Period, and, if required, the amount of other Available Funds on deposit in the Collection Fund;
- the Pool Balance as of the close of business on the last day of the preceding Collection Period;
- the Parity Ratio with respect to such Distribution Date;
- the amount of the Servicing Fees to be paid to the Master Servicer for payment to the Servicers and the Back-up Servicer with respect to such Distribution Date, the amounts paid by the Master Servicer to the Servicers and the Back-up Servicer with respect to such Distribution Date and the amount of any unpaid Servicing Fees from prior Distribution Dates;

- the amount of any Administration Fees to be paid to the Administrator with respect to such Distribution Date and the amount of any unpaid Administration Fees from prior Distribution Dates;

- the amount of any Subordinate Administration Fees to be paid to the Administrator with respect to such Distribution Date;

- the amount of the annual Trustee Fee (to the extent not previously paid in full) then due and to be paid to the Trustee;

- the amount, if any, allocable to additional payments of principal of the Notes with respect to such Distribution Date;

- the amount to be deposited to the Debt Service Reserve Fund (to reinstate the balance of the Debt Service Reserve Fund up to the Debt Service Reserve Fund Requirement);

- the amounts required to be deposited in the Department Reserve Fund;

- the total amount of distributions with respect to such Distribution Date;

- information concerning LIBOR and the interest rates applicable to the Notes;

- the Class B Interest Cap for such Distribution Date;

- the Class B Carry-Over Amount; and

- whether the Class B Interest Subordination Trigger Event has occurred and is continuing.

In the event EFS no longer maintains, or is no longer able to maintain, its website for this purpose, the Trustee will post and provide electronic access to the Distribution Date Information Form on a website, currently http://ctslink.com. The website is not incorporated into and shall not be deemed to be part of this Private Placement Memorandum.

TAX MATTERS

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, NOTEHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PRIVATE PLACEMENT MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY NOTEHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON NOTEHOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCLOSURE IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) NOTEHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

General

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Notes. The summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Notes held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Notes as a hedge against currency

risks or as a position in a "straddle," "hedge," "constructive sale transaction" or "conversion transaction" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers except where otherwise specifically noted. Potential purchasers of the Notes should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Notes.

The Issuer and EFS have not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

U.S. Holders

As used herein, the term ''U.S. Holder'' means a beneficial owner of Notes that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Notes, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Notes, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Notes.

Characterization of the Issuer

For so long as 100% of the membership interests in the Issuer and Notes that are recharacterized as equity are owned by EFS, an entity disregarded as separate from EFS or by another single owner, the Issuer will be treated as a disregarded entity for federal income tax purposes.

Characterization of the Notes as Indebtedness

While the matter is not free from doubt, in the opinion of our counsel, Nixon Peabody LLP, the Class A-1 Notes and the Class A-2 Notes will be and the Class A-3 Notes should be characterized as debt for U.S. federal income tax purposes. The Issuer intends to treat the Notes as debt for federal income tax purposes, except where otherwise stated. If, however, the Internal Revenue Service were to successfully assert that the Notes were not indebtedness, the Notes could be treated as interests in a partnership.

The remainder of this federal income tax discussion assumes that the Issuer is treated as the owner of the Financed Student Loans for federal income tax purposes, and that the Notes are treated as indebtedness for federal income tax purposes.

Stated Interest

Interest on the Notes is not excluded from gross income for federal income tax purposes under Code section 103 and so will be fully subject to federal income taxation. Purchasers (other than those who purchase Notes in the initial offering at their principal amounts) will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Notes. In general, interest paid on the Notes and recovery of any accrued market discount will be treated as ordinary income to a Noteholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the U.S. Holder's basis in the Notes and capital gain to the extent of any excess received over such basis.

Original Issue Discount

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Notes issued with original issue discount ("Discount Notes"). The Class A-3 Notes will and the Class A-1 and Class A-2 Notes will not be issued with original issue discount. A Note will be treated as having been issued at an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Notes of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Note's stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Note's "stated redemption price at maturity" is the total of all payments provided by the Note that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Note is the sum of the "daily portions" of original issue discount with respect to such Note for each day during the taxable year in which such holder held such Note. The daily portion of original issue discount on any Discount Note is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Note, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the sum of the issue price of the Discount Note plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Note that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Note by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Market Discount

Any owner who purchases a Note at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Note as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax

Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Note who acquires such Note at a market discount also may be required to defer, until the maturity date of such Notes or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Note in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Note. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Note for the days during the taxable year on which the owner held the Note and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Note matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the Noteholder elects to include such market discount in income currently as described above.

Bond Premium

A purchaser of a Note who purchases such Note at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Notes held by the holder on the first day of the taxable year to which the election applies and to all Notes thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Notes who acquire such Notes at a premium should consult with their own tax advisors with respect to state and local tax consequences of owning such Notes.

Surtax on Unearned Income

Recently enacted legislation generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates for taxable years beginning after December 31, 2012. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this legislation in their particular circumstances.

Sale or Redemption of Notes

A Noteholder's tax basis for a Note is the price such owner pays for the Note plus the amount of OID and market discount previously included in income and reduced on account of any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Note, measured by the difference between the amount realized and the Note basis as so adjusted, will generally give rise to capital gain or loss if the Note is held as a capital asset (except in the case of Notes acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of the Notes are materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral.

EACH POTENTIAL HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE OR REDEMPTION OF THE NOTES, AND (2) THE CIRCUMSTANCES IN WHICH NOTES WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

Non-U.S. Holders

The following is a general discussion of certain United States federal income and estate tax consequences resulting from the beneficial ownership of Notes by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a "Non-U.S. Holder").

Subject to the discussion of backup withholding and newly enacted legislation below, payments of principal by the Issuer or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to U.S. withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, U.S. withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10-percent or more of the voting equity interests of the Issuer, (2) is not a controlled foreign corporation for United States tax purposes that is related to the Issuer (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS FormW-8 (series) to the Issuer or its agent under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business and that also holds the Notes must certify to the Issuer or its agent under penalties of perjury that such statement on IRS Form W-8BEN or W-8IMY has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from U.S. withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and OID payments. U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including OID. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Issuer or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Note held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Note will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Any capital gain realized on the sale, exchange, retirement or other disposition of a Note by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

Recently enacted legislation and IRS guidance imposes U.S. withholding tax on interest payments made after December 31, 2013 and proceeds of sale of interest-bearing obligations for payments made after December 31, 2014 to certain foreign financial institutions and non-financial foreign entities if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. In general, it is expected that the withholding tax will not apply to obligations that are issued prior to March 18, 2012. Accordingly, this legislation should not apply to interest payments and proceeds of sale in respect of the Notes made after the applicable dates. As noted above, the Issuer will not be obligated to pay any additional amounts to "gross up" payments to the Noteholders or beneficial

owners of the Notes as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Notes.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of United States withholding and other taxes upon income realized in respect of the Notes.

Information Reporting and Backup Withholding

For each calendar year in which the Notes are outstanding, the Issuer is required to provide the IRS with certain information, including a holder's name, address and taxpayer identification number (either the holder's Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the Issuer, its agents or paying agents or a broker may be required to make "backup" withholding of tax on each payment of interest or principal on the Notes. This backup withholding is not an additional tax and may be credited against the U.S. Holder's federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the Issuer or any of its agents (in their capacity as such) to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under "—Non-U.S. Holders" above), or has otherwise established an exemption (provided that neither the Issuer nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Note to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following:

- a U.S. person;
- a controlled foreign corporation for U.S. tax purposes;
- a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or
- a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Note to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Notes, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES.

STATE TAX CONSIDERATIONS

In addition to the federal income tax consequences described under "TAX MATTERS" in this Private Placement Memorandum, potential holders of the Notes should consider the state income tax consequences of the acquisition, ownership, and disposition of the Notes. State income tax law may differ substantially from the corresponding federal law, and this discussion does not describe any aspect of the income tax laws of any state. We strongly encourage you to consult your own tax advisors with respect to the various state tax consequences of an investment in the Notes.

CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

Subject to the following discussion, the Notes may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts or annuities, Keogh plans and other plans covered by Section 4975 of the Code (each a "Plan"). Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the Code prohibit a Plan subject to those provisions (each, a "Benefit Plan Investor") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan Investor. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified, and in accordance with the governing plan documents. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA) and non-electing church plans (as defined in Section 3(33) of ERISA) are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code. However, such plans may be subject to similar restrictions under applicable state, local, or other law ("Similar Law").

Certain transactions involving the Issuer might be deemed to constitute prohibited transactions under ERISA and the Code with respect to a Benefit Plan Investor that purchased Notes if assets of the Issuer were deemed to be assets of the Benefit Plan Investor. Under ERISA Section 3(42) and United States Department of Labor Regulation Section 2510.3-101 (the "Regulation"), the assets of the Issuer would be treated as plan assets of a Benefit Plan Investor for the purposes of ERISA and the Code only if the Benefit Plan Investor acquired an "equity interest" in the Issuer and none of the exceptions contained in the Regulation was applicable. An equity interest is defined under the Regulation as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although not free from doubt, the Issuer believes that, at the time of their issuance, the Notes as described herein should be treated as indebtedness of the Issuer under applicable local law without substantial equity features for purposes of the Regulation. This determination is based upon the traditional debt features of the Notes, including the reasonable expectation of purchasers of Notes that the Notes will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features. The debt treatment of the Notes for ERISA purposes could change subsequent to their issuance. In the event of a withdrawal or downgrade to below investment grade of the rating of the Notes or a characterization of the Notes as other than indebtedness under applicable local law, the subsequent purchase of the Notes or any interest therein by a Benefit Plan Investor is prohibited.

In the event that the Notes cannot be treated as indebtedness for purposes of ERISA, under an exception to the Regulation, the assets of a Plan will not include an interest in the assets of an entity, the equity interests of which are acquired by the Plan, if at no time do Plans in the aggregate own 25% or more of the value of any class of equity interests in such entity, as calculated under Section 3(42) of ERISA and the Regulation. Because the availability of this exception depends upon the identity of the holders of the Notes at any time, there can be no assurance that the Notes will qualify for this exception and that the Issuer's assets will not constitute a plan asset subject to ERISA's fiduciary obligations and responsibilities. Therefore, a Plan should not acquire or hold Notes in reliance upon the availability of this exception under the Regulation.

However, without regard to whether the Notes are treated as an equity interest for purposes of the Regulation, the acquisition or holding of Notes by or on behalf of a Benefit Plan Investor could be considered to give rise to a prohibited transaction if the Issuer, the transferor, the Administrator, the Master Servicer, the Underwriter or the Trustee is or becomes a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding

of Notes by a Benefit Plan Investor depending on the type and circumstances of the Plan fiduciary making the decision to acquire such Notes and the relationship of the party in interest to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and non-fiduciary service providers to the Benefit Plan Investor; Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transaction effected by "in-house asset managers;" PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investments funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes, and prospective purchasers that are Benefit Plan Investors should consult with their legal advisors regarding the applicability of any such exemption.

By acquiring a Note (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a Plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Note (or interest therein) with the assets of a Benefit Plan Investor, governmental plan or church plan; or (ii) the acquisition and holding of the Note (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. Benefit Plan Investors may not purchase the Notes at any time that the ratings on the Notes are below investment grade or the Notes have been characterized as other than indebtedness for applicable local law purposes. A purchaser or transferee who acquires Notes with assets of a Benefit Plan Investor represents that such purchaser or transferee has considered the fiduciary requirements of ERISA or other similar laws and has consulted with counsel with regard to the purchase or transfer.

A plan fiduciary considering the purchase of Notes should consult its legal advisors regarding the matters discussed above and other applicable legal requirements.

PLAN OF DISTRIBUTION

General

The Offered Notes are being offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated and BMO Capital Markets GKST, Inc. (the "Initial Purchasers") to prospective purchasers from time to time in individually negotiated transactions at varying prices and other terms to be determined in each case at the time of sale, within the United States to "qualified institutional buyers" (as defined in Rule 144A) in reliance on Rule 144A. The Class B Notes are not being offered or purchased by the Initial Purchasers.

Subject to the terms and conditions set forth in a note purchase agreement (the "Note Purchase Agreement") between the Issuer and the Initial Purchasers, the Issuer will agree to sell the Offered Notes to the Initial Purchasers, and the Initial Purchasers will agree to purchase the Offered Notes from the Issuer at a price of $667,350,048 (which is the par amount of the Class A Notes, minus the discount of $12,449,952). The Initial Purchasers will be paid initial purchaser fees and commissions in the aggregate amount of $2,719,200.

It is expected that delivery of the Offered Notes will be made only in book-entry form through the same day funds settlement system of DTC on or about the Issue Date, against payment therefor in immediately available funds.

In the Note Purchase Agreement, the Initial Purchasers have agreed, subject to the terms and conditions set forth therein, to purchase the Offered Notes. The Note Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of its Offered Notes is subject to, among other things, the receipt of certain legal opinions and the satisfaction of other conditions.

The sale of the Offered Notes by the Initial Purchasers may be effected from time to time in one or more negotiated transactions, or otherwise, at varying prices to be determined at the time of sale. The Initial Purchasers may effect such transactions by selling their Offered Notes to or through dealers, and such dealers may receive

compensation in the form of discounts, concessions or commissions from the Initial Purchasers for whom they act as agent.

The Note Purchase Agreement provides that the Issuer and EFS will indemnify the Initial Purchasers, and that under limited circumstances the Initial Purchasers will indemnify the Issuer and EFS against certain civil liabilities under federal or state securities laws.

The Notes are a new class of securities with no established trading market. Although the Initial Purchasers have advised that they may from time to time make a market in the Offered Notes, the Initial Purchasers are under no obligation to do so, a market may fail to develop despite some degree of market-making activities and the Initial Purchasers may discontinue market-marking activities at any time without prior notice. There can be no assurance that a secondary market for the Notes will develop or, if it does develop, that it will continue or that the prices at which the Notes will sell in the market after this offering will not be lower or higher than the initial offering price. The primary source of ongoing information available to investors concerning the Notes will be the statements discussed in this Private Placement Memorandum under "REPORTS TO NOTEHOLDERS." There can be no assurance that any additional information regarding the Notes will be available through any other source. In addition, the Issuer is not aware of any source through which price information about the Notes will be generally available on an ongoing basis. The limited nature of such information regarding the Notes may adversely affect the liquidity of the Notes, even if a secondary market for the Notes becomes available.

The Initial Purchasers and some of their respective affiliates have in the past engaged, and may in the future engage, in commercial or investment banking activities with the Issuer, EFS or their affiliates, and may trade in their securities. In this regard, as of June 1, 2012, Merrill Lynch, Pierce, Fenner & Smith Incorporated and/or its affiliates collectively owned approximately $133 million of the EFS Existing Bonds and BMO Capital Markets GKST Inc. and/or its affiliates collectively owned $0 aggregate principal amount of EFS Existing Bonds. The Issuer may, from time to time, invest the funds in the accounts in eligible investments acquired from the Initial Purchasers.

Merrill Lynch, Pierce, Fenner & Smith Incorporated may be contacted at its principal office at One Bryant Park, NY1-100-04-00, New York, New York 10036, telephone (646) 855-9095 Attention: Managing Director, ABS Trading.

BMO Capital Markets GKST Inc. may be contacted at its principal office at 115 S. LaSalle, 37th Floor, Chicago, IL 60603, Attn: James Fitzgerald, telephone (312) 845-4140.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements presented in this Private Placement Memorandum constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may vary materially from such expectations. Investors should not place undue reliance on those forward-looking statements. When used in this Private Placement Memorandum, the words "estimate," "intend," "expect," "assume," and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material. Please review the factors described in this Private Placement Memorandum under "RISK FACTORS—Experience May Vary from Assumptions" which could cause the actual results to differ from expectations.

Forward-looking statements speak only as of the date of the document in which they are made. We disclaim any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances on which the forward-looking statement is based.

INVESTOR SUITABILITY

Except for the Notes held or purchased by an affiliate of the Issuer, the Notes may be purchased only by investors who are "qualified institutional buyers" ("Qualified Institutional Buyer" or "QIB"), as defined in Rule 144A promulgated under the Securities Act ("Rule 144A"). In addition, the Notes are subject to certain restrictions on transfer. See "NOTICE TO INVESTORS: TRANSFER RESTRICTIONS" herein. The Issuer will have the right, in its sole and absolute discretion, to reject a subscription for Notes in whole or in part, or to allot less than the principal amount of Notes for which subscriptions are received for any reason. See "PLAN OF DISTRIBUTION."

THE FOREGOING SUITABILITY STANDARDS ARE MINIMUM REQUIREMENTS FOR PROSPECTIVE PURCHASERS OF THE NOTES. THE SATISFACTION OF SUCH STANDARDS DOES NOT NECESSARILY MEAN THAT THE NOTES ARE A SUITABLE INVESTMENT FOR A PROSPECTIVE INVESTOR OR THAT ITS SUBSCRIPTION WILL BE ACCEPTED IN WHOLE OR IN PART BY THE ISSUER. ACCORDINGLY, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT WITH ITS OWN TAX AND FINANCIAL ADVISERS TO DETERMINE WHETHER AN INVESTMENT IN THE NOTES IS APPROPRIATE IN LIGHT OF ITS INDIVIDUAL TAX AND FINANCIAL SITUATION. SEE "RISK FACTORS" AND "TAX MATTERS."

NOTICE TO INVESTORS: TRANSFER RESTRICTIONS

Each purchaser of Offered Notes from the Initial Purchasers, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

- It understands and acknowledges that the Offered Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, that the Notes have not been and will not be registered or qualified under the Securities Act or any other applicable securities laws and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws, pursuant to an exemption therefrom or in a transaction not subject thereto and in each case in compliance with the conditions for transfer set forth below.

- It is a QIB and is aware that any sale of the Offered Notes to it will be made in reliance on Rule 144A. Such acquisition will be for its own account or for the account of a QIB.

- It acknowledges that none of the Issuer, the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to it with respect to the Issuer or the offering or sale of any Offered Notes, other than the information contained herein, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Offered Notes. It has had access to such financial and other information concerning the Issuer and the Offered Notes as it has deemed necessary in connection with its decision to purchase the Offered Notes, including an opportunity to ask questions of and request information from the Issuer and the Initial Purchasers.

- It is purchasing the Offered Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Offered Notes pursuant to Rule 144A or any other exemption from registration available under the Securities Act. It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Offered Notes, and each subsequent purchaser of the Offered Notes by its acceptance thereof, will agree, to offer, sell or otherwise transfer such Offered Notes only (a) to the Issuer; or (b) to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB; and, with respect to (b), to whom notice is given that the transfer is being made in reliance on Rule 144A. Each purchaser acknowledges that each Offered Note will contain a legend substantially similar to the following:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER ANY STATE SECURITIES OR BLUE SKY LAW OF ANY STATE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY TO AN AFFILIATE OF THE ISSUER OR A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A. THE HOLDER HEREOF, BY PURCHASING THIS NOTE REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER, THE TRUSTEE AND THE INITIAL PURCHASERS THAT IT IS EITHER AN AFFILIATE OF THE ISSUER OR A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A OR AN ENTITY WHICH ALL THE EQUITY OWNERS COME WITHIN SUCH PARAGRAPHS AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION.

- It (A) is not itself, and is not acquiring the Offered Notes with "plan assets" of, an employee benefit or other plan or arrangement, including, but not limited to, an individual retirement account or annuity, a Keogh plan, a bank collective investment fund, or an insurance company general or separate account subject to ERISA or Section 4975 of the Code (each, a "Plan"), or an entity whose underlying assets include "plan assets" (as defined in the Plan Assets Regulation) by reason of any Plan's investment in the entity (a "Plan Asset Entity") or (B) (1) is itself, or is acquiring the Offered Notes with the assets of, an "investment fund" (within the meaning of Part V(b) of PTCE 84-14) managed by a "qualified professional asset manager" (within the meaning of Part V(a) of PTCE 84-14) which has made or properly authorized the decision for such fund to purchase the Offered Notes, under circumstances such that PTCE 84-14 is applicable to the purchase and holding of such Offered Notes, (2) is itself, or is acquiring Offered Notes with the assets of, a Plan managed by an "in-house asset manager" (within the meaning of Part IV(a) of PTCE 96-23) which has made or properly authorized the decision for such Plan to purchase the Offered Notes, under circumstances such that PTCE 96-23 is applicable to the purchase and holding of such Offered Notes, (3) is an insurance company pooled separate account purchasing Offered Notes pursuant to Part I of PTCE 90-1 or a bank collective investment fund purchasing Offered Notes pursuant to Part I of PTCE 91-38, and in either case, no Plan owns more than 10% of the assets of such account or collective fund (when aggregated with other Plans of the same employer (or its affiliates) or employee organization), or (4) is an insurance company using the assets of its general account to purchase the Offered Notes pursuant to Part 1 of PTCE 95-60, in which case the reserves and liabilities for the general account contracts held by or on behalf of any Plan, together with any other Plans maintained by the same employer (or its affiliates) or employee organization, do not exceed 10% of the total reserves and liabilities of the insurance company general account (exclusive of separate account liabilities), plus surplus as set forth in the National Association of Insurance Commissioners Annual Statement filed with the state of domicile of the insurer.

- Each purchaser and each transferee of an Offered Note shall be deemed to represent and warrant that either (a) it is not a Plan, (b) its purchase and holding of the Offered Notes will not result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan or non-electing church plan, any substantially similar applicable law) or (c) its acquisition or holding of Offered Notes will not (i) result in any of the Offered Notes, any interest in any of them or any security for any of them being deemed to be assets of a Plan and subject to the prohibited transaction provisions of ERISA and the Code (or other applicable federal or state laws); and (ii) will not subject the Issuer, Trustee, or any of their respective affiliates, to any obligation not specifically undertaken herein, including, but not limited to, fiduciary obligations under ERISA and the Code (or other applicable federal or state laws); and (iii) will promptly dispose of the Offered Notes or interest therein if any Offered Notes are subsequently deemed to constitute the assets of a Plan.

- It acknowledges that the Issuer, Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of Offered Notes is no longer accurate, it will promptly notify the Initial Purchasers and the Issuer. If it is acquiring any Offered Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect

to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Each subsequent purchaser of Class B Notes from EFS, by its acceptance thereof, will be deemed to have made all of the acknowledgements, representations and agreements as set forth above with the Issuer and EFS with respect to the Class B Notes.

RATINGS

It is a condition to the issuance of the Notes that (i) the Class A-1 Notes be rated "AA+(sf)" by S&P and "AAAsf" by Fitch; (ii) the Class A-2 Notes be rated "AA+(sf)" by S&P and "AAAsf" by Fitch; (iii) the Class A-3 Notes be rated "AA+(sf)" by S&P and "AAAsf" by Fitch. The Class B Notes will not be rated. The Issuer has furnished S&P and Fitch with certain information and materials concerning the Notes and the Issuer, some of which is not included in this Private Placement Memorandum. Generally, a Rating Agency bases its rating on such information and materials and also on such investigations, studies, and assumptions as each may undertake or establish independently.

A rating is not a recommendation to buy, sell or hold the Notes and any such rating should be evaluated independently. Each rating is subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the Notes. None of the Issuer or the Initial Purchasers has undertaken any responsibility either to bring to the attention of the Noteholders any proposed change in or withdrawal of the rating of the Notes or to oppose any such change or withdrawal.

LEGAL MATTERS

Certain legal matters, including certain income tax matters, will be passed upon for the Issuer by Nixon Peabody LLP and certain legal matters will be passed upon for the Initial Purchasers by Kutak Rock LLP.

ACCOUNTING CONSIDERATIONS

Various factors may influence the accounting treatment applicable to an investor's acquisition and holding of asset-backed securities. Accounting standards, and the application and interpretation of such standards, are subject to change from time to time. Before making an investment in the Notes, potential investors are strongly encouraged to consult their own accountants for advice as to the appropriate accounting treatment for their Class of Notes.

LITIGATION

There is currently no litigation pending, or, to the knowledge of the Issuer, threatened, that would have the effect of prohibiting, restraining or enjoining the issuance, sale, or delivery of the Notes, or in any way contesting or affecting the validity of the Notes, any proceedings of the Issuer taken with respect to the issuance or sale thereof, or the pledge of the Trust Estate as provided by the Indenture or the due existence or powers of the Issuer.

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EXHIBIT I

SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

INTRODUCTION

Generally

Beginning on July 1, 2010, FFELP Loans made pursuant to the Higher Education Act may no longer be originated, and new federal student loans must be originated under the Federal Direct Student Loan Program ("FDSLP" or the "Direct Loan Program"). However, FFELP Loans originated under the Higher Education Act prior to July 1, 2010 which have been acquired or are anticipated to be acquired by the Issuer (including the Financed Student Loans described in this Private Placement Memorandum under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO") continue to be subject to the provisions of the FFELP. The following description of the FFELP has been provided solely to explain certain of the provisions of the FFELP applicable to FFELP Loans made on or after July 1, 1998 and prior to July 1, 2010.

The Federal Family Education Loan Program (the "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. **Notwithstanding anything herein to the contrary, after June 30, 2010, no new FFELP Loans (including Consolidated Loans) may be made or insured under the FFELP, and no funds are authorized to be appropriated, or may be expended, under the Higher Education Act to make or insure loans under the FFELP (including Consolidation Loans) for which the first disbursement is after June 30, 2010, except as expressly authorized by an Act of Congress enacted after the date of enactment of SAFRA (hereinafter defined).**

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 Private Placement Memorandum. Neither the Issuer, the Initial Purchasers, nor their respective counsel are under any obligation to update or supplement the information herein contained after the date hereof.

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.

The Direct Loan Program 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 FDSLP utilizes direct federal funding of student loans through participating educational institutions. Beginning July 1, 2010, all new federal student loans must be originated under the FDSLP.

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. Below is a summary of certain recent amendments to the FFELP under the Higher Education Act culminating in the Reconciliation Act (as defined below). 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 U.S. Department of Education (the "Department") or upon the financial condition of the Issuer.

September 2007: The College Cost Reduction and Access Act of 2007 was signed into law on September 27, 2007, and made substantial changes to the FFELP. On November 1, 2007, the Secretary released associated final regulations to amend the FFELP, which went into effect on July 1, 2008. Among other things, the proposed regulations incorporate, with some modifications, current interpretive and clarifying guidance on prohibited inducements and activities provided to lenders and guaranty agencies. In addition, the regulations also specify the requirements that a school must meet if it chooses to provide a preferred lender list, including that the preferred lender list contain at least three lenders that are not affiliated with each other.

The College Cost Reduction and Access Act of 2007 also converts the parent PLUS Loan Program to an auction format. In consultation with other federal agencies, the Department is required to plan and implement the auction of all new parent PLUS Loans in the FFELP. A separate loan origination rights auction is to be held bi-annually for each state, with two winning bidders selected for each state for that two-year period. However, the initial PLUS Loan original rights auction was initially scheduled to be held on April 15, 2009, but the Department cancelled the initial auction on April 9, 2009 due to insufficient interest to participate in the auction amongst eligible lenders in each state.

May 2008: In response to recent disruptions in the credit markets and the announcement by several lenders that they will no longer originate or acquire FFELP loans, the Ensuring Continued Access to Student Loans Act of 2008 was enacted and signed into law by the President on May 7, 2008. The Ensuring Continued Access to Student Loans Act amends the Higher Education Act to:

- increase annual loan limits and aggregate loan limits on federal unsubsidized loans;
- provide deferrals to parent borrowers to begin repayment of PLUS loans until up to six months after students leave school; and
- provide temporary authority to the Department to purchase certain FFELP loans first disbursed on or after October 1, 2003 and before July 1, 2009 from any eligible lender.

The Higher Education Extension Act of 2008 was signed into law to extend temporarily the authority for certain programs under the Higher Education Act to April 30, 2008. The current reauthorization of the Higher Education Act expires in 2014.

August 2008: On August 14, 2008, the President signed into law H.R. 4137, the Higher Education Opportunity Act (the "HEOA"), which reauthorizes and makes changes to many of the federal student aid programs. Some of the changes made by HEOA include changing the definition of an institution of higher education to explicitly include home schooled students, and clarifying that a borrower may elect to participate in the income-based repayment plan if their loan had been in default in the past but was subsequently rehabilitated.

October 2008: On October 7, 2008, the President signed into law H.R. 6889, extending the authority of the Secretary of Education to purchase certain FFELP loans first disbursed on or after July 1, 2009 but before July 1, 2010 upon the determination that there is an inadequate availability of loan capital to meet the demand for such loans.

July 2009: On July 1, 2009, the President signed into law H.R. 1777, the HEOA technical corrections package (the "Technical Corrections Package"). Changes made by the Technical Corrections Package include clarifying that lenders and guaranty agencies may provide both entrance and exit counseling, expanding the Department's temporary authority to purchase loans to include rehabilitated loans (and requiring lenders to use proceeds of such sales to make additional FFELP loans) and changing the subjects to whom guaranty agencies and lenders are prohibited from offering inducements from "any institution of higher education or the employees of an institution of higher education" to "any institution of higher education, any employee of an institution of higher education, or any individual or entity."

September 2009: On February 26, 2009, the President introduced several proposals related to the fiscal year 2010 Federal budget, including a proposal for the elimination of the FFELP and a recommendation that all new student loan originations be funded through the Direct Loan Program, with loan servicing to be provided by private sector companies through performance-based contracts with the Department. On April 29, 2009, Congress passed a budget resolution including the President's proposal to eliminate the FFELP using the budget reconciliation procedure. The resolution also includes non-binding language to maintain "a competitive private sector role in the student loan program." On September 17, 2009, the U.S. House of Representatives approved the Student Aid and Fiscal Responsibility Act of 2009 ("SAFRA"), which would end subsidies for private lenders that provide federally guaranteed student loans. Under the provisions of SAFRA, the federal government would make all such federal loans as of July 1, 2010. The version of SAFRA approved by the U.S. House of Representatives in 2010 as the Reconciliation Act also provides for the conversion in 2012 of the interest rate on subsidized Stafford loans to a variable rate from its current fixed rate.

March 2010: On March 25, 2010 both the U.S. House of Representatives and the U.S. Senate passed the Health Care and Education Reconciliation Act of 2010 ("Reconciliation Act"). The President signed the Reconciliation Act into law on March 30, 2010. The Reconciliation Act is similar to the version of SAFRA approved by the U.S. House of Representatives. The Reconciliation Act ends the FFELP, requiring all institutions to switch to the Direct Loan Program by July 1, 2010 and mandating that no subsequent loans be made under the FFELP after June 30, 2010. The Reconciliation Act includes provisions that limit student loan repayments under the income-based repayment plan for federal student loans to no more than 10% of such student's income and forgive student loans after 20 years, instead of the current 25 years. **Due to the enactment of the Reconciliation Act, FFELP Loans made pursuant to the Higher Education Act will no longer be originated and new federal student loans will be originated solely under the Direct Loan Program beginning on July 1, 2010.**

We cannot predict whether further changes will be made to the Higher Education Act in future legislation or the effect of such legislation on a Guaranty Agency or the Financed Student Loans or on our ability to have the Financed Student Loans serviced.

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 Issuer and the Financed Student Loans.

THE FEDERAL STAFFORD LOAN PROGRAM

Generally. FFELP provided for (a) a Stafford Loan Program, which included (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 student loans or paid by holders to the Secretary; and (b) an unsubsidized Stafford Loan Program, which included 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 subsidized 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 or planning to carry 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) has submitted the Free Application for Federal Student Aid,

(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. The annual Stafford Loan limit for an academic year for loans first disbursed prior to July 1, 2010 under FFELP 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 previously disbursed prior to July 1, 2010 under FFELP is generally $31,000 for undergraduates (excluding PLUS and SLS Loans) of which no more than $23,000 can be subsidized and $138,500 for graduate and professional students (including consolidation loans and undergraduate loans) of which only $65,500 can be subsidized. These loan limits may be increased substantially in some circumstances. See "THE FEDERAL 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, but before September 13, 1983, 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.

Servicemembers Civil Relief Act – 6.00% Interest Rate Limitation. As of August 14, 2008, FFELP loans incurred by a servicemember, or by a servicemember and the servicemember's spouse jointly, before the servicemember enters military service may not bear interest at a rate in excess of 6.00% during the period of military service. It is not clear at this time, however, if this interest rate limitation applies to a servicemember's already existing student loans or only to new student loans incurred by the servicemember on or after August 14, 2008 but prior to the servicemember's military service.

Fixed Interest Rates. All Stafford Loans disbursed on or after July 1, 2006 but before July 1, 2010, 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%

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 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 Guaranty 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, 2014, for Student Loans to new borrowers and September 30, 2018, for Student Loans to existing borrowers. The Reconciliation Act further limits the Secretary's authority to provide interest subsidies for FFELP loans originated under the Higher Education Act to FFELP loans originated before July 1, 2010.

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%, in each case 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 no more than sixty days 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 required for all loans first disbursed prior to July 1, 2010 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, except that the borrower must repay annually a minimum amount equal to the lesser of $600 or the borrower's loan balance; 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, in which case the government will pay the unpaid interest on subsidized Stafford Loans (both direct loans and FFELP loans) for up to three consecutive years from when the income-based repayment plan is entered into. After three years, and for all other types of loans, interest that accrues is capitalized when the borrower is no longer eligible for an income-based repayment amount.

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 to repay a maximum of $5,000 (combined total for loans obtained under both the FFELP and the FDSLP) 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) if such borrower has been employed as a full-time teacher for five consecutive complete academic years, at least one of which was after the 1997-1998 academic year, in certain eligible elementary or secondary schools that serve low-income families. 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 FDSLP loan on October 1, 1998, or had no outstanding balance on a FFELP or a FDSLP 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 FDSLP to consolidate FFELP loans and/or other FDSLP loans for the purposes of using the FDSLP 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 "THE FEDERAL PLUS LOAN PROGRAM" below). Loans under this new program were designated "Auxiliary Loans to Assist Students" or "ALAS" and subsequently renamed "Supplemental Loans for 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 FDSLP 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.

For loans disbursed on or after July 1, 2008, annual loan limits are those applicable to subsidized Stafford Loans but are increased for dependent undergraduate students and for independent undergraduate students or undergraduate students whose parents are unable to borrow under the FFELP PLUS Program or the FDSLP PLUS Program by $2,000.

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 $46,000 for an undergraduate 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 FDSLP. Effective July 1, 2008, the aggregate limit for independent undergraduate students and dependent undergraduate students where the parents were denied a PLUS Loan increased to $57,500 of which no more than $23,000 can be subsidized.

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 for the last calendar week, 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, plus 3.10%.

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. The interest rate of such a refinanced 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 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, made on or after July 1, 1993, borrowers or a loan endorser, as applicable, cannot have an adverse credit history.

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 October 1, 1998, 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 but before July 1, 2010, 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. The interest rate of such a refinanced 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 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.

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 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 or income-based 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. Also, Consolidation Loans can be made to allow the FFELP borrower to participate in a public service loan forgiveness program offered under the Direct Loan Program. Consolidation Loans can be made to allow the FFELP borrower to use the no accrual of interest for active duty service members benefit offered under the Direct Loan Program for not more than sixty months for loans first disbursed on or after October 1, 2008.

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 and that were disbursed prior to July 1, 2010, bear interest at a fixed rate equal to the lesser of (i) the weighted average interest rate of the loans consolidated, rounded up to the nearest 1/8th of one percent, and (ii) 8.25%. 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, income-sensitive or income-based 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 (or twenty-five (25) years for applications received prior to January 1, 1993), 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 (except in the case of an income-based repayment schedule).

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 Payment 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 or income-based 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 FDSLP. Such direct Consolidation Loans shall be repaid either pursuant to income contingent repayment, income-based repayment or any other repayment provisions under the Consolidation Loan provisions. If the Secretary determines that the Department does not have the necessary origination and servicing arrangements in place for such loans, the Secretary shall not offer such loans.

SPECIAL DIRECT CONSOLIDATION LOANS

Purpose. Special Direct Consolidation Loans are intended to help borrowers manage their debt by ensuring all of their federal loans are serviced by the same entity, resulting in one bill and one payment. Borrowers will also receive an interest rate reduction on Special Direct Consolidation Loans as a repayment incentive.

Eligibility. Under the Special Direct Consolidation Loans, an eligible borrower means a borrower with at least one student loan held by the Department (a Direct Loan or a Federal Family Education Loan (FFEL) owned by the Department and serviced by one of the Department's servicers, and at least one commercially-held FFEL loan (a FFEL loan that is owned by a FFEL lender and serviced either by that lender or by a servicer contracted by that lender). Only the commercially-held FFEL loans are eligible for consolidation under the Special Direct Consolidation Loans. The commercially-held FFEL loans include: (1) FFEL Subsidized and Unsubsidized Stafford Loans, (2) FFEL PLUS Loans (both those taken out by graduate/professional students and those taken out by a parent to pay for the costs of an undergraduate student), and (3) FFEL Consolidation Loans. These loans must be in grace, repayment, deferment, or forbearance.

Interest Rates. If the borrower consolidates into a Special Direct Consolidation Loan, the borrower will receive a 0.25% interest rate reduction from the current interest rate on such commercially-held FFEL loan(s) as of the date of consolidation. The interest rate will be fixed for the life of the loan and cannot exceed 8.25%.

Repayment. Under the Special Direct Consolidation Loans, the following repayment plans are provided: (1) Standard Repayment Plan, (2) Graduated Repayment Plan, (3) Extended Repayment Plan, (4) Income-Contingent Repayment (ICR) Plan, and (5) Income-Based Repayment (IBR) Plan. However, the repayment plan does not start over when the borrower receives a Special Direct Consolidation Loan. Instead, each consolidated commercially-held FFEL loan will retain its original repayment term. For example, if the borrower had made three years of loan payments on a 10 year standard repayment plan prior to consolidating a Federal Stafford Loan and the borrower chooses the Standard Repayment Plan for the Special Direct Consolidation Loan, the borrower's repayment term would continue to be 7 years. Also, if the Special Direct Consolidation Loan includes a parent Federal PLUS Loans, or Federal Consolidation Loans that repaid parent PLUS loans, that portion of the borrower's consolidation loan may not be repaid under the IBR plan. However, the borrower has the option of paying that portion of the loan under the ICR plan.

Public Service Loan Forgiveness Program (the "PSLF Program"). By consolidating the commercially-held FFEL loans into a Special Direct Consolidation Loan, those loans become Direct Loans, and become eligible for the PSLF Program if the borrower meets the PSLF Program's requirements. Under the PSLF Program, the borrower may qualify for forgiveness of the remaining balance due on the eligible Direct Loans after the borrower makes 120 payments on those loans under certain repayment plans while employed full time by certain public service employers.

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 for any loan revenue in excess of the special allowance support level for loans disbursed on or after April 1, 2006 and before July 1, 2010.

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 October 1, 1992, and before January 1, 2000, Special Allowance Payments are based on the T-Bill Basis plus 3.1%. 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 Student Loans first disbursed on or after January 1, 2000 but before July 1, 2010 (or in the case of Consolidation Loans, applications received on or after January 1, 2000), the Special Allowance Payment is calculated based on either (i) the one-month LIBOR quoted for that quarter, as described below or (ii) 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 but before July 1, 2010, and Held by For-Profit Holder	Loans Made on or after October 1, 2007 but before July 1, 2010, 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.

Public Law 112-74, dated December 23, 2011, amended the Higher Education Act, reflecting financial market conditions, to allow FFELP lenders to make an affirmative election to permanently change the index for Special Allowance Payment calculations on all FFELP loans in the lender's portfolio (with certain exceptions) disbursed after January 1, 2000 from the three-month commercial paper (financial) rate to the one-month LIBOR index, commencing with the Special Allowance Payment calculations for the calendar quarter beginning on April 1, 2012. The one-month LIBOR rate is defined as the one-month London Inter Bank Offered Rate for United States dollars in effect for each of the days in such quarter as compiled and released by the British Bankers Association. Such election to permanently change the index for Special Allowance Payment calculations must be made by April 1, 2012 and must also waive all contractual, statutory or other legal rights to the Special Allowance Payment calculation formula in effect at the time the loans were first disbursed.

The foregoing table and the paragraphs 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 but before July 1, 2010, 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 Guaranty 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. For loans made on or after October 1, 1993 but prior to October 1, 2007, the lender is required to pay to the Secretary a fee equal to 0.50% of the original principal balance of each such loan. For loans made on or after October 1, 2007 and before July 1, 2010, the lender is required to pay to the Secretary a fee equal to 1.0% of the original principal balance of each such loan. These fees cannot be charged to the borrower.

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%
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 or (ii) pursuant to a lender-of-last-resort program	100%
Any claim as a result of default, the death, total and permanent 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 June 30,2010	97%

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 FFELP 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 federal 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 federal 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 required each guaranty agency to establish an Agency Operating Fund within sixty (60) days of enactment of the 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 Guaranty 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, 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 and prior to July 1, 2010, 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 FFELP 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 FFELP 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 FFELP 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 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 FFELP 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 Guaranty 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 Guaranty 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 Guaranty 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. 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.

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

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

Loans Subject to Repurchase. The Higher Education Act requires a lender to repurchase student loans from a Guaranty Agency, under certain circumstances, after a Guaranty Agency has paid for the student loan through the claim process. A lender is required to repurchase: (a) a student loan found to be legally unenforceable against the borrower; (b) a student loan for which a bankruptcy claim has been paid if the borrower's bankruptcy is subsequently dismissed by the court or, as a result of the bankruptcy hearing, the student loan is considered non dischargeable and the borrower remains responsible for repayment of the student loan; (c) a student loan which is subsequently determined not to be in default; or (d) a student loan for which a Guaranty Agency inadvertently paid the claim.

Federal Administrative Cost Allowances, Insurance Fees and Reinsurance Fees. For loans originated during federal fiscal years beginning on or after October 1, 2003 and first disbursed before July 1, 2010, 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 Guaranty Agreements and the supplemental Guaranty Agreements, if a payment on a Student 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.

EXHIBIT II

GLOSSARY OF CERTAIN DEFINED TERMS

"*Account*" shall mean any of the accounts created and established within any Fund by the Indenture.

"Acquisition Fund" shall mean the Fund by that name created under the Indenture, including the Temporary Costs of Issuance Account created therein.

"Acquisition Period" shall mean the period beginning on the Issue Date of the Notes and ending on the thirtieth (30^{th}) calendar day thereafter.

"*Adjusted Pool Balance*" shall mean (i) for any date during the Acquisition Period, the sum of the Pool Balance as of such date, the remaining amounts on deposit in the Acquisition Fund (less any amounts deposited into the Temporary Costs of Issuance Account), and the initial amounts on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund as of the Issue Date and (ii) for any Distribution Date after the end of the Acquisition Period, the sum of the Pool Balance as of the last day of the related Collection Period, plus the amount of cash then on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund as of the last day of the related Collection Period.

"*Administration Agreement*" shall mean that certain Administration Agreement, dated as of June 1, 2012, between the Issuer and EFS, as Administrator, as amended and supplemented pursuant to the terms thereof, and any subsequent Administration Agreement entered into by the Issuer and an Administrator.

"*Administration Fees*" shall mean (i) for each Distribution Date, a monthly fee equal to $1/12^{th}$ of 0.20% of the then outstanding Principal Balance of the Financed Student Loans as of the last day of the previous month and (ii) no more than $75,000 annually for Rating Agency surveillance fees and certain other fees relating to the administration of the Trust Estate.

"*Administrator*" shall mean EFS or, as the context may require, any sub-administrator, including Edfinancial Services, LLC, engaged by the Administrator to the extent such engagement is made pursuant to and in accordance with the terms of the Administration Agreement or any subsequent administrator who has entered into an Administration Agreement with the Issuer.

"*Affiliate*" shall mean, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Applicable Rating Criteria for Investment Securities*" shall mean:

(i) for as long as S&P is a Rating Agency maintaining a Rating on Notes Outstanding, a rating by S&P of no lower than AA- (or the equivalent), if a long term rating is applicable to such Investment Securities, or a rating by S&P of no lower than A-1+, AAAm or AAAm-G (or the equivalent of such ratings), if a short term rating is applicable to such Investment Securities; and

(ii) for as long as Fitch is a Rating Agency maintaining a Rating on Notes Outstanding, a rating by Fitch of no lower than AA- (or the equivalent), if a long term rating is applicable to such Investment Securities, or a rating by Fitch of no lower than F1+ (or the equivalent of such ratings), if a short term rating is applicable to such Investment Securities.

"Authorized Denominations" shall mean $250,000 with respect to the Class A-1 Notes, $250,000 with respect to the Class A-2 Notes, $250,000 with respect to the Class A-3 Notes and $250,000 with respect to the Class B Notes, and, in each case, integral multiples of $1,000 in excess thereof.

"*Authorized Officer*" shall mean, when used with reference to the Issuer, its Chairman or President, or any other officer or board member authorized in writing by the Board to act on behalf of the Issuer.

"*Authorized Representative*" shall mean, when used with reference to the Issuer, (a) an Authorized Officer, (b) the Administrator, or (c) any Affiliate organization or other entity authorized by the Board to act on the Issuer's behalf.

"*Available Funds*" means, as to a Distribution Date, the sum of the following amounts received with respect to the related Collection Period:

(a) all collections on the Financed Student Loans received by the Master Servicer or a Servicer on the Financed Student Loans, including any Guaranty Payments received on the Financed Student Loans, but net of:

(i) any collections in respect of principal on the Financed Student Loans applied to repurchase Guaranteed student loans (to the extent such student loans were previously Financed Student Loans) from a Guaranty Agency under the applicable Guaranty Agreement or from the Master Servicer or a Servicer pursuant to the Master Servicing Agreement or the applicable Servicing Agreement,

(ii) amounts required to be paid pursuant to the Joint Sharing Agreement or any other applicable joint sharing agreement, and

(iii) amounts required by the Higher Education Act to be paid to the Department (including, but not limited to, any Monthly Rebate Fees and any Department Rebate Interest Amounts to be deposited into the Department Reserve Fund or paid directly to the Department), any Guaranty Agency (other than as set forth in clause (i)) or to be repaid to borrowers, whether or not in the form of a principal reduction of the applicable Financed Student Loan, on the Financed Student Loans for that Collection Period or prior Collection Periods, if any;

(b) any Interest Subsidy Payments and Special Allowance Payments received by the Indenture Trustee or the Issuer with respect to the Financed Student Loans;

(c) all Liquidation Proceeds of any Financed Student Loans which became Liquidated Student Loans during that Collection Period in accordance with the Master Servicer's or the applicable Servicer's customary servicing procedures, and all recoveries (whether principal or otherwise) which were written off in prior Collection Periods or during that Collection Period;

(d) the aggregate amounts, if any, received on the Financed Student Loans from (1) the Seller pursuant to the Student Loan Purchase Agreement, (2) the Master Servicer or the Servicers as reimbursement of non-guaranteed interest amounts, or lost Interest Subsidy Payments and Special Allowance Payments pursuant to the Master Servicing Agreement or the Servicing Agreements, and (3) the Issuer (or on behalf of the Issuer) from any other Person in connection with the optional sale of the Financed Student Loans pursuant to the Indenture, respectively;

(e) the aggregate Purchase Amounts, if any, received from the Seller for the repurchase of Financed Student Loans under the Student Loan Purchase Agreement, from the Master Servicer pursuant to the Master Servicing Agreement and from the Servicer pursuant to the Servicing Agreement;

(f) amounts received pursuant to the Master Servicing Agreement and the Servicing Agreements during that Collection Period as yield or principal adjustments or any other amounts payable to the Trust Estate by the Master Servicer pursuant to the Master Servicing Agreement and a Servicer pursuant to its Servicing Agreement;

(g) investment earnings or gains realized from the investment of amounts on deposit in each Trust Account;

(h) any amount received pursuant to the Joint Sharing Agreement or any other applicable joint sharing agreement;

(i) on the June 2015 Distribution Date, all funds then on deposit in the Capitalized Interest Fund that are required under the Indenture to be transferred into the Collection Fund for payment on that Distribution Date;

(j) all funds then on deposit in the Acquisition Fund that are required under the Indenture to be transferred into the Collection Fund on the first Business Day following the end of the Acquisition Period; and

(k) amounts transferred from the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement as of that Distribution Date;

provided that if on any Distribution Date there would not be sufficient funds, after application of Available Funds, as defined above, to pay the amounts specified in clauses (i), (ii), (iii), (iv), (v) and (vi) under "THE TRUST ESTATE—Flow of Funds—Distribution Dates" in this Private Placement Memorandum, relating to such distributions, after application of amounts available from (1) the Capitalized Interest Fund pursuant to the Indenture, and (2) the Debt Service Reserve Fund pursuant to the Indenture, in that order, then Available Funds for that Distribution Date will include amounts held by the Indenture Trustee, or which the Indenture Trustee reasonably estimates to be held by it, for deposit into the Collection Fund on the related Interest Rate Determination Date which would have constituted Available Funds for the Distribution Date following that Distribution Date, up to the amount necessary to pay such items, and the Available Funds for the following Distribution Date will be adjusted accordingly.

"*Back-up Servicer*" shall mean the Pennsylvania Higher Education Assistance Agency or any other additional or successor Servicer who is one of the Department's Title IV Additional Servicers and has entered into a Back-up Servicing Agreement with the Issuer or EFS.

"*Back-up Servicing Agreement*" shall mean the Back-up Servicing Agreement, dated as of June 23, 2010, by and among Pennsylvania Higher Education Assistance Agency, EFS and its wholly-owned subsidiaries EFS Interim Funding, LLC, EFS Volunteer, LLC, EFS Volunteer No. 2, LLC, the Issuer, and Wells Fargo Bank, National Association, as eligible lender trustee, as amended and supplemented pursuant to the terms thereof, and any subsequent Back-up Servicing Agreement entered into by the Issuer and a Back-up Servicer.

"*Board*" or "*Board of Directors*" shall mean the Board of Directors of the Issuer.

"*Business Day*" shall mean (i) for purposes of calculating the LIBOR Rate, any day on which banks in New York, New York and London, England are open for the transaction of international business; and (ii) for all other purposes, any day other than a Saturday, Sunday, legal holiday or any other day on which banks located in New York, New York or the city in which the Principal Office of the Indenture Trustee is located, are authorized or permitted by law, regulation or executive order to close.

"*Capitalized Interest Fund*" shall mean the Fund by that name created under the Indenture.

"*Certificate of Insurance*" shall mean any certificate evidencing a Financed Student Loan is Insured pursuant to a Contract of Insurance.

"Class" shall mean each of the Class A Notes (or as the context may apply, the Class A-1 Notes, the Class A-2 Notes or the Class A-3 Notes) and the Class B Notes.

"Class A Notes" shall mean, collectively, the Class A-1 Notes, the Class A-2 Notes and the Class A-3 Notes.

"Class A-1 Noteholder" shall mean a Noteholder of Class A-1 Notes.

"Class A-1 Notes" shall mean the Student Loan Asset-Backed Notes, 2012-1 Series, $358,600,000 Class A-1 Notes issued by the Issuer pursuant to the Indenture.

"Class A-2 Noteholder" shall mean a Noteholder of Class A-2 Notes.

"Class A-2 Notes" shall mean the Student Loan Asset-Backed Notes, 2012-1 Series, $154,000,000 Class A-2 Notes issued by the Issuer pursuant to the Indenture.

"Class A-3 Noteholder" shall mean a Noteholder of Class A-3 Notes.

"Class A-3 Notes" shall mean the Student Loan Asset-Backed Notes, 2012-1 Series $167,200,000 Class A-3 Notes issued by the Issuer pursuant to the Indenture.

"Class A Parity Ratio" shall mean (a) on the Issue Date or any other date prior to the expiration of the Acquisition Period, (i) the Pool Balance as of such date (including all accrued interest on the Financed Student Loans), plus the remaining amount on deposit in the Acquisition Fund (less any amounts on deposit in the Temporary Costs of Issuance Account), plus the amount on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund on such date divided by (ii) the Outstanding Amount of the Class A Notes on such date and (b) on any Distribution Date after the end of the Acquisition Period, (i) the Pool Balance (including all accrued interest on the Financed Student Loans) as of the end of the related Collection Period, plus the amount on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund after giving effect to distributions made on that Distribution Date, divided by (ii) the Outstanding Amount of the Class A Notes, after giving effect to distributions made on that Distribution Date.

"Class B Carry-Over Amount" shall mean, with respect to any Interest Period, (i) the amount, if any, by which the Interest Accrual Amount on the Class B Notes for such Interest Period exceeds the Class B Interest Cap, and (ii) the Interest Accrual Amount on the Class B Notes for such Interest Period remaining unpaid while a Class B Interest Subordination Trigger Event has occurred and is continuing, plus the Class B Carry-Over Amount from prior periods plus interest on the amount of that Class B Carry-Over Amount, to the extent permitted by law, at the LIBOR Indexed Rate applicable for the Class B Notes from that preceding Distribution Date to the current Distribution Date.

"Class B Interest Cap" shall mean, with respect to any Distribution Date, an amount equal to (a) the actual number of days in the current year divided by 360 multiplied by the difference between (i) the sum of all non-principal amounts accrued on the Financed Student Loans during the related Collection Period, whether due from a borrower, a Guaranty Agency or the Department (including, without limitation, Special Allowance Payments and Interest Subsidy Payments) and (ii) amounts not attributable to principal that are payable to the Department that accrued during the related Collection Period (including, without limitation, Special Allowance Payments and consolidation rebate fees); less (b) the Trustee Fee, the Servicing Fees and the Administration Fees accrued during the related Collection Period and less (c) the Interest Accrual Amount on the Class A Notes for such Distribution Date. The Class B Interest Cap may not be less than zero.

"Class B Noteholder" shall mean a Noteholder of Class B Notes.

"Class B Notes" shall mean the Student Loan Asset-Backed Notes, 2012-1 Series, $21,000,000 Class B Notes issued by the Issuer pursuant to the Indenture.

"Class B Parity Ratio" shall mean (a) on the Issue Date or any other date prior to the expiration of the Acquisition Period, (i) the Pool Balance as of such date (including all accrued interest on the Financed Student Loans), plus the remaining amount on deposit in the Acquisition Fund (less any amounts on deposit in the Temporary Costs of Issuance Account), plus the amount on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund on such date divided by (ii) the Outstanding Amount of the Class A Notes and the Class B Notes on such date and (b) on any Distribution Date after the end of the Acquisition Period, (i) the Pool Balance (including all accrued interest on the Financed Student Loans) as of the end of the related Collection Period, plus the amount on deposit in the Capitalized Interest Fund and the Debt Service Reserve Fund after giving effect to distributions made on that Distribution Date, divided by (ii) the Outstanding Amount of the Class A Notes and the Class B Notes, after giving effect to distributions made on that Distribution Date.

"Class B Interest Subordination Trigger Event" shall mean a Class B Parity Ratio of less than 101.25% while any of the Class A Notes are Outstanding.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture shall be deemed to include the United States Treasury Regulations, including applicable temporary and proposed regulations, relating to such section. A reference to any specific section of the Code shall be deemed also to be a reference to the comparable provisions of any enactment which supersedes or replaces the Code thereunder from time to time.

"*Collection Fund*" shall mean the Fund by that name created under the Indenture.

"*Collection Period*" shall mean the calendar month period ending on the last day of the month preceding any Distribution Date. However, the initial Collection Period will be the period from the Issue Date through August 31, 2012.

"*Consolidation Financed Student Loan*" shall mean a loan originated pursuant to Section 428C of the Higher Education Act.

"*Contract of Insurance*" means with respect to a Student Loan, an agreement between the Eligible Lender and the Secretary providing for Insurance on such Student Loan.

"*Conversion Event*" shall have the meaning ascribed thereto in the Back-up Servicing Agreement.

"*Custodian Agreement*" shall mean each custodian agreement among the Issuer, the Indenture Trustee, the Eligible Lender Trustee, the Master Servicer and each Servicer or other custodian or bailee related to the Financed Student Loans.

"Cut-Off Date" shall mean, with respect to any Eligible Loans that are Financed and pledged to the Trustee under the Indenture, the date on which such Eligible Loan is pledged to the Trustee under the Indenture.

"*Debt Service Reserve Fund*" shall mean the Fund by that name created under the Indenture.

"*Debt Service Reserve Fund Requirement*" shall mean a minimum amount equal to (a) $1,752,250 on the Issue Date and (b) on any other Distribution Date, the greater of 0.25% of the Pool Balance as of the last day of the related Collection Period or 0.15% of the Initial Pool Balance.

"*Department*" shall mean the United States Department of Education, an agency of the federal government.

"Department Rebate Interest Amount" shall mean, with respect to any date of determination, the greater of (a)(i) the amount of interest paid by borrowers on the Financed Student Loans first disbursed on or after April 1, 2006 that exceeds the Special Allowance Payment support levels applicable to such Financed Student Loans under the Higher Education Act since the prior Department Rebate Payment Date less (ii) the amount of accrued Interest Subsidy Payments or Special Allowance Payments due to the Issuer since the prior Department Rebate Payment Date and (b) $0.00.

"Department Rebate Payment Date" shall mean the quarterly date that (i) the Department Rebate Interest Amount is due and payable to the Department or (ii) the Department offsets the Department Rebate Interest Amount from Interest Subsidy Payments or Special Allowance Payments due to the Issuer.

"*Department Reserve Fund*" shall mean the Fund so designated which is created under the Indenture.

"*Department Reserve Fund Amount*" shall mean amounts on deposit in the Department Reserve Fund for payments accrued by the Issuer to the Department related to the Financed Student Loans (including, without limitation, any Monthly Rebate Fees and Department Rebate Interest Amounts due on each Department Rebate Payment Date) or any payment then due and payable to a Guaranty Agency relating to its Guaranty of Financed Student Loans or any other such payment then accrued to the Issuer, another entity or trust estate, if amounts under the Indenture due to the Department or a Guaranty Agency with respect to the Financed Student Loans were paid by the Issuer or such other entity or trust estate, pursuant to the Joint Sharing Agreement or any other applicable joint sharing agreement.

"*Department Reserve Fund Requirement*" shall mean as of any date, an amount equal to the Department Reserve Fund Amount of the Issuer accrued through the current month, as evidenced by a certificate of the Issuer.

"*Distribution Date*" shall mean the 25th day of each calendar month, commencing on September 25, 2012; provided, however, that if the 25th day of the month is not a Business Day, then the Distribution Date shall be the next succeeding Business Day.

"EFS" shall mean Educational Funding of the South, Inc., a nonprofit, public benefit corporation created under the laws of the State of Tennessee.

"*Eligible Lender*" shall mean the Eligible Lender Trustee and any "eligible lender," as defined in the Higher Education Act, and which has received an eligible lender number or other designation from the Secretary with respect to Student Loans made under the Higher Education Act.

"Eligible Lender Trust Agreement" shall mean that certain Eligible Lender Trust Agreement, dated as of February 1, 2012, by and between EFS, its affiliates and Wells Fargo Bank, National Association, as Eligible Lender Trustee, and, as of June 14, 2012, the Issuer, and any subsequent Eligible Lender Trust Agreement entered into by the Issuer or EFS and an Eligible Lender Trustee.

"*Eligible Lender Trustee*" shall mean Wells Fargo Bank, National Association, in its capacity as eligible lender trustee under the Indenture and under the Eligible Lender Trust Agreement, or any successor eligible lender trustee designated pursuant to the Indenture and the Eligible Lender Trust Agreement.

"*Event of Bankruptcy*" shall mean (a) the Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or shall have made a general assignment for the benefit of creditors, or shall have declared a moratorium with respect to its debts or shall have failed generally to pay its debts as they become due, or shall have taken any action to authorize any of the foregoing; or (b) an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property provided such action or proceeding is not dismissed within 60 days.

"*Event of Default*" shall mean the following events:

(a) a default in the due and punctual payment of the principal of any of the Notes when due and payable on the related Stated Maturity Date;

(b) a default in the due and punctual payment of the Interest Distribution Amount on any Class of Notes when due and such default shall continue for a period of five (5) Business Days (it being understood and agreed that in no event shall the non-payment of the Interest Distribution Amount on the Class B Notes be an Event of Default under the Indenture for so long as any Class A Notes remain Outstanding);

(c) a default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Issuer to be kept, observed, and performed contained in the Indenture or in the Notes, and, if such default is capable of being cured, the continuation of such default for a period of 90 days after written notice thereof by the Indenture Trustee to the Authorized Representative of the Issuer; and

(d) the occurrence of an Event of Bankruptcy.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Financed*" or "*Financing*," when used with respect to Student Loans, shall mean or refer to Student Loans (a) acquired or transferred by the Issuer and deposited in, or otherwise constituting a part of, the Trust Estate and (b) substituted or exchanged as permitted by the Indenture for Financed Student Loans but, in any event shall not include Student Loans released from the lien of the Indenture pursuant to the terms thereof.

"*Fiscal Year*" shall mean the fiscal year of the Issuer as established from time to time; currently, the Fiscal Year, of the Issuer commences each January 1 and ends each December 31.

"*Fitch*" shall mean Fitch, Inc., Fitch Ratings Ltd., its subsidiaries and its successors and assigns.

"*Funds*" shall mean each of the funds created pursuant to the Indenture.

"*Guaranty*" or "*Guaranteed*" shall mean with respect to a Student Loan, the insurance or guaranty by a Guaranty Agency pursuant to such Guaranty Agency's Guaranty Agreement of the maximum percentage of the principal of and accrued interest on such Student Loan allowed by the terms of the Higher Education Act with respect to such Student Loan at the time it was originated and the coverage of such Student Loan by the federal reimbursement contracts, providing, among other things, for reimbursement to such Guaranty Agency for payments made by it on defaulted Student Loans insured or guaranteed by such Guaranty Agency of at least the minimum reimbursement allowed by the Higher Education Act with respect to a particular Student Loan.

"*Guaranty Agency*" shall mean any entity authorized to guaranty student loans under the Higher Education Act and reinsured by the Department, and with which the Issuer or the Eligible Lender Trustee on behalf of the Issuer maintains a Guaranty Agreement.

"*Guaranty Agreement*" shall mean a guaranty or lender agreement between any Guaranty Agency and the Issuer or EFS and/or the Eligible Lender Trustee, and any amendments thereto.

"*Guaranty Payments*" shall mean any payment made by a Guaranty Agency pursuant to a Guaranty Agreement in respect of a Student Loan.

"*Higher Education Act*" shall mean the Higher Education Act of 1965, as amended or supplemented from time to time, or any successor federal act and all regulations, directives, bulletins, and guidelines promulgated from time to time thereunder.

"Highest Priority Obligations" shall mean (a) at any time when Class A Notes are Outstanding, the Class A Notes and (b) at any time when no Class A Notes are Outstanding, the Class B Notes.

"Indenture Related Agreements" shall mean the Indenture, the Servicing Agreements, the Master Servicing Agreement, the Custodian Agreements, Eligible Lender Trust Agreement, the Administration Agreement, the Student Loan Purchase Agreement, the Joint Sharing Agreement, the Guaranty Agreements and the Issuer LLC Agreement and any other documents signed by the Issuer or required by the Higher Education Act with respect to the Financed Student Loans.

"*Indenture Trustee*" shall mean Wells Fargo Bank, National Association, acting in its capacity as Indenture Trustee under the Indenture, or any successor Indenture Trustee designated pursuant to the Indenture.

"Independent Manager" shall mean an individual duly appointed by the Members to serve as an Independent Manager of the Issuer pursuant to the Issuer LLC Agreement, who is designated as an "Independent Manager" who is employed by (or otherwise designated to act as a Manager by) CT Corporation, Corporation Service Company, National Registered Agents, Inc., Wilmington Trust Company, Stewart Management Company or Lord Securities Corporation or, if none of those companies is then in business of providing professional independent directors or managers for special purpose entities, any other nationally-recognized company that provides professional independent directors or managers for special purpose entities in the ordinary course of business and who, at the time of such appointment, is not, and while serving as an Independent Manager will not be, and has not been at any time during the preceding five (5) years: (a) a direct or indirect legal or beneficial owner of any equity interest in the Issuer, any Member or any of their respective Affiliates, (b) a creditor, customer, supplier or contractor of, or other Person who derives any of its purchases or revenues from its activities with, the Issuer, a Member or any of their respective Affiliates, (c) an employee, officer, other director, member, manager or Affiliate of (A) the Issuer, a Member or any of their respective Affiliates or (B) any other Person described in clause (a) or (b) above or (d) a member of the immediate family of any individual described in clause (a), (b) or (c) above; provided however, that no individual shall be disqualified from serving as an Independent Manager solely on account of (i) his or her service as an Independent Manager and/or Special Member or receipt of customary compensation, if any, in exchange therefor from the Issuer, (ii) his or her employment by or ownership interest in any reputable, national service entity engaged by the Issuer to fill the position of an Independent Manager and/or Special Member required pursuant to the Issuer LLC Agreement that (A) is not an Affiliate of the Issuer, the Members or any of their respective Affiliates and (B) regularly provides as a principal component of its business the services of an independent director, independent trustee or independent manager (as determined pursuant to requirements substantially similar in all material respects to those set forth in this definition) and/or special or springing member

to special-purpose, bankruptcy-remote entities, (iii) his or her service as an independent manager, independent trustee or independent director (as determined pursuant to requirements substantially similar in all material respects to those set forth in this definition) and/or special or springing member of another limited or special-purpose, bankruptcy-remote entity or (iv) his or her receipt of customary compensation, if any, in exchange therefor from such other limited or special-purpose bankruptcy-remote entity.

"*Index Maturity*" shall mean with respect to any Interest Period, a period of time equal to one month with respect to One-Month LIBOR Rate, three months with respect to Three-Month LIBOR Rate or four months with respect to Four-Month LIBOR Rate, as applicable.

"*Initial Interest Period*" shall mean the period beginning on the Issue Date and ending on the day before the first Distribution Date for the Notes.

"*Initial Pool Balance*" shall mean the Pool Balance as of the end of the Acquisition Period.

"*Insurance*" or "*Insured"* or *"Insuring"* shall mean, with respect to a Student Loan, the insuring by the Secretary (as evidenced by a Certificate of Insurance or other document or certification issued under the provisions of the Higher Education Act) under the Higher Education Act of all or a portion of the principal of and accrued interest on such Student Loan.

"*Interest Accrual Amount*" shall mean, for any Distribution Date, with respect to any Tranche of the Notes, the aggregate amount of interest accrued for such Tranche of the Notes at the related LIBOR Indexed Rate for each such Tranche of the Notes for the related Interest Period on the Outstanding Amount of such Tranche of the Notes since the immediately preceding Distribution Date after giving effect to all principal distributions to the related Noteholders on that preceding Distribution Date, or in the case of the first Distribution Date, on the Issue Date.

"*Interest Distribution Amount*" shall mean, for any Distribution Date:

(a) with respect to each Tranche of Class A Notes, the sum of (i) the Interest Accrual Amount with respect to such Tranche of Class A Notes and (ii) the Interest Shortfall for all prior Distribution Dates with respect to such Tranche of Class A Notes; and

(b) with respect to the Class B Notes, the sum of (i) the lesser of (A) Interest Accrual Amount on the Class B Notes and (B) the Class B Interest Cap and (ii) the Interest Shortfall for all prior Distribution Dates with respect to the Class B Notes.

"*Interest Period*" shall mean, with respect to the initial Distribution Date, the Initial Interest Period and with respect to each subsequent Distribution Date shall mean the period commencing on and including the prior Distribution Date and ending on and including the day before such current Distribution Date.

"*Interest Rate Determination Date*" shall mean the second Business Day immediately preceding each Distribution Date.

"*Interest Shortfall*" shall mean, for any Distribution Date and any Class of Notes, the excess of (i) the Interest Distribution Amount for such Class of Notes on the preceding Distribution Date, over (ii) the amount of interest actually distributed to the Noteholders of such Class of Notes on that preceding Distribution Date, plus interest on the amount of that excess, to the extent permitted by law, at the applicable LIBOR Indexed Rate for such Class of Notes from that preceding Distribution Date to the current Distribution Date. The Class B Carry-Over Amount shall not be characterized as Interest Shortfalls under the Indenture.

"*Interest Subsidy Payment*" shall mean an interest payment on Student Loans received pursuant to the Higher Education Act and an agreement with the federal government, or any similar payments.

"*Investment Securities*" shall mean the following; provided, however, that whenever this definition requires a Rating, such Rating is required only from those Rating Agencies then maintaining a Rating on Notes Outstanding under the Indenture:

(a) direct obligations of, or obligations on which the timely payment of the principal of and interest on which are unconditionally and fully guaranteed by, the United States of America;

(b) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of 12 months or less with any bank, trust company, national banking association or other depository institution, including those of the Indenture Trustee, provided that, at the time of deposit or purchase such depository institution has short-term ratings meeting the Applicable Rating Criteria for Investment Securities;

(c) bonds, debentures, notes, discount notes, short-term obligations or other evidences of indebtedness issued or guaranteed by (1) any of the following agencies: Federal Farm Credit Banks; Federal Home Loan Mortgage Corporation; the Export-Import Bank of the United States; the Federal National Mortgage Association; the Farmers Home Administration; Federal Home Loan Banks provided that such obligations, or the issuer or guarantor of such obligations, meet the Applicable Rating Criteria for Investment Securities; or (2) any agency or instrumentality of the United States of America which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor;

(d) repurchase agreements and reverse repurchase agreements, other than overnight repurchase agreements and overnight reverse repurchase agreements, with banks, including the Indenture Trustee and any of its Affiliates, which are members of the Federal Deposit Insurance Corporation or firms which are members of the Security Investors Protection Corporation, in each case whose outstanding, unsecured debt securities meet the Applicable Rating Criteria for Investment Securities;

(e) overnight repurchase agreements and overnight reverse repurchase agreements with respect to securities issued or guaranteed by the United States government or its agencies as well as debt obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation which may include mortgage-backed and mortgage pass through securities but may not include derivative instruments, which overnight repurchase agreements or overnight reverse repurchase agreements are executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank of New York which transferor of such securities continuously meets the Applicable Rating Criteria for Investment Securities, if:

(i) the obligations that are subject to such overnight repurchase agreements or overnight reverse repurchase agreements are delivered (in physical or in book-entry form) to the Indenture Trustee, or any financial institution serving as custodian for the Indenture Trustee, provided that such overnight repurchase agreements or overnight reverse repurchase agreements must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least weekly, of not less than one hundred and two percent (102%) of the repurchase price, and, provided further, that the financial institution serving either as Indenture Trustee or as custodian shall not be the provider of the overnight repurchase agreements or overnight reverse repurchase agreements;

(ii) a valid and perfected first security interest in the obligations which are the subject of such overnight repurchase agreements or overnight reverse repurchase agreements has been granted to the Indenture Trustee; and

(iii) such securities are free and clear of any adverse third party claims;

provided, further, that the Rating Agencies shall be given prior written notice describing such overnight repurchase agreements or overnight reverse repurchase agreements;

(f) investment agreements, which may be entered into by and among the Issuer and/or the Indenture Trustee and any bank, bank holding company, corporation or any other financial institution, including the Indenture Trustee and any of its Affiliates, whose outstanding (i) unsecured long-term debt is rated no lower than two subcategories below the highest rating on the Notes Outstanding by S&P and Fitch and, if such Person has commercial paper outstanding, such commercial paper is rated no lower than "A-1+" by S&P and "AA-/F1+" by Fitch for agreements or contracts with a maturity of 24 months or less, or with an insurance company whose claims-paying ability is so rated, or (ii) unsecured long-term debt is rated no lower than two subcategories below the highest rating on the Notes Outstanding by S&P and Fitch, and, if such Person has commercial paper outstanding, such commercial paper is rated no lower than "A-1+" by S&P and "AA-/F1+" by Fitch for agreements or contracts with a maturity of more than 24 months, or with an insurance company whose claims-paying ability is so rated;

(g) commercial paper, including that of the Indenture Trustee and any of its Affiliates, provided that such obligations meet the Applicable Rating Criteria for Investment Securities;

(h) investments in a money market fund rated at least "AAAm" or "AAAm-G" by S&P, and "AAA/mmf" by Fitch, if rated by Fitch, including funds for which the Indenture Trustee or an Affiliate thereof acts as investment advisor or provides other similar services for a fee;

(i) general obligations of any state of the United States provided that such obligations meet the Applicable Rating Criteria for Investment Securities;

(j) general obligations of cities, counties and special purpose districts in any state of the United States provided that such obligations meet the Applicable Rating Criteria for Investment Securities;

(k) obligations of any company, other organization or legal entity incorporated or otherwise created or located within or without the United States if such obligations meet the Applicable Rating Criteria for Investment Securities;

(l) asset-backed securities (whether considered debt or equity) provided they bear the highest rating of each Rating Agency; and

(m) any other investment after the requirements of a Rating Notification have been satisfied, to the extent such Rating Agency is then maintaining a Rating on any Outstanding Notes.

"*Issue Date*" shall mean June 22, 2012, the date of original issuance and delivery of the Notes.

"*Issuer*" shall mean EFS Volunteer No. 3, LLC, a single member limited liability company organized and existing under the laws of the State of Delaware, and any successor thereto.

"Issuer LLC Agreement" shall mean the Limited Liability Company Agreement of EFS Volunteer No. 3, LLC, effective as of May 24, 2012.

"*Issuer Order*" shall mean a written order signed in the name of the Issuer by an Authorized Representative.

"Joint Sharing Agreement" shall mean the Joint Sharing Agreement, dated as of April 20, 2010, as amended and supplemented from time to time, by and among the Eligible Lender Trustee, EFS and certain of its Affiliates that may from time to time be party thereto, including as of June 14, 2012, the Issuer.

"*LIBOR Indexed Rate*" shall mean, with respect to each Tranche, the interest rate established by the Indenture Trustee on each Interest Rate Determination Date and equal to the applicable One-Month LIBOR Rate plus the Spread applicable to such Tranche.

"LIBOR Rate," "One-Month LIBOR Rate," "Three-Month LIBOR Rate" or "Four-Month LIBOR Rate " shall mean, with respect to any Interest Period, the London interbank offered rate for deposits in U.S. dollars having the applicable Index Maturity as it appears on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related Interest Rate Determination Date as obtained by the Indenture Trustee from such source. If this rate does not appear on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. dollars, having the applicable Index Maturity and in a principal amount of not less than $1,000,000, are offered at approximately 11:00 a.m., London time, on that Interest Rate Determination Date, to prime banks in the London interbank market by the Reference Banks. The Indenture Trustee will request the principal London office of each Reference Bank to provide a quotation of its rate. If at least two Reference Banks provide quotations, the rate for that day will be the arithmetic mean of the quotations. If fewer than two Reference Banks provide quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Administrator at approximately 11:00 a.m., Eastern time, on that Interest Rate Determination Date,

for loans in U.S. dollars to leading European banks having the applicable Index Maturity and in a principal amount of not less than $1,000,000. If the banks selected as described above do not provide such quotations, One-Month LIBOR, Three-Month LIBOR or Four-Month LIBOR, as the case may be, in effect for the applicable Interest Period will be One-Month LIBOR, Three-Month LIBOR or Four-Month LIBOR, as the case may be, in effect for the previous Interest Period.

"*Liquidated Student Loan*" shall mean any Financed Student Loan liquidated by the Master Servicer or a Servicer (which shall not include any Financed Student Loan on which payments are received from a Guaranty Agency) or which the Master Servicer or such Servicer has, after using all reasonable efforts to realize upon such Financed Student Loan, determined to charge off.

"*Liquidation Proceeds*" shall mean, with respect to any Liquidated Student Loan which became a Liquidated Student Loan during the current Collection Period in accordance with the Master Servicer's or a Servicer's customary servicing procedures, the moneys collected in respect of the liquidation thereof from whatever source, other than moneys collected with respect to any Liquidated Student Loan which was written off in prior Collection Periods or during the current Collection Period, net of the sum of any amounts expended by the Master Servicer or such Servicer in connection with such liquidation and any amounts required by law to be remitted to the obligor on such Liquidated Student Loan.

"*Master Promissory Note*" shall mean a note (a) that evidences one or more loans made to finance post-secondary education financing and (b) that is in the form mandated by Section 432(m)(1) of the Higher Education Act, as added by Public Law No: 105-244, § 427, 112 Stat. 1702 (1998), as amended by Public Law No: 106-554 (enacted December 21, 2000) and as codified in 20 U.S.C. § 1082(m)(1).

"Master Servicer" shall mean Educational Funding of the South, Inc., a nonprofit, public benefit corporation created under the laws of the State of Tennessee and any successor master servicer selected by the Issuer, including an affiliate of the Issuer and after the requirements of a Rating Notification have been satisfied as to any such successor Master Servicer. The Issuer shall provide each Rating Agency with notice of any removal or replacement of the Master Servicer or the appointment of any successor Master Servicer.

"Master Servicing Agreement" shall mean the Master Servicing Agreement dated as of June 1, 2012, by and among the EFS, as Master Servicer, the Issuer and the Eligible Lender Trustee and each additional or successor master servicing agreement entered into between the Issuer, EFS or the Administrator and a Servicer, each as amended and supplemented.

"*Member*" shall mean EFS, any additional Member added pursuant to the Issuer LLC Agreement, any substitute member, and, to the extent provided in the Issuer LLC Agreement, the Special Member, each in such person's capacity as a member of the Issuer.

"*Minimum Purchase Amount*" shall mean, for any Distribution Date, that amount which, when added to all moneys in the Debt Service Reserve Fund, would be sufficient to (i) reduce the Outstanding Amount of the Notes on such Distribution Date to zero, (ii) pay to the respective Noteholders of each Class of Notes, the Interest Distribution Amount on the Notes payable on such Distribution Date, plus, with respect to the Class B Notes, any Class B Carry-Over Amount, (iii) pay any accrued and unpaid fees and expenses due and owing under the Indenture, (iv) pay any rebate fees or other amounts payable to the Department with respect to the Financed Student Loans and (v) pay amounts payable under the Joint Sharing Agreement and any other applicable joint sharing agreement or otherwise remove amounts deposited in the Trust Estate which represent amounts that are allocable to Student Loans that are not Financed Student Loans.

"*Monthly Rebate Fee*" shall mean the monthly rebate fee payable to the Department on the Financed Student Loans within the Trust Estate.

"*MPN Loan*" shall mean any single loan made pursuant to a Master Promissory Note.

"*Note Counsel*" shall mean counsel of nationally recognized standing in the field of public finance law selected by the Issuer and reasonably acceptable to the Indenture Trustee, which counsel may be Issuer's counsel.

"*Noteholder*" shall mean a Registered Owner of a Note.

"*Notes*" shall mean the $700,800,000 aggregate principal amount of the Issuer's Student Loan Asset-Backed Notes, 2012-1 Series, issued pursuant to the Indenture consisting of the Class A Notes and the Class B Notes.

"*Outstanding*" shall mean, when used in connection with any Note, a Note which has been executed and delivered pursuant to the Indenture which at such time remains unpaid as to principal or interest, excluding Notes which have been replaced pursuant to the provisions of the Indenture.

"*Outstanding Amount*" shall mean, as of any date of determination, the aggregate principal amount of all Notes or the applicable Class or Classes of Notes, as the case may be, Outstanding at such date of determination.

"*Person*" shall mean an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated, organization, or government or agency or political subdivision thereof.

"*Pool Balance*" shall mean, for any date, the aggregate Principal Balance of the Financed Student Loans contained in the Trust Estate on that date, including accrued interest thereon that is expected to be capitalized, after giving effect to the following, without duplication: (i) all payments allocable to principal received by the Issuer through that date from or on behalf of borrowers, Guaranty Agencies and the Department; (ii) all amounts allocable to principal received by the Indenture Trustee through that date from sales of Financed Student Loans permitted under the Indenture, the Student Loan Purchase Agreement, the Master Servicing Agreement and the Servicing Agreements; (iii) all amounts in respect of principal received in connection with Liquidation Proceeds and Realized Losses on the Financed Student Loans liquidated through that date; (iv) the amount of any adjustment to the Outstanding Principal Balances of the Financed Student Loans that the Master Servicer and the Servicers make and that are permitted to be made under the Master Servicing Agreement and the Servicing Agreements through that date; and (v) the aggregate amount by which reimbursements by Guaranty Agencies of the unpaid principal balances of defaulted Student Loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

"*Principal Balance*" when used with respect to a Financed Student Loan, shall mean the unpaid principal balance thereof as of a given date.

"*Principal Distribution Amount*" shall mean (i) for the first Distribution Date, the amount, if any, by which the sum of the Initial Pool Balance, any moneys transferred from the Acquisition Fund to the Collection Fund at the end of the Acquisition Period and the initial amounts deposited into the Capitalized Interest Fund, and the Debt Service Reserve Fund exceeds the Adjusted Pool Balance as of the last day of the related Collection Period, (ii) for each Distribution Date thereafter, the amount, if any, by which the Adjusted Pool Balance as of the last day of the related Collection Period for the preceding Distribution Date exceeds the Adjusted Pool Balance as of the last day of the related Collection Period for the current Distribution Date and (iii) after giving effect to the amounts already defined above, on the Stated Maturity Date for any Tranche of Notes, the amount necessary to reduce the aggregate principal balance of such Tranche of the Notes to zero.

"*Principal Office*" shall mean the office of the party indicated, as provided in the Indenture.

"*Purchase Amount*" with respect to any Financed Student Loan shall mean the amount required to prepay in full such Financed Student Loan under the terms thereof including all accrued interest thereon and any unamortized premium, it being acknowledged that any accrued and unpaid Interest Subsidy Payments or Special Allowance Payments will continue to be payable to the Indenture Trustee and constitute part of the Trust Estate.

"*Rating*" shall mean one of the rating categories of a Rating Agency, provided such Rating Agency is then rating any of the Notes.

"*Rating Agency*" shall mean any one or more nationally recognized statistical rating organizations or other comparable Persons, designated by the Issuer to assign Ratings to any of the Notes, notice of which designation shall be given to the Indenture Trustee, which shall initially include S&P and Fitch with respect to the Notes.

"*Rating Notification*" shall mean with respect to a proposed action, failure to act, or other event specified in the notice (a "Proposed Action"), that the Issuer shall have given written notice of such Proposed Action to each Rating Agency at least twenty Business Days prior to the proposed effective date thereof.

"*Realized Loss*" shall mean the excess of the Principal Balance, including any interest that had been, or had been expected to be, capitalized of any Liquidated Student Loan over Liquidation Proceeds for such Liquidated Student Loan to the extent allocable to principal, including any interest that had been, or had been expected to be, capitalized.

"*Record Date*" shall mean with respect to any Distribution Date, the Business Day prior to the Distribution Date or upon the occurrence of an Event of Default under the Indenture, the date fixed by the Indenture Trustee in accordance with the Indenture.

"*Reference Banks*" shall mean, with respect to a determination of LIBOR for any Interest Period by the Indenture Trustee, the four largest United States banks with an office in London by total consolidated assets, as listed by the Federal Reserve in its most current statistical release on its website with respect thereto.

"*Registered Owner*" shall mean the Person in whose name a Note is registered on the Note registration books maintained by the Registrar.

"*Registrar*" shall mean the Indenture Trustee.

"*Regulations*" shall mean the Regulations promulgated from time to time by the Secretary or any Guaranty Agency guaranteeing Financed Student Loans.

"*S&P*" shall mean Standard & Poor's Financial Services, LLC, a subsidiary of The McGraw-Hill Companies, Inc., its successors and assigns.

"*Secretary*" shall mean the Secretary of the United States Department of Education or any successor to the pertinent functions thereof under the Higher Education Act.

"*Securities Act*" shall mean the Securities Act of 1933, as amended.

"*Securities Depository*" shall mean an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act. The initial Securities Depository shall be The Depository Trust Company and its successors and assigns and the initial nominee for the Securities Depository shall be Cede & Co. If, however, (a) the Securities Depository resigns from its functions as depository of any of the Notes or (b) the Issuer discontinues use of the Securities Depository, the Securities Depository shall mean any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Notes and which is selected by the Issuer with the consent of the Indenture Trustee.

"*Servicer*" shall mean Edfinancial Services, LLC, Pennsylvania Higher Education Assistance Agency and any other additional Servicer or successor Servicer selected by the Issuer or the Master Servicer, including the Back-up Servicer or an Affiliate of the Issuer with which the Issuer has entered into a Servicing Agreement with respect to the Financed Student Loans and after the requirements of a Rating Notification have been satisfied as to each such other Servicer. Any additional Servicer or successor Servicer shall either (i) be one of the Department's Title IV Additional Servicers or (ii) if such additional Servicer or successor Servicer is not one of the Department's Title IV Additional Servicers, shall have entered into a Back-up Servicing Agreement with the Issuer or EFS and a Back-up Servicer. The Issuer shall provide each Rating Agency with notice of any removal or replacement of a Servicer or the appointment of a new Servicer.

"*Servicing Agreement*" shall mean, individually or collectively, (a) the Servicing Agreement, dated as of December 31, 1994, between EFS by and through its eligible lender trustee, and Edfinancial Services, LLC, as Servicer, as amended and supplemented, together with a letter of consent dated as of May 21, 2010 as to the Issuer; (b) the Servicing Agreement, dated as of December 30, 1987, between EFS by and through its eligible lender trustee, and Pennsylvania Higher Education Assistance Agency, as Servicer, as amended and supplemented, and as further amended by the Tenth Amendment, dated May 10, 2012; (c) the Back-up Servicing Agreement dated as of

June 23, 2010, by and among the Pennsylvania Higher Education Assistance Agency, EFS, including certain wholly-owned subsidiaries of EFS and the Eligible Lender Trustee, as amended and supplemented, as further amended by the Fourth Amendment, dated May 10, 2012 and (d) each additional or successor servicing agreement entered into between the Issuer, EFS, the Master Servicer or the Administrator and a Servicer, including any Back-up Servicing Agreement, each as amended and supplemented.

"Servicing Fee Floor" shall mean $2.50 per borrower per month, subject to 3% inflation per annum.

"*Servicing Fees*" shall mean the fees and expenses due to the Master Servicer and any Servicer under the terms of the Master Servicing Agreement or its related Servicing Agreement or Back-up Servicing Agreement, it being understood that in no event shall any additional amounts be payable to a Servicer as Custodian under a Custodian Agreement. On each Distribution Date, the Servicing Fees shall be paid to the Master Servicer in an amount equal to the greater of (i) the Servicing Fee Floor plus no more than $25,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement and (ii) for (A) the Stafford/PLUS Financed Student Loans, no more than 0.90% per annum, of the principal balance of such loans, and (B) the Consolidation Financed Student Loans, which fee shall be no more than 0.50% per annum, of the principal balance of such loans plus no more than $25,000 annually for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement. The Master Servicer shall pay out of the Servicing Fees to each Servicer and the Back-up Servicer the Servicer's fees under the related Servicing Agreement and expenses reimbursable to the Servicer thereunder for the servicing (or back-up servicing, as applicable).

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

"*Special Member*" shall mean the Independent Manager who shall upon the occurrence of any event that causes the last remaining Member to cease to be a member of the Issuer (other than upon an assignment by the last remaining Member of all of its limited liability company interest in the Issuer in connection with the admission of the substitute member of the Issuer pursuant to the Issuer LLC Agreement), without any action of any Person and simultaneously with the last remaining Member ceasing to be a member of the Issuer, automatically be admitted to the Issuer as a member.

"*Spread*" shall mean 0.60% per annum with respect to the Class A-1 Notes, 1.00% per annum with respect to the Class A-2 Notes, 1.00% per annum with respect to the Class A-3 Notes and 1.00% per annum with respect to the Class B Notes.

"*Stafford/PLUS Financed Student Loan*" shall mean an originated loan that is designated as such that is made under the Robert T. Stafford Student Loan Program in accordance with the Higher Education Act or originated under the authority set forth in Section 428A or B (or a predecessor section thereto) of the Higher Education Act and shall include student loans designated as "PLUS Loans" or "SLS Loans," as defined, under the Higher Education Act, as applicable.

"*Stated Maturity Date*" shall mean the October 25, 2021 Distribution Date with respect to the Class A-1 Notes, the February 25, 2025 Distribution Date with respect to the Class A-2 Notes, the April 25, 2033 Distribution Date with respect to the Class A-3 Notes and the August 25, 2044 Distribution Date with respect to the Class B Notes.

"*Student Loan*" shall mean any Higher Education Act, Title IV, Part B loan made to finance post-secondary education that is made under the Higher Education Act.

"*Student Loan Purchase Agreement*" shall mean the Student Loan Purchase Agreement, dated as of June 1, 2012, by and among the Seller, the Issuer and the Eligible Lender Trustee (acting as eligible lender trustee for both the Seller and the Issuer), entered into for the purchase of Student Loans by the Issuer for inclusion in the Trust Estate, and which shall contain a repurchase provision substantially in the form described in the Indenture.

"*Subaccount*" shall mean any of the subaccounts created and established within any Fund or Account by the Indenture.

"*Subordinate Administration Fees*" shall mean for each Distribution Date on which a Class B Interest Subordination Trigger Event is not then occurring, a monthly fee equal to $1/12^{th}$ of 0.05% of the then outstanding Principal Balance of the Financed Student Loans as of the last day of the previous month. For the avoidance of doubt, in no event shall any Subordinate Administration Fees accrue for any month with respect to which a Class B Interest Subordination Trigger Event is occurring.

"*Supplemental Indenture*" shall mean an agreement supplemental to the Indenture executed pursuant to the provisions of the Indenture.

"Tranche" shall mean each of the Class A-1 Notes, the Class A-2 Notes, the Class A-3 Notes and the Class B Notes.

"*Trust Accounts*" shall mean the funds specified in the Indenture, but shall not in any event include the Department Reserve Fund.

"*Trust Estate*" shall mean: (i) the Financed Student Loans listed in an exhibit to the Indenture and any Student Loans substituted or exchanged therefor in accordance with the provisions of the Indenture; (ii) the rights of the Issuer under the Servicing Agreements, the Master Servicing Agreement, the Custodian Agreements, the Eligible Lender Trust Agreement, the Administration Agreement, the Student Loan Purchase Agreement, the Joint Sharing Agreement, the Guaranty Agreements and any assignments thereof, as the same relate to the Financed Student Loans; (iii) interest payments, proceeds, charges and other income received by the Indenture Trustee or the Issuer with respect to Financed Student Loans made by or on behalf of borrowers accrued and paid on or after the applicable Cut-Off Date; (iv) all amounts received on or after the applicable Cut-Off Date in respect of payment of principal of Financed Student Loans, and all other obligations of the borrowers thereunder, including, without limitation, scheduled, delinquent and advance payments, payouts or prepayments, and proceeds from the guarantee, or from the sale, assignment or other disposition, of Financed Student Loans; (v) any applicable Special Allowance Payments paid on or after the Issue Date, subject to recapture of excess interest on certain Financed Student Loans, or any similar allowances authorized from time to time by federal law or regulation; (vi) any applicable Interest Subsidy Payments paid on or after the Issue Date, or payable in respect of any Financed Student Loan; (vii) Available Funds (other than moneys released from the lien of the Indenture as provided in the Indenture), together with all moneys and investments held in the Funds created by the Indenture (other than the moneys and investments held in the Department Reserve Fund), including all proceeds thereof and all income thereon; and (viii) any proceeds from any property described in clauses (i)-(vii) above, and any and all other property, rights and interests of every kind or description that from time to time hereafter is granted, conveyed, pledged, assigned, or transferred or delivered to the Indenture Trustee as and for additional security under the Indenture.

"*Trustee Fee*" shall mean the fees agreed to be paid to the Indenture Trustee for its services under the Indenture as described in a separate agreement between the Issuer and the Indenture Trustee, which Trustee Fee shall be payable annually in full on the Distribution Date occurring in June of each year, with the first payment to be made on September 25, 2012, and shall initially equal 0.0070% per annum based on the aggregate Outstanding Amount of the Notes; provided, however, that, notwithstanding anything in the Indenture to the contrary, the Trustee Fee shall not exceed 0.0075% per annum based on the aggregate Outstanding Amount of the Notes.

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EXHIBIT III

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

NOTE DETAILS

Issuance of Notes. The Issuer shall have the authority, upon complying with the provisions of the Indenture, to issue, and the Indenture Trustee shall have the authority, upon complying with the provisions of the Indenture, to authenticate and deliver the Notes, which shall be secured by the Trust Estate.

No Notes shall be authenticated and delivered pursuant to the Indenture until the following conditions have been satisfied:

(i) an Issuer Order of an Authorized Officer of the Issuer as to the delivery of such Notes and describing such Notes to be authenticated and delivered, designating the purchaser or purchasers to whom such Notes are to be delivered, and stating the purchase price of such Notes has been duly executed and delivered;

(ii) an approving opinion of Note Counsel has been delivered;

(iii) a Certificate of an Authorized Officer of the Issuer stating that the Issuer is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture has been duly executed and delivered;

(iv) a Certificate of an Authorized Officer of the Issuer stating that the Issuer expects all amounts on deposit in the Acquisition Fund (other than the amounts deposited to the Temporary Costs of Issuance Account) to be used for the acquisition of Student Loans prior to the end of the Acquisition Period has been duly executed and delivered;

(v) evidence of ratings, if any, by each Rating Agency on the Notes to be issued has been received by the Issuer; and

(vi) the Issuer has prepared UCC-1 financing statements and has provided evidence that appropriate arrangements have been made for the filing of such UCC-1 financing statements in the appropriate jurisdictions.

(*Section 2.09*)

PROVISIONS APPLICABLE TO THE NOTES; DUTIES OF THE ISSUER

Payment of Notes. The Issuer covenants that it will promptly pay, but solely from the Trust Estate, the principal of and interest, if any, on each and every Note issued under the provisions of the Indenture at the places, on the dates and in the manner specified in the Indenture and in said Notes and any premium required for the retirement of said Notes by purchase or redemption according to the true intent and meaning thereof.

The Issuer shall at all times maintain an office or agency where Notes may be presented for registration, transfer or exchange, and where notices, presentations and demands upon the Issuer in respect of the Notes or of the Indenture may be served. Pursuant to the Indenture, the Issuer has appointed the Indenture Trustee as its agent to maintain such office or agency for the registration, transfer or exchange of Notes, and for the service of such notices, presentations and demands upon the Issuer. *(Section 4.01)*

Covenant to Perform Obligations under the Indenture. The Issuer covenants that it will faithfully perform at all times and at all places all covenants, undertakings, stipulations, provisions and agreements contained in the Indenture, in any and every Note executed, authenticated and delivered under the Indenture and in all

proceedings of the Issuer pertaining thereto. The Issuer covenants that it is duly authorized to issue the Notes authorized by the Indenture and to enter into the Indenture and to perform its obligations thereunder and that all action on its part for the issuance of the Notes issued under the Indenture and the execution and delivery of the Indenture has been duly and effectively taken; and that such Notes in the hands of the owners thereof are and the Indenture is and each will be valid and enforceable obligations of the Issuer according to the tenor and import thereof.

In consideration of the purchase and acceptance of the Notes by those who shall hold the same from time to time, the provisions of the Indenture shall be a part of the contract of the Issuer with the owners of the Notes and shall be deemed to be and shall constitute a contract among the Issuer, the Indenture Trustee and the Registered Owners from time to time. *(Section 4.02)*

Further Instruments and Actions. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental to the Indenture and such further acts, instruments and transfers as the Indenture Trustee may reasonably require for the better pledging of all and singular of the Trust Estate pledged by the Indenture to the payment of the principal of, premium, if any, and the interest on the Notes and other amounts owed under the Indenture to the Registered Owners. *(Section 4.03)*

Administration. The Issuer shall administer, operate and maintain the Financed Student Loans in such manner as to ensure that the Financed Student Loans will benefit from the benefits available under the Higher Education Act and the federal program of reimbursement for student loans pursuant to the Higher Education Act, or from any other federal statute providing for such federal program. To that end, the Issuer will maintain the Administration Agreement in full force and effect. The Issuer agrees to notify each Rating Agency if (i) the Administrator is replaced, resigns or is removed; or (ii) if there is any material change in the terms of the Administration Agreement.

The Issuer covenants that it will (i) cause the Indenture Trustee to be, or replace the Indenture Trustee with, an entity meeting the criteria for a successor Indenture Trustee contained in the Indenture, (ii) acquire or cause to be acquired Student Loans originated and held only by an Eligible Lender and (iii) not dispose of or deliver any Financed Student Loans or any security interest in any such Financed Student Loans to any party who is not an Eligible Lender so long as the Higher Education Act or Regulations adopted thereunder require an Eligible Lender to be the owner or holder of Financed Student Loans; provided, however, that nothing above shall prevent the Issuer from delivering the Financed Student Loans to the Master Servicer, a Servicer or a Guaranty Agency. The Registered Owners of the Notes shall not in any circumstances be deemed to be the owner or holder of the Financed Student Loans. *(Section 4.04)*

Enforcement and Amendment of Guaranty Agreements. So long as any Notes are Outstanding, the Issuer (a) will, from and after the date on which it shall have entered into, or caused any Eligible Lender Trustee to enter into on its behalf, any Guaranty Agreement, maintain such Guaranty Agreement and diligently enforce its rights thereunder; (b) will enter into such other similar or supplemental agreements as shall be required to maintain benefits for all Financed Student Loans covered thereby; and (c) will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with any Guaranty Agreement or any similar or supplemental agreement or engage any other guarantor of the Financed Student Loans which in any manner will materially adversely affect the rights of the Registered Owners under the Indenture.

The Indenture Trustee and the Issuer acknowledge that EFS and its Affiliates, including the Issuer, which have executed a joinder thereto, are parties to an Eligible Lender Trust Agreement with an Eligible Lender Trustee, pursuant to which Guaranty Agreements may be obtained by the Issuer, acting through the Eligible Lender Trustee. *(Section 4.05)*

Enforcement and Amendment of Certificates of Insurance. So long as any Notes are Outstanding, the Issuer (a) will maintain all Certificates of Insurance and diligently enforce its rights thereunder; (b) will enter into such other similar or supplemental agreements as shall be required to maintain benefits for all Financed Student Loans covered thereby; and (c) will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with any such Certificates of Insurance or any

similar or supplemental agreement which in any manner will materially adversely affect the rights of the Registered Owners under the Indenture. *(Section 4.06)*

Financing, Collection and Assignment of Student Loans. All loans held under the Indenture shall only be Financed Student Loans. The Issuer shall diligently cause to be collected all principal and interest payments (subject to the Indenture) on all the Financed Student Loans and other sums to which the Issuer is entitled pursuant to any Student Loan Purchase Agreement, all grants, subsidies, donations, insurance payments, Special Allowance Payments, Interest Subsidy Payments, and all defaulted payments Guaranteed by a Guaranty Agency or Insured by the Secretary which relate to such Financed Student Loans. The Issuer shall also make, or cause to be made by the applicable Eligible Lender and/or the Master Servicer or the applicable Servicer, every effort to perfect the Issuer's or such Eligible Lender's, the Master Servicer's or Servicer's claims for payment from the Secretary or such Guaranty Agency, of all payments related to such Financed Student Loans, no later than required by the Higher Education Act and the applicable Guaranty Agreement. The Issuer will assign such Financed Student Loans for payment of Guaranty or Insurance benefits within the required period under applicable law and regulations. The Issuer will comply with all United States federal and state statutes, rules and regulations which apply to such Financed Student Loans.

While the Issuer will be the beneficial owner of the Financed Student Loans and the Registered Owners will have a security interest therein, and the Notes shall be and pursuant to the Indenture are declared to be payable from and equally secured by an irrevocable first lien on and pledge of the properties constituting the Trust Estate, it is understood and agreed that the Eligible Lender Trustee will hold legal title thereof. Pursuant to the Indenture, the Eligible Lender Trustee grants a security interest in the Financed Student Loans to the Indenture Trustee for and on behalf of the Registered Owners, but in no event shall the Registered Owners have any right to possession or control of any Financed Student Loans. The promissory notes representing the Financed Student Loans will be held by or on behalf of the Indenture Trustee in the name of the Eligible Lender Trustee for the account of the Issuer, for the benefit of the Registered Owners.

To the extent any Financed Student Loans have been acquired pursuant to the terms of an Eligible Lender Trust Agreement, the Issuer subjects its beneficial interest in such Financed Student Loans to the security interest in favor of the Registered Owners created under the Indenture and shall cause the Eligible Lender Trustee to assign its legal interest to the Indenture Trustee. *(Section 4.07)*

Enforcement of Financed Student Loans. The Issuer shall, subject to the provisions of the Indenture described in the last sentence of this paragraph, cause to be diligently enforced, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all terms, covenants and conditions of all Financed Student Loans and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due the Issuer thereunder. The Issuer shall not permit the release of the obligations of any borrower under any Financed Student Loan or consent or agree to permit any amendment or modification of any Financed Student Loan and shall at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Issuer, any Eligible Lender Trustee and the Indenture Trustee under the Indenture or with respect to each Financed Student Loan and agreement in connection therewith. *(Section 4.08)*

Enforcement of the Master Servicing Agreement and the Servicing Agreements. The Issuer shall cause to be diligently enforced, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all material terms, covenants and conditions of the Master Servicing Agreement and all Servicing Agreements, including without limitation the prompt payment of all principal and interest payments and all other amounts due the Issuer thereunder, including all grants, subsidies, donations, insurance payments, Special Allowance Payments, Interest Subsidy Payments, and all payments Guaranteed by a Guaranty Agency and/or Insured by the Secretary which relate to any Financed Student Loans. Except as authorized below, the Issuer and EFS:

(i) shall not permit the release of any material obligations of the Master Servicer or any Servicer under the Master Servicing Agreement or any Servicing Agreement;

(ii) shall at all times, to the extent permitted by law, cause the material rights of the Issuer and, to the extent applicable, of any Eligible Lender Trustee and the Indenture Trustee, under or with respect

to the Master Servicing Agreement and each Servicing Agreement, to be defended, enforced, preserved and protected;

(iii) shall not consent or agree to or permit any amendment or modification of the Master Servicing Agreement or any Servicing Agreement which will materially adversely affect the rights or security of the Eligible Lender Trustee, the Indenture Trustee or any Registered Owner and in the event the Issuer determines any amendment or modification of the Master Servicing Agreement or any Servicing Agreement will not materially adversely affect the rights or security of the Eligible Lender Trustee, the Indenture Trustee or any Registered Owner, the Issuer will provide to the Eligible Lender Trustee and Indenture Trustee, a certificate of an Authorized Officer to that effect;

(iv) shall at its own expense, duly and punctually perform and observe each of its obligations to the Master Servicer and each Servicer under the Master Servicing Agreement and related Servicing Agreement in accordance with the terms thereof;

(v) agrees to give the Indenture Trustee and each Rating Agency prompt written notice of each default on the part of the Master Servicer or a Servicer of its material obligations under the Master Servicing Agreement or its Servicing Agreement coming to the Issuer's attention;

(vi) shall not waive any default by the Master Servicer or a Servicer of its material obligations under the Master Servicing Agreement or its Servicing Agreement without first receiving the approval of the Registered Owners of at least a majority of the collective aggregate principal amount of the Highest Priority Obligations then Outstanding;

(vii) shall not consent or agree to permit any amendment or modification of the Master Servicing Agreement or any Servicing Agreement, if such amendment or modification increases the amount of Servicing Fees in excess of the amounts specified in the Indenture unless the requirements of a Rating Notification have been satisfied (for the avoidance of doubt, in no event shall the Servicing Fees be less than the Servicing Fee Floor); and

(viii) shall provide written notice to the Indenture Trustee of any increase in the Servicing Fees in an amount in excess of the increases permitted under the Indenture.

The foregoing notwithstanding, nothing in the Indenture shall be construed to prevent the Issuer:

(i) from taking actions to replace any Master Servicer or Servicer if the Issuer reasonably believes it prudent to do so in light of all circumstances then known to the Issuer to exist and such action will not materially adversely affect either the ability of the Issuer to pay or perform, as the case may be, all of its material obligations under the Indenture or the security pledged under the Indenture for the Notes and the Registered Owners; or

(ii) from consenting or agreeing to, or permitting, any amendments, modifications to, or waivers with respect to, the Master Servicing Agreement or any Servicing Agreement if the Issuer determines in good faith that it is reasonably prudent to do so in light of all circumstances then known by the Issuer to exist and such action will not materially adversely affect the ability of the Issuer to pay or perform, as the case may be, its material obligations under the Indenture or the security pledged under the Indenture for the Notes and the Registered Owners.

The Master Servicing Agreement and each Servicing Agreement shall require the Master Servicer and the Servicer, respectively, to administer and collect all payments on all Financed Student Loans in the manner consistent with the Indenture and to perform any duties, obligations and functions imposed upon the Master Servicer or the Servicer by any Guaranty Agreement.

If at any time the Master Servicer or any Servicer fails in any material respect to perform its obligations under the Master Servicing Agreement or its Servicing Agreement or under the Higher Education Act, including

without limitation the failure of the Master Servicer or the Servicer to comply with the due diligence requirements of the Higher Education Act, or if any servicing audit shows any material deficiency in the servicing of Financed Student Loans by the Master Servicer or any Servicer, the Issuer shall, or cause the Master Servicer or the Servicer to, cure the failure to perform or the material deficiency or remove the Master Servicer or such Servicer and appoint another Master Servicer or Servicer; provided, however, that any such failure by Edfinancial Services, LLC under its Servicing Agreement shall be a default thereunder and the Issuer shall declare that a Conversion Event has occurred under the Back-up Servicing Agreement.

If any Financed Student Loan is found to have had a due diligence failure at the time such Financed Student Loan became a part of the Trust Estate, and as a result thereof, a Guaranty or Insurance claim with respect to such Financed Student Loan is rejected by the applicable Guaranty Agency or the Secretary, as the case may be, and is not cured within 180 days after such rejection, then the Issuer shall either: (i) sell such Financed Student Loan from the Trust Estate for a purchase price equal to its principal amount plus unamortized premium, if any, and interest accrued thereon or (ii) replace such Financed Student Loan with another Financed Student Loan with substantially identical characteristics (excluding such due diligence failure). The Issuer's obligations under the preceding covenant apply only with respect to a Financed Student Loan which is found to have a due diligence failure at the time it became a part of the Trust Estate, and not to Financed Student Loans with respect to which a due diligence failure arises thereafter. The Issuer has covenanted in the Indenture to cause the Student Loan Purchase Agreement to require the Seller or Administrator to repurchase Financed Student Loans upon the occurrence of certain actions or due to certain omissions of the Seller.

The Issuer and EFS are each obligated to (i) retain a replacement Servicer or replacement Back-up Servicer, in the event that an existing Servicing Agreement expires or terminates and is not renewed and (ii) ensure that the aggregate principal amount of Student Loans subject to the Back-up Servicing Agreement is sufficient to cover the Financed Student Loans. *(Section 4.09)*

Administration and Collection of Financed Student Loans. All Financed Student Loans which are part of the Trust Estate shall be administered and collected either by or on behalf of the Issuer or by the Master Servicer or a Servicer selected by the Issuer in a competent, diligent and orderly fashion and in accordance with all requirements of the Higher Education Act, the Regulations, the Secretary, each Guaranty Agency and the Indenture.

In all events, promissory notes evidencing Financed Student Loans shall be held by the Indenture Trustee or its custodial agent or bailee (which may be the Master Servicer or a Servicer) on behalf of the Indenture Trustee unless release of such promissory notes to the Master Servicer or a Servicer is necessary to the enforcement thereof. To the extent that the Master Servicer or the Servicer, in the ordinary course of its servicing duties, shall require reference to the text or other similar document of any such promissory note, the Master Servicer or the Servicer shall refer to a photocopy of such promissory note in its files and not to the original thereof. Subject to the foregoing, the Issuer covenants and agrees to comply with the following provisions with respect to all Financed Student Loans and agrees to include the following provisions in the Master Servicing Agreement and each Servicing Agreement or in a Custodian Agreement, and directs the Indenture Trustee to enter into such Custodian Agreement, binding upon the Issuer, the Master Servicer, the Servicer and the Indenture Trustee:

(i) In the event the Master Servicer or any such Servicer holds promissory notes evidencing Financed Student Loans and related documentation, the Master Servicer or such Servicer holds such promissory notes and related documentation as bailee for and on behalf of the Indenture Trustee for purposes of perfecting the interests of the Indenture Trustee therein; provided, however, that the Indenture Trustee upon advice of counsel may require that it hold possession of such promissory notes and/or related documentation as deemed necessary to protect its security interests in the Financed Student Loans.

(ii) All sums received by the Master Servicer or any Servicer with respect to Financed Student Loans shall be held on behalf of the Indenture Trustee including, but not limited to, all payments of principal and interest, Special Allowance Payments, Interest Subsidy Payments, insurance or guaranty payments and proceeds of the sale thereof. All such amounts shall be held in a segregated account (which may, however, include the funds of other customers of the Master Servicer or applicable Servicer) and shall not be commingled with any of the Master Servicer's or

Servicer's funds and shall be accounted for such that all such funds are identified separately from all other payments received in respect of the servicing of loans. Any such amounts, if received by the Master Servicer, the Servicer or the Eligible Lender Trustee, shall be remitted within two Business Days only to the Indenture Trustee and not to the Issuer.

(iii) All periodic reports required to be furnished to the Issuer pursuant to the Master Servicing Agreement (if any) and each Servicing Agreement shall be furnished to the Indenture Trustee and each Rating Agency then maintaining a Rating on any Outstanding Notes, each report containing substantially the same information as set forth in the Indenture.

(iv) No amendment, modification or addition to the Master Servicing Agreement or any Servicing Agreement shall be effective with respect to the Indenture Trustee regarding servicing of Financed Student Loans on behalf of the Indenture Trustee without the written consent, at the request of the Issuer, of the Indenture Trustee.

(v) The Master Servicer and each Servicer waives any lien that the Master Servicer or the Servicer might have pursuant to statute or otherwise available at law or in equity on the promissory notes evidencing Financed Student Loans held by the Master Servicer or the Servicer on behalf of the Indenture Trustee and on related documentation, including all moneys and proceeds derived therefrom or relating thereto.

Additionally, subject to the foregoing, the Issuer covenants and agrees to cause each Financed Student Loan evidenced by a Master Promissory Note to be acquired pursuant to a Student Loan Purchase Agreement containing language similar to the following:

> "The [Seller] hereby represents and warrants that the [Seller] is transferring all of its right, title and interest in the MPN Loan to [the Eligible Lender Trustee], on behalf of [the Issuer], that it has not assigned any interest in such MPN Loan (other than security interests that have been released or ownership interests that the [Seller] has reacquired) to any person other than [the Eligible Lender Trustee], on behalf of [the Issuer], and that no prior holder of the MPN Loan has assigned any interest in such MPN Loan (other than security interests that have been released or ownership interests that such prior holder has reacquired) to any person other than a predecessor in title to the [Seller]. The [Seller] hereby covenants that the [Seller] shall not attempt to transfer to any other person any interest in any MPN Loan assigned hereunder. The [Seller] hereby authorizes the [Issuer] to cause the filing of a UCC-1 financing statement identifying [the Issuer] as debtor and the Indenture Trustee as secured party and describing the Loans sold pursuant to this Agreement. The preparation or filing of such UCC-1 financing statement is solely for additional protection of the Indenture Trustee's interest in the MPN Loans and shall not be deemed to contradict the express intent of the [Seller] and the [Eligible Lender Trustee] that the transfer of MPN Loans under this Agreement is an absolute assignment of such MPN Loans and is not a transfer of such MPN Loans as security for a debt." *(Section 4.10)*

Enforcement of Administration Agreement. The Issuer shall cause to be diligently enforced, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all material terms, covenants and conditions of the Administration Agreement, including without limitation causing the preparation of all reports, filings, instruments, certificates and opinions required by the Indenture Related Agreements, performing all duties with respect to the administration and collection of the Financed Student Loans and enforcement of the Master Servicing Agreement, the Servicing Agreements, monitoring the performance of the duties and obligations of the Master Servicer, the Servicers, the Eligible Lender Trustee and the Indenture Trustee under the Master Servicing Agreement, the Servicing Agreements and the Indenture, respectively and taking all non-ministerial actions as directed by the Issuer or the Indenture Trustee. The Issuer will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with the Administration Agreement or any similar or supplemental agreement which in any manner will materially adversely affect the rights of the Registered Owners under the Indenture. The Issuer shall provide the Indenture Trustee written notice of any increase in Administration Fees or Subordinate Administration Fees in an amount in excess of the permitted increases under the Indenture. *(Section 4.11)*

Books of Account; Annual Audit; Inspection Rights. The Issuer shall be operated on the basis of its Fiscal Year. The Issuer shall cause to be kept and maintained proper books of account relating to the Financed Student Loans in which full, true and correct entries will be made, in accordance with generally accepted accounting principles, of all dealings or transactions of or in relation to the business and affairs of the Issuer, and within 180 days after the end of each Fiscal Year shall receive an audit of such books of account by an independent certified public accountant. A copy of each audit report, annual balance sheet and income and expense statement showing in reasonable detail the financial condition of the Issuer as at the close of each Fiscal Year, and summarizing in reasonable detail the income and expenses for such year, including the transactions relating to the Funds and Accounts, Outstanding Note balance by Stated Maturity Date and principal reduction history (date, amount, source of funds, distribution of funds per applicable Tranche of the Notes), shall be filed with the Indenture Trustee within 30 days after it is received by the Issuer and shall be available for inspection by any Registered Owner.

The Issuer, upon written request of the Indenture Trustee, will permit at all reasonable times the Indenture Trustee or its agents, accountants and attorneys, to examine and inspect the property, books of account, records, reports and other data relating to the Financed Student Loans, and will furnish the Indenture Trustee such other information as it may reasonably request. The Indenture Trustee shall be under no duty to make any such examination and inspection unless requested in writing to do so by the Registered Owners of 66 2/3% in collective aggregate principal amount of the Highest Priority Obligations at the time Outstanding, and unless such Registered Owners shall have offered the Indenture Trustee security and indemnity satisfactory to it against any costs, expenses and liabilities which might be incurred thereby. *(Section 4.12)*

Statement as to Compliance by the Issuer. The Issuer will deliver to the Indenture Trustee and the Eligible Lender Trustee, within 180 days after the end of each fiscal year, a brief certificate from an Authorized Representative including (a) a current list of the Authorized Representatives, and (b) a statement indicating whether or not to the knowledge of the signer thereof the Issuer is in compliance with all conditions and covenants under the Indenture and, in the event of any noncompliance, specifying such noncompliance and the nature and status thereof. For purposes of the provisions of the Indenture described in this paragraph, such compliance shall be determined without regard to any period of grace or requirement of notice under the Indenture. *(Section 4.13)*

Continuing Existence and Qualification. The Issuer is and will maintain its existence in good standing as a limited liability company and will take no action and suffer no action to be taken by others which will alter, change or destroy, and will take all affirmative action necessary to maintain, its status as a limited liability company. The Issuer is or will remain duly qualified to do business in the State of Delaware or any other state in which it is qualified, has obtained and will use its best efforts to maintain such licenses and approvals as may be necessary to undertake the obligations under the Indenture and will not dispose of all or substantially all of its assets (by sale, lease or otherwise), except as otherwise specifically authorized under the Indenture, or consolidate with, merge into or transfer to another entity or permit any other entity to consolidate with, merge into or transfer to it. (*Section 4.14)*

Other Issuer Obligations. The Issuer shall not commingle the Funds established by the Indenture with any other funds, proceeds, or investment of funds.

The moneys, Financed Student Loans, securities, evidences of indebtedness, interests, rights and properties pledged under the Indenture are and will be owned by the Issuer free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges created by the Indenture, except as otherwise expressly provided in the Indenture, and all action on the part of the Issuer to that end has been duly and validly taken. With respect to Financed Student Loans, the Issuer shall be the beneficial owner of such and the Eligible Lender Trustee shall hold legal title. If any Financed Student Loan is found to have been subject to a lien at the time such Financed Student Loan was acquired, the Issuer shall cause such lien to be released, shall sell such Financed Student Loan from the Trust Estate for a purchase price equal to its principal amount plus any unamortized premium, if any, and interest accrued thereon or shall replace such Financed Student Loan with another Student Loan with substantially identical characteristics which replacement Student Loan shall be free and clear of liens at the time of such replacement. Except as otherwise provided in the Indenture, the Issuer shall not create or voluntarily permit to be created any debt, lien, or charge on the Financed Student Loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture; shall not do or omit to do or suffer to be done or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority of such lien for the Notes secured by the Indenture might or could be lost or impaired; and will pay or cause

to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence to or any equality with the Indenture as a lien or charge upon the Financed Student Loans; provided, however, that nothing in the Indenture provisions described in this paragraph shall require the Issuer to pay, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of the Indenture Trustee, the same will endanger the security for the Notes. *(Section 4.15)*

Tax Treatment of the Issuer and the Notes. The parties to the Indenture intend that for federal income tax, state income tax and local franchise tax purposes, the Issuer be disregarded as an entity separate from EFS. The parties to the Indenture agree to take no action that would cause the Issuer to be taxable as a corporation. The parties to the Indenture intend and agree that for federal income tax, state income tax, local franchise tax and financial accounting purposes, the Notes will be indebtedness and by acceptance of the Notes, the Holders thereof agree to treat the Notes as indebtedness. If one or more Tranches of the Notes is recharacterized as other than indebtedness, then it is intended that the relationship between the Holders of any such Tranches of the Notes will be a partnership with the Issuer for such purposes. The Issuer shall prepare and file or cause to be prepared and filed all tax returns and information reports necessary for the partners and the Issuer to comply with any reporting requirements under the Code.

The Issuer shall not claim any credit on, or make any deduction from, the principal amount of any of the Notes by reason of the payment of any taxes levied or assessed upon any portion of the Trust Estate. *(Section 4.16)*

Student Loan Purchase Agreement. The Issuer shall not consent to any amendment to the Student Loan Purchase Agreement which would eliminate the requirement of the Seller thereby to repurchase student loans which have lost their Guaranty or Insurance due to actions of the Seller. At the time of execution of the Student Loan Purchase Agreement, such Student Loan Purchase Agreement included provisions that required the Seller to repurchase, which repurchase obligation may have been satisfied by an indemnification for losses arising from, student loans which have lost their Guaranty or Insurance or Special Allowance Payments or Interest Subsidy Payments due to actions or omissions of the Seller.

Each Financed Student Loan acquired by the Issuer shall constitute an Eligible Loan (as defined in the Student Loan Purchase Agreement) and shall satisfy any representations and warranties made with respect thereto in the Student Loan Purchase Agreement, including the representation that, with respect to any Student Loan as to which the related borrower is determined to be a resident of the City of New York on the date such Student Loan is sold to the Issuer, all monthly payments due under such Student Loan up to and as of such sale date have been made in full, and the Seller has not advanced funds to prevent any portion of such Student Loan from being past due as of such sale date. *(Section 4.17)*

Recordation of the Indenture and Filing of Security Instruments; Financing Statements. The Issuer shall take, and shall cause the Master Servicer, the Servicers and the Indenture Trustee to take all steps necessary and appropriate to cause the Indenture and all supplements thereto, together with all other security instruments, financing statements, continuation statements and amendments thereto, to be recorded and filed, as the case may be, if required by law for perfection of the security interests created under the Indenture or therein, in such manner and in such places as may be required by law in order to perfect the lien of, and the security interests created by, the Indenture.

The Issuer shall promptly notify the Indenture Trustee of any change in its name or in the address of its principal place of business. *(Section 4.18)*

No Waiver of Laws. The Issuer shall not at any time insist upon or plead in any manner whatsoever, or claim to take the benefit or advantage of any stay or extension of law now or at any time hereafter in force which may affect the covenants and agreements contained in the Indenture or in the Notes and all benefit or advantage of any such law or laws is expressly waived by the Issuer pursuant to the Indenture. *(Section 4.19)*

Representations and Covenants of the Issuer Regarding the Indenture Trustee's Security Interest. Pursuant to the Indenture, the Issuer represents, warrants and covenants for the benefit of the Indenture Trustee and the Registered Owners as follows:

(a) The Indenture creates a valid and continuing security interest (as defined in the applicable Uniform Commercial Code in effect in the State of Delaware) in the Financed Student Loans and the rest of the Trust Estate in favor of the Indenture Trustee, for the benefit of the Registered Owners of the Notes, which security interest is prior to all other liens, charges, security interests, mortgages or other encumbrances, and is enforceable as such as against creditors of and purchasers from the Issuer.

(b) The Higher Education Act deems the Financed Student Loans to constitute "accounts" within the meaning of the applicable Uniform Commercial Code for purposes of perfecting a security interest in the Financed Student Loans.

(c) With respect to the Trust Accounts that constitute deposit accounts, either:

(i) the Issuer has delivered to the Indenture Trustee a fully executed agreement pursuant to which the bank maintaining the deposit accounts has agreed to comply with all instructions originated by the Indenture Trustee directing disposition of the funds in such Trust Accounts without further consent by the Issuer; or

(ii) the Issuer has taken all steps necessary to cause the Indenture Trustee to become the account holder of such Trust Accounts.

(d) The Issuer, with respect to the Financed Student Loans, acting through the Eligible Lender Trustee, owns and has good and marketable title to the Financed Student Loans free and clear of any lien, charge, security interest, mortgage or other encumbrance, claim or encumbrance of any Person, other than those granted pursuant to the Indenture. It is understood that the Eligible Lender Trustee will hold legal title to the Financed Student Loans.

(e) The Issuer has caused or will have caused, within two Business Days after the Issue Date, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Trust Estate, including the Financed Student Loans, granted to the Indenture Trustee under the Indenture. The Issuer, pursuant to the Indenture, irrevocably authorizes the Indenture Trustee, or counsel which may be engaged by the Indenture Trustee for such purpose at the expense of the Issuer, to file any and all financing statements and amendments thereto prepared by, or as directed by, the Issuer, continuation statements filed by the Indenture Trustee in accordance with the Indenture as the Issuer deems may be required or advisable in such form as the Issuer deems is necessary in order to perfect or to continue the perfection of the security interest in the Trust Estate, in each case, on behalf of the Issuer and the Eligible Lender Trustee. Such financing statements and any amendments thereto may describe the Trust Estate as being of an equal or greater scope or with greater or lesser detail than as set forth in the definition of "Trust Estate" (the terms of which shall be binding on the Issuer and the Eligible Lender Trustee).

(f) The Issuer has received a written acknowledgment (which may be contained in the Master Servicing Agreement or the applicable Servicing Agreement) from the Master Servicer or the applicable Servicer (as custodian for the Indenture Trustee) that the Master Servicer or the Servicer is holding executed copies of the promissory notes and Master Promissory Notes that constitute or evidence the Financed Student Loans, and that the Master Servicer or the applicable Servicer is holding such solely on behalf and for the benefit of the Indenture Trustee.

(g) Other than the security interest granted to the Indenture Trustee pursuant to the Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Financed Student Loans. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer that include a description of collateral covering the Financed Student Loans other than any financing statement relating to the security interest granted to the Indenture Trustee under the Indenture or that has been terminated. The Issuer is not aware of any judgment or tax lien filings against the Issuer. *(Section 4.20)*

Further Covenants of the Issuer Regarding the Indenture Trustee's Security Interest. Pursuant to the Indenture, the Issuer covenants for the benefit of the Indenture Trustee and the Registered Owners as follows:

(a) The representations and warranties set forth in the Indenture and described herein under the caption entitled "*—Representations and Covenants of the Issuer Regarding the Indenture Trustee's Security Interest*" above shall survive the termination of the Indenture, and the Indenture Trustee shall not waive any of such representations or warranties.

(b) The Issuer shall take all steps necessary, and shall cause the Master Servicer, the Servicers and the Indenture Trustee to take all steps necessary and appropriate, to maintain the perfection and priority of the Indenture Trustee's security interest in the Financed Student Loans. *(Section 4.21)*

Certain Reports. Not later than four Business Days prior to the Interest Rate Determination Date preceding each Distribution Date, the Issuer will prepare and forward to the Indenture Trustee a Distribution Date Certificate, at which time the Indenture Trustee shall prepare, based on the information in the Distribution Date Certificate, a Distribution Date Information Form. The Indenture Trustee shall provide the Issuer with the Distribution Date Information Form once the Indenture Trustee shall complete such form, which shall be on the Interest Rate Determination Date. Upon receiving the completed Distribution Date Information Form from the Indenture Trustee, the Issuer shall post and provide electronic access to the Distribution Date Information Form on EFS' website. The Indenture Trustee shall direct any Noteholder who requests a copy of the Distribution Date Information Form to (i) the electronic form of such Distribution Date Information Form posted on EFS' website or (ii) to such other location from which copies of the Distribution Date Information Form may be obtained. In the event EFS no longer maintains a website, the Indenture Trustee shall post and provide electronic access to the Distribution Date Information Form on a website accessible to all Noteholders. The Issuer shall provide the Distribution Date Information Form to the Securities Depository at Lensnotices@dtcc.com for distribution to the beneficial owners of the Notes. The Indenture Trustee may conclusively rely and accept the information described in the Distribution Date Certificate from the Issuer, with no further duty to know, determine or examine such reports. In addition, the Issuer shall provide to the Rating Agencies such regular reports in the form and at the times requested by such Rating Agencies as is necessary to maintain the Rating on the Notes.

On or before January 31 of each calendar year, beginning with January 31, 2013, the Issuer shall furnish or cause to be furnished, by the Indenture Trustee or any other paying agent, to each Person who at any time during the preceding calendar year was a Noteholder the information for the preceding calendar year, or the applicable portion thereof during which the Person was a Noteholder, any information that is required to be provided by an issuer of indebtedness under the Code to the holders of the Notes and such other customary information as is necessary to enable each Noteholder to prepare its federal income tax returns. *(Section 4.22)*

Parity and Priority of Lien. The provisions, covenants and agreements within the Indenture set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Notes, all of which, regardless of the times of their maturity, shall be of equal rank without preference, priority or distinction of any of the Notes over any other thereof, except as expressly provided in the Indenture with respect to certain payment and other priorities. *(Section 4.23)*

Not an Investment Company. The Issuer is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or is exempt from all provisions of such Investment Company Act. *(Section 4.24)*

Prior Debt and Prior Business of the Issuer. The Issuer has not issued any other indebtedness or any other securities in any other transaction, nor has the Issuer engaged in any business in any material respect prior to the Issue Date, nor entered into any agreements other than any Indenture Related Agreements. *(Section 4.25)*

Separateness Covenants. The Issuer covenants and agrees to comply with the additional covenants set forth in the Indenture. *(Section 4.26)*

Continuing Disclosure. So long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer shall, during any period in which it is not subject to and in compliance with Section 13 or 15(d) of the Exchange Act, or it is not exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the Exchange Act, provide to each holder and to each prospective purchaser (as designated by such holder in good faith) of such Notes, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the Securities Act (and any successor rule to Rule 144A(d)(4)). Any such information will be provided to a holder or to any prospective purchaser on a confidential basis. *(Section 4.27)*

FUNDS

Creation and Continuation of Funds and Accounts. Pursuant to the Indenture, the following Funds will be created and established and will be held and maintained by the Indenture Trustee for the benefit of the Registered Owners:

(i) Department Reserve Fund;

(ii) Acquisition Fund;

(iii) Capitalized Interest Fund;

(iv) Collection Fund; and

(v) Debt Service Reserve Fund.

Pursuant to the Indenture, there is further created and established within the Acquisition Fund, a Temporary Costs of Issuance Account, to be held and maintained by the Indenture Trustee for the benefit of the Registered Owners.

Pursuant to the Indenture, the Indenture Trustee is authorized, upon notice to the Issuer, for the purpose of facilitating the administration of the Trust Estate and its duties under the Indenture and for the administration of any Notes issued thereunder to create further Accounts and Subaccounts in any of the various Funds established thereunder which are deemed necessary or desirable, or to close any Trust Account (other than those enumerated in clauses (i), (ii), (iii), (iv) and (v) above which shall be closed as provided in the Indenture) which the Indenture Trustee deems no longer necessary or appropriate for the proper administration of such duties.

Funds on deposit in each account specified in clauses (ii), (iii), (iv) and (v) above (collectively, the "Trust Accounts", which definition, for avoidance of doubt, specifically excludes the Department Reserve Fund), shall be invested by the Indenture Trustee (or any custodian or designated agent with respect to any amounts on deposit in such accounts) in Investment Securities pursuant to written instructions from the Issuer as provided in the Indenture. All Trust Accounts shall be held and maintained by the Indenture Trustee, and shall be identified by the Indenture Trustee according to the designations provided in the Indenture in such manner as to distinguish such Trust Accounts from the funds and accounts established by the Issuer for any of its other obligations.

All moneys or securities held by the Indenture Trustee pursuant to the Indenture shall be held in trust and applied only in accordance with the provisions of the Indenture. On the second Business Day preceding each Distribution Date, all interest and other investment income (net of losses and investment expenses) in the Trust Accounts shall be deemed to constitute a portion of the Available Funds for each Distribution Date. For the avoidance of doubt, Available Funds for each Distribution Date shall include the maturity value of Investment Securities that mature on the Business Day preceding the Distribution Date. *(Section 5.01)*

Capitalized Interest Fund. On the Issue Date, the Indenture Trustee shall deposit to the Capitalized Interest Fund $4,000,000 from the proceeds of the Notes. No additional funds will be deposited to the Capitalized Interest Fund thereafter.

On each Distribution Date, July 25, 2012 or August 27, 2012, to the extent there are insufficient moneys in the Collection Fund to make the transfers required by subsections (b)(i) through (vi) described below under the heading *"—Collection Fund"* (subsection (b)(i) through (b)(iv) described below under the heading *"—Collection Fund"* only with respect to July 25, 2012 or August 27, 2012) or subsection (c) described below under the heading *"—Collection Fund"* (other than transfers to repurchase Financed Student Loans from any Guaranty Agency, the Master Servicer or Servicer as described in clause (a)(i) of the definition of Available Funds), the Indenture Trustee, upon receipt of an Issuer Order directing the same, shall withdraw from the Capitalized Interest Fund on such Distribution Date, July 25, 2012 or August 27, 2012, as applicable, an amount equal to such deficiency and deposit such amount in the Collection Fund for application as provided in the Indenture. On the June 2015 Distribution Date, any amounts remaining in the Capitalized Interest Fund shall be transferred by the Indenture Trustee to the Collection Fund and included in the Available Funds on that Distribution Date. *(Section 5.02)*

Collection Fund.

(a) *Deposits to Collection Fund*. There shall be deposited to the Collection Fund (i) all Available Funds and all other moneys and investment income derived from assets on deposit in and transfers from the Capitalized Interest Fund and the Debt Service Reserve Fund, (ii) amounts deposited following the Issuer's optional sale of the Financed Student Loans in accordance with the provisions of the Indenture, and (iii) any other amounts deposited thereto upon receipt of deposit instructions from the Issuer. The Indenture Trustee shall deposit into the Collection Fund daily, in addition to all loan revenues with respect to the Financed Student Loans, all moneys received by or on behalf of the Issuer as assets of, or with respect to, the Trust Estate. Moneys on deposit in the Collection Fund shall be transferred or distributed by the Indenture Trustee in the amounts and on the Distribution Dates or other dates specified by the Indenture in the priority described in clause (b) below. Absent manifest error, the Indenture Trustee may conclusively rely on all written instructions of the Issuer described in the Indenture with no further duty to examine or determine the information provided by the Issuer for the Distribution Date Certificate. Upon Issuer Order, moneys in the Collection Fund shall be used on any date to pay, when due, the amounts described in clauses (a)(i)-(iii) of the definition of Available Funds contained in the Indenture.

(b) *Payments on Distribution Dates*. Except as provided under the heading "DEFAULTS AND REMEDIES—*Remedy on Default; Possession of Trust Estate,*" the Issuer shall instruct the Indenture Trustee in writing no later than the second Business Day preceding each Distribution Date (based on the information contained in the Distribution Date Certificate) to make the following deposits and distributions from the Available Funds in the Collection Fund received during the immediately preceding Collection Period (including any amounts transferred from the Capitalized Interest Fund and the Debt Service Reserve Fund pursuant to the Indenture) to the Persons or to the account specified below by 3:00 p.m. Eastern time on such Distribution Date, in the following order of priority, and the Indenture Trustee shall comply with such instructions; provided, however, that if the Available Funds received during the immediately preceding Collection Period are not sufficient to make the payments or deposits required pursuant to the provisions of the Indenture described in clauses (i) through (vi) of this subsection (b), then, after any required transfers from the Capitalized Interest Fund and the Debt Service Reserve Fund pursuant to the Indenture, any other Available Funds on deposit in the Collection Fund, which the Issuer would have deemed Available Funds for the following Collection Period, may be used to make the payments or deposits required pursuant to the Indenture and described below in clauses (i) through (vi) of this subsection (b):

(i) for deposit into the Department Reserve Fund, the amount necessary to bring the balance of the Department Reserve Fund to the expected Department Reserve Fund Requirement for such Distribution Date and any other required payments to the Department with respect to the Financed Student Loans to the extent remaining unpaid following prior periods;

(ii) to pay to the Indenture Trustee, the Trustee Fee, if any, then due, and any Trustee Fee remaining unpaid from prior periods;

(iii) to pay to the Master Servicer, the Servicing Fees due with respect to the preceding calendar month, together with Servicing Fees remaining unpaid from prior periods, out of which the Master Servicer shall pay to the Servicers and the Back-up Servicer fees and expenses owed under the Servicing Agreements;

(iv) to pay to the Administrator, the Administration Fees due and unpaid with respect to the preceding calendar month, together with Administration Fees remaining unpaid from prior periods;

(v) to pay to the Noteholders of each Tranche of the Class A Notes, on a pro rata basis, based on the amounts owed to each Tranche of Class A Notes, the Interest Distribution Amount payable on each such Tranche of Class A Notes on such Distribution Date; pro rata within a Tranche, if not sufficient to pay any such Tranche in full, based on amounts owed to each such party, without preference or priority of any kind;

(vi) unless a Class B Interest Subordination Trigger Event has occurred and is continuing, to pay to the Noteholders of the Class B Notes, the Interest Distribution Amount payable to the Class B Notes on such Distribution Date, subject to the Class B Interest Cap; pro rata if not sufficient to pay in full, based on amounts owed to each such party, without preference or priority of any kind;

(vii) to deposit to the Debt Service Reserve Fund, the amount, if any, necessary to reinstate the balance of the Debt Service Reserve Fund up to the Debt Service Reserve Fund Requirement;

(viii) to the applicable Noteholders, the Principal Distribution Amount, sequentially in the following order:

(A) to pay, pro rata, to the Class A-1 Noteholders until the Class A-1 Notes have been paid in full;

(B) to pay, pro rata, to the Class A-2 Noteholders until the Class A-2 Notes have been paid in full;

(C) to pay, pro rata, to the Class A-3 Noteholders until the Class A-3 Notes have been paid in full; and

(D) to pay, pro rata, to the Class B Noteholders until the Class B Notes have been paid in full;

(ix) unless a Class B Interest Subordination Trigger Event has occurred and is continuing, to the Administrator any Subordinate Administration Fees then due;

(x) to the Class A Noteholders and the Class B Noteholders, in the priority specified in clause (viii) above, any remaining amounts until the principal amount of each such Class is paid in full;

(xi) to the Class B Noteholders, the Class B Carry-Over Amount; and

(xii) after application of the preceding clauses, any remaining amounts to the Issuer, free and clear of the lien of the Indenture.

The Issuer shall, or shall direct the Indenture Trustee to, notify the Rating Agencies by forwarding a copy of the relevant Distribution Date Information Form if the Available Funds received during the immediately preceding Collection Period are not sufficient to make the payments or deposits required pursuant to the Indenture

described in clauses (i) through (vi) of this subsection (b), after any required transfers from the Capitalized Interest Fund and the Debt Service Reserve Fund, and such payments or deposits were made with other Available Funds on deposit in the Collection Fund for the following Collection Period.

(c) *Payments on July 25, 2012 and August 27, 2012.* Except as provided under the heading "DEFAULTS AND REMEDIES—*Remedy on Default; Possession of Trust Estate,*" the Issuer shall instruct the Indenture Trustee in writing no later than the second Business Day preceding July 25, 2012 and August 27, 2012 (based on the information contained in an Issuer Order) to make the deposits and distributions from all amounts then on deposit in the Collection Fund by 3:00 p.m. Eastern time on July 25, 2012 or August 27, 2012, as applicable, in the amounts, the order of priority and to the Persons or to the account specified in clause (i) through (iv) of subsection (b) above, and the Indenture Trustee shall comply with such instructions. To the extent the amounts on deposit in the Collection Fund are insufficient to make the required payments or deposits specified in the preceding sentence, the Issuer Order described above shall also include instructions to the Trustee to withdraw from the Capitalized Interest Fund or the Debt Service Reserve Fund pursuant to the Indenture, in that order, an amount equal to such deficiency and deposit such amount in the Collection Fund for application as specified. *(Section 5.03)*

Acquisition Fund. On the Issue Date, there shall be deposited into the Acquisition Fund $658,878,598 from the proceeds of the Notes, of which $1,189,649 shall be deposited in the Temporary Costs of Issuance Account of the Acquisition Fund. Financed Student Loans shall be held by the Indenture Trustee or its agent or bailee (including the Master Servicer or applicable Servicer thereof) and shall be pledged to the Trust Estate and accounted for as part of the Acquisition Fund.

Moneys on deposit in the Temporary Costs of Issuance Account shall be used, upon Issuer Order, to pay costs of issuance of the Notes (including payment of fees to the Initial Purchasers), and after payment of costs of issuance in full, any remaining amount may be used to purchase Financed Student Loans during the Acquisition Period.

Moneys on deposit in the Acquisition Fund shall be used, upon Issuer Order, solely (a) to pay costs of issuance of the Notes (which may be paid from the Temporary Costs of Issuance Account) and (b) to acquire Student Loans at any time during the Acquisition Period upon receipt by the Indenture Trustee of a Student Loan Acquisition Certificate. Any such Issuer Order shall state that such proposed use of moneys in the Acquisition Fund is in compliance with the provisions of the Indenture. If any portion of such moneys are not so used at the end of the Acquisition Period, such funds shall be transferred on the first Business Day after the end of the Acquisition Period to the Collection Fund for application in accordance with the Indenture. *(Section 5.04)*

Debt Service Reserve Fund. On the Issue Date, there shall be deposited to the Debt Service Reserve Fund $1,752,250 from the proceeds of the Notes. Thereafter, the Indenture Trustee shall transfer to the Debt Service Reserve Fund from the Collection Fund all amounts designated for transfer thereto pursuant to the Indenture. On each Distribution Date, July 25, 2012 or August 27, 2012, to the extent there are insufficient moneys in the Collection Fund to make the transfers required by subsection (b)(i) through (vi) described under the heading *"--Collection Fund"* above (subsection (b)(i) through (b)(iv) described under the heading *"—Collection Fund"* above only with respect to July 25, 2012 or August 27, 2012) or subsection (c) described under the heading *"--Collection Fund"* above (other than transfers to repurchase Financed Student Loans from any Guaranty Agency, the Master Servicer or a Servicer as described in clause (a)(i) of the definition of Available Funds), and to the extent moneys are not available to make such transfers from the Capitalized Interest Fund pursuant to the Indenture, the Issuer shall provide written instructions to the Indenture Trustee pursuant to subsection (b) described under the heading *"—Collection Fund"* above or subsection (c) described under the heading *"--Collection Fund"* above, as applicable, and the Indenture Trustee shall withdraw from the Debt Service Reserve Fund on such Distribution Date, July 25, 2012 or August 27, 2012, as applicable, an amount equal to such deficiency and deposit such amount in the Collection Fund as specified.

If the full amount required to restore the Debt Service Reserve Fund to the applicable Debt Service Reserve Fund Requirement is not available in the Collection Fund on a Distribution Date, the Indenture Trustee shall continue to transfer funds from the Collection Fund as they become available and in accordance with clause (b)(vii)

described under the heading "--*Collection Fund*" above until the deficiency in the Debt Service Reserve Fund has been eliminated. If, after giving effect to the distributions from the Debt Service Reserve Fund pursuant to deposits made to the Debt Service Reserve Fund as described in the preceding paragraph under this heading, the amount on deposit in the Debt Service Reserve Fund on any Distribution Date is greater than the Debt Service Reserve Fund Requirement, the Issuer shall instruct the Indenture Trustee in writing to withdraw from the Debt Service Reserve Fund on such Distribution Date an amount equal to such excess and to deposit such amount in the Collection Fund.

Amounts on deposit in the Debt Service Reserve Fund, other than amounts in excess of the Debt Service Reserve Fund Requirement that are transferred to the Collection Fund, will not be available to make principal payments on the Notes except upon the final Stated Maturity Date or earlier (i) upon the occurrence of an Event of Default and an acceleration of the Notes, in which case, the amount on deposit shall be applied in accordance with the provisions of the Indenture described herein under the heading "DEFAULTS AND REMEDIES—*Remedy on Default; Possession of Trust Estate*" or (ii) if amounts on deposit in the Debt Service Reserve Fund, together with other Available Funds, are equal to or exceed the Outstanding Amount of and accrued interest on the Notes (excluding the Class B Carry-Over Amount) as described in the Indenture in connection with mandatory redemption of the Notes. If on the Stated Maturity Date of a Class of Notes, and after giving effect to the distribution of the Available Funds on such Stated Maturity Date, the principal amount of the Notes of such Class will not be reduced to zero, the Issuer shall instruct the Indenture Trustee in writing to withdraw from the Debt Service Reserve Fund on such Stated Maturity Date an amount equal to the amount needed to reduce the principal amount of such Class of Notes to zero and to deposit such amount in the Collection Fund for application to payment of the Outstanding Amount of such Class of Notes.

On the final Distribution Date, following the payment in full of the Outstanding Amount of the Notes of all Classes and all accrued and unpaid interest thereon (including the Class B Carry-Over Amount) and of all other amounts (other than Subordinate Administration Fees) owing or to be distributed under the Indenture to Noteholders, the Indenture Trustee, the Administrator, or the Issuer, any amount remaining on deposit in the Debt Service Reserve Fund after all amounts owing or to be distributed as set forth above shall have been made shall be distributed to the Issuer. *(Section 5.05)*

Department Reserve Fund. On the Issue Date, the amount, if any, specified in the Private Placement Memorandum under the caption "SOURCES AND USES" shall be deposited to the Department Reserve Fund from the proceeds of the Notes. Amounts on deposit in the Department Reserve Fund shall be applied as directed by the Issuer to pay Department Reserve Fund Amounts as required by the Indenture. If the Issuer determines that excess funds are on deposit in the Department Reserve Fund, the Issuer shall direct the Indenture Trustee in an Issuer Order to transfer such excess to the Collection Fund. If amounts on deposit in the Department Reserve Fund are insufficient to make any required payments to the Department, the Issuer shall direct the Indenture Trustee in an Issuer Order to transfer funds equal to such deficiency from the Collection Fund to the Department Reserve Fund or to pay such amount to the Department directly from the Collection Fund. Amounts in the Department Reserve Fund are not part of the Trust Estate and shall not be subject to a security interest, lien or charge in favor of the Indenture Trustee. *(Section 5.06)*

Investment of Funds Held by Indenture Trustee. The Indenture Trustee shall invest money held for the credit of any Fund or Account held by the Indenture Trustee under the Indenture as directed in writing by an Authorized Representative of the Issuer, to the fullest extent practicable and reasonable, in Investment Securities which shall mature or be redeemed at the option of the holder so that such funds will be available at the close of business on the Business Day prior to the respective dates when the money held for the credit of such Fund or Account or Subaccount will be required for the purposes intended; provided, that funds deposited in a Fund or Account on a Business Day which immediately precedes a Distribution Date are not required to be invested overnight. In the absence of any such direction and to the extent practicable, the Indenture Trustee shall invest amounts held under the Indenture in those Investment Securities described in clause (a) of the definition of "Investment Securities." The Indenture Trustee and the Issuer have agreed that unless an Event of Default has occurred under the Indenture, the Issuer, acting by and through an Authorized Representative, shall be entitled to, and shall, provide written direction or oral direction confirmed in writing to the Indenture Trustee with respect to any discretionary acts required or permitted of the Indenture Trustee under any Investment Securities and the Indenture Trustee shall not take such discretionary acts without such written direction.

The Investment Securities purchased shall be held by the Indenture Trustee and shall be deemed at all times to be part of such Fund or Account or Subaccounts or combination thereof, and the Indenture Trustee shall inform the Issuer of the details of all such investments. Earnings with respect to, and any net gain on the disposition of, any such investments, shall be deposited immediately upon receipt into the Collection Fund in accordance with the Indenture. Upon, and in accordance with, direction in writing (or orally, confirmed in writing) from an Authorized Representative of the Issuer, the Indenture Trustee shall sell or present for redemption, any Investment Securities whenever it shall be necessary to provide money to meet any payment from the applicable Fund. The Indenture Trustee shall provide electronic access to the Issuer to information relating to all investments held for the credit of each Fund in its custody under the provisions of the Indenture as of the end of the preceding month and the value thereof, and any investments which were sold or liquidated for less than their value at the time thereof.

Money in any Fund constituting a part of the Trust Estate may be pooled for the purpose of making investments and may be used to pay accrued interest on Investment Securities purchased. The Indenture Trustee and its Affiliates may act as principal or agent in the acquisition or disposition of any Investment Securities.

Notwithstanding the foregoing, the Indenture Trustee shall not be responsible or liable for any losses on investments made by it under the Indenture or for keeping all Funds held by it, fully invested at all times, its only responsibility being to comply with the investment instructions of the Issuer or its designee in compliance with the Indenture Trustee's standard of care described in the Indenture.

The Issuer shall retain the authority to institute, participate and join in any plan of reorganization, readjustment, merger or consolidation with respect to the issuer of any Investment Securities held under the Indenture, and, in general, to exercise each and every other power or right with respect to such Investment Securities as individuals generally have and enjoy with respect to their own assets and investments, including power to vote upon any matter relating to holders of such Investment Securities. *(Section 5.07)*

DEFAULTS AND REMEDIES

Events of Default Defined. For the purpose of the Indenture, the following events are defined as, and are declared to be, "*Events of Default*":

(a) default in the due and punctual payment of the principal of any of the Notes when due and payable on the related Stated Maturity Date;

(b) default in the due and punctual payment of the Interest Distribution Amount on any Class of Notes when due and such default shall continue for a period of five (5) Business Days (it being understood and agreed that in no event shall the non-payment of the Interest Distribution Amount on the Class B Notes be an Event of Default under the Indenture for so long as any Class A Notes remain Outstanding);

(c) default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Issuer to be kept, observed, and performed contained in the Indenture or in the Notes, and, if such default is capable of being cured, the continuation of such default for a period of 90 days after written notice thereof by the Indenture Trustee to the Authorized Representative of the Issuer; and

(d) the occurrence of an Event of Bankruptcy.

In no event shall the failure to pay Class B Carry-Over Amount or the failure to pay principal of the Notes (except failure to pay principal of the Notes on the applicable Stated Maturity Date) be an Event of Default under the Indenture.

Absent manifest error, the Indenture Trustee shall not be required to take notice or be deemed to have notice of any Event of Default described in clause (c) and (d) above, unless and until the Indenture Trustee shall have actual knowledge of the occurrence of an Event of Default thereunder or shall have been specifically notified

in writing of such Event of Default by an Authorized Representative of the Issuer, the Master Servicer, a Servicer, the Administrator or the Registered Owners of at least 25% in aggregate principal amount of all Notes then Outstanding, delivered to the Principal Office of the Indenture Trustee identified in the Indenture, and in the absence of such notice so delivered the Indenture Trustee may conclusively assume no such Event of Default exists.

Any notice in the Indenture provided to be given to an Authorized Representative of the Issuer with respect to any default shall be deemed sufficiently given if sent by registered mail with postage prepaid to the Person to be notified, addressed to such Person at the post office address as shown in the Indenture or such other address as may hereafter be given as the Principal Office of the Issuer in writing to the Indenture Trustee by an Authorized Officer of the Issuer. The Indenture Trustee may give any such notice in its discretion and shall give such notice if requested to do so in writing by the Registered Owners of at least a majority of the aggregate principal amount of the Highest Priority Obligations then Outstanding. *(Section 6.01)*

Remedy on Default; Possession of Trust Estate. Upon an acceleration of the Notes in accordance with the provisions of the Indenture described under the caption "--*Accelerated Maturity*" below due to the occurrence of an Event of Default described under paragraphs (a), (b) or (d) under the caption "--*Events of Default Defined*" above, the Indenture Trustee, personally or by its attorneys or agents, may take possession of the Trust Estate as described herein under this caption "--*Remedy on Default; Possession of Trust Estate.*" Furthermore, the Indenture Trustee, personally or by its attorneys or agents, shall take possession of the Trust Estate as described herein under this caption "--*Remedy on Default; Possession of Trust Estate*" (i) at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of the Highest Priority Obligations Outstanding at the time, upon an acceleration of the Notes in accordance with the provision of the Indenture described herein under the caption *"--Accelerated Maturity*" due to the occurrence of an Event of Default described under paragraphs (a), (b) or (d) under the caption "--*Events of Default Defined*" above or (ii) at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of each Class of Notes then Outstanding upon the occurrence of an Event of Default described under paragraph (c) under the caption "--*Events of Default Defined*" above. In accordance with the preceding sentences, the Indenture Trustee shall, enter into and upon and take possession of such portion of the Trust Estate as shall be in the custody of others, and all property comprising the Trust Estate, and each and every part thereof, and exclude the Issuer and its agents, servants, and employees wholly therefrom, and have, hold, use, operate, manage, and control the same and each and every part thereof, and in the name of the Issuer or otherwise, as they shall deem best, conduct the business thereof and exercise the privileges pertaining thereto and all the rights and, powers of the Issuer and use all of the then existing Trust Estate for that purpose, and collect and receive all charges, income and revenue of the same and of every part thereof, and after deducting therefrom all expenses incurred hereunder and all other proper outlays authorized under the Indenture, and all payments which may be made as just and reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, the Indenture Trustee shall apply the rest and residue of the money received by the Indenture Trustee as follows:

FIRST, pro rata, based on amounts due and owing, to the Department or any Guaranty Agency any amount due and owing and to make any payments required under the Joint Sharing Agreement or any other applicable joint sharing agreement or to otherwise pay to the appropriate Person amounts which are allocable to Student Loans which are not pledged as part of the Trust Estate under the Indenture;

SECOND, to the Indenture Trustee and any third party agent appointed under the Indenture, any Trustee Fee and reasonable expenses incurred under the Indenture, if any, due and owing;

THIRD, to the Master Servicer, any Servicing Fees due and remaining unpaid out of which the Master Servicer shall pay all due and remaining amounts due to the Servicers and the Back-up Servicer under the Servicing Agreements;

FOURTH to the Administrator, any Administration Fees due and remaining unpaid;

FIFTH, to the Noteholders of Class A Notes for amounts due and unpaid on the Class A Notes for interest, ratably without preference or priority of any kind amongst all Tranches of Class A Notes and within each such Tranche of Class A Notes according to the amounts due and payable on each such Tranche of Class A Notes, such interest;

SIXTH, to the Noteholders of Class A Notes for amounts due and unpaid on the Class A Notes for principal, ratably, without preference or priority of any kind amongst all Tranches of Class A Notes and within each such Tranche of Class A Notes, according to the amounts due and payable on each such Tranche of Notes, such principal;

SEVENTH, to the Class B Noteholders for amounts due and unpaid on the Class B Notes for interest (other than Class B Carry-Over Amount), ratably without preference or priority of any kind according to the amounts due and payable on the Class B Notes, such interest;

EIGHTH, to the Class B Noteholders for amounts due and unpaid on the Class B Notes for principal, ratably, without preference or priority of any kind according to the amounts due and payable on such Class B Notes, such principal;

NINTH, to the Class B Noteholders, the Class B Carry-Over Amount and interest thereon, ratably without preference or priority of any kind according to the amounts due and payable;

TENTH, to the Administrator, any Subordinate Administration Fees due and remaining unpaid; and

ELEVENTH, to the Issuer.

The Indenture Trustee may fix a Record Date and payment date for any payment to Registered Owners pursuant to the section of the Indenture described under this caption. At least 15 days before such Record Date, the Indenture Trustee shall mail to each Registered Owner and the Issuer a notice that states the Record Date, the payment date and the amount to be paid. *(Section 6.02)*

Remedies on Default; Sale of Trust Estate. Upon the happening of any Event of Default and if the principal of all of the Outstanding Notes shall have been declared due and payable pursuant to the Indenture provisions described under the caption *"--Accelerated Maturity"* below, then and in every such case, and irrespective of whether other remedies authorized shall have been pursued in whole or in part, the Indenture Trustee may or, if instructed by the Registered Owners of at least a majority of the aggregate principal amount of the Highest Priority Obligations at the time Outstanding, shall sell, with or without entry, to the highest bidder the Trust Estate, and all right, title, interest, claim and demand thereto and the right of redemption thereof, at any such place or places, and at such time or times and upon such notice and terms as may be required by law; provided that the Indenture Trustee is authorized to hire an agent, which may be selected by and at the expense of the Issuer, to undertake any sale of Trust Estate assets authorized under the Indenture. Upon such sale the Indenture Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the Issuer and all Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money or to inquire as to the authorization, necessity, expediency or regularity of any such sale. Pursuant to the Indenture, the Indenture Trustee is irrevocably appointed the true and lawful attorney-in-fact of the Issuer, in its name and stead, to make and execute all bills of sale, instruments of assignment and transfer and such other documents of transfer as may be necessary or advisable in connection with a sale of all or part of the Trust Estate, but the Issuer, if so requested by the Indenture Trustee, shall ratify and confirm any sale or sales by executing and delivering to the Indenture Trustee or to such purchaser or purchasers all such instruments as may be necessary for the purpose which may be designated in such request. In addition, the Indenture Trustee may or, if instructed by the Registered Owners of at least a majority of the aggregate principal amount of the Highest Priority Obligations at the time Outstanding, shall proceed to protect and enforce the rights of the Indenture Trustee and the Registered Owners of the Notes in such manner, whether for the specific performance of any covenant, condition, agreement or undertaking contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of such other appropriate legal or equitable remedies as the Indenture Trustee or such Registered Owners shall deem most effectual to protect and enforce the rights aforesaid. The Indenture Trustee shall take any such action or actions if requested to do so in writing by the Registered Owners of at least a majority of the aggregate principal amount of the Highest Priority Obligations at the time Outstanding.

Notwithstanding the foregoing, the Indenture Trustee is prohibited from selling the Financed Student Loans following an Event of Default (whether or not the principal of all Outstanding Notes shall have been declared due

and payable), other than an Event of Default described in subsection (a) or (b) under the heading "*Events of Default Defined*" above, unless:

(a) The Registered Owners of all Notes at the time Outstanding consent to such a sale;

(b) The proceeds of such a sale will be sufficient to discharge all the Outstanding Notes pursuant to the Indenture at the date of such a sale; or

(c) The Indenture Trustee determines that the collections on the Financed Student Loans would not be sufficient on an ongoing basis to make all payments on the Notes as such payments would have become due if the Notes had not been declared due and payable, and the Indenture Trustee obtains the consent of the Registered Owners of at least 66 2/3% in aggregate principal amount of each Class of Notes at the time Outstanding. *(Section 6.04)*

Appointment of Receiver. In case an Event of Default occurs, and if all of the Outstanding Notes shall have been declared due and payable and in case any judicial proceedings are commenced to enforce any right of the Indenture Trustee or of the Registered Owners under the Indenture or otherwise, then as a matter of right, the Indenture Trustee shall be entitled to the appointment of a receiver of the Trust Estate and of the earnings, income or revenue, rents, issues and profits thereof with such powers as the court making such appointments may confer. *(Section 6.05)*

Restoration of Position. In case the Indenture Trustee shall have proceeded to enforce any rights under the Indenture by sale or otherwise, and such proceedings shall have been discontinued, or shall have been determined adversely to the Indenture Trustee, then and in every such case to the extent not inconsistent with such adverse decree, the Issuer, the Indenture Trustee and the Registered Owners shall be restored to their former respective positions and the rights under the Indenture in respect to the Trust Estate, and all rights, remedies, and powers of the Indenture Trustee and of the Registered Owners shall continue as though no such proceeding had been taken. *(Section 6.06)*

Purchase of Properties by Indenture Trustee or Registered Owners. In case of any sale of the Trust Estate pursuant to the Indenture, any Registered Owner or Registered Owners or committee of Registered Owners or the Indenture Trustee, may bid for and purchase such property and upon compliance with the terms of sale may hold, retain possession, and dispose of such property as the absolute right of the purchaser or purchasers without further accountability and shall be entitled, for the purpose of making any settlement or payment for the property purchased, to use and apply any Notes owned by such purchasers that are secured by the Indenture and any interest thereon due and unpaid, by presenting such Notes in order that there may be credited thereon the sum apportionable and applicable thereto out of the net proceeds of such sale, and thereupon such purchaser or purchasers shall be credited on account of such purchase price payable to him or them with the sum apportionable and applicable out of such net proceeds to the payment of or as a credit on the Notes so presented. *(Section 6.07)*

Application of Sale Proceeds. The proceeds of any sale of the Trust Estate, together with any funds at the time held by the Indenture Trustee and not otherwise designated in the Indenture for another use, shall be applied by the Indenture Trustee as set forth in that section of the Indenture summarized above under the caption "--*Remedy on Default; Possession of Trust Estate*" hereof, and then to the Issuer or whomsoever shall be lawfully entitled thereto. *(Section 6.08)*

Accelerated Maturity. If (a) an Event of Default set forth in paragraphs (a) or (b) under the heading "--*Events of Default Defined*" above shall have occurred and be continuing, the Indenture Trustee may declare, or upon the written direction by the Registered Owners of at least a majority of the aggregate principal amount of the Highest Priority Obligations then Outstanding, the Indenture Trustee shall declare or (b) an Event of Default set forth in paragraph (c) under the heading "--*Events of Default Defined*" above shall have occurred and be continuing, upon the written direction by the Registered Owners of at least a majority of the aggregate principal amount of the Highest Priority Obligations then Outstanding, the Indenture Trustee shall declare the principal of all Notes then Outstanding, and the interest (including all Class B Carry-Over Amount) thereon, if not previously due, immediately due and payable, anything in the Notes or the Indenture to the contrary notwithstanding, and upon any such declaration the unpaid principal amount of all Notes then Outstanding, together with accrued and unpaid interest

thereon through the date of acceleration (including all Class B Carry-Over Amount), shall become immediately due and payable, subject, however, to the section of the Indenture described herein under the heading "--*Remedies on Default; Sale of Trust Estate*." If an Event of Bankruptcy shall have occurred and be continuing, the principal of all Notes Outstanding, together with accrued and unpaid interest thereon through the date of such Event of Default (including all Class B Carry-Over Amount), shall become immediately due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Indenture Trustee as provided in the Indenture, the Registered Owners of Notes representing a majority in aggregate principal amount of the Highest Priority Obligations then Outstanding, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

(i) all payments of principal of and interest on all Notes then Outstanding and all other amounts that would then be due pursuant to the Indenture or upon all Notes then Outstanding if the Event of Default giving rise to such acceleration had not occurred; and

(ii) all sums paid or advanced by the Indenture Trustee pursuant to the Indenture and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, the Master Servicer, any Servicer and their agents and counsel; and

(b) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in the section of the Indenture described herein under the heading "--*Waivers of Events of Default*."

No such rescission shall affect any subsequent default or impair any right consequent thereto. *(Section 6.09)*

Remedies not Exclusive. The remedies in the Indenture conferred upon or reserved to the Indenture Trustee or the Registered Owners of Notes are not intended to be exclusive of any other remedy, but each remedy provided in the Indenture shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, and every power and remedy given to the Indenture Trustee or to the Registered Owners of Notes by the Indenture, or any supplement to the Indenture, may be exercised from time to time as often as may be deemed expedient. No delay or omission of the Indenture Trustee or of any Registered Owner of Notes to exercise any power or right arising from any default under the Indenture shall impair any such right or power or shall be construed to be a waiver of any such default or to be acquiescence therein. *(Section 6.10)*

Direction of Indenture Trustee. Upon the happening of any Event of Default, the Registered Owners of at least a majority in aggregate principal amount of the Highest Priority Obligations then Outstanding, shall have the right by an instrument or instruments in writing delivered to the Indenture Trustee to direct and control the Indenture Trustee as to taking any action or instituting any proceedings for any sale of any or all of the Trust Estate in accordance with, and subject to the satisfaction of the further conditions set forth in the provisions under the caption herein entitled "--*Remedies on Default; Sale of Trust Estate*," or for the appointment of a receiver, if permitted by law, and may at any time cause any proceedings authorized by the terms of the Indenture to be so taken or to be discontinued or delayed; provided, however, that such Registered Owners shall not be entitled to cause the Indenture Trustee to take any proceedings which in the Indenture Trustee's opinion would be unjustly prejudicial to non-assenting Registered Owners of Notes, but the Indenture Trustee shall be entitled to assume that the action requested by the Registered Owners of at least a majority of the aggregate principal amount of the Highest Priority Obligations at the time Outstanding will not be prejudicial to any non-assenting Registered Owners unless the Registered Owners of at least a majority of the aggregate principal amount of the non-assenting Registered Owners, in writing, show the Indenture Trustee how they will be prejudiced. Provided, however, that anything in the Indenture to the contrary notwithstanding, the Registered Owners of at least a majority of the aggregate principal amount of the Highest Priority Obligations then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Indenture Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the

appointment of a receiver or any other proceedings under the Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture. The provisions of the Indenture described in this paragraph shall be expressly subject to certain provisions of the Indenture. *(Section 6.11)*

Right to Enforce in Indenture Trustee. No Registered Owner of any Note shall have any right as such Registered Owner to institute any suit, action, or proceedings for the enforcement of the provisions of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or for any other remedy thereunder, all rights of action thereunder being vested exclusively in the Indenture Trustee, unless and until such Registered Owner shall have previously given to the Indenture Trustee written notice of a default thereunder, and of the continuance thereof, and also unless the Registered Owners of at least a majority of the aggregate principal amount of the Highest Priority Obligations then Outstanding (or, with respect to written requests made pursuant to subsection (c) described under the caption *"--Remedies on Default; Sale of Trust Estate",* at least 66-2/3% in aggregate principal amount of each Class of Notes at the time Outstanding) shall have made written request upon the Indenture Trustee and the Indenture Trustee shall have been afforded reasonable opportunity to institute such action, suit or proceeding in its own name, and unless the Indenture Trustee shall have been offered indemnity and security satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, which offer of indemnity shall be an express condition precedent under the Indenture to any obligation of the Indenture Trustee to take any such action thereunder, and the Indenture Trustee for 30 days after receipt of such notification, request, and offer of indemnity, shall have failed to institute any such action, suit or proceeding. It is understood and intended that no one or more Registered Owners of the Notes shall have the right in any manner whatever by his or their action to affect, disturb, or prejudice the lien of the Indenture or to enforce any right thereunder except in the manner therein provided and for the equal benefit of the Registered Owners of at least a majority of the collective aggregate principal amount of the Highest Priority Obligations then Outstanding. *(Section 6.12)*

Waivers of Events of Default. The Indenture Trustee may in its discretion waive any Event of Default under the Indenture (other than any Event of Default that is an Event of Bankruptcy under the Indenture) and its consequences and rescind any declaration of acceleration of the Notes, and shall do so upon the written request of the Registered Owners of at least a majority of the aggregate principal amount of the Highest Priority Obligations then Outstanding; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of or premium, if any, on any Outstanding Notes at the date of maturity or redemption thereof, or any default in the payment when due of the interest on any such Notes, unless prior to such waiver or rescission, all payments required under the Indenture as described under the caption *"--Accelerated Maturity"* above have been paid or provided for or (b) any default in the payment of amounts set forth in the Indenture. In case of any such waiver or rescission, or in case any proceedings taken by the Indenture Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Indenture Trustee, then and in every such case the Issuer, the Indenture Trustee and the Registered Owners of Notes shall be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission shall extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon. The Indenture Trustee shall promptly give written notice to each Rating Agency of any waiver of an Event of Default. *(Section 6.14)*

Collection on Indebtedness and Suits for Enforcement by the Indenture Trustee. Upon the occurrence and during the continuance of an Event of Default under the Indenture, the Indenture Trustee may, in its own name and as trustee of an express trust, institute a judicial proceeding for the collection of the sums due and unpaid under the Indenture, and may directly prosecute such proceeding to judgment or final decree, and the Indenture Trustee may enforce the same against the Issuer and collect the money adjudged or decreed to be payable in the manner provided by law and the Indenture. *(Section 6.15)*

THE INDENTURE TRUSTEE

Acceptance of Trust. Pursuant to the Indenture, the Indenture Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following terms and conditions:

Except during the continuance of an Event of Default,

(i) the Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Indenture Trustee; and

(ii) in the absence of manifest error or bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of the Indenture; but in the case of, any such certificates or opinions which by any provisions of the Indenture are specifically required to be furnished to the Indenture Trustee, the Indenture Trustee shall be under a duty to examine the same to determine whether or not they conform as to form with the requirements of the Indenture.

In case an Event of Default has occurred and is continuing, the Indenture Trustee, in exercising the rights and powers vested in it by the Indenture, shall use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

Before taking any action under the Indenture or refraining from taking any action under the Indenture, the Indenture Trustee may require that it be furnished an indemnity bond or other indemnity and security satisfactory to it by the Issuer or the Registered Owners, as applicable, for the reimbursement of all expenses to which it may be put and to protect it against all liability including costs incurred in defending itself against any and all charges, claims, complaints, allegations, assertions or demands of any nature whatsoever arising from or related to its role as Indenture Trustee, except liability which results from the negligence, willful misconduct or manifest error of the Indenture Trustee including without limitation negligence, willful misconduct or manifest error with respect to moneys deposited and applied pursuant to the Indenture.

The Indenture Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties under the Indenture.

Regardless of whether as provided in the Indenture, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of the Indenture pertaining to the Indenture Trustee. *(Section 7.01)*

Indemnification of Indenture Trustee. Other than with respect to its duties to make payment on the Notes when due, and its duty to pursue the remedy of acceleration as provided in the Indenture, for each of which no additional security or indemnity may be required, the Indenture Trustee shall be under no obligation or duty to take any action or refrain from taking any action under the Indenture or to perform any act at the request of Registered Owners or to institute or defend any suit in respect thereof unless properly indemnified and provided with security to its satisfaction as provided in the Indenture. Absent manifest error, the Indenture Trustee shall not be required to take notice or be deemed to have notice of any Event of Default described above in paragraphs (c) or (d) under "DEFAULTS AND REMEDIES—*Events of Default Defined*") unless and until the Indenture Trustee shall have actual knowledge of the occurrence of an Event of Default thereunder or shall have been specifically notified in writing of such Event of Default by an Authorized Representative of the Issuer, the Master Servicer, a Servicer, the Administrator or the Registered Owners of at least 25% in aggregate principal amount of all Notes then outstanding, delivered to the Principal Office of the Indenture Trustee identified in the Indenture, and in the absence of such notice so delivered the Indenture Trustee may conclusively assume no such Event of Default exists. However, the Indenture Trustee may begin a suit, or appear in and defend a suit, execute any of the trusts created by the Indenture, enforce any of its rights or powers under the Indenture, or do anything else in its judgment proper to be done by it as Indenture Trustee, without assurance of reimbursement or indemnity, and in such case the Indenture Trustee shall be reimbursed or indemnified by the Registered Owners requesting such action, if any, or the Issuer in all other cases, for all fees, costs and expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith, unless such costs and expenses, liabilities, outlays and attorneys' fees and other reasonable disbursements properly incurred in connection therewith are adjudicated to have resulted from the negligence or willful misconduct of the Indenture Trustee. In furtherance and not in limitation of the section of the Indenture summarized under this caption *"—Indemnification of the Indenture Trustee"* and absent manifest error,

the Indenture Trustee shall not be liable for, and shall be held harmless by the Issuer from, following any Issuer Orders, instructions or other directions upon which the Indenture Trustee is authorized to rely pursuant to the Indenture or any other agreement to which it is a party. If the Issuer or the Registered Owners, as appropriate, shall fail to make such reimbursement or indemnification, the Indenture Trustee may reimburse itself from any money in its possession under the provisions of the Indenture, (a) except during the continuance of an Event of Default, subject only to the prior lien of the Notes for the payment of the principal thereof, premium, if any, and interest thereon from the Collection Fund, and (b) during the continuance of an Event of Default in accordance with the Indenture. None of the provisions contained in the Indenture or any other agreement to which it is a party shall require the Indenture Trustee to act or to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if the Registered Owners shall not have offered security and indemnity acceptable to it or if it shall have reasonable grounds for believing that prompt repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Issuer agrees to indemnify the Indenture Trustee for, and to hold it harmless against, any loss, liability or expenses incurred without negligence or bad faith or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trust or trusts under the Indenture, including the costs and expenses of defending itself or its directors, employees or agents against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture. The Issuer agrees to indemnify and hold harmless the Indenture Trustee against any and all claims, demands, suits, actions or other proceedings and all liabilities, costs and expenses whatsoever caused by any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering document distributed in connection with the issuance of the Notes or caused by any omission or alleged omission from such offering document of any material fact required to be stated therein or necessary in order to make the statements made therein in the light of the circumstances under which they were made, not misleading; provided that in no event shall such indemnity apply to information provided in writing to the Issuer by the Indenture Trustee. The provisions of the section of the Indenture summarized under this caption "--*Indemnification of the Indenture Trustee*" shall survive the Indenture Trustee's resignation or removal. *(Section 7.05)*

Indenture Trustee's Right to Reliance. The Indenture Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, appraisal, opinion, report or document of the Issuer, the Master Servicer or any Servicer or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties; and the Indenture Trustee shall be under no duty to make any investigation as to any statement contained in any such instance, paper or document, but, absent manifest error, may accept the same as conclusive evidence of the truth and accuracy of such statement. Before acting or refraining from acting in the administration of the Indenture, the Indenture Trustee may consult with experts and with counsel (who may but need not be counsel for the Issuer, the Indenture Trustee, or for a Registered Owner or who may be Note Counsel), and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered, and in respect of any determination made by it under the Indenture in good faith and in accordance with the opinion of such counsel.

Whenever in the administration of the Indenture the Indenture Trustee shall reasonably deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action under the Indenture, the Indenture Trustee (unless other evidence in the Indenture be specifically prescribed) may require and, in the absence of bad faith or manifest error on its part, may rely upon a certificate signed by an Authorized Representative of the Issuer or an authorized officer of the Master Servicer or a Servicer. Whenever in the administration of the Indenture the Indenture Trustee is directed to comply with an Issuer Order, the Indenture Trustee will be entitled to act in reliance on such Issuer Order; provided, however, that the Indenture Trustee shall not comply with any Issuer Order which does not comply with the express terms and provisions of the Indenture or which directs the Indenture Trustee to take any action that is not expressly permitted by the terms and provisions of the Indenture.

The Indenture Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions, or agreements on the part of the Issuer, the Master Servicer or any Servicer but the Indenture Trustee may require of the Issuer, the Master Servicer or any Servicer full information and advice as to the performance of any covenants, conditions or agreements pertaining to Financed Student Loans.

The Indenture Trustee shall not be liable for any action taken, suffered, or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture or error of judgment made in good faith; provided, however, that the Indenture Trustee shall be liable for its negligence or willful misconduct. In no event shall the Indenture Trustee be responsible or liable for special, indirect, punitive or consequential loss or damages of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Indenture Trustee has been advised of the likelihood thereof and regardless of the form of action.

The permissive right of the Indenture Trustee to take action under or otherwise do things enumerated in the Indenture shall not be construed as a duty.

The Indenture Trustee is further authorized to enter into agreements with other Persons, in its capacity as Indenture Trustee, in order to carry out or implement the terms and provisions of the Indenture.

The Indenture Trustee shall not be liable for any action taken or omitted by it in good faith on the direction of the Registered Owners of the majority of the collective principal amount of the Highest Priority Obligations then Outstanding (or in the case of a direction given in accordance with the provisions described (i) under the caption "DEFAULTS AND REMEDIES--*Remedy on Default; Possession of Trust Estate*" above for an Event of Default described under paragraph (c) of the caption "DEFAULTS AND REMEDIES--*Events of Default Defined"* above or (ii) under the caption "DEFAULTS AND REMEDIES--*Remedies on Default; Sale of Trust Estate*" above regarding the sale of Financed Student Loans after the occurrence of an Event of Default) as to the time, method, and place of conducting any proceedings for any remedy available to the Indenture Trustee or the exercising of any power conferred by the Indenture. *(Section 7.06)*

Compensation of Indenture Trustee. Except as otherwise expressly provided in the Indenture, all advances, counsel fees (including without limitation allocated fees of in-house counsel) and other expenses reasonably made or incurred by the Indenture Trustee in and about the execution and administration of the trust created by the Indenture and reasonable compensation to the Indenture Trustee for its services shall be paid by the Issuer (to the extent provided in the Indenture) or EFS. The compensation of the Indenture Trustee shall not be limited to or by any provision of law in regard to the compensation of Indenture Trustees of an express trust. If not paid by the Issuer, the Indenture Trustee shall have a lien against all money held pursuant to the Indenture, (a) except during the continuance of an Event of Default, subject only to the prior lien of the Notes against the money and investments in the Collection Fund for the payment of the principal thereof, premium, if any, and interest thereon, for such reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and the exercise and performance of the powers and duties of the Indenture Trustee under the Indenture and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Indenture Trustee), and (b) during the continuance of an Event of Default in accordance with the Indenture. *(Section 7.07)*

Resignation of Indenture Trustee. The Indenture Trustee and any successor to the Indenture Trustee may resign and be discharged from the trust created by the Indenture by giving to the President of the Issuer notice in writing which notice shall specify the date on which such resignation is to take effect; provided, however, that such resignation shall only take effect on the day specified in such notice if a successor Indenture Trustee shall have been appointed pursuant to the Indenture (and is qualified to be the Indenture Trustee under the requirements of the Indenture). If no successor Indenture Trustee has been appointed by the later of the date specified or 30 days after the receipt of the notice by the Issuer, the Indenture Trustee may (a) appoint a temporary successor Indenture Trustee having the qualifications provided under "--*Successor Indenture Trustee*" below or (b) request a court of competent jurisdiction to (i) require the Issuer to appoint a successor, as provided under "--*Successor Indenture Trustee*" below, within three days of the receipt of citation or notice by the court, or (ii) appoint an Indenture Trustee having the qualifications provided under "--*Successor Indenture Trustee*" below. In no event may the resignation of the Indenture Trustee be effective until a qualified successor Indenture Trustee shall have been selected and appointed. In the event a temporary successor Indenture Trustee is appointed pursuant to (a) above, the Board may remove such temporary successor Indenture Trustee and appoint a successor thereto pursuant to the provisions set forth under "--*Successor Indenture Trustee*" below. The Issuer shall promptly provide the Rating Agencies with notice of the resignation of the Indenture Trustee. *(Section 7.09)*

Removal of Indenture Trustee. The Indenture Trustee or any successor Indenture Trustee may be removed (a) at any time by the Registered Owners of at least a majority of the aggregate principal amount of all Notes then Outstanding, (b) by the Issuer for cause or upon the sale or other disposition of the Indenture Trustee or its trust functions or (c) by the Issuer without cause so long as no Event of Default as described in clauses (a), (b) or (d) under "DEFAULTS AND REMEDIES – *Events of Default Defined*" above exists or has existed within the last 30 days, upon payment to the Indenture Trustee so removed of all money then due to it under the Indenture and appointment of a successor thereto by the Issuer and acceptance thereof by said successor.

One copy of any such order of removal shall be filed with the President of the Issuer, the Indenture Trustee so removed and each of the Rating Agencies.

In the event the Indenture Trustee (or successor Indenture Trustee) is removed, by any person or for any reason permitted under the Indenture, such removal shall not become effective until (a) in the case of removal by the Registered Owners, such Registered Owners by instrument or concurrent instruments in writing (signed and acknowledged by such Registered Owners or their attorneys-in-fact) filed with the Indenture Trustee removed have appointed a successor Indenture Trustee or otherwise the Issuer shall have appointed a successor in each case, in accordance with the provisions of the Indenture described below under the heading "--*Successor Indenture Trustee*," and (b) the successor Indenture Trustee has accepted appointment as such. *(Section 7.10)*

Successor Indenture Trustee. In case at any time the Indenture Trustee or any successor Indenture Trustee shall resign, be removed, be dissolved, or otherwise shall be disqualified to act or be incapable of acting, or in case control of the Indenture Trustee or of any successor Indenture Trustee or of its officers shall be taken over by any public officer or officers, a successor Indenture Trustee may be appointed as described under the heading "--*Removal of Indenture Trustee*" in case of removal by the Registered Owners or by the Board by an instrument in writing duly authorized by resolution. In the case of any such appointment by the Board of a successor to the Indenture Trustee, the Board shall forthwith cause notice thereof to be mailed to the Registered Owners of the Notes at the address of each Registered Owner appearing on the note registration books maintained by the Registrar and to each of the Rating Agencies.

Every successor Indenture Trustee appointed by the Registered Owners, by a court of competent jurisdiction, or by the Board shall be a bank or trust company independent of and unaffiliated with the Issuer in good standing, organized and doing business under the laws of the United States or of a state therein, which has a reported capital and surplus of not less than $50,000,000, be authorized under the law to exercise corporate trust powers, be subject to supervision or examination by a federal or state authority, and be an Eligible Lender so long as such designation is necessary to maintain guarantees and federal benefits under the Higher Education Act with respect to the Financed Student Loans originated under the Higher Education Act. *(Section 7.11)*

Servicing Agreements and Master Servicing Agreement. The Indenture Trustee shall upon request acknowledge the receipt of a copy of the Master Servicing Agreement and each Servicing Agreement delivered to it by the Issuer. The Indenture Trustee shall 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 and if the Master Servicer or applicable Servicer is not servicing the Financed Student Loans in accordance with the Master Servicing Agreement or the applicable Servicing Agreement, the Indenture Trustee shall appoint, or petition a court of competent jurisdiction to appoint, a successor master servicer or servicer whose regular business includes, as applicable, the master servicing or servicing of loans for post-secondary education. The duties of the Indenture Trustee under the section of the Indenture described under this caption may be performed by the Indenture Trustee or by any qualified agent, employee or other entity selected by the Indenture Trustee in the exercise of its reasonable judgment and discretion. *(Section 7.16)*

Additional Covenants of Indenture Trustee. The Indenture Trustee, by the execution of the Indenture, covenants, represents and agrees that:

(a) it will not exercise any of the rights, duties, or privileges under the Indenture in such manner as would cause the Student Loans held or acquired under the terms thereof to be transferred, assigned, or pledged as security to any person or entity other than as permitted by the Indenture; and

(b) it will comply with the Higher Education Act and the Regulations and will, upon written notice from an Authorized Representative of the Issuer, the Secretary, or Guaranty Agency, use its reasonable efforts to cause the Indenture to be amended (in accordance with that section of the Indenture summarized below under the caption "SUPPLEMENTAL INDENTURES— *Supplemental Indentures Not Requiring Consent of Registered Owners*") if the Higher Education Act or Regulations are hereafter amended so as to be contrary to the terms of the Indenture.

(c) The Indenture Trustee shall not waive any of the representations and warranties set forth in that section of the Indenture summarized herein under the caption "PROVISIONS APPLICABLE TO THE NOTES; DUTIES OF THE ISSUER—*Representations and Covenants of the Issuer Regarding the Indenture Trustee's Security Interest.*". *(Section 7.17)*

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Consent of Registered Owners. The Issuer and the Indenture Trustee, at the request of the Issuer, may, without the consent of or notice to any of the Registered Owners of any Notes enter into any indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture that may be inconsistent with the private placement memorandum relating to the initial offer and sale of the Notes;

(b) to grant to or confer upon the Indenture Trustee for the benefit of the Registered Owners any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Registered Owners or the Indenture Trustee;

(c) to subject to the Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Notes for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or similar federal statute;

(e) to evidence the appointment of a separate or co- Indenture Trustee or a co-registrar or transfer agent or the succession of a new Indenture Trustee under the Indenture, or any additional or substitute Guaranty Agency, the Master Servicer or Servicer;

(f) to make any change as shall be necessary in order to obtain and maintain for any of the Notes an investment grade Rating from a nationally recognized rating service, if along with such Supplemental Indenture there is filed a Note Counsel's opinion addressed to the Indenture Trustee to the effect that such changes will in no way impair the existing security of the Registered Owners of any Outstanding Notes;

(g) to make any changes necessary to comply with or obtain more favorable treatment under any current or future law, rule or regulation, including but not limited to the Higher Education Act, the Regulations or the Code and the regulations promulgated thereunder;

(h) to create any additional Funds, Accounts or Subaccounts under the Indenture deemed by the Indenture Trustee to be necessary or desirable;

(i) to make any other change which, based upon an opinion of Note Counsel on which the Indenture Trustee may rely, will not materially adversely impact the Registered Owners of any Notes; or

(j) with the consent of the Class B Noteholders to make any changes to the terms of the Class B Notes, provided that such changes to the Class B Notes become effective only after the Class A Notes are no longer Outstanding;

provided, however, that nothing in the section of the Indenture described under this caption shall permit, or be construed as permitting, any modification of the trusts, powers, rights, duties, remedies, immunities and privileges of the Indenture Trustee without the prior written approval of the Indenture Trustee. *(Section 8.01)*

Supplemental Indentures Requiring Consent of Registered Owners. Exclusive of Supplemental Indentures covered by the Indenture provisions described above under the heading "--*Supplemental Indentures Not Requiring Consent of Registered Owners,*" and subject to the terms and provisions contained in the section of the Indenture described under this caption, and not otherwise, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Highest Priority Obligations then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Indenture Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in the section of the Indenture described under this caption shall permit, or be construed as permitting (a) without the consent of the Registered Owners of all then Outstanding Notes of the Tranches affected thereby, (i) an extension of the Stated Maturity Date or the interest payment date on any Tranche of Notes, or (ii) a reduction in the principal amount of any Note or the rate of interest thereon, or (iii) a privilege or priority of any Note or Notes over any other Note or Notes except as otherwise provided in the Indenture, or (iv) a reduction in the aggregate principal amount of the Notes required for consent to such Supplemental Indenture, or (v) the creation of any lien other than a lien ratably securing all of the Notes at any time Outstanding under the Indenture except as otherwise provided in the Indenture or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Indenture Trustee without the prior written approval of the Indenture Trustee.

If at any time the Issuer shall request the Indenture Trustee to enter into any such Supplemental Indenture for any of the purposes of the section of the Indenture described under this caption, the Indenture Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed by registered or certified mail to each Registered Owner of a Note at the address shown on the registration books. Such notice (which shall be prepared by the Issuer) shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Indenture Trustee for inspection by all Registered Owners. If, within 60 days, or such longer period as shall be prescribed by the Issuer, following the mailing of such notice, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Highest Priority Obligations Outstanding at the time of the execution of any such Supplemental Indenture shall have consented in writing to and approved the execution thereof as provided in the Indenture, no Registered Owner of any Note shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Indenture Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in the section of the Indenture described under this caption permitted and provided, the Indenture shall be deemed to be modified and amended in accordance therewith. *(Section 8.02)*

Additional Limitation on Modification of Indenture. None of the provisions of the Indenture (including those described herein under the captions "--*Supplemental Indentures Not Requiring Consent of Registered Owners"* and "--*Supplemental Indentures Requiring Consent of Registered Owners*") shall permit an amendment to the provisions of the Indenture which permits the transfer of all or part of the Financed Student Loans originated under the Higher Education Act or granting of a security interest therein to any Person other than an Eligible Lender, the Master Servicer or a Servicer, unless the Higher Education Act or Regulations are hereafter modified so as to permit the same.

No amendment to the Indenture or to the indentures supplemental thereto shall be effective unless the Indenture Trustee receives an opinion of Note Counsel to the effect that such amendment was adopted in conformance with the Indenture. *(Section 8.03)*

Satisfaction of Indenture. If the Issuer shall pay, or cause to be paid, or there shall otherwise be paid to the Registered Owners of the Notes, the principal of and interest on the Notes, including the Class B Carry-Over Amount, at the times and in the manner stipulated in the Indenture, then the pledge of the Trust Estate, and all covenants, agreements, and other obligations of the Issuer to the Registered Owners of Notes shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Indenture Trustee shall execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction, and the Indenture Trustee shall pay over or deliver all money held by it under the Indenture to the party entitled to receive the same under the Indenture. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of any Outstanding Notes the principal of and interest on such Notes, including the Class B Carry-Over Amount, at the times and in the manner stipulated in the Indenture, such Notes shall cease to be entitled to any lien, benefit, or security under the Indenture, and all covenants, agreements, and obligations of the Issuer to the Registered Owners thereof shall thereupon cease, terminate, and become void and be discharged and satisfied. (*Section 10.02*)

Cancellation of Paid Notes. Any Notes which have been paid or purchased by the Issuer, mutilated Notes replaced by new Notes, and any temporary Note for which definitive Notes have been delivered shall (unless otherwise directed by the Issuer by Issuer Order) forthwith be cancelled and destroyed by the Indenture Trustee pursuant to the Indenture. *(Section 10.03)*

EXHIBIT IV

BOOK-ENTRY SYSTEM

Book-Entry System

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal of and interest on the Notes to DTC in the United States, Participants or to purchasers of the Notes, confirmation and transfer of beneficial ownership interests in the Notes, and other securities-related transactions by and between DTC, DTC Participants and Beneficial Owners (as hereinafter defined), is based solely on information furnished by DTC, and has not been independently verified by the Issuer or the Initial Purchasers. No representation is made by the Issuer, the Initial Purchasers or their respective counsel as to the accuracy or completeness of such information.

Investors acquiring beneficial ownership interests in the Notes issued in Book-entry Form will hold Notes through DTC in the United States, or indirectly through organizations which are participants in the system. The Book-entry Notes will be issued in one or more instruments which equal the aggregate principal balance of the Notes and will initially be registered in the name of Cede & Co., the nominee of DTC. Except as described below, no person acquiring a Book-entry Note will be entitled to receive a physical certificate representing the Notes.

DTC will act as securities depository for the Notes. Upon the issuance of the Notes, one or more fully registered Notes, in the aggregate principal amount of the Notes, is or are to be registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co. is the Noteholder of the Notes, as nominee of DTC, references herein to the owners or Noteholders of the Notes shall mean DTC or its nominee, Cede & Co., and shall not mean the Beneficial Owners of the Notes. Noteholders may hold their certificates through DTC if they are DTC participants, or indirectly through organizations that are DTC participants.

DTC is a limited-purpose trust company organized under 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 Issuer" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants (the "DTC Participants") deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC Participants' accounts, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing Issuers, and certain other organizations. DTC is owned by a number of DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and the DTC Participants are on file with the Commission.

Purchases of the Notes (in authorized denominations) under the book-entry system may be made only through brokers and dealers who are, or act through, DTC Participants. The DTC Participants purchasing the Notes will receive a credit balance in the records of DTC. The ownership interest of the actual purchaser of each Note (a "Beneficial Owner") will be recorded in the records of the applicable DTC Participant or Indirect Participant. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive from the applicable DTC Participant or Indirect Participant written confirmations providing details of the transaction, as well as periodic statements of their holdings. Transfers of beneficial ownership of the Notes will be accomplished by book entries made by the DTC Participants or Indirect Participants who act on behalf of the Beneficial Owners and, if necessary, in turn by DTC. No Notes will be registered in the names of the Beneficial Owners, and Beneficial Owners will not receive certificates representing their ownership interest in the Notes, except in the event participation in the book-entry system is discontinued as described below.

The Issuer and the Trustee will recognize DTC or its nominee as the Noteholder of the Notes for all purposes, including notice purposes. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the DTC Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The DTC Participants 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 DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among DTC, DTC Participants, Indirect Participants and Beneficial Owners, subject to any statutory and regulatory requirements as may be in effect from time to time. Beneficial Owners may desire to make arrangements with a DTC Participant or an Indirect Participant so that all notices of redemption of Notes or other communications to DTC which affect such Beneficial Owners, and notification of all interest payments, will be forwarded in writing by the DTC Participant or Indirect Participant. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to advise a Beneficial Owner, of any notice of redemption or its content or effect will not affect the validity of the redemption of the Notes prepaid or any other action premised on such notice.

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the related record date established by the Issuer. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those DTC Participants to whose accounts the Notes are credited on the related record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Notes will be made to DTC or its nominee, Cede & Co., as Noteholder of the Notes. DTC's current practice is to credit the accounts of the DTC Participants on payment dates in accordance with their respective holdings shown on the records of DTC, unless DTC has reason to believe that it will not receive payment on that date. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC or the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer and the Trustee, disbursement of such payments to DTC Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the notes of any series at any time by giving reasonable notice to the Issuer or the Trustee. In the event that a successor securities depository is not obtained, physical certificates evidencing the Notes are required to be printed and delivered.

Noteholders may hold their Notes in the United States through DTC, or indirectly through organizations which are participants in such system.

Transfers between participants in DTC will occur in accordance with DTC Rules.

DTC has advised the Issuer that it will take any action permitted to be taken by a Noteholder under the Indenture only at the direction of one or more participants to whose accounts with DTC the notes are credited.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Notes among participants of DTC, it is under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

Neither the Issuer, the Trustee nor the Initial Purchasers will have any responsibility or obligation to any DTC participants or the persons for whom they act as nominees with respect to:

(a) the accuracy of any records maintained by DTC or any participant;

(b) the payment by DTC or any participant of any amount due to any beneficial owner in respect of the principal amount or interest on the Notes;

(c) the delivery by any DTC participant of any notice to any beneficial owner which is required or permitted under the terms of the Indenture to be given to Noteholders; or

(d) any other action taken by DTC as the Noteholder.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC or a successor securities depository. In that event, physical certificates evidencing the Notes are to be printed and delivered.

Global Settlement Procedures

The Notes initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Notes. Purchases of the Notes will be in book-entry form only. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. Depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("Clearstream, Luxembourg"), was incorporated in 1970 as "Cedel S.A.", a company with limited liability under Luxembourg law (a société anonyme). Cedel S.A. subsequently changed its name to Cedelbank. On 10 January 2000, Cedelbank's parent company, Cedel International, société anonyme ("CI") merged its clearing, settlement and custody business with that of Deutsche Börse AG ("DBAG"). The merger involved the transfer by CI of substantially all of its assets and liabilities (including its shares in Cedelbank), and the transfer by DBAG of its shares in Deutsche Börse Clearing ("DBC"), to a new Luxembourg company, which with effect from 14 January 2000 was renamed Clearstream International, société anonyme, and was then 50% owned by CI and 50% owned by DBAG. Following this merger, the subsidiaries of Clearstream International were also renamed to give them a cohesive brand name. On 18 January 2000, Cedelbank was renamed "Clearstream Banking, société anonyme", and Cedel Global Services was renamed "Clearstream Services, société anonyme". On 17 January 2000, Deutsche Börse Clearing AG was renamed "Clearstream Banking AG". Today Clearstream International is 100% owned by DBAG. The shareholders of DBAG are comprised of mainly banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier ("CSSF") and the Banque Centrale du Luxembourg ("BCL") which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing Issuers. Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg.

Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear

Euroclear Bank S.A./N.V. ("Euroclear Bank") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, Issuers, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank.

If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions on Behalf of the Owners. All of the Notes will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "US Depositories"). Holders of the Notes may hold their Notes through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Notes through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Notes on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Procedures May Change. Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

Secondary Market Trading. Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Notes will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a cross-market transaction will settle no differently from a trade between two participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participant's or Clearstream customers' accounts will be back valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one day period.

If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

EXHIBIT V

GLOBAL CLEARANCE, SETTLEMENT, AND TAX DOCUMENTATION PROCEDURES

Global Clearance, Settlement and Tax Documentation Procedures

Global Clearance and Settlement

Except in certain limited circumstances, the global Notes of the Issuer (the "Global Securities") will be available only in book-entry form. Investors in the Global Securities may hold such Global Securities through DTC. The Global Securities will be tradable as home market instruments in the U.S. domestic markets. Initial settlements and all secondary trades will settle in same day funds.

Secondary market trading between investors holding Global Securities through DTC will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations and prior asset backed securities issues.

Initial Settlement

All U.S. dollar denominated Global Securities will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors' interests in the U.S. dollar-denominated Global Securities will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC.

Investors electing to hold their Global Securities through DTC will follow the settlement practices applicable to U.S. corporate debt obligations. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC participants. Secondary market trading between DTC participants will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds.

Certain U.S. Federal Income Tax Documentation Requirements

Exemption for U.S. Persons (Form W-9). U.S. Persons can obtain a complete exemption from the withholding tax by providing Form W-9 (Request for Taxpayer Identification Number and Certification), with a valid, 9-digit taxpayer identification number to the person through whom it holds the Global Securities.

U.S. Federal Income Tax Reporting Procedure. The Global Security holder or his agent files by submitting the appropriate form to the person through whom it holds the Global Securities (the clearing agency, in the case of persons holding directly on the books of the clearing agency). Form W-8BEN and Form W-8ECI are generally effective from the date signed to the last day of the third succeeding calendar year.

The term "U.S. Person" shall mean (i) a citizen or resident alien of the United States, (ii) an Issuer or partnership, or other entity taxable as such, organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source or (iv) a trust other than a "Foreign Trust," as defined in Section 7701(a)(31) of the Code.

For every transfer of the Notes, the Beneficial Owner may be charged a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

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

In the event the Issuer determines that it is in the best interest of the Issuer not to continue the Book-entry System of transfer or that the interest of the Holders might be adversely affected if the Book-entry System of transfer is continued, the Issuer may so notify the Securities Depository and the Trustee, whereupon the Securities Depository will notify the Participants of the availability through the Securities Depository of definitive Notes. In such event, the Trustee shall authenticate, transfer and exchange definitive Notes as requested by the Securities Depository in appropriate amounts in accordance with the Indenture. The Securities Depository may determine to discontinue providing its services with respect to the Notes at any time by giving notice to the Issuer and the Trustee and discharging its responsibilities with respect thereto under applicable law, or the Issuer may determine that the Securities Depository is incapable of discharging its responsibilities and may so advise the Securities Depository. In either such event, the Issuer shall use reasonable efforts to locate another securities depository. Under such circumstances (if there is no successor Securities Depository), the Issuer and the Trustee shall be obligated to deliver definitive Notes as described in the Indenture and in accordance with the Indenture. In the event definitive Notes are issued, the provisions of the Indenture and the Indenture shall apply to such definitive Notes in all respects, including, among other things, the transfer and exchange of such Notes and the method of payment of principal or prepayment price of and interest on such Notes. Whenever the Securities Depository requests the Issuer and the Trustee to do so, the Issuer and the Trustee will cooperate with the Securities Depository in taking appropriate action after reasonable notice (i) to make available one or more separate definitive Notes to any Participant having Notes credited to its account with the Securities Depository or (ii) to arrange for another securities depository to maintain custody of definitive Notes.

EXHIBIT VI

PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE NOTES

Prepayments on pools of student loans can be calculated based on a variety of prepayment models. The model used to calculate prepayments in this Exhibit VI is based on prepayments assumed to occur at a constant prepayment rate ("CPR").

The CPR model is based on prepayments assumed to occur at a constant percentage rate. CPR is stated as an annualized rate and is calculated as the percentage of the loan amount outstanding at the beginning of a period (including accrued interest to be capitalized), after applying scheduled payments, that prepays during that period.

The CPR model assumes that Student Loans will prepay in each month according to the following formula:

Monthly Prepayments = Balance after scheduled payments x $(1-(1-CPR)^{1/12})$

Accordingly, monthly prepayments, assuming a $1,000 balance after scheduled payments would be as follows for various levels of CPR:

	0% CPR	3% CPR	6% CPR	9% CPR
Monthly Prepayment	$0.00	$2.54	$5.14	$7.83

The CPR model does not purport to describe historical prepayment experience or to predict the prepayment rate of any actual student loan pool. The Financed Student Loans pledged under the Indenture will not prepay according to the CPR, nor will all of the Financed Student Loans pledged under the Indenture prepay at the same rate. Potential investors must make an independent decision regarding the appropriate principal prepayment scenarios to use in making any investment decision.

For the sole purpose of calculating the information presented in the tables, it is assumed, among other things, that:

- the Statistical Cut-off Date for the Student Loans is April 30, 2012;
- the Issue Date will be June 22, 2012;
- all of the Student Loans are acquired on the Issue Date;
- all Student Loans (as grouped within the "rep lines" described below) remain in their current status until their status end date and then move to repayment, with the exception of school status loans which are assumed to have a 6-month grace period before moving to repayment, and no Student Loan moves from repayment to any other status;
- all Student Loans and rep lines are assumed to have the same characteristics on the Issue Date as they have on the Statistical Cut-off Date;
- the Student Loans that are (i) unsubsidized Stafford or Consolidation loans not in repayment status, (ii) subsidized Stafford or Consolidation loans in forbearance status or (iii) SLS or PLUS loans, have interest accrued and capitalized upon entering repayment;
- the Student Loans that are (i) subsidized Stafford loans in school, grace or deferment status or (ii) subsidized Consolidation loans in deferment status, have interest paid (Interest Subsidy Payments) by the Department quarterly, based on a quarterly calendar accrual period;

- the Student Loans that are in Repayment make level payments of principal and interest;

- there are government payment delays of 60 days for Interest Subsidy Payments and Special Allowance Payments;

- no delinquencies or defaults occur on any of the Student Loans, no repurchases for breaches of representations, warranties or covenants occur, and all borrower payments are collected in full;

- index levels for calculation of borrower and government payments are:

    - a 91-day Treasury bill rate of 0.09%;

    - a one-month LIBOR rate of 0.24%; and

    - a 1-year Treasury bill rate that equals the 91-day Treasury bill rate;

- payments are made on July 25, 2012 and August 25, 2012 as specified in the first through fourth priority as shown in the Private Placement Memorandum under "THE TRUST ESTATE—Flow of Funds—*Distribution Dates*"; monthly distributions begin on September 25, 2012, and payments are made monthly on the 25th day of every calendar month thereafter, whether or not the 25th is a Business Day;

- the interest rate for the Class A-1 Notes at all times will be equal to 0.84%;

- the interest rate for the Class A-2 Notes at all times will be equal to 1.24%;

- the interest rate for the Class A-3 Notes at all times will be equal to 1.24%;

- the interest rate for the Class B Notes at all times will be equal to 1.24% (however the Class B Notes will only pay interest if parity is above 101.25%, and if payment of interest does not cause parity in the trust to fall below 101.25%);

- interest accrues on the Notes on an actual/360 day count basis;

- a monthly Servicing Fee equal to (i) 1/12th of 0.90% of the then outstanding principal balance of Stafford/PLUS loans; and (ii) 1/12th of 0.50% of the then outstanding principal balance of Consolidation loans;

- a monthly Administration Fee equal to 1/12th of 0.20% of the then outstanding principal balance of the Student Loans as of the last day of the preceding month;

- a monthly Subordinate Administration Fee equal to 1/12th of 0.05% of the then outstanding principal balance of the Student Loans as of the last day of the preceding month (however the fee will only be paid if parity is above 101.25%, and if payment does not cause parity in the trust to fall below 101.25%);

- a Trustee Fee equal to 0.0075% per annum, based on the aggregate outstanding note balance, payable annually in full on the Distribution Date occurring in June of each year, with the first payment to be made on June 25, 2013;

- miscellaneous fees totaling $100,000 are paid annually in full on the Distribution Date occurring in June of each year, with the first payment to be made on June 25, 2013;

- the Debt Service Reserve Fund has an initial balance equal to the deposit specified herein under "SUMMARY OF TERMS—Description of Funds and Accounts—The Debt Service Reserve Fund," and thereafter with respect to any Distribution Date, the greater of (a) 0.25% of the Pool Balance as of the last day of the related Collection Period or (b) 0.15% of the Initial Pool Balance;

- the Capitalized Interest Fund has an initial balance equal to $4,000,000, and on the June 2015 Distribution Date, that amount will be included in Available Funds;

- the Acquisition Fund is assumed to have approximately $3,398,868 on the Issue Date, which when received, consists of approximately $3,181,848 of accrued interest (not expected to be capitalized);

- all payments are assumed to be made at the end of the month and amounts on deposit in the Acquisition Fund, Collection Fund, Debt Service Reserve Fund and Capitalized Interest Fund, including reinvestment income earned in the previous month, are reinvested in Investment Securities at the assumed reinvestment rate of 0.09% per annum through the end of the Collection Period and reinvestment earnings from the prior Collection Period are available for distribution;

- the pool of Student Loans consists of 176 representative loans ("rep lines"), which have been created for modeling purposes from individual student loans based on combinations of similar individual student loan characteristics, which include, but are not limited to, loan status, interest rate, loan type, SAP index, and remaining term;

- no event of default has occurred or is continuing to occur under the Indenture;

- a Consolidation Rebate fee equal to 1.05% per annum of the outstanding principal balance of the Consolidation Loans, is paid monthly to the Department of Education and are subject to a payment delay of 30 days;

- no borrower benefits are utilized;

- Notes may be paid off using funds on deposit in the Debt Service Reserve Fund;

- any Class B Carry-Over Amount on the Class B Notes is not modeled;

- no excess cash will be released from the Trust Estate; and

- no optional redemption clean-up call or purchase of the Financed Student Loans occurs.

The tables below have been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the rep lines, which will differ from the characteristics and performance of the actual pool of Student Loans) and should be read in conjunction therewith. In addition, the diverse characteristics, remaining terms to scheduled maturity and loan ages of the Student Loans could produce slower or faster principal payments than implied by the information in the following tables, even if the dispersions of weighted average characteristics, remaining terms to scheduled maturity and loan ages are the same as the characteristics, remaining terms to scheduled maturity and loan ages assumed. See "RISK FACTORS" above.

Each set of projected weighted average lives reflects a projected average of the periods of time for which the Notes are Outstanding. Such projected weighted average lives do not reflect the period of time during which any one Note will remain Outstanding. At each prepayment speed, some Notes will remain Outstanding for periods of time shorter than the applicable projected weighted average life, while some will remain Outstanding for longer periods of time.

Percentages Of Original Principal Of The Class A-1 Notes Remaining At Certain Distribution Dates At Various CPR Percentages

Distribution Date	**0%**	**3%**	**6%**	**9%**
Initial	100%	100%	100%	100%
9/25/2012	97	96	95	95
9/25/2013	85	80	74	69
9/25/2014	71	61	52	44
9/25/2015	54	42	30	19
9/25/2016	38	23	10	0
9/25/2017	21	5	0	0
9/25/2018	4	0	0	0
9/25/2019	0	0	0	0
9/25/2020	0	0	0	0
9/25/2021	0	0	0	0
9/25/2022	0	0	0	0
9/25/2023	0	0	0	0
9/25/2024	0	0	0	0
9/25/2025	0	0	0	0
9/25/2026	0	0	0	0
9/25/2027	0	0	0	0
9/25/2028	0	0	0	0
9/25/2029	0	0	0	0
9/25/2030	0	0	0	0
9/25/2031	0	0	0	0
9/25/2032	0	0	0	0
Weighted Average Life (years)*	3.50	2.88	2.42	2.08
First Principal Payment Date	9/25/2012	9/25/2012	9/25/2012	9/25/2012
Last Principal Payment Date	1/25/2019	1/25/2018	4/25/2017	8/25/2016

*The weighted average life of the Class A-1 Notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (1) multiplying the amount of each principal payment on the Class A-1 Notes by the number of years from the Issue Date to the related Distribution Date, (2) adding the results, and (3) dividing that sum by the aggregate principal amount of the Class A-1 Notes as of the Issue Date.

Percentages Of Original Principal Of The Class A-2 Notes Remaining At Certain Distribution Dates At Various CPR Percentages

Distribution Date	**0%**	**3%**	**6%**	**9%**
Initial	100%	100%	100%	100%
9/25/2012	100	100	100	100
9/25/2013	100	100	100	100
9/25/2014	100	100	100	100
9/25/2015	100	100	100	100
9/25/2016	100	100	100	95
9/25/2017	100	100	79	50
9/25/2018	100	72	40	12
9/25/2019	74	36	5	0
9/25/2020	39	4	0	0
9/25/2021	7	0	0	0
9/25/2022	0	0	0	0
9/25/2023	0	0	0	0
9/25/2024	0	0	0	0
9/25/2025	0	0	0	0
9/25/2026	0	0	0	0
9/25/2027	0	0	0	0
9/25/2028	0	0	0	0
9/25/2029	0	0	0	0
9/25/2030	0	0	0	0
9/25/2031	0	0	0	0
9/25/2032	0	0	0	0
Weighted Average Life (years)*	7.99	6.94	6.06	5.34
First Principal Payment Date	1/25/2019	1/25/2018	4/25/2017	8/25/2016
Last Principal Payment Date	12/25/2021	11/25/2020	12/25/2019	2/25/2019

*The weighted average life of the Class A-2 Notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (1) multiplying the amount of each principal payment on the Class A-2 Notes by the number of years from the Issue Date to the related Distribution Date, (2) adding the results, and (3) dividing that sum by the aggregate principal amount of the Class A-2 Notes as of the Issue Date.

Percentages Of Original Principal Of The Class A-3 Notes Remaining At Certain Distribution Dates At Various CPR Percentages

Distribution Date	**0%**	**3%**	**6%**	**9%**
Initial	100%	100%	100%	100%
9/25/2012	100	100	100	100
9/25/2013	100	100	100	100
9/25/2014	100	100	100	100
9/25/2015	100	100	100	100
9/25/2016	100	100	100	100
9/25/2017	100	100	100	100
9/25/2018	100	100	100	100
9/25/2019	100	100	100	81
9/25/2020	100	100	78	57
9/25/2021	100	77	55	37
9/25/2022	81	55	36	21
9/25/2023	60	38	22	10
9/25/2024	45	25	11	2
9/25/2025	33	16	4	0
9/25/2026	23	8	0	0
9/25/2027	13	1	0	0
9/25/2028	4	0	0	0
9/25/2029	0	0	0	0
9/25/2030	0	0	0	0
9/25/2031	0	0	0	0
9/25/2032	0	0	0	0
Weighted Average Life (years)*	12.38	10.99	9.84	8.88
First Principal Payment Date	12/25/2021	11/25/2020	12/25/2019	2/25/2019
Last Principal Payment Date	2/25/2029	10/25/2027	5/25/2026	12/25/2024

*The weighted average life of the Class A-3 Notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (1) multiplying the amount of each principal payment on the Class A-3 Notes by the number of years from the Issue Date to the related Distribution Date, (2) adding the results, and (3) dividing that sum by the aggregate principal amount of the Class A-3 Notes as of the Issue Date.

Percentages Of Original Principal Of The Class B Notes Remaining At Certain Distribution Dates At Various CPR Percentages

Distribution Date	**0%**	**3%**	**6%**	**9%**
Initial	100%	100%	100%	100%
9/25/2012	100	100	100	100
9/25/2013	100	100	100	100
9/25/2014	100	100	100	100
9/25/2015	100	100	100	100
9/25/2016	100	100	100	100
9/25/2017	100	100	100	100
9/25/2018	100	100	100	100
9/25/2019	100	100	100	100
9/25/2020	100	100	100	100
9/25/2021	100	100	100	100
9/25/2022	100	100	100	100
9/25/2023	100	100	100	100
9/25/2024	100	100	100	100
9/25/2025	100	100	100	67
9/25/2026	100	100	84	32
9/25/2027	100	100	42	0
9/25/2028	100	52	6	0
9/25/2029	61	7	0	0
9/25/2030	16	0	0	0
9/25/2031	0	0	0	0
9/25/2032	0	0	0	0
Weighted Average Life (years)*	17.57	16.37	15.13	13.83
First Principal Payment Date	2/25/2029	10/25/2027	5/25/2026	12/25/2024
Last Principal Payment Date	1/25/2031	10/25/2029	10/25/2028	9/25/2027

*The weighted average life of the Class B Notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (1) multiplying the amount of each principal payment on the Class B Notes by the number of years from the Issue Date to the related Distribution Date, (2) adding the results, and (3) dividing that sum by the aggregate principal amount of the Class B Notes as of the Issue Date.

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