

Bond Series	CUSIP NUMBER
Student Loan Revenue Bonds, Series 1995A	92428C DB 7
Student Loan Revenue Bonds, Series 1995B	92428C DC 5
Student Loan Revenue Bonds, Series 1995C	92428C DD 3
Student Loan Revenue Bonds, Series 1996F	92428C DG 6
Student Loan Revenue Bonds, Series 1996G	92428C DH 4
Student Loan Revenue Bonds, Series 1996H	92428C DJ 0
Student Loan Revenue Bonds, Series 2000R	92428C DW 1
Student Loan Revenue Bonds, Series 2000S	92428C DX 9
Student Loan Revenue Bonds, Series 2000T	92428C DY 7
Student Loan Revenue Bonds, Series 2001V	92428C EA 8
Student Loan Revenue Bonds, Series 2001W	92428C EB 6
Student Loan Revenue Bonds, Series 2001Z	92428C EE 0
Student Loan Revenue Bonds, Series 2002BB	92428C EG 5
Student Loan Revenue Bonds, Series 2002CC	92428C EH 3
Student Loan Revenue Bonds, Series 2002DD	92428C EJ 9
Student Loan Revenue Bonds, Series 2003FF2	92428C EM 2
Student Loan Revenue Bonds, Series 2003GG	92428C EN 0
Student Loan Revenue Bonds, Series 2003HH	92428C EP 5
Student Loan Revenue Bonds, Series 2003II	92428C EQ 3
Student Loan Revenue Bonds, Series 2003JJ	92428C ER 1
Student Loan Revenue Bonds, Series 2003KK	92428C ES 9
Student Loan Revenue Bonds, Series 2003LL	92428C ET 7
Student Loan Revenue Bonds, Series 2004MM	92428C EU 4
Student Loan Revenue Bonds, Series 2004NN	92428C EV 2
Student Loan Revenue Bonds, Series 2004PP	92428C EX 8
Student Loan Revenue Bonds, Series 2006UU	92428C FC 3
Student Loan Revenue Bonds, Series 2006VV	92428C FD 1
Student Loan Revenue Bonds, Series 2007WW	92428C FE 9
Student Loan Revenue Bonds, Series 2007XX	92428C FF 6

On May 30, 2008, the Vermont Student Assistance Corporation (“VSAC”) received a letter from the Internal Revenue Service (the “IRS”) informing VSAC that the IRS would be auditing the \$165,000,000 in aggregate principal amount of Education Loan Revenue Bonds, Senior Series 1998K through N and Subordinate Series 1998O (the “1998K-O Bonds”) issued by VSAC on June 24, 1998. As part of the audit of the 1998K-O Bonds, the IRS delivered to VSAC on March 3, 2009 its Form 5701-TEB, Notice of Proposed Issue (the “Form 5701”). The Form 5701 raised issues regarding (1) VSAC’s methodology for tracking student loans acquired with the proceeds of the 1998K-O Bonds and (2) the treatment of the consolidation loan rebate fee paid by VSAC to the Department of Education as a qualified administrative expense. As a result, the IRS asserted in Form 5701 that the 1998K-O Bonds were not qualified student loan bonds under Section 144(b)(1)(A) of the Internal Revenue Code (the “Code”) and that, therefore, interest on the 1998K-O Bonds would not be excludable from gross income under Section 103(a) of the Code. VSAC continues to believe that the IRS position is inconsistent with applicable law and practice and that VSAC’s methodology and computations with

respect to the 1998K-O Bonds are in accordance with the Code. VSAC has vigorously contested the IRS assertions in Form 5701 and has responded to a series of informational requests from the IRS over the past three years.

Due to the duration and expense of these proceedings, and in an attempt to bring the matter to a conclusion, VSAC has had discussions with respect to settling this matter, and in the course of those discussions, for purposes of settlement, the IRS advised VSAC that in that context it would not contest VSAC's treatment of the consolidation loan rebate fee. Also, VSAC has performed yield computations with respect to not only the 1998K-O Bonds, but also the other bonds issued under the same bond resolution and listed above (the "Additional Resolution Bonds" and, together with the 1998K-O Bonds, the "Subject Bonds") and the loans securing the Subject Bonds. VSAC believes that its calculations show that, in the aggregate, the yield on the loans securing the Subject Bonds is substantially below the yield permitted for the loans by the Code and regulations. VSAC expects to take such commercially reasonable steps as may be necessary to resolve the matter in a manner which preserves the tax-exemption on the Subject Bonds.

VSAC recently received letters from the IRS with respect to the Additional Resolution Bonds which were dated June 28, 2011 (the "Letters"). The Letters stated that the IRS has selected the Additional Resolution Bonds for examination. The Letters further state that they were selected because of information the IRS developed internally that causes it a concern that the Additional Resolution Bonds may fail one or more provisions of sections 103 and 141-150 of the Code. The Letters also state that the IRS is not, at this time, asking for any further documentation with respect to the Additional Resolution Bonds. The IRS has communicated no other findings with respect to the Additional Resolution Bonds.

VSAC believes it received the Letters as a result of information VSAC provided for purposes of reaching a settlement with respect to the 1998K-O Bonds and any other bonds with respect to which the IRS might assert any similar issues. VSAC believes that it is in compliance with the tax covenants required to maintain the tax-exemption on the Subject Bonds, that its practices are consistent with applicable law and practice, and that its methodology and computations with respect to the Subject Bonds are in accordance with the Code. VSAC will continue to vigorously contest any future assertions by the IRS with respect to the Subject Bonds, while at the same time seeking to bring finality to the IRS audits.

Dated: July 14, 2011.