

OFFERING MEMORANDUM SUPPLEMENT
(To offering memorandum dated July 17, 2006)

\$1,000,000,000

ALG Student Loan Trust I

Student Loan Backed Notes, Series 2006-1

**ALG Student Loan Funding I, LLC
Depositor**

**Academic Loan Group, Inc.
Originator**

**Academic Loan Group, LLC
Issuer Administrator**

We are offering the following notes:

Series of Notes	Original Principal Amount*	Interest Rate	Maturity Date	Price to Public	Initial Purchasers' Discount	Proceeds to the trust⁽¹⁾
Series 2006-1A-1 Senior Notes	\$116,000,000	3-Month LIBOR plus 0.01%	October 28, 2018	100%	\$220,400	\$115,779,600
Series 2006-1A-2 Senior Notes	\$231,000,000	3-Month LIBOR plus 0.10%	April 28, 2020	100%	531,300	230,468,700
Series 2006-1A-3 Senior Notes	\$250,000,000	3-Month LIBOR plus 0.15%	October 28, 2023	100%	750,000	249,250,000
Series 2006-1A-4 Senior Notes	\$153,000,000	3-Month LIBOR plus 0.19%	October 28, 2026	100%	535,500	152,464,500
Series 2006-1A-5 Senior Notes	\$ 85,000,000	Auction Rate	June 1, 2046	100%	221,000	84,779,000
Series 2006-1A-6 Senior Notes	\$ 85,000,000	Auction Rate	June 1, 2046	100%	221,000	84,779,000
Series 2006-1B-1 Subordinate Notes	\$ 40,000,000	Auction Rate	June 1, 2046	100%	124,000	39,876,000
Series 2006-1B-2 Subordinate Notes	<u>\$ 40,000,000</u>	Auction Rate	June 1, 2046	100%	124,000	<u>39,876,000</u>
	<u>\$1,000,000,000</u>				<u>\$2,727,200</u>	<u>\$997,272,800</u>

⁽¹⁾Before deducting expenses and costs of issuance estimated to be approximately \$700,000.

The notes will be secured by a pool of student loans originated under the Federal Family Education Loan Program, a cash reserve fund and the other money and investments pledged to the indenture trustee. We have issued other series of notes that are secured by the same assets that will secure the series 2006-1 notes. In the future we may issue additional notes secured by the same assets that will secure the series 2006-1 notes.

All of the series 2006-1A senior notes will be rated "Aaa" by Moody's Investors Service, Inc. and "AAA" by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. The series 2006-1B subordinate notes will be rated at least "A2" by Moody's Investors Service, Inc. and at least "A" by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

THE SERIES 2006-1 NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS, AND, UNLESS REGISTERED OR QUALIFIED, 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 LAWS. ACCORDINGLY, THE SERIES 2006-1 NOTES ARE BEING OFFERED AND SOLD ONLY TO (1) "QUALIFIED INSTITUTIONAL BUYERS" PURSUANT TO THE REQUIREMENTS OF RULE 144A PROMULGATED UNDER THE SECURITIES ACT AND (2) WITH RESPECT TO THE SERIES 2006-1 LIBOR RATE NOTES, PERSONS (OTHER THAN U.S. PERSONS) OUTSIDE OF THE UNITED STATES OF AMERICA PURSUANT TO THE REQUIREMENTS OF REGULATIONS PROMULGATED UNDER THE SECURITIES ACT. ACCORDINGLY, THE SERIES 2006-1 NOTES WILL NOT BE TRANSFERABLE EXCEPT UPON SATISFACTION OF CERTAIN CONDITIONS AS DESCRIBED UNDER THE CAPTION "NOTICE TO INVESTORS; TRANSFER RESTRICTIONS" HEREIN. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

You should consider carefully the "Risk Factors" beginning on page S-16 of this offering memorandum supplement and on page 1 of the accompanying offering memorandum.

This offering memorandum supplement, together with the offering memorandum dated June __, 2006, constitute a prospectus (the "Prospectus") for the purposes of Directive 2003/71/EC (the "Prospectus Directive"). Reference throughout these documents to the "offering memorandum supplement" and the "offering memorandum" shall be taken to read "Prospectus" for such purpose. Application has been made to the Irish Financial Services Regulatory Authority (the "Financial Regulator in Ireland"), as competent authority under the Prospectus Directive, for the Prospectus to be approved. Such approval relates only to the series 2006-1 LIBOR rate notes, which are to be admitted to trading on the regulated market of the Irish Stock Exchange Limited (the "Irish Stock Exchange"). Application has been made to the Irish Stock Exchange for the series 2006-1 LIBOR rate notes to be admitted to the Official List and trading on its regulated market. There can be no assurance that this listing will be obtained. The issuance and settlement of the series 2006-1 notes is not conditioned on the listing of the series 2006-1 LIBOR rate notes on The Irish Stock Exchange.

The series 2006-1 notes are offered by the initial purchasers listed below subject to prior sale, when, as and if accepted by the initial purchasers, subject to approval of certain legal matters by counsel for the initial purchasers. The initial purchasers reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the series 2006-1 notes will be made in book-entry only form through the Same Day Funds Settlement System of The Depository Trust Company on or about June 1, 2006.

RBC Capital Markets

Goldman, Sachs & Co.

RBS Greenwich Capital

July 17, 2006

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No dealer, broker, salesman or other person has been authorized by the trust or the initial purchasers to give any information or make any representations, other than those contained in this offering memorandum supplement and the accompanying offering 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 offering memorandum supplement and the accompanying offering memorandum do not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the series 2006-1 notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This offering memorandum supplement and the accompanying offering memorandum are the trust's offering memorandum and offering memorandum supplement, and the information set forth herein has been obtained from the trust and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this offering memorandum supplement and the accompanying offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the trust.

Some of the terms used in this offering memorandum supplement and the accompanying offering memorandum are defined under the caption "Glossary of Terms" beginning on page 85 in the accompanying offering memorandum.

THE SERIES 2006-1 NOTES ARE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION AS MORE FULLY DESCRIBED HEREIN.

There is currently no secondary market for the series 2006-1 notes, and there is no assurance that one will develop. The initial purchasers expect, but will not be obligated, to make a market in the series 2006-1 notes. There is no assurance that such a market will develop or, if such a market does develop, that such a market will continue. Except for the proposed listing of the series 2006-1 LIBOR notes on the Irish Stock Exchange, the series 2006-1 notes will not be listed on any national securities exchange or quoted on any inter-dealer quotation system.

THIS OFFERING MEMORANDUM SUPPLEMENT AND THE ACCOMPANYING OFFERING MEMORANDUM ARE BEING PROVIDED ON A CONFIDENTIAL BASIS ONLY TO INVESTORS THAT ARE REASONABLY BELIEVED TO BE (1) "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT AND (2) WITH RESPECT TO THE SERIES 2006-1 LIBOR RATE NOTES, PERSONS (OTHER THAN U.S. PERSONS) OUTSIDE OF THE UNITED STATES OF AMERICA PURSUANT TO THE REQUIREMENTS OF REGULATIONS PROMULGATED UNDER THE SECURITIES ACT.

THIS OFFERING MEMORANDUM SUPPLEMENT AND THE ACCOMPANYING OFFERING MEMORANDUM ARE BEING PROVIDED FOR INFORMATIONAL USE SOLELY IN CONNECTION WITH THE CONSIDERATION OF THE PURCHASE OF THE SERIES 2006-1 NOTES. ITS USE FOR ANY OTHER PURPOSE IS NOT AUTHORIZED. IT MAY NOT BE COPIED OR REPRODUCED IN WHOLE OR IN PART, NOR MAY IT BE DISTRIBUTED NOR MAY ANY OF ITS CONTENTS BE DISCLOSED TO ANYONE OTHER THAN THE PROSPECTIVE INVESTORS TO WHOM IT IS BEING PROVIDED.

AN EMPLOYEE BENEFIT OR OTHER PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A “PLAN”), AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF ANY PLAN’S INVESTMENT IN THE ENTITY (A “PLAN ASSET ENTITY”) OR A PERSON INVESTING “PLAN ASSETS” OF ANY PLAN, MAY ACQUIRE OR HOLD THE SERIES 2006-1 NOTES, PROVIDED SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION (“PTCE”) 96-23, 95-60, 91-38, 90-1 OR 84-14 WITH RESPECT TO SUCH PURCHASE OR HOLDING OR SUCH PURCHASER IS NOT USING PLAN ASSETS. ANY PURCHASER OR HOLDER OF THE SERIES 2006-1 NOTES OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT IT EITHER (a) IS NOT, AND IS NOT USING THE ASSETS OF, A PLAN; OR (b) IS, OR IS INVESTING THE ASSETS OF, OR ACTING ON BEHALF OF, A PLAN, AND MAY ACQUIRE AND HOLD THE SERIES 2006-1 NOTES OR AN INTEREST IN THE SERIES 2006-1 NOTES UNDER PTCE 96-23, 95-60, 91-38, 90-1 OR 84-14 (OR ANOTHER APPLICABLE EXEMPTION). SEE THE CAPTIONS “NOTICE TO INVESTORS; TRANSFER RESTRICTIONS” AND “ERISA CONSIDERATIONS” HEREIN.

THE INFORMATION CONTAINED HEREIN HAS BEEN FURNISHED BY THE TRUST AND OTHER SOURCES BELIEVED BY THE TRUST TO BE RELIABLE. NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE INITIAL PURCHASERS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN, AND NOTHING CONTAINED HEREIN IS OR SHALL BE RELIED UPON AS A PROMISE OR REPRESENTATION BY THE INITIAL PURCHASERS AS TO THE PAST OR THE FUTURE. THE INITIAL PURCHASERS HAVE NOT INDEPENDENTLY VERIFIED ANY OF SUCH INFORMATION AND ASSUME NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN MAKING AN INVESTMENT DECISION REGARDING THE SERIES 2006-1 NOTES OFFERED HEREBY, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TRUST, ITS BUSINESS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS HEREOF AS INVESTMENT, LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISORS AS TO LEGAL, TAX, ERISA, BUSINESS, FINANCIAL AND RELATED ASPECTS OF AN INVESTMENT IN THE SERIES 2006-1 NOTES. NEITHER THE TRUST NOR THE INITIAL PURCHASERS IS MAKING ANY REPRESENTATION TO ANY OFFEREE OR PURCHASER OF THE SERIES 2006-1 NOTES REGARDING THE LEGALITY OF AN INVESTMENT IN THE SERIES 2006-1 NOTES BY SUCH OFFEREE OR PURCHASER UNDER APPROPRIATE LEGAL INVESTMENT OR SIMILAR LAWS. THE OFFERING IS BEING MADE SOLELY ON THE BASIS HEREOF. ANY DECISION TO PURCHASE SERIES 2006-1 NOTES IN THE OFFERING MUST BE BASED ON THE INFORMATION CONTAINED HEREIN AND IN THE ACCOMPANYING OFFERING MEMORANDUM. EACH RESPECTIVE PURCHASER OF THE SERIES 2006-1 NOTES

MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE SERIES 2006-1 NOTES OR POSSESSES OR DISTRIBUTES THIS OFFERING MEMORANDUM SUPPLEMENT AND THE ACCOMPANYING OFFERING MEMORANDUM AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE SERIES 2006-1 NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NEITHER THE TRUST NOR THE INITIAL PURCHASERS SHALL HAVE ANY RESPONSIBILITY THEREFOR.

NEITHER THIS OFFERING MEMORANDUM SUPPLEMENT NOR THE ACCOMPANYING OFFERING MEMORANDUM CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SERIES 2006-1 NOTES TO ANY PERSON IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION.

IN CONNECTION WITH THE OFFERING, THE INITIAL PURCHASERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2006-1 NOTES AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B 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 ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE 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, GUEST OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF BELGIUM

THE SERIES 2006-1 NOTES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED IN OR FROM BELGIUM AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, OTHER THAN TO PERSONS OR ENTITIES MENTIONED IN ARTICLE 3 OF THE ROYAL DECREE OF

JANUARY 9, 1991 RELATING TO THE PUBLIC CHARACTERISTIC OF OPERATIONS CALLING FOR SAVINGS AND ON THE ASSIMILATION OF CERTAIN OPERATIONS TO A PUBLIC OFFER (BELGIAN OFFICIAL JOURNAL OF JANUARY 12, 1991). THEREFORE, THE SERIES 2006-1 NOTES ARE EXCLUSIVELY DESIGNED FOR CREDIT INSTITUTIONS, STOCK EXCHANGE COMPANIES, COLLECTIVE INVESTMENT FUNDS, COMPANIES OR INSTITUTIONS, INSURANCE COMPANIES AND/OR PENSION FUNDS ACTING FOR THEIR OWN ACCOUNT ONLY.

NOTICE TO RESIDENTS OF FRANCE

THE SERIES 2006-1 NOTES ARE *ORGANISMES DE PLACEMENTS COLLECTIFS EN VALEURS MOBILIÈRES* ISSUED BY A RESIDENT OF A NON-EC STATE. ACCORDINGLY, PURSUANT TO THE PROVISIONS OF DECREE NO. 89-624 OF 6 SEPTEMBER 1989, THE SERIES 2006-1 NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN FRANCE WITHOUT THE PRIOR APPROVAL OF THE FRENCH MINISTRY OF FINANCE.

EACH OF THE ALG STUDENT LOAN TRUST I AND THE INITIAL PURCHASERS REPRESENTS AND AGREES THAT IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL, DIRECTLY OR INDIRECTLY, ANY OF THE SERIES 2006-1 NOTES BY WAY OF A PUBLIC OFFERING IN FRANCE (AN *APPEL PUBLIC Á L'ÉPARGNE*, AS DEFINED IN ARTICLE 61 OF *ORDONNANCE* NO. 67-883 OF 28 SEPTEMBER 1967, AS AMENDED BY LAW NO. 98-546 OF 2 JULY 1998).

NOTICE TO RESIDENTS OF GERMANY

THE SERIES 2006-1 NOTES MAY NOT BE OFFERED TO THE PUBLIC IN GERMANY, EXCEPT AS IN ACCORDANCE WITH ALL APPLICABLE PROVISIONS OF GERMAN LAW RELATING TO ANY SUCH OFFERINGS. NO GERMAN SELLING PROSPECTUS HAS BEEN PREPARED OR PUBLISHED IN CONNECTION WITH THE ISSUE AND OFFERING OF THE SERIES 2006-1 NOTES.

NOTICE TO RESIDENTS OF GREECE

THIS DOCUMENT AND THE SECURITIES TO WHICH IT RELATES AND ANY OTHER MATERIAL RELATED THERETO MAY NOT BE ADVERTISED, DISTRIBUTED OR OTHERWISE MADE AVAILABLE TO THE PUBLIC IN GREECE. THE GREEK CAPITAL MARKET COMMITTEE HAS NOT AUTHORIZED ANY PUBLIC OFFERING OF THE SUBSCRIPTION OF THE SECURITIES. ACCORDINGLY, SECURITIES MAY NOT BE ADVERTISED, DISTRIBUTED OR IN ANY WAY OFFERED OR SOLD IN GREECE OR TO RESIDENTS THEREOF EXCEPT AS PERMITTED BY GREEK LAW.

NOTICE TO RESIDENTS OF THE REPUBLIC OF IRELAND

THIS OFFERING MEMORANDUM SUPPLEMENT AND THE ACCOMPANYING OFFERING MEMORANDUM DO NOT CONSTITUTE AN INVITATION TO THE PUBLIC TO PURCHASE OR SUBSCRIBE FOR ANY OF THE SERIES 2006-1 NOTES AND NEITHER IT NOR ANY FORM OF APPLICATION WILL BE ISSUED, CIRCULATED OR DISTRIBUTED TO THE PUBLIC.

THIS OFFERING MEMORANDUM SUPPLEMENT AND THE ACCOMPANYING OFFERING MEMORANDUM AND THE INFORMATION CONTAINED HEREIN AND THEREIN IS CONFIDENTIAL AND IS FOR THE USE SOLELY OF THE RECIPIENT TO WHOM IT IS PROVIDED. ACCORDINGLY, IT MAY NOT BE REPRODUCED IN WHOLE OR IN PART, NOR MAY ITS CONTENTS BE DISTRIBUTED IN WRITING OR ORALLY TO ANY THIRD PARTY AND IT MAY BE READ SOLELY BY THE RECIPIENT TO WHOM IT IS ADDRESSED AND SUCH RECIPIENT'S PROFESSIONAL ADVISORS.

NOTICE TO RESIDENTS OF NORWAY

THE OFFERING OF THE SERIES 2006-1 NOTES WILL NOT BE A PUBLIC OFFER IN NORWAY AND THIS OFFERING MEMORANDUM SUPPLEMENT AND THE ACCOMPANYING OFFERING MEMORANDUM ARE INTENDED TO BE READ BY THE ADDRESSEE ONLY.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

PRIOR TO THE DATE SIX (6) MONTHS AFTER THE ISSUE OF THE SERIES 2006-1 NOTES, THE SERIES 2006-1 NOTES MAY NOT BE OFFERED OR SOLD TO PERSONS IN THE UNITED KINGDOM OTHER THAN TO PERSONS WHOSE ORDINARY ACTIVITIES INVOLVE THEM IN ACQUIRING, HOLDING, MANAGING OR DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF THEIR BUSINESS OR OTHERWISE IN CIRCUMSTANCES WHICH HAVE NOT RESULTED AND WILL NOT RESULT IN AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE PUBLIC OFFERS OF SECURITIES REGULATIONS 1995, AND ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA")) RECEIVED IN CONNECTION WITH THE ISSUE OR SALE OF THE SERIES 2006-1 NOTES MAY ONLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO ALG STUDENT LOAN TRUST I.

THE OFFERING MEMORANDUM, THIS OFFERING MEMORANDUM SUPPLEMENT AND THE SERIES 2006-1 NOTES (AND BENEFICIAL INTERESTS

THEREIN) ARE NOT AVAILABLE TO OTHER CATEGORIES OF PERSON IN THE UNITED KINGDOM AND NO ONE FALLING OUTSIDE OF SUCH CATEGORIES IS ENTITLED TO RELY ON AND MUST NOT ACT ON ANY OF THE INFORMATION IN THE OFFERING MEMORANDUM AND THIS OFFERING MEMORANDUM SUPPLEMENT. THE TRANSMISSION OF THE OFFERING MEMORANDUM AND THIS OFFERING MEMORANDUM SUPPLEMENT TO ANY PERSON IN THE UNITED KINGDOM OTHER THAN THE CATEGORIES STATED ABOVE IS UNAUTHORIZED AND MAY CONTRAVENE THE FSMA.

NOTICE TO RESIDENTS OF THE EUROPEAN ECONOMIC AREA

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A RELEVANT MEMBER STATE), EACH INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE (THE RELEVANT IMPLEMENTATION DATE) IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF SERIES 2006-1 NOTES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE PRIOR TO THE PUBLICATION OF A PROSPECTUS IN RELATION TO THE SERIES 2006-1 NOTES WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND NOTIFIED TO THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE, EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF SERIES 2006-1 NOTES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE AT ANY TIME:

(A) TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES;

(B) TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (1) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR; (2) A TOTAL BALANCE SHEET OF MORE THAN €43,000,000 AND (3) AN ANNUAL NET TURNOVER OF MORE THAN €50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS; OR

(C) IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION OF AN “OFFER OF SERIES 2006-1 NOTES TO THE PUBLIC” IN RELATION TO ANY SERIES 2006-1

NOTES IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SERIES 2006-1 NOTES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE THE SERIES 2006-1 NOTES, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE AND THE EXPRESSION PROSPECTUS DIRECTIVE MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

EACH INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT:

1. (I) IT IS A PERSON WHOSE ORDINARY ACTIVITIES INVOLVE IT IN ACQUIRING, HOLDING, MANAGING OR DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF ITS BUSINESS AND (II) IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL THE SERIES 2006-1 NOTES OTHER THAN TO PERSONS WHOSE ORDINARY ACTIVITIES INVOLVE THEM IN ACQUIRING, HOLDING, MANAGING OR DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AS AGENT) FOR THE PURPOSES OF THEIR BUSINESSES OR WHO IT IS REASONABLE TO EXPECT WILL ACQUIRE, HOLD, MANAGE OR DISPOSE OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF THEIR BUSINESSES WHERE THE ISSUE OF THE SERIES 2006-1 NOTES WOULD OTHERWISE CONSTITUTE A CONTRAVENTION OF SECTION 19 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) BY THE ISSUER;
2. IT HAS ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE SERIES 2006-1 NOTES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA WOULD NOT APPLY TO THE ISSUER; AND
3. IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE SERIES 2006-1 NOTES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

NOTICE TO RESIDENTS OF HONG KONG

THE SERIES 2006-1 NOTES MAY NOT BE OFFERED OR SOLD BY MEANS OF ANY DOCUMENT OTHER THAN TO PERSONS WHOSE ORDINARY BUSINESS IS TO BUY OR SELL SHARES OR DEBENTURES, WHETHER AS PRINCIPAL OR AGENT, OR

IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP. 32) OF HONG KONG, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SERIES 2006-1 NOTES MAY BE ISSUED, WHETHER IN HONG KONG OR ELSEWHERE, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO SERIES 2006-1 NOTES WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG AND ANY RULES MADE THEREUNDER.

NOTICE TO RESIDENTS OF JAPAN

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF JAPAN (THE SECURITIES AND EXCHANGE LAW) AND EACH INITIAL PURCHASER HAS AGREED THAT IT WILL NOT OFFER OR SELL ANY SECURITIES, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO A RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE SECURITIES AND EXCHANGE LAW AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

NOTICE TO RESIDENTS OF SINGAPORE

THIS OFFERING MEMORANDUM SUPPLEMENT AND THE ACCOMPANYING OFFERING MEMORANDUM HAVE NOT BEEN REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFERING MEMORANDUM SUPPLEMENT AND THE ACCOMPANYING OFFERING MEMORANDUM AND ANY OTHER DOCUMENTS OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE SERIES 2006-1 NOTES MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE SERIES 2006-1 NOTES BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE “SFA”), (II) TO A RELEVANT PERSON, OR ANY PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS,

SPECIFIED IN SECTION 275 OF THE SFA OR (II) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE SERIES 2006-1 NOTES ARE SUSCRIBED OR PURCHASED UNDER SECTION 275 BY A RELEVANT PERSON WHICH IS (A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR (B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY IS AN ACCREDITED INVESTOR, SHARES, DEBENTURES AND UNITS OF SHARES AND DEBENTURES OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST IN THAT TRUST SHALL NOT BE TRANSFERABLE FOR 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE SERIES 2006-1 NOTES UNDER SECTION 27 EXCEPT: (1) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SFA OR TO A RELEVANT PERSON, OR ANY PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS, SPECIFIED IN SECTION 275 OF THE SFA; (2) WHERE NO CONSIDERATION IS GIVEN FOR THE TRANSFER, OR (3) B

CIRCULAR 230 NOTICE

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

IRISH STOCK EXCHANGE INFORMATION

We accept our responsibility for the information contained in this offering memorandum supplement and the accompanying offering memorandum. To the best of our knowledge and belief the information contained in this offering memorandum supplement and the accompanying offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Reference in this offering memorandum supplement and the accompanying offering memorandum to documents incorporated by reference and any website addresses set forth in this offering memorandum supplement and the accompanying offering memorandum will not be deemed to constitute a part of the prospectus filed with the Irish Stock Exchange in connection with the listing of the series 2006-1 LIBOR rate notes.

McCann FitzGerald Listing Services Limited will act as the listing agent, and Custom House Administration and Corporate Services Limited will act as the paying agent in Ireland for the series 2006-1 LIBOR rate notes.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sales of the series 2006-1 notes, the issuer administrator will be required, for so long as any series 2006-1 note is a “restricted security” within the meaning of Rule 144(a)(3) under the Securities Act, to provide, upon request of a holder of a series 2006-1 note, to such holder and a prospective purchaser designated by such holder, 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 trust is not a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended.

Special Note Regarding Forward Looking Statements

Statements in this offering memorandum supplement and the accompanying offering memorandum, including those concerning expectations as to the trust’s ability to purchase eligible student loans, to structure and to issue competitive securities and to pay notes, and certain other information presented in this offering memorandum supplement and the accompanying offering memorandum, constitute “forward looking statements,” which represent the depositor’s expectations and beliefs about future events. Actual results may vary materially from such expectations. For a discussion of the factors, which could cause actual results to differ from expectations, please see the captions entitled “Risk Factors” herein and in the accompanying offering memorandum.

Summary

The following summary is a very general overview of the terms of the series 2006-1 notes being offered by this offering memorandum supplement and the accompanying offering memorandum and does not contain all of the information that you need to consider in making your investment decision.

Before deciding to purchase the series 2006 notes, you should consider the more detailed information appearing elsewhere in this offering memorandum supplement and in the accompanying offering memorandum.

This offering memorandum supplement and the accompanying offering memorandum contains forward looking statements that involve risks and uncertainties. See “Special Note Regarding Forward Looking Statements” herein and in the accompanying offering memorandum.

General

The series 2006-1 notes will be issued pursuant to an indenture of trust, dated as of July 1, 2004, as amended, and will include both senior notes and subordinate notes having the rights described herein and in the offering memorandum. We will use the proceeds from the sale of the series 2006-1 notes to purchase portfolios of student loans, to make a deposit to the Collection Fund, to make a deposit to the Reserve Fund and to pay costs of issuing the series 2006-1 notes.

We have previously issued other series of notes and have used the proceeds we received to purchase student loans and to fund the Collection Fund and the Reserve Fund. All of those student loans previously acquired, along with the student loans we will purchase with the proceeds of the series 2006-1 notes, have been or will be originated under the Federal Family Education Loan Program and will be pledged to the indenture trustee to secure repayment of all the notes issued under the indenture. The composition of this common pool of collateral will change over time as student loans are repaid and new student loans are added.

The sole source of funds for payment of all of the notes issued under the indenture, including the series 2006-1 notes, are the student loans, the investments of moneys under the indenture that we pledge to the indenture trustee and the payments that we receive on those student loans and investments. To the extent the value of the student loans and other assets in the trust estate exceeds certain percentages and dollar amounts of our outstanding notes, the indenture trustee may release funds to the depositor. See “Security and Sources of Payment for the Notes—Surplus Fund” in the accompanying offering memorandum for additional information.

Closing Date

The closing date for the series 2006-1 notes is expected to be on or about June 1, 2006.

Cut-Off Date

The cut-off date for a student loan the trust acquires will be the date on which that student loan is transferred to the trust. The trust will receive all payments made on a student loan on and after its cut-off date.

Statistical Calculation Date

The information presented in this offering memorandum supplement for the student loans that the trust currently owns and the student loans the trust will acquire on the closing date is given as of April 30, 2006. We refer to April 30, 2006 as the statistical calculation date. The depositor believes that the information set forth in this offering memorandum supplement with respect to those student loans as of the statistical calculation date is representative of the characteristics of the student loans as they will exist on the closing date, although certain characteristics of the student loans may vary.

Acquisition Periods

On the closing date, we will deposit approximately \$989.8 million into the Acquisition Fund, approximately \$748.0 million of which will be used to acquire student loans on or about the closing date.

We may acquire student loans with (i) the proceeds of the series 2006-1 notes until August 31, 2006 and (ii) the recoveries of principal and excess interest payments on the student loans deposited to the Acquisition Fund until March 31, 2007. Any (I) proceeds of the series 2006-1 notes remaining in the Acquisition Fund on August 31, 2006, and (II) recoveries of principal and excess interest payments on the student loans remaining in the Acquisition Fund on March 31, 2007 will be transferred to the Collection Fund on such date. We may extend any of the forgoing dates upon the receipt of confirmation from the rating agencies that the extension will not adversely affect the ratings on any of the notes.

Collateralization Ratios

After we issue all of the series 2006-1 notes, pay the costs associated with the issuance of the series 2006-1 notes and acquire the student loans that we expect to acquire with the proceeds of the series 2006-1 notes, including the payment of premiums and other fees associated with the acquisition of the student loans:

- the senior asset percentage will equal approximately 106.1%; and
- the subordinate asset percentage will equal approximately 97.0%

After the end of the revolving period, principal collections and excess interest received on the student loans will be used to redeem notes and no funds will be released to the depositor until:

- the senior asset percentage is not less than 108.0%;
- the subordinate asset percentage is not less than 101.5%; and

- the aggregate value of all assets held under the indenture, less the principal amount of all notes outstanding will exceed \$100,000 after such release or payment.

The “senior asset percentage” is determined by dividing the aggregate value of all assets pledged under the indenture, less all accrued interest on senior notes and all accrued issuer swap payments under senior swap agreements, by the aggregate outstanding amount of all senior notes issued under the indenture.

The “subordinate asset percentage” is determined by dividing the aggregate value of all assets pledged under the indenture, less all accrued interest on senior notes and subordinate notes and all accrued issuer swap payments under senior swap agreements and subordinate swap agreements, by the aggregate outstanding amount of all senior notes and subordinate notes issued under the indenture.

Principal Parties

Issuer:

- ALG Student Loan Trust I

Depositor:

- ALG Student Loan Funding I, LLC

Originator

- Academic Loan Group, Inc.

Servicers:

- ACS Education Services, Inc.
- Great Lakes Educational Loan Services, Inc.

We may replace any servicer with one or more new servicers or may add one or more additional servicers subject to receipt of confirmation from the rating agencies that such replacement will not adversely affect the ratings on any of the notes.

Issuer Administrator:

- Academic Loan Group, LLC

Indenture Trustee:

- Deutsche Bank Trust Company Americas

Eligible Lender Trustee:

- Deutsche Bank Trust Company Americas

Delaware Trustee:

- Wilmington Trust Company

Auction Agent for the series 2006-1 auction rate notes:

- Deutsche Bank Trust Company Americas

Broker-Dealer for the series 2006-1 auction rate notes:

- RBC Dain Rauscher Inc. doing business under the trade name RBC Capital Markets

Distribution Dates

Series 2006-1 LIBOR rate notes. Distributions will be made on the series 2006-1 LIBOR rate notes on the 28th day of each January, April, July and October. We sometimes refer to these distribution dates as “quarterly distribution dates.” If any quarterly distribution date is not a business day, the quarterly distribution date will be the next business day. The initial quarterly distribution date will be July 28, 2006.

Series 2006-1 auction rate notes. Distributions will be made on the series 2006-1 auction rate notes on the business day following the end of each related auction period. However, if an auction period exceeds 180 days, distributions also will be made to the series 2006-1 auction rate notes semi-annually. We sometimes refer to a distribution date for a series of auction rate notes as an “auction rate distribution date.”

Collection Periods

The collection periods will be the calendar month preceding each monthly calculation date.

Interest Accrual Periods

Series 2006-1 LIBOR rate notes. The initial interest accrual period for the series 2006-1 LIBOR rate notes begins on the closing date and ends on July 27, 2006. For all other quarterly distribution dates, the interest accrual period will begin on the prior quarterly distribution date and end on the day immediately preceding such quarterly distribution date.

Series 2006-1 auction rate notes. The initial auction period for the series 2006-1 auction rate notes will begin on the closing date and end on the date preceding the initial rate adjustment date for such series of the series 2006-1 auction rate notes. For all other distribution dates for a series of the series 2006-1 auction rate notes, the auction period is the period from the business day succeeding the auction date for such series of the series 2006-1 auction rate notes through,

but not including, the business day succeeding the next auction date for such series of the series 2006-1 auction rate notes.

We sometimes refer to an interest accrual period for a series of auction rate notes as an “auction period.”

Record Date

Interest and principal on the series 2006-1 notes will be payable to the record holders of the series 2006-1 notes as of the close of business on the record date, which is the business day before the related distribution date.

Monthly Calculation Date

The 25th day of each calendar month, or if such day is not a business day, the next business day.

Description of the Series 2006-1 Notes

ALG Student Loan Trust I is offering the following student loan backed notes:

- Series 2006-1A-1 senior notes in the aggregate principal amount of \$116,000,000;
- Series 2006-1A-2 senior notes in the aggregate principal amount of \$231,000,000;
- Series 2006-1A-3 senior notes in the aggregate principal amount of \$250,000,000;
- Series 2006-1A-4 senior notes in the aggregate principal amount of \$153,000,000;
- Series 2006-1A-5 senior notes in the aggregate principal amount of \$85,000,000;
- Series 2006-1A-6 senior notes in the aggregate principal amount of \$85,000,000;
- Series 2006-1B-1 subordinate notes in the aggregate principal amount of \$40,000,000; and
- Series 2006-1B-2 subordinate notes in the aggregate principal amount of \$40,000,000.

The series 2006-1A-1 senior notes, the series 2006-1A-2 senior notes, the series 2006-1A-3 senior notes and the series 2006-1A-4 senior notes will bear interest based on the three-month LIBOR rate, are referred to herein as the “series 2006-1 LIBOR rate notes” and shall constitute “LIBOR rate notes” within the meaning of the offering memorandum. The series 2006-1A-5 senior notes, the series 2006-1A-6 senior notes, the series 2006-1B-1 subordinate notes and the series 2006-1B-2 subordinate notes will bear interest based on an auction rate, are referred to herein as the “series 2006-1 auction rate notes” and shall constitute “auction rate notes” within the meaning of the offering memorandum. All the notes offered pursuant to this offering memorandum supplement are referred to collectively as the “series 2006-1 notes.” The series 2006-1 LIBOR rate notes will be available for purchase in minimum denominations of

\$100,000 plus integral multiples of \$1,000 in excess thereof. The series 2006-1 auction rate notes will be available for purchase in multiples of \$100,000.

Final Maturities

- The series 2006-1A-1 senior notes are required to be paid in full by the October 2018 quarterly distribution date;
- The series 2006-1A-2 senior notes are required to be paid in full by the April 2020 quarterly distribution date;
- The series 2006-1A-3 senior notes are required to be paid in full by the October 2023 quarterly distribution date;
- The series 2006-1A-4 senior notes are required to be paid in full by the October 2026 quarterly distribution date;
- The series 2006-1A-5 senior notes are required to be paid in full by June 1, 2046;
- The series 2006-1A-6 senior notes are required to be paid in full by June 1, 2046;
- The series 2006-1B-1 subordinate notes are required to be paid in full by June 1, 2046; and
- The series 2006-1B-2 subordinate notes are required to be paid in full by June 1, 2046.

Interest Rates and Payments

Series 2006-1 LIBOR rate notes. The series 2006-1 LIBOR rate notes will bear interest at the following annual rates:

- the series 2006-1A-1 senior notes will bear interest at an annual rate equal to three-month LIBOR, except for the initial interest accrual period, plus 0.01%;
- the series 2006-1A-2 senior notes will bear interest at an annual rate equal to three-month LIBOR, except for the initial interest accrual period, plus 0.10%;
- the series 2006-1A-3 senior notes will bear interest at an annual rate equal to three-month LIBOR, except for the initial interest accrual period, plus 0.15%; and
- the series 2006-1A-4 senior notes will bear interest at an annual rate equal to three-month LIBOR, except for the initial interest accrual period, plus 0.19%.

The indenture trustee will determine the rate of interest on the series 2006-1 LIBOR rate notes on the second business day prior to the start of the applicable interest accrual period. Interest on the series 2006-1 LIBOR rate notes will be calculated on the basis of the actual number of days elapsed during the interest accrual period divided by 360.

For the initial interest accrual period, the indenture trustee will determine the series 2006-1 LIBOR rate according to the formula described under the caption in “Description of the Series 2006-1 Notes—Interest Payments—*Series 2 0 0 6 -1 LIBOR rate notes*” herein.

Interest accrued on the outstanding principal balance of the series 2006-1 LIBOR rate notes during each interest accrual period will be paid on the related quarterly distribution date.

Series 2006-1 auction rate notes. The interest rate on the series 2006-1 auction rate notes is determined at auction. However, the interest rate on the series 2006-1 auction rate notes for each related initial auction period will be determined prior to the closing date. The initial auction dates and the initial rate adjustment dates for the series 2006-1 auction rate notes are as follows:

Series	Initial Auction Date	Initial Rate Adjustment Date
2006-1A-5	July 6, 2006	July 7, 2006
2006-1A-6	July 13, 2006	July 14, 2006
2006-1B-1	July 6, 2006	July 7, 2006
2006-1B-2	July 13, 2006	July 14, 2006

For each auction period, other than the initial auction period, the interest rate for each series of the series 2006-1 auction rate notes will be the lesser of:

- the rate determined for such series pursuant to the auction procedures described under the caption “Description of the Notes—Auction rate notes” in the accompanying offering memorandum; and
- the maximum auction rate, which is equal to the least of:
 - the LIBOR rate for a comparable period plus a margin from 1.50% to 2.50% depending on the rating of such series of the series 2006-1 auction rate notes;
 - the rate at which the quarterly average auction rate equals the quarterly average 90-day commercial paper rate plus a margin ranging from 0.75% to 1.50% depending on the ratings of such series of the series 2006-1 auction rate notes;
 - a net loan rate, which is the weighted average return on the trust’s student loans, including all revenue derived from the student loans and counterparty swap payments received, less the expenses associated with administering the notes and administering and servicing the student loans and other assets in the trust, expressed as a percentage of the average principal amount of the student loans, calculated on an annual basis, and any issuer swap payments; and
 - the interest rate limitation, which is the lesser of (i) the maximum rate permitted by law and (ii) 17%.

We sometimes refer to the interest rate for a series of the auction rate notes as the “auction rate.”

Interest will be calculated on the series 2006-1 auction rate notes on the basis of the actual number of days elapsed in the related auction period divided by 360.

After the initial auction period, the period between auctions for the series 2006-1 auction rate notes will generally be 28 days, subject to adjustment if the auction period would begin or end on a non-business day. The length of the auction period, the auction date or the nature of the interest rate for the series 2006-1 auction rate notes may change as described under “Description of the Notes—Auction rate notes” in the accompanying offering memorandum.

If, on the first day of any auction period, a payment default on the series 2006-1 auction rate notes has occurred and is continuing, the rate for the auction period will be the overdue rate, which generally is 200% of the greater of (i) one-month LIBOR and (ii) the 30-day rate on commercial paper rated “AA”, but not exceeding the lesser of 17% per annum or the maximum rate permitted by law.

If in any auction all the series 2006-1 auction rate notes subject to the auction are subject to hold orders, the interest rate for the auction period will equal the all hold rate, which is 90% of the LIBOR rate for a period comparable to the auction period, but not exceeding the lesser of 17% per annum or the maximum rate permitted by law.

Interest accrued on the outstanding principal balance of a series of the series 2006-1 auction rate notes during the preceding auction period will be paid on the related auction rate distribution date.

Principal Redemption

Although no installments of principal are due on the series 2006-1 notes prior to their stated maturity, on each payment date principal reduction payments or principal redemptions will be made on the series 2006-1 notes in an amount equal to the funds available to pay principal on the notes as described in “Security and Sources of Payment for the Notes—Collection Fund” and “—Debt Service Fund” in the accompanying offering memorandum.

Optional Redemption. Each series of the series 2006-1 LIBOR rate notes is subject to redemption, at our option, on each quarterly distribution date subsequent to the quarterly distribution date on which the principal balance of such series of the series 2006-1 LIBOR rate notes is expected to be zero as set forth in Schedule I hereto, in whole only, at a redemption price of 100% of the principal amount of such series 2006-1 LIBOR rate notes to be redeemed, plus accrued interest thereon to the redemption date

Subject to the restriction on redeeming subordinate bonds described under the caption “*Mandatory Redemption*” below, series 2006-1 auction rate notes may be redeemed, at our option, from any source of funds on any regularly scheduled interest payment date for such series of the series 2006-1 auction rate notes, in whole or in part, at a redemption price of 100% of the principal amount of such series 2006-1 auction rate notes to be redeemed, plus accrued interest thereon to the redemption date.

Mandatory Redemption. Subject to the restriction on redeeming subordinate bonds described below, the series 2006-1 auction rate notes are subject to mandatory redemption on

any related auction rate distribution date from amounts transferred to the Redemption Account from the Collection Fund for the redemption of notes. The redemption price will be 100% of the principal amount of series 2006-1 auction rate notes to be redeemed, plus accrued interest thereon to the redemption date. See the caption “Collection Fund—*Redemption Account*” below.

The supplemental indenture authorizing the issuance of the series 2006-1 notes provides that future series of notes or portions thereof may be designated for redemption or principal distribution before such principal distributions or repayments are applied to the payment or redemption of the series 2006-1 notes.

Subordinate notes, including the series 2006-1B-1 subordinate notes and the series 2006-1B-2 subordinate notes, may only be redeemed if, after giving effect to the redemption, while senior notes are outstanding, the senior asset percentage will be at least equal to 108.0%. This percentage may be decreased with confirmation from the rating agencies that the change will not adversely affect the ratings on any of the notes.

Collection Fund

The indenture trustee will credit to the Collection Fund:

- all revenues derived from the student loans;
- unless otherwise provided in a supplemental indenture, proceeds of the sale of any student loans held in the Acquisition Fund;
- any amounts transferred thereto from the Acquisition Fund, the Administration Fund, the Reserve Fund and the Surplus Fund; and
- any earnings on investments of funds in the Acquisition Fund, the Administration Fund, the Collection Fund, the Debt Service Fund, the Reserve Fund and the Surplus Fund.

On each monthly calculation date or on any date directed by the issuer administrator, the indenture trustee will transfer the moneys deposited during the preceding month into the Collection Fund as follows:

First, to make any payments required under any joint sharing agreement;

Second, to make any payments due and payable by the trust to the U.S. Department of Education related to the financed student loans or any other payment due and payable to a guarantee agency relating to its guarantee of student loans;

Third, to the Administration Fund to provide for payment of certain fees, costs and expenses of the trust, subject to the limitations set forth in any supplemental indenture;

Fourth, to the Interest Account of the Debt Service Fund, to provide for the payment of interest on senior notes or other senior obligations (except for certain payments due under senior swap agreements);

Fifth, to the Principal Account of the Debt Service Fund, to provide for the payment of principal of senior notes at stated maturity or on mandatory sinking fund payment dates or the reimbursement of senior credit facility providers for the payment of principal of the notes;

Sixth, to the Interest Account of the Debt Service Fund, to provide for the payment of interest on subordinate notes or other subordinate obligations (except for certain payments due under subordinate swap agreements);

Seventh, to the Principal Account of the Debt Service Fund, to provide for the payment of principal of subordinate notes at stated maturity or on mandatory sinking fund payment dates or the reimbursement of subordinate credit facility providers for the payment of principal of the notes;

Eighth, to the Reserve Fund if necessary to increase the balance thereof to its required level;

Ninth, to the Interest Account of the Debt Service Fund, to provide for the payment of interest on junior subordinate notes or other junior obligations (except for certain payments due under junior subordinate swap agreements);

Tenth, to the Principal Account of the Debt Service Fund, to provide for the payment of principal of junior subordinate notes at stated maturity or on mandatory sinking fund payment dates or the reimbursement of junior subordinate credit facility providers for the payment of principal of the notes;

Eleventh, to make such other payments as may be set forth in a supplemental indenture upon the receipt of confirmation from the rating agencies that such payment will not adversely affect the ratings on any of the notes;

Twelfth, during the revolving period and at the option of the trust, to the Acquisition Fund to acquire additional student loans and, after the revolving period, at the option of the trust, to fund any add-on loans required to be funded under the Higher Education Act of 1965, as amended, relating to consolidation loans owned by the trust;

Thirteenth, to the Retirement Account of the Debt Service Fund at the option of the trust, to provide for the redemption of, or distribution of principal with respect to, notes (or the reimbursement of credit facility providers for the payment of the prepayment price of the notes);

Fourteenth, to the Acquisition Fund to fund (a) borrower benefit payments in an amount not in excess of those set forth in the closing cashflows and (b) subsequent disbursements required to be funded under the Higher Education Act of 1965, as amended, relating to Stafford loans and PLUS loans owned by the trust;

Fifteenth, to the Interest Account of the Debt Service Fund, to provide for the payment of carry-over amounts (and interest thereon) due with respect to the senior notes;

Sixteenth (but only if the senior asset percentage would be at least 100% upon the application of such amounts), to the Interest Account of the Debt Service Fund, to provide for the payment of carry-over amounts (and interest thereon) due with respect to the subordinate notes;

Seventeenth (but only if the senior asset percentage and the subordinate asset percentage would be at least 100% upon the application of such amounts), to the Interest Account of the Debt Service Fund, to provide for the payment of carry-over amounts (and interest thereon) with respect to the junior subordinate notes;

Eighteenth, to the Interest Account of the Debt Service Fund, to provide for the payment of unpaid amounts due under senior swap agreements;

Nineteenth, to the Interest Account of the Debt Service Fund to provide for the payment of unpaid amounts due under subordinate swap agreements;

Twentieth, to the Interest Account of the Debt Service Fund, to provide for the payment of unpaid amounts due under junior subordinate swap agreements;

Twenty-first, to the Retirement Account of the Debt Service Fund, to provide for the redemption of, or distribution of principal with respect to, notes until, after applying these amounts, the asset release requirement will be satisfied;

Twenty-second, on and after the date on which the outstanding principal amount of the notes is equal to or less than 10% of the original principal amount of all notes issued by the trust, to the Redemption Account to provide for the redemption of, or distribution of principal with respect to, the notes until the date on which all of the notes are no longer outstanding; and

Twenty-third, to the Surplus Fund, any excess.

So long as any series 2006-1 notes are outstanding no payments will be made pursuant to priority *eleventh* above.

Retirement Account. All notes that are to be redeemed, or with respect to which principal distributions are to be made, other than at stated maturity, will be redeemed or paid with moneys deposited to the Retirement Account.

The trust previously issued, and has outstanding, seven series of its series 2004-1 notes, each series of which was issued as auction rate notes (the “series 2004-1 notes”). See the caption “Previously Issued Notes” herein.

Prior to their final maturity dates, the series 2004-1 notes and series 2006-1 notes will not receive distributions pursuant to priority *seventh* above. Rather, they will receive distributions pursuant to priorities *thirteenth* and *twenty-first* above.

Redemptions of and principal reduction payments on notes will be made pursuant to priorities *thirteenth* and *twenty-first* above as follows:

First, principal distributions will be made on each series of series 2006-1 LIBOR rate notes up to the amount needed to reduce their outstanding principal balance to its targeted balance listed on schedule A hereto for that quarterly distribution date (payments will be made up to these amounts even if the senior asset percentage and subordinate asset percentage would exceed the amounts otherwise required);

Second, to redeem each series of auction rate notes issued by the trust that are then permitted to be redeemed (the specific series of auction rate notes to be redeemed will be determined by issuer order and the redemptions will occur on the auction rate distribution date for the applicable series pursuant to the auction procedures described in the accompanying offering memorandum); and

Third, principal distributions will be made on each series of the series 2006-1 LIBOR rate notes sequentially in ascending numerical order, until its outstanding principal balance is reduced to zero.

When the series 2006-1 LIBOR rate notes are receiving principal distributions, on each monthly calculation date the indenture trustee will transfer to the Retirement Account and allocate to the series 2006-1 LIBOR rate notes pursuant to priority *thirteenth* under the caption "Collection Fund" above (to the extent amounts are available in the Collection Fund or the Surplus Fund, after taking into account all prior application of moneys in those funds on that monthly calculation date) an amount equal to the amount determined by the following formula:

$$TA = [(TB) \times (F/3)] - RAB$$

Where

TA = Amount to be transferred to the Retirement Account and allocated to the series 2006-1 LIBOR rate notes on the monthly calculation date.

TB = Excess, if any, of the aggregate outstanding principal balance of each series of series 2006-1 LIBOR rate notes immediately prior to the monthly calculation date less the aggregate targeted balance of each series of series 2006-1 LIBOR rate notes listed on Schedule A hereto for the next quarterly distribution date or, if such monthly calculation date is also a quarterly distribution date, the targeted balance for that distribution date.

F = 1 for the first monthly calculation date occurring in an interest accrual period, 2 for the second monthly calculation date occurring in an interest accrual period and 3 for the third monthly calculation date occurring in an interest accrual period.

RAB = Amount on deposit in the Retirement Account immediately prior to such monthly calculation date and allocated to the series 2006-1 LIBOR rate notes.

On each quarterly distribution date occurring when the series 2006-1 LIBOR rate notes are receiving principal distributions, the indenture trustee will use amounts on deposit in the Retirement Account and allocated to the series 2006-1 LIBOR rate notes to make principal distributions on the series 2006-1 LIBOR rate notes up to the amount needed to reduce their

outstanding principal balance to its targeted balance listed on Schedule A hereto for that quarterly distribution date.

As a result of the priorities described above:

- so long as any series 2006-1 LIBOR rate notes remain outstanding, deposits will be made to the Retirement Account pursuant to priority *thirteenth* above prior to any other series of notes issued by the trust, including the series 2004-1 notes and the series 2006-1 auction rate notes, receiving a principal payment, except for any payments due at the stated maturity of a series of notes;
- the series 2006-1A-2 senior notes will not receive any payments of principal so long as any series 2006-1A-1 senior notes remain outstanding;
- the series 2006-1A-3 senior notes will not receive any payments of principal so long as any series 2006-1A-2 senior notes remain outstanding;
- the series 2006-1A-4 senior notes will not receive any payments of principal so long as any series 2006-1A-3 senior notes remain outstanding;
- no series of series 2006-1 LIBOR rate notes will receive any payments of principal exceeding the amount needed to reduce its outstanding principal balance to the targeted balance listed on Schedule A for the applicable quarterly distribution date unless the trust has redeemed previously each series of auction rate notes that are then permitted to be redeemed.

Subordinate notes, including the series 2006-1B subordinate notes, may only be redeemed if, after giving effect to the redemption, while senior notes are outstanding, the senior asset percentage will be at least equal to 108.0%. This percentage may be decreased with confirmation from the rating agencies that the decrease will not adversely affect the ratings on any of the notes.

Subject to the limitations described in the preceding paragraph, the subordinate notes, including the series 2006-1B subordinate notes, may be redeemed at our option, in whole or in part, on any auction rate distribution date for that series at a price equal to 100% of the principal amount of notes being redeemed, plus accrued interest to the redemption date.

Characteristics of Our Student Loan Portfolio

The portfolio of student loans that we currently own and the student loans we expect to acquire with the proceeds of the series 2006-1 notes have been and will be originated by Academic Loan Group, Inc. under the Federal Family Education Loan Program. Our existing portfolio and certain of the student loans we expect to acquire on the closing date are further described under the caption “Characteristics of our Student Loans” herein. We anticipate that the additional student loans which we expect to acquire on the closing date will have characteristics similar to those described under the caption “Characteristics of our Student Loans” herein.

Book-Entry Registration

The series 2006-1 notes will be delivered in book-entry form through the Same Day Settlement System of The Depository Trust Company.

Federal Income Tax Consequences

Stroock & Stroock & Lavan LLP will deliver an opinion that, for federal income tax purposes, the series 2006-1 notes will be treated as debt, as described in the offering memorandum. You will be required to include in your income interest on the series 2006-1 notes as the interest accrues or is paid, in accordance with your method of tax accounting. See the caption “Federal Income Tax Consequences” herein and in the accompanying offering memorandum.

ERISA Considerations

Notes that are treated as indebtedness without substantial equity features are eligible for purchase by or on behalf of employee benefit plans, retirement arrangements, individual retirement accounts and Keogh Plans, subject to the considerations discussed under the caption “ERISA Considerations” herein and in the accompanying offering memorandum.

Transfer Restrictions

The series 2006-1 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 transfers must be a “qualified institutional buyer” (as hereinafter defined) or a person (other than a U.S. person (as hereinafter defined)) outside of the United States of America. Prospective purchasers should be aware that they may be required to bear the financial risks of an investment in the series 2006-1 notes for an indefinite period of time. See the caption “Notice to Investors; Transfer Restrictions” herein.

Rating of the Series 2006-1 Notes

The series 2006-1A senior notes offered pursuant to this offering memorandum supplement will be rated “Aaa” by Moody’s Investors Service, Inc. and, “AAA” by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc.

The series 2006-1B subordinate notes offered pursuant to this offering memorandum supplement will be rated at least “A2” by Moody’s Investors Service, Inc. and at least “A” by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc.

Listing Information

Application has been made to the Financial Regulator in Ireland for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the series 2006-1 LIBOR rate notes to be admitted to the Official List and trading on its regulated market. There can be no assurance that this listing will be obtained. The issuance and settlement of the series 2006-1

notes is not conditioned on the listing of the series 2006-1 LIBOR rate notes on The Irish Stock Exchange.

Rule 144A CUSIP Numbers

- Series 2006-1A-1 Notes: 01551D AH 5
- Series 2006-1A-2 Notes: 01551D AJ 1
- Series 2006-1A-3 Notes: 01551D AK 8
- Series 2006-1A-4 Notes: 01551D AL 6
- Series 2006-1A-5 Notes: 01551D AM 4
- Series 2006-1A-6 Notes: 01551D AN 2
- Series 2006-1B-1 Notes: 01551D AP 7
- Series 2006-1B-2 Notes: 01551D AQ 5

Rule 144A International Securities Identification Numbers (ISIN)

- Series 2006-1A-1 Notes: US01551DAH52
- Series 2006-1A-2 Notes: US01551DAJ19
- Series 2006-1A-3 Notes: US01551DAK81
- Series 2006-1A-4 Notes: US01551DAL64
- Series 2006-1A-5 Notes: US01551DAM48
- Series 2006-1A-6 Notes: US01551DAN21
- Series 2006-1B-1 Notes: US01551DAP78
- Series 2006-1B-2 Notes: US01551DAQ51

Regulation S CUSIP Numbers

- Series 2006-1A-1 Notes: U01414 AA 6
- Series 2006-1A-2 Notes: U01414 AB 4
- Series 2006-1A-3 Notes: U01414 AC 2
- Series 2006-1A-4 Notes: U01414 AD 0

Regulation S International Securities Identification Numbers (ISIN)

- Series 2006-1A-1 Notes: USU01414AA66
- Series 2006-1A-2 Notes: USU01414AB40
- Series 2006-1A-3 Notes: USU01414AC23
- Series 2006-1A-4 Notes: USU01414AD06

Risk Factors

The discussion under the heading “Risk Factors” in the accompanying offering memorandum describes risks associated with your investment in the notes. In addition, you should consider the following factors:

Our assets may not be sufficient to pay our notes

After we issue the series 2006-1 notes, pay all of the costs associated with the issuance of the series 2006-1 notes and acquire the student loans that we expect to acquire with the proceeds of the series 2006-1 notes, including the payment of premiums and other fees associated with the acquisition of the student loans, the aggregate principal balance of the student loans we own and the other assets pledged as collateral for our notes is expected to be approximately 97.0% of the aggregate principal balance of all our outstanding notes. As a result, if an event of default should occur under the indenture and we were required to redeem all of our notes, our liabilities may exceed our assets. If this were to occur, we would be unable to repay in full all of the holders of our notes and this would affect our subordinate notes before affecting our senior notes.

The acquisition of additional student loans after the initial closing date may cause the characteristics of the student loans to differ from those described in this offering memorandum supplement

Student loans may be added to the trust with amounts in the Acquisition Fund and with the proceeds of the future issuance of additional notes by the trust. Following the transfer of additional student loans to the trust after the closing date, the characteristics of the student loans may differ from the information as of the statistical calculation date presented in this offering memorandum supplement. The characteristics that may differ include the composition of the student loans, changes in the relative concentration of guarantee agencies in the student loan pool, the distribution by loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining term. You should consider potential variances when making your investment decision concerning the series 2006-1 notes. With respect to each date on which a series of series 2006-1 notes are to be issued, as a condition to closing, the trust will either certify to the indenture trustee that no such material changes have occurred or will distribute a supplement to this offering memorandum supplement to investors describing such material changes.

Subordination of the subordinate notes and payment priorities

Payments of interest and principal on the subordinate notes, such as the series 2006-1B subordinate notes, are subordinated in priority of payment to payments of interest and principal on the senior notes. Accordingly, holders of subordinate notes will bear a greater risk of loss than holders of the senior notes in the event of a shortfall in available funds or amounts in the reserve fund due to losses or for any other reason. If the actual rate and amount of losses on the student loans exceeds your expectations, and if amounts in the reserve fund are insufficient to cover the resulting shortfalls, the yield to maturity on subordinate notes may be lower than you

anticipate and you could suffer a loss. Subordinate notes are also subordinate to the senior notes as to the direction of remedies upon an event of default under the indenture. In addition, as long as any senior notes are outstanding, the failure to make payments on subordinate notes will not constitute an event of default under the indenture. Consequently, holders of the subordinate notes may bear a greater risk of losses or delays in payment. See the captions “Security and Sources of Payment for the Notes—Priorities” and “Summary of the Indenture Provisions—Remedies on default” in the accompanying offering memorandum.

Certain series of the series 2006-1 notes will receive payments of principal after other series of the series 2006-1 notes. For example, the series 2006-1A-1 notes may receive principal payments before the series 2006-1A-2 notes, the series 2006-1A-3 notes, series 2006-1A-4 notes, series 2006-1A-5 notes and series 2006-1A-6 notes. Consequently, holders of series 2006-1A notes with longer maturities may bear a greater risk of loss than holders of series 2006-1A notes with shorter maturities. Potential purchasers of the series 2006-1 notes should consider the priority of payment of each series of the series 2006-1 notes before making an investment decision.

Adverse changes in the financial condition of a guarantee agency may cause a delay or losses on payment of the notes

Each student loan is guaranteed by a guarantee agency. Currently, we anticipate that all of our student loans will be guaranteed by either Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance or Great Lakes Higher Education Guaranty Corporation. If there should be a material adverse change in the financial condition of either American Student Assistance or Great Lakes Higher Education Guaranty Corporation, such guarantee agency may fail to make its guaranteed payments to the eligible lender trustee. Although in these circumstances we may submit claims directly to the Department of Education, there may be delays in the trust receiving claim payments from the Department of Education. The delay of any such guaranteed payments, interest subsidy payments, or special allowance payments could adversely affect our ability to pay timely interest and principal on the notes.

The notes may have a degree of basis risk which could compromise our ability to pay principal and interest on the notes

There is a degree of basis risk associated with your notes. Basis risk is the risk that shortfalls might occur because, among other things, the interest rates on our student loans and those of your notes adjust on the basis of different indexes. If a shortfall were to occur, our ability to pay your principal and/or interest on your notes could be compromised.

The interest rates on the series 2006-1 auction rate notes are subject to limitations, which could reduce your yield

The interest rates on a series of the series 2006-1 auction rate notes may be limited by the maximum auction rate (as described under the caption “Summary—Interest Rates and Payments—*Series 2 0 0 6 -1 auction rate notes*” herein). If, for any auction period, the maximum

auction rate is less than the auction rate determined in accordance with the auction procedures, interest will be paid on such series of the series 2006-1 auction rate notes at the maximum auction rate even though there may be sufficient available funds to pay interest at the auction rate.

For an auction rate distribution date on which the maximum auction rate applies, the difference between the amount of interest at the auction rate determined pursuant to the auction procedures for such series of the series 2006-1 auction rate notes and the amount of interest at the maximum auction rate will become a carry-over amount, and will be paid on succeeding auction rate distribution dates only to the extent that there are funds available for that purpose and other conditions are met. It is possible that such carry-over amount may never be paid. Any carry-over amount not paid at the time of redemption or maturity of an auction rate note will be extinguished.

The series 2006A-1 auction rate notes are not supported by a liquidity facility

We are not obligated to purchase any series 2006-1 auction rate notes. In addition, we have not made arrangements with any third party to purchase any series 2006-1 auction rate notes if the broker-dealer is unable to locate a new purchaser on any auction date or between auction dates. The broker-dealer may purchase series 2006A-1 auction rate notes for its own account sometimes, but it is not obligated to do so legally. In the event that there were insufficient orders for a series of the series 2006A-1 auction rate notes and an auction failed, the rate for such series of the series 2006-1 auction rate notes would be the maximum auction rate that may be a rate less than the prevailing market rate for similar notes.

The series 2006-1 auction rate notes may be subject to liquidity and yield risks

You may not be able to sell some or all of your series 2006-1 auction rate notes at an auction for such series if the auction fails; that is, if there are more series 2006-1 auction rate notes of such series offered for sale than there are buyers for those series 2006-1 auction rate notes. Also, if you place hold orders (orders to retain series 2006-1 auction rate notes) at an auction only at a specified rate, and that specified rate exceeds the rate set at the auction, you will not retain your series 2006-1 auction rate notes. If you submit a hold order for series 2006-1 auction rate notes without specifying a minimum rate, and the auction sets a below-market rate, you may receive a below-market rate of return on your series 2006-1 auction rate notes. See the caption “Description of the Notes—Auction rate notes” in the accompanying offering memorandum.

As noted above, if there are more series 2006-1 auction rate notes offered for sale than there are buyers for those series 2006-1 auction rate notes in any auction for such series, the auction will fail and you may not be able to sell some or all of your series 2006-1 auction rate notes at that time. The relative buying and selling interest of market participants in your series 2006-1 auction rate notes and in the auction rate securities market as a whole will vary over time, and such variations may be affected by, among other things, news relating to the trust, the attractiveness of alternative investments, the perceived risk of owning the series 2006-1

auction rate notes (whether related to credit, liquidity or any other risk), the tax treatment accorded the series 2006-1 auction rate notes, the accounting treatment accorded the series 2006-1 auction rate notes, including recent clarifications of U.S. generally accepted accounting principles relating to the treatment of auction rate notes, reactions to regulatory actions or press reports, financial reporting cycles and market sentiment generally. Shifts of demand in response to any one or simultaneous particular events cannot be predicted and may be short-lived or exist for longer periods.

A beneficial owner of a series 2006-1 auction rate note may sell, transfer or dispose of a series 2006-1 auction rate note only in an auction, pursuant to a bid or sell order in accordance with the auction procedures, or outside an auction, to or through the broker-dealer. From time to time the broker-dealer may sell auction rate securities to dealers who are not broker-dealers in the auctions for such securities for resale to the customers of such dealer. If a beneficial owner purchases its series 2006-1 auction rate notes through a dealer which is not the broker-dealer for the series 2006-1 auction rate notes, such beneficial owner's ability to sell its series 2006-1 auction rate notes may be affected by the continued ability of its dealer to transact trades through the broker-dealer. The ability to sell a series 2006-1 auction rate note in an auction would be adversely affected if there are not sufficient buyers willing to purchase all the series 2006-1 auction rate notes offered for sale at a rate equal to or less than the maximum rate. As noted in the caption "The broker-dealer may bid for its own account" below, the broker-dealer may submit orders for its own account in an auction in order to prevent the auction from failing, but it is not obligated to do so, and there is no assurance that any one or more auctions will not fail. The ability to sell outside an auction may also be limited. The broker-dealer has advised the trust and that it intends to buy and sell series 2006-1 auction rate notes for its own account between auctions, as a market-maker or otherwise. The broker-dealer has no obligation to make a market in the series 2006-1 auction rate notes and may discontinue any such market making or other trading at any time without notice. Consequently, there is no assurance that beneficial owners of series 2006-1 auction rate notes will be able to resell the series 2006-1 auction rate notes on the terms or at the times they desire.

The broker-dealer has advised us that its and various other broker-dealers and other firms that participate in the auction rate securities market received letters from the staff of the SEC in the spring of 2004. The letters requested that each of these firms voluntarily conduct an investigation regarding its respective practices and procedures in that market. Pursuant to these requests, the broker-dealer conducted its own voluntary review and reported its findings to the SEC staff. At the SEC staff' request, the broker-dealer is engaged in discussions with the SEC staff concerning its inquiry. Neither we nor the broker-dealer can predict the ultimate outcome of the inquiry or how that outcome will affect the market for the series 2006-1 auction rate notes or the auctions.

The broker-dealer may bid for its own account

The broker-dealer is permitted to submit orders in an auction for its own account. The broker-dealer routinely places one or more orders in auctions generally for which it serve as broker-dealer, even after obtaining knowledge of some or all of the other orders, and it may do so with respect to the series 2006-1 auction rate notes. If the broker-dealer submits an order in an auction for series 2006-1 auction rate notes for its own account, it is likely to have an

advantage over other bidders because it would have knowledge of all orders placed through it in the auction, and thus could determine the rate and size of its order so as to ensure that its order is likely to be accepted in the auction and that the auction is likely to clear at a particular rate. The broker-dealer also routinely places one or more bids in auctions generally to prevent a failed auction or a clearing rate it believes is not a market rate. While it may do so with respect to the series 2006-1 auction rate notes, it is not obligated to do so and may elect not to do so. The broker-dealer routinely encourages bidding by others in auctions generally to prevent a failed auction or a winning bid rate which they believe are is not a market rate. By submitting orders for its own account or encouraging other bidders to submit orders in an auction, the broker-dealer may cause some bidders' orders to be rejected in the auction and may cause the auction to clear at an interest rate that is lower than otherwise might apply to the series 2006-1 auction rate notes.

The auction agent and broker-dealer may resign, causing auctions to be cancelled

The indenture and the auction agent agreement provide that the auction agent may resign from its duties as auction agent by giving at least 90 days notice or 45 days notice, if it has not been paid, to the trust and the indenture trustee and does not require, as a condition to the effectiveness of such resignation, that a replacement auction agent be in place if its fee has not been paid. The broker-dealer agreement provides that the broker-dealer thereunder may resign upon five days notice, and does not require, as a condition to the effectiveness of such resignation, that a replacement broker-dealer be in place. For any auction period during which there is no duly appointed auction agent, or during which there is no duly appointed broker-dealer, it will not be possible to hold auctions, with the result that the interest rate on the series 2006-1 auction rate notes will be the maximum auction rate.

Auction periods and dates may change

The auction periods and auction dates may be changed by the auction agent, the trust and the broker-dealer without amending the auction procedures. Thus, these changes may be made without the consent of any beneficial owner of the series 2006-1 auction rate notes.

Military events may result in delayed payments from borrowers called to active military service

The Servicemembers Civil Relief Act, as amended ("Relief Act"), was signed into law by the President on December 19, 2003 and updates and replaces the Soldiers' and Sailors' Civil Relief Act of 1940. The Relief Act provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their student loans. The response of the United States to the terrorist attacks and possible future military action by the United States is expected to increase the number of citizens who are in active military service, including persons in reserve status who have been called or will be called to active duty.

The Relief Act also limits the ability of a lender in the Federal Family Education Loan Program to take legal action against a borrower during the borrower's period of active duty and, in some cases, during an additional three month period thereafter. As a result, there may be delays in payment and increased losses on the student loans.

We do not know how many student loans have been or may be affected by the application of the Relief Act and the United States Department of Education's recent guidelines.

The Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act of 2003) authorizes the Secretary of Education, during the period ending September 30, 2007, 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 of Education deems necessary to ensure that student loan borrowers who: are serving on active military duty during a war or other military operation or national emergency, are serving on 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 official 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 of Education, to ensure that such recipients of student financial assistance are not placed in a worse financial position in relation to that assistance, to ensure that administrative requirements in relation to that assistance are minimized, to ensure that calculations used to determine need for such assistance accurately reflect the financial condition of such individuals, to provide for amended calculations of overpayment, and to ensure that institutions of higher education, eligible lenders, guarantee agencies and other entities participating in such student financial aid programs that are located in, or whose operations are directly affected by, areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable. The Secretary of Education was given this same authority under Public Law 107-122, signed by the President on January 15, 2001, but the Secretary of Education has yet to use this authority to provide specific relief to servicepersons with loan obligations who are called to active duty.

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 received by the trust on student loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers of the student loans become eligible for the relief provided under the HEROES Act of 2003, there could be an adverse effect on the total collections on the student loans and the ability of the trust to pay interest on the notes if there are insufficient funds in the Reserve Fund.

Changes to the Higher Education Act may result in adverse changes to the student loans

The Higher Education Act and other relevant federal or state laws may be amended or modified in the future.

The Higher Education Act is currently subject to periodic reauthorization.

The President signed the Deficit Reduction Act of 2005 into law on February 8, 2006, which extended the Department of Education's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act through September 30, 2012. The act made certain other changes to the FFELP, including, but not limited to:

- reducing student loan insurance from 98% to 97% for loans for which the first disbursement is made on or after July 1, 2006;
- providing that student loans serviced by servicers designated for exceptional performance shall receive 99% insurance coverage on or after July 1, 2006; and
- providing for the payment by lenders to the Department of Education of any interest paid by borrowers on student loans first disbursed on or after April 1, 2006 that exceeds the special allowance support level applicable to such loans.

We cannot predict whether further changes will be made to the Higher Education Act in future legislation or the effect of such legislation on the trust's student loan program.

On April 28, 2006, eleven Democratic Members of the House of Representatives filed a lawsuit over an error included in the Deficit Reduction Act of 2005. The lawsuit requests that the Deficit Reduction Act of 2005 be declared unconstitutional and that a temporary restraining order be issued preventing it from being implemented. The lawsuit alleges that the Deficit Reduction Act of 2005 is unconstitutional because the House of Representatives and the Senate failed to approve identical versions. The House-passed version of the bill provided for 36 months of durable medical equipment funding, while the Senate bill provided for 13 months.

If the Deficit Reduction Act of 2005 is declared unconstitutional, the amendments to the Higher Education Act made by the Deficit Reduction Act of 2005 would not become effective. In addition, absent the reauthorization of the Higher Education Act contained in the Deficit Reduction Act of 2005, the only other current reauthorization of the Higher Education Act expires on June 30, 2006. We cannot predict the outcome of this litigation or the effect such litigation may have on the trust's student loan program.

In the event of an early termination of a swap agreement due to certain termination events, the trust may be required to make a large termination payment to the swap counterparty

To date, the trust has not entered into any interest rate swap agreements and no such agreement will be entered into in connection with the issuance of the series 2006-1 notes. However, the trust may enter into one or more interest rate swap agreements in connection with future issuances of notes. Also, in connection with establishing the interest rate for the reset rate notes for future reset periods, the trust may enter into one or more interest rate swap agreements to hedge basis risk. In addition, if the remarketing agents, in consultation with the issuer administrator, determine that it would be in the best interests of the trust based on then-current market conditions, or if otherwise required to obtain a rating confirmation, the trust will enter into additional interest rate swap agreements.

Among other events, an interest rate swap agreement may terminate in the event that either:

- the trust, to the extent the trust has sufficient funds available, or the related swap counterparty defaults in making a required payment within the period specified in the an interest rate swap agreement; or
- the credit ratings of the counterparty fall below the required ratings and the counterparty fails to, within the period specified in the interest rate swap agreement:
 - obtain a replacement interest rate swap agreement with terms substantially the same as the existing interest rate swap agreement;
 - obtain a rating confirmation on the notes; or
 - post collateral in accordance with a collateral agreement between the parties or establish another arrangement satisfactory to the rating agencies.

Upon an early termination of an interest rate swap agreement, the trust may not be able to enter into a substitute interest rate swap agreement with similar terms. As a result, we cannot assure you that the amount of credit enhancement will be sufficient to cover the risk that the interest rate swap agreement was intended to address.

In addition, if a payment is due to the trust under any interest rate swap agreements and the related swap counterparty defaults on such payment, the amount of funds available may be reduced, and the trust's ability to pay principal and interest on all of the notes may be reduced.

Your notes will have greater basis risk if an interest rate swap agreement terminates

If on any quarterly distribution date a payment is due to the trust under an interest rate swap agreement, but the related swap counterparty defaults and the issuer administrator is unable to arrange for a replacement swap agreement, holders of notes will remain entitled to the established rate of interest and principal, even though the related swap agreement has terminated. If this occurs, amounts available to make payments on the related notes will be reduced to the extent the interest rates on those notes exceed the rates that the trust would have been required to pay to the swap counterparty under the terminated interest rate swap agreement. In this event, the trust may not have sufficient available funds on that or future distribution dates to make required payments of interest or principal to all series of notes and you may suffer a loss.

Previously Issued Notes

Information concerning the series 2004-1 notes that we have previously issued under the indenture is provided below. The student loans and other assets pledged to the indenture trustee will serve as collateral for the series 2004-1 notes and any additional notes that we may issue under the indenture in the future, as well as the series 2006-1 notes.

Series	Original Principal Amount	Principal Amount as of December 31, 2005	Final Maturity Date	Interest Rate Index
Series 2004-1A-1 Senior Notes	\$55,000,000	\$55,000,000	July 1, 2044	Auction Rate
Series 2004-1A-2 Senior Notes	55,000,000	55,000,000	July 1, 2044	Auction Rate
Series 2004-1A-3 Senior Notes	62,500,000	62,500,000	July 1, 2044	Auction Rate
Series 2004-1A-4 Senior Notes	62,500,000	62,500,000	July 1, 2044	Auction Rate
Series 2004-1A-5 Senior Notes	62,500,000	62,500,000	July 1, 2044	Auction Rate
Series 2004-1A-6 Senior Notes	62,500,000	62,500,000	July 1, 2044	Auction Rate
Series 2004-1B-1 Subordinate Notes	<u>40,000,000</u>	<u>40,000,000</u>	July 1, 2044	Auction Rate
Total	<u>\$400,000,000</u>	<u>\$400,000,000</u>		

We have paid in full all amounts due and payable on each series of the series 2004-1 notes specified above.

Credit Enhancement

Subordinate Notes

Currently, the trust has outstanding \$40,000,000 aggregate principal amount of subordinate notes. An additional \$80,000,000 aggregate principal amount of subordinate notes will be issued in this offering. Approximately 8.6% of all the trust's notes that will be outstanding immediately after issuing the series 2006-1 notes will be subordinate notes.

The rights of the subordinate noteholders to receive payments of interest and principal are subordinated to the rights of the senior noteholders to receive such payments to the extent described in this offering memorandum supplement and the accompanying offering memorandum. This subordination is intended to enhance the likelihood of regular receipt by the senior noteholders of the full amount of scheduled monthly payments of principal and interest due them and to protect the senior noteholders against losses.

Senior noteholders have a preferential right to receive, before any distributions to subordinate noteholders, distributions from the trust estate created under the indenture and, if necessary, the right to receive future distributions on our student loans that would otherwise have been payable to the holders of subordinate notes. See the caption "Description of Credit Enhancement and Swap Agreements—Credit Enhancement" in the accompanying offering memorandum.

Reserve Fund

We will make a deposit to the Reserve Fund on the date the series 2006-1 notes are issued in an amount equal to \$7,500,000. Subsequent to this deposit, the Reserve Fund will have a balance of approximately \$10,500,000. If funds available in the Debt Service Fund are not sufficient to make payments when legally due, moneys in the Reserve Fund may be used to pay amounts due and payable on the notes of any series issued under the indenture. If moneys are withdrawn from the Reserve Fund, the Reserve Fund will be restored to the required minimum balance through transfers from the Collection Fund or the Surplus Fund. The required minimum balance in the Reserve Fund is currently the greater of (i) the sum of 1.00% of the then outstanding balance of the series 2004-1 notes and 0.75% of the then outstanding balance of the series 2006-1 notes and (ii) \$2,000,000. Any addition to the required minimum balance in connection with the issuance of additional notes will be set forth in the supplemental indenture

authorizing such additional notes. These percentages may be decreased with confirmation from the rating agencies that the decrease will not adversely affect the ratings on any of the notes.

Use of Proceeds

We estimate that the proceeds from the sale of the series 2006-1 notes, less the initial purchasers' discount, will be applied as follows:

Deposit to Acquisition Fund	\$989,772,800
Deposit to Reserve Fund	<u>7,500,000</u>
Total	<u>\$997,272,800</u>

Approximately \$700,000 of the proceeds deposited to the Acquisition Fund will be used to pay the expenses and costs of issuing the series 2006-1 notes.

Acquisition of Student Loans

The trust will acquire student loans from an eligible lender trustee holding the student loans on behalf of ALG Student Loan Funding I, LLC. ALG Student Loan Funding I, LLC, through its eligible lender trustee, will have acquired those student loans from either ALG Student Loan Warehouse Funding I, LLC or Academic Loan Group, Inc., each of which is an affiliate of the depositor and the trust. All of the student loans acquired, and to be acquired, by the trust will have been originated by Academic Loan Group, Inc. through its eligible lender trustee. Academic Loan Group, Inc. originates loans which have been marketed for it by Academic Loan Group, LLC. Academic Loan Group, LLC, Academic Loan Group, Inc., ALG Student Loan Warehouse Funding I, LLC and ALG Student Loan Funding I, LLC will each make certain representations and warranties with respect to the student loans and will agree to repurchase any student loans for which any representation or warranty is later determined to be materially incorrect. See the captions "Academic Loan Group, Inc.," "ALG Student Loan Warehouse Funding I, LLC" and "Academic Loan Group, LLC" in the accompanying offering memorandum for a more complete description of Academic Loan Group, Inc., ALG Student Loan Warehouse Funding I, LLC and Academic Loan Group, LLC, respectively.

Characteristics of our Student Loans

As of the statistical calculation date, the trust owned student loans with an outstanding principal balance of \$358.1 million. Approximately \$748.0 million of the amount deposited into the Acquisition Fund will be used by the trust on the closing date to acquire student loans from the depositor. The remaining amount on deposit in the Acquisition Fund is expected to be used to acquire student prior to August 31, 2006.

We expect that the remaining funds deposited into the Acquisition Fund, less the amount needed to pay the costs we incur in issuing the series 2006-1 notes, will be used by the trust during the acquisition period and the revolving period to acquire additional student loans. However, any amounts remaining in the Acquisition Fund not used to acquire student loans will be transferred to the Collection Fund.

Set forth below in the following tables are descriptions as of April 30, 2006 - the statistical calculation date - of certain characteristics of \$925.6 million of student loans that the trust currently owns or expects to acquire on the closing date that existed as of the statistical calculation date. The percentages set forth below may not always add up to 100% due to rounding. All of the student loans that the trust currently owns or will acquire on the closing date will have been first disbursed after October 1, 1993 and before July 1, 2006 and will be 98% guaranteed by the applicable guarantee agency and are reinsured by the Department of Education up to a maximum of 98% of the guaranteed payments. The student loans to be acquired after the closing date with amounts deposited to the Acquisition Fund will either be 98% guaranteed by the applicable guarantee agency if first disbursed prior to July 1, 2006 or 97% guaranteed by the applicable guarantee agency if disbursed on or after July 1, 2006.

Lenders which have their student loans serviced by servicers who are designated as having an exceptional level of performance will receive 100% (99% on and after July 1, 2006) reimbursement on all claims submitted for insurance provided that the lender's servicer meets and maintains all requirements for achieving its exceptional performance designation. ACS Education Services, Inc. and Great Lakes Educational Loan Services, Inc. have been designated by the Department of Education as servicers with an exceptional level of performance. Thus, the student loans serviced by ACS Education Services, Inc. and Great Lakes Educational Loans Services, Inc. are reinsured by the Department of Education up to a maximum of 100% (99% on and after July 1, 2006). However, the Secretary of Education may revoke exceptional performance status if, among other things, subsequent audits of a servicer's servicing operations fail to meet certain due diligence standards, the required audits are not provided to the Secretary of Education or the Secretary of Education determines that an overall level of regulatory compliance has not been maintained. Congress may also amend the Higher Education Act to further reduce the reimbursement amount on claims submitted on student loans serviced by servicers designated for exceptional performance.

We offer a variety of borrower incentive programs for student loans originated or purchased by us and our affiliates that, among other things, provide for an interest rate reduction for borrowers that elect to make payments on their student loans through automatic bank debit, a rebate of a percentage of the principal balance of a student loan to certain borrowers in certain circumstances and an interest rate reduction for borrowers that make a specified number of consecutive on-time payments.

**Composition of our Student Loan Portfolio
as of the Statistical Calculation Date**

Aggregate outstanding principal balance	\$925,580,396
Number of borrowers	12,511
Average outstanding principal balance per borrower	\$73,981
Number of loans	19,436
Average outstanding principal balance per loan	\$47,622
Weighted average remaining term to maturity in months ⁽¹⁾	337.6
Dollar weighted average Department of Education cohort default rate ⁽²⁾	2.24%
Number of different schools ⁽²⁾	1,559
Weighted average annual borrower interest rate	6.02%

⁽¹⁾ Determined from the statistical calculation date to the stated maturity date of the applicable student loans, assuming repayment commences promptly upon expiration of the typical grace period following the expected graduation date and without giving effect to any deferral or forbearance periods that may be granted in the future. See the caption "Description of the Federal Family Education Loan Program" in the accompanying offering memorandum.

⁽²⁾ As of March 31, 2006.

**Distribution of our Student Loans by Borrower Interest Rate
as of the Statistical Calculation Date**

Borrower Interest Rate	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Pool by Outstanding Balance
Less Than 3.00%	877	\$ 33,868,385	3.7%
3.00% to 3.49%	1,369	60,874,524	6.6
3.50% to 3.99%	1,379	60,456,187	6.5
4.00% to 4.49%	1,588	72,957,773	7.9
4.50% to 4.99%	1,132	53,283,001	5.8
5.00% to 5.49%	1,210	56,127,597	6.1
5.50% to 5.99%	1,678	81,726,200	8.8
6.00% to 6.49%	1,697	82,306,295	8.9
6.50% to 6.99%	1,792	86,286,261	9.3
7.00% to 7.49%	1,167	54,864,957	5.9
7.50% to 7.99%	1,934	92,585,641	10.0
8.00% to 8.49%	3,613	190,243,574	20.6
Total	19,436	\$925,580,396	100.0%

**Distribution of our Student Loans by Borrower Payment Status
as of the Statistical Calculation Date**

Borrower Payment Status	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Pool by Outstanding Balance
Deferment	2,024	\$100,681,408	10.9%
Forbearance	1,565	84,644,820	9.1
Repayment	15,840	739,828,432	79.9
Claim	7	425,736	0.1
Total	19,436	\$925,580,396	100.0%

**Distribution of our Student Loans by Remaining Term to Scheduled Maturity
as of the Statistical Calculation Date**

Number of Months Remaining to Scheduled Maturity	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Pool by Outstanding Balance
Less than 168	155	\$ 4,039,784	0.4%
169 to 180	23	545,032	0.1
181 to 228	685	15,586,787	1.7
229 to 240	997	22,026,648	2.4
241 to 288	1,539	54,513,464	5.9
289 to 300	3,510	110,520,801	11.9
301 to 348	2,624	157,844,345	17.1
349 to 360	7,468	410,513,071	44.4
361 and greater	2,435	149,990,463	16.2
Total	19,436	\$925,580,396	100.0%

**Distribution of our Student Loans by SAP Interest Rate Index
as of the Statistical Calculation Date**

SAP Interest Rate Index	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Pool by Outstanding Balance
90 Day CP Index	19,436	\$925,580,396	100.0%
Total	19,436	\$925,580,396	100.0%

**Distribution of our Student Loans by Range of Principal Balance
as of the Statistical Calculation Date**

<u>Principal Balance Range</u>	<u>Number of Loans</u>	<u>Aggregate Outstanding Principal Balance</u>	<u>Percent of Pool by Outstanding Balance</u>
Less than \$15,000.00	1,302	\$ 11,638,226	1.3%
\$15,000.00-\$19,999.99	1,179	20,839,725	2.3
\$20,000.00-\$24,999.99	1,616	36,609,841	4.0
\$25,000.00-\$29,999.99	1,894	52,099,526	5.6
\$30,000.00-\$34,999.99	2,063	67,197,151	7.3
\$35,000.00-\$39,999.99	1,852	69,318,763	7.5
\$40,000.00-\$44,999.99	1,657	70,353,902	7.6
\$45,000.00-\$49,999.99	1,326	62,869,330	6.8
\$50,000.00-\$59,999.99	2,037	111,341,491	12.0
\$60,000.00-\$74,999.99	1,835	122,056,786	13.2
\$75,000.00-\$89,999.99	951	77,911,189	8.4
\$90,000.00-\$104,999.99	548	52,952,233	5.7
\$105,000.00-\$119,999.99	347	38,816,046	4.2
\$120,000.00-\$134,999.99	250	31,800,823	3.4
\$135,000.00-\$149,999.99	174	24,687,676	2.7
\$150,000.00-\$164,999.99	158	24,801,835	2.7
\$165,000.00-\$179,999.99	82	14,076,122	1.5
\$180,000.00-\$194,999.99	47	8,765,140	0.9
\$195,000.00-\$209,999.99	38	7,636,234	0.8
\$210,000.00-\$224,999.99	35	7,592,689	0.8
\$225,000.00-\$254,999.99	20	4,709,910	0.5
More than \$254,999.99	25	7,505,756	0.8
Total	19,436	\$925,580,396	100.0%

**Distribution of Our Student Loans by Guarantee Agency
as of the Statistical Calculation Date**

<u>Guarantee Agency</u>	<u>Number of Loans</u>	<u>Aggregate Outstanding Principal Balance</u>	<u>Percent of Pool by Outstanding Principal Balance</u>
American Student Assistance	3,655	\$258,908,291	28.0%
Great Lakes Higher Education Guaranty Corporation	15,781	666,672,105	72.0
Total	19,436	\$925,580,396	100.0%

**Distribution of Our Student Loans by Servicer
as of the Statistical Calculation Date**

<u>Servicer</u>	<u>Number of Loans</u>	<u>Aggregate Outstanding Principal Balance</u>	<u>Percent of Pool by Outstanding Principal Balance</u>
ACS Education Services, Inc.	3,655	\$258,908,291	28.0%
Great Lakes Educational Loan Services, Inc.	15,781	666,672,105	72.0
Total	19,436	\$925,580,396	100.0%

**Geographic Distribution of Our Student Loans
as of the Statistical Calculation Date**

<u>Location</u>	<u>Number of Loans</u>	<u>Aggregate Outstanding Principal Balance</u>	<u>Percent of Pool by Outstanding Principal Balance</u>
Alabama	246	\$ 10,405,121	1.12%
Alaska	21	1,017,924	0.11
Arizona	415	19,433,815	2.10
Arkansas	90	4,465,649	0.48
Armed Forces Europe	7	249,097	0.03
Armed Forces Pacific	7	591,412	0.06
California	2,531	123,576,570	13.35
Colorado	498	24,111,044	2.60
Connecticut	268	12,629,993	1.36
Delaware	55	2,729,324	0.29
District of Columbia	118	5,328,652	0.58
Florida	1,023	53,597,336	5.79
Georgia	687	31,056,423	3.36
Guam	1	64,984	0.01
Hawaii	34	1,793,845	0.19
Idaho	142	7,084,774	0.77
Illinois	829	39,653,823	4.28
Indiana	189	8,947,662	0.97
Iowa	143	6,359,011	0.69
Kansas	159	6,835,177	0.74
Kentucky	153	6,858,914	0.74
Louisiana	185	8,605,051	0.93
Maine	97	4,432,402	0.48
Maryland	511	24,878,045	2.69

Massachusetts	606	28,516,956	3.08
Michigan	623	30,212,408	3.26
Minnesota	326	15,640,138	1.69
Mississippi	88	4,590,002	0.50
Missouri	480	21,972,804	2.37
Montana	45	1,850,455	0.20
Nebraska	52	2,936,378	0.32
Nevada	159	7,452,086	0.81
New Hampshire	71	3,222,495	0.35
New Jersey	617	32,077,575	3.47
New Mexico	113	5,254,495	0.57
New York	1,741	82,093,777	8.87
North Carolina	566	25,649,864	2.77
North Dakota	17	754,838	0.08
Northern Mariana Islands	2	84,136	0.01
Ohio	800	35,264,349	3.81
Oklahoma	83	4,263,269	0.46
Oregon	297	14,163,129	1.53
Pennsylvania	982	44,968,802	4.86
Puerto Rico	46	2,845,321	0.31
Rhode Island	120	6,448,174	0.70
South Carolina	231	11,083,401	1.20
South Dakota	37	1,759,676	0.19
Tennessee	238	11,605,263	1.25
Texas	1,075	50,932,110	5.50
Utah	57	3,302,151	0.36
Vermont	40	2,054,410	0.22
Virgin Islands	1	39,960	0.00*
Virginia	564	25,746,364	2.78
Washington	497	22,898,310	2.47
West Virginia	77	3,792,924	0.41
Wisconsin	351	16,400,082	1.77
Wyoming	8	313,308	0.03
Other	17	684,938	0.07
Total	19,436	\$925,580,396	100.00%

*Represents a percentage greater than 0.00%, but less than 0.01%

In addition to the student loans described in the tables above, the trust expects to acquire approximately \$150,000,000 of student loans on the closing date from the depositor which were originated by Academic Loan Group, Inc. after April 30, 2006. These student loans are currently in the application phase and are expected to be originated by Academic Loan Group, Inc. through its eligible lender by May 31, 2006. These student loans and the additional student loans to be acquired during the acquisition period are expected to have substantially the same characteristics as the existing portfolio of loans described above.

The following information related to the distribution of our student loans by degree type based upon the last school attended is not available as of the Statistical Calculation Date, and is therefore provided as of March 31, 2006. Information regarding degree type is determined by cross-referencing the last school attended for each borrower listed on the National Student Loan Data System (NSLDS) with a Department of Education database.

**Representative Distribution of our Student Loans by Degree Type
based upon Last School Attended by Borrower as of March 31, 2006**

Degree Type	Number of Loans	Aggregate Outstanding Principal Balance	Percent of Pool by Outstanding Principal Balance
Associate Degree	111	\$ 5,701,843	0.7%
Bachelor's Degree	281	14,931,681	1.8
Graduate/Doctorate	10,288	724,943,204	88.6
Professional	502	46,662,281	5.7
Non-Degree	25	1,382,928	0.2
N/A	326	24,417,974	3.0
Total	11,533	\$ 818,039,911	100.0%

The additional student loans to be acquired during the acquisition period are expected to have substantially the same characteristics with respect to degree type as the existing portfolio of loans described above.

Book-Entry Registration

The Series 2006-1 LIBOR Rate Notes

On or about the closing date, the series 2006-1 LIBOR rate notes may be offered and sold only to “qualified institutional buyers” as defined in Rule 144A of the Securities Act (“QIB’s”) or non-U.S. persons (as defined in Regulation S) in reliance on Regulation S and will be represented by interests in either a Rule 144A global registered certificate (each a “Rule 144A Global Note Certificate”) of a Regulation S global registered note certificate (each a “Regulation S Global Note Certificate”). Each Rule 144A Global Note Certificate and Regulation S Global Note Certificate will be deposited with the indenture trustee as custodian for The Depository Trust Company (the “DTC Custodian”), and registered in the name of Cede & Co., as nominee of DTC. At all times there will only be one Rule 144A Global Note Certificate and one Regulation S Global Note Certificate for each series of the series 2006-1 LIBOR rate notes. The entire outstanding principal amount of each series of the LIBOR rate notes will be allocated between the Rule 144A Global Note Certificate and the Regulation S Global Note Certificate.

Investors may hold their interest in each series of the series 2006-1 LIBOR rate notes represented by a Rule 144A Global Note Certificate only directly through DTC participants, or indirectly through organizations which are participants in Euroclear or Clearstream, Luxembourg (together, the “European Clearing Systems”), which will hold positions in the Rule 144A Global Note Certificate through DTC. DTC will record electronically, the outstanding principal balance

of each series of the series 2006-1 LIBOR rate notes represented by the Rule 144A Global Note Certificate held within its systems. DTC will hold interest in the Rule 144A Global Note Certificate on behalf of its account holders through customer's securities accounts in DTC's name on the books of its depositories.

Investors may hold their interests in each series of the series 2006-1 LIBOR rate notes represented by a Regulation S Global Note Certificate directly through the European Clearing Systems, if they are participants in these systems, or indirectly through organizations that are participants in these systems. The European Clearing Systems will hold interests in the Regulation S Global Note Certificate on behalf of their participants through their respective depositories, which in turn will hold the beneficial interests in the Regulation S Global Note Certificates in customer's securities accounts in the depositories' names on the books of DTC.

Interests in the Rule 144A Global Note Certificate and the Regulation S Global Note Certificate (together, the "Global Note Certificates") will be shown on, and transfers thereof will be effected only through, records maintained by DTC or its nominee, and their respective direct and indirect participants.

Payments of the principal of, interest on and any other amounts payable under each Global Note Certificate will be made to or to the order of DTC's nominee as the registered owner of such Global Note Certificate.

We expect that the nominees of DTC and each of the European Clearing Systems (each, a "Clearing System"), upon receipt of any such payment, will immediately credit the relevant Clearing System's participant's accounts with payment in amounts proportionate to their respective interests in the principal balance of the relevant Global Note Certificate as shown on the records of such nominee. We also expect that payments by the Clearing System participants to beneficial owners of interests in such Global Note Certificates held through such Clearing System participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such Clearing System participants and none of the trust, the issuer administrator, the indenture trustee, or any paying agent will have any responsibility or liability for any delay in such payments from participants. None of the trust, the issuer administrator, the indenture trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on the account of ownership in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

The Series 2006-1 Auction Rate Notes

On or about the closing date, the series 2006-1 auction rate notes may be offered and sold only to QIB's and will be represented by interests in a Rule 144A Global Note Certificate deposited with the DTC Custodian and registered in the name of Cede & Co., as nominee of DTC.

Investors may hold their interest in each series of the series 2006-1 auction rate notes represented by a Rule 144A Global Note Certificate only directly through DTC participants, or indirectly through organizations which are participants in the European Clearing Systems

through DTC. DTC will record electronically, the outstanding principal balance of each series of the auction rate notes represented by the Rule 144A Global Note Certificate held within its systems. DTC will hold interest in the Rule 144A Global Note Certificate on behalf of its account holders through customer's securities accounts in DTC's name on the books of its depositaries.

For additional information on the Clearing Systems and the book-entry registration of the series 2006-1 notes, see the caption "Book-Entry Registration" in the accompanying offering memorandum.

Description of the Series 2006-1 Notes

General Terms of the Series 2006-1 Notes

The series 2006-1 notes will be issued pursuant to the indenture. The series 2006-1 notes will be dated as of the closing date and, subject to prepayment or redemption pursuant to the provisions referred to below, will mature on the date set for under the caption "Summary—Final Maturities" herein. The series 2006-1 notes will be issued in fully registered form, without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company. The Depository Trust Company will act as securities depository for the series 2006-1 notes. Individual purchases of the series 2006-1 LIBOR notes will be made in book-entry form only in the minimum denominations of \$100,000 or integral multiples of \$1,000 in excess thereof. Individual purchases of the series 2006-1 auction rate notes will be made in book-entry form only in the principal amount of \$100,000 or multiples thereof. Purchasers of the series 2006-1 notes will not receive certificates representing their interest in the series 2006-1 notes purchased. See the caption "Book-Entry Registration" herein and in the accompanying offering memorandum.

Interest Payments

General. Interest will accrue on the series 2006-1 notes at their respective interest rates during each related interest accrual period. Interest on the series 2006-1 LIBOR rate notes will be payable to the noteholders on each quarterly distribution date, commencing July 28, 2006. Subsequent distribution dates for the series 2006-1 LIBOR rate notes will be on the 28th of each January, April, July and October, or if any such day is not a business day, the next business day. Interest on the series 2006-1 auction rate notes will be payable to the noteholders on the business day following the end of each auction period. However, if an auction period exceeds one year, distributions also will be made to the auction rate notes semi-annually. Interest accrued but not paid on any distribution date will be due on the next distribution date together with an amount equal to interest on the unpaid amount at the applicable rate per annum described below. Any such shortfall will be allocated pro rata to the noteholders, based on the total amount of interest due on each series of notes.

Series 2006-1 LIBOR rate notes. The interest rate on the series 2006-1A-1 senior notes for each interest accrual period will be equal to three-month LIBOR, except for the initial interest accrual period, as determined on the second business day prior to such interest accrual period, plus 0.01%. The interest rate on the series 2006-1A-2 senior notes for each interest accrual period will be equal to three-month LIBOR, except for the initial interest accrual period, as

determined on the second business day prior to such interest accrual period, plus 0.10%. The interest rate on the series 2006-1A-3 senior notes for each interest accrual period will be equal to three-month LIBOR, except for the initial interest accrual period, as determined on the second business day prior to such interest accrual period, plus 0.15%. The interest rate on the series 2006-1A-4 senior notes for each interest accrual period will be equal to three-month LIBOR, except for the initial interest accrual period, as determined on the second business day prior to such interest accrual period, plus 0.19%.

LIBOR for the initial interest accrual period will be determined by the following formula:

$$x + [a/b * (y-x)]$$

where: x = one-month LIBOR, and

y = two-month LIBOR, in each case, as of the second business day before the start of the initial interest accrual period.

a = the actual number of days from the maturity of one-month LIBOR to the first quarterly distribution date.

b = the actual number of days from the maturity date of one-month LIBOR and the maturity date of two-month LIBOR.

The resulting percentage figure will be rounded to the fifth decimal point.

Interest on each of the series 2006-1 LIBOR rate notes will be determined based on the amount of interest accrued at the applicable interest rate on the aggregate outstanding principal balance of the applicable series, and will be calculated on the basis of the actual number of days elapsed during the related interest accrual period divided by 360.

For each interest accrual period, LIBOR will be determined by the indenture trustee by reference to the London interbank offered rate for deposits in U.S. dollars having a maturity of three months which appears on Telerate Page 3750 as of 11:00 a.m., London time, on the related LIBOR determination date. The LIBOR determination date will be the second business day before the beginning of each interest accrual period. If this rate does not appear on Telerate Page 3750, the rate for that day will be determined on the basis of the rates at which deposits in U.S. dollars, having the relevant maturity and in a principal amount of not less than U.S. \$1,000,000, are offered at approximately 11:00 a.m., London time, on that LIBOR determination date, to prime banks in the London interbank market by four major banks selected by the indenture trustee. The indenture trustee will request the principal London office of each bank to provide a quotation of its rate. If the banks provide at least two quotations, the rate for that day will be the arithmetic mean of the quotations. If the banks provide fewer than two 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 issuer administrator, at approximately 11:00 a.m., New York time, on that LIBOR determination date, for loans in U.S. Dollars to leading European banks having the relevant maturity and in a principal amount of not less than U.S. \$1,000,000. If the banks selected as described above are not providing quotations, three-month LIBOR in effect for the

applicable interest accrual period will be three-month LIBOR in effect for the previous interest accrual period.

For purposes of determining LIBOR, a business day means any day on which banks in New York, New York and London, England are open for the transaction of international business.

Series 2006-1 auction rate notes. For each auction period, the auction rate for a series of the series 2006-1 auction rate notes will be the lesser of the maximum auction rate (as described under the caption “Summary—Interest Rates and Payments—*Series 2 0 0 6 -1 auction rate notes* herein) and the rate determined on the related auction date pursuant to the auction procedures described under “Description of the Notes—Auction rate notes” in the accompanying offering memorandum. The interest rate on each series of the series 2006-1 auction rate notes for its initial auction period will be determined prior to the closing date. Interest will be calculated on the series 2006-1 auction rate notes on the basis of the actual number of days elapsed in the related auction period divided by 360.

For an auction rate distribution date on which the maximum auction rate applies, the difference between the amount of interest at the auction rate determined pursuant to the auction procedures for such series of the series 2006-1 auction rate notes and the amount of interest at the maximum auction rate will become a carry-over amount, and will be paid on succeeding auction rate distribution dates only to the extent that there are funds available for that purpose and other conditions are met. See “Description of the Notes—Auction rate notes—Maximum auction rate and interest carryovers” in the accompanying offering memorandum.

Redemption Prepayments and Redemptions

Although no installments of principal are due on the series 2006-1 notes prior to their stated maturity, on each payment date principal reduction payments or principal redemptions will be made on the notes in an amount equal to the funds available to pay principal on the notes as described in under the captions “Summary—Collection Fund—*Retirement Account*” herein and “Security and Sources of Payment for the Notes—Collection Fund” and “—Debt Service Fund” in the accompanying offering memorandum.

Optional Redemption. Each series of the series 2006-1 LIBOR rate notes is subject to redemption, at our option, on each quarterly distribution date subsequent to the quarterly distribution date on which the principal balance of such series of the series 2006-1 LIBOR rate notes is expected to be zero as set forth in Schedule I hereto, in whole only, at a redemption price of 100% of the principal amount of such series 2006-1 LIBOR rate notes to be redeemed, plus accrued interest thereon to the redemption date.

Subject to the provisions of the indenture described under the caption “*Redemption of Subordinate Notes*” below, at our option, series 2006-1 auction rate notes may be redeemed from any source of funds on any regularly scheduled interest payment date for such series, in whole or in part, at a redemption price of 100% of the principal amount of such series 2006-1 notes to be redeemed, plus accrued interest thereon to the redemption date.

Mandatory Redemption. Subject to the provisions of the indenture described under the caption “*Redemption of Subordinate Notes*” below, each series of the series 2006-1 auction rate notes are also subject to mandatory redemption on any related auction rate distribution date from amounts transferred to the Redemption Account from the Collection Fund for the redemption of notes. The redemption price will be 100% of the principal amount of series 2006-1 auction rate notes to be redeemed, plus accrued interest thereon to the redemption date. See the caption “*Summary—Collection Fund—Redemption Account*” herein.

The supplemental indenture authorizing the issuance of the series 2006-1 notes provides that future series of notes or portions thereof may be designated for redemption or principal distribution before such principal repayments are applied to the redemption of the series 2006-1 notes.

Redemption of Subordinate Notes. Subordinate notes, including the series 2006-1 subordinate notes, may only be redeemed if, after giving effect to the redemption, while senior notes are outstanding, the senior asset percentage will be at least equal to 108.0%. This percentage may be decreased with confirmation from the rating agencies that the decrease will not adversely affect the ratings on any of the notes.

Notice of Redemption. Notice of redemption of series 2006-1 notes shall be given not less than ten days nor more than 30 days prior to the redemption date. See the caption “*Description of the Notes—Notice and partial redemption of notes*” in the accompanying offering memorandum.

Selection of Notes for Redemption. If less than all outstanding notes are to be redeemed, the particular series from which notes shall be redeemed will be determined by the trust in accordance with the provisions described in the related offering memorandum supplement. In the absence of direction by the trust, the notes to be redeemed will be selected first from the subordinate notes (to the extent permitted by the indenture) in ascending numerical order of the series designated, and thereafter from the senior notes in ascending numerical order of the series designation, subject to the provisions of the indenture described under the caption “*Redemption of Subordinate Notes*” above.

If less than all of the outstanding notes of a given series are to be redeemed, the particular notes to be redeemed shall be selected by the indenture trustee by lot in such manner as the indenture trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of notes in authorized denominations.

Information Relating to the Guarantee Agencies

The payment of principal and interest on all of the student loans held in the trust estate created under the indenture will be guaranteed by designated guarantee agencies and will be reinsured by the United States Department of Education. The guarantee provided by each guarantee agency is an obligation solely of that guarantee agency and is not supported by the full faith and credit of the federal or any state government. However, the Higher Education Act provides that if the Secretary of Education determines that a guarantee agency is unable to meet its insurance obligations, the Secretary of Education shall assume responsibility for all functions of the guarantee agency under its loan insurance program. For further information on the

Secretary of Education's authority in the event a guarantee agency is unable to meet its insurance obligations see the caption "Description of the Federal Family Education Loan Program" in the accompanying offering memorandum.

As of the statistical calculation date, of the student loans owned by the trust on that date, along with those student loans expected to be acquired by the trust on the closing date that existed as of the statistical calculation date, approximately:

- 28% were guaranteed by Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance; and
- 72% were guaranteed by Great Lakes Higher Education Guaranty Corporation.

See the caption "Description of the Federal Family Education Loan Program" in the accompanying offering memorandum for more detailed information concerning the characteristics of the guarantee agencies.

Presented below is information with respect to American Student Assistance. Except as otherwise indicated, this information has been obtained from American Student Assistance. Neither the trust nor the initial purchasers has independently verified this information.

American Student Assistance

Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance ("ASA"), a not-for-profit corporation organized in 1956, will guarantee a portion of the financed student loans. ASA is one of the oldest and largest guarantee agencies in the United States, and is the designated guarantee agency for the Commonwealth of Massachusetts and the District of Columbia. Since 1956, ASA has been a provider of higher education financing products and services to students, parents, schools and lenders across the country, guaranteeing more than \$43 billion in loans. Originally created by the General Court of the Commonwealth of Massachusetts as the Massachusetts Higher Education Assistance Corporation, ASA currently acts on behalf of the Department of Education to ensure that the public policy purposes and regulatory requirements of the Federal Family Education Loan Program are met. ASA employed 592 individuals as of January 1, 2006 at its principal offices located at 100 Cambridge Street, Suite 1600, Boston, MA 02114.

Guaranty Volume. The following table sets forth the original principal amount of FFELP Loans (excluding consolidation loans) guaranteed by ASA in each of the last five ASA fiscal years:

Fiscal Year (Ending June 30)	Net FFELP Loans Guaranteed by ASA (Dollars in Millions)
2001	\$ 680
2002	779
2003	914
2004	1,270
2005	1,746

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

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

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

Federal Fiscal Year (Ending September 30)	Cumulative Recovery Rate
2001	69.8%
2002	74.4
2003	79.4
2004	83.5
2005	83.0

Claims Rate. ASA’s claims rate represents the percentage of loans in repayment at the beginning of a federal fiscal year which default during the ensuing federal fiscal year net of

repurchases, refunds and rehabilitations. For the federal fiscal years 2001-2005, ASA's claims rate listed below have not exceeded 5%, and as a result, all claims of ASA have been fully reimbursed at the maximum allowable level by the Department of Education. See the caption "Description of the Federal Family Education Loan Program" in the offering memorandum for more detailed information concerning the Federal Family Education Loan Program. Nevertheless, there can be no assurance the guarantee agencies will continue to receive full reimbursement for such claims. The following table sets forth the claims rate of ASA for the last five federal fiscal years:

Federal Fiscal Year (Ending September 30)	Claims Rate
2001	1.3%
2002	1.2
2003	0.9
2004	0.7
2005	1.0

Net Loan Default Claims. The following table sets forth the dollar value of default claims paid net of repurchases, refunds and rehabilitations for the last five years.

ASA Fiscal Year (Ending June 30)	Default Claims (Dollars in Millions)
2001	\$ 64
2002	72
2003	80
2004	83
2005	168

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

ASA Fiscal Year (Ending June 30)	Default Recoveries (Dollars in Millions)
2001	\$82
2002	86
2003	79
2004	82
2005	78

Presented below is information with respect to Great Lakes Higher Education Guaranty Corporation. Except as otherwise indicated, this information has been obtained from Great Lakes Higher Education Guaranty Corporation. Neither the trust nor the initial purchasers has independently verified this information.

Great Lakes Higher Education Guaranty Corporation

Great Lakes Higher Education Guaranty Corporation (“GLHEGC”) is a Wisconsin nonstock, nonprofit corporation the sole member of which is Great Lakes Higher Education Corporation (“GLHEC”). GLHEGC’s predecessor organization, GLHEC, was organized as a Wisconsin nonstock, nonprofit corporation and began guaranteeing student loans under the Higher Education Act in 1967. GLHEGC is the designated guarantee agency under the Higher Education Act for Wisconsin, Minnesota, Ohio, Puerto Rico and the Virgin Islands. On January 1, 2002, GLHEC (and GLHEGC directly and through its support services agreement with GLHEC), transferred the majority of their student loan program guarantee support operations and personnel to Great Lakes Educational Loan Services, Inc. (“GLELSI”), a wholly owned subsidiary of GLHEC. GLHEGC continues as the “guarantee agency” as defined in Section 435(j) of the Higher Education Act and continues its default aversion, claim purchase and compliance, collection support and federal reporting responsibilities as well as custody and responsibility for all revenues, expenses and assets related to that status. GLHEGC (through its support services agreement with GLHEC) also performs oversight of all student loan program guarantee support operations transferred to GLELSI and supportive of GLHEGC’s “guarantee agency” responsibilities. The primary operations center for GLHEC and its affiliates (including GLHEGC and GLELSI) is in Madison, Wisconsin, which includes the data processing center and operational staff offices for both guarantee and servicing functions. GLHEC and affiliates also maintain regional offices in Columbus, Ohio and St. Paul, Minnesota and customer support staff located nationally. GLHEGC will provide a copy of GLHEC’s most recent consolidated financial statements on receipt of a written request directed to 2401 International Lane, Madison, Wisconsin 53704, Attention: Chief Financial Officer.

GLHEGC has entered into a voluntary flexible agreement with the Department of Education pursuant to the 1998 Reauthorization Amendments. Under GLHEGC’s agreement, which commenced October 1, 2000 and is currently effective through September 30, 2006, GLHEGC’s revenues are tied directly to default aversion performance. Certain sources of GLHEGC’s Operating Fund revenues are replaced by a single fee-for-service funding source tied directly to the percentage of delinquent loans that do not default during the measurement period. In lieu of statutory collection retention amounts, the Department of Education reimburses GLHEGC only for its actual post-default collection related expenses. This agreement also calls for GLHEGC to escrow the liquid assets of GLHEGC’s Federal Fund for the benefit of the Department of Education. GLHEGC may also engage in negotiations with lenders to define whether the lender or GLHEGC will complete each of the due diligence requirements. Finally, this agreement allows GLHEGC to pilot a new approach to the claims review process, under which GLHEGC develops and implements with willing lenders and servicers a post-claim random sampling process that replaces the current claim-by-claim process. The GLHEGC agreement is automatically renewed for one-year effective periods, unless terminated 90 days prior to the end of an effective period.

The information in the following tables has been provided to the trust from reports provided by or to the Department of Education and has not been verified by the trust, GLHEGC or the initial purchasers. No representation is made by the trust, GLHEGC or the initial purchasers as to the accuracy or completeness of this information. Prospective investors may consult the Department of Education Data Books and Web site

<http://www.ed.gov/finaid/prof/resources/data/opeloanvol.html> for further information concerning GLHEGC or any other guarantee agency.

Guarantee Volume. GLHEGC’s guarantee volume for each of the last five federal fiscal years, including Stafford, Unsubsidized Stafford, SLS, PLUS and Consolidation loan volume was as follows:

Federal Fiscal Year	Guarantee Volume (millions)
2001	\$2,246.7
2002	4,473.1
2003	8,721.3
2004	7,707.6
2005	9,686.3

Reserve Ratio. Following are GLHEGC’s reserve fund levels as calculated in accordance with 34 CFR 682.410(a)(10) for the last five federal fiscal years:

Federal Fiscal Year	Federal Guarantee Reserve Fund Level⁽¹⁾
2001	2.12%
2002	1.86
2003	1.29 ⁽²⁾
2004	0.99 ⁽²⁾
2005	0.83

⁽¹⁾ In accordance with Section 428(c)(9) of the Higher Education Act, these numbers do not include loans transferred from the former Higher Education Assistance Foundation, NorthStar Guarantee Inc., Ohio Student Aid Commission or Puerto Rico Higher Education Assistance Corporation. The minimum reserve fund ratio under the Higher Education Act is .25%.

⁽²⁾ The Department of Education’s website at <http://www.fp.ed.gov/PORTALSWebApp/fp/whatsnew.jsp> has posted reserve fund ratios for GLHEGC for federal fiscal years 2003 and 2004 of 1.168% and 0.646%, respectively. GLHEGC believes the Department of Education has not calculated the reserve ratios in accordance with the Higher Education Act and the correct ratios should be 1.29% and 0.99%, respectively, as show above and explained in the preceding footnote. According to the Department of Education, available cash reserves may not always be an accurate barometer of a guarantee agency’s financial health.

Claims Rate. For the past five federal fiscal years, GLHEGC's claims rate has not exceeded 5%, and, as a result, the highest allowance reinsurance has been paid on all GLHEGC's claims. The actual claims rates are as follows:

Federal Fiscal Year	Claims Rate
2001	1.46%
2002	1.06
2003	1.27
2004	0.68
2005	0.51

Loss Rate. For the past five calendar years, GLHEGC's loss rates are as follows:

Calendar Year	Loss Rate
2001	0.0001%
2002	0.0002
2003	0.0002
2004	0.0004
2005	0.0017

Servicing of the Student Loans

General

The trust is required under the Higher Education Act, the rules and regulations of the guarantee agencies and the indenture to use due diligence in the servicing and collection of the student loans and to use collection practices no less extensive and forceful than those generally in use among financial institutions with respect to other consumer debt. The trust has entered into agreements with third parties to perform the servicing activities. As of the statistical calculation date, the servicer of approximately 28% of the student loans was ACS Education Services, Inc. ("ACS") and the servicer of the remaining 72% of the student loans was Great Lakes Educational Loan Services, Inc. ("GLELSI"). Such percentages could change in the future. The indenture also permits other servicers upon the receipt of confirmation from the rating agencies that the addition of such servicer will not adversely affect the ratings on any of the notes.

Description of ACS Servicing Agreement

The trust has entered into a Federal FFEL Servicing Agreement, dated as of July 1, 2004 (the "ACS servicing agreement") with ACS. Pursuant to the ACS servicing agreement, ACS generally agrees to provide all customary student loan servicing activities with respect to the financed student loans. Such services generally include maintaining custody of copies of promissory notes and related documentation, billing for and processing payments from borrowers, undertaking certain required collection activities with respect to delinquent loans, submitting guarantee claims with respect to defaulted loans, establishing and maintaining records with respect to its servicing activities, and providing certain reports of its activities and the

student loan portfolios serviced by them. ACS agrees to service the financed student loans in compliance with the Higher Education Act, the guidelines of the applicable guarantee agency, and all applicable federal and state laws and regulations.

The ACS servicing agreement has an initial term of three years commencing on July 1, 2004 and automatically extends for one additional year each year thereafter, unless either party gives 90 days written notice prior to the end of the initial term or any extension of the term. Either party has an option to terminate the ACS servicing agreement if a material breach of the agreement has not been cured within 90 days (30 days if the material breach is non-payment of ACS's fees) following written notice thereof. ACS may terminate or amend (as set forth in the ACS servicing agreement) the ACS servicing agreement if, in ACS's reasonable determination, changes in any current or future law, regulation or other requirement applicable to the loans it services under the ACS servicing agreement expose ACS to a materially increased risk of liability to certain parties, impose materially increased duties or obligations, upon ACS, cause ACS to incur additional material expenses or materially restrict or derogate from ACS's indemnification rights or limits of liability. Additionally, the trust may terminate the ACS servicing agreement if ACS announces or actually commences a wind-down of its servicing activities.

The trust pays ACS a monthly fee for the servicing of financed student loans according to schedules set forth in the ACS servicing agreement. The fees are subject to annual adjustments.

Pursuant to the ACS servicing agreement, ACS is entitled to cure any errors or omissions in the performance of its duties required under the ACS servicing agreement by reperformance of such duties to the extent such reperformance will reasonably eliminate or mitigate losses to the trust. The ACS servicing agreement further provides that ACS shall not be liable in the performance of services except for willful misconduct or negligence and then only to the extent of principal and interest on rejected claims. ACS's liability for loans that entered repayment status prior to the date ACS assumed servicing responsibility for such loan or loans or which have previously been cured following non-ACS servicing error is limited to general money damages in an aggregate amount not to exceed compensation theretofore paid with respect to such serviced loan.

Under the ACS servicing agreement, ACS is not liable for its failure to comply with any law, rule, regulation or other requirement applicable to any serviced loans which was not articulated in writing and actually made known to ACS, which is inconsistent with industry practice or prior guarantee agency conduct or during any period in which the Department of Education and/or any guarantee agency shall have indicated that it will not enforce such requirement. ACS is not liable for any incidental, indirect, special, punitive or consequential damages, for failure to provide services because of reasons beyond its control, for any violation of applicable law, regulation or other requirement under the ACS servicing agreement where ACS's action or inaction was not negligent, for any losses, liabilities or expenses arising from or relating to guarantee agency error, for any losses, liabilities or expenses arising from electronic data interchange failure not directly related to ACS's negligence, or for the uncollectibility or non-payment with respect to accounts serviced under the ACS servicing agreement or the failure of a guarantee agency to pay any claim except where such uncollectibility or failure is a result of ACS's negligence or willful misconduct.

In certain circumstances the trust is required to indemnify ACS for all claims, losses, liabilities and reasonable expenses unless a court determines that such claim or action is the direct result of ACS's negligence or willful misconduct; provided, however, the trust's obligation to indemnify ACS pursuant to the ACS servicing agreement is subordinate to the rights of the noteholders under the indenture and is payable only to the extent that monies may be released from lien of the indenture. If a court determines that such claim or action was the direct result of ACS's negligence or willful misconduct, ACS is required to indemnify the trust.

The information included in this offering memorandum supplement relating to ACS has been obtained from ACS and has not been independently verified by us. The inclusion of this information is not, and should not be construed as, a representation by us or our counsel as to its accuracy or completeness or otherwise.

ACS Education Services, Inc.

ACS Education Services, Inc. ACS is a for-profit corporation and a wholly-owned subsidiary of Affiliated Computer Services, Inc. ("ACSI"). Headquartered in Dallas, Texas, ACSI is a Fortune 500 company providing business process and technology outsourcing solutions to world-class commercial and government clients. ACSI's Class A common stock trades on the New York Stock Exchange under the symbol "ACS". As of April 2006, ACS provided loan servicing for approximately \$119 billion in student and parental loans, including approximately \$88 billion in Federal Direct Student Loans under contract with the U.S. Department of Education. ACS has its headquarters at One World Trade Center, Suite 2200, Long Beach, California 90831, and has regional processing centers in Long Beach and Bakersfield, California; Utica, New York; and Lombard, Illinois.

The ACS Guaranteed Loan Servicing Group ("GLS") has approximately 600 employees providing full service loan origination and servicing for the Federal Stafford and PLUS student loan programs and 30 alternative/private loan programs. ACS GLS has over 37 years of experience providing outsourcing services to student loan issuers and services approximately 1.9 million borrowers with loans valued at approximately \$27 billion. ACS GLS has grown approximately 20% over the past 3 years. ACS GLS is the only independent third party servicer in the country and neither makes nor holds loans.

Conversion services include set-up of new accounts to the servicing platform from our in-house origination system or a lender's system. This area also supports transfer of existing portfolios from other servicer's platforms, loan sales and securitizations. Collections and skip trace are performed in accordance with Federal regulations. ACS routinely performs due diligence activities that exceed the minimums as detailed in the Federal regulations for Stafford and PLUS loans.

In March 2005, ACS received the Exceptional Performer designation from the U.S. Department of Education. As a result, lenders serviced by ACS are eligible to receive 100% (99% on and after July 1, 2006) reimbursement on all claims submitted for insurance as long as ACS retains the Exceptional Performer designation. ACS could lose its Exceptional Performer designation as a result of a variety of factors, including changes to the Higher Education Act, or

if subsequent audits fail to meet the U.S. Department of Education's standards for continuing such designation.

Description of GLELSI Servicing Agreement

The trust has entered into a Student Loan Origination and Servicing Agreement, dated as of October 15, 2004 (the "GLELSI servicing agreement") with GLELSI. Pursuant to the GLELSI servicing agreement, GLELSI services the student loans acquired by the trust which are guaranteed by Great Lakes Higher Education Guaranty Corporation and submitted to it for servicing in accordance with the specifications of the Higher Education Act and as set forth in the GLELSI servicing agreement.

Pursuant to the GLELSI servicing agreement, GLELSI generally agrees to provide all customary student loan servicing activities with respect to the student loans. Such services generally include maintaining custody of copies of promissory notes and related documentation, billing for and processing payments from borrowers, undertaking certain required collection activities with respect to delinquent loans, submitting guarantee claims with respect to defaulted loans, 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. GLELSI agrees to service the student loans in compliance with the Higher Education Act, the guidelines of the applicable guarantor, and all applicable federal laws and regulations. If a student loan loses its guarantee as the result of the negligence of GLELSI and the servicing error cannot be cured, then GLELSI or an affiliate will indemnify the trust for its losses as provided in the GLELSI servicing agreement.

The GLELSI servicing agreement continues in force until terminated or modified as set forth therein. The GLELSI servicing agreement may be terminated only at the end of a calendar quarter and only if written notice is given: (a) by the trust to GLELSI, at least 30 days prior to the end of a calendar quarter, or (b) by GLELSI, to the servicing contractor at least 180 days prior to the end of a calendar quarter. Upon termination by the trust, the trust is obligated to pay a termination fee set forth in the GLELSI servicing agreement.

The trust pays GLELSI a monthly fee for the servicing of student loans according to schedules set forth in the GLELSI servicing agreement. The fees are subject to periodic adjustment.

The information included in this offering memorandum supplement relating to Great Lakes has been obtained from Great Lakes and has not been independently verified by us. The inclusion of this information is not, and should not be construed as, a representation by us or our counsel as to its accuracy or completeness or otherwise.

Great Lakes Educational Loan Services, Inc.

General. Great Lakes Educational Loan Services, Inc. ("GLELSI") acts as a loan servicing agent for the trust. GLELSI is a wholly owned subsidiary of Great Lakes Higher Education Corporation ("GLHEC"), a Wisconsin nonstock, nonprofit corporation. The primary operations center for GLHEC and its affiliates (including GLELSI) is in Madison, Wisconsin, which includes the data processing center and operational staff offices for both guarantee support

services provided by GLELSI to GLHEC and affiliates and third-party guarantee agencies and lender servicing and origination functions. GLHEC and affiliates also maintain regional offices in Columbus, Ohio and St. Paul, Minnesota and customer support staff located nationally.

In 1977, Great Lakes Higher Education Corporation (“GLHEC”) (formerly known as Wisconsin Higher Education Corporation) established the Lender Servicing Program to encourage private lenders to participate in the FFELP. In 1985, GLHEC added loan origination services for lenders. In 1995, GLHEC began originating and servicing private alternative loans for lenders. In 1996, Great Lakes Educational Loan Services, Inc. (“GLELSI”) was formed as a loan servicing subsidiary corporation of GLHEC.

In June 2004, GLELSI received the Exceptional Performer designation from the Department of Education. As a result, lenders serviced by GLELSI are eligible to receive the maximum reimbursement on all claims submitted for insurance. Lenders risk sharing exposure is reduced as long as GLELSI retains the Exceptional Performer designation. GLELSI could lose its Exceptional Performer designation as a result of a variety of factors, including changes to the Higher Education Act. GLELSI could also lose Exceptional Performer status if subsequent audits fail to meet the Department of Education’s standards.

In March 2005, Moody’s Investors Service assigned its highest servicer quality (SQ) rating of SQ1 to GLELSI as a servicer of FFELP student loans. Moody’s SQ ratings represent its view of a servicer’s ability to prevent or mitigate losses across changing markets. Moody’s rating incorporates an assessment of performance measurements including delinquency transition rates, cure rates, claim reject rates - all valuable indicators of a servicer’s ability to get maximum returns from student loan portfolios.

As of February 28, 2006, GLELSI serviced 1,863,699 student and parental accounts with an outstanding balance of \$28.5 billion for over 1,200 lenders nationwide. As of February 28, 2006, 63% of the portfolio serviced by GLELSI was in repayment status, 5% was in grace status and the remaining 32% was in interim status. The total number of serviced accounts has grown by an annual average of 10.3% over the past ten years and 12.6% over the past five years. The number of FFELP accounts has grown by an annual average of 8.9% over the past ten years and 11.4% over the past five years. The number of private alternative loan accounts has grown by an annual average of 63.9% over the past ten years and 24.7% over the past five years. GLELSI will provide a copy of GLHEC’s most recent consolidated financial statements on receipt of a written request directed to 2401 International Lane, Madison, Wisconsin 53704, Attention: Chief Financial Officer.

ERISA Considerations

The series 2006-1 notes may be acquired by, or on behalf of, employee benefit plans or other retirement arrangements which are subject to Title I of ERISA and/or Section 4975 of the Code (each a “Plan”), provided the proposed transfer and/or holding of a series 2006-1 note will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or such prohibited transaction will be covered under an individual or class prohibited transaction exemption including, but not limited to, PTCE 84-14 (regarding plan asset transactions determined by independent qualified professional asset managers); PTCE 91-38 (regarding

certain transactions involving bank collective investment funds); PTCE 90-1 (regarding certain transactions involving insurance company pooled separate accounts), PTCE 95-60 (regarding certain transactions involving insurance company general accounts), and PTE 96-23 (regarding plan asset transactions determined by in-house asset managers) (“Investor-Based Exemption”). An acquisition of a series 2006-1 note by an investor shall be deemed a representation that such investor is either not a Plan or that if it is a Plan that no prohibited transaction will result from the acquisition and/or holding of the series 2006-1 note which will not be covered by an Investor-Based Exemption or some other applicable exemption. See the discussion of additional considerations regarding the acquisition and/or holding of the notes by Plans and other retirement arrangements not subject to ERISA under the caption “ERISA Considerations” in the accompanying offering memorandum.

Federal Income Tax Considerations

On the closing date, Stroock & Stroock & Lavan LLP, New York, New York will render, with respect to the series 2006-1 notes, its opinion to the effect that the series 2006-1 notes will be treated as debt, rather than as an interest in the student loans, and that the trust will not be characterized as an association or publicly traded partnership taxable as a corporation, each for federal income tax purposes. Such opinion is not binding on the Internal Revenue Service and there is no assurance that such characterizations would prevail if challenged. See the caption “Federal Income Tax Consequences” in the accompanying offering memorandum.

Investor Suitability

The series 2006-1 notes may be purchased only by “qualified institutional buyers” as defined in Rule 144A of the Securities Act (“Rule 144A”) or, with respect to the series 2006-1 LIBOR rate notes, non-U.S. persons (as defined in Regulation S) in reliance on Regulation S of the Securities Act (“Regulation S”). In addition, the series 2006-1 notes are subject to certain restrictions on transfer. See the caption “Notice to Investors; Transfer Restrictions” herein. The trust will have the right, in its sole and absolute discretion, to reject a subscription for series 2006-1 notes in whole or in part, or to allot less than the principal amount of series 2006-1 notes for which subscriptions are received for any reason. See the caption “Plan of Distribution” herein.

THE FOREGOING SUITABILITY STANDARDS ARE MINIMUM REQUIREMENTS FOR PROSPECTIVE PURCHASERS OF THE SERIES 2006-1 NOTES. THE SATISFACTION OF SUCH STANDARDS DOES NOT NECESSARILY MEAN THAT THE SERIES 2006-1 NOTES ARE A SUITABLE INVESTMENT FOR A PROSPECTIVE INVESTOR OR THAT ITS SUBSCRIPTION WILL BE ACCEPTED IN WHOLE OR IN PART BY THE TRUST. ACCORDINGLY, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT WITH ITS OWN TAX AND FINANCIAL ADVISORS TO DETERMINE WHETHER AN INVESTMENT IN THE SERIES 2006-1 NOTES IS APPROPRIATE IN LIGHT OF ITS INDIVIDUAL TAX AND FINANCIAL SITUATION. SEE THE CAPTIONS “RISK FACTORS,” “ERISA CONSIDERATIONS” AND “FEDERAL INCOME TAX CONSEQUENCES” HEREIN AND IN THE ACCOMPANYING OFFERING MEMORANDUM.

Notice to Investors; Transfer Restrictions

Each purchaser of series 2006-1 Notes from the initial purchasers, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the trust and the initial purchasers as follows:

(a) It understands and acknowledges that the series 2006-1 notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws pursuant to Rule 144A or, with respect to the series 2006-1 LIBOR rate notes, pursuant to Regulation S, that the series 2006-1 notes have not been registered 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 in paragraph (d) below.

(b) It is a qualified institutional buyer or, with respect to the series 2006-1 LIBOR rate notes, is a person (other than a U.S. person as defined in Regulation S) outside of the United States of America, and is aware that any sale of the series 2006-notes to it will be made in reliance on Rule 144A or, with respect to the series 2006-1 LIBOR rate notes, pursuant to Regulation S. Such acquisition will be for its own account or for the account of another qualified institutional buyer.

(c) It acknowledges that none of the trust or the initial purchasers or any person representing the trust or the initial purchasers has made any representation to it with respect to the trust or the offering or sale of any series 2006-1 notes, other than the information contained in this offering memorandum supplement and in the accompanying offering memorandum, which has been delivered to it and upon which it is relying in making its investment decision with respect to the series 2006-1 notes. It has had access to such financial and other information concerning the trust and the series 2006-1 notes as it has deemed necessary in connection with its decision to purchase the series 2006-1 notes, including an opportunity to ask questions of and request information from the trust and the initial purchasers.

(d) It is purchasing the series 2006-1 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 series 2006-1 notes pursuant to Rule 144A or, with respect to the series 2006-1 LIBOR rate notes, pursuant to Regulation S, 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 series 2006-1 notes and each subsequent holder of the series 2006-1 notes by its acceptance thereof will agree to offer, sell or otherwise transfer such series 2006-1 notes only (i) to the trust; (ii) to a person it reasonably believes is a qualified institutional buyer that purchases for its own account or for the

account of a qualified institutional buyer or (iii) with respect to the series 2006-1 LIBOR rate notes, a person (other than a U.S. person as defined in Regulation S) outside of the United States of America, and with respect to clauses (ii) and (iii) above, to whom notice is given that the transfer is being made in reliance on Rule 144A or, with respect to the series 2006-1 LIBOR rate notes, in reliance on Regulation S. Each purchaser acknowledges that each series 2006-1 note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR REGISTERED OR QUALIFIED 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 (i) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB"), PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, PURCHASING FOR INVESTMENT AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, SUBJECT TO THE RECEIPT BY THE INDENTURE TRUSTEE OF SUCH EVIDENCE ACCEPTABLE TO THE INDENTURE TRUSTEE THAT SUCH REOFFER, RESALE, PLEDGE OR TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS, (ii) WITH RESPECT TO THE SERIES 2006-1 LIBOR RATE NOTES, PURSUANT TO REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A PERSON (OTHER THAN A U.S. PERSON) OUTSIDE OF THE UNITED STATES OF AMERICA AS PROVIDED IN REGULATION S, (iii) PURSUANT TO ANOTHER EXEMPTION AVAILABLE UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (iv) PURSUANT TO A VALID REGISTRATION STATEMENT.

(e) The purchaser (i) is not itself, and is not acquiring the series 2006-1 Notes with "plan assets" of an employee benefit or other plan subject to Title I of ERISA, or Section 4975 of the Code (each, a "Plan"), or an entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity"); or (ii)(A) is itself, or is acquiring the series 2006-1 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 series 2006-1 notes, under circumstances such that PTCE 84-14 is applicable to the purchase and holding of series 2006-1 notes; (B) is itself, or is acquiring series 2006-1 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 series 2006-1 notes, under circumstances such that PTCE 96-23 is applicable to the purchase and holding of such series 2006-1 notes; (C) is an insurance company pooled separate account purchasing series 2006-1 notes pursuant to Section I of PTCE 90-1 or a bank collective investment fund purchasing series 2006-1 notes pursuant to Section 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) that is acquiring the series 2006-1 notes under circumstances such that PTCE 90-1 or 91-38 is applicable for the purchase and holding of such series 2006-1 notes; or (D) is an insurance company using the assets of its general account to purchase the series 2006-1 notes pursuant to Section 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, that is acquiring the series 2006-1 notes under circumstances such that PTCE is applicable to the purchase and holding of the series 2006-1 notes.

(f) It acknowledges that the trust, the 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 warranties deemed to have been made by it by its purchase of series 2006-1 notes are no longer accurate, it will promptly notify the initial purchasers and the trust. If it is acquiring any series 2006-1 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.

Listing Information

Application has been made to the Financial Regulator in Ireland for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the series 2006-1 LIBOR rate notes to be admitted to the Official List and trading on its regulated market. There can be no assurance that this listing will be obtained. The issuance and settlement of the series 2006-1 notes is not conditioned on the listing of the series 2006-1 LIBOR rate notes on The Irish Stock Exchange.

The issuance of the series 2006-1 notes was authorized by the depositor on June 1, 2006. For so long as the series 2006-1 senior notes are listed on the Irish Stock Exchange, the trust agreement and the indenture will be available for inspection in electronic or physical format at our principal office at 10935 Vista Sorrento Parkway, Suite 350, San Diego, CA 92130. The series 2006-1 notes will be governed under New York law.

The trust has made no financial statements as of the date of the Prospectus.

It is expected that the fees in relation to the admission to trading of the series 2006-1 senior notes on the regulated market of the Irish Stock Exchange will be approximately €20,000.

For the last 12 months, we have not been involved in any governmental, legal or arbitration proceedings relating to claims on accounts which are material in the context of the issue of the series 2006-1 notes nor, so far as we are aware, are any such proceedings pending or threatened.

Plan of Distribution

Subject to the terms and conditions set forth in a note purchase agreement (the “LIBOR rate note purchase agreement”) among the trust, Academic Loan Group, LLC, Academic Loan Group, Inc., ALG Student Loan Funding I, LLC and RBC Capital Markets, Goldman, Sachs & Co. and Greenwich Capital Markets, Inc., as initial purchasers (the “initial purchasers”), and a note purchase agreement (the “auction rate note purchase agreement” and together with the LIBOR rate note purchase agreement, the “note purchase agreements”) among the trust, Academic Loan Group, LLC, Academic Loan Group, Inc., ALG Student Loan Funding I, LLC and RBC Capital Markets, as initial purchaser, the trust has agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from the trust, the series 2006-1 notes.

Pursuant to the note purchase agreements, the initial purchasers have agreed, subject to the terms and conditions set forth therein, to purchase all of the series 2006-1 notes offered hereby, if any series 2006-1 notes are purchased, as set forth below.

Initial Purchaser	Senior 2006-1A-1 LIBOR Rate Notes	Senior 2006-1A-2 LIBOR Rate Notes	Senior 2006-1A-3 LIBOR Rate Notes	Senior 2006-1A-4 LIBOR Rate Notes	Series 2006-1 Auction Rate Notes
RBC Capital Markets	\$92,800,000	\$184,800,000	\$200,000,000	\$122,400,000	\$250,000,000
Goldman, Sachs & Co.	11,600,000	23,100,000	25,000,000	15,300,000	-0-
Greenwich Capital Markets, Inc.	<u>11,600,000</u>	<u>23,100,000</u>	<u>25,000,000</u>	<u>15,300,000</u>	<u>-0-</u>
Total	<u>\$116,000,000</u>	<u>\$231,000,000</u>	<u>\$250,000,000</u>	<u>\$153,000,000</u>	<u>\$250,000,000</u>

The trust has been advised by the initial purchasers that the initial purchasers propose initially to offer the series 2006-1 notes at an offering price equal to 100% of the series 2006-1 notes being purchased.

Each note purchase agreement provides that Academic Loan Group, LLC and Academic Loan Group, Inc. will indemnify the initial purchasers thereunder against certain liabilities, including liabilities under applicable securities laws, or contribute to payments the initial purchasers may be required to make in respect thereof.

From time to time, the initial purchasers and their affiliates perform investment banking and advisory services for, and may provide general financing and banking services us and our affiliates. An affiliate of one of the initial purchasers acts as the lender under the warehouse

agreement utilized by ALG Student Loan Funding Warehouse I, LLC to finance certain student loans that will eventually be sold to the trust.

The initial purchasers may engage in over allotment, stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934, as amended. Overallotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specific maximum. Syndicate covering transactions involve purchases of the series 2006-1 notes in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the initial purchasers to reclaim a selling concession from a syndicate member when the series 2006-1 notes originally sold by such syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. Such stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the series 2006-1 notes to be higher than it would otherwise be in the absence of such transactions.

Each of the initial purchasers has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity, within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”), received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the trust; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the series 2006-1 notes in, from or otherwise involving the United Kingdom.

No action has been or will be taken by us or the initial purchasers that would permit a public offering of the series 2006-1 notes in any country or jurisdiction other than in the United States, where action for that purpose is required. Accordingly, the series 2006-1 notes may not be offered or sold, directly or indirectly, and neither this offering memorandum supplement and the accompanying offering memorandum, nor any circular, prospectus, form of application, advertisement or other material may 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 offering memorandum supplement and the accompanying offering memorandum comes are required by us and the initial purchasers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, sell or deliver notes or have in their possession or distribute this offering memorandum supplement and the accompanying offering memorandum, in all cases at their own expense.

We have not authorized any offer of the series 2006-1 notes to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended, and the FSMA. The series 2006-1 notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the

United Kingdom within the meaning of these regulations or otherwise in compliance with all applicable provisions of these regulations and the FSMA.

Legal Matters

Certain legal matters, including certain federal income tax matters, will be passed upon by Stroock & Stroock & Lavan LLP, counsel to the trust, the depositor, Academic Loan Group, LLC, ALG Student Loan Funding Warehouse I, LLC and Academic Loan Group, Inc. Certain legal matters will be passed upon for the initial purchasers by Kutak Rock LLP. Richards, Layton & Finger, P.A., as Delaware counsel for the trust, will pass upon Delaware matters for the trust.

SCHEDULE A

The following Targeted Balance Schedule pertains to the trust's series 2006-1 LIBOR rate notes. This Targeted Balance Schedule is computed assuming, among other assumptions, that the aggregate principal balance of each series of the series 2006-1 LIBOR rate notes would be reduced to the respective balances for each such series set forth in the table below if prepayments on the student loans in the trust plus the student loans to be added to the trust during the acquisition period were prepaid at a constant rate between approximately (a) 0% and 8% CPR in the case of the series 2006-1A-1 LIBOR rate notes, (b) 1% and 8% CPR in the case of the series 2006-1A-2 LIBOR rate notes, (c) 1% and 8% CPR in the case of the series 2006-1A-3 LIBOR rate notes and (d) 0% and 8% CPR in the case of the series 2006-1A-4 LIBOR rate notes. CPR represents an assumed constant rate of prepayment per annum each month relative to the then outstanding principal balance of the student loans. Other assumptions are made which could impact this schedule. We make no representation regarding whether the assumptions used will occur as projected.

Quarterly Distribution Date	Series 2006-1A-1 LIBOR Rate Notes Targeted Balance	Series 2006-1A-2 LIBOR Rate Notes Targeted Balance	Series 2006-1A-3 LIBOR Rate Notes Targeted Balance	Series 2006-1A-4 LIBOR Rate Notes Targeted Balance
Original Balance	\$116,000,000	\$231,000,000	\$250,000,000	\$153,000,000
July 28, 2006	116,000,000	231,000,000	250,000,000	153,000,000
October 28, 2006	116,000,000	231,000,000	250,000,000	153,000,000
January 28, 2007	116,000,000	231,000,000	250,000,000	153,000,000
April 28, 2007	114,000,000	231,000,000	250,000,000	153,000,000
July 28, 2007	112,000,000	231,000,000	250,000,000	153,000,000
October 28, 2007	110,000,000	231,000,000	250,000,000	153,000,000
January 28, 2008	100,000,000	231,000,000	250,000,000	153,000,000
April 28, 2008	90,000,000	231,000,000	250,000,000	153,000,000
July 28, 2008	80,000,000	231,000,000	250,000,000	153,000,000
October 28, 2008	70,000,000	231,000,000	250,000,000	153,000,000
January 28, 2009	60,000,000	231,000,000	250,000,000	153,000,000
April 28, 2009	50,000,000	231,000,000	250,000,000	153,000,000
July 28, 2009	40,000,000	231,000,000	250,000,000	153,000,000
October 28, 2009	30,000,000	231,000,000	250,000,000	153,000,000
January 28, 2010	20,000,000	231,000,000	250,000,000	153,000,000
April 28, 2010	10,000,000	231,000,000	250,000,000	153,000,000
July 28, 2010	--	231,000,000	250,000,000	153,000,000
October 28, 2010		220,000,000	250,000,000	153,000,000
January 28, 2011		209,000,000	250,000,000	153,000,000
April 28, 2011		198,000,000	250,000,000	153,000,000
July 28, 2011		187,000,000	250,000,000	153,000,000
October 28, 2011		176,000,000	250,000,000	153,000,000
January 28, 2012		165,000,000	250,000,000	153,000,000
April 28, 2012		154,000,000	250,000,000	153,000,000
July 28, 2012		143,000,000	250,000,000	153,000,000
October 28, 2012		132,000,000	250,000,000	153,000,000
January 28, 2013		120,000,000	250,000,000	153,000,000
April 28, 2013		108,000,000	250,000,000	153,000,000
July 28, 2013		96,000,000	250,000,000	153,000,000
October 28, 2013		84,000,000	250,000,000	153,000,000
January 28, 2014		72,000,000	250,000,000	153,000,000
April 28, 2014		60,000,000	250,000,000	153,000,000
July 28, 2014		48,000,000	250,000,000	153,000,000
October 28, 2014		36,000,000	250,000,000	153,000,000
January 28, 2015		24,000,000	250,000,000	153,000,000
April 28, 2015		12,000,000	250,000,000	153,000,000

<u>Quarterly Distribution Date</u>	<u>Series 2006-1A-1 LIBOR Rate Notes Targeted Balance</u>	<u>Series 2006-1A-2 LIBOR Rate Notes Targeted Balance</u>	<u>Series 2006-1A-3 LIBOR Rate Notes Targeted Balance</u>	<u>Series 2006-1A-4 LIBOR Rate Notes Targeted Balance</u>
July 28, 2015		--	250,000,000	153,000,000
October 28, 2015			238,000,000	153,000,000
January 28, 2016			226,000,000	153,000,000
April 28, 2016			214,000,000	153,000,000
July 28, 2016			202,000,000	153,000,000
October 28, 2016			190,000,000	153,000,000
January 28, 2017			178,000,000	153,000,000
April 28, 2017			166,000,000	153,000,000
July 28, 2017			154,000,000	153,000,000
October 28, 2017			142,000,000	153,000,000
January 28, 2018			130,000,000	153,000,000
April 28, 2018			117,000,000	153,000,000
July 28, 2018			104,000,000	153,000,000
October 28, 2018			91,000,000	153,000,000
January 28, 2019			78,000,000	153,000,000
April 28, 2019			65,000,000	153,000,000
July 28, 2019			52,000,000	153,000,000
October 28, 2019			39,000,000	153,000,000
January 28, 2020			26,000,000	153,000,000
April 28, 2020			13,000,000	153,000,000
July 28, 2020			--	153,000,000
October 28, 2020				140,000,000
January 28, 2021				126,000,000
April 28, 2021				112,000,000
July 28, 2021				98,000,000
October 28, 2021				84,000,000
January 28, 2022				70,000,000
April 28, 2022				56,000,000
July 28, 2022				42,000,000
October 28, 2022				28,000,000
January 28, 2023				14,000,000
April 28, 2023				--

DIRECTORY

Depositor

ALG Student Loan Funding, LLC
10935 Vista Sorrento Parkway, Suite 350
San Diego, CA 92130
USA

Initial Purchasers

RBC Capital Markets
2398 E. Camelback Road, Suite 700
Phoenix, AZ 85016
USA

Goldman, Sachs & Co.
85 Broad Street , 27th Floor
New York, NY 10004
USA

Greenwich Capital Markets, Inc.
600 Steamboat Road
Greenwich, CT 06830
USA

Servicers

ACS Education Services, Inc.
2277 East 220th Street
Long Beach, CA 90810
USA

Great Lakes Educational Loan Services, Inc.
2401 International Lane
Madison, WI 53704
USA

Eligible Lender Trustee, Indenture Trustee and Registrar

Deutsche Bank Trust Company Americas
60 Wall Street
MS NYC 60-2606
New York, NY 10005-2858
USA

Delaware Trustee

Wilmington Trust Company
1100 North Market Street
Wilmington, DE 19890
USA

Legal Advisor

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, NY 10038
USA

Administrator

Academic Loan Group, LLC
10935 Vista Sorrento Parkway, Suite 350
San Diego, CA 92130
USA

Listing Agent

McCann FitzGerald Listing Services Limited
2 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

Irish Paying Agent

Custom House Administration and Corporate Services
Limited
25 Eden Quay
Dublin 1
Ireland

OFFERING MEMORANDUM

ALG STUDENT LOAN TRUST I

Issuer

ALG Student Loan Funding I, LLC

Depositor

Academic Loan Group, Inc.

Originator

Academic Loan Group, LLC

Issuer Administrator

STUDENT LOAN BACKED NOTES

ALG Student Loan Trust I will issue notes from time to time in one or more series. The specific terms of the notes included in each series, along with information relating to the outstanding notes of any previously issued series, will be described in a supplement to this offering memorandum.

Proceeds from the sale of notes will be used to acquire portfolios of student loans. All student loans acquired by the trust will have been originated by eligible lenders under the Federal Family Education Loan Program. Those student loans will be pledged to secure repayment of the notes. The notes will be limited obligations of the trust payable solely from the student loans that the trust acquires and the other assets of the trust. The notes will not be guaranteed by any other person.

You should read this offering memorandum and any offering memorandum supplement carefully before you invest. This offering memorandum may be used to offer and sell the notes only if it is accompanied by an offering memorandum supplement.

Offers of the notes may be made by different methods, as more fully described under “Plan of Distribution” herein and in the related offering memorandum supplement. Unless otherwise indicated for a series of the notes, the notes will not be listed on a national securities exchange.

The date of this offering memorandum is July 17, 2006.

About This Offering Memorandum

ALG Student Loan Trust I will issue notes from time to time in one or more series. All notes that the trust will issue will be secured by a common pool of student loans that the trust will acquire with the proceeds from the sale of the notes. This offering memorandum provides you with a general description of the notes the trust may offer. Each time notes are sold, we will provide an offering memorandum supplement relating to the series of notes being offered that will include:

- a description of the aggregate principal amount, authorized denominations and interest rate or rates, or the manner of determining the interest rate or rates, of each series of the notes to be sold;
- information concerning the student loans underlying the notes;
- information with respect to any notes the trust may have previously issued that are secured by a common pool of assets that secure payment of the notes described in the offering memorandum supplement;
- information concerning the guarantee agencies providing guarantees for the student loans;
- information concerning the companies engaged to service the student loans;
- information with respect to any credit or cash flow enhancements designed to reduce the risk to investors caused by shortfalls in payments on the student loans; and
- any updates or changes to the information presented in this offering memorandum.

You should rely only on the information contained in or incorporated by reference into this offering memorandum and any offering memorandum supplement. No person is authorized to provide you with different information. Notes will not be offered for sale in any state where the offer is not permitted. You should not assume that the information in this offering memorandum or any offering memorandum supplement is accurate as of any date other than the date appearing on the front cover of those documents.

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Summary of the Offering

The following summary highlights selected information from this offering memorandum but does not contain all of the information you should consider before making an investment decision. Before deciding to purchase any notes, you should read the more detailed information appearing in this offering memorandum and in the related offering memorandum supplement.

Overview

ALG Student Loan Trust I is a Delaware statutory trust that will from time to time sell notes in one or more series and purchase pools of student loans with the proceeds received from these sales. Unlike other issuers that create separate trusts each time they sell securities, all of the notes we sell will be secured by all the student loans we acquire and pledge under the indenture. The priority of payments among the various series of notes sold by the trust will be described in the related offering memorandum supplement. These payments will come principally from amounts received on the student loans held by the trust.

Prior Notes

Each offering memorandum supplement will provide certain information describing each series of notes issued by the trust that will be outstanding on the date of the offering memorandum supplement. This information will include:

- name and designations of each series;
- date that the series was issued;
- original principal amount;
- outstanding principal amount;
- interest rate or method used to determine the interest rate;

- legal final maturity date; and
- whether the notes are senior, subordinate or junior subordinate notes.

Parties

Issuer: ALG Student Loan Trust I, a Delaware statutory trust formed under a trust agreement between the depositor and the Delaware trustee.

Depositor: ALG Student Loan Funding I, LLC. You may contact ALG Student Loan Funding I, LLC at 10935 Vista Sorrento Parkway, Suite 350, San Diego, California 92130, or by phone at (800) 664-5339.

Originator: Academic Loan Group, Inc., a Delaware corporation has originated, and will originate, the student loans sold to the trust.

Servicers: The servicers of the student loans will be identified in each offering memorandum supplement. We may replace any servicer with one or more new servicers or add one or more new servicers not listed in an offering memorandum supplement under certain circumstances.

Issuer Administrator: Academic Loan Group, LLC will provide certain administrative services for the trust.

Eligible Lender Trustee and Indenture Trustee: Deutsche Bank Trust Company Americas is the eligible lender trustee for

the trust and also is the indenture trustee under the indenture governing the trust's issuance of notes.

Delaware Trustee: Wilmington Trust Company acts as the Delaware trustee for the trust.

Interest rates

The offering memorandum supplement will describe the interest that will be paid on the notes. The interest rate may be fixed for the full term of the notes, or the interest rate may be subject to periodic adjustment including, but not limited to, the following:

Auction Rate Notes. The trust may issue series of notes that bear interest at a rate determined by auction. The initial interest rate for these auction rate notes, or the method for determining the initial interest rate, will be described in the related offering memorandum supplement. The interest rates for the auction rate notes will be reset prior to each auction period pursuant to the auction procedures.

The auction procedures are summarized and an example of an auction is included under the caption "Description of the Notes—Auction rate notes" herein.

Index rate notes. The trust may issue series of notes that bear interest at a rate determined by reference to LIBOR, by reference to United States Treasury securities, by reference to a commercial paper index or by reference to another index described in an offering memorandum supplement. These notes will bear interest at an initial rate described in the related offering memorandum supplement. Thereafter, the interest rate for LIBOR rate notes will be determined periodically by reference to the designated LIBOR rate, the interest rate for treasury rate notes will be

determined periodically by reference to the rate of interest paid on designated U.S. Treasury securities, the interest rate for commercial paper notes will be determined by reference to the designated commercial paper index and the interest rate for other index rate notes will be determined periodically by reference to the index described in the related offering memorandum supplement. See the caption "Description of the Notes—LIBOR rate notes" and "—Treasury rate notes" herein.

Accrual notes. The trust may issue one or more series of accrual notes. Accrual notes will not be entitled to receive payments of interest during the designated accrual period. Instead, interest accrued on the accrual notes will be capitalized and added to their principal balance. The rate of interest to be accrued and the accrual period will be specified in the related offering memorandum supplement. See the caption "Description of the Notes—Accrual notes" herein.

Original issue discount notes. The trust may issue series of notes at a discount from the principal amount payable at maturity that pay no interest or interest at a rate that is below market rates at the time of issuance. The interest paid on these original issue discount notes, if any, and the yield to maturity of the original issue discount notes, will be described in the related offering memorandum supplement. See the caption "Description of the Notes—Original issue discount notes" herein.

Payments on the notes

The indenture trustee will make payments of principal and interest due on the notes on behalf of the trust solely from the assets held by the trust. The assets of the trust will consist of a pool of student loans, payments made on the student loans and funds in

accounts held by the indenture trustee under the indenture. Interest and principal on the notes will be paid on the dates specified in the related offering memorandum supplement. The principal balance of the notes of each series will be payable in full on its stated maturity date, unless earlier redeemed or repaid as described in this offering memorandum or in the related offering memorandum supplement. After any revolving period described in an offering memorandum supplement, principal payments, and to a certain extent excess interest payments, received on student loans will be used to make principal payments on the notes.

Optional Purchase

If provided in the applicable offering memorandum supplement, we may, at our option, purchase, or arrange for the purchase of, some or all of the student loans owned by the trust on any payment date when the outstanding principal amount of one or more series of notes declines to the level specified in that offering memorandum supplement. Our exercise of this purchase option will result in the early retirement of the series of notes specified in the related offering memorandum supplement. See the caption “Summary of the Indenture Provisions—Sale of student loans held in trust estate” herein.

Redemption Provisions

Optional redemption. An offering memorandum supplement relating to a series of notes may permit us to optionally redeem such series of notes from any source of funds. In addition, notes may be redeemed from interest payments received on student loans that are not needed to pay interest on the notes and the trust’s expenses, or the trust may sell some or all of its student loans for not less than their principal balance plus

any unamortized premium and accrued interest and use the proceeds to redeem some or all of its notes. Any limitations on optional redemptions of a series of notes will be described in the offering memorandum supplement relating to the issuance of that series of notes.

Mandatory redemption. If the proceeds from the sale of a series of notes are not used to purchase student loans within the period of time specified in an offering memorandum supplement, those remaining proceeds will be used to redeem notes. The principal payments received on the student loans which are not used to purchase additional student loans and, until the principal balance of the student loans reaches a specified minimum percentage of the principal balance of the outstanding notes, interest received on the student loans, after deducting all required payments, will be used to redeem notes.

Partial redemption. If less than all of the notes of any series are to be redeemed, we will determine the series of notes that will be redeemed. Generally, senior notes will be redeemed before subordinate notes. A supplemental indenture may provide for the issuance of junior subordinate notes, and if so, subordinate notes generally will be redeemed before junior subordinate notes. However, we may have the option of redeeming some or all of the subordinate notes before all of the senior notes are redeemed, and may redeem some or all of the junior subordinate notes before all the senior notes and subordinate notes are redeemed, if specified ratios of assets to liabilities of the trust exceed levels specified in the offering memorandum supplement. See the caption “Description of the Notes—Notice and partial redemption of notes” herein.

Additional Redemption Provisions. As a general rule, we will not redeem any series of notes bearing interest based upon an auction rate unless we have redeemed previously each series of notes then permitted to be redeemed that bear interest based upon a different method that are secured on a parity with the auction rate notes that we will be redeeming. This rule may be amended for one or more series of notes to the extent described in the offering memorandum supplement relating to those notes. We also may amend this rule if each rating agency rating our notes indicates that the proposed amendment will not cause the rating agency to lower or withdraw its rating on each series of our notes.

Student loan assets

The student loans that comprise the assets of the trust will be held by the eligible lender trustee on behalf of the trust. The student loans will have been originated under the Federal Family Education Loan Program to pay costs incurred by students enrolled in qualified, accredited institutions of higher education.

The characteristics of the portfolio of student loans to be acquired by the trust with the proceeds of the notes of any series, and the characteristics of any existing portfolio held by the indenture trustee for the trust, will be described in the related offering memorandum supplement.

Student loan guarantees

The payment of principal and interest on all of the student loans that comprise the assets of the trust will be guaranteed by designated guarantee agencies and will be reinsured by the United States Department of Education pursuant to the Higher Education Act. This guarantee, however, is contingent upon compliance with a variety of regulations

concerning origination and servicing of the student loans. Failure to follow these regulations may result in the guarantee claim for a loan being denied.

Student loans first disbursed prior to October 1, 1993 are fully guaranteed as to principal and accrued interest. Student loans first disbursed after October 1, 1993, but before July 1, 2006, are guaranteed as to 98% of principal and accrued interest, and student loans first disbursed on and after July 1, 2006 are guaranteed as to 97% of principal and accrued interest. It is anticipated that all of the student loans acquired by the trust will have their first disbursements after October 1, 1993; however certain of the student loans will have their first disbursements on or after July 1, 2005 as described in the related offering memorandum supplement.

The Higher Education Act provides that if the Secretary of Education determines that a guarantee agency is unable to meet its obligations to holders of loans, such as the indenture trustee, then the holders may submit guarantee claims directly to the Department of Education. The Department of Education is required to pay the guarantee agency's full insurance obligation to the holders until the obligations are transferred to a new guarantee agency capable of meeting the obligations, or until a qualified successor guarantee agency assumes the obligations. Delays in receiving reimbursement could occur if a guarantee agency fails to meet its obligations.

Subordinate notes

The rights of the owners of subordinate notes to receive payments of principal and interest will be subordinated to the rights of the owners of senior notes issued by the trust to receive payments of principal and interest. The rights of the owners of any

junior subordinate notes issued by the trust to receive payments of principal and interest will be subordinated to the rights of the owners of subordinate notes and senior notes issued by the trust to receive payments of principal and interest. This subordination is intended to enhance the likelihood that the owners of more senior notes will regularly receive the full amount of payments of principal and interest due them and to protect those owners against losses.

Funds

The indenture governing the notes creates the following funds:

Acquisition Fund. Most of the proceeds from the issuance of a series of notes will be deposited into the Acquisition Fund. The trust will use these funds to originate or acquire the student loans that secure the notes and to pay the costs of issuing each series of notes; provided, however, the trust may not originate loans unless the trust shall provide the indenture trustee with confirmation from each rating agency that such originations will not result in the withdrawal or reduction in the then current ratings on any outstanding notes.

If so provided in an offering memorandum supplement, during an acquisition period specified in the offering memorandum supplement, also known as a prefunding period, we will use a specified percentage of the proceeds in the Acquisition Fund to originate or purchase additional portfolios of student loans, to originate or purchase serial loans and to originate consolidation loans. The acquisition period will begin on the date the series of notes are issued and end on the earlier of the date specified in the offering memorandum supplement or upon our determination that we are unable to acquire additional student loans.

If so provided in an offering memorandum supplement, we will use principal payments on the student loans and certain excess interest payments during a revolving period specified in the offering memorandum supplement, to originate or purchase additional portfolios of student loans, to originate or purchase serial loans and to originate consolidation loans. The acquisition period will begin on the date the series of notes are issued and end on the earlier of the date specified in the offering memorandum supplement or upon our determination that we are unable to acquire additional student loans.

Amounts in the Acquisition Fund that are not used by the trust to acquire student loans will be used to redeem notes as described in the related offering memorandum supplement.

Collection Fund. Funds received with respect to student loans will be deposited into the Collection Fund. We also will deposit into the Collection Fund payments we receive under any credit enhancement facilities or swap agreements. Generally, funds on deposit in the Collection Fund will be transferred to other funds and accounts, from which they will be used to pay the fees and expenses of the trust and principal and interest on the notes issued by the trust. A supplemental indenture may provide for the establishment of a capitalized interest account in the Collection Fund. Amounts in the Collection Fund also will be transferred to the Reserve Fund to the extent necessary to restore the Reserve Fund to its required minimum balance and will otherwise be used in accordance with the terms of the indenture and as described in the related offering memorandum supplement.

Administration Fund. Funds in the Administration Fund will be used to pay the trust's ongoing fees and expenses.

Debt Service Fund. The Debt Service Fund is comprised of an Interest Account, a Principal Account and a Retirement Account. Funds transferred from the Collection Fund to the Debt Service Fund will be used to pay interest and principal on the notes, and to purchase or redeem notes as provided in the applicable offering memorandum supplement.

Reserve Fund. In connection with the issuance of each series of notes, we may deposit into the Reserve Fund the amount, if any, specified in the related offering memorandum supplement. The Reserve Fund will be required to be maintained at the balance specified in the related offering memorandum supplement from extra amounts in the Collection Fund and the Surplus Fund. Money in the Reserve Fund will be used to pay interest and principal on the notes and certain other obligations if funds in the Debt Service Fund are insufficient to make those payments. A reserve fund insurance policy may be provided in lieu of a deposit of money to the Reserve Fund if so provided in an offering memorandum supplement.

Surplus Fund. Excess funds in the Collection Account not needed to make transfers or payments in any month will be transferred to the Surplus Fund and will be available on future dates to offset deficiencies in other funds or accounts. Amounts in the Surplus Fund also may be released to the depositor or used to make indemnity payments required under a servicing agreement if, after taking into account any such release, certain asset to liability ratio tests are satisfied. These tests are described herein under the caption “Security and Sources of Payment for the Notes—Surplus Fund” herein, but may be modified if so specified in an offering memorandum supplement.

Additional transfers may be made from certain funds to make up deficiencies in amounts available in other funds, in the manner specified in the indenture.

See the caption “Security and Sources of Payment for the Notes” herein for additional information regarding the funds and accounts.

Credit enhancement and swap agreements

Credit enhancement for a series of notes may be established in the form of:

- insurance policies or surety bonds;
- subordination of certain series or subseries of notes;
- one or more reserve funds;
- letters of credit; or
- other arrangements acceptable to each rating agency rating the notes to provide for coverage of risks of defaults or losses.

The trust may also enter into swap agreements with respect to a series of notes, such as interest rate, currency or other swaps, exchange agreements, interest rate protection agreements and other hedge agreements. The trust’s obligation to make payments in connection with a swap agreement may be secured by a pledge of and lien on the assets of the trust. The source of funds and priority of payments owed in respect of a swap agreement will be specified in the applicable offering memorandum supplement.

Any credit enhancement facility or swap agreement for a series of notes will be described in the related offering memorandum supplement. See the caption “Description of Credit Enhancement and Swap Agreements” herein.

Reports to noteholders

Periodic reports concerning the notes and the security for the notes will be provided to the noteholders. Those reports will not be reviewed by a certified public accounting firm. If notes are issued in book-entry form and registered in the name of Cede & Co., the nominee of The Depository Trust Company, then all reports will be provided to those entities, which in turn will provide the reports to their eligible participants. Those participants will then forward the reports to the beneficial owners of notes. See the caption “Book-Entry Registration” herein.

Risk Factors

You should consider the following factors regarding your purchase of the notes.

The notes are not suitable investments for all investors

The notes are not a suitable investment if you require 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.

Your notes are payable solely from the trust estate and you will have no other recourse against us

Interest and principal on your notes will be paid solely from the funds and assets held in the trust estate created under the indenture. No insurance or guarantee of the notes will be provided by any government agency or instrumentality, by any affiliate of the trust, by any insurance company or by any other person or entity, except to the extent that credit enhancement is provided for a series of notes as described in the related offering memorandum supplement. Therefore, your receipt of payments on the notes will depend solely

- on the amount and timing of payments and collections on the student loans held in the trust estate and interest paid or earnings on the funds held in the accounts established pursuant to the indenture;
- amounts on deposit in the Reserve Fund and other funds held in the trust estate; and
- any form of credit enhancement described in the related offering memorandum supplement.

You will have no additional recourse against any other party if those sources of funds for repayment of the notes are insufficient.

Failure to comply with loan origination and servicing procedures for student loans may result in loss of guarantee and other benefits

The Higher Education Act and its implementing regulations require holders of student loans and guarantee agencies guaranteeing student loans to follow specified procedures in making and collecting student loans.

Failure to follow the specified procedures, as a result of computer software errors or otherwise, may result in:

- the Department of Education's refusal to make insurance payments to the applicable guarantee agency or to make interest subsidy payments and special allowance payments on the student loans of the trust; or
- the guarantee agency's inability or refusal to make guarantee payments on the student loans of the trust.

Each seller (currently only ALG Student Loan Funding I, LLC) is required under its loan purchase agreement to repurchase its loans if the representations and warranties made by the seller prove not to be true or if a claim for a loan is denied because of events occurring before the sale. However, a seller may not be financially able to repurchase loans if called upon to do so.

If the Department of Education or a guarantee agency refused to pay a claim, that refusal would reduce the revenues of the trust and impair its ability to pay principal and interest on your notes.

If a servicer or any subservicer fails to comply with the Department of Education's third-party servicer regulations, payments on your notes could be adversely affected

The Department of Education regulates each servicer of federal student loans. Under these regulations, a third-party servicer, including a servicer or any subservicer, is jointly and severally liable with its client lenders for liabilities to the Department of Education arising from its violation of applicable requirements. In addition, if a servicer or any subservicer fails to meet standards of financial responsibility or administrative capability included in the regulations, or violates other requirements, the Department of Education may fine a servicer or any subservicer and/or limit, suspend, or terminate a servicer's or subservicer's eligibility to contract to service federal student loans. If a servicer or any subservicer were so fined or held liable, or its eligibility were limited, suspended, or terminated, its ability to properly service the student loans and to satisfy its obligation to purchase student loans with respect to which it has breached its representations, warranties or covenants could be adversely affected. In addition, if the Department of Education terminates a servicer's or any subservicer's eligibility, a servicing transfer will take place and there may be delays in collections and temporary disruptions in servicing. Any servicing transfer may temporarily adversely affect payments to you.

Bankruptcy or insolvency of ALG Student Loan Funding I, LLC, Academic Loan Group, Inc. or ALG Student Loan Warehouse Funding I, LLC could result in payment delays or reductions

ALG Student Loan Funding I, LLC will sell to the trust all of the student loans acquired by the trust with the proceeds of the notes. ALG Student Loan Funding I, LLC will acquire its student loans from Academic Loan Group, Inc. and ALG Student Loan Warehouse Funding I, LLC. If ALG Student Loan Funding I, LLC, Academic Loan Group, Inc. or ALG Student Loan

Warehouse Funding I, LLC were to seek relief under the bankruptcy or related laws, a bankruptcy court could attempt to consolidate the trust's assets into the bankruptcy estate of ALG Student Loan Funding I, LLC, Academic Loan Group, Inc. or ALG Student Loan Warehouse Funding I, LLC, or otherwise limit remedies available against ALG Student Loan Funding I, LLC, Academic Loan Group, Inc. or ALG Student Loan Warehouse Funding I, LLC. If that occurs, you can expect delays in receiving payments on your notes and even a reduction in payments on your notes.

We have taken steps to structure each loan purchase by the trust from ALG Student Loan Funding I, LLC and each loan purchase by ALG Student Loan Funding I, LLC from Academic Loan Group, Inc. and ALG Student Loan Warehouse Funding I, LLC as a "true sale" under applicable law. A true sale helps to establish that the student loans would not continue to be the property of ALG Student Loan Funding I, LLC, Academic Loan Group, Inc. or ALG Student Loan Warehouse Funding I, LLC if any one were to become bankrupt or insolvent. If a court disagrees with this position, we could experience delays in receiving payments on our student loans and you could then expect a delay in receiving payments on your notes or even a reduction in payments on your notes. A court could also subject the student loans to a superior tax or government lien arising before the sale of the student loans to the trust.

Bankruptcy or insolvency of a servicer or any subservicer could result in payment delays to you

If any servicer or subservicer identified in an offering memorandum supplement becomes subject to an insolvency or bankruptcy proceeding, a court, conservator, receiver or liquidator may have the power to prevent the indenture trustee or the noteholders from appointing a successor servicer or subservicer and delays in collections in respect of the student loans may occur. Any delay in the collections of student loans may delay payments to you.

Bankruptcy of the trust could result in accelerated prepayment on the notes

The trust has been established as a bankruptcy remote entity. However, if the trust becomes bankrupt, the United States Bankruptcy Code could materially limit or prevent the enforcement of its obligations under the notes. The trust's trustee in bankruptcy or the trust itself as debtor in possession may seek to accelerate payment on the notes and liquidate the assets held under the indenture. If principal on the notes is declared due and payable, you may lose the right to future payments and face the reinvestment risks mentioned above. If the assets held under the indenture are liquidated, you may face the risks relating to the sale of the student loan portfolio mentioned above.

You may incur losses or delays in payment on your notes if borrowers default on their student loans

For a variety of economic, social and other reasons, all the payments that are actually due on student loans may not be made. Borrowers' failures to make timely payments of the principal

and interest due on the student loans will affect the revenues of the trust estate, which may reduce the amounts available to pay principal and interest due on the notes.

In general, a guarantee agency reinsured by the Department of Education will guarantee 98% of each student loan (97% for student loans first disbursed on and after July 1, 2006). As a result, if a borrower of a student loan defaults, the trust will experience a loss of approximately 2% (or 3% for student loans first disbursed on and after July 1, 2006) of the outstanding principal and accrued interest on each of the defaulted loans. The trust does not have any right to pursue the borrower for the remaining 2% (or 3% for student loans first disbursed on and after July 1, 2006) unguaranteed portion. If any credit enhancement described in the related offering memorandum supplement is not sufficient, you may suffer a delay in payment or a loss on your investment.

The rate of payments on student loans may affect the maturity and yield of your notes

Student loans may be prepaid at any time without penalty. If the trust receives prepayments on its student loans, those amounts will be used, subsequent to any revolving period, to make principal payments on notes as described in the related offering memorandum supplement, which could shorten the average life of each series of its notes. Factors affecting prepayment of loans include general economic conditions, prevailing interest rates and changes in the borrower's job, including transfers and unemployment. Refinancing opportunities which may provide more favorable repayment terms, including those offered under consolidation loan programs like the federal direct consolidation loan program, also affect prepayment rates. There is insufficient information available to be able to estimate the rate of prepayment with respect to the student loans in the trust estate.

Scheduled payments with respect to, and the maturities of, student loans may be extended as authorized by the Higher Education Act. Also, periods of forbearance or refinancings through consolidation loans having longer maturities may lengthen the remaining term of the student loans and the average life of each series of notes. You will bear entirely any reinvestment risks resulting from a faster or slower incidence of prepayment of loans.

The rate of principal payments to you on the notes and the yield to maturity of the notes will be directly related to the rate of payments of principal on the student loans the trust acquires. Changes in the rate of prepayments may significantly affect your actual yield to maturity, even if the average rate of principal prepayments is consistent with your expectations. In general, the earlier a prepayment of principal of a loan, the greater the effect on your yield to maturity. The effect on your yield as a result of principal payments occurring at a rate higher or lower than the rate anticipated by you during the period immediately following the issuance of the notes will not be offset by a subsequent like reduction, or increase, in the rate of principal payments.

Principal of the student loans may amortize faster because of incentive programs

The student loans purchased by the trust may be subject to various borrower incentive programs. Any incentive program that effectively reduces borrower payments or principal

balances on trust student loans may result in the principal amount of trust student loans amortizing faster than anticipated.

The characteristics of the portfolio of student loans held in the trust estate may change

As a master trust, the trust may issue several series of notes and use the proceeds to add additional student loans to the trust estate. The offering memorandum supplement for a series of notes will describe the characteristics of our student loan portfolio at that time. Following the transfer of additional student loans purchased with the proceeds from the issuance of subsequent series of notes, the characteristics of the student loans may differ significantly from those described in that offering memorandum supplement. The characteristics that may differ include the composition of our student loan portfolio, changes in the relative concentration of guarantee agencies in our portfolio, distribution by loan type, distribution by interest rate, distribution by principal balance and distribution by remaining term. In addition, the characteristics of the student loans in our portfolio will change from time to time due to factors such as repayment of the student loans in the normal course of business, amendments to the Higher Education Act, sales or exchanges of student loans, or the occurrence of delinquencies or defaults on the student loans. A portfolio of student loans acquired previously by us is not necessarily indicative of the future performance of student loans held by the trust.

The trust's cash flow, and its ability to make payments due on your notes will be reduced to the extent interest is not currently payable on our student loans. The borrowers on most student loans are not required to make payments during the period in which they are in school and for certain authorized periods after graduation as described in the Higher Education Act. The Department of Education will make all interest payments while payments are deferred under the Higher Education Act on certain of the student loans. For all other student loans, interest generally will be capitalized and added to the principal balance of the student loans. The trust estate will consist of student loans for which payments are deferred as well as student loans for which the borrower is currently required to make payments of principal and interest. The proportions of the student loans in our portfolio for which payments are deferred and currently in repayment will vary during the period that the notes are outstanding.

Student loans are unsecured and the ability of the guarantee agencies to honor their guarantees may become impaired

The Higher Education Act requires that all student loans be unsecured. As a result, the only security for payment of the student loans held in the trust estate are the guarantees provided by the guarantee agencies.

A deterioration in the financial status of a guarantee agency and its ability to honor guarantee claims on defaulted student loans could delay or impair the guarantee agency's ability to make claims payments to the indenture trustee. The financial condition of a guarantee agency can be adversely affected if it submits a large number of reimbursement claims to the Department of Education, which results in a reduction of the amount of reimbursement that the Department of Education is obligated to pay the guarantee agency. The Department of

Education may also require a guarantee agency to return its reserve funds to the Department of Education upon a finding that the reserves are unnecessary for the guarantee agency to pay its program expenses or to serve the best interests of the federal student loan program. The inability of any guarantee agency to meet its guarantee obligations could reduce the amount of principal and interest paid to you as the owner of the notes or delay those payments past their due date.

If the Department of Education has determined that a guarantee agency is unable to meet its guarantee obligations, the student loan holder may submit claims directly to the Department of Education and the Department of Education is required to pay the full guaranty claim amount due with respect thereto. See the caption “Description of the Federal Family Education Loan Program” herein. However, the Department of Education’s obligation to pay guarantee claims directly in this fashion is contingent upon the Department of Education’s making the determination that a guarantee agency is unable to meet its guarantee obligations. The Department of Education may not ever make this determination with respect to a guarantee agency and, even if the Department of Education does make this determination, payment of the guarantee claims may not be made in a timely manner.

Payment offsets by guarantee agencies or the Department of Education could prevent the trust from paying you the full amount of the principal and interest due on your notes

The depositor has established, and may continue to establish, other trusts that have the same eligible lender trustee as we do. The eligible lender trustee may use the same Department of Education lender identification number for student loans in the trust as it uses for other student loans it holds on behalf of other trusts established by the depositor. The billings submitted to the Department of Education and the claims submitted to guarantee agencies will be consolidated with the billings and claims for payments for student loans under other trusts using the same lender identification number. Payments on those billings by the Department of Education as well as claim payments by the applicable guarantee agencies will be made to the eligible lender trustee, or to a servicer on behalf of the eligible lender trustee, in lump sum form. Those payments must be allocated by the eligible lender trustee among the various trusts that reference the same lender identification number.

If the Department of Education or a guarantee agency determines that the eligible lender trustee owes it a liability on any student loan held in any trust (whether or not a part of this trust estate) the Department of Education or the applicable guarantee agency may seek to collect that liability by offsetting it against payments due to the eligible lender trustee in respect of the student loans pledged to secure your notes. Any offsetting or shortfall of payments due to the eligible lender trustee could adversely affect the amount of funds available to the trust and thus the trust’s ability to pay you principal and interest on your notes.

If the trust cannot purchase student loans, it will pay principal on or redeem notes

We will use the proceeds of the notes sold by the trust to acquire student loans. If the student loan purchases are not completed, or if the trust is not able to use note proceeds to

purchase student loans that meet its requirements, the trust will use those amounts to pay principal on or to redeem your notes as provided in the related offering memorandum supplement.

A secondary market for your notes may not develop, and this could diminish their value

Each series of notes will be a new issue without an established trading market. Except as may be described in an offering memorandum supplement, we do not intend to list any series of notes on any national exchange. As a result, we cannot assure you that a secondary market for the notes will develop, and therefore it may be difficult for you to resell your notes at the time and at a price you desire. If a secondary market does not develop, the spread between the bid price and the asked price for the notes may widen, thereby reducing the net proceeds to you from the sale of your notes.

Congressional actions may affect the trust's student loan portfolio

The Department of Education's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act terminates on a date specified in the Higher Education Act, presently September 30, 2012. While Congress has consistently extended the effective date of the Higher Education Act and the Federal Family Education Loan Program, it may elect not to reauthorize the Department's ability to provide interest subsidies and federal insurance for loans. While this failure to reauthorize would not affect the student loans the trust then owned, it would reduce the number of loans available for purchase in the future.

Funds for payment of interest subsidies and other payments under the Federal Family Education Loan Program are subject to annual budgetary appropriation by Congress. Federal budget legislation has in the past contained provisions that restricted payments made under the Federal Family Education Loan Program to achieve reductions in federal spending. Future federal budget legislation may adversely affect expenditures by the Department of Education, and the financial condition of the guarantee agencies.

Congressional amendments to the Higher Education Act or other relevant federal laws, and rules and regulations promulgated by the Secretary of Education, may adversely impact holders of student loans. For example, changes might be made to the rate of interest paid on student loans, to the level of insurance provided by guarantee agencies or to the servicing requirements for student loans. See the caption "Description of the Federal Family Education Loan Program" herein.

Increased competition within the FFELP program and competition from the Federal Direct Student Loan Program could adversely affect the availability of student loans, the cost of servicing, the value of student loans and prepayment expectations

We face competition from other lenders that could decrease the volume of eligible loans that we can acquire. Additionally, the Higher Education Act provides for a Federal Direct Student Loan Program. Under this program, the Department of Education makes student loans directly to student borrowers through the educational institutions they attend, and if this program were to gain market share, it could also result in reductions in the volume of student loans made under the Federal Family Education Loan Program and available to us for purchase. This reduced volume may cause a servicer or subservicer to experience increased costs due to reduced economies of scale. These cost increases could reduce the ability of a servicer to satisfy its obligations to service the student loans. This could also reduce revenues received by the guarantee agencies available to pay claims on defaulted student loans. The Department of Education has implemented a direct consolidation loan program, which may further reduce the volume of student loans available for purchase and may increase the rate of repayment of student loans. We refer you to the caption “Description of the Federal Family Education Loan Program” herein.

The subordinate and junior subordinate notes are subordinated to the senior notes

Payments of interest and principal on subordinate notes are subordinated in priority of payment to payments of interest and principal due on senior notes. A supplemental indenture may also provide for the issuance of junior subordinate notes, which will be subordinated in priority of payment to payments of interest and principal due on subordinate notes. Subordinate notes and junior subordinate notes are subordinated to senior notes, and junior subordinate notes are also subordinated to subordinate notes, as to the direction of remedies upon an event of default. Consequently, holders of subordinate notes and junior subordinate notes may bear a greater risk of losses or delays in payment than holders of senior notes. As a result, the junior subordinate notes and subordinate notes will be very sensitive to losses on the student loans and the timing of those losses. If you are a holder of a subordinate note or a junior subordinate note, if the actual rate and amount of losses on the student loans exceed your expectations and any available credit enhancement is insufficient to cover the resulting shortfalls, the yield to maturity on your notes may be lower than you anticipate, and you could suffer a loss.

Failure to pay interest due on any subordinate notes or junior subordinate notes will not constitute an event of default so long as any senior notes are outstanding. Similarly, failure to pay interest due on any junior subordinate notes will not constitute an event of default so long as any senior or subordinate notes are outstanding.

The trust may issue additional notes secured by the trust estate

The trust may issue additional notes, in one or more series if so provided in the related offering memorandum supplement. The proceeds from the sale of these additional notes will be used to acquire additional student loans, and the additional student loans together with the existing student loans will secure all series of notes issued by the trust. Those additional notes may be issued without the consent or approval of the owners of any notes then outstanding and may be on a parity with or subordinate to any senior notes and senior to, on a parity with or subordinate to subordinate or junior subordinate notes issued by the trust. However, before issuing additional notes, the trust must receive written evidence from each rating agency then rating any outstanding notes of the trust that the rating or ratings will not be reduced or withdrawn as a result of the issuance of the proposed additional notes. See the caption “Additional Notes” herein.

The interest rates on our investments may be insufficient to cover interest on the notes

Unspent proceeds of the notes and moneys in the funds and accounts under the indenture will be invested at fluctuating interest rates. It is likely that the interest rates at which these proceeds and moneys are invested will be less than the interest rates on the notes.

Different rates of change in interest rate indexes may affect the trust’s cash flow

The interest rates on your notes may fluctuate from one interest period to another in response to changes in LIBOR rates, U.S. Treasury security rates, commercial paper rates, or other rate indexes, or as a result of the auction procedures described in this offering memorandum, as specified in the related offering memorandum supplement. The student loans that will be purchased with the proceeds from the sale of notes bear interest at fixed or floating rates, which are generally based upon the bond equivalent yield of the 91-day U.S. Treasury bill rate and, in certain interest rate environments, the trust may be entitled to receive special allowance payments on its student loans from the Department of Education based upon a three-month commercial paper rate. See the caption “Description of the Federal Family Education Loan Program” herein. If there is a decline in the rates payable on student loans the trust acquires, the amount of funds representing interest deposited into the Collection Fund may be reduced. If the interest rates payable on notes issued by the trust do not decline in a similar manner and time, the trust may not have sufficient funds to pay interest on its notes when it becomes due. Even if there is a similar reduction in the rates applicable to the notes, there may not necessarily be a reduction in the other amounts required to be paid out of the trust estate, such as administrative expenses, causing interest payments to be deferred to future periods. Sufficient funds may not be available in future periods to make up for any shortfalls in the current payments of interest on the notes or expenses of the trust estate.

The notes may be issued only in book-entry form

Usually, each series of notes will be initially represented by one or more certificates registered in the name of Cede & Co., the nominee for The Depository Trust Company, and will not be registered in your name or the name of your nominee. If we elect to issue definitive notes registered in the name of the holder in connection with the sale of a series of notes, that election will be contained in the related offering memorandum supplement. Unless and until definitive securities are issued, holders of the notes will not be recognized by the indenture trustee as holders as that term is used in the indenture. Until definitive securities are issued, holders of the notes will only be able to exercise the rights of holders indirectly through The Depository Trust Company and its participating organizations. See the caption “Book-Entry Registration” herein.

The ratings of the notes are not a recommendation to purchase and may change

It is a condition to issuance of the notes that they be rated as indicated in the related offering memorandum supplement. Ratings are based primarily on the creditworthiness of the underlying student loans, the level of subordination, 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 any series of notes inasmuch as the ratings do not comment as to the market price or suitability for you as an investor. In addition, a rating only addresses the likelihood of the ultimate payment of principal and stated interest and does not address the likelihood of prepayments on the notes or the likelihood of the payment of carry-over amounts. An additional rating agency may rate the notes, and that rating may not be equivalent to the initial rating described in the related offering memorandum supplement. Ratings may be lowered or withdrawn by any rating agency if in the rating agency’s judgment circumstances so warrant. A lowered rating is likely to decrease the price a subsequent purchaser will be willing to pay you for your notes. See the caption “Ratings” herein.

Borrowers of student loans are subject to a variety of factors that may adversely affect their repayment ability

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

Failures by borrowers to pay timely the principal and interest on their student loans or an increase in deferments or forbearances could affect the timing and amount of available funds for any monthly collection period and the ability to pay principal and interest on your notes. In addition, originators of student loans may, from time to time, offer incentive programs to borrowers. Generally, under these programs, the borrower may be paid a rebate on the principal amount of the borrower’s student loan by the trust if certain conditions are met, the interest rate on a borrower’s student loan is reduced if the borrower timely pays a specified number of consecutive student loan payments or uses an automatic debit system for making such student loan payments. The effect of these factors, including the effect on the timing and amount of

available funds for any monthly collection period and the ability to pay principal and interest on your notes is impossible to predict.

The principal amount of the notes outstanding may exceed the principal amount of the assets in the trust estate, which could result in losses on your notes if there was a liquidation

We expect to acquire student loans from amounts in the Acquisition Fund at premiums exceeding the principal amount of the student loans. Therefore, the principal amount of notes outstanding at any time may exceed the principal amount of student loans and other assets in the trust estate held by the indenture trustee under the indenture. If an event of default occurs and the assets in the trust estate are liquidated, the student loans would have to be sold at a premium for the subordinated noteholders and possibly the senior noteholders to avoid a loss. We cannot predict the rate or timing of accelerated payments of principal or the occurrence of an event of default or when the aggregate principal amount of the notes may be reduced to the aggregate principal amount of the student loans.

Payment of principal and interest on the notes is dependent upon collections on the student loans. If the yield on the student loans does not generally exceed the interest rate on the notes and expenses relating to the servicing of the student loans and administration of the indenture, the trust may have insufficient funds to repay the notes.

If the indenture trustee is forced to sell student loans after an event of default, there could be losses on your notes

Generally, during an event of default, the indenture trustee is authorized with certain noteholder consent to sell the student loans. However, the indenture trustee may not find a purchaser for the student loans. Also, the market value of the student loans plus other assets in the trust estate might not equal the principal amount of notes plus accrued interest. The competition currently existing in the secondary market for loans made under the Federal Family Education Loan Program also could be reduced, resulting in fewer potential buyers of the trust's student loans and lower prices available in the secondary market for those student loans. There may be even fewer potential buyers for those student loans, and therefore lower prices available in the secondary market. You may suffer a loss if the indenture trustee is unable to find purchasers willing to pay sufficient prices for the student loans.

The student loans the trust purchases may be evidenced by a master promissory note

Beginning July 1, 1999, loans made under the Federal Family Education Loan Program may be evidenced by a master promissory note. Once a borrower executes a master promissory note with a lender, additional loans made by that 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 sold independently of the other loans governed by the master promissory note. If the trust purchases a loan governed by a

master promissory note and does not acquire possession of the master promissory note, other parties could claim an interest in the student loan. This could occur if the holder of the master promissory note were to take an action inconsistent with the trust's rights to a 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 the trust's rights to the student loan or impair the security interest held by the indenture trustee for your benefit, it could delay receipt of principal and interest payments on the student loan.

Less than all of the holders can approve amendments to the indenture or waive defaults under the indenture

Under the indenture, holders of specified percentages of the aggregate principal amount of the notes may amend or supplement provisions of the indenture and the notes and waive events of defaults and compliance provisions without the consent of the other holders. You have no recourse if the holders vote and you disagree with the vote on these matters. The holders may vote in a manner which impairs the ability to pay principal and interest on your notes. Also, so long as senior notes are outstanding, the holders of subordinate notes will not have the right to approve certain amendments, or exercise certain rights, under the indenture. Further, so long as any senior notes or subordinate notes are outstanding, the holders of junior subordinate notes will not have the right to approve certain amendments, or exercise certain rights, under the indenture.

Rating agencies can permit certain actions to be taken without your approval

The indenture provides that the trust and the indenture trustee may undertake various actions based upon receipt by the indenture trustee of confirmation from the rating agencies that the outstanding ratings assigned by such rating agencies to the notes are not thereby impaired. Such actions include, but are not limited to, amendments to the indenture, the issuance of additional notes and the execution by the trust of interest rate exchange agreements. To the extent such actions are taken after issuance of your notes, you will be relying on the evaluation by the rating agencies of such actions and their impact on credit quality.

The trust may enter into swap agreements which could result in delays in payment or losses on your notes if the counterparty fails to make its payments

Under the indenture, the trust may enter into interest rate swap agreements if certain requirements are met, including the requirement that the rating agencies will not reduce or withdraw the ratings on any notes. Interest rate swap agreements carry risks relating to the credit quality of the counterparty and the enforceability of the swap agreement.

Special Note Regarding Forward Looking Statements

Statements in this offering memorandum and an offering memorandum supplement, including those concerning expectations as to our ability to purchase eligible student loans, to structure and to issue competitive securities, and certain of the information presented in this

offering memorandum and the offering memorandum supplement, constitute forward looking statements, which represent the expectations and beliefs of ALG Student Loan Funding I, LLC about future events. Actual results may vary materially from expectations. For a discussion of the factors which could cause actual results to differ from expectations, please see the caption “Risk Factors” herein and in the offering memorandum supplement.

Formation of the Trust

The trust

The trust was established on July 1, 2004 as a Delaware statutory trust pursuant to a trust agreement between ALG Student Loan Funding I, LLC, as depositor, and Wilmington Trust Company, as Delaware trustee. The trust will issue notes in one or more series. The trust agreement limits the operations of the trust to the following activities:

- acquire, hold, manage and sell student loans, other assets of the trust and any proceeds therefrom;
- issue notes;
- enter into swap agreements and credit enhancement facilities;
- make payments of principal and interest on the notes; and
- engage in any incidental or related activities, including, but not limited to, originating student loans through the eligible lender trustee.

Each series of notes will be issued pursuant to the indenture of trust and a supplemental indenture of trust described in the related offering memorandum supplement. The notes will represent indebtedness of the trust only, secured by the assets of the trust.

The eligible lender trustee will acquire legal title to the student loans on behalf of the trust and will enter into a guarantee agreement with one or more guarantee agencies for the student loans. The eligible lender trustee will use the proceeds from the sale of notes to purchase student loans on behalf of the trust.

Following the acquisition of student loans, the assets of the trust will include:

- student loans purchased with the proceeds from the issuance of the notes, legal title to which will be held by the eligible lender trustee;
- revenues, consisting of all principal and interest payments, proceeds, charges and other income the indenture trustee receives on account of any student loan, including interest subsidy payments and any special allowance payments with respect to any student loan, and investment income from all funds created under the indenture, and any proceeds from the sale or other disposition of the student loans;

- all money and investments held in the funds created under the indenture;
- rights under any loan purchase agreement and servicing agreement, including the right to require any seller or servicer to repurchase student loans or to substitute student loans under certain circumstances; and
- any other property described in the related offering memorandum supplement, including any credit enhancement facilities for the notes and rights to receive payments under swap agreements.

The Depositor

ALG Student Loan Funding I, LLC, a Delaware limited liability company that is owned by Academic Loan Group, Inc., is the depositor under the trust agreement and will own all the equity interests in the trust. The depositor has been structured as a bankruptcy-remote, special purpose entity. Its limited liability company agreement contains certain limitations, including restrictions on the nature of the depositor's business and a restriction on the depositor's ability to commence a voluntary case or proceeding under any insolvency law without the prior unanimous affirmative vote of all its members, including its independent members.

Academic Loan Group, Inc.

Academic Loan Group, Inc., a Delaware corporation, originates or acquires and sells student loans to the depositor and ALG Student Loan Warehouse Funding I, LLC through their respective eligible lender trustees, and the depositor sells such student loans (including student loans originally sold to ALG Student Loan Warehouse Funding I, LLC and thereafter sold to the depositor) to the trust through its eligible lender trustee. Academic Loan Group, Inc. purchases the rights to originate the student loans pursuant to an administrative and marketing services agreement with Academic Loan Group, LLC. Certain terms of the administrative services and marketing agreement can be found under the caption "Academic Loan Group, LLC" herein. Academic Loan Group, Inc. has entered into contractual arrangements with (a) ACS Education Services, Inc. to originate and service student loans guaranteed by Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance and (b) Great Lakes Educational Loan Services, Inc. to originate and service student loans guaranteed by Great Lakes Higher Education Guaranty Corporation. Deutsche Bank Trust Company Americas acts as the eligible lender trustee for Academic Loan Group, Inc. Academic Loan Group, Inc. and Academic Loan Group, LLC are under common control. The Director and Chairperson of Academic Loan Group, Inc. is Ms. Pearl Baker. The President and Chief Executive Officer of Academic Loan Group, Inc. is Mr. Paul Marble. Ms. Baker and Mr. Marble are also Co-Managing Members of Academic Loan Group, LLC and information about Ms. Baker and Mr. Marble can be found under the caption "Academic Loan Group, LLC" herein.

ALG Student Loan Warehouse Funding I, LLC

ALG Student Loan Warehouse Funding I, LLC, a Delaware limited liability company, acquires loans from Academic Loan Group, Inc. and sells student loans to the depositor through its eligible lender trustee and the depositor sells such student loans to the trust through its eligible lender trustee. ALG Student Loan Warehouse Funding I, LLC has entered into contractual

arrangements with (a) ACS Education Services, Inc. to service student loans guaranteed by Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance and (b) Great Lakes Educational Loan Services, Inc. to service student loans guaranteed by Great Lakes Higher Education Guaranty Corporation. Deutsche Bank Trust Company Americas acts as the eligible lender trustee for ALG Student Loan Warehouse Funding I, LLC. ALG Student Loan Warehouse Funding I, LLC is wholly owned by Academic Loan Group, Inc.

Academic Loan Group, LLC

Background

Academic Loan Group, LLC, a California limited liability company, acts primarily as a marketing company which currently focuses exclusively on marketing consolidation student loans through the Federal Family Education Loan Program for eligible applicants. Academic Loan Group, LLC relies primarily upon direct mail to generate application leads. To a lesser degree, other methods are utilized, such as the Internet and on-campus visits to graduating students. Since December of 2002, Academic Loan Group, LLC has marketed over \$1,700,000,000 of applications for consolidation loans for eligible lenders.

Academic Loan Group, LLC also acts as the issuer administrator for the trust. Academic Loan Group, LLC's headquarters are located at the 10935 Vista Sorrento Parkway, Suite 350, San Diego, California 92130. The company currently occupies approximately 13,500 square feet for office space and a data center. It currently employs 100 full-time and part-time employees, including four executives, ten other members of the management team, twenty operations specialists, fifty loan qualifiers/consultants and sixteen additional professionals dedicated to Technology, Accounting, Finance, Portfolio Management and Human Resources.

Pursuant to an administrative and marketing services agreement, Academic Loan Group, LLC also provides marketing and pre-origination services to Academic Loan Group, Inc. During the term of the administrative services agreement, Academic Loan Group, LLC markets student loans on behalf of Academic Loan Group, Inc. pursuant to the procedures, policies, rules and regulations of the Higher Education Act, the servicers and guarantee agencies. Academic Loan Group, LLC receives certain fees for the marketing services it performs for Academic Loan Group, Inc. Academic Loan Group, LLC has agreed to provide Academic Loan Group, Inc. with certain indemnifications with respect to its marketing services.

Executive Management

Pearl Baker, Co-Managing Member. As Founder of Academic Loan Group, LLC, Ms. Baker has been solely responsible for its early growth and success as a marketing company. Immediately prior to founding Academic Loan Group, LLC, Ms. Baker was a sales executive in the telecommunication field including tenures with Kent Datacom and Annixter, where she founded the Federal Division and became Director of Military Sales. Ms. Baker has direct responsibility for approving all significant capital expenditures and also determines the strategic direction of the company with Mr. Marble, the other Co-Managing Member. Ms. Baker is also Director and Chairperson of Academic Loan Group, Inc.

Paul Marble, Co-Managing Member. Mr. Marble received his Bachelor of Science in Business Administration and his MBA in Accounting and Finance from the University of Maryland. He has over 21 years of experience within the student loan industry, with 14 years in senior management positions of multi-billion dollar student loan lenders. Most recently, he served as Chief Financial Officer for a \$10 billion student loan lender, helping that company become an industry leader in only four years. He created the entire financial and accounting infrastructure, including key internal controls, and was the chief architect of all securitizations and lending facilities. Mr. Marble has responsibility for ALG's marketing, operations and accounting/finance. Mr. Marble is also President and Chief Executive Officer of Academic Loan Group, Inc.

Emily Stebing, Senior Vice President, Operations and Accounting. Ms. Stebing earned her Bachelor of Science in Accountancy from the University of Iowa and is a Certified Public Accountant. Prior to joining Academic Loan Group, LLC, she was Assistant Controller for the same \$10 billion student loan holder as Mr. Marble. Over the past two years, Ms. Stebing has strengthened the accounting and financial infrastructure of both companies, including the Academic Loan Group, Inc. functions of loan portfolio accounting, management, and reconciliation. Before joining the student loan industry, Ms. Stebing worked as a staff accountant for the University of Minnesota Foundation in donation and trust asset accounting. At Academic Loan Group, LLC, Ms. Stebing has direct responsibility for all accounting and loan processing functions.

Celesd F. Willoughby, Senior Vice President, Sales and Marketing. Ms. Willoughby earned her Bachelor of Arts degree from the University of Michigan. Prior to joining Academic Loan Group, LLC, she held a senior management position at a top ten student loan holder where she directed approximately 200 sales and marketing personnel. Ms. Willoughby has 22 years of sales, sales management, marketing and business ownership experience, with three years of experience in the student loan industry. She directs all sales and marketing efforts, as well as all sales and marketing professionals at Academic Loan Group, LLC and is responsible for managing the teams that successfully generate leads and convert them to completed applications for the organization.

Use of Industry Experts

Since inception, Academic Loan Group, LLC has relied extensively on highly experienced industry experts to achieve its mission. For example, the company has had all training materials, marketing literature and marketing scripts reviewed by outside legal counsel. Legal counsel has also provided advice on all significant contracts negotiated with student loan industry business partners.

Academic Loan Group, LLC out-sources all functions not critical to its competitive advantage. For example, all application processing, origination, servicing and guarantee functions are out-sourced to ACS Education Services, Inc. and Great Lakes Educational Loan Services, Inc.

Academic Loan Group, LLC has retained Levitz, Zacks & Ciceric as its independent auditor, and retains a separate industry leading accounting firm for specific audit reviews as

required. Levitz, Zacks & Ciceric is one of the largest accounting firms in San Diego and has other student loan industry, including a top ten holder.

The Issuer Administrator

Academic Loan Group, LLC serves as issuer administrator for the trust pursuant to an administration agreement. The issuer administrator provides certain administrative services to the trust, the indenture trustee and the Delaware trustee, including, among other things:

- administering accounting and financial reporting activities of the trust;
- preparing operating budgets, statistical reports and cash flow projections to the extent required by the indenture;
- providing certain notices and performing certain other administrative obligations required by the indenture and the trust agreement; and
- performing all other duties of issuer administrator required by documents.

Certain duties of the issuer administrator are delegated to Deutsche Bank Trust Company Americas pursuant to a back-up administration agreement. For example, one of the responsibilities of the back-up administrator is verifying the monthly calculation performed by the issuer administrator. See “Academic Loan Group, LLC” in this offering memorandum for a more complete description of Academic Loan Group, LLC.

Description of the Notes

The following description of the notes is only a summary of their principal terms. It is not complete. You should refer to the provisions of the indenture and the applicable supplemental indenture for a complete description of the terms of your notes. Definitions of some of the terms used in this description can be found in the Glossary of Terms appearing at page 85 of this offering memorandum.

Each series of notes will have a stated principal or notional amount and will bear interest at a specified rate or may be entitled to principal distributions with disproportionately low, nominal or no interest distributions; interest distributions with disproportionately low, nominal or no principal distributions; distributions based on a combination of components or distributions limited to collections from a designated portion of assets in the trust fund.

Fixed rate notes

The fixed rate notes will have a stated maturity set forth in the applicable offering memorandum supplement. The fixed rate notes will bear interest from the date and at the rate per annum specified in the applicable offering memorandum supplement. The dates on which the holders of fixed rate notes will receive payments of principal and interest will be specified in the applicable offering memorandum supplement.

Auction rate notes

The auction rate notes will have a stated maturity set forth in the applicable offering memorandum supplement and will bear interest at the rate per annum specified in the offering memorandum supplement through the first auction date. The auction period for auction rate notes will initially consist of a number of days set forth in the applicable offering memorandum supplement. The interest rate for the auction rate notes will be reset on interest rate adjustment dates specified in the applicable offering memorandum supplement at the interest rate determined pursuant to the auction procedures described below, but the rate will not exceed the maximum auction rate or interest rate limitation set forth in the applicable offering memorandum supplement. Interest on the auction rate notes will accrue daily and will be computed for the actual number of days elapsed on the basis of a year consisting of 360 days or 365/366 days as specified in the offering memorandum supplement. Interest on the auction rate notes will be payable on the first business day following the expiration of each auction period for the notes, and principal on the auction rate notes will also be payable as specified in the applicable offering memorandum supplement. However, if an auction period exceeds 180 days, distributions also will be made to the auction rate notes semi-annually.

Determination of note interest rate. The procedures that will be used in determining the interest rates on the auction rate notes are summarized in the following paragraphs.

The interest rate on each series of auction rate notes will be determined periodically on interest rate determination dates specified in the applicable offering memorandum supplement by means of a “Dutch Auction.” In this Dutch Auction, investors and potential investors submit orders through an eligible broker-dealer as to the principal amount of auction rate notes they wish to buy, hold or sell at various interest rates. The broker-dealers submit their clients’ orders to the auction agent. The auction agent processes all orders submitted by all eligible broker-dealers and determines the interest rate for the upcoming interest period. The broker-dealers are notified by the auction agent of the interest rate for the upcoming auction period and are provided with settlement instructions relating to purchases and sales of auction rate notes. Auction rate notes will be purchased and sold between investors and potential investors at a price equal to their then-outstanding principal balance plus any accrued interest.

In the auction, the following types of orders may be submitted:

- “bid/hold orders” – specify the minimum interest rate that a current investor is willing to accept in order to continue to hold auction rate notes for the upcoming auction period;
- “sell orders” – an order by a current investor to sell a specified principal amount of auction rate notes, regardless of the upcoming interest rate; and
- “potential bid orders” – specify the minimum interest rate that a potential investor, or a current investor wishing to purchase additional auction rate notes, is willing to accept in order to buy a specified principal amount of auction rate notes.

If an existing investor does not submit orders with respect to all of its auction rate notes, the investor will be deemed to have submitted a hold order at the new interest rate for that portion of the auction rate notes for which no order was received.

A broker-dealer may submit orders in auctions for its own account. Any broker-dealer submitting an order for its own account in any auction will have an advantage over other bidders in that it will have knowledge of other orders placed through it in that auction (but it will not have knowledge of orders submitted through other broker-dealers, if any). As a result of the broker-dealer bidding, the auction clearing rate may be lower than the rate that would have prevailed if the broker-dealer had not bid. A broker-dealer may also bid or encourage additional or revised bidding in order to prevent what would otherwise be a failed auction, an “all hold” auction or an auction clearing at a rate that the broker-dealer believes does not reflect the market rate for such securities at the time of the auction.

The following example helps illustrate how the auction procedures are used in determining the interest rate on the auction rate notes.

(a) Assumptions:

- 1. Denominations (Units) = \$50,000
- 2. Auction period = 28 days
- 3. Principal amount outstanding = \$50 Million (1000 Units)

(b) Summary of all orders received for the auction

<u>Bid/Hold Orders</u>	<u>Sell Orders</u>	<u>Potential Bid Orders</u>
20 Units at 2.90%	100 Units	40 Units at 2.95%
60 Units at 3.02%	100 Units	60 Units at 3.00%
120 Units at 3.05%	<u>200 Units</u>	100 Units at 3.05%
200 Units at 3.10%	400 Units	100 Units at 3.10%
<u>200 Units at 3.12%</u>		100 Units at 3.11%
600 Units		100 Units at 3.14%
		<u>200 Units at 3.15%</u>
		700 Units

The total units under bid/hold orders and sell orders always equal the issue size (in this case 1000 units).

U. . Auction agent organizes orders in ascending order

<u>Order Number</u>	<u>Number of Units</u>	<u>Cumulative Total (Units)</u>	<u>Percent</u>	<u>Order Number</u>	<u>Number of Units</u>	<u>Cumulative Total (Units)</u>	<u>Percent</u>
1.	20(W)	20	2.90%	7.	200(W)	600	3.10%
2.	40(W)	60	2.95%	8.	100(W)	700	3.10%
3.	60(W)	120	3.00%	9.	100(W)	800	3.11%
4.	60(W)	180	3.02%	10.	200(W)	1000	3.12%
5.	100(W)	280	3.05%	11.	100(L)		3.14%
6.	120(W)	400	3.05%	12.	200(L)		3.15%

(W) Winning Order (L) Losing Order

Order #10 is the order that clears the market of all available units. All winning orders are awarded the winning rate (in this case, 3.12%) as the interest rate for the next auction period, at the end of which another auction will be held. Multiple orders at the winning rate are allocated units on a pro rata basis first to existing holders and then to potential holders. Regardless of the results of the auction, the interest rate will not exceed the maximum auction rate specified in the applicable offering memorandum supplement.

The example assumes that a successful auction has occurred, that is, that all sell orders and all bid/hold orders below the new interest rate were fulfilled. However, there may be insufficient potential bid orders to purchase all the auction rate notes offered for sale. In these circumstances, the interest rate for the upcoming auction period will equal the maximum auction rate. Also, if all the auction rate notes are subject to hold orders (i.e., each holder of auction rate notes wishes to continue holding its auction rate notes, regardless of the interest rate), the interest rate for the upcoming auction period will equal the all hold rate specified in the related offering memorandum supplement.

If a payment default has occurred, the rate will be the overdue rate specified in the related offering memorandum supplement.

Maximum auction rate and interest carry-overs. If the auction rate for a series of auction rate notes is greater than a maximum auction rate calculated as described in the related offering memorandum supplement, then the interest rate applicable to those auction rate notes will be such maximum auction rate. If the interest rate for a series of auction rate notes exceeds the maximum auction rate, the excess over the maximum auction rate will be carried over for that series of auction rate notes. The maximum auction rate will, however, be capped at the interest rate limitation described in the related offering memorandum supplement. There will be no carry-over of interest if the auction rate for a series of auction rate notes exceeds the interest rate limitation. The carry-over amount will bear interest calculated at the one-month LIBOR rate or as otherwise specified in the related offering memorandum supplement, until paid.

The carry-over amount, and interest accrued thereon, for a series of auction rate notes will be paid (or in the case of a defeasance, provided for) by the indenture trustee on the date of

defeasance of the auction rate notes or an interest payment date if there are sufficient funds to pay all interest due on the notes on that interest payment date, and in the case of subordinate notes, payment of the interest carry-over on more senior notes. Any carry-over amount, and any interest accrued on the carry-over amount, due on any auction rate note which is to be redeemed will be paid to the holder on the redemption date to the extent that funds are available. Any carry-over amount, and any interest accrued on that carry-over amount, which is not yet due and payable on a date on which an auction rate note is to be redeemed will be canceled and will not be paid.

Changes in auction period. As specified in the related offering memorandum supplement, we may, from time to time, change the length of the auction period for a series of auction rate notes in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the length of the auction period and the interest rate borne by the auction rate notes. The auction period adjustment will take effect only if the auction agent receives orders sufficient to complete the auction for the new auction period.

Changes in the auction date. The applicable broker-dealer, with our written consent, may specify a different auction date for a series of auction rate notes in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an auction date for the auction rate notes.

LIBOR rate notes

The LIBOR rate notes will be dated their date of issuance and will have a stated maturity set forth in the applicable offering memorandum supplement. Interest on the LIBOR rate notes will be paid in arrears on each payment date. The payment date for the LIBOR rate notes will be the business day specified in the offering memorandum supplement following the end of the interest period for the LIBOR rate notes specified in the offering memorandum supplement. The amount of interest payable to holders of LIBOR rate notes for any interest period will be calculated on the basis of a 360-day year for the number of days actually elapsed. The interest rate will be the LIBOR rate for the interest period for the LIBOR rate notes plus the margin specified in the related offering memorandum supplement. Principal on the LIBOR rate notes will be payable as specified in the applicable offering memorandum supplement.

The interest rate payable on the LIBOR rate notes may be subject to limitations described in the related offering memorandum supplement.

If so provided in the related offering memorandum supplement, the trust may enter into a LIBOR note swap agreement. Under the terms of this agreement, the counterparty will pay to the trust the excess, if any, of the LIBOR rate for the LIBOR rate notes over the adjusted student loan rate as provided by the terms of the LIBOR note swap agreement. The indenture trustee will use those funds to make interest payments on the LIBOR rate notes at the LIBOR rate. If these payments are made by the counterparty, the counterparty will become entitled to reimbursement in the order and in the manner specified in the offering memorandum supplement.

Treasury rate notes

The treasury rate notes will be dated their date of issuance and will have a stated maturity set forth in the applicable offering memorandum supplement. Interest on the treasury rate notes will be paid in arrears on each interest payment date. An interest payment date for the treasury rate notes will be the business day specified in the applicable offering memorandum supplement following the end of the interest period for the treasury rate notes specified in the offering memorandum supplement. Principal will be payable on the treasury rate notes as specified in the applicable offering memorandum supplement.

The amount of interest payable on the treasury rate notes will generally be adjusted weekly on the calendar day following each auction of 91-day U.S. Treasury Bills which are direct obligations of the United States with a maturity of 13 weeks. The rate will be calculated to be the sum of the bond equivalent yield for auctions of 91-day U.S. Treasury Bills on a rate determination date for an interest period, plus a spread described in the related offering memorandum supplement. Interest on the treasury rate notes will be computed for the actual number of days elapsed on the basis of a year consisting of 365 or 366 days, as applicable.

If so provided in the related offering memorandum supplement, the interest rate payable on the treasury rate notes for any interest period may be subject to a limitation based on an “adjusted student loan rate.” The adjusted student loan rate is the percentage equivalent of a fraction:

- The numerator of which is equal to the sum of the expected interest collections on the trust’s student loans and reciprocal payments that the trust receives on a swap agreement, if any, less the sum of the servicing fee, the administration fee, and reciprocal payments the trust makes on any swap agreement, if any, with respect to an interest period; and
- The denominator of which is the aggregate principal amount of the student loans as of the last day of the interest period.

Commercial paper rate notes

The commercial paper rate notes will be dated their date of issuance and will have a stated maturity set forth in the applicable offering memorandum supplement. Interest on the commercial paper rate notes will be paid in arrears on each interest payment date. An interest payment date for the commercial paper rate notes will be the business day specified in the applicable offering memorandum supplement following the end of the interest period for the commercial paper rate notes specified in the offering memorandum supplement. Principal will be payable on the commercial paper rate notes as specified in the applicable offering memorandum supplement.

The amount of interest payable on the commercial paper rate notes will be adjusted as specified in the applicable offering memorandum supplement. The interest rate will be the commercial paper rate plus a spread, in each case as specified in the related offering memorandum supplement. The interest rate payable on the commercial paper rate notes for any

interest period may be subject to limitations as specified in an offering memorandum supplement.

Accrual notes

Accrual notes will be entitled to payments of accrued interest commencing only on the interest payment date, or under the circumstances specified in the related offering memorandum supplement. Prior to the time interest is payable on any series of accrual notes, the amount of accrued interest will be added to the note principal balance thereof on each interest payment date. The principal balance of the accrual notes will begin to be paid from available funds received with respect to the student loans after the date that accrued interest is no longer being added to the principal balance of the notes. Accrued interest for each interest payment date will be equal to interest at the applicable interest rate accrued for a specified period (generally the period between interest payment dates) on the outstanding note principal balance thereof immediately prior to such interest payment date.

Original issue discount notes

Original issue discount notes will have a stated maturity set forth in the applicable offering memorandum supplement. The notes will be issued at a discount from the principal amount payable at maturity. The notes may have a “zero coupon” and currently pay no interest, or may pay interest at a rate that is below market rates at the time of issuance. For original issue discount notes, all or some portion of the interest due will accrue during the life of the original issue discount note and be paid only at maturity or upon earlier redemption. Upon redemption or optional purchase, the amount payable on an original issue discount note will be determined as described under the caption “Description of the Notes – Redemption Price” herein. Each holder of an original issue discount note will be required to include in current income a ratable portion of the original issue discount, even though the holder may not receive any payment of interest during the period. See the caption “Federal Income Tax Consequences—Taxation of interest income of holders” herein.

Outstanding principal balance of the notes

If the offering memorandum supplement for a series of notes provides for payments of principal prior to maturity, the remaining outstanding balance of the notes, after giving effect to distributions of principal, will be determined through use of a note pool factor. The pool factor for each series of notes will be a seven-digit decimal computed by the issuer administrator before each payment date. Each pool factor will initially be 1.0000000. Thereafter, it will decline to reflect reductions in the outstanding balance of the notes. Your portion of the aggregate outstanding balance of a series of notes will be the product of:

- the original denomination of your note; and
- the applicable pool factor.

Noteholders will receive reports concerning various matters, including the payments the trust has received on its student loans, the pool balance, the applicable pool factor and various

other items of information. See the caption “Summary of the Indenture Provisions—Further Covenants” herein.

Denominations and payments of the notes

The notes of a series will be issued in the denominations specified in the related offering memorandum supplement.

The principal of and premium, if any, on the notes due at maturity (whether at the stated maturity date, by redemption, acceleration or otherwise) together with interest payable on the notes on that date, if not a regularly scheduled interest payment date, will be payable at the principal office of the indenture trustee, as paying agent, upon presentation and surrender of the notes.

Interest on each series of notes, and payments of principal prior to maturity, will be payable on the regularly scheduled payment date with respect to that series, by check mailed to the person who is the holder of the note on the regular record date for that payment date, or, in the case of any note held by a holder of notes of that series in the aggregate principal amount of \$1,000,000 or more (or, if less than \$1,000,000 in principal amount of the notes of that series is outstanding, the holder of all outstanding notes of that series), at the direction of that holder received by the paying agent by 5:00 p.m. on the last business day preceding the applicable regular record date, by electronic transfer by the paying agent in immediately available funds to an account designated by that holder.

The “regular record date” with respect to any regularly scheduled payment date for a series of notes generally means the last business day preceding that payment date.

All payments on the notes will be made in United States dollars.

Optional redemption

An offering memorandum supplement relating to a series of notes may permit us to optionally redeem such series of notes from any source of funds. In addition, notes of a series may be subject to redemption, from funds received by the indenture trustee constituting interest on student loans remaining after all other prior required payments have been made, or the trust may sell some or all of its student loans for not less than their principal balance plus any unamortized premium and accrued interest and use the proceeds to redeem some or all of its notes. An offering memorandum supplement relating to a series of notes may describe restrictions on our ability to sell student loans and redeem notes. Any limitations on optional redemptions of a series of notes will be described in the offering memorandum supplement relating to the issuance of that series of notes. See the caption “Notice and partial redemption of notes” below for a discussion of the order in which notes will be redeemed.

Mandatory redemption

If the proceeds from the sale of a series of notes are not used to purchase student loans within the period of time specified in an offering memorandum supplement, those remaining proceeds will be used to redeem notes. The principal payments received on the student loans

which are not used to purchase additional student loans and, until the principal balance of the student loans reaches a specified minimum percentage of the principal balance of the outstanding notes, interest received on the student loans, after deducting all required payments, will be used to redeem notes.

See the caption “Notice and partial redemption of notes” below for a discussion of the order in which notes will be redeemed.

Redemption or purchase price

Upon redemption, the price to be paid to the holder of a note, other than an original issue discount note, will be an amount equal to the aggregate current principal balance plus accrued interest to the date of redemption. If a note is an original issue discount note, the amount payable upon redemption or optional purchase will be the amortized face amount on the redemption or purchase date. The amortized face value of an original issue discount note will be equal to the issue price plus that portion of the difference between the issue price and the principal amount of the note that has accrued at the yield to maturity described in the offering memorandum supplement by the redemption or purchase date. The amortized face value of an original issue discount note will never be greater than its principal amount.

The indenture trustee will provide notice of any early redemption or purchase by mailing a copy of the redemption or purchase notice to each holder of a note being prepaid.

Senior Asset Requirement

If less than all of the notes of any series are to be redeemed or purchased, we will determine which notes will be redeemed or purchased. We will not redeem any subordinate notes while senior notes are outstanding unless, after giving effect to the redemption, the senior asset percentage is at least 108%. This percentage may be decreased on confirmation from each rating agency that the contemplated reduction will not result in the withdrawal or reduction in the then current ratings on any outstanding notes.

Additional Redemption Provisions

As a general rule, we will not redeem any series of notes bearing interest based upon an auction rate unless we have redeemed previously each series of notes that bear interest based upon a different method that are secured in a parity with the auction rate notes that we will be redeeming. This rule may be amended for one or more series of notes to the extent described in the offering memorandum supplement relating to those notes. We also may amend this rule if each rating agency rating our notes indicates that the proposed amendment will not cause the rating agency to lower or withdraw its rating on each series of our notes.

Sale of student loans held in trust estate

Student loans may be sold or otherwise disposed of by the indenture trustee free from the lien of the indenture in connection with loan consolidation, serialization or transfer to a guarantee agency or servicer for payment. Student loans also may be sold by the indenture trustee to ALG Student Loan Funding I, LLC or other seller if that party is required to repurchase

the student loan pursuant to a student loan purchase agreement. Also, with the approval of the rating agencies rating our notes, any student loan may be sold by the indenture trustee for a price no less than the principal balance of the student loan as of the sale date, plus any unamortized premium and borrower accrued interest. An offering memorandum supplement relating to a series of notes may describe restrictions on an ability to sell student loans.

If provided in the applicable offering memorandum supplement, we may, at our option, purchase, or arrange for the purchase of, some or all of the student loans owned by the trust on any payment date when the outstanding principal amount of one or more series of notes declines to the level specified in that offering memorandum supplement. Our exercise of this purchase option will result in the early retirement of the series of notes specified in the related offering memorandum supplement. The purchase price for the student loans will not be less than the minimum purchase amount specified in the related offering memorandum supplement. These amounts will be used to retire the related notes.

Notice and partial redemption of notes

Notice of redemption of the notes shall be given by first class mail, mailed by the date specified in the corresponding supplemental indenture providing for the issuance of the notes to be prepaid to each holder (which initially will be DTC or its nominee) of notes to be prepaid at the address of such holder appearing in the note register; but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any note not affected by such defect or failure. All notices of redemption shall state: (a) the redemption date; (b) the redemption price; (c) the name (including series designation), stated maturity and CUSIP numbers of the notes to be redeemed, the principal amount of notes of each series to be redeemed, and, if less than all outstanding notes of such series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the notes to be redeemed; (d) that, on the redemption date, the redemption price of and accrued interest on each such note will become due and payable and interest thereon shall cease to accrue on and after such date; (e) the place or places where such notes are to be surrendered for payment of the redemption price thereof and accrued interest thereon; and (f) if it be the case, that such notes are to be redeemed by the application of certain specified trust moneys and for certain specified reasons.

Notice of redemption having been given as provided above, the notes designated in such notice shall become due and payable at the applicable redemption price, plus interest accrued thereon to the redemption date, and, upon surrender in accordance with such notice, shall be so paid, and thereafter such notes shall cease to accrue interest.

Security and Sources of Payment for the Notes

General

The notes are limited obligations of the trust, secured by and payable solely from the trust's assets as set forth in the indenture. The following assets will serve as security for the notes:

- revenues, consisting of all principal and interest payments, proceeds, charges and other income received by the indenture trustee or the trust on account of any student loan, including interest subsidy payments, any special allowance payments and guarantee payments with respect to any student loan, and investment income from all funds created under the indenture and any proceeds from the sale or other disposition of the student loans;
- payments from counterparties under any swap agreements described in an offering memorandum supplement;
- all money and investments held in the funds created under the indenture; and
- student loans purchased with money from the Acquisition Fund or otherwise acquired or originated and pledged or credited to the Acquisition Fund.

In addition, the trust's assets may include rights that provide credit enhancement (for example, the right to draw under any letter of credit or note insurance) or cash flow enhancement as described in this offering memorandum and in the related offering memorandum supplement.

Additional indenture obligations

Each offering memorandum supplement will provide certain information describing each series of notes issued by the trust that will be outstanding on the date of the offering memorandum supplement. This information will include:

- name and designations of each series;
- original principal amount;
- outstanding principal amount;
- interest rate or method used to determine the interest rate;
- legal final maturity date; and
- whether the notes are senior, subordinate or junior subordinate notes.

The indenture provides that in the future, upon the satisfaction of certain conditions, the trust may issue additional series of notes. These additional notes may be issued as senior notes, on a parity with any other senior notes, or as subordinate notes, on a parity with any other subordinate notes. The indenture also provides that junior subordinate notes, that are subordinate to senior notes and subordinate notes, may be issued.

In addition, the trust may enter into swap agreements and may obtain credit enhancement facilities. The trust's obligations under these swap agreements and credit enhancement facilities may be issued on a parity with the senior notes, the subordinate notes or any junior subordinate notes issued pursuant to the indenture. In this offering memorandum, we refer to any swap agreements or credit enhancement facilities and the series of notes having the same payment

priority as “senior obligations,” “subordinate obligations,” or “junior subordinate obligations,” as applicable. We refer to the senior obligations, subordinate obligations and junior subordinate obligations collectively as “indenture obligations.”

Priorities

The senior notes (and any other senior obligations) are entitled to payment and certain other priorities over the subordinate notes (and any other subordinate obligations). Current payments of interest and principal due on subordinate notes on an interest payment date or principal payment date will be made (on a parity basis with any other subordinate obligations) only to the extent that there are sufficient funds available for such payment, after making all such payments due on such date with respect to senior notes and other senior obligations.

So long as any senior obligations remain outstanding under the indenture, the failure to make interest or principal payments with respect to subordinate notes will not constitute an event of default under the indenture. In the event of an acceleration of the notes, the principal of and accrued interest on the subordinate notes will be paid (on a parity basis with any other subordinate obligations) only to the extent there are funds available under the indenture after payment of the principal of, and accrued interest on, all senior notes and the satisfaction of all other senior obligations.

In addition, holders of senior notes and beneficiaries of other senior obligations are entitled to direct certain actions to be taken by the indenture trustee prior to and upon the occurrence of an event of default, including election of remedies. See the caption “Summary of Indenture Provisions—Remedies on default” herein.

Funds

The following funds were created by the indenture trustee under the indenture for the benefit of the holders:

- Acquisition Fund;
- Collection Fund;
- Administration Fund;
- Debt Service Fund;
- Reserve Fund; and
- Surplus Fund.

Acquisition Fund

With respect to each series of notes, the indenture trustee will deposit into the Acquisition Fund the amount of proceeds from the issuance of that series specified in the related supplemental indenture. The indenture trustee will also deposit into the Acquisition Fund:

- any funds transferred from the Collection Fund or the Surplus Fund;
- proceeds of the sale of any student loans held in the Acquisition Fund during the acquisition period; and
- any other amounts specified in a supplemental indenture.

Balances in the Acquisition Fund will be used:

- to acquire student loans (through the eligible lender trustee), including the payment of any related premium and origination and guarantee fees if any;
- to originate federal consolidation loans in order to consolidate one or more federal student loans held by the trust and to add other student loans of that borrower to existing consolidation loans held by the trust;
- to purchase serial loans from sellers, to the extent that the trust already holds another student loan of that borrower that was transferred to the trust on the date of issuance of a series of notes or purchased during the related acquisition period for that series;
- to transfer funds to the Retirement Account of the Debt Service Fund to redeem notes following the end of an acquisition or revolving period as provided in a supplemental indenture;
- to deposit funds into the Retirement Account of the Debt Service Fund to redeem one or more outstanding series of notes; and
- to pay costs of issuing the notes.

In addition, funds in the Acquisition Fund may be used:

- to deposit amounts into the Debt Service Fund, if there are insufficient funds in the Debt Service Fund to pay debt service on the notes and other indenture obligations when due;
- following the acquisition period, to the extent not used to redeem notes or used as otherwise specified in the supplemental indenture, to deposit amounts into the Surplus Fund;
- to deposit amounts into the Administration Fund to pay certain fees, costs and expenses of the trust; or
- to perform such other actions related to the trust's student loan programs as may be provided in a supplemental indenture.

If on any monthly calculation date the amount in the Acquisition Fund available to pay origination fees, guarantee fees, related premiums and other fees due in the next month is less

than the amount so needed, the indenture trustee will transfer an amount equal to that deficiency to the Acquisition Fund from the following funds in the following order of priority: first, the Collection Fund and, second, the Surplus Fund.

Following the end of an acquisition or revolving period relating to a series of notes, the indenture trustee will transfer from the Acquisition Fund to the Retirement Account of the Debt Service Fund, for the redemption of notes, all related amounts remaining in the Acquisition Fund.

Collection Fund

The indenture trustee will credit to the Collection Fund:

- all revenues derived from the student loans;
- unless otherwise provided in a supplemental indenture, proceeds of the sale of any student loans held in the Acquisition Fund;
- any amounts transferred from the Acquisition Fund, the Administration Fund, the Reserve Fund and the Surplus Fund;
- any earnings on investments of funds in the Acquisition Fund, the Reserve Fund, the Administration Fund, the Surplus Fund and the Debt Service Fund; and
- all payments by counterparties pursuant to any swap agreements.

On each monthly calculation date or on any date directed by the issuer administrator, the indenture trustee will transfer the money deposited during the preceding month into the Collection Fund as follows:

FIRST, to make any payments required under any joint sharing agreement;

SECOND, to make any payments due and payable by the trust to the U.S. Department of Education related to the student loans or any other payment due and payable to a guarantee agency relating to its guarantee of student loans;

THIRD, to the Administration Fund to provide for payment of certain fees, costs and expenses of the trust, subject to the limitations set forth in any supplemental indenture;

FOURTH, to the Interest Account of the Debt Service Fund, to provide for the payment of interest on senior notes or other senior obligations (except, with respect to senior swap agreements, only amounts due in the ordinary course and not any termination, indemnity or other similar or extraordinary payment unless the trust receives confirmation from the rating agencies that such payment will not adversely affect the ratings on any of the notes);

FIFTH, to the Principal Account of the Debt Service Fund, to provide for the payment of principal of senior notes at stated maturity or on mandatory sinking fund payment dates or the reimbursement of senior credit facility providers for the payment of principal of the notes;

SIXTH, to the Interest Account of the Debt Service Fund, to provide for the payment of interest on subordinate notes or other subordinate obligations (except, with respect to subordinate swap agreements, only amounts due in the ordinary course and not any termination, indemnity or other similar or extraordinary payment unless the trust receives confirmation from the rating agencies that such payment will not adversely affect the ratings on any of the notes);

SEVENTH, to the Principal Account of the Debt Service Fund, to provide for the payment of principal of subordinate notes at stated maturity, on mandatory sinking fund payment dates or the reimbursement of subordinate credit facility providers for the payment of principal of the notes;

EIGHTH, to the Reserve Fund if necessary to increase the balance thereof to its required level;

NINTH, to the Interest Account of the Debt Service Fund, to provide for the payment of interest on junior subordinate notes or other junior obligations (except, with respect to junior subordinate swap agreements, only amounts due in the ordinary course and not any termination, indemnity or other similar or extraordinary payment unless the trust receives confirmation from the rating agencies that such payment will not adversely affect the ratings on any of the notes);

TENTH, to the Principal Account of the Debt Service Fund, to provide for the payment of principal of junior subordinate notes at stated maturity or on mandatory sinking fund payment dates or the reimbursement of junior subordinate credit facility providers for the payment of principal of the notes;

ELEVENTH, to make such other payments as may be set forth in a supplemental indenture upon the receipt of confirmation from the rating agencies that such payment will not adversely affect the ratings on any of the notes;

TWELFTH, during the revolving period and at the option of the trust, to the Acquisition Fund to acquire additional student loans and, after the revolving period, at the option of the trust, to fund any add-on loans required to be funded under the Higher Education Act of 1965, as amended, relating to consolidation loans owned by the trust;

THIRTEENTH, to the Retirement Account of the Debt Service Fund at the option of the trust, to provide for the redemption of, or distribution of principal with respect to, notes (or the reimbursement of credit facility providers for the payment of the prepayment price of the notes);

FOURTEENTH, to the Acquisition Fund to fund (a) borrower benefit payments in an amount not in excess of those set forth in the closing cashflows and (b) subsequent disbursements required to be funded under the Higher Education Act of 1965, as amended, relating to Stafford and PLUS loans owned by the trust;

FIFTEENTH, to the Interest Account of the Debt Service Fund, to provide for the payment of carry-over amounts (and interest thereon) due with respect to the senior notes;

SIXTEENTH, (but only if the senior asset percentage would be at least 100% upon the application of such amounts), to the Interest Account of the Debt Service Fund, to provide for the payment of carry-over amounts (and interest thereon) due with respect to the subordinate notes;

SEVENTEENTH, (but only if the senior asset percentage and the subordinate asset percentage would be at least 100% upon the application of such amounts), to the Interest Account of the Debt Service Fund, to provide for the payment of carry-over amounts (and interest thereon) with respect to the junior subordinate notes;

EIGHTEENTH, to the Interest Account of the Debt Service Fund, to provide for the payment of unpaid termination, indemnity or other similar or extraordinary payments due under senior swap agreements;

NINETEENTH, to the Interest Account of the Debt Service Fund, to provide for the payment of unpaid termination, indemnity or other similar or extraordinary payments due under subordinate swap agreements;

TWENTIETH, to the Interest Account of the Debt Service Fund, to provide for the payment of unpaid termination, indemnity or other similar or extraordinary payments due under junior subordinate swap agreements;

TWENTY-FIRST, to the Retirement Account of the Debt Service Fund, to provide for the redemption of, or distribution of principal with respect to, notes until, after applying these amounts, the asset release requirement shall be satisfied;

TWENTY-SECOND, on and after the date on which the outstanding principal amount of the notes is equal to or less than 10% of the original principal amount of all notes issued by the trust, to the Redemption Account to provide for the redemption of, or distribution of principal with respect to, the notes until the date on which all of the notes are no longer outstanding; and

TWENTY-THIRD, to the Surplus Fund.

Administration Fund

The indenture trustee will credit to the Administration Fund, from the proceeds of the issuance of each series of notes, the amount, if any, specified in the related supplemental indenture. The indenture trustee also will credit to the Administration Fund all amounts transferred to it from the Collection Fund, the Surplus Fund and the Acquisition Fund. Amounts in the Administration Fund will be used to pay the costs, fees and expenses of the trust.

Debt Service Fund

The indenture establishes a Debt Service Fund which comprises three accounts:

- Interest Account;
- Principal Account; and

- Retirement Account.

The Debt Service Fund will be used only for the payment when due of principal of and premium, if any, and interest on the Notes, the purchase price of notes, other indenture obligations and carry-over amounts (including any accrued interest thereon).

Any supplemental indenture providing for the issuance of any series of notes to be paid pursuant to or secured by a credit enhancement facility will also provide for the creation of separate sub-accounts within the Interest Account, the Principal Account and the Retirement Account. Any payment received pursuant to that credit enhancement facility will be deposited into the applicable sub-account, and these funds will be used only for the payment of principal of and premium, if any, and interest on notes of the applicable series, or for any other purposes permitted by the applicable supplemental indenture, subject to the conditions set forth in that supplemental indenture.

Interest Account. The indenture trustee will deposit in the Interest Account:

- proceeds of the issuance of notes if directed by the related supplemental indenture;
- that portion of the proceeds from the sale of the trust's refunding bonds, notes or other evidences of indebtedness, if any, to be used to pay interest on the notes;
- all payments under any credit enhancement facilities to be used to pay interest on the notes; and
- all amounts required to be transferred to the Interest Account from the funds described below.

With respect to each series of notes on which interest is paid no less frequently than every 60 days, the indenture trustee will deposit to the Interest Account on each monthly calculation date an amount equal to the interest that will become payable on those notes during the following calendar month.

With respect to each series of notes on which interest is paid less frequently than every 60 days, the indenture trustee will make equal monthly deposits to the Interest Account on each monthly calculation date preceding each interest payment date, to aggregate the full amount of the interest due on that interest payment date.

With respect to notes that bear interest at a variable rate, for which any such amount cannot be determined on a monthly calculation date, the indenture trustee will make a deposit based upon assumptions set forth in the related supplemental indenture.

With respect to each swap agreement or credit enhancement facility under which swap agreement payments by the trust or credit enhancement facility fees are payable no less frequently than every 60 days, the indenture trustee will deposit to the credit of the Interest Account on each monthly calculation date an amount equal to the trust swap agreement payments or fees that will become payable during the following calendar month.

With respect to each swap agreement or credit enhancement facility under which swap agreement payments by the trust or credit enhancement facility fees are payable less frequently than every 60 days, the indenture trustee will make equal monthly deposits to the Interest Account on each monthly calculation date preceding each payment date, to aggregate the full amount of those swap agreement payments or credit enhancement facility fees, as the case may be.

With respect to any swap agreement for which any such amount cannot be determined on the monthly calculation date, the indenture trustee will make the deposit based upon assumptions set forth in the supplemental indenture authorizing that swap agreement.

Each deposit required by the preceding paragraphs will be made by transfer from the following funds, in the following order of priority: the Collection Fund, the Surplus Fund, the Reserve Fund and, as to senior notes and other senior obligations only, the Acquisition Fund.

On each monthly calculation date, if any carry-over amount (including any accrued interest thereon) will be due and payable with respect to a series of notes during the next month, as provided in the related supplemental indenture, the indenture trustee will transfer to the Interest Account (to the extent amounts are available in the Collection Fund or the Surplus Fund, after taking into account all prior application of moneys in those funds on that monthly calculation date) an amount equal to that carry-over amount (including any accrued interest thereon).

Principal Account. The indenture trustee will deposit in the Principal Account:

- proceeds of the issuance of notes in an amount, if any, representing premium of those notes paid as a part of their purchase price thereof;
- the portion of the proceeds from the sale of the trust's bonds, notes or other evidences of indebtedness, if any, to be used to pay principal of the Notes;
- all payments under any credit enhancement facilities to be used to pay principal of notes; and
- all amounts required to be transferred to the Principal Account from the funds described below.

To provide for the payment of principal due on the stated maturity of notes or on a mandatory sinking fund payment date for notes (or for the reimbursement to any credit facility provider for the payment of such principal), the indenture trustee will make equal monthly deposits to the Principal Account on each of the twelve monthly calculation dates preceding the date that payment is due, to aggregate the full amount of that payment.

These deposits will be made by transfers from the following funds in the following order of priority (after transfers to the Interest Account required on the date of any such transfer as described under the caption "Interest Account" above): the Collection Fund, the Surplus Fund, the Reserve Fund, and, as to senior notes and other senior obligations only, the Acquisition Fund.

Balances in the Principal Account may also be applied to the purchase of notes at a purchase price not to exceed the principal amount thereof plus accrued interest, or to the redemption of or distribution of principal with respect to notes at a prepayment price not to exceed the principal amount thereof plus accrued interest upon transfer to the Retirement Account, as determined by the trust at such time. Any such purchase, redemption or distribution of principal will be limited to those notes whose stated maturity or mandatory sinking fund payment date is the next succeeding principal payment date.

Retirement Account. The indenture trustee will deposit in the Retirement Account:

- any amounts transferred thereto from the Acquisition Fund, the Collection Fund, the Reserve Fund, the Surplus Fund, or the Principal Account to provide for the redemption of or the distribution of principal with respect to the notes;
- that portion of the proceeds from the sale of the trust's bonds, notes or other evidences of indebtedness, if any, to be used to pay the principal or redemption price of notes on a date other than the stated maturity thereof or a mandatory sinking fund payment date urobonds;
- that portion of the proceeds of the sale or securitization of a student loan, if any, to be used to pay the principal or redemption price of notes on a date other than the stated maturity date thereof or a mandatory sinking fund payment date thereof; and
- all payments under any credit enhancement facilities to be used to pay the principal or redemption price of notes payable from the Retirement Account.

All notes that are to be redeemed, or with respect to which principal distributions are to be made, other than at stated maturity or on a mandatory sinking fund payment date, will be redeemed or paid with funds deposited to the Retirement Account. Funds in the Retirement Account will also be used for the reimbursement to any credit facility provider for the payment of those amounts pursuant to a credit enhancement facility.

Amounts deposited in the Retirement Account to provide for the payment of the redemption price of notes subject to mandatory redemption, or for mandatory principal distributions with respect to notes, will be applied to the payments with respect to notes of all series subject to prepayment in such order of priority as may be established by the related supplemental indenture (or in the absence of direction from those supplemental indentures, in the order in which notes mature, and among notes with the same stated maturity, in the order in which those notes were issued). No redemption (other than mandatory sinking fund redemption) of, or principal distribution with respect to, subordinate notes will be permitted unless, after giving effect to that redemption or distribution, the senior asset requirement will be met.

Balances in the Retirement Account may also be applied to the purchase of notes at a purchase price not to exceed the principal amount thereof plus accrued interest plus any then applicable redemption premium, as determined by the trust at such time.

Reserve Fund

Upon the issuance of any series of notes, the indenture trustee will credit to the Reserve Fund, from the proceeds of that issuance of notes or from the Surplus Fund, the amount, if any, so that upon issuance of those notes the balance in the Reserve Fund will not be less than the Reserve Fund Requirement.

If on any monthly calculation date the balance in the Reserve Fund is less than the Reserve Fund Requirement, the indenture trustee will transfer to the Reserve Fund an amount equal to the deficiency from moneys available in the following funds in the following order of priority (to the extent not required for credit to the Administration Fund, the Debt Service Fund or the Acquisition Fund): the Collection Fund and the Surplus Fund.

The balance in the Reserve Fund will be used and applied solely for the payment when due of principal of and interest on the notes and any other indenture obligations payable from the Debt Service Fund. If on any monthly calculation date the balance in the Reserve Fund exceeds the Reserve Fund Requirement, that excess will be transferred to the Collection Fund.

Surplus Fund

On each monthly calculation date, the indenture trustee will deposit to the Surplus Fund balances in the Collection Fund not required for deposit to any other fund or account and certain amounts transferred from the Acquisition Fund.

At any time there is a deficiency in any of the other funds or accounts, balances in the Surplus Fund will be transferred to those funds or accounts to remedy that deficiency in the same order of priority as for the application of money in the Collection Fund.

Amounts in the Surplus Fund may be applied to any one or more of the following purposes at any time as determined by the trust:

- transfer to the Retirement Account for the redemption or purchase of, or distribution of principal with respect to, notes;
- the purchase of notes out of funds available for such purpose; or
- during an acquisition period, transfer to the Acquisition Fund for the acquisition or origination of student loans.

Any amounts in the Surplus Fund, upon an order from the trust, will also be released to the trust or used to make indemnity payments required pursuant to the terms of a servicing agreement if, after taking into account any such release and excluding, for these purposes only, from the calculation of the aggregate value of the trust's assets, any student loans not satisfying the trust's eligibility criteria, the asset release requirement will be satisfied.

Statements to indenture trustee

The issuer administrator will prepare and provide periodic statements to the indenture trustee that will include:

- the amount of principal distributions on the notes;
- the amount of interest distributions for each series of notes and the applicable interest rates;
- the amount of interest distributed on carry-over amounts and the amount of any outstanding carry-over interest;
- the pool balance at the end of the collection period;
- the outstanding principal amount of each series of notes;
- the interest rate for any series of variable rate notes for that month;
- the servicing fees, trustees' fees, auction agent fees, broker-dealer fees and administrative fees for the collection period;
- the amount of principal and interest collected on the student loans;
- the balance of any reserve account, after giving effect to changes in the balance on that payment date;
- the amount of any distributions from funds on deposit in the Acquisition Fund;
- during each acquisition period, the aggregate amount paid by the indenture trustee to acquire student loans;
- the amount remaining in the Acquisition Fund being transferred to the Debt Service Fund;
- the ratio of the trust's assets to the outstanding amount of senior notes and all of the notes;
- the interest rates, if available, for the next interest period for each series;
- the amount of any aggregate realized losses for the collection period;
- the amount of any shortfall in the payment of the principal distribution amount for each series, and any changes in these amounts from the preceding statement; and
- the balance of student loans held by the trust that are delinquent in each delinquency period as of the end of collection period.

Investment of funds held by indenture trustee

The indenture trustee will invest amounts credited to any fund established under the indenture in investment securities described in the indenture pursuant to orders received from us. In the absence of an order, and to the extent practicable, the indenture trustee will invest amounts held under the indenture in direct obligations of, or in obligations fully guaranteed by, the United States.

The indenture trustee is not responsible or liable for any losses on investments made by it or for keeping all funds held by it fully invested at all times. Its only responsibility is to comply with investment instructions in a non-negligent manner.

Book-Entry Registration

Investors acquiring beneficial ownership interests in the notes issued in book-entry form will hold their notes through The Depository Trust Company in the United States, or Clearstream, Luxembourg or Euroclear (in Europe) if they are participants of these systems, or indirectly through organizations which are participants in these systems. The book-entry notes will be issued in one or more instruments which equal the aggregate principal balance of the series of notes and will initially be registered in the name of Cede & Co., the nominee of The Depository Trust Company. Clearstream, Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's name on the books of its respective depository which in turn will hold positions in customers' securities accounts in such depository's name on the books of The Depository Trust Company. Except as described below, no person acquiring a book-entry note will be entitled to receive a physical certificate representing the notes. Unless and until definitive certificates are issued, it is anticipated that the only holder of the notes will be Cede & Co., as nominee of The Depository Trust Company.

The Depository Trust Company is a New York-chartered limited-purpose trust company that performs services for its participants, some of which, and/or their representatives, own The Depository Trust Company. In accordance with its normal procedures, The Depository Trust Company is expected to record the positions held by each of its participants in notes issued in book-entry form, whether held for its own account or as nominee for another person. In general, beneficial ownership of book-entry notes will be subject to the rules, regulations and procedures governing The Depository Trust Company and its participants as in effect from time to time.

Purchases of the notes under The Depository Trust Company system must be made by or through direct participants, which are to receive a credit for the notes on The Depository Trust Company's records. The ownership interest of each actual purchaser of each series of notes, or beneficial owner, is in turn to be recorded on the direct and indirect participants' records. Beneficial owners shall not receive written confirmation from The Depository Trust Company of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners shall not receive

certificates representing their ownership interests in the notes, except in the event that use of the book-entry system for the series of any notes is discontinued.

To facilitate subsequent transfers, all notes deposited by participants with The Depository Trust Company are registered in the name of The Depository Trust Company's partnership nominee, Cede & Co. The deposit of such notes with The Depository Trust Company and their registration in the name of Cede & Co. effect no change in beneficial ownership. The Depository Trust Company has no knowledge of the actual beneficial owners of notes; The Depository Trust Company's records reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by The Depository Trust Company to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of a series of notes are being redeemed, The Depository Trust Company's practice is to determine by lot the amount of the interest of each direct participant in that series to be redeemed.

Neither The Depository Trust Company nor Cede & Co. will consent or vote with respect to the notes of any series. Under its usual procedures, The Depository Trust Company mails an omnibus proxy to ALG Student Loan Trust I, or the indenture trustee, as appropriate, as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the notes are credited on the record date.

Principal and interest payments on the notes are to be made to The Depository Trust Company. The Depository Trust Company's practice is to credit direct participant's accounts upon receipt of funds and corresponding detailed information from the trust on the payable date in accordance with the respective holdings shown on The Depository Trust Company's records. Payments by participants to beneficial owners are 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 shall be the responsibility of the participant and not of The Depository Trust Company, the indenture trustee or the trust, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to The Depository Trust Company is the responsibility of the trust, or the indenture trustee. Disbursement of such payments to direct participants shall be the responsibility of The Depository Trust Company, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants.

The Depository Trust Company 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 trust or the indenture trustee. In the event that a successor securities depository is not obtained, note certificates are required to be printed and delivered.

Clearstream Banking, société anonyme, Luxembourg, formerly Cedelbank (“Clearstream, Luxembourg”), has advised that it is incorporated under the laws of the Grand Duchy of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for its participating organizations. Clearstream, Luxembourg facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream, Luxembourg participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant, either directly or indirectly.

Euroclear has advised that it was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./NV (the “Euroclear operator”), under contract with Euroclear Clearance System plc., a United Kingdom corporation (the “Cooperative”). All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, central banks, securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator has advised that it is licensed by the Belgian Banking and Finance Commission to carry out banking activities on a global basis. As a Belgian Bank, it is regulated by the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law. The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to notes held through Clearstream, Luxembourg or Euroclear will be credited to the cash accounts of Clearstream, Luxembourg participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depository. Those distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations (see "Federal Income Tax Consequences" herein). Clearstream, Luxembourg or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a noteholder under the indenture on behalf of a Clearstream, Luxembourg participant or Euroclear participant only in accordance with the relevant rules and procedures and subject to the relevant Depository's ability to effect such actions on its behalf through The Depository Trust Company.

Noteholders may hold their notes in the United States through The Depository Trust Company or in Europe through Clearstream, Luxembourg or Euroclear if they are participants of such systems, or indirectly through organizations which are participants in such systems.

The notes will initially be registered in the name of Cede & Co., the nominee of The Depository Trust Company. Clearstream, Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of their respective depositories which in turn will hold such positions in customers' securities accounts in the depositories' names on the books of The Depository Trust Company.

Transfers between participants will occur in accordance with The Depository Trust Company rules. Transfers between Clearstream, Luxembourg participants and Euroclear participants will occur in accordance with their respective rules and operating procedures.

Because of time-zone differences, credits of securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a participant will be made during subsequent securities settlement processing and dated the business day following The Depository Trust Company settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream, Luxembourg participants on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of securities by or through a Clearstream, Luxembourg participant or Euroclear participant to a participant will be received with value on The Depository Trust Company settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in The Depository Trust Company.

Cross-market transfers between persons holding directly or indirectly through The Depository Trust Company, on the one hand, and directly or indirectly through Clearstream, Luxembourg participants or Euroclear participants, on the other, will be effected in The Depository Trust Company in accordance with The Depository Trust Company rules on behalf of the relevant European international clearing system by its depository; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or

receiving securities in The Depository Trust Company, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to The Depository Trust Company. Clearstream, Luxembourg participants and Euroclear participants may not deliver instructions to the depositories.

The Depository Trust Company has advised 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 The Depository Trust Company the notes are credited. Clearstream, Luxembourg or Euroclear will take any action permitted to be taken by a noteholder under the indenture on behalf of a participant only in accordance with their relevant rules and procedures and subject to the ability of the relevant depository to effect these actions on its behalf through The Depository Trust Company.

Although The Depository Trust Company, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the notes among participants of The Depository Trust Company, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

None of the trust, the seller, the servicers, the sub-servicers, the indenture trustee or the underwriters will have any responsibility or obligation to any The Depository Trust Company participants, Clearstream, Luxembourg participants or Euroclear participants or the persons for whom they act as nominees with respect to:

- the accuracy of any records maintained by The Depository Trust Company, Clearstream, Luxembourg or Euroclear or any participant;
- the payment by The Depository Trust Company, Clearstream, Luxembourg or Euroclear or any participant of any amount due to any beneficial owner in respect of the principal amount or interest on the notes;
- the delivery by any The Depository Trust Company participant, Clearstream, Luxembourg participant or Euroclear 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
- any other action taken by The Depository Trust Company, Clearstream, Luxembourg or Euroclear.

In certain circumstances, the trust may discontinue use of the system of book entry transfers through The Depository Trust Company or a successor securities depository. In that event, note certificates are to be printed and delivered.

Additional Notes

The trust may, upon complying with the provisions of the indenture, issue from time to time additional notes secured by the assets of the trust on a parity with or subordinate to either

senior notes or subordinate notes, or junior subordinate notes if any, then outstanding. We may issue additional notes without the approval of the holders of any outstanding notes.

The trust will not issue additional notes unless the following conditions have been satisfied:

- the trust has entered into a supplemental indenture with the indenture trustee providing the terms and forms of the additional notes;
- the indenture trustee has received a rating confirmation from each rating agency which has assigned a rating to any outstanding notes of the trust that such rating will not be reduced or withdrawn as a result of the issuance of the proposed additional notes; and
- the indenture trustee has received an opinion of counsel to the effect that all of the foregoing conditions to the issuance of the proposed additional notes have been satisfied.

Additional Indenture Obligations

Upon complying with the terms of the indenture, the trust may enter into swap agreements and obtain credit enhancement facilities. Any swap agreement or credit enhancement facility may be obtained for the sole benefit of the series of notes designated in that swap agreement or facility. In that event, payments under that swap agreement or credit enhancement facility would not be available to make payments on any other series of notes. However, any payments required to be made to any counterparty or credit facility provider would be parity obligations with the other indenture obligations of the same series, payable from any revenues available to pay those indenture obligations. We may enter into swap agreements or credit enhancement facilities without the approval of holders of any outstanding notes. Under the indenture, the trust may not, however, enter into a swap agreement or credit enhancement facility unless the indenture trustee has received written confirmation from each rating agency that such action would not result in the reduction or withdrawal of any ratings then applicable to the outstanding notes.

Summary of the Indenture Provisions

The trust will issue series of notes from time to time pursuant to the indenture and a related supplemental indenture. The following is a summary of some of the provisions contained in the indenture. This summary is not comprehensive and reference should be made to the indenture for a full and complete statement of its provisions.

Parity and priority of lien

The provisions of the trust's indenture are generally for the equal benefit, protection and security of the holders of all of the notes issued by the trust. However, the senior notes have priority over the subordinate notes with respect to payments of principal and interest, and the subordinate notes have priority over the junior subordinate notes, if any, with respect to payments of principal and interest.

The trust will not:

- create, or permit the creation of, any pledge, lien, charge or encumbrance upon the student loans or the other assets pledged under the indenture, except only as to a lien subordinate to the lien of the indenture created by any other indenture authorizing the issuance of bonds, notes or other evidences of indebtedness of the trust, the proceeds of which have been or will be used to refund or otherwise retire all or a portion of the outstanding notes or as otherwise provided in or permitted by the indenture; or
- issue any bonds or other evidences of indebtedness, other than the notes as permitted by the indenture and other than swap agreements and credit enhancement facilities relating to notes as permitted by the indenture, secured by a pledge of the revenues and other assets pledged under the indenture, creating a lien or charge equal or superior to the lien of the indenture.

Covenants

Enforcement and amendment of guarantee agreements. The trust will cause the eligible lender trustee to enter into and maintain guarantee agreements covering the trust's student loans so as to maintain benefits for all student loans. The trust also 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 these agreements that in any manner will materially adversely affect the rights of the holders of the notes or the other beneficiaries under the indenture, unless each rating agency confirms that the proposed amendment will not result in the withdrawal or reduction of any ratings then applicable to the outstanding notes.

Acquisition, collection and assignment of student loans. The trust will purchase or originate student loans only with moneys in any of the funds and, subject to any adjustments referred to in the following paragraph, will diligently cause to be collected all principal, interest and other payments in respect of the student loans to which the trust is entitled.

Enforcement of student loans. The trust will cause to be diligently enforced all terms, covenants and conditions of all student loans and agreements in connection with the student loans, including the prompt payment of all principal and interest and other amounts due to the trust. The trust will not permit the release of the obligations of any borrower under any student loan and will, to the extent permitted by law, cause to be defended, enforced, preserved and protected, the rights and privileges of the trust, the eligible lender trustee, the indenture trustee, the holders of the notes and the other beneficiaries under the indenture, under and with respect to each student loan and related agreement. The trust will not consent or agree to or permit any amendment or modification of any student loan or related agreement that will in any manner materially adversely affect the rights or security of the holders of the notes and other beneficiaries under the indenture. The trust may, however:

- settle a default or cure a delinquency on a student loan on terms that are required by law;

- amend the terms of a student loan to provide a different rate of interest to the extent required by law; and
- reduce the interest rate of or forgive interest or principal payments on student loans pursuant to borrower benefit programs within certain limitations specified in the indenture.

The trust may otherwise amend the terms of any student loan or reduce interest payments or forgive interest or principal payments in excess of the specified limitations if each rating agency has confirmed that the proposed action will not result in the withdrawal or reduction of any ratings then applicable to any outstanding notes.

Administration and collection of student loans. The trust will enter into one or more servicing agreements pursuant to which servicers (which shall not include the trust) that meet certain standards set forth in the indenture agree to service and collect all student loans originated under the Federal Family Education Loan Program in accordance with all requirements of the Higher Education Act, the Secretary of Education, the indenture and each guarantee agreement. The trust will diligently enforce all terms, covenants and conditions of all servicing agreements, student loan purchase agreements and administration agreements, including the prompt payment of all amounts due under those agreements. The trust will not permit the release of the obligations of any servicer under any servicing agreement, any issuer administrator under any administration agreement or any party under a loan purchase agreement, except in accordance with the terms of the applicable agreement. The trust will not consent or agree to or permit any amendment or modification of any servicing agreement, administration agreement or loan purchase agreement unless each rating agency confirms that the amendment or modification will not result in the withdrawal or reduction of any ratings then applicable to the outstanding notes.

Limitation on fees. The fees, costs and expenses of the trust may not exceed certain levels unless each rating agency confirms that such levels will not result in the withdrawal or reduction of any ratings then applicable to any outstanding notes.

Tax Treatment. The trust agrees, and each holder of notes, by its acceptance of its notes, agrees, to treat the notes for federal, state and local income, business and franchise tax purposes as indebtedness of the trust.

Continued existence; merger and consolidation. The trust will maintain its existence as a Delaware statutory trust and will not dispose of all or substantially all of its assets, except as otherwise specifically authorized in the indenture, or consolidate with or merge into another entity, or permit any other entity to consolidate with or merge into it, unless either the trust is the surviving entity or each of the following conditions is satisfied:

- the surviving, resulting or transferee entity, as the case may be, is a corporation, limited liability company or other legal entity organized under the laws of the United States or one of the states thereof;

- at least 30 days before any merger, consolidation or transfer of assets becomes effective, the trust gives the indenture trustee written notice of the proposed transaction;
- immediately after giving effect to any merger, consolidation or transfer of assets, no event of default under the indenture has occurred and is continuing;
- each rating agency confirms that the merger, consolidation or transfer of assets will not result in the withdrawal or reduction of any ratings then applicable to any outstanding notes; and
- prior to or concurrently with any merger, consolidation or transfer of assets,
 - any action necessary to maintain the lien and security interest created in favor of the indenture trustee under the indenture is taken;
 - the surviving, resulting or transferee entity, as the case may be, delivers to the indenture trustee an instrument assuming all of the obligations of the trust under the indenture and related agreements, together with any necessary consents; and
 - the trust delivers to the indenture trustee and each rating agency a certificate and an opinion of counsel (which will either describe the actions taken that are necessary to maintain the lien and security interest in favor of the indenture trustee under the indenture or that no such action needs to be taken), each stating that all conditions precedent to the merger, consolidation or transfer of assets have been complied with.

Events of default

The indenture defines the following events as events of default:

- default in the due and punctual payment of any interest on any senior note; or
- default in the due and punctual payment of the principal of, or premium, if any, on any senior note, whether at stated maturity, at the date fixed for redemption of that senior note (including, but not limited to, mandatory sinking fund payment dates) or otherwise upon the maturity of that senior note; or
- default by the trust in its obligation to purchase any senior note on a tender date for that senior note; or
- default in the due and punctual payment of any amount owed by the trust to any other senior beneficiary under a senior swap agreement or senior credit enhancement facility; or
- if no senior obligations are outstanding, default in the due and punctual payment of any interest on any subordinate note; or

- if no senior obligations are outstanding, default in the due and punctual payment of the principal of, or premium, if any, on, any subordinate note, whether at stated maturity, at the date fixed for redemption of that subordinate note (including but not limited to, mandatory sinking fund payment dates) or otherwise upon the maturity of that subordinate note; or
- if no senior obligations are outstanding, default by the trust in its obligation to purchase any subordinate note on a tender date for that subordinate note; or
- if no senior obligations are outstanding, default in the due and punctual payment of any amount owed by the trust to any other subordinate beneficiary under a subordinate swap agreement or a subordinate credit enhancement facility; or
- if no senior obligations and no subordinate obligations are outstanding, default in the due and punctual payment of any interest on any junior subordinate note; or
- if no senior obligations and no subordinate obligations are outstanding, default in the due and punctual payment of the principal of, or premium, if any, on, any junior subordinate note, whether at stated maturity, at the date fixed for redemption of that junior subordinate note (including, but not limited to, mandatory sinking fund payment dates) or otherwise upon the maturity of that junior subordinate note; or
- if no senior obligations and no subordinate obligations are outstanding, default by the trust in its obligation to purchase any junior subordinate note on a tender date urobonds; or
- if no senior obligations and no subordinate obligations are outstanding, default in the due and punctual payment of any amount owed by the trust to any other junior subordinate beneficiary under a junior subordinate swap agreement or junior subordinate credit enhancement facility; or
- default in the performance of any of the trust's obligations with respect to the transmittal of money to be credited to the Collection Fund, the Acquisition Fund or the Debt Service Fund under the provisions of the indenture that has continued unremedied for 30 days; or
- default in the performance or observance of any other of the covenants, agreements or conditions on the part of the trust contained in the indenture or in the notes that has continued unremedied for 30 days after written notice specifying the default has been given to the trust by the indenture trustee, unless the default is such that it can be corrected, but not within 30 days, corrective action has been instituted by the trust within 30 days and is diligently pursued until the default is corrected; or
- certain events of bankruptcy or insolvency of the trust.

Remedies on default

Whenever any event of default has occurred and is continuing, the indenture trustee may (and, upon the written request of the Acting Beneficiaries Upon Default, the indenture trustee will), by notice in writing delivered to the trust, declare the principal of and interest accrued on all notes then outstanding due and payable and principal and interest will become immediately due and payable.

At any time after such a declaration of acceleration has been made, and before a judgment or decree for payment of the money due has been obtained by the indenture trustee, the Acting Beneficiaries Upon Default, by written notice to the trust and the indenture trustee, may rescind and annul that declaration and its consequences if:

- a sum of money has been paid to or deposited with the indenture trustee by or for the account of the trust, or provision for payment satisfactory to the indenture trustee has been made, sufficient to pay:
 - if senior obligations are outstanding:
 - all overdue installments of interest on all senior notes;
 - the principal of (and premium, if any, on) any senior notes which have become due other than by declaration of acceleration, together with interest at the rate or rates borne by those senior notes;
 - to the extent lawful, interest upon overdue installments of interest on the senior notes at the rate or rates borne by the senior notes;
 - all other senior obligations which have become due other than as a direct result of declaration of acceleration;
 - all other sums required to be credited to the Collection Fund and the Interest Account; and
 - all sums paid or advanced by the indenture trustee under the indenture and the reasonable compensation, expenses, disbursements and advances of the indenture trustee, its agents and counsel and any paying agents, remarketing agents, tender agents, auction agents, market agents and broker-dealers;
 - if no senior obligations are outstanding, but subordinate obligations are outstanding:
 - all overdue installments of interest on all subordinate notes;
 - the principal of (and premium, if any, on) any subordinate notes which have become due other than by declaration of acceleration,

together with interest at the rate or rates borne by those subordinate notes;

- to the extent lawful, interest upon overdue installments of interest on the subordinate notes at the rate or rates borne by the subordinate notes;
 - all other subordinate obligations which have become due other than as a direct result of declaration of acceleration;
 - all other sums required to be credited to the Collection Fund and the Interest Account; and
 - all sums paid or advanced by the indenture trustee under the indenture and the reasonable compensation, expenses, disbursements and advances of the indenture trustee, its agents and counsel and any paying agents, remarketing agents, tender agents, auction agents and broker-dealers; or
- if no senior obligations and no subordinate obligations are outstanding but junior subordinate notes are outstanding:
- all overdue installments of interest on all junior subordinate notes;
 - the principal of (and premium, if any, on) any junior subordinate notes which have become due other than by declaration of acceleration, together with interest at the rate or rates borne by those junior subordinate notes;
 - to the extent lawful, interest upon overdue installments of interest on the junior subordinate notes at the rate or rates borne by the junior subordinate notes;
 - all other junior subordinate obligations which have become due other than as a direct result of declaration or acceleration;
 - all other sums required to be credited to the Collection Fund and the Interest Account; and
 - all sums paid or advanced by the indenture trustee under the indenture and the reasonable compensation, expenses, disbursements and advances of the indenture trustee, its agents and counsel and any paying agents, remarketing agents, tender agents, auction agents, market agents and broker-dealers; and

- all events of default, other than the nonpayment of the principal of and interest on notes or other obligations which have become due solely by, or as a direct result of, declaration of acceleration, have been cured or waived as provided in the indenture.

If an event of default has occurred and is continuing, the indenture trustee may, subject to applicable law, pursue any available remedy by suit at law or in equity to enforce the covenants of the trust in the indenture and may pursue such appropriate judicial proceedings as the indenture trustee deems most effective to protect and enforce, or aid in the protection and enforcement of, the covenants and agreements in the indenture. The indenture trustee is also authorized to file proofs of claims in any equity, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings.

If an event of default has occurred and is continuing, the Acting Beneficiaries Upon Default have requested the indenture trustee to do so and the indenture trustee has been indemnified as provided in the indenture, the indenture trustee is obliged to exercise such one or more of the rights and powers conferred by the indenture as the indenture trustee deems most expedient in the interests of the beneficiaries. However, the indenture trustee has the right to decline to comply with any such request if counsel has advised the indenture trustee that the action requested may not lawfully be taken or if the indenture trustee receives, before exercising that right or power, contrary instructions from the Acting Beneficiaries Upon Default.

The Acting Beneficiaries Upon Default have the right to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the indenture, provided that:

- such direction will not violate any provisions of law or of the indenture;
- the indenture trustee does not determine that the action so directed would be unjustly prejudicial to the holders of notes or other beneficiaries not taking part in the direction, other than by effect of the subordination of any of their interests;
- the indenture trustee may take any other action deemed proper by the indenture trustee which is not inconsistent with the direction; and
- the indenture trustee will be indemnified to its reasonable satisfaction as provided in the indenture.

Except as permitted in a supplemental indenture with respect to an other beneficiary, no holder of any note or other beneficiary will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the indenture or for the execution of any trust under the indenture or for the appointment of a receiver or any other remedy under the indenture unless:

- an event of default has occurred and is continuing;
- the Acting Beneficiaries Upon Default have provided written request to the indenture trustee;

- that beneficiary or those beneficiaries have offered to the indenture trustee indemnity;
- the indenture trustee has failed or refused for a period of 60 days after the receipt of the request and indemnification to exercise the powers granted in the indenture or to institute that action, suit or proceeding in its own name; and
- no direction inconsistent with such written request has been given to the indenture trustee during that 60-day period by the holders of not less than a majority in aggregate principal amount of the notes then outstanding.

No one or more holders of the notes or any other beneficiary has any right in any manner whatsoever to affect, disturb or prejudice the lien of the indenture by his, her, its or their action or to enforce any right under the indenture except in the manner described indenture, and all proceedings at law or in equity must be instituted, had and maintained in the manner described in the indenture and for the benefit of the holders of all outstanding notes and other beneficiaries, as their interests may appear. Nevertheless, the Acting Beneficiaries Upon Default may institute any such suit, action or proceeding in their own names for the benefit of the holders of all outstanding notes and other beneficiaries under the indenture.

Unless the indenture trustee has declared the principal of and interest on all outstanding notes immediately due and payable and has obtained a judgment or decree for payment of the money due, the indenture trustee, will waive any event of default and its consequences upon written request of the Acting Beneficiaries Upon Default; except that the indenture trustee is not permitted to waive:

- any event of default arising from the acceleration of the maturity of the notes, except upon the rescission and annulment of the declaration as described above;
- any event of default in the payment when due of any amount owed to any beneficiary (including payment of principal of or interest on any note) except with the consent of that beneficiary or unless, prior to the waiver, the trust has paid or deposited with the indenture trustee a sum sufficient to pay all amounts owed to that beneficiary (including, to the extent permitted by law, interest upon overdue installments of interest);
- any event of default arising from the failure of the trust to pay unpaid expenses of the indenture trustee, its agents and counsel, and any authenticating agent, paying agents, note registrars, tender agents, remarketing agents, auction agents, market agents and broker-dealers as required by the indenture, unless, prior to the waiver, the trust has caused to be paid or deposited with the indenture trustee sums required to satisfy those obligations of the trust under the indenture; or
- any default in respect of a covenant or provision of the indenture which cannot be modified or amended without the consent of each affected holder of a note.

Notwithstanding any other provisions of the indenture, if an “event of default” occurs under a swap agreement or a credit enhancement facility and, as a result, any other beneficiary

that is a party is entitled to exercise one or more remedies under that swap agreement or credit enhancement facility, that other beneficiary may exercise those remedies, including the termination of that agreement, in its own discretion. Nevertheless, that party may not exercise any such remedy if it adversely affects the legal ability of the indenture trustee or Acting Beneficiaries Upon Default to exercise any remedy available under the indenture.

After the occurrence of a default, the indenture trustee will have a lien on the trust estate prior to the lien of the noteholders and all other persons as security for the obligation of the trust to pay the reasonable fees of the indenture trustee and to indemnify the indenture trustee in accordance with the provisions of the indenture.

Application of Proceeds

Unless the principal of all the notes shall have become or shall have been declared due and payable, all such funds will be applied as follows:

FIRST, to the payment to the holders of the senior notes and other senior obligations of all installments of principal and interest then due (except, with respect to senior swap agreements, only amounts due in the ordinary course and not any termination, indemnity or other similar or extraordinary payment without satisfaction of a rating agency condition), and if the amount available will not be sufficient to pay all those amounts in full, then to the payment ratably, in proportion to the amounts due without regard to due date, to the senior noteholders and to each other senior beneficiary, and the indenture trustee will apply the amount so apportioned to the senior noteholders first to the payment of interest and thereafter to the payment of principal;

SECOND (only if the senior asset percentage would be at least 100% upon the application of such amounts or if there are no senior notes outstanding), to the payment to the holders of subordinate notes and other subordinate obligations of all installments of principal and interest then due (except, with respect to subordinate swap agreements, only amounts due in the ordinary course and not any termination, indemnity or other similar or extraordinary payment without satisfaction of a rating agency condition), and if the amount available will not be sufficient to pay all those amounts in full, then to the payment ratably, in proportion to the amounts due, without regard to due date, to the subordinate noteholders and to each other subordinate beneficiary, and the indenture trustee will apply the amount so apportioned to the subordinate noteholders first to the payment of interest and thereafter to the payment of principal;

THIRD (only if the Subordinate Asset Percentage would be at least 100% upon the application of such amounts or there are no senior notes or subordinate notes outstanding), to the payment to the junior subordinate beneficiaries of all installments of principal and interest then due on the junior subordinate notes and all other junior subordinate obligations (except, with respect to junior subordinate swap agreements, only amounts due in the ordinary course and not any termination, indemnity or other similar or extraordinary payment without satisfaction of a rating agency condition), and if the amount available shall not be sufficient to pay all such amounts in full, then to the payment ratably, in proportion to the amounts due, without regard to due date, to the junior subordinate noteholders and to each other junior subordinate beneficiary,

and the indenture trustee will apply the amount so apportioned to the junior subordinate noteholders first to payment of interest and thereafter to the payment of principal;

FOURTH, to the payment of the holders of the senior notes of all carry-over amounts (together with interest thereon) then due and payable in the order in which such amounts became due and payable, and if the amount available shall not be sufficient to pay in full all such carry-over amounts (and interest thereon) which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the senior noteholders entitled thereto;

FIFTH (only if the senior asset percentage would be at least 100% upon the application of such amounts or if there are no senior notes outstanding), to the payment to the holders of the subordinate notes of all carry-over amounts (together with interest thereon) then due and payable in the order in which such amounts became due and payable, and if the amount available shall not be sufficient to pay in full all such carry-over amounts (and interest thereon) which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the subordinate noteholders entitled thereto;

SIXTH (only if the subordinate asset percentage would be at least 100% upon the application of such amounts or there are no senior notes or subordinate notes outstanding), to the payment to the holders of the junior subordinate notes of all carry-over amounts (together with interest thereon) then due and payable in the order in which such amounts became due and payable, and if the amount available shall not be sufficient to pay in full all such carry-over amounts (and interest thereon) which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the junior subordinate noteholders entitled thereto;

SEVENTH, to the payment of unpaid termination, indemnity or other similar or extraordinary payments then due and payable to swap agreement counterparties under senior swap agreements, in the order in which such termination payments became due and payable, and if the amount available shall not be sufficient to pay in full all such termination payments which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the senior swap agreement counterparties entitled thereto;

EIGHTH (only if the senior asset percentage would be at least 100% upon the application of such amounts or if there are no senior notes outstanding), to the payment of unpaid termination, indemnity or other similar or extraordinary payments then due and payable to swap agreement counterparties under subordinate swap agreements, in the order in which such termination payments became due and payable, and if the amount available shall not be sufficient to pay in full all such termination payments which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the subordinate swap agreement counterparties entitled thereto; and

NINTH (only if the subordinate asset percentage would be at least 100% upon the application of such amounts or if there are no senior notes or subordinate notes outstanding), to the payment of unpaid termination, indemnity or other similar or extraordinary payments then due and payable to swap agreement counterparties under junior subordinate swap agreements, in

the order in which such termination payments became due and payable, and if the amount available shall not be sufficient to pay in full all such termination payments which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the junior subordinate swap agreement counterparties entitled thereto.

If the principal of all outstanding notes shall have become due or shall have been declared due and payable and such declaration has not been annulled and rescinded under the provisions of the indenture, all such funds will be applied as follows:

FIRST, to the payment to the senior beneficiaries of all principal and interest then due on the senior notes and all other senior obligations (except, with respect to senior swap agreements, only amounts due in the ordinary course and not any termination, indemnity or other similar or extraordinary payment without satisfaction of a rating agency condition), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any senior beneficiary over any other senior beneficiary, ratably, according to the amounts due, to the persons entitled thereto;

SECOND, to the payment to the subordinate beneficiaries of the principal and interest then due on the subordinate notes and all other subordinate obligations (except, with respect to subordinate swap agreements, only amounts due in the ordinary course and not any termination, indemnity or other similar or extraordinary payment without satisfaction of a rating agency condition), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any subordinate beneficiary over any other subordinate beneficiary, ratably, according to the amounts due, to the person entitled thereto;

THIRD, to the payment to the junior subordinate beneficiaries of the principal and interest then due and unpaid upon the junior subordinate notes and all other junior subordinate obligations (except, with respect to junior subordinate swap agreements, only amounts due in the ordinary course and not any termination, indemnity or other similar or extraordinary payment without satisfaction of a rating agency condition), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any junior subordinate beneficiary over any other junior subordinate beneficiary, ratably, according to the amounts due, to the persons entitled thereto;

FOURTH, to the payment of the holders of the senior notes of all carry-over amounts (together with interest thereon) then due and unpaid, without any preference or priority of carry-over amounts over interest thereon or of interest thereon over carry-over amounts, ratably, according to the amounts due, to the senior noteholders entitled thereto;

FIFTH, to the payment to the holders of the subordinate notes of all carry-over amounts (together with interest thereon) then due and unpaid, without any preference or priority of carry-over amounts over interest thereon or of interest thereon over carry-over amounts, ratably, according to the amounts due, to the subordinate noteholders entitled thereto;

SIXTH, to the payment to the holders of the junior subordinate notes of all carry-over amounts (together with interest thereon) then due and unpaid, without any preference or priority

of carry-over amounts over interest thereon or of interest thereon over carry-over amounts, ratably, according to the amounts due, to the junior subordinate noteholders entitled thereto;

SEVENTH, to the payment of unpaid termination, indemnity or other similar or extraordinary payments then due and unpaid to swap agreement counterparties under senior swap agreements, ratably, according to the amounts due on such date, to the senior swap agreement counterparties entitled thereto;

EIGHTH, to the payment of unpaid termination, indemnity or other similar or extraordinary payments then due and unpaid to swap agreement counterparties under subordinate swap agreements, ratably, according to the amounts due on such date, to the subordinate swap agreement counterparties entitled thereto, without any discrimination or preference; and

NINTH, to the payment of unpaid termination, indemnity or other similar or extraordinary payments then due and unpaid to swap agreement counterparties under junior subordinate swap agreements, ratably, according to the amounts due on such date, to the junior subordinate swap agreement counterparties entitled thereto.

If the principal of all outstanding notes has been declared due and payable and then been rescinded and annulled, then, the money held by the indenture trustee under the indenture will be applied in accordance with the provisions above for payments following an event of default but prior to acceleration of all outstanding notes.

Notwithstanding the foregoing, upon an event of default resulting from a covenant default under the indenture, interest due and owing to subordinate beneficiaries will be paid prior to principal distributions to the senior beneficiaries.

The indenture trustee

Prior to the occurrence of an event of default which has not been cured, the indenture trustee is required to perform such duties and only such duties as are specifically set forth in the indenture. Upon the occurrence and continuation of an event of default, the indenture trustee is required to exercise the rights and powers vested in it by indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in his own affairs.

Before taking any action under the indenture, the indenture trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all expenses to which it may be put and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct.

The indenture trustee may at any time resign upon 60 days' notice to the trust and to the beneficiaries, such resignation to take effect upon the appointment of a successor trustee. The indenture trustee may be removed at any time by the trust, and the trust agrees to remove the indenture trustee at the request of the holders of a majority in principal amount of notes outstanding except during the existence of an event of default. No such removal will be effective until the appointment of a successor indenture trustee.

Supplemental indentures

Supplemental indentures not requiring consent of noteholders and other beneficiaries.

The trust can agree with the indenture trustee to enter into any indentures supplemental to the indenture for any of the following purposes without notice to or the consent of noteholders or any other beneficiary:

- to cure any ambiguity or formal defect or omission in the indenture or any supplemental indenture;
- to grant to the indenture trustee for the benefit of the beneficiaries any additional benefits, rights, remedies, powers, authority or security;
- to describe or identify more precisely any part of the trust estate or subject additional revenues, properties or collateral to the lien and pledge of the indenture;
- to evidence the appointment of a separate trustee or a co-trustee or the succession of a new indenture trustee under the indenture;
- to authorize the issuance of a series of notes, subject to the requirements of the indenture;
- to modify, eliminate from or add to the indenture as shall be necessary to effect the qualification of the indenture under the Trust Indenture Act of 1939 or any similar federal statute, excluding, however, the provisions referred to in Section 316(a)(2) of the Trust Indenture Act of 1939;
- to modify the indenture as required by any credit facility provider or counterparty, or otherwise necessary to give effect to any credit enhancement facility, swap agreement or counterparty guaranty at the time of issuance of a series of notes to which such agreement relates; provided that the each rating agency has confirmed that such modifications would not result in any withdrawal or downgrade of any then current rating on any outstanding notes; and provided further that no such modifications will be effective if the consent of any noteholders would be required therefore under the proviso described under the caption “Supplemental indentures requiring consent of noteholders and other beneficiaries” below and such consent has not been obtained or if the indenture trustee determines that the modifications are to the prejudice of any other beneficiary;
- to create additional funds, accounts or sub-accounts under the indenture;
- to provide for an additional series of indenture obligations which is subordinate to each outstanding series of indenture obligations, except to the extent specifically authorized or permitted by the supplemental indenture authorizing the issuance of those outstanding indenture obligations or to the extent consented to by each beneficiary who would be adversely affected thereby; provided that each rating agency has confirmed that such additional series of indenture obligations would

not result in a withdrawal or downgrade of any then current ratings on any outstanding notes; or

- to make any other change in the indenture, if the indenture trustee shall have received written confirmation from each rating agency that such change will not result in the reduction or withdrawal of any ratings then applicable to any outstanding notes.

Supplemental indentures requiring consent of noteholders and other beneficiaries.

The trust and the indenture trustee also may enter into indentures supplemental to the indenture providing for any other amendment of the indenture, other than those listed in the paragraph below, upon receipt of an instrument evidencing the consent of:

- if they are affected by the proposed amendment, the holders of not less than two-thirds of the aggregate principal amount of the outstanding senior notes;
- if they are affected by the proposed amendment, the holders of not less than two-thirds of the aggregate principal amount of the outstanding subordinate notes;
- if they are affected by the proposed amendment, the holders of not less than two-thirds of the aggregate principal amount of the outstanding junior subordinate notes; and
- each other party that any supplemental indenture specifies as being required to consent to the proposed amendment.

All affected beneficiaries must consent to a supplemental indenture providing for any of the following:

- an extension of the maturity of the principal of or the interest on any note, whether at stated maturity, on a mandatory sinking fund payment date or otherwise;
- a reduction in the principal amount, redemption price or purchase price of any note or the rate of interest on that note;
- a privilege or priority of any senior obligation over any other senior obligation;
- a privilege or priority of any subordinate obligation over any other subordinate obligation;
- a privilege of any senior notes over any subordinate notes or junior subordinate notes not already provided for in the indenture;
- a privilege of any subordinate notes over any junior subordinate notes not already provided for in the indenture;

- the surrender of a privilege or a priority granted by the indenture if that surrender is, in the judgment of the indenture trustee, to the detriment of another beneficiary under the indenture;
- a reduction or an increase in the aggregate principal amount of the notes required for consent to that supplemental indenture;
- the creation of any lien ranking prior to or on a parity with the lien of the indenture on all or part of the trust estate, except as expressly permitted under the indenture;
- the exclusion of any beneficiary from the benefit of the lien created on the rights, title, interest, privileges, revenues, funds and securities pledged under the indenture;
- the modification of any of the provisions of the indenture described in this paragraph; or
- the modification of any provision of a supplemental indenture that provides that it may not be modified without the consent of the holders of notes issued pursuant to that supplemental indenture or any notes of the same level of seniority or any beneficiary that has provided a credit enhancement facility or swap agreement of that level of seniority.

Rights of Indenture Trustee. If, in the opinion of the indenture trustee, any supplemental indenture adversely affects the rights, duties or immunities of the indenture trustee under the indenture or otherwise, the indenture trustee may, in its discretion, decline to execute such supplemental indenture. The indenture trustee is entitled to receive, and shall be fully protected in relying upon, an opinion of its counsel that any such supplemental indenture conforms to the requirements of the indenture.

Remarketing Agents. The trust may, in a supplemental indenture, appoint a remarketing agent with respect to one or more series of notes. Each remarketing agent will enter into an agreement under which the remarketing agent will agree to perform one or more of the following functions:

- determining any interest rate on a series of notes, in accordance with the applicable provisions of the related supplemental indenture;
- holding all notes of a series delivered to it in trust for the benefit of the respective noteholders until the purchase price for such notes is delivered to the noteholders; and
- holding all funds delivered to it for the purchase of notes in trust for the benefit of the person that delivered such funds until the notes purchased are delivered to such person or entity.

Consent of Tender Agent, Remarketing Agents, Auction Agent, Broker-Dealers and Market Agent. So long as any tender agent agreement, remarketing agreement, auction agent agreement, broker-dealer agreement or market agent agreement is in effect, no supplemental indenture which materially adversely affects the rights, duties or immunities of the tender agent, the remarketing agent, the auction agent, the broker-dealer or the market agent will become effective unless and until delivery to the indenture trustee of a written consent of the tender agent, the remarketing agent, the auction agent or the broker-dealer, as the case may be, to that supplemental indenture.

Satisfaction of indenture

If the holders of the notes issued under the indenture are paid all the principal of and interest due on their notes, at the times and in the manner stipulated in the indenture, and if each other beneficiary is paid all payments then due to it, then the pledge of the trust estate will thereupon terminate and be discharged. The indenture trustee will execute and deliver to the trust instruments to evidence the discharge and satisfaction, and the indenture trustee will pay all money held by it under the indenture to the party entitled to receive it under the indenture.

Notes will be considered to have been paid if money for their payment or redemption has been set aside and is being held in trust by the indenture trustee. Any outstanding note will be considered to have been paid if the note is to be redeemed on any date prior to its stated maturity and notice of redemption has been given as provided in the indenture and there shall have been deposited with the indenture trustee either money or governmental obligations the principal of and the interest on which when due will provide money sufficient to pay the principal of and interest to become due on the note.

Description of Credit Enhancement and Swap Agreements

Credit Enhancement

Credit enhancement may be provided with respect to one or more series of the notes. The amounts and types of credit enhancement and the provider of the credit enhancement, if any, will be set forth in the related offering memorandum supplement. Credit enhancement may be in the form of a letter of credit, the subordination of one or more series of notes, the use of an insurance policy or surety bonds, the establishment of one or more reserve funds, interest rate swaps, or any combination of the foregoing.

The presence of the Reserve Fund and other forms of credit enhancement for the benefit of any series of notes is intended to enhance the likelihood that noteholders of a series will receive the full amount of principal and interest due on the notes and to decrease the likelihood that such noteholders will experience losses. The credit enhancement will not provide protection against all risks of loss and will not guarantee payment to such noteholders of all amounts to which they are entitled unless a guarantee against losses is described in the related offering memorandum supplement. If losses or shortfalls occur that exceed the amount covered by the credit enhancement or that are not covered by the credit enhancement, noteholders will bear their allocable share of deficiencies. Moreover, if a form of credit enhancement covers more than one

series of notes, holders of notes of one series will be subject to the risk that the credit enhancement will be exhausted by the claims of the holders of notes of one or more other series.

Subordinate notes. The notes issued by the trust will be designated senior notes, subordinate notes or junior subordinate notes in the related offering memorandum supplement. To the extent specified in the related offering memorandum supplement, the rights of the subordinate noteholders to receive distributions on any payment date will be subordinated to the corresponding rights of the senior noteholders, and the rights of the junior subordinate noteholders to receive distributions on any payment date will be subordinated to the corresponding rights of the subordinate noteholders and the senior noteholders. If so provided in the related offering memorandum supplement, the subordination of a series may apply only in the event of, or may be limited to, specific types of losses or shortfalls. The related offering memorandum supplement will set forth information concerning the amount of subordination provided by one or more series of notes, the circumstances under which such subordination will be available and the manner in which the amount of subordination will be made available.

Letter of credit. If so specified in the offering memorandum supplement with respect to a series, deficiencies in amounts otherwise payable on the notes or certain series of the notes will be covered by one or more letters of credit. The bank or financial institution issuing the letter of credit will be identified in an offering memorandum supplement. Under a letter of credit, the trust will be obligated to honor draws in an aggregate fixed dollar amount generally equal to a percentage specified in the related offering memorandum supplement of the principal balance of the student loans on a specified date or of the initial aggregate principal balance of one or more series of notes. If so specified in the related offering memorandum supplement, the letter of credit may permit draws only in the event of certain types of losses and shortfalls. The amount available under the letter of credit will, in all cases, be reduced to the extent of the unreimbursed payments under the letter of credit and may otherwise be reduced as described in the related offering memorandum supplement. The obligations of the trust under the letter of credit will expire at the earlier of the date specified in the related offering memorandum supplement or the termination of the trust estate.

Note insurance and surety bonds. If so specified in the offering memorandum supplement with respect to a series of the notes, deficiencies in amounts otherwise payable on the notes or certain series of the notes will be covered by insurance policies or surety bonds provided by one or more insurance companies or sureties. The insurance policies or surety bonds may cover timely distributions of interest and full distributions of principal on the basis of a schedule of principal distributions set forth in or determined in the manner specified in the related offering memorandum supplement.

Reserve Fund. In addition to the Reserve Fund described in this offering memorandum, one or more reserve funds may be established with respect to a series of the notes. Cash, eligible investments, a demand note or a combination thereof, in the amounts so specified in the related offering memorandum supplement, may be deposited in such reserve fund. The reserve fund for a series may also be funded over time by depositing in the reserve fund a specified amount of the distributions received on the related receivables as specified in the related offering memorandum supplement.

Amounts on deposit in any reserve fund, together with the reinvestment income on those amounts, will be applied by the indenture trustee for the purposes, in the manner and to the extent specified in the related offering memorandum supplement. A reserve fund may be provided to increase the likelihood of timely payments of principal of and interest on the notes, if required as a condition to the rating of the notes of that series. If so specified in the related offering memorandum supplement, a reserve fund may be established to provide limited protection, in an amount satisfactory to each rating agency rating the notes, against certain types of losses not covered by insurance policies or other credit support. Following each interest payment date, amounts in a reserve fund in excess of any specified reserve fund requirement may be released from the reserve fund under the conditions specified in the related offering memorandum supplement and will not be available for further application by the indenture trustee.

Additional information concerning any reserve fund is to be set forth in the related offering memorandum supplement, including the initial balance of the reserve fund, the reserve fund balance to be maintained, the purposes for which funds in the reserve fund may be applied to make distributions to noteholders and use of investment earnings from the reserve fund, if any.

Swap agreements; swap payments

If so provided in an offering memorandum supplement, the trust may enter into interest rate swap agreements consisting of rate swaps, rate caps and rate ceilings to help minimize the risk to noteholders of adverse changes in interest rates, and other yield supplement agreements or similar yield maintenance arrangements. If notes are being sold in a foreign country, the trust also may enter into currency swaps, currency forwards and currency options to help minimize the risk to foreign noteholders of adverse changes in the exchange rate between the U.S. dollar and one or more foreign currencies. If the trust issues notes denominated in one currency which are backed by assets denominated in one or more other currencies, it may enter into currency swaps, currency forwards and currency options to help minimize the risk to noteholders of adverse changes in the relevant exchange rates.

A swap agreement constituting an interest rate swap is an agreement between two parties to exchange a stream of payments on an agreed upon actual or hypothetical “notional” principal amount. No principal amount is exchanged between the parties to an interest rate swap. Typically, one party agrees to make payments based on a fixed interest rate and an actual or notional principal amount, while the other party agrees to make payments based on a floating interest rate and the same actual or notional principal amount. The floating rate is based on one or more reference interest rates, including the London Interbank Offered Rate, or LIBOR, a specified bank’s prime rate or U. S Treasury bill rates. Interest rate swaps also permit two parties to exchange a floating rate obligation based on one reference interest rate – such as LIBOR – for a floating rate obligation based on another referenced interest rate – such as U.S. Treasury bill rates. Generally, the parties to an interest rate swap net out their payment obligations so that on any given payment date only one party is making a payment.

Swap agreements constituting interest rate caps, yield supplement agreements and yield maintenance arrangements typically involve the trust making an initial payment to a party, which party agrees to make future payments to the trust if interest rates exceed a specified amount or

other events occur that are specified in an offering memorandum supplement. The trust also may sell an interest rate cap to a party from which the trust has simultaneously purchased an interest rate cap. The interest rate cap sold by the trust will require the trust to make payments to the other party if interest rates exceed a specified amount that is higher than the amount specified in the rate cap purchased by the trust. Since the payment obligations under the two caps would be netted, the effect of the caps is to limit the other party's exposure to the interest rate differential between the amounts specified in the caps. Interest rate ceilings may be entered into in connection with an interest rate swap, and would result in one party to the swap limiting the maximum interest rate it would be required to pay, either over the life of the swap or for a specified period of time. In exchange for limiting its exposure, the relevant party may be required to make an initial cash payment to the other party.

Currency swaps are similar to interest rate swaps, but the payments owed by the parties are referenced to the exchange rate between designated currencies rather than interest rates. In a currency forward contract, the trust typically would agree to deliver a specified amount of one currency to a party on a future date in exchange for delivery by such party of a specified amount of a second currency. In a typical currency option, if the exchange rate between two designated currencies reaches a specified level by a certain date, the trust will have the right, but not the obligation, to require the other party to deliver a specified quantity of one of the designated currencies on such date in exchange for a specified quantity of the other designated currency. The trust would make an initial payment to the other party for this right.

The trust's obligation to make payments under a swap agreement may be secured by a pledge of and lien on the trust estate. The trust will not enter into a swap agreement after the closing date unless the indenture trustee has received a confirmation from each rating agency providing a rating for the trust's notes that the swap agreement will not adversely affect the rating on any of the notes.

Description of the Federal Family Education Loan Program

The Higher Education Act provides for several different educational loan programs (collectively, "FFELP Loans" and, the program with respect thereto, the "Federal Family Education Loan Program" or "FFEL Program"). Under these programs, state agencies or private nonprofit corporations administering student loan insurance programs ("guarantee agencies") are reimbursed for portions of losses sustained in connection with FFELP Loans, and holders of certain loans made under such programs are paid subsidies for owning such loans. Certain provisions of the Federal Family Education Loan Program are summarized below.

The Higher Education Act has been subject to frequent amendments, including several amendments that have changed the terms of and eligibility requirements for the FFELP Loans. Generally, this offering memorandum describes only the provisions of the Federal Family Education Loan Program that apply to loans made on or after July 1, 1998. The Higher Education Act is currently subject to reauthorization. During that process, proposed amendments to the Higher Education Act are common and numerous such bills have recently been introduced and/or passed by Congress. The availability of various federal payments in connection with the FFEL Program is subject to federal budgetary appropriation. In recent years, federal budgetary legislation has been enacted which has provided, subject to certain conditions, for the mandatory

curtailment of certain federal budget expenditures, including expenditures in connection with the FFEL Program and the recovery of certain advances previously made by the federal government to state guarantee agencies in order to achieve certain deficit reduction guidelines. As a part of the federal budgetary appropriation process, Congress has passed, and the President has signed into law, the Deficit Reduction Act of 2005, which extends the Secretary's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act through September 30, 2012, and amends numerous provisions of the Higher Education Act (some of which are summarized below).

Federal Family Education Loans

Several types of loans are currently authorized as FFELP Loans pursuant to the Federal Family Education Loan Program. These include: (a) loans to students meeting certain financial needs tests with respect to which the federal government makes interest payments available to reduce student interest cost during periods of enrollment ("Subsidized Stafford Loans"); (b) loans to students made without regard to financial need with respect to which the federal government does not make such interest payments ("Unsubsidized Stafford Loans" and, collectively with Subsidized Stafford Loans, "Stafford Loans"); (c) loans to parents of dependent students, graduate students or professional students ("PLUS Loans"); and (d) loans available to borrowers with certain existing federal educational loans to consolidate repayment of such loans ("Consolidation Loans").

Generally, a loan may be made only to a United States citizen or national or otherwise eligible individual under federal regulations who (a) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution; (b) is carrying at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution; (c) has agreed to notify promptly the holder of the student loan of any address change; (d) is not in default on any federal education loans, (e) meets the applicable "need" requirements and (f) has not committed a crime involving fraud in obtaining funds under the Higher Education Act which funds have not been fully repaid. Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations. With certain exceptions, an institution with a cohort (composite) default rate that is higher than certain specified thresholds in the Higher Education Act is not an eligible institution.

Subsidized Stafford Loans

The Higher Education Act provides for federal (a) insurance or reinsurance of eligible Subsidized Stafford Loans, (b) interest subsidy payments for borrowers remitted to eligible lenders with respect to certain eligible Subsidized Stafford Loans, and (c) special allowance payments representing an additional subsidy paid by the Secretary of Education to such holders of eligible Subsidized Stafford Loans.

Subsidized Stafford Loans are eligible for reinsurance under the Higher Education Act if the eligible student to whom the student loan is made has been accepted or is enrolled in good standing at an eligible institution of higher education or vocational school and is carrying at least one-half the normal full-time workload at that institution. In connection with eligible Subsidized

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. The Secretary of Education has discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subject to these limits, Subsidized Stafford Loans are available to borrowers in amounts not exceeding their unmet need for financing as provided in the Higher Education Act. Provisions addressing the implementation of need analysis and the relationship between unmet need for financing and the availability of Subsidized Stafford Loan Program funding have been the subject of frequent and extensive amendment in recent years. There can be no assurance that further amendment to such provisions will not materially affect the availability of Subsidized Stafford Loan funding to borrowers or the availability of Subsidized Stafford Loans for secondary market acquisition.

Unsubsidized Stafford Loans

Unsubsidized Stafford Loans are available for students who do not qualify for Subsidized Stafford Loans due to parental and/or student income or assets in excess of permitted amounts. In other respects, the general requirements for Unsubsidized Stafford Loans are essentially the same as those for Subsidized Stafford Loans. The interest rate, the annual loan limits, the loan fee requirements and the special allowance payment provisions of the Unsubsidized Stafford Loans are the same as the Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the Secretary of Education does not make interest subsidy payments and the loan limitations are determined without respect to the expected family contribution. The borrower is required to pay interest from the time such loan is disbursed or capitalize the interest until repayment begins.

PLUS Loan Program

The Higher Education Act authorizes PLUS Loans to be made to graduate students, professional students, or parents of eligible dependent students. Only graduate students, professional students and parents who do not have an adverse credit history are eligible for PLUS Loans. The basic provisions applicable to PLUS Loans are similar to those of Stafford Loans with respect to the involvement of guarantee agencies and the Secretary of Education in providing federal reinsurance on the student loans. However, PLUS Loans differ significantly from Subsidized Stafford Loans, particularly because federal interest subsidy payments are not available under the PLUS Program and special allowance payments are more restricted.

The Consolidation Loan Program

The Higher Education Act authorizes a program under which certain borrowers may consolidate their various student loans into a single loan insured and reinsured on a basis similar to Subsidized Stafford Loans. Consolidation Loans may be made in an amount sufficient to pay outstanding principal, unpaid interest and late charges on certain federally insured or reinsured student loans incurred under and pursuant to the Federal Family Education Loan Program (other than PLUS Loans made to “parent borrowers”) selected by the borrower, as well as loans made pursuant to the Perkins (formally “National Direct Student Loan”) Loan Program, the Health

Professional Student Loan Programs and the William D. Ford Federal Direct Loan Program (the “Direct Loan Program” further described below). Consolidation Loans made pursuant to the Direct Loan Program must conform to the eligibility requirements for Consolidation Loans under the FFEL Program. The borrowers may be either in repayment status or in a grace period preceding repayment but the borrower may not still be in school. Delinquent or defaulted borrowers are eligible to obtain Consolidation Loans if they agree to re-enter repayment through loan consolidation. Borrowers may add additional loans to a Consolidation Loan during the 180-day period following origination of the Consolidation Loan. A Consolidation Loan will be federally insured or reinsured only if such loan is made in compliance with requirements of the Higher Education Act.

In the event that a borrower is unable to obtain a Consolidation Loan with income sensitive repayment terms acceptable to the borrower from the holders of the borrower’s outstanding loans (that are selected for consolidation), or from any other eligible lender, the Higher Education Act authorizes the Secretary of Education to offer the borrower a Direct Loan Program Consolidation Loan with repayment provisions authorized under the Higher Education Act and terms consistent with a Consolidation Loan made pursuant to the FFEL Program. In addition, the Secretary may offer the borrower of a Consolidation Loan a Direct Consolidation Loan, for the purposes of providing an income contingent repayment, if the borrower’s delinquent loan has been submitted to the guarantor for default aversion.

Federal Direct Student Loan Program

The Student Loan Reform Act of 1993 established the William D. Ford Federal Direct Student Loan Program (the “FDSL Program”). Under the FDSL Program, approved institutions of higher education, or alternative loan originators approved by the Department of Education, make loans to students or parents without application to or funding from outside lenders or guarantors. The Department of Education provides the funds for such loans, and the program provides for a variety of flexible repayment plans, including extended, graduated and income contingent repayment plans, forbearance of payments during periods of national service and consolidation under the FDSL Program of existing student loans. Such consolidation permits borrowers to prepay existing student loans and consolidate them into a Federal Direct Consolidation Loan under the FDSL Program. The FDSL Program also provides certain programs under which principal may be forgiven or interest rates may be reduced. Direct Loan repayment plans, other than income contingent plans, must be consistent with requirements under the Higher Education Act for FFELP repayment plans.

The first loans under the FDSL Program were made available for the 1994-1995 academic year, and the Higher Education Act provided for phase in goals through the 1998-1999 academic year, for which direct loans were to have represented 60% of new student loan volume under the Higher Education Act (excluding Consolidation Loans). No provision was made for the size of the FDSL Program after the 1998-1999 academic year and the current size of the FDSL Program is well below the 60% goal described above.

Interest Rates

Subsidized and Unsubsidized Stafford Loans made after October 1, 1998 but before July 1, 2006 which are in in-school, grace and deferment periods bear interest at a rate equivalent to the 91-day United States Treasury bill rate plus 1.7%, with a maximum rate of 8.25%, and PLUS Loans made after October 1, 1998 but before July 1, 2006 bear interest at a rate equivalent to the 91-day United States Treasury bill rate plus 3.1%, with a maximum rate of 9%. Subsidized and Unsubsidized Stafford Loans made on or after July 1, 2006 will bear interest at a rate equal to 6.8% per annum, and PLUS Loans made on or after July 1, 2006 will bear interest at a rate equal to 8.5%. Subsidized Stafford Loans and Unsubsidized Stafford Loans in all other periods bear interest at a rate equivalent to the 91-day United States Treasury bill rate plus 2.3%, with a maximum rate of 8.25%. The rate is adjusted annually on July 1. Consolidation Loans for which the application was received by an eligible lender on or after October 1, 1998, bear interest at a fixed rate equal to the weighted average of the loans consolidated, rounded upward to the nearest one-eighth of 1%, with a maximum rate of 8.25%.

Loan Limits

The Higher Education Act requires that Subsidized and Unsubsidized Stafford Loans made to cover multiple enrollment periods, such as a semester, trimester or quarter be disbursed by eligible lenders in at least two separate disbursements. A Stafford Loan borrower may receive a subsidized loan, an unsubsidized loan, or a combination of both for an academic period. Generally, the maximum amount of a Stafford Loan, made prior to July 1, 2007, for an academic year cannot exceed \$2,625 for the first year of undergraduate study, \$3,500 for the second year of undergraduate study and \$5,500 per year for the remainder of undergraduate study. The maximum amount of a Stafford Loan, made on or after July 1, 2007, for an academic year cannot exceed \$3,500 for the first year of undergraduate study and \$4,500 for the second year of undergraduate study. The aggregate limit for undergraduate study is \$23,000 (excluding PLUS Loans). Independent undergraduate students may receive an additional Unsubsidized Stafford Loan of up to \$4,000 per academic year, with an aggregate maximum of \$46,000. The maximum amount of the student loans for an academic year for graduate students is \$8,500. Independent graduate students may borrow an additional Unsubsidized Stafford Loan up to \$12,000 per academic year. The Secretary of Education has discretion to raise these limits by regulation to accommodate highly specialized or exceptionally expensive courses of study. For example, certain medical students may now borrow up to \$46,000 per academic year, with a maximum aggregate limit of \$189,125.

The total amount of all PLUS Loans that (i) parents may borrow on behalf of each dependent student or (ii) graduate or professional students may borrow for any academic year may not exceed the student's cost of attendance minus other estimated financial assistance for that student.

Repayment

General. Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student, but generally begins six months after the date a the borrower ceases to pursue at least a half-time course of study (the six month period is the "grace period"). Grace

periods may be waived by borrowers. Repayment of interest on an Unsubsidized Stafford Loan begins immediately upon disbursement of the student loan, however the lender may capitalize the interest until repayment of principal is scheduled to begin. Except for certain borrowers as described below, each loan generally must be scheduled for repayment over a period of not more than ten years after the commencement of repayment. The Higher Education Act currently requires minimum annual payments of \$600, including principal and interest, unless the borrower and the lender agree to lesser payments; in instances in which a borrower and spouse both have such loans outstanding, the total combined payments for such a couple may not be less than \$600 per year. Regulations of the Secretary of Education require lenders to offer standard, graduated or income-sensitive repayment schedules to borrowers. Use of income sensitive repayment plans may extend the ten-year maximum term for up to five years.

PLUS Loans enter repayment on the date the last disbursement is made on the student loan. Interest accrues and is due and payable from the date of the first disbursement of the student loan. The first payment is due within 60 days after the student loan is fully disbursed. Repayment plans are the same as in the Subsidized and Unsubsidized Stafford Loan Program.

Consolidation Loans enter repayment on the date the student loan is disbursed. The first payment is due within 60 days after that date. Consolidation Loans must be repaid during a period agreed to by the borrower and lender, subject to maximum repayment periods which vary depending upon the principal amount of the borrower's outstanding student loans (but no longer than 30 years).

Federal Family Education Loan Program borrowers who accumulate outstanding FFELP Loans totaling more than \$30,000 may receive an extended repayment plan, with a fixed or graduated payment amount paid over a longer period of time, not to exceed 25 years. A borrower may accelerate principal payments at any time without penalty. Once a repayment plan is established, the borrower may annually change the selection of the plan.

Deferment and Forbearance Periods. No principal repayments need to be made during certain periods prescribed by the Higher Education Act ("deferment periods") but interest accrues and must be paid. Generally, deferment periods include periods (a) when the borrower has returned to an eligible educational institution on a half-time basis or is pursuing studies pursuant to an approved graduate fellowship or rehabilitation training program; (b) not in excess of three years while the borrower is seeking and unable to find full-time employment; (c) not in excess of three years while the borrower is serving on active duty during a war or other military operation or national emergency; or is performing qualifying National Guard duty during a war or other military operation or national emergency; or the borrower is in active military duty; or the borrower is in reserve status and called to active duty, and (d) not in excess of three years for any reason which the lender determines, in accordance with regulations, has caused or will cause the borrower economic hardship. Deferment periods extend the maximum repayment periods. Under certain circumstances, a lender may also allow periods of forbearance ("forbearance") during which the borrower may defer payments because of temporary financial hardship. The Higher Education Act specifies certain periods during which forbearance is mandatory. Mandatory forbearance periods exist when the borrower is impacted by a national emergency, military mobilization, or when the geographical area in which the borrower resides or works is declared a disaster area by certain officials. Other mandatory periods include periods during

which the borrower is (i) participating in a medical or dental residency and is not eligible for deferment; (ii) serving in a qualified medical or dental internship program or certain national service programs; or (iii) determined to have a debt burden of certain federal loans equal to or exceeding 20% of the borrower's gross income. In other circumstances, forbearance may be granted at the lender's option. Forbearance also extends the maximum repayment periods.

Interest Subsidy Payments

The Secretary of Education is to pay interest on Subsidized Stafford Loans while the borrower is a qualified student, during a grace period or during certain deferment periods. In addition, those portions of Consolidation Loans that repay Subsidized Stafford Loans or similar subsidized loans made under the Direct Loan Program are eligible for interest subsidy payments. The Secretary of Education is required to make interest subsidy payments to the holder of Subsidized Stafford Loans in the amount of interest accruing on the unpaid balance thereof prior to the commencement of repayment or during any deferment period. The Higher Education Act provides that the holder of an eligible Subsidized Stafford Loan, or the eligible portions of Consolidation Loans, shall be deemed to have a contractual right against the United States to receive interest subsidy payments in accordance with its provisions.

Special Allowance Payments

The Higher Education Act provides for special allowance payments to be made by the Secretary of Education to eligible lenders. The rates for special allowance payments are based on formulae that differ according to the type of loan, the date the student loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax-exempt or taxable).

Subject to the foregoing, the formulae for special allowance payment rates for other Stafford and Unsubsidized Stafford Loans are summarized in the following chart. The term "T-Bill" as used in this table and the following table, means the average 91-day United States Treasury bill rate calculated as a "bond equivalent rate" in the manner applied by the Secretary of Education as referred to in Section 438 of the Higher Education Act. The term "3-month Commercial Paper Rate" means the 90-day commercial paper index calculated quarterly and based on an average of the daily 90-day commercial paper rates reported in the Federal Reserve's Statistical Release H-15.

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after July 1, 1995	T-Bill Rate less Applicable Interest Rate + 3.1% ¹
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 2.8% ²
On or after January 1, 2000	3-Month Commercial Paper Rate less Applicable Interest Rate + 2.34% ³

¹Substitute 2.5% in this formula while such loans are in the in-school or grace period.

²Substitute 2.2% in this formula while such loans are in the in-school or grace period.

³Substitute 1.74% in this formula while such loans are in the in-school or grace period.

The formula for Special Allowance Payment rates for PLUS and Consolidation Loans are as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after January 1, 2000	3-Month Commercial Paper Rate less Applicable Interest Rate + 2.64%

Special allowance payments are generally payable, with respect to variable rate FFELP Loans to which a maximum borrower interest rate applies, only when the maximum borrower interest rate is in effect. The Secretary of Education offsets interest subsidy payments and special allowance payments by the amount of origination fees and lender loan fees described under the caption "Loan Fees" below.

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 to receive those payments during the life of the student loan. Receipt of special allowance payments, however, is conditioned on the eligibility of the student loan for federal insurance or reinsurance benefits. Such eligibility may be lost due to violations of federal regulations or guarantee agency requirements.

The Higher Education Act provides that for FFELP Loans first disbursed on or after April 1, 2006, lenders must remit to the Secretary any interest paid by a borrower which is in excess of the special allowance payment rate set forth above for such loans.

Loan Fees

Insurance Premium. For loans guaranteed before July 1, 2006, a guarantee agency is authorized to charge a premium, or guarantee fee, of up to 1% of the principal amount of the student loan, which may be deducted proportionately from each installment of the student loan. Generally, guarantee agencies have waived this fee since 1999. For loans guaranteed on or after July 1, 2006, a federal default fee equal to 1% of principal must be paid into the guarantor's Federal Student Loan Reserve Fund.

Origination Fee. Lenders are authorized to charge borrowers of Subsidized Stafford Loans and Unsubsidized Stafford Loans an origination fee in an amount not to exceed: 3.0% of the principal amount of the student loan for loans disbursed prior to July 1, 2006; 2.0% of the principal amount of the student loan for loans disbursed on or after July 1, 2006 and before July 1, 2007; 1.5% for loans disbursed on or after July 1, 2007 and before July 1, 2008; 1.0% for loans disbursed on or after July 1, 2008 and before July 1, 2009; 0.5% for loans disbursed on or after July 1, 2009 and before July 1, 2010; and 0% for loans disbursed on or after July 1, 2010. Lenders are authorized to charge borrowers of Direct Loans 3.0% for loans disbursed on or after July 1, 2006, 2.5% for loans disbursed on or after July 1, 2007 and before July 1, 2008, 2.0% for loans disbursed on or after July 1, 2008 and before July 1, 2009, 1.5% for loans disbursed on or after July 1, 2009 and before July 1, 2010 and 1.0% for loans disbursed on or after July 1, 2010. These fees must be deducted proportionately from each installment payment of the student loan

proceeds prior to payment to the borrower. These fees are not retained by the lender, but must be passed on to the Secretary.

Lender Loan Fee. The lender of any FFELP Loan is required to pay to the Secretary of Education an additional origination fee equal to 0.5% of the principal amount of the student loan.

The Secretary of Education collects from the lender or subsequent holder the maximum origination fee authorized (regardless of whether the lender actually charges the borrower) and the lender loan fee, either through reductions in interest subsidy payments or special allowance payments or directly from the lender or holder.

Rebate Fee on Consolidation Loans. The holder of any Consolidation Loan is required to pay to the Secretary of Education a monthly fee equal to .0875% (1.05% per annum) of the principal amount of plus accrued interest on the student loan.

Education Loans Generally Not Subject to Discharge in Bankruptcy

Under the U.S. Bankruptcy Code, educational loans are not generally dischargeable. Title 11 of the United States Code at Section 523(a)(8) provides as follows:

A discharge under Section 727, 1141, 1228(a), 1228(b) or 1328(b) of this title does not discharge an individual from any debt:

- (8) for an educational benefit overpayment or loan made, insured or guaranteed by a governmental unit or made under any program funded in whole or in part by a governmental unit or a nonprofit institution, or for an obligation to repay funds received as an educational benefit, scholarship or stipend unless excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor's dependents.

INSURANCE AND GUARANTEES

Default

A FFELP Loan is considered to be in default for purposes of the Higher Education Act when the borrower fails to make an installment payment when due, or to comply with other terms of the student loan, and if the failure persists for 270 days in the case of a loan repayable in monthly installments or for 330 days in the case of a loan repayable in less frequent installments. If the student loan is guaranteed by a guarantee agency in accordance with the provisions of the Higher Education Act, the guarantee agency is to pay the holder a percentage of such amount of the loss subject to reduction as described in the following paragraphs within 90 days of notification of such default.

Federal Insurance

The Higher Education Act provides that, subject to compliance with such Act, the full faith and credit of the United States is pledged to the payment of insurance claims and ensures

that such reimbursements are not subject to reduction. In addition, the Higher Education Act provides that if a guarantee agency is unable to meet its insurance obligations, holders of loans may submit insurance claims directly to the Secretary of Education until such time as the obligations are transferred to a new guarantee agency capable of meeting such obligations or until a successor guarantee agency assumes such obligations. Federal reimbursement and insurance payments for defaulted loans are paid from the Student Loan Insurance Fund established under the Higher Education Act. The Secretary of Education is authorized, to the extent provided in advance by appropriations acts, to issue obligations to the Secretary of Education of the Treasury to provide funds to make such federal payments.

Guarantees

General. If the student loan is guaranteed by a guarantee agency in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the guarantee agency for a statutorily-set percentage (98% for loans first disbursed prior to July 1, 2006 and 97% for loans first disbursed on or after July 1, 2006) of the unpaid principal balance of the student loan plus accrued unpaid interest on any loan defaulted so long as the eligible lender has properly serviced such loan; provided, however, if the servicer which services such loan has been designated as an “Exceptional Performer” by the Secretary, the eligible lender is reimbursed by the guarantor for 100% (99% on and after July 1, 2006) of the unpaid principal balance of the defaulted loan plus accrued unpaid interest. Under the Higher Education Act, the Secretary of Education enters into a guarantee agreement and a reinsurance agreement (each a “guarantee agreement”) with each guarantee agency which provides for federal reimbursement for amounts paid to eligible lenders by the guarantee agency with respect to defaulted loans.

Guarantee Agreements. Pursuant to the guarantee agreements, the Secretary of Education is to reimburse a guarantee agency for the amounts expended in connection with a claim resulting from the death, bankruptcy or total and permanent disability of a borrower, the death of a student whose parent is the borrower of a PLUS Loan, certain claims by borrowers who are unable to complete the programs in which they are enrolled due to school closure, borrowers whose borrowing eligibility was falsely certified by the eligible institution, or the amount of an unpaid refund due from the school to the lender in the event the school fails to make a required refund. Such claims are not included in calculating a guarantee agency’s claims rate experience for federal reimbursement purposes. Generally, educational loans are non-dischargeable in bankruptcy unless the bankruptcy court determines that the debt will impose an undue hardship on the borrower and the borrower’s dependents. Further, the Secretary of Education is to reimburse a guarantee agency for any amounts paid to satisfy claims not resulting from death, bankruptcy, or disability subject to reduction as described below. See the caption “Education Loans Generally Not Subject to Discharge in Bankruptcy” herein.

The Secretary of Education may terminate guarantee agreements if the Secretary of Education determines that termination is necessary to protect the federal financial interest or to ensure the continued availability of loans to student or parent borrowers. Upon termination of such agreements, the Secretary of Education is authorized to provide the guarantee agency with additional advance funds with such restrictions on the use of such funds as is determined appropriate by the Secretary of Education, in order to meet the immediate cash needs of the

guarantee agency, ensure the uninterrupted payment of claims, or ensure that the guarantee agency will make loans as the lender-of-last-resort.

If the Secretary of Education has terminated or is seeking to terminate guarantee agreements, or has assumed a guarantee agency's functions, notwithstanding any other provision of law: (a) no state court may issue an order affecting the Secretary of Education's actions with respect to that guarantee agency; (b) any contract entered into by the guarantee agency with respect to the administration of the guarantee agency's reserve funds or assets acquired with reserve funds shall provide that the contract is terminable by the Secretary of Education upon 30 days notice to the contracting parties if the Secretary of Education determines that such contract includes an impermissible transfer of funds or assets or is inconsistent with the terms or purposes of the Higher Education Act; and (c) no provision of state law shall apply to the actions of the Secretary of Education in terminating the operations of the guarantee agency. Finally, notwithstanding any other provision of law, the Secretary of Education's liability for any outstanding liabilities of a guarantee agency (other than outstanding student loan guarantees under the Higher Education Act), the functions of which the Secretary of Education has assumed, shall not exceed the fair market value of the reserves of the guarantee agency, minus any necessary liquidation or other administrative costs.

Reimbursement. The amount of a reimbursement payment on defaulted loans made by the Secretary of Education to a guarantee agency is subject to reduction based upon the annual claims rate of the guarantee agency calculated to equal the amount of federal reimbursement as a percentage of the original principal amount of originated or guaranteed loans in repayment on the last day of the prior fiscal year. The claims experience is not accumulated from year to year, but is determined solely on the basis of claims in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year. The formula for reimbursement amounts is summarized below:

Claims Rate	Guarantee Agency Reinsurance Rate for Loans made prior to October 1, 1993	Guarantee Agency Reinsurance Rate for Loans made between October 1, 1993 and September 30, 1998¹	Guarantee Agency Reinsurance Rate for Loans made on or after October 1, 1998¹
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5% and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% up to 9%; 78% of claims 9% and over	95% of claims up to 5%, 85% of claims 5% up to 9%; 75% of claims 9% and over

¹ Other than student loans made pursuant to the lender-of-last resort program or student loans transferred by an

insolvent guarantee agency as to which the amount of reinsurance is equal to 100%.

The original principal amount of loans guaranteed by a guarantee agency which are in repayment for purposes of computing reimbursement payments to a guarantee agency means the original principal amount of all loans guaranteed by a guarantee agency less: (a) guarantee payments on such loans, (b) the original principal amount of such loans that have been fully repaid, and (c) the original amount of such loans for which the first principal installment payment has not become due.

In addition, the Secretary of Education may withhold reimbursement payments if a guarantee agency makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary of Education or applicable federal law. A supplemental guarantee agreement is subject to annual renegotiation and to termination for cause by the Secretary of Education.

Under the guarantee agreements, if a payment on a FFELP Loan guaranteed by a guarantee agency is received after reimbursement by the Secretary of Education, the Secretary of Education is entitled to receive an equitable share of the payment. Guarantee agency retentions remaining after payment of the Secretary of Education's equitable share on such collections on consolidations and rehabilitations of defaulted loans is 18.5% and for other loans is 23%. The Higher Education Act provides that on or after October 1, 2006 a guarantor may not charge a borrower collection costs in an amount in excess of 18.5% of the outstanding principal and interest of a defaulted loan that is paid off through consolidation by the borrower, provided that the guarantor must remit to the Secretary a portion of the collection charge equal to 8.5% of the outstanding principal and interest of the defaulted loan. In addition, on or after October 1, 2009 a guarantor must remit to the Secretary any collection fees on defaulted loans paid off through consolidation by the borrower in excess of 45% of the guarantors total collections on default loans in any one federal fiscal year

Lender Agreements. Pursuant to most typical agreements for guarantee between a guarantee agency and the originator of the student loan, any eligible holder of a loan insured by such a guarantee agency is entitled to reimbursement from such guarantee agency of any proven loss incurred by the holder of the student loan resulting from default, death, permanent and total disability or bankruptcy of the student borrower at the rate of 100% of such loss (or, subject to certain limitations, 98% for loans in default made on or after October 1, 1993 but prior to July 1, 2006 or 97% for loans in default made on or after July 1, 2006). Guarantee agencies generally deem default to mean a student 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 student loan may reasonably conclude that the student 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 at least 60 days past due, the holder is required to request default aversion assistance from the applicable guarantee agency in order to attempt to cure the delinquency. When a loan becomes 240 days past due, the holder is required to make a final demand for payment of the student loan by the borrower. The holder is required to continue collection efforts until the student loan is 270 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable guarantee agency all right accruing to the

holder under the note evidencing the student loan. The Higher Education Act prohibits a guarantee agency from filing a claim for reimbursement with respect to losses prior to 270 days after the student loan becomes delinquent with respect to any installment thereon.

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

Guarantee Agency Reserves

Each guarantee agency is required to establish a Federal Student Loan Reserve Fund (the "federal fund") which, together with any earnings thereon, are deemed to be property of the United States. Each guarantee agency is required to deposit into the federal fund any reserve funds plus reinsurance payments received from the Secretary of Education, default collections, insurance premiums and other receipts as specified in regulations. The federal fund may be used to pay lender claims and to pay default aversion fees into an operating fund. A guarantee agency is also required to establish an operating fund (each as "operating fund") which, except for funds transferred from the federal fund to meet operating expenses during the first three years after fund establishment, is the property of the guarantee agency. A guarantee agency may deposit into the operating fund loan processing and issuance fees equal to 0.40% of the total principal amount of loans insured during the fiscal year, account maintenance fees equal to 0.10% of the total principal amount of loans insured during the fiscal year and the 23% retention of collections on defaulted loans and other receipts as specified in regulations. An operating fund must be used for application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, compliance monitoring, and other student financial aid related activities. For Subsidized and Unsubsidized Stafford Loans disbursed after July 1, 2006, guarantors must collect and deposit a federal default fee to the Federal Fund equal to 1% of principal of the student loan.

The Higher Education Act requires the Secretary of Education to recall \$1 billion in federal reserve funds from guarantee agencies on September 1, 2002. Each guarantee agency is required to transfer its equitable share of the \$1 billion to a restricted account. Each guarantee agency must transfer its required share to the restricted account in equal annual installments for each of the five federal fiscal years 1998 through 2002 (or in certain cases over four federal fiscal years beginning in 1999). The guarantee agency's required reserve ratio has been reduced from 1.1% to .25%.

The Higher Education Act provides for an additional recall of reserves from each federal fund, but also provides for certain minimum reserve levels which are protected from recall. The Secretary of Education is authorized to enter into voluntary, flexible agreements with guarantee agencies under which various statutory and regulatory provisions can be waived; provided, however, the Secretary is not authorized to waive any deposit of default aversion fees by guarantors. In addition, under the Higher Education Act, the Secretary of Education is

prohibited from requiring the return of all of a guarantee agency's reserve funds unless the Secretary of Education determines that the return of these funds is in the best interest of the operation of the Federal Family Education Loan Program, or to ensure the proper maintenance of such guarantee agency's funds or assets or the orderly termination of the guarantee agency's operations and the liquidation of its assets. The Higher Education Act also authorizes the Secretary of Education to direct a guarantee agency to: (a) return to the Secretary of Education all or a portion of its reserve fund that the Secretary of Education determines is not needed to pay for the guarantee agency's program expenses and contingent liabilities; and (b) cease any activities involving the expenditure, use or transfer of the guarantee agency's reserve funds or assets which the Secretary of Education determines is a misapplication, misuse or improper expenditure. Under current law, the Secretary of Education is also authorized to direct a guarantee agency to return to the Secretary of Education all or a portion of its reserve fund which the Secretary of Education determines is not needed to pay for the guarantee agency's program expenses and contingent liabilities.

The Indenture Trustee and the Eligible Lender Trustee

Deutsche Bank Trust Company Americas, a banking corporation organized under the laws of the State of New York, is the indenture trustee under the indenture. The office of the indenture trustee for purposes of administering the trust estate and its other obligations under the indenture is Deutsche Bank Trust Company Americas, 60 Wall Street, MS NYC 60-2606-0918 New York, New York 10005, Attention: Trust and Security Services—Structured Finance, with a copy to Deutsche Bank Trust Company Americas, 100 Plaza One, MSJCY03-0606, Jersey City, New Jersey, Attention: Trust and Security Services—Structured Finance.

The Higher Education Act provides that only “eligible lenders” (defined to include banks and certain other entities) may hold title to student loans made under the Federal Family Education Loan Program. Because the trust does not qualify as an “eligible lender,” Deutsche Bank Trust Company Americas, in its capacity as eligible lender trustee, will hold title to all student loans on behalf of the trust. The eligible lender trustee will agree under the eligible lender trust agreement to maintain its status as an “eligible lender” under the Higher Education Act. In addition, the eligible lender trustee on behalf of the trust will enter into a guarantee agreement with each of the guarantee agencies that have guaranteed the trust's student loans. Failure of the student loans to be owned by an eligible lender would result in the loss of guarantee payments, interest subsidy payments and special allowance payments. See the captions “Description of The Federal Family Education Loan Program” and “Risk Factors—Payment offsets by guarantee agencies or the Department of Education could prevent the trust from paying you the full amount of the principal and interest due on your notes” herein.

The Delaware Trustee

Wilmington Trust Company will be the Delaware trustee pursuant to the trust agreement.

The Delaware trustee will at all times be a person satisfying the provisions of the Delaware statutory trust statute; authorized to exercise corporate trust powers; having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authorities; and having (or having a parent that has) a rating of at least “BBB”

from S&P and “Baa2” from Moody’s. If that person will publish reports of condition at least annually pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purpose of the trust agreement, the combined capital and surplus of that person will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Delaware trustee will cease to be eligible in accordance with the provisions of the trust agreement, the Delaware trustee will resign immediately in the manner and with the effect specified in the trust agreement.

The Delaware trustee may at any time resign and be discharged by giving written notice thereof to the issuer administrator. Upon receiving the notice of resignation, the issuer administrator will promptly appoint a successor Delaware trustee. If no successor Delaware trustee will have been so appointed and have accepted appointment within 60 days after the giving of the notice of resignation, the resigning Delaware trustee, at the expense of the issuer administrator, may petition any court of competent jurisdiction for the appointment of a successor Delaware trustee.

If at any time the Delaware trustee ceases to be eligible in accordance with the provisions of the trust agreement and fails to resign after written request by the issuer administrator, or if at any time the Delaware trustee is legally unable to act, or is adjudged bankrupt or insolvent, or a receiver of the Delaware trustee or of its property is appointed, or any public officer takes charge or control of the Delaware trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the issuer administrator may remove the Delaware trustee. If the issuer administrator removes the Delaware trustee under the authority of the immediately preceding sentence, the issuer administrator will promptly appoint a successor Delaware trustee and shall pay all fees owed to the outgoing Delaware trustee in its individual capacity.

Any resignation or removal of the Delaware trustee and appointment of a successor Delaware trustee pursuant to any of the provisions of the trust agreement shall not become effective until acceptance of appointment by the successor Delaware trustee pursuant to the trust agreement and, in the case of removal, payment of all fees and expenses owed to the outgoing Delaware trustee in its individual capacity. The issuer administrator will provide notice of that resignation or removal of the Delaware trustee to the rating agencies.

The Delaware trustee has not participated in the preparation of this offering memorandum and shall incur no personal liability in connection herewith.

Federal Income Tax Consequences

The following is a summary of all material federal income tax consequences of the purchase, ownership and disposition of notes for the investors described below and is based on the advice of Stroock & Stroock & Lavan LLP, as tax counsel to ALG Student Loan Funding I, LLC. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is

generally limited to investors who will hold the notes as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”). **Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the notes of any series.** To ensure compliance with Internal Revenue Service Circular 230, taxpayers are hereby notified that: (A) any discussion of U.S. federal tax issues in this offering memorandum is not intended or written by us to be relied upon, and cannot be relied upon, by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the Code; (B) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (C) taxpayers should seek advice based on their particular circumstances from an independent tax advisor. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the “Service”) with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Characterization of the trust estate

The holders will express in the indenture their intent that, for federal income tax purposes, the notes will be indebtedness of the trust secured by the student loans. The holders, by accepting the notes, have agreed to treat the notes as indebtedness of the trust for federal income tax purposes. The trust intends to treat the issuance of notes pursuant to this offering memorandum as financings reflecting the notes as its indebtedness for tax purposes.

Based upon certain assumptions and certain representations of ALG Student Loan Funding I, LLC, Stroock & Stroock & Lavan LLP will render, with respect to the notes, its opinion to the effect that the notes will be treated as debt, rather than as an interest in the student loans and that the trust will not be characterized as an association or publicly traded partnership taxable as a corporation, each for federal income tax purposes. In addition, Stroock & Stroock & Lavan LLP has rendered its opinion to the effect that this discussion is a summary of all material federal income tax consequences as to the purchase, ownership and disposition of the notes with respect to the investors described herein. Unlike a ruling from the Service, such opinion is not binding on the courts or the Service. Therefore, it is possible that the Service could assert that, for purposes of the Code, the transaction contemplated by this offering memorandum constitutes a sale of the student loans (or an interest therein) to the holders or that the relationship which will result from this transaction is that of a partnership or an association taxable as a corporation.

If, instead of treating the transaction as creating secured debt, the transaction were treated as creating a partnership among the holders, the servicers and the trust which has purchased the underlying student loans, the resulting partnership would not be subject to federal income tax. Rather, the servicers, the trust and each holder would be taxed individually on their respective distributive shares of the partnership’s income, gain, loss, deductions and credits. The amount and timing of items of income and deduction of the holder could differ if the notes were held to constitute partnership interests, rather than indebtedness.

If, alternatively, it were determined that this transaction created an entity which was classified as a corporation or a publicly traded partnership taxable as a corporation, the trust would be subject to federal income tax at corporate income tax rates on the income it derives

from the student loans, which would reduce the amounts available for payment to the holders. Cash payments to the holders generally would be treated as dividends for tax purposes to the extent of such corporation's accumulated and current earnings and profits. However, as noted above, ALG Student Loan Funding I, LLC has been advised that the notes would be treated as debt of the trust for federal income tax purposes and that the trust will not be characterized as an association or publicly traded partnership taxable as a corporation.

Taxation of interest income of holders

Payments of interest with regard to the notes will be includible as ordinary income when received or accrued by the holders in accordance with their respective methods of tax accounting and applicable provisions of the Code. In particular, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument as it accrues, without regard to the timing of the receipt of the cash attributable to such income or to the holder's method of accounting. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Original issue discount is the stated redemption price at maturity of a debt instrument over its issue price. The stated redemption price at maturity includes all payments with respect to an instrument other than interest unconditionally payable at a fixed rate or a qualified variable rate at fixed intervals of one year or less. ALG Student Loan Funding I, LLC expects that the senior and subordinate notes will not be issued with original issue discount. However, there can be no assurance that the Service would not assert that the interest payable with respect to the subordinate notes may not be qualified stated interest because such payments are not unconditional and that the subordinate notes are issued with original issue discount.

Payments of interest received with respect to the notes may also constitute "investment income" for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders or the beneficial owners should consult their own tax advisors concerning the treatment of interest payments with regard to the notes.

A purchaser who buys a note of any series at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the notes which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of the market discount provisions of the Code indicate that the same prepayment

assumption used to calculate original issue discount should be utilized. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the notes.

In the event that the notes are considered to be purchased by a holder at a price greater than their remaining stated redemption price at maturity, they will be considered to have been purchased at a premium. The noteholder may elect to amortize such premium (as an offset to interest income), using a constant yield method, over the remaining term of the notes. Special rules apply to determine the amount of premium on a “variable rate debt instrument” and certain other debt instruments. Prospective holders should consult their tax advisors regarding the amortization of bond premium.

Sale or exchange of notes

If a holder sells a note, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the holder’s basis in such note. Ordinarily, such gain or loss will be treated as a capital gain or loss. However, if a note was acquired subsequent to its initial issuance at more than a de minimis amount of discount, a portion of such gain will be recharacterized as accrued market discount and therefore ordinary income.

If the term of a note was 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 relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential holder of a note should consult its own tax advisor concerning the circumstances in which the notes would be deemed reissued and the likely effects, if any, of such reissuance.

Backup withholding

Certain purchasers may be subject to backup withholding with respect to interest paid with respect to the notes if the purchasers, upon issuance, fail to supply the trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fail to provide the trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to each purchaser setting forth the amount of interest paid with respect to the notes and the amount of tax withheld thereon.

State, local or foreign taxation

ALG Student Loan Funding I, LLC makes no representations regarding the tax consequences of purchase, ownership or disposition of the notes under the tax laws of any state, locality or foreign jurisdiction. Investors considering an investment in the notes should consult their own tax advisors regarding such tax consequences.

Limitation on the deductibility of certain expenses

Under Section 67 of the Code, an individual may deduct certain miscellaneous itemized deductions only to the extent that the sum of such deductions for the taxable year exceeds 2% of his or her adjusted gross income. If contrary to expectation, the entity created under the indenture were treated as the owner of the student loans (and not as an association taxable as a corporation) and some or all of the noteholders were treated as equity owners of such entity, then ALG Student Loan Funding I, LLC believes that a substantial portion of the expenses to be generated by the trust could be subject to the foregoing limitations. As a result, each potential holder should consult his or her personal tax advisor concerning the application of these limitations to an investment in the notes.

Tax-exempt investors

In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. If, contrary to expectations, one or more of the notes were considered equity for tax purposes and if one or more other notes were considered debt for tax purposes, those notes treated as equity likely would be subject to acquisition indebtedness and likely would generate unrelated business taxable income. However, as noted above, counsel has advised ALG Student Loan Funding I, LLC that the notes should be characterized as debt for federal income tax purposes. Therefore, except to the extent any holder incurs acquisition indebtedness with respect to a note, interest paid or accrued with respect to such note may be excluded by each tax-exempt holder from the calculation of unrelated business taxable income. Each potential tax-exempt holder is urged to consult its own tax advisor regarding the application of these provisions.

Foreign Investors

A holder which is not a U.S. person ("foreign holder") will not be subject to U.S. federal income or withholding tax in respect of interest income or gain on the notes if certain conditions are satisfied, including: (1) the foreign holder provides an appropriate statement, signed under penalties of perjury, identifying the foreign holder as the beneficial owner and stating, among other things, that the foreign holder is not a U.S. person, (2) the foreign holder is not a "10-percent shareholder" or "related controlled foreign corporation" with respect to the trust, and (3) the interest income is not effectively connected with a United States trade or business of the holder. To the extent these conditions are not met, a 30% withholding tax will apply to interest income on the notes, unless an income tax treaty reduces or eliminates such tax or the interest is effectively connected with the conduct of a trade or business within the United States by such foreign holder. In the latter case, such foreign holder will be subject to U.S. federal income tax with respect to all income from the notes at regular rates applicable to U.S. taxpayers, and may be subject to the branch profits tax if it is a corporation. A "U.S. person" is: (i) a citizen or resident of the United States, (ii) a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or

any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions.

Generally, a foreign holder will not be subject to federal income tax on any amount which constitutes capital gain upon the sale, exchange, retirement or other disposition of a note unless such foreign holder is an individual 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, or unless the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder. If the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder, such holder will generally be subject to U.S. federal income tax with respect to such gain in the same manner as U.S. holders, as described above, and a foreign holder that is a corporation could be subject to a branch profits tax on such income as well.

ERISA Considerations

Section 406 of the Employee Income Retirement Security Act of 1974, as amended (“ERISA”) and/or Section 4975 of the Code prohibit pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts and some types of Keogh plans (each a “Plan”), from engaging in some types of transactions with persons that are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to a Plan. A violation of these “prohibited transaction” rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for those persons. Some transactions involving the trust might be deemed to constitute prohibited transactions under ERISA and the Code with respect to a Plan that purchased notes if assets of the trust were deemed to be assets of the Plan. Under regulations issued by the United States Department of Labor (the “Plan Asset Regulations”), the assets of the trust would be treated as plan assets of a Plan for the purposes of ERISA and the Code only if the Plan acquired an “equity interest” in the trust and none of the exceptions contained in the Plan Asset Regulations was applicable. An equity interest is defined under the Plan Asset Regulations as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Unless the related offering memorandum supplement states otherwise, although there is little guidance on the subject, ALG Student Loan Funding I, LLC believes the notes issued by the trust would be treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulations.

However, without regard to whether notes are treated as an equity interest for those purposes, the acquisition or holding of notes by or on behalf of a Plan could be considered to give rise to a prohibited transaction if ALG Student Loan Funding I, LLC, the trust, any servicer, an underwriter or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to a Plan. Some of the exemptions from the prohibited transaction rules could be applicable to the purchase and holding of notes by a Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire the notes. Included among these exemptions are: Department of Labor Prohibited Transaction Class Exemption (“PTCE”) 90-1, regarding investments by insurance company pooled separate

accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 84-14, regarding transactions effected by qualified professional asset managers; PTCE 95-60, regarding transactions by life insurance company general accounts; and PTCE 96-23, regarding transactions effected by in-house asset managers.

A plan fiduciary considering the purchase of notes should consult its legal advisors regarding the fiduciary responsibility provisions of ERISA (including those of investment prudence, diversification and the requirement that an ERISA plan's investment of its assets be made in accordance with the documents governing the Plan), whether the assets of the trust would be considered plan assets, the possibility of exemptive relief from the prohibited transaction rules and their potential consequences.

Each offering memorandum supplement will contain information concerning considerations relating to ERISA and the Code that are applicable to the related notes. Before purchasing notes in reliance on the above exemptions, or any other exemption, a fiduciary of a Plan should itself confirm that requirements set forth in such exemption would be satisfied.

Governmental plans and church plans as defined in ERISA are not subject to ERISA or Code Section 4975, although they may elect to be qualified under Section 401(a) of the Code and exempt from taxation under Section 501(a) of the Code and would then be subject to the prohibited transaction rules set forth in Section 503 of the Code. In addition, governmental plans may be subject to federal, state and local laws which are to a material extent similar to the provisions of ERISA or Code Section 4975 ("Similar Law"). A fiduciary of a governmental plan should make its own determination as to the propriety of an investment in notes under applicable fiduciary or other investment standards and the need for the availability of any exemptive relief under any Similar Law.

Plan of Distribution

The trust may sell the notes of each series directly to purchasers or through agents. If so indicated in the offering memorandum supplement, the trust may sell these notes, directly or through agents, through a competitive bidding process described in the applicable offering memorandum supplement. Notes will be offered through such various methods from time to time and offerings may be made concurrently through more than one of these methods or an offering of a particular series of the notes may be made through a combination of such methods.

The distribution of the notes may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices based, among other things, upon existing interest rates, general economic conditions and investors' judgments as to the price of the notes.

In connection with the sale of the notes, initial purchasers of the notes may receive compensation from the trust or from the subsequent purchasers of such notes for whom they may act as agents in the form of discounts, concessions or commissions. Initial purchasers may sell the notes to or through dealers and those dealers may receive compensation in the form of discounts, concessions or commissions from the initial purchasers or commissions from the

subsequent purchasers for whom they may act as agents. The initial purchasers will be identified, and any compensation received from the trust will be described, in the applicable offering memorandum supplement.

The trust may agree with the initial purchasers and agents who participate in the distribution of the notes that it will indemnify them against liabilities, including liabilities under the Securities Act, or make contributions with respect to payments which the initial purchasers or agents may be required to make in respect thereto.

If so indicated in the offering memorandum supplement, the trust will authorize initial purchasers or other persons acting as its agent to solicit offers by certain institutions to purchase the notes pursuant to contracts providing for payment and delivery on a future date. Institutions with which these contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases the trust must approve the institutions. The obligation of any purchaser under any contract will be subject to the condition that the purchaser of the notes shall not be prohibited by law from purchasing such notes. The initial purchasers and other agents will not have responsibility in respect of the validity or performance of these contracts.

The initial purchasers may, from time to time, buy and sell notes, but there can be no assurance that an active secondary market will develop and there is no assurance that any market, if established, will continue.

Legal Matters

Certain legal and tax matters will be passed upon by Stroock & Stroock & Lavan LLP, as counsel to the trust. Other counsel, if any, passing upon legal matters for the trust or any placement agent or initial purchaser will be identified in the related offering memorandum supplement.

Financial Information

The notes are limited obligations payable solely from the revenues generated from the student loans and other assets of the trust. Accordingly, it has been determined that financial statements for the trust are not material to any offering made hereby. Accordingly, financial statements with respect to the trust are not included in this offering memorandum, and will not be included in any offering memorandum supplement.

Ratings

It is a condition to the issuance of the notes that they be rated by at least one nationally recognized statistical rating organization in one of its generic rating categories which signifies investment grade (typically, in one of the four highest rating categories). The specific ratings for series of notes will be described in the related offering memorandum supplement.

A securities rating addresses the likelihood of the receipt by owners of the notes of payments of principal and interest with respect to their notes from assets in the trust estate. The

rating takes into consideration the characteristics of the student loans, and the structural, legal and tax aspects associated with the rated notes.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Each securities rating should be evaluated independently of similar ratings on different securities.

Irish Stock Exchange Information

Reference throughout this document to the word “we” or “our” shall be taken to read “the issuer” or the “issuer’s,” respectively.

We accept our responsibility for the information contained in this offering memorandum.

To the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Glossary of Terms

Some of the terms used in this offering memorandum are defined below. The indenture contains the definition of other terms used in this offering memorandum and reference is made to the indenture for those definitions.

“*Acting beneficiaries upon default*” means:

- at any time that any senior obligations are outstanding:
 - with respect to directing the indenture trustee to accelerate the outstanding notes:
 - upon any of the first four events of default listed under the caption “Summary of the Indenture Provisions—Events of default” herein, the holders of a majority in aggregate principal amount of senior notes outstanding; and
 - upon any other event of default, the holders of a majority in aggregate principal amount of all notes outstanding;
 - with respect to requesting the indenture trustee to exercise rights and powers under the indenture, directing the conduct of proceedings in connection with the enforcement of the indenture and requiring the indenture trustee to waive events of default (except pursuant to the above):
 - the holders of a majority in aggregate principal amount of the senior notes outstanding (and, to the extent provided in a supplemental indenture satisfactory to the rating agencies, the holders of other senior obligations as set forth in that supplemental indenture); and
 - with respect to all other matters under the indenture, the holders of a majority in aggregate principal amount of senior notes outstanding (and, to the extent provided in a supplemental indenture satisfactory to the rating agencies, the holders of other senior obligations as set forth in that supplemental indenture);
- at any time that no senior obligations are outstanding but subordinate obligations are outstanding:
 - with respect to directing the indenture trustee to accelerate the outstanding notes:
 - upon any of the fifth through eighth events of default listed under the caption “Summary of the Indenture Provisions—Events of

default” herein, the holders of a majority in aggregate principal amount of subordinate notes outstanding; and

- upon any other event of default, the holders of a majority in aggregate principal amount of all notes outstanding;
- with respect to requesting the indenture trustee to exercise rights and powers under the indenture, directing the conduct of proceedings in connection with the enforcement of the indenture and requiring the indenture trustee to waive events of default (other than pursuant to directing the indenture trustee to accelerate the outstanding notes):
 - the holders of a majority in aggregate principal amount of the subordinate notes outstanding, (and, to the extent provided in a supplemental indenture satisfactory to the rating agencies, the holders of other subordinate obligations as set forth in that supplemental indenture);
- with respect to all other matters under the indenture, the holders of a majority in aggregate principal amount of subordinate notes outstanding;

and

- at any time that no senior obligations and no subordinate obligations are outstanding but any junior subordinate notes are outstanding, the holders of a majority in aggregate principal amount of junior subordinate notes outstanding.

Notwithstanding the foregoing, no swap counterparty shall have any consent or voting rights under the indenture or any rights to instruct the indenture trustee to take, or refrain from taking, any action under the indenture unless the indenture trustee has received confirmation from each rating agency that the exercise of such rights by the swap counterparty will not result in the withdrawal or reduction in the then current ratings on any outstanding notes.

“*Asset release requirement*” means:

- the senior asset percentage will not be less than 108%;
- the subordinate asset percentage will not be less than 101.5%; and
- the aggregate value of all assets held under the indenture, less the principal amount of all notes outstanding will exceed \$100,000 after such release or payment;

provided however that if any financed eligible loan shall have ceased to be an eligible loan because it has lost its guarantee as a result of marketing operations of Academic Loan Group, LLC and not servicer error and such financed student loan remains in the trust estate as of such date of determination (a “non guaranteed loan”), until, after applying such amounts:

- the aggregate value of the trust estate less the sum of all accrued interest on outstanding senior notes, all accrued issuer swap payments with respect to senior swap agreements and all accrued fees with respect to senior credit enhancement facilities is equal to at least 108% of the principal amount of all senior notes outstanding plus 100% of the unpaid principal and accrued interest on the non guaranteed loans remaining in the trust estate;
- the aggregate value of the trust estate less the sum of all accrued interest on all outstanding subordinate notes, all accrued issuer swap payments (other than with respect to junior subordinate swap agreements) and all accrued fees with respect to credit enhancement facilities (other than junior subordinate credit enhancement facilities) is equal to at least 101.5% of the principal amount of all notes outstanding plus 100% of the unpaid principal and accrued interest on the non guaranteed loans remaining in the trust estate; and
- the aggregate value of all assets held under the Indenture, less the principal amount of all notes outstanding will exceed \$100,000.

These percentages may be decreased on confirmation from each rating agency that the contemplated reduction will not result in the withdrawal or reduction in the then current ratings on any outstanding notes.

“*Beneficial owner*” means the person in whose name a note is recorded as beneficial owner of such note by a securities depository under a book–entry system or by a participant or indirect participant in such securities depository, as the case may be.

“*Beneficiaries*” means, collectively, all senior beneficiaries, all subordinate beneficiaries and all junior subordinate beneficiaries.

“*Carry-over amount*” means, if specified in an offering memorandum supplement relating to a series of notes bearing interest based on an auction rate, the amount of interest accrued on a note at its applicable auction rate that exceeds the amount of interest accrued on that note by a specified amount or percentage, and the unpaid portion of any such excess from prior periods.

“*Collection period*” means, for any payment date, the calendar month immediately preceding the month in which such payment date occurs, or any other period specified in an offering memorandum supplement.

“*Credit enhancement facility*” means, if and to the extent provided for in a supplemental indenture with respect to notes of one or more series:

- an insurance policy insuring, or a letter of credit or surety bond providing a direct or indirect source of funds for, the timely payment of principal of and interest on such notes (but not necessarily principal due upon acceleration thereof); or

- a letter of credit, standby purchase agreement, or similar instrument, providing for the purchase of notes on the date specified in an offering memorandum supplement.

“*Credit facility provider*” means any institution engaged by the trust pursuant to a credit enhancement facility to provide credit enhancement or liquidity for the payment of the principal of and interest on any or all of the notes of one or more series, or for the trust’s obligation to purchase notes of one or more series on the date specified in an offering memorandum supplement.

“*Eligible loan*” means a student loan which:

- has been or will be made to a borrower for post-secondary education;
- is a guaranteed student loan under the Higher Education Act;
- is an “eligible loan” as defined in Section 438 of the Higher Education Act for purposes of receiving special allowance payments to the extent permitted by the Higher Education Act; provided, however, that no more than 10% of the principal balance of the trust’s student loans may be eligible loans made with respect to students attending proprietary schools; and
- is a consolidation loan unless the indenture trustee receives confirmation from the rating agencies that the acquisition of student loans other than consolidation loans will not result in the withdrawal or reduction in the then current ratings on any outstanding notes.

“*Federal reimbursement contract*” means any agreement between a guarantee agency and the Secretary of Education providing for the payment by the Secretary of Education of amounts authorized to be paid pursuant to the Higher Education Act, including partial reimbursement of amounts paid or payable upon defaulted student loans and other student loans guaranteed or insured by the guarantee agency and interest subsidy payments to holders of qualifying student loans guaranteed by the guarantee agency.

“*Federal Family Education Loan Program*” means the Federal Family Education Loan Program established by the Higher Education Act pursuant to which loans are made to borrowers pursuant to certain guidelines, and the repayment of such loans is guaranteed by a guarantee agency, and any predecessor or successor program.

“*Guarantee*” or “*guaranteed*” means, with respect to a student loan, the insurance or guarantee by a guarantee agency, to the extent provided in the Higher Education Act, of the principal of and accrued interest on such student loan and the coverage of such student loan by one or more Federal reimbursement contracts providing, among other things, for reimbursement to the guarantee agency for losses incurred by it on defaulted student loans insured or guaranteed by the guarantee agency to the extent provided in the Higher Education Act.

“*Guarantee agency*” means any state agency or private nonprofit institution or organization which has federal reimbursement contracts in place and has entered into a guarantee

agreement with the eligible lender trustee, and any successor and assignee of that guarantee agency.

“Guarantee agreement” means the blanket guarantee and other guarantee agreements issued by or from any guarantee agency to the eligible lender trustee for the purpose of guaranteeing the trust’s student loans, and any amendment of any of the foregoing with the provisions thereof providing for the insurance or guarantee by such guarantee agency, to the extent provided in the Higher Education Act, of the principal of and accrued interest on student loans acquired by the indenture trustee.

“Higher Education Act” means the Higher Education Act of 1965, as amended or supplemented from time to time, and all regulations promulgated under that act.

“Holder,” means the person in whose name a note is registered in the note register, except that to the extent and for the purposes provided in a supplemental indenture for a series of notes, a credit facility provider that has delivered a credit enhancement facility with respect to that series of notes may instead be treated as the holder of the notes of that series.

“Indenture obligations” means the senior obligations, the subordinate obligations and the junior subordinated obligations.

“Interest payment date” means, with respect to any note, each regularly scheduled interest payment date on that note as specified in the related offering memorandum supplement; or, with respect to the payment of interest upon acceleration of the notes or the payment of defaulted interest, the date on which interest is payable under the indenture.

“Interest period” means the period during which interest accrues on a note, as specified in the related supplemental indenture.

“Junior subordinate beneficiaries” means the holders of any outstanding junior subordinate notes, and any other junior subordinate beneficiary holding any other junior subordinate obligation that is outstanding.

“Junior subordinate credit enhancement facility” means a credit enhancement facility that is designated as a junior subordinate credit enhancement facility in a supplemental indenture.

“Junior subordinate credit facility provider” means any person who provides a junior subordinate credit enhancement facility.

“Junior subordinate notes” means any notes designated in a supplemental indenture as junior subordinate notes, which are secured under the indenture on a basis subordinate to any senior obligations and subordinate obligations, and on parity with other junior subordinate obligations.

“Junior subordinate obligations” means, collectively, the junior subordinate notes and any other junior subordinate obligations.

“*Junior subordinate swap agreement*” means a swap agreement that is designated as a junior subordinate swap agreement in a supplemental indenture.

“*Junior subordinate swap counterparty*” means any person who provides a junior subordinate swap agreement.

“*Monthly calculation date*” means the twenty-fifth day of each calendar month (or, if such twenty-fifth day is not a business day, the next succeeding business day).

“*Other beneficiary*” means an other senior beneficiary, an other subordinate beneficiary or an other junior subordinate beneficiary.

“*Other indenture obligations*” means, collectively, the other senior obligations, other subordinate obligations and other junior subordinate obligations.

“*Other junior subordinate beneficiary*” means a person or entity who is a junior subordinate beneficiary other than as a result of ownership of junior subordinate notes.

“*Other junior subordinate obligations*” means the trust’s obligations to pay any amounts under any junior subordinate swap agreements and any junior subordinate credit enhancement facilities.

“*Other senior beneficiary*” means a person or entity who is a senior beneficiary other than as a result of ownership of senior notes.

“*Other senior obligations*” means the trust’s obligations to pay any amounts under any senior swap agreements and any senior credit enhancement facilities.

“*Other subordinate beneficiary*” means a person or entity who is a subordinate beneficiary other than as a result of ownership of subordinate notes.

“*Other subordinate obligations*” means the trust’s obligations to pay any amounts under any subordinate swap agreements and any subordinate credit enhancement facilities.

“*Payment date*” means, for any note, any interest payment date, its stated maturity or the date of any other regularly scheduled payment.

“*Principal balance*” means the unpaid principal amount of a student loan, including any unpaid capitalized interest that is authorized to be capitalized under the Higher Education Act.

“*Priority termination payment*” means, with respect to a swap agreement, any termination payment payable by the trust under such swap agreement relating to an early termination of such swap agreement by the swap counterparty, as the non-defaulting party, following a monthly payment default by the trust thereunder, the occurrence of an event of default or the Indenture Trustee’s taking any action hereunder to liquidate the trust assets following an event of default and acceleration of the notes.

“*Rating agency*” means:

- with respect to the notes, any rating agency that shall have an outstanding rating on any of the notes pursuant to request by the trust; and
- with respect to investment securities, any rating agency that has an outstanding rating on the applicable investment security.

“*Reserve fund requirement*” means at any time, an amount equal to:

- 0.75% of the aggregate principal amount of notes then outstanding; or
- such other lesser or greater amount specified as the reserve fund requirement in a supplemental indenture, provided that in no event will the amount on deposit be less than \$2,000,000.

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

“*Senior asset percentage*” means, as of the date of determination, the percentage resulting by dividing:

- the aggregate value of the trust’s assets less the sum of
 - (1) all accrued interest on outstanding senior notes,
 - (2) all accrued trust swap agreement payments on senior swap agreements and
 - (3) all accrued fees with respect to senior credit enhancement facilitiesby
- the aggregate principal amount of outstanding senior notes.

“*Senior asset requirement*” means the senior asset percentage will not be less than 108%. This percentage may be decreased on confirmation from each rating agency that the contemplated reduction will not result in the withdrawal or reduction in the then current ratings on any outstanding notes.

“*Senior beneficiaries*” means the holders of any outstanding senior notes, and any other senior beneficiary holding any other senior obligation that is outstanding.

“*Senior credit enhancement facility*” means a credit enhancement facility that is designated as a senior credit enhancement facility in a supplemental indenture.

“*Senior credit facility provider*” means any person or entity who provides a senior credit enhancement facility.

“*Senior notes*” means any notes designated in a supplemental indenture as senior notes, which are secured under the indenture on a basis senior to any subordinate obligations and any junior subordinate obligations, and on a parity with other senior obligations.

“*Senior obligations*” means, collectively, the senior notes and the other senior obligations.

“*Senior swap agreement*” means a swap agreement that is designated as a senior swap agreement in a supplemental indenture.

“*Senior swap counterparty*” means any person or entity who provides a senior swap agreement.

“*Special allowance payments*” means Special Allowance Payments authorized to be made by the Secretary of Education by Section 438 of the Higher Education Act, or similar allowances authorized from time to time by federal law or regulation.

“*Subordinate asset percentage*” means, as of the date of determination, the percentage resulting by dividing:

- the aggregate value of the trust’s assets less the sum of
 - (1) all accrued interest on outstanding senior notes and outstanding subordinate notes,
 - (2) all accrued trust swap agreement payments (other than with respect to junior subordinate swap agreements) and
 - (3) all accrued fees with respect to credit enhancement facilities (other than with respect to junior subordinate credit enhancement facilities)

by

- the aggregate principal amount of outstanding senior notes and outstanding subordinate notes.

“*Subordinate beneficiaries*” means the holders of any outstanding subordinate notes, and any other subordinate beneficiary holding any other subordinate obligation then outstanding.

“*Subordinate credit enhancement facility*” means a credit enhancement facility that is designated as a subordinate credit enhancement facility in a supplemental indenture.

“*Subordinate credit facility provider*” means any person or entity who provides a subordinate credit enhancement facility.

“*Subordinate notes*” means any notes designated in a supplemental indenture as subordinate notes, which are secured under the indenture on a basis subordinate to any senior obligations, on a basis senior to any junior subordinate obligations and on a parity with other subordinate obligations.

“*Subordinate obligations*” means, collectively, the subordinate notes and the other subordinate obligations.

“*Subordinate swap agreement*” means a swap agreement that is designated as a subordinate swap agreement in a supplemental indenture.

“*Subordinate swap counterparty*” means any person or entity who provides a subordinate swap agreement.

“*Swap agreement*” means an interest rate or other hedge agreement between the trust and a swap counterparty as supplemented or amended from time to time.

“*Swap counterparty*” means any person or entity with whom the trust shall, from time to time, enter into a swap agreement.

Appendix I

Global Clearance, Settlement and Tax Documentation Procedures

Except in certain limited circumstances, the globally offered notes will be available only in book-entry form as “Global Securities”. Investors in the Global Securities may hold such Global Securities through any of The Depository Trust Company, Clearstream, Luxembourg or Euroclear. The Global Securities will be tradeable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors holding Global Securities through Clearstream, Luxembourg and Euroclear will be conducted in the ordinary way in accordance with their normal rules and operating procedures and in accordance with conventional Eurobond practice (i.e., seven calendar day settlement).

Secondary market trading between investors holding Global Securities through The Depository Trust Company will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations.

Secondary, cross-market trading between Clearstream, Luxembourg or Euroclear and The Depository Trust Company Participants holding notes will be effected on a delivery-against-payment basis through the respective Depositories of Clearstream, Luxembourg and Euroclear (in such capacity) and as The Depository Trust Company Participants.

Non-U.S. persons (as described below) holding Global Securities will be subject to U.S. withholding taxes unless such holders meet certain requirements and deliver appropriate U.S. tax documents to the securities clearing organizations or their participants.

Initial Settlement

All Global Securities will be held in book-entry form by The Depository Trust Company in the name of Cede & Co. as nominee of The Depository Trust Company. Investors’ interests in the Global Securities will be represented through financial institutions acting on their behalf as direct and indirect participants in The Depository Trust Company. As a result, Clearstream, Luxembourg and Euroclear will hold their positions on behalf of their participants through their respective Depositories, which in turn will hold such positions in accounts as The Depository Trust Company Participants.

Investors electing to hold their Global Securities through The Depository Trust Company 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.

Investors electing to hold their Global Securities through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures applicable to conventional Eurobonds, except that there will be no temporary global security and no “lock-up” or restricted period.

Global Securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

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 The Depository Trust Company Participants. Secondary market trading between The Depository Trust Company Participants will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds.

Trading between Clearstream, Luxembourg and/or Euroclear Participants. Secondary market trading between Clearstream, Luxembourg Participants or Euroclear Participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Trading between The Depository Trust Company Seller and Clearstream, Luxembourg or Euroclear Purchaser. When Global Securities are to be transferred from the account of a The Depository Trust Company Participant to the account of a Clearstream, Luxembourg Participant or a Euroclear Participant, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg Participant or Euroclear Participant at least one business day prior to settlement. Clearstream, Luxembourg or Euroclear will instruct the respective Depository, as the case may be, to receive the Global Securities against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment date to and excluding the settlement date. Payment will then be made by the respective Depository of The Depository Trust Company Participant's account against delivery of the Global Securities. After settlement has been completed, the Global Securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Clearstream, Luxembourg Participant's or Euroclear Participant's account. The securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the Global Securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York.) If settlement is not completed on the intended value date (i.e., the trade fails), the Clearstream, Luxembourg, or Euroclear cash debt will be valued instead as of the actual settlement date.

Clearstream, Luxembourg Participants and Euroclear Participants 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 preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Clearstream, Luxembourg or Euroclear. Under this approach, they may take on credit exposure to Clearstream, Luxembourg or Euroclear until the Global Securities are credited to their accounts one day later.

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to them, Clearstream, Luxembourg Participants or Euroclear Participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this

procedure, Clearstream, Luxembourg Participants or Euroclear Participants purchasing Global Securities would incur overdraft charges for one day, assuming they cleared the overdraft when the Global Securities were credited to their accounts. However, interest on the Global Securities would accrue from the value date. Therefore, in many cases the investment income on the Global 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 Clearstream, Luxembourg Participant's or Euroclear Participant's particular cost of funds.

Since the settlement is taking place during New York business hours, The Depository Trust Company Participants can employ their usual procedures for sending Global Securities to the respective European Depository for the benefit of Clearstream, Luxembourg Participants or Euroclear Participants. The sale proceeds will be available to The Depository Trust Company seller on the settlement date. Thus, to The Depository Trust Company Participants a cross-market transaction will settle no differently than a trade between two The Depository Trust Company Participants.

Trading between Clearstream, Luxembourg or Euroclear Seller and The Depository Trust Company Purchaser. Due to time zone differences in their favor, Clearstream, Luxembourg Participants and Euroclear Participants may employ their customary procedures for transactions in which Global Securities are to be transferred the respective clearing system, through the respective Depository, to a Depository Trust Company Participant. The seller will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg Participant or Euroclear Participant at least one business day prior to settlement. In these cases Clearstream, Luxembourg or Euroclear will instruct the Depository, as appropriate, to deliver the Global Securities to The Depository Trust Company Participant's account against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment to and excluding the settlement date. The payment will then be reflected in the account of the Clearstream, Luxembourg Participant or Euroclear Participant the following day, and receipt of the cash proceeds in the Clearstream, Luxembourg Participant's or Euroclear Participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream, Luxembourg Participant or Euroclear Participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft 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 Clearstream, Luxembourg Participant's or Euroclear Participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream, Luxembourg or Euroclear and that purchase Global Securities from The Depository Trust Company Participants for delivery to Clearstream, Luxembourg Participants or Euroclear Participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

- (a) borrowing through Clearstream, Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures;

(b) borrowing the Global Securities in the U.S. from a The Depository Trust Company Participant no later than one day prior to settlement, which would give the Global Securities sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear accounts in order to settle the sale side of the trade; or

(c) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from The Depository Trust Company Participant is at least one day prior to the value date for the sale to the Clearstream, Luxembourg Participant or Euroclear Participant.

Certain U.S. Federal Income Tax Documentation Requirements

A beneficial owner of Global Securities holding securities through Clearstream, Luxembourg, or Euroclear (or through The Depository Trust Company if the holder has an address outside the U.S.) will be subject to the 30% U.S. withholding tax that generally applies to payments of interest (including original issue discount) on registered debt issued by U.S. Persons, unless (i) each clearing system, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business in the chain of intermediaries between such beneficial owner and the U.S. entity required to withhold tax complies with applicable certification requirements and (ii) such beneficial owner takes any of the steps described in one of the four paragraphs below to obtain an exemption or reduced tax rate; provided however, the portfolio interest exemption from U.S. withholding tax described below is not available to a non-U.S. Person that (x) actually or constructively owns 10% or more of the total combined voting power of all classes of voting stock of the sponsor; or (y) is a controlled foreign corporation that is related to the sponsor, actually or constructively through stock ownership.

Exemption for non-U.S. Persons (Form W-8BEN). Beneficial owners of Global Securities that are Non-U.S. Persons can obtain a complete exemption from the withholding tax (the "portfolio interest" exemption) by filing a completed and signed Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). Non-U.S. Persons that are beneficial owners of Global Securities entitled to an exemption or reduced rate of U.S. withholding tax under a tax treaty with the United States can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing a completed and signed Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding) that properly claims such exemption or reduced tax rate. If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed within 30 days of such change.

Exemption for non-U.S. Persons (Form W-8IMY). A Non-U.S. Person that is: (a) an intermediary or (b) a flow-through entity that is treated as a foreign partnership or trust for U.S. federal income tax purposes can claim an exemption by filing a completed and signed Form W-8IMY (Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding). Form W-8IMY generally requires additional Forms from beneficial owners and the beneficial owners of such beneficial owners of such foreign partnership or trust. Certain entities that have entered into agreements with the Internal Revenue Service (for example "qualified intermediaries") may be subject to different documentation requirements.

Exemption for non-U.S. Persons with effectively connected income (Form W-8ECI). A non-U.S. Person including a non-U.S. corporation or bank with a U.S. branch, for which the interest income is effectively connected with its conduct of a trade or business in the United States, can obtain an exemption from the withholding tax by filing a completed and signed Form W-8ECI (Certificate of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected with the Conduct of a Trade or Business in the United States).

Exemption for U.S. Persons (Form W-9). U.S. Persons can obtain a complete exemption from the 30% U.S. withholding tax and the backup withholding tax by filing a completed and signed Form W-9 (Payer's Request for Taxpayer Identification Number and Certification).

U.S. Federal Income Tax Reporting Procedure. The filings described above are accomplished by the Global Securities holder or his agent submitting the appropriate form to the person through whom it holds 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 until the third succeeding calendar year from the date the form is signed.

U.S. Person. The term "U.S. Person" generally means a beneficial owner of a Global Security that is for United States federal income tax purposes (i) a citizen or resident of the United States; (ii) a corporation or partnership, or other entity taxable as such, organized in or under the laws of the United States thereof (including the District of Columbia); (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States Persons have the authority to control all substantial decisions of the trust; or (v) to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, that are treated as United States persons prior to that date and that elect to continue to be treated as United States Persons. As used herein, the term "Non-U.S. Person" means a beneficial owner of a Global Security that is not a U.S. Person.

\$1,000,000,000

Student Loan Backed Notes, Series 2006-1

ALG STUDENT LOAN TRUST I
Issuer

ALG Student Loan Funding I, LLC
Depositor

Academic Loan Group, Inc.
Originator

Academic Loan Group, LLC
Issuer Administrator

OFFERING MEMORANDUM SUPPLEMENT

July 17, 2006

You should rely only on the information contained in or incorporated by reference in this offering memorandum supplement and the accompanying offering memorandum. We have not authorized anyone to provide you with different information.

We are not offering notes in any state where the offer is not permitted.

We represent the accuracy of the information in this offering memorandum supplement and offering memorandum only as of the dates of their respective covers.

RBC CAPITAL MARKETS

Goldman, Sachs & Co.

RBS Greenwich Capital