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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000 OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

(Amended by Exch Act Rel No. 312905. eff 4/26/93.)
Commission File Number: 001-13251

USA EDUCATION, INC.
(formerly SLM Holding Corporation)
(Exact name of registrant as specified in its charter)

DELAWARE	52-2013874
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11600 SALLIE MAE DRIVE, RESTON, VIRGINIA	20193
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (703) 810-3000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

CLASS	OUTSTANDING AT JUNE 30, 2000
Common Stock, $.20 par value	155,203,848 shares

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JUNE 30, 2000

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

USA EDUCATION, INC.

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	JUNE 30, 2000	DECEMBER 31, 1999
	(UNAUDITED)	
ASSETS		
Student loans	$31,436,870	$33,808,867
Warehousing advances	680,351	1,042,695
Academic facilities financings		
Bonds--available-for-sale	597,030	640,498
Loans	365,150	387,267
Total academic facilities financings	962,180	1,027,765
Investments		
Available-for-sale	3,066,533	4,396,776
Held-to-maturity	821,821	788,180
Total investments	3,888,354	5,184,956
Cash and cash equivalents	256,779	589,750
Other assets, principally accrued interest receivable	2,324,952	2,370,751
Total assets	$39,549,486	$44,024,784
LIABILITIES		
Short-term borrowings	$30,981,289	$37,491,251
Long-term notes	6,281,722	4,496,267
Other liabilities	1,134,581	982,469
Total liabilities	38,397,592	42,969,987
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARY	213,883	213,883
STOCKHOLDERS' EQUITY		
Preferred stock, par value $.20 per share, 20,000,000 shares authorized: 3,300,000 and 3,300,000 shares, respectively, issued at stated value of $50 per share	165,000	165,000
Common stock, par value $.20 per share, 250,000,000 shares authorized: 186,266,879 and 186,069,619 shares issued, respectively	37,253	37,214
Additional paid-in capital	52,742	62,827
Unrealized gains on investments (net of tax of $159,050 and $160,319, respectively)	295,378	297,735
Retained earnings	1,680,283	1,462,034
Stockholders' equity before treasury stock	2,230,656	2,024,810
Common stock held in treasury at cost: 31,063,031 and 28,493,072 shares, respectively	1,292,645	1,183,896
Total stockholders' equity	938,011	840,914
Total liabilities and stockholders' equity	$39,549,486	$44,024,784

See accompanying notes to consolidated financial statements.

USA EDUCATION, INC.

CONSOLIDATED STATEMENTS OF INCOME

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Interest income:				
Student loans	$634,465	$570,742	$1,302,122	$1,092,148
Warehousing advances	11,156	18,403	27,855	40,259
Academic facilities financings:				
Taxable	11,135	10,196	20,029	20,089
Tax-exempt	7,925	8,867	16,200	18,126
Total academic facilities financings	19,060	19,063	36,229	38,215
Investments	142,367	50,019	260,558	102,970
Total interest income	807,048	658,227	1,626,764	1,273,592
Interest expense:				
Short-term debt	543,945	402,922	1,117,001	757,713
Long-term debt	101,462	82,599	186,253	185,521
Total interest expense	645,407	485,521	1,303,254	943,234
Net interest income	161,641	172,706	323,510	330,358
Less: provision for losses	7,900	13,029	17,338	20,665
Net interest income after provision for losses	153,741	159,677	306,172	309,693
Other income:				
Gains on student loan securitizations	26,024	7,913	68,354	7,913
Servicing and securitization revenue	68,548	80,762	130,667	166,633
Gains on sales of securities	790	1,090	43,792	1,073
Other	29,952	21,866	58,092	42,651
Total other income	125,314	111,631	300,905	218,270
Operating expenses:				
Salaries and benefits	47,347	44,950	101,218	89,110
Other	47,697	41,460	90,064	83,568
Total operating expenses	95,044	86,410	191,282	172,678
Income before income taxes and minority interest in net earnings of subsidiary	184,011	184,898	415,795	355,285
Income taxes:				
Current	66,327	46,114	207,689	163,069
Deferred	(5,483)	12,447	(71,384)	(50,603)
Total income taxes	60,844	58,561	136,305	112,466
Minority interest in net earnings of subsidiary	2,673	2,674	5,347	5,347
Net income	120,494	123,663	274,143	237,472
Preferred stock dividends	2,886	--	5,793	--
Net income attributable to common stock	$117,608	$123,663	$ 268,350	$ 237,472
Basic earnings per share	$ .75	$ .77	$ 1.71	$ 1.46
Average common shares outstanding	156,090	161,344	156,643	162,249
Diluted earnings per share	$ .73	$ .76	$ 1.66	$ 1.44
Average common and common equivalent shares outstanding	161,969	163,803	162,113	164,736

See accompanying notes to consolidated financial statements.

USA EDUCATION, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	PREFERRED STOCK SHARES	COMMON STOCK SHARES ISSUED	COMMON STOCK SHARES TREASURY	COMMON STOCK SHARES OUTSTANDING	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL
BALANCE AT MARCH 31, 1999.....	--	184,773,592	(21,896,197)	162,877,395	$ --	$36,955	$ 34,100
Comprehensive income:							
Net income.....							
Other comprehensive income, net of tax:							
Change in unrealized gains (losses) on investments, net of tax.....							
Comprehensive income.....							
Cash dividends:							
Common stock ($.15 per share).....							
Issuance of common shares.....		202,519		202,519		40	7,076
Premiums on equity forward purchase contracts.....							(6,212)
Repurchase of common shares.....			(2,172,006)	(2,172,006)			
BALANCE AT JUNE 30, 1999.....	--	184,976,111	(24,068,203)	160,907,908	$ --	$36,995	$ 34,964
BALANCE AT MARCH 31, 2000.....	3,300,000	186,237,095	(29,632,909)	156,604,186	$165,000	$37,247	$ 60,740
Comprehensive income:							
Net income.....							
Other comprehensive income, net of tax:							
Change in unrealized gains (losses) on investments, net of tax.....							
Comprehensive income.....							
Cash dividends:							
Common stock ($.16 per share).....							
Preferred stock ($.88 per share).....							
Issuance of common shares.....		29,784	50,000	79,784		6	1,247
Premiums on equity forward purchase contracts.....							(9,245)
Repurchase of common shares.....			(1,480,122)	(1,480,122)			
BALANCE AT JUNE 30, 2000.....	3,300,000	186,266,879	(31,063,031)	155,203,848	$165,000	$37,253	$ 52,742

	UNREALIZED GAINS (LOSSES) ON INVESTMENTS	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT MARCH 31, 1999.....	$343,402	$1,149,720	$ (903,827)	$ 660,350
Comprehensive income:				
Net income.....		123,663		123,663
Other comprehensive income, net of tax:				
Change in unrealized gains (losses) on investments, net of tax.....	(12,429)			(12,429)
Comprehensive income.....				111,234
Cash dividends:				
Common stock ($.15 per share).....		(24,105)		(24,105)
Issuance of common shares.....				7,116
Premiums on equity forward purchase contracts.....				(6,212)
Repurchase of common shares.....			(89,000)	(89,000)
BALANCE AT JUNE 30, 1999.....	$330,973	$1,249,278	$ (992,827)	$ 659,383
BALANCE AT MARCH 31, 2000.....	$295,371	$1,587,637	$(1,233,469)	$ 912,526
Comprehensive income:				
Net income.....		120,494		120,494
Other comprehensive income, net of tax:				
Change in unrealized gains (losses) on investments, net of tax.....	7			7
Comprehensive income.....				120,501

Cash dividends:				
Common stock ($.16 per share).....		(24,962)		(24,962)
Preferred stock ($.88 per share).....		(2,886)		(2,886)
Issuance of common shares.....			2,366	3,619
Premiums on equity forward purchase contracts.....				(9,245)
Repurchase of common shares.....			(61,542)	(61,542)
BALANCE AT JUNE 30, 2000.....	$295,378	$1,680,283	$(1,292,645)	$ 938,011

See accompanying notes to consolidated financial statements.

USA EDUCATION, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	PREFERRED STOCK SHARES	COMMON STOCK SHARES			PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL
		ISSUED	TREASURY	OUTSTANDING			
BALANCE AT DECEMBER 31, 1998.....	--	184,453,866	(20,327,213)	164,126,653	$ --	$36,891	$ 26,871
Comprehensive income:							
Net income.....							
Other comprehensive income, net of tax:							
Unrealized gains (losses) on investments, net of tax.....							
Comprehensive income.....							
Cash dividends:.....							
Common stock ($.30 per share)...							
Issuance of common shares.....		522,245		522,245		104	17,797
Tax benefit related to employee stock option and purchase plan.....							2,497
Premiums on equity forward purchase contracts.....							(12,201)
Repurchase of common shares.....			(3,740,990)	(3,740,990)			
BALANCE AT JUNE 30, 1999.....	--	184,976,111	(24,068,203)	160,907,908	$ --	$36,995	$ 34,964
BALANCE AT DECEMBER 31, 1999.....	3,300,000	186,069,619	(28,493,072)	157,576,547	$165,000	$37,214	$ 62,827
Comprehensive income:							
Net income.....							
Other comprehensive income, net of tax:							
Change in unrealized gains (losses) on investments, net of tax.....							
Comprehensive income.....							
Cash dividends:							
Common stock ($.32 per share).....							
Preferred stock ($1.76 per share).....							
Issuance of common shares.....		197,260	50,000	247,260		39	8,894
Premiums on equity forward purchase contracts.....							(18,979)
Repurchase of common shares.....			(2,619,959)	(2,619,959)			
BALANCE AT JUNE 30, 2000.....	3,300,000	186,266,879	(31,063,031)	155,203,848	$165,000	$37,253	$ 52,742

	UNREALIZED GAINS (LOSSES) ON INVESTMENTS	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT DECEMBER 31, 1998.....	$371,739	$1,060,334	$ (842,209)	$ 653,626
Comprehensive income:				
Net income.....		237,472		237,472
Other comprehensive income, net of tax:				
Unrealized gains (losses) on investments, net of tax.....	(40,766)			(40,766)
Comprehensive income.....				196,706
Cash dividends:.....				
Common stock ($.30 per share)...		(48,528)		(48,528)
Issuance of common shares.....				17,901
Tax benefit related to employee stock option and purchase plan.....				2,497
Premiums on equity forward purchase contracts.....				(12,201)
Repurchase of common shares.....			(150,618)	(150,618)
BALANCE AT JUNE 30, 1999.....	$330,973	$1,249,278	$ (992,827)	$ 659,383
BALANCE AT DECEMBER 31, 1999.....	$297,735	$1,462,034	$(1,183,896)	$ 840,914
Comprehensive income:				
Net income.....		274,143		274,143
Other comprehensive income, net of tax:				
Change in unrealized gains (losses) on investments, net of tax.....	(2,357)			(2,357)

Comprehensive income.....				271,786
Cash dividends:				
Common stock ($.32 per share).....		(50,101)		(50,101)
Preferred stock ($1.76 per share).....		(5,793)		(5,793)
Issuance of common shares.....			2,366	11,299
Premiums on equity forward purchase contracts.....				(18,979)
Repurchase of common shares.....			(111,115)	(111,115)
BALANCE AT JUNE 30, 2000.....	$295,378	$1,680,283	$(1,292,645)	$ 938,011

See accompanying notes to consolidated financial statements.

USA EDUCATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
	(UNAUDITED)	(UNAUDITED)
OPERATING ACTIVITIES		
Net income	$ 274,143	$ 237,472
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains on student loan securitizations	(68,354)	(7,913)
Gains on sales of securities	(43,792)	(1,073)
Provision for losses	17,338	20,665
Decrease (increase) in accrued interest receivable	27,206	(88,721)
Increase (decrease) in accrued interest payable	6,857	(15,309)
(Increase) decrease in other assets	(2,781)	31,908
Increase in other liabilities	146,523	120,086
Total adjustments	82,997	59,643
Net cash provided by operating activities	357,140	297,115
INVESTING ACTIVITIES		
Insured student loans purchased	(5,558,685)	(6,451,143)
Reduction of insured student loans purchased:		
Installment payments	1,046,026	1,632,028
Claims and resales	250,775	270,064
Proceeds from securitization of student loans	6,627,425	1,014,982
Proceeds from sales of student loans	124,225	--
Warehousing advances made	(436,588)	(314,279)
Warehousing advance repayments	798,932	657,555
Academic facilities financings made	(10,000)	(29,987)
Academic facilities financings reductions	72,650	86,546
Investments purchased	(17,641,361)	(6,168,361)
Proceeds from sale or maturity of investments	18,935,686	6,575,217
Net cash provided by (used in) investing activities	4,209,085	(2,727,378)
FINANCING ACTIVITIES		
Short-term borrowings issued	328,090,112	269,023,264
Short-term borrowings repaid	(331,465,504)	(266,841,347)
Long-term notes issued	5,549,013	6,422,085
Long-term notes repaid	(6,898,128)	(6,043,709)
Equity forward contracts and stock issued	(7,680)	8,197
Common stock repurchased	(111,115)	(150,618)
Common dividends paid	(50,101)	(48,528)
Preferred dividends paid	(5,793)	--
Net cash (used in) provided by financing activities	(4,899,196)	2,369,344
Net decrease in cash and cash equivalents	(332,971)	(60,919)
Cash and cash equivalents at beginning of period	589,750	115,912
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 256,779	$ 54,993
Cash disbursements made for:		
Interest	$ 1,181,659	$ 828,418
Income taxes	$ 50,000	$ 163,500

See accompanying notes to consolidated financial statements.

(INFORMATION AT JUNE 30, 2000 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2000 AND 1999 IS UNAUDITED)
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of USA Education, Inc. (the "Company"), formerly SLM Holding Corporation, have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and six months ended June 30, 2000 are not necessarily indicative of the results for the year ending December 31, 2000.

2. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS 133, as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of Effective Date of FASB Statement No. 133," and Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," is effective for the Company's financial statements beginning January 1, 2001. SFAS 133, as amended, requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for derivative financial instruments that qualify as fair value hedges allows a derivative instrument's gains and losses to offset related fair value changes on the hedged item in the income statement. Derivative financial instruments that qualify as cashflow hedges are reported as adjustments to stockholders' equity as a component of other comprehensive income and require that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. SFAS 133 could result in increased period to period volatility in reported net income. Management is continuing to assess the potential impact of SFAS 133 on the Company's reported results of operations and financial position. The Company will implement the new standard in the first quarter of the year 2001.

On March 16, 2000, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-7 ("EITF No. 00-7"), "Application of Issue No. 96-13, 'Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock,' to Equity Derivative Instruments That Contain Certain Provisions That Require Net Cash Settlement If Certain Events Occur." The EITF announced a consensus that any equity derivative contract that could require net cash settlement (as defined in Issue No. 96-13) must be accounted for as an asset or liability and cannot be included in the permanent equity of the Company. In addition, any equity derivative contracts that could require physical settlement by a cash payment to the counterparty in exchange for the issuer's shares, must be accounted for as temporary equity as defined by the SEC under Accounting Series Release (ASR)

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

2. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

No. 268, "Presentation in Financial Statements of 'Redeemable Preferred Stocks.' " EITF No. 00-7 is effective immediately for all new contracts entered into after March 16, 2000. For contracts in effect as of March 16, 2000, EITF No. 00-7's effective date is delayed until December 31, 2000 in order to allow companies to amend existing contracts. The EITF met on July 19, 2000 to discuss various issues and questions concerning EITF No. 00-7. Following that meeting, the EITF issued EITF Issue No. 00-19 ("EITF No. 00-19"), "Determination of Whether Share Settlement is within the Control of the Issuer for Purposes of Applying Issue No. 96-13." The primary focus of EITF No. 00-19 would be to ensure that the counterparty to the contract receives the same choices as any other common equity holder. While the EITF did not reach a conclusion on this issue, they did tentatively extend the effective date for EITF No. 00-7 to June 30, 2001, for contracts in effect as of March 16, 2000.

The Company currently accounts for its equity forward contracts through equity in accordance with EITF Issue No. 96-13. The Company intends to amend all equity forward contracts in place at March 16, 2000 to satisfy the requirements of EITF No. 00-7 and EITF No. 00-19 to allow accounting through permanent equity. There can be no assurance, however, that the Company will be successful in its efforts to amend its equity forward contracts. Under such circumstances, or in the event that the Company is unable to terminate such positions, EITF No. 00-7 and EITF No. 00-19 could materially adversely affect the Company's capital position as well as its reported earnings. Management is continuing to assess the potential impact of EITF No. 00-7 and EITF No. 00-19 on the Company's reported results of operations and financial position. As of June 30, 2000, the Company had not entered into any new contracts after March 16, 2000.

3. ALLOWANCE FOR LOSSES

The following table summarizes changes in the allowance for losses for the three and six months ended June 30, 2000 and 1999, respectively. Certain reclassifications have been made to the balances as of June 30, 1999 to be consistent with classifications adopted for June 30, 2000.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
BALANCE AT BEGINNING OF PERIOD	$300,054	$298,136	$303,743	$293,185
Additions				
Provisions for losses	7,900	13,029	17,338	20,665
Recoveries	631	1,429	3,386	2,161
Deductions				
Reductions for sales of student loans	(4,960)	(1,067)	(12,969)	(1,067)
Write-offs	(12,870)	(12,823)	(20,743)	(16,240)
BALANCE AT END OF PERIOD	$290,755	$298,704	$290,755	$298,704

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

4. STUDENT LOAN SECURITIZATION

For the three months ended June 30, 2000 and 1999, the Company securitized $2.5 billion and $1.0 billion, respectively, of student loans and recorded pre-tax gains of $26 million and $8 million, respectively. For the six months ended June 30, 2000 and 1999, the Company securitized $6.5 billion and $1.0 billion, respectively, of student loans and recorded pre-tax gains of $68 million and $8 million, respectively. At June 30, 2000 and December 31, 1999, securitized student loans outstanding totaled $24.5 billion and $19.5 billion, respectively.

5. COMMON STOCK

Basic earnings per share are calculated using the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share reflect the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options and warrants, determined by the treasury stock method, and equity forwards, determined by the reverse treasury stock method, as follows:

	NET INCOME ATTRIBUTABLE TO COMMON STOCK	AVERAGE SHARES	EARNINGS PER SHARE
THREE MONTHS ENDED JUNE 30, 2000			
Basic earnings per share	$ 117,608	156,090	$.75
Dilutive effect of stock options, warrants and equity forwards	--	5,879	(.02)
Diluted earnings per share	$ 117,608	161,969	$.73
THREE MONTHS ENDED JUNE 30, 1999			
Basic earnings per share	$ 123,663	161,344	$.77
Dilutive effect of stock options, warrants and equity forwards	--	2,459	(.01)
Diluted earnings per share	$ 123,663	163,803	$.76

	NET INCOME ATTRIBUTABLE TO COMMON STOCK	AVERAGE SHARES	EARNINGS PER SHARE
SIX MONTHS ENDED JUNE 30, 2000			
Basic earnings per share	$268,350	156,643	$1.71
Dilutive effect of stock options, warrants and equity forwards	--	5,470	(.05)
Diluted earnings per share	$268,350	162,113	$1.66
SIX MONTHS ENDED JUNE 30, 1999			
Basic earnings per share	$237,472	162,249	$1.46
Dilutive effect of stock options, warrants, and equity forwards	--	2,487	(.02)
Diluted earnings per share	$237,472	164,736	$1.44

6. SUBSEQUENT EVENTS

Effective as of July 7, 2000, the Company completed the acquisition of Student Loan Funding Resources, Inc. ("SLFR") from the Thomas J. Conlan Education Foundation for $117 million in cash. SLFR is the eighth largest holder of federal student loans in the nation with a $3 billion portfolio.

Effective as of July 31, 2000, the Company completed the acquisition of the guarantee servicing, student loan servicing and secondary market operations of USA Group, Inc. The Company did not acquire the operations of the sellers' affiliates, USA Group Funds, Inc. and Secondary Market Services--Hawaii. The acquisition price was $770 million in cash and stock.

Also effective as of July 31, 2000, SLM Holding Corporation was renamed USA Education, Inc. The Company's New York Stock Exchange ticker symbol remained "SLM."

On August 11, 2000, President Clinton announced three proposals concerning student loans. The first proposal would forgive up to $5,000 in both Federal Family Education Loan Program loans and Federal Direct Student Loans for teachers who teach in needy schools for five consecutive years. At least one of the years in the classroom must have begun after September 1998. The program would take effect July 1, 2001. The second proposal would grant students and parents who hold Federal Direct Student Loans an immediate rebate on their interest equal to 1.5% of the loan. To retain this benefit, the students or parents must make the first 12 payments on time. The third proposal would reduce the interest rate by .80% on Federal Direct Consolidation Loans for borrowers who consolidate their loans in the direct student loan program. To retain this benefit, the students must also make the first 12 payments on time. The availability of the reduced borrower interest rates on Federal Direct Consolidation Loans may increase the likelihood that a Federal Family Education Loan Program loan managed by the Company will be prepaid from the proceeds of such loans. While the Company intends to monitor the impact of these proposals on the Company's results of operations, at this time, based upon experience with like proposals, the Company believes that the financial impact to the Company resulting from these proposals will not be materially adverse.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE AND SIX MONTHS ENDED JUNE 30, 2000 AND 1999
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

OVERVIEW

SLM HOLDING CORPORATION ("SLM HOLDING") WAS FORMED ON FEBRUARY 3, 1997 AS A WHOLLY OWNED SUBSIDIARY OF THE STUDENT LOAN MARKETING ASSOCIATION (THE "GSE"). ON AUGUST 7, 1997, PURSUANT TO THE STUDENT LOAN MARKETING ASSOCIATION REORGANIZATION ACT OF 1996 (THE "PRIVATIZATION ACT") AND APPROVAL BY SHAREHOLDERS OF AN AGREEMENT AND PLAN OF REORGANIZATION, THE GSE WAS REORGANIZED INTO A SUBSIDIARY OF SLM HOLDING (THE "REORGANIZATION"). EFFECTIVE AS OF JULY 31, 2000, SLM HOLDING CORPORATION WAS RENAMED USA EDUCATION, INC. UPON THE COMPLETION OF THE ACQUISITION OF THE GUARANTEE SERVICING, STUDENT LOAN SERVICING AND SECONDARY MARKET OPERATIONS OF USA GROUP, INC. ("USA GROUP"). THE COMPANY DID NOT ACQUIRE THE OPERATIONS OF THE SELLERS' AFFILIATES, USA GROUP FUNDS, INC. AND SECONDARY MARKET SERVICES--HAWAII. USA EDUCATION, INC. IS A HOLDING COMPANY THAT OPERATES THROUGH A NUMBER OF SUBSIDIARIES INCLUDING THE GSE. REFERENCES HEREIN TO THE "COMPANY" REFER TO THE GSE AND ITS SUBSIDIARIES FOR PERIODS PRIOR TO THE REORGANIZATION AND TO USA EDUCATION, INC. AND ITS SUBSIDIARIES FOR PERIODS AFTER THE REORGANIZATION.

The Company is the nation's largest private source of financing and servicing for education loans in the United States, primarily through its participation in the Federal Family Education Loan Program ("FFELP"), formerly the Guaranteed Student Loan Program. The Company's products and services include student loan purchases and commitments to purchase student loans, as well as operational support to originators of student loans and to post-secondary education institutions and other education-related financial services. The Company also originates, purchases and holds unguaranteed private loans.

The following Management's Discussion and Analysis contains forward-looking statements and information that are based on management's current expectations as of the date of this document. Discussions that utilize the words "intends," "anticipate," "believe," "estimate" and "expect" and similar expressions, as they relate to the Company's management, are intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause the actual results of the Company to be materially different from those reflected in such forward-looking statements. Such factors include, among others, changes in the terms of student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in such laws and regulations, which may reduce the volume, average term and costs of yields on student loans under the FFELP or result in loans being originated or refinanced under non-FFELP programs or may affect the terms upon which banks and others agree to sell FFELP loans to the Company. The Company could also be affected by changes in the demand for educational financing and consumer lending or in financing preferences of lenders, educational institutions, students and their families; and changes in the general interest rate environment and in the securitization markets for education loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase or carry education loans.

Set forth below is Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company for the three and six months ended June 30, 2000 and 1999. This section should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 1997-99 presented in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission. All dollar amounts are in millions, except per share amounts or as otherwise noted.

SELECTED FINANCIAL DATA

CONDENSED STATEMENTS OF INCOME

	THREE MONTHS ENDED JUNE 30,		INCREASE (DECREASE)		SIX MONTHS ENDED JUNE 30,		INCREASE (DECREASE)	
	2000	1999	$	%	2000	1999	$	%
Net interest income	$162	$173	$ (11)	(6)%	$ 323	$ 331	$ (8)	(2)%
Less: provision for losses	8	13	(5)	(39)	17	21	(4)	(16)
Net interest income after provision for losses	154	160	(6)	(4)	306	310	(4)	(1)
Gains on student loan securitizations	26	8	18	229	68	8	60	764
Servicing and securitization revenue	69	81	(12)	(15)	131	167	(36)	(22)
Other income	30	22	8	34	102	42	60	133
Operating expenses	95	86	9	10	191	173	18	11
Income taxes	61	58	3	4	136	112	24	21
Minority interest in net earnings of subsidiary	3	3	--	--	6	5	1	--
Net income	120	124	(4)	(3)	274	237	37	15
Preferred dividends	3	--	3	100	6	--	6	100
Net income attributable to common stock	$117	$124	$ (7)	(5)%	$ 268	$ 237	$ 31	13%
Basic earnings per share	$.75	$.77	$(.02)	(2)%	$1.71	$1.46	$ .25	17%
Diluted earnings per share	$.73	$.76	$(.03)	(4)%	$1.66	$1.44	$ .22	15%
Dividends per share	$.16	$.15	$ .01	7 %	$ .32	$ .30	$ .02	7%

CONDENSED BALANCE SHEETS

	JUNE 30, 2000	DECEMBER 31, 1999	INCREASE (DECREASE) $	INCREASE (DECREASE) %
ASSETS				
Student loans	$31,437	$33,809	$(2,372)	(7)%
Warehousing advances	680	1,043	(363)	(35)
Academic facilities financings	962	1,028	(66)	(6)
Cash and investments	4,145	5,775	(1,630)	(28)
Other assets	2,326	2,370	(44)	(2)
Total assets	$39,550	$44,025	$(4,475)	(10)%
LIABILITIES AND STOCKHOLDERS' EQUITY				
Short-term borrowings	$30,981	$37,491	$(6,510)	(17)%
Long-term notes	6,282	4,496	1,786	40
Other liabilities	1,135	983	152	15
Total liabilities	38,398	42,970	(4,572)	(11)
Minority interest in subsidiary	214	214	-	-
Stockholders' equity before treasury stock	2,231	2,025	206	10
Common stock held in treasury at cost	1,293	1,184	109	9
Total stockholders' equity	938	841	97	12
Total liabilities and stockholders' equity	$39,550	$44,025	$(4,475)	(10)%

RESULTS OF OPERATIONS

EARNINGS SUMMARY

For the three months ended June 30, 2000, the Company's "core cash basis" net income was $116 million ($.70 diluted earnings per share), versus "core cash basis" net income of $96 million ($.58 diluted earnings per share) in the second quarter of 1999. For the six months ended June 30, 2000, the Company's "core cash basis" net income was $224 million ($1.34 diluted earnings per share) versus $188 million ($1.14 diluted earnings per share) for the six months ended June 30, 1999. "Core cash basis" results measure only the recurring earnings of the Company. Accordingly, securitization transactions are treated as financings, not sales, and thereby gains on such sales are eliminated. In addition, the effect of floor revenue and certain one-time gains on sales of investment securities and student loans are also excluded from net income calculated in accordance with generally accepted accounting principles ("GAAP"). See "Pro-forma Statements of Income" for a detailed discussion of "core cash basis" net income.

The increase in "core cash basis" net income in the second quarter of 2000 versus the second quarter of 1999 is mainly due to the $6.6 billion increase in the average balance of the Company's managed portfolio of student loans partially offset by higher funding costs. For the six months ended June 30, 2000, the increase in "core cash basis" net income versus the year-ago period is mainly due to the $6.7 billion increase in the average balance of the Company's managed portfolio of student loans, partially offset by higher funding costs.

For the three months ended June 30, 2000, the Company's GAAP net income was $120 million ($.73 diluted earnings per share), versus GAAP net income of $124 million ($.76 diluted earnings per share) in the second quarter of 1999. The decrease in GAAP net income in the second quarter of 2000 versus the year-ago quarter is mainly due to a decrease in after-tax floor revenue of $16 million, lower after-tax servicing and securitization revenue of $8 million, and higher funding costs, partially offset by an increase in after-tax securitization gains of $12 million. For the six months ended June 30, 2000, the Company's GAAP net income was $274 million ($1.66 diluted earnings per share), versus GAAP net income of $237 million ($1.44 diluted earnings per share) for the six months ended June 30, 1999. The increase in year-to-date 2000 GAAP net income versus year-to-date 1999 GAAP net income is due to a $1.9 billion increase in the average balance of the Company's on-balance sheet portfolio of student loans, an increase of $39 million in after-tax securitization gains, and an increase of $28 million in after-tax gains on sales of investment securities. The increase in GAAP net income for the first six months of 2000 versus the year-ago period is partially offset by a decrease in after-tax floor revenue of $28 million, lower after-tax servicing and securitization revenue of $23 million, and higher funding costs.

For the six months ended June 30, 2000, the Company repurchased 2.6 million common shares through its share repurchase program, leaving outstanding shares at 155 million at June 30, 2000.

NET INTEREST INCOME

Net interest income is derived largely from the Company's portfolio of student loans that remain on-balance sheet. Additional information regarding the return on the Company's student loan portfolio is set forth under "Student Loans--Student Loan Spread Analysis."

Taxable equivalent net interest income for the three months ended June 30, 2000 versus the three months ended June 30, 1999 decreased by $11 million while the net interest margin decreased by .27 percent. The $19 million decrease in taxable equivalent net interest income attributable to the change in rates for the three months ended June 30, 2000 versus the three months ended June 30, 1999 was principally due to the decrease in floor revenue and the student loan spread (discussed in more

detail below). The decrease in taxable equivalent net interest income was partially offset by the $5.1 billion increase in the average balance of investments over the year-ago quarter.

Taxable equivalent net interest income for the six months ended June 30, 2000 versus the six months ended June 30, 1999 decreased by $5 million while the net interest margin decreased by .27 percent. The $42 million decrease in taxable equivalent net interest income attributable to the change in rates for the six months ended June 30, 2000 versus the six months ended June 30, 1999 was principally due to the decrease in floor revenue and the student loan spread (discussed in more detail below), partially offset by the $4.4 billion increase in the average balance of investments over the year-ago period.

TAXABLE EQUIVALENT NET INTEREST INCOME

The amounts in the following table are adjusted for the impact of certain tax-exempt and tax-advantaged investments based on the marginal corporate tax rate of 35 percent.

	THREE MONTHS ENDED JUNE 30,		INCREASE (DECREASE)		SIX MONTHS ENDED JUNE 30,		INCREASE (DECREASE)	
	2000	1999	$	%	2000	1999	$	%
Interest income								
Student loans	$634	$571	$ 63	11%	$1,302	$1,092	$210	19%
Warehousing advances	11	18	(7)	(39)	28	40	(12)	(31)
Academic facilities financings	19	19	--	--	36	38	(2)	(5)
Investments	143	50	93	185	261	103	158	153
Taxable equivalent adjustment	8	8	--	(1)	17	16	1	10
Total taxable equivalent interest income	815	666	149	22	1,644	1,289	355	28
Interest expense	645	485	160	33	1,303	943	360	38
Taxable equivalent net interest income	$170	$181	$(11)	(6)%	$ 341	$ 346	$ (5)	(2)%

AVERAGE BALANCE SHEETS

The following table reflects the rates earned on earning assets and paid on liabilities for the three and six months ended June 30, 2000 and 1999.

	THREE MONTHS ENDED JUNE 30,				SIX MONTHS ENDED JUNE 30,			
	2000		1999		2000		1999	
	BALANCE	RATE	BALANCE	RATE	BALANCE	RATE	BALANCE	RATE
AVERAGE ASSETS								
Student loans	$31,272	8.16%	$31,868	7.18%	$32,519	8.05%	$30,662	7.18%
Warehousing advances	653	6.87	1,328	5.56	829	6.75	1,446	5.61
Academic facilities financings	1,010	9.29	1,165	8.20	1,030	8.78	1,185	8.17
Investments	8,453	6.94	3,383	6.31	7,898	6.85	3,546	6.19
Total interest earning assets	41,388	7.92%	37,744	7.08%	42,276	7.82%	36,839	7.06%
Non-interest earning assets	2,127		1,894		2,249		2,003	
Total assets	$43,515		$39,638		$44,525		$38,842	
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY								
Six month floating rate notes	$ 4,393	6.35%	$ 4,832	5.16%	$ 4,654	6.33%	$ 4,466	5.20%
Other short-term borrowings	30,306	6.30	26,972	5.07	31,680	6.16	25,648	5.05
Long-term notes	6,450	6.33	5,986	5.53	5,860	6.39	6,868	5.45
Total interest bearing liabilities	41,149	6.31%	37,790	5.15%	42,194	6.21%	36,982	5.14%
Non-interest bearing liabilities	1,425		1,206		1,423		1,220	
Stockholders' equity	941		642		908		640	
Total liabilities and stockholders' equity	$43,515		$39,638		$44,525		$38,842	
Net interest margin		1.65%		1.92%		1.62%		1.89%

RATE/VOLUME ANALYSIS

The Rate/Volume Analysis below shows the relative contribution of changes in interest rates and asset volumes.

	TAXABLE EQUIVALENT INCREASE (DECREASE)	INCREASE (DECREASE) ATTRIBUTABLE TO CHANGE IN	
		RATE	VOLUME
THREE MONTHS ENDED JUNE 30, 2000 VS. THREE MONTHS ENDED JUNE 30, 1999			
Taxable equivalent interest income	$149	$ 89	$60
Interest expense	160	108	52
Taxable equivalent net interest income	$(11)	$(19)	$ 8

	TAXABLE EQUIVALENT INCREASE (DECREASE)	INCREASE (DECREASE) ATTRIBUTABLE TO CHANGE IN RATE	INCREASE (DECREASE) ATTRIBUTABLE TO CHANGE IN VOLUME
SIX MONTHS ENDED JUNE 30, 2000 VS. SIX MONTHS ENDED JUNE 30, 1999			
Taxable equivalent interest income	$355	$156	$199
Interest expense	360	198	162
Taxable equivalent net interest income	$ (5)	$(42)	$ 37

STUDENT LOANS

STUDENT LOAN SPREAD ANALYSIS

The following table analyzes the reported earnings from student loans both on-balance sheet and those off-balance sheet in securitization trusts. The line captioned "Adjusted student loan yields" reflects contractual student loan yields adjusted for the amortization of premiums paid to purchase loan portfolios and the estimated costs of borrower benefits as required by GAAP. For student loans off-balance sheet, the Company will continue to earn servicing fee revenues over the life of the securitized student loan portfolios. The off-balance sheet information presented in "Securitization Program--Servicing and Securitization Revenue" analyzes the on-going servicing revenue and residual interest earned on the securitized portfolios of student loans. For an analysis of the Company's student loan spread for the entire portfolio of managed student loans on a similar basis to the on-balance sheet analysis see "'Core Cash Basis' Student Loan Spread and Net Interest Income."

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
ON-BALANCE SHEET				
Adjusted student loan yields	8.56%	7.53%	8.44%	7.54%
Consolidated loan rebate fees	(.27)	(.21)	(.26)	(.22)
Offset fees	(.13)	(.14)	(.13)	(.14)
Student loan income	8.16	7.18	8.05	7.18
Cost of funds	(6.25)	(5.12)	(6.18)	(5.10)
Student loan spread	1.91%	2.06%	1.87%	2.08%
OFF-BALANCE SHEET				
Servicing and securitization revenue	1.14%	1.90%	1.18%	1.93%
AVERAGE BALANCES				
Student loans	$31,272	$31,868	$32,519	$30,662
Securitized loans	24,248	17,080	22,288	17,431
Managed student loans	$55,520	$48,948	$54,807	$48,093

The Company's portfolio of student loans originated under the FFELP has a variety of unique interest rate characteristics. The Company generally earns interest at the greater of the borrower's rate or a floating rate determined by reference to the average of the weekly auctions of 91-day Treasury bills by the government, plus a fixed spread which is dependent upon when the loan was originated. If the floating rate exceeds the borrower rate, the Department of Education makes a payment directly to the Company based upon the special allowance payment ("SAP") formula established under the Higher Education Act. If the floating rate is less than the rate the borrower is obligated to pay, the Company simply earns interest at the borrower rate. In all cases, the rate a borrower is obligated to pay sets a

minimum rate for determining the yield the Company earns on a loan. The borrowers' interest rates are either fixed to term or are reset annually on July 1 of each year depending on when the loan was originated.

The Company generally finances its student loan portfolio with floating rate debt tied to the average of the 91-day Treasury bill auctions, either directly or through the use of derivative financial instruments, intended to mimic the interest rate characteristics of the student loans. Such borrowings float over all interest rate ranges. As a result, in periods of declining interest rates, the portfolio of managed student loans may be earning at the borrower rate while the Company's funding costs (exclusive of fluctuations in funding spreads) generally continue to decline along with Treasury bill rates. When this happens, the difference between the interest earned from the rate paid by the borrower and the interest that would have been earned under the SAP formula is referred to as "floor revenue." For loans where the borrower's interest rate is fixed to term, declining interest rates may benefit the spread earned on student loans for extended periods of time. For loans where the borrower's interest rate is reset annually, any benefit of a declining interest rate environment will only enhance student loan spreads through the next annual reset of the borrower's interest rates, which occurs on July 1 of each year.

Due to the continued rise in Treasury bill rates since the second quarter of 1999, the Company earned floor revenue of $0.6 million in the second quarter of 2000 versus $25 million of such earnings in the year-ago quarter. The floor revenue earned in the second quarter of 2000 was attributable to student loans whose minimum borrower rates adjust annually on July 1, while in the second quarter of 1999, $15 million of the floor revenue earned was from student loans whose borrower rates are fixed to term, and $10 million was from student loans whose borrower rates reset annually. The reduction in floor revenue decreased the second quarter 2000 on-balance sheet student loan spread by 31 basis points versus the year-ago quarter. For the six months ended June 30, 2000, the Company earned floor revenue of $3 million of which $2 million was attributable to student loans whose minimum borrower rates are fixed to term and $1 million was attributable to student loans whose minimum borrower rates adjust annually on July 1. For the six months ended June 30, 1999, the Company earned floor revenue of $46 million, of which $28 million was attributable to student loans whose minimum borrower rates are fixed to term and $18 million was attributable to student loans whose minimum borrower rates adjust annually on July 1. The reduction in floor revenue decreased the year-to-date 2000 on-balance sheet student loan spread by 28 basis points versus the year-ago period.

The Company's match funding of its student loan portfolio on a managed basis affects servicing and securitization revenue in the opposite direction from its effect on the on-balance sheet student loan spread. Specifically, the Company's on-balance sheet use of funding indexed to the July 1999 reset of the 52-week Treasury bill to fund off-balance sheet PLUS student loans decreased servicing and securitization revenue by $18 million for the six months ended June 30, 2000 versus the prior year due to the rise in Treasury bill rates which increased off-balance sheet funding costs for debt indexed to the 91-day Treasury bill and funding PLUS loans. The opposite effect occurs on-balance sheet as the Company uses the excess of off-balance sheet 91-day Treasury bill funding to fund on-balance sheet student loans indexed to the 91-day Treasury bill.

The following table analyzes the ability of the FFELP student loans in the Company's managed student loan portfolio to earn at the minimum borrower interest rate at June 30, 2000 and 1999, based on the last Treasury bill auctions of June 2000 and June 1999 for fixed rate loans (5.84 percent and

4.89 percent, respectively), and based on the last Treasury bill auctions of May 2000 and May 1999 for variable rate loans (5.89 percent and 4.62 percent, respectively).

	JUNE 30, 2000			JUNE 30, 1999		
	FIXED	VARIABLE	TOTAL	FIXED	VARIABLE	TOTAL
	(DOLLARS IN BILLIONS)					
Student loans eligible to earn at the minimum borrower rate	$13.3	$30.5	$43.8	$12.5	$ 27.9	$ 40.4
Less notional amount of floor interest contracts	(4.3)	(1.4)	(5.7)	(3.8)	(16.7)	(20.5)
Net student loans eligible to earn at the minimum borrower rate	$ 9.0	$29.1	$38.1	$ 8.7	$ 11.2	$ 19.9
Net student loans earning at the minimum borrower rate	$ 2.0	$ --	$ 2.0	$ 5.7	$ 11.1	$ 16.8

STUDENT LOAN FLOOR REVENUE CONTRACTS

For the three months ended June 30, 2000 and 1999, the amortization of the upfront payments received from the sale of Floor Revenue Contracts on the Company's on-balance sheet student loans with fixed borrower rates was $4 million and $5 million, respectively, and for Floor Revenue Contracts with annually reset borrower rates was $0.6 million and $12 million, respectively. For the six months ended June 30, 2000 and 1999, the amortization of the upfront payments received from the sale of Floor Revenue Contracts on the Company's on-balance sheet student loans with fixed borrower rates was $9 million and $11 million, respectively, and for Floor Revenue Contracts with annually reset borrower rates was $1 million and $20 million, respectively.

At June 30, 2000, unamortized payments received from the sale of Floor Revenue Contracts totaled $15 million, all of which related to contracts on fixed rate loans. At June 30, 2000, the Company had $4.3 billion of outstanding fixed borrower rate Floor Revenue Contracts which had expiration dates through the year 2003, and $1.4 billion of annually reset borrower rate contracts which expired on July 1, 2000.

ON-BALANCE SHEET FUNDING COSTS

The Company's borrowings are generally variable rate indexed principally to the 91-day Treasury bill rate. The following table summarizes the average balance of on-balance sheet debt (by index, after giving effect to the impact of interest rate swaps) for the three and six months ended June 30, 2000 and 1999.

	THREE MONTHS ENDED JUNE 30,				SIX MONTHS ENDED JUNE 30,			
	2000		1999		2000		1999	
	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE	AVERAGE BALANCE	AVERAGE RATE
Treasury bill, principally 91-day	$32,597	6.35%	$28,466	5.18%	$33,118	6.25%	$28,496	5.14%
LIBOR	1,415	6.24	2,517	4.86	1,591	6.12	2,529	4.92
Discount notes	3,795	6.18	4,924	4.76	4,221	5.92	4,062	4.78
Fixed	1,409	5.98	868	6.03	1,416	5.98	871	6.07
Zero coupon	169	11.17	151	11.14	167	11.17	149	11.14
Commercial paper	963	6.65	--	--	955	6.45	--	--
Other	801	6.19	864	4.74	726	5.88	875	4.75
Total	$41,149	6.31%	$37,790	5.15%	$42,194	6.21%	$36,982	5.14%

The following table details the spreads for the Company's Treasury bill indexed borrowings and London Interbank Offered Rate ("LIBOR") indexed borrowings:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
INDEXED BORROWINGS	2000	1999	2000	1999
TREASURY BILL				
Weighted average Treasury bill	5.84%	4.71%	5.72%	4.70%
Borrowing spread	.51	.47	.53	.44
Weighted average borrowing rate	6.35%	5.18%	6.25%	5.14%
LIBOR				
Weighted average LIBOR	6.48%	5.08%	6.34%	5.16%
Borrowing spread	(.24)	(.22)	(.22)	(.24)
Weighted average borrowing rate	6.24%	4.86%	6.12%	4.92%

SECURITIZATION PROGRAM

During the second quarter of 2000, the Company completed a securitization transaction in which a total of $2.5 billion of student loans were sold to a special purpose finance subsidiary and by that subsidiary to a trust that issued asset-backed securities to fund the student loans to term. For the six months ended June 30, 2000, the Company securitized a total of $6.5 billion of student loans in three separate transactions.

During the second quarter of 1999, the Company re-entered the securitization market and securitized $1.0 billion of student loans, after not having completed a securitization transaction from August 1998 through the first quarter of 1999 due to adverse market conditions following the Russian bond default.

GAINS ON STUDENT LOAN SECURITIZATIONS

For the three months ended June 30, 2000 the Company recorded a pre-tax securitization gain of $26 million, which was 1.03 percent of the portfolio securitized, versus a pre-tax securitization gain of $8 million, which was 0.79 percent of the portfolio securitized in the first quarter of 1999. The increase in the 2000 second quarter securitization gain as a percentage of the portfolio securitized versus the year-ago quarter is mainly due to lower financing spreads. For the six months ended June 30, 2000, the Company recorded pre-tax securitization gains of $68 million, which was 1.05 percent of the portfolios securitized. Gains on future securitizations will continue to vary depending on the size and the loan characteristics of the loan portfolios securitized and the funding costs prevailing in the securitization debt markets at the time of each transaction.

SERVICING AND SECURITIZATION REVENUE

The following table summarizes the components of servicing and securitization revenue:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
Servicing revenue less amortization of servicing asset	$54	$38	$ 99	$ 78
Securitization revenue	15	43	32	89
Total servicing and securitization revenue	$69	$81	$131	$167

In the three and six months ended June 30, 2000, servicing and securitization revenue was 1.14 percent and 1.18 percent, respectively, of average securitized loans versus 1.90 percent and

1.93 percent, respectively, in the corresponding year-ago periods. The decrease in servicing and securitization revenue as a percentage of the average balance of securitized student loans in the three and six months ended 2000 versus the corresponding year-ago periods is mainly due to the impact of the rise in Treasury bill rates since the second half of 1999, which decreased floor revenues from student loans in the trusts by $18 million and $38 million, respectively.

OTHER INCOME

Other income, exclusive of gains on student loan securitizations and servicing and securitization revenue, totaled $31 million and $23 million for the three months ended June 30, 2000 and 1999, respectively, and $102 million and $44 million for the six months ended June 30, 2000 and 1999, respectively. Other income mainly includes late fees earned on student loans, gains and losses on sales of investment securities, revenue received from servicing third party portfolios of student loans and commitment fees for letters of credit. The increase in other income for the second quarter of 2000 versus the second quarter of 1999 is mainly due to an increase in third party servicing fees of $3 million, and an increase in late fees of $3 million. The increase in other income for the six months ended June 30, 2000 versus the six months ended June 30, 1999 is mainly due to $43 million of gains on sales of investment securities, $6 million additional late fee revenue, and a $5 million increase in third party servicing fees.

OPERATING EXPENSES

The following table summarizes the components of operating expenses:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
Servicing and acquisition expenses.....	$59	$59	$119	$123
General and administrative expenses.....	36	27	72	50
Total operating expenses.....	$95	$86	$191	$173

Operating expenses include costs to service the Company's managed student loan portfolio, operational costs incurred in the process of acquiring student loan portfolios and general and administrative expenses. Operating expenses for the three months ended June 30, 2000 and 1999 were $95 million and $86 million, respectively. Total operating expenses as a percentage of average managed student loans were 69 percent and 71 percent for the three months ended June 30, 2000 and 1999, respectively. For the six months ended June 30, 2000 and 1999, total operating expenses were $191 million and $173 million, respectively, or as a percentage of managed student loans .70 percent and .71 percent, respectively. The increase in operating expenses for the three and six months ended June 30, 2000 over the corresponding year-ago periods was mainly due to expenses related to Nellie Mae, which the Company acquired in the third quarter of 1999, and to expenses of new business initiatives, specifically, SLM Financial, SLM Solutions, and E-commerce initiatives.

STUDENT LOAN PURCHASES

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2000	JUNE 30, 1999	JUNE 30, 2000	JUNE 30, 1999
ExportSS, origination and servicing clients.....	$1,700	$2,528	$3,608	$4,736
Other commitment clients.....	528	289	811	605
Spot purchases.....	56	34	210	61
Consolidations.....	159	391	367	542
Other.....	265	249	563	507
Total.....	$2,708	$3,491	$5,559	$6,451

For the three months ended June 30, 2000, the Company purchased $2.7 billion of student loans compared with $3.5 billion in the year-ago period. For the six months ended June 30, 2000, the Company purchased $5.6 billion of student loans compared with $6.5 billion in the year-ago period. In the fourth quarter of 1998, the Company restructured its joint venture with Chase Manhattan Bank ("Chase") and now purchases all loans originated by Chase. The purchases in the first half of 1999 include $1.6 billion of loans from the joint venture that were previously owned by Chase.

In the second quarter of 2000, the Company's controlled channels of loan originations totaled $0.7 billion versus $0.5 billion in the year-ago quarter. The pipeline of loans currently serviced and committed for purchase by the Company was $2.6 billion at June 30, 2000 versus $3.1 billion at June 30, 1999.

The Department of Education offers existing FFELP borrowers the opportunity to refinance FFELP loans into Federal Direct Student Loan Program ("FDSLP") consolidation loans. During the three months ended June 30, 2000 and 1999, approximately $141 million and $287 million, respectively, of the Company's managed student loans were accepted for refinancing into the FDSLP. During the six months ended June 30, 2000 and 1999, approximately $217 million and $599 million, respectively, of the Company's managed student loans were accepted for refinancing into the FDSLP. The relatively high balance in the six months ended June 30, 1999 was the result of legislation passed in 1998 that allowed borrowers to submit applications by January 31, 1999 for consolidated student loans under the FDSLP at advantageous interest rates.

The following table summarizes the activity in the Company's managed portfolio of student loans for the three and six months ended June 30, 2000 and 1999.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
BEGINNING BALANCE	$54,736	$47,654	$53,276	$46,342
Purchases	2,708	3,491	5,559	6,451
Capitalized interest on securitized loans	133	78	271	167
Repayments, claims, other	(1,268)	(1,316)	(2,572)	(2,616)
Loan sales	(88)	-	(126)	-
Loans consolidated from SLMH	(272)	(391)	(459)	(828)
Ending balance	$55,949	$49,516	$55,949	$49,516

PRO-FORMA STATEMENTS OF INCOME

Under GAAP, the Company's securitization transactions have been treated as sales. At the time of sale, in accordance with Statement of Financial Accounting Standards No. 125 ("SFAS 125"), the Company records a gain equal to the present value of the estimated future net cash flows from the portfolio of loans sold. Interest earned on the interest residual and fees earned for servicing the loan portfolios are recognized over the life of the securitization transaction as servicing and securitization revenue. Under SFAS 125, income recognition is effectively accelerated through the recognition of a gain at the time of sale while the ultimate realization of such income remains dependent on the actual performance, over time, of the loans that were securitized.

Management believes that in addition to results of operations as reported in accordance with GAAP, another important performance measure is pro-forma results of operations under the assumption that the securitization transactions are financings and that the securitized student loans were not sold. The pro-forma results of operations also exclude the effect of floor revenue and certain one-time gains on sales of investment securities and student loans. The following pro-forma statements of income present the Company's results of operations under the assumption that the securitization

transactions are financings and that the securitized student loans were not sold. As such, no gain on sale or subsequent servicing and securitization revenue is recognized. Instead, the earnings of the student loans in the trusts and related financing costs are reflected over the life of the underlying pool of loans. The effect of floor revenue and certain one-time gains on sales of investment securities and student loans are also excluded from net income. Management refers to these pro-forma results as "core cash basis" statements of income. Management monitors the periodic "core cash basis" earnings of the Company's managed student loan portfolio and believes that they assist in a better understanding of the Company's student loan business.

The following table presents the "core cash basis" statements of income and reconciliations to GAAP net income as reflected in the Company's consolidated statements of income.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
"CORE CASH BASIS" STATEMENTS OF INCOME:				
Interest income:				
Insured student loans	$ 1,131	$ 848	$ 2,208	$ 1,659
Advances/Facilities/Investments	175	88	328	183
Total interest income	1,306	936	2,536	1,842
Interest expense	(1,050)	(713)	(2,036)	(1,405)
Net interest income	256	223	500	437
Less: provision for losses	14	17	28	29
Net interest income after provision for losses	242	206	472	408
Other Income:				
Gains on student loan securitizations	--	--	--	--
Servicing and securitization revenue	--	--	--	--
Gains on sales of securities	1	1	1	--
Other	29	21	57	43
Total other income	30	22	58	43
Total operating expenses	95	86	191	173
Income before taxes and minority interest in earnings of subsidiary	177	142	339	278
Income taxes	59	43	110	85
Minority interest in earnings of subsidiary	2	3	5	5
"Core cash basis" net income	$ 116	$ 96	$ 224	$ 188
Preferred dividends	3	--	6	--
"Core cash basis" net income attributable to common stock	$ 113	$ 96	$ 218	$ 188
"Core cash basis" diluted earnings per share	$ .70	$ .58	$ 1.34	$ 1.14

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
RECONCILIATION OF GAAP NET INCOME TO "CORE CASH BASIS" NET INCOME:				
GAAP net income	$ 120	$ 124	$ 274	$ 237
"Cash basis" adjustments:				
Gains on student loan securitizations	(26)	(8)	(68)	(8)
Servicing and securitization revenue	(69)	(81)	(131)	(167)
Net interest income	94	93	178	190
Provision for losses	(6)	(4)	(11)	(8)
Total "cash basis" adjustments	(7)	--	(32)	7
Net tax effect (A)	3	--	11	(2)
"Cash basis" net income	116	124	253	242
"Core cash basis" adjustments:				
Floor revenue	--	(43)	(2)	(83)
Gains/losses on sales of securities	--	--	(43)	--
Total "core cash basis" adjustments	--	(43)	(45)	(83)
Net tax effect (A)	--	15	16	29
"Core cash basis" net income	$ 116	$ 96	$ 224	$ 188

- ------------------------

(A) Such tax effect is based upon the Company's marginal tax rate for the respective period.

"CORE CASH BASIS" STUDENT LOAN SPREAD AND NET INTEREST INCOME

The following table analyzes the reported earnings from the Company's portfolio of managed student loans, which includes those on-balance sheet and those off-balance sheet in securitization trusts. The line captioned "Cash basis adjusted student loan yields" reflects contractual student loan yields adjusted for the amortization of premiums paid to purchase loan portfolios and the estimated costs of borrower benefits.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
"Cash basis" adjusted student loan yields	8.44%	7.54%	8.36%	7.55%
Consolidated loan rebate fees	(.17)	(.15)	(.17)	(.15)
Offset fees	(.07)	(.09)	(.08)	(.09)
Student loan income	8.20	7.30	8.11	7.31
Cost of funds	(6.43)	(5.18)	(6.33)	(5.17)
"Cash basis" student loan spread	1.77%	2.12%	1.78%	2.14%
"Core cash basis" student loan spread	1.76%	1.77%	1.77%	1.79%
AVERAGE BALANCES				
Managed student loans	$55,520	$48,948	$54,807	$48,093

The Company earns interest at the greater of the borrower's rate or a floating rate determined by reference to the average of the weekly auctions of the 91-day Treasury bills by the government, plus a fixed spread, which is dependent upon when the loan was originated. In all cases, the rate the borrower pays sets a minimum rate for determining the yield the Company earns on the loan. The Company generally finances its student loan portfolio with floating rate debt tied to the average of the 91-day

Treasury bill auctions, either directly or through the use of derivative financial instruments, to mimic the interest rate characteristics of the student loans. Such borrowings, however, generally do not have minimum rates. As a result, in periods of declining interest rates, the portfolio of managed student loans may be earning at the minimum borrower rate while the Company's funding costs (exclusive of funding spreads) will generally decline along with Treasury bill rates. For loans in which the borrower's interest rate is fixed to term, declining interest rates may benefit the spread earned on student loans for extended periods of time. For loans in which the borrower's interest rate is reset annually, any benefit of a low interest rate environment will only enhance student loan spreads through the next annual reset of the borrowers interest rates, which occurs on July 1 of each year. Due to the continued rise in Treasury bill rates since the second quarter of 1999, the Company earned only $0.6 million from student loans earning at the minimum borrower rate in the second quarter of 2000 versus $43 million of such earnings in the year-ago quarter. The negative impact of the rise in Treasury bill rates on student loans earning at the minimum borrower rate decreased the "cash basis" student loan spread by 35 basis points versus the year-ago quarter. These earnings have been excluded from student loan income to calculate the "core cash basis" student loan spread.

For the three and six months ended June 30, 2000, the amortization of the upfront payments received from the sale of Floor Revenue Contracts with annually reset borrower rates was $0.6 million and $1 million, respectively, versus $14 million and $23 million, respectively, for the three and six months ended June 30, 1999. At June 30, 2000, the unamortized balance of upfront payments received from the sale of fixed borrower rate Floor Revenue Contracts totaled $15 million. There was no unamortized balance of upfront payments received on annually reset borrower rate contracts.

In the three months ended June 30, 2000, "core cash basis" net interest income was $256 million compared with $223 million in the year-ago period. In the six months ended June 30, 2000, "core cash basis" net interest income was $500 million compared with $437 million in the year-ago period. The increase in "core cash basis" net interest income earned in the three and six months ended June 30, 2000 versus the year-ago periods was due to the increase in the average balance of managed student loans, and the increase in student loans as a percentage of average earning assets.

FEDERAL AND STATE TAXES

The Company maintains a portfolio of tax-advantaged assets principally to support education-related financing activities. That portfolio was primarily responsible for the decrease in the effective federal income tax rate from the statutory rate of 35 percent to 33 percent for the three and six months ended June 30, 2000 versus 32 percent for the three and six month ended June 30, 1999. The GSE is exempt from all state, local and District of Columbia income, franchise, sales and use, personal property and other taxes, except for real property taxes. However, this tax exemption applies only to the GSE and does not apply to USA Education, Inc. or its other operating subsidiaries that are subject to taxation at the state and local level. State taxes were immaterial in the three and six months ended June 30, 2000 and 1999 as the majority of the Company's business activities were conducted in the GSE.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary requirements for capital are to fund the Company's operations, the purchases of student loans and the repayment of its debt obligations while continuing to meet the GSE's statutory capital adequacy ratio test. The Company's primary sources of liquidity are through debt issuances by its GSE subsidiary, off-balance sheet financings through securitizations, borrowings under its commercial paper program, and cash generated by its subsidiaries' operations and distributed as dividends to the Company.

The Company's unsecured financing requirements are driven by three principal factors: refinancing of existing liabilities as they mature; financing of student loan portfolio growth; and the Company's level of securitization activity. The lingering effects of the August 1998 Russian bond default have caused funding spreads on both the Company's unsecured debt and its asset-backed securities to remain wider than in recent years. Market conditions for Treasury bill indexed debt improved in the first six months of 2000 and the Company has begun to lengthen the term of its GSE debt.

In the first six months of 2000, the Company completed three securitization transactions totaling $6.5 billion in student loans and issued $6.1 billion in LIBOR-based asset-backed securities. The Company manages the resulting off-balance sheet basis risk with on-balance sheet financing and derivative instruments, principally basis swaps and Eurodollar futures.

During the first six months of 2000, the Company used the net proceeds from student loan securitizations of $6.6 billion, net proceeds from the sale or maturity of investments of $1.3 billion, and repayments and claim payments on student loans of $1.3 billion to purchase student loans of $5.6 billion, to reduce total debt by $4.7 billion, and to repurchase $111 million of the Company's common stock.

Operating activities provided net cash inflows of $357 million in the first six months of 2000, an increase of $60 million from the net cash inflows of $297 million in the corresponding year-ago period.

During the first six months of 2000, the Company issued $5.5 billion of long-term notes to refund maturing and repurchased obligations. At June 30, 2000, the Company had $6.3 billion of outstanding long-term debt issues of which $611 million had stated maturities that could be accelerated through call provisions. The Company uses interest rate and foreign currency swaps (collateralized where appropriate), purchases of U.S. Treasury securities and other hedging techniques to reduce its exposure to interest rate and currency fluctuations that arise from its financing activities and to match the variable interest rate characteristics of its earning assets. (See "Interest Rate Risk Management.")

On January 1, 2000 the GSE's minimum required statutory capital adequacy ratio was increased from 2.00 percent to 2.25 percent. At June 30, 2000, the GSE was in compliance with the new ratio with a statutory capital adequacy ratio, after the effect of the dividends to be paid in the third quarter of 2000, of 2.37 percent.

INTEREST RATE RISK MANAGEMENT

INTEREST RATE GAP ANALYSIS

The Company's principal objective in financing its operations is to minimize its sensitivity to changing interest rates by matching the interest rate characteristics of its borrowings to specific assets in order to lock in spreads. The Company funds its floating rate managed loan assets (most of which have weekly rate resets) with variable rate debt and fixed rate debt converted to variable rates with interest rate swaps. The Company also uses interest rate cap agreements, foreign currency swaps, options on securities, and financial futures contracts to further reduce interest rate risk and foreign currency exposure on certain of its borrowings. Investments are funded on a "pooled" approach, i.e., the pool of liabilities that funds the investment portfolio has an average rate and maturity or reset date that corresponds to the average rate and maturity or reset date of the investments which they fund.

In addition to term match funding, the Company's asset-backed securities generally match the interest rate characteristics of the majority of the student loans in the trusts by being indexed to the 91-day Treasury bill. However, at June 30, 2000, there were approximately $3 billion of PLUS student loans outstanding in the trusts, which have interest rates that reset annually based on the final auction of 52-week Treasury bills before each July 1. In addition, at June 30, 2000 there were approximately $10 billion of LIBOR-based asset-backed securities in the trusts, which have interest rates that generally

reset quarterly. The Company manages this basis risk through its on-balance sheet financing and hedging activities.

In the table below the Company's variable rate assets and liabilities are categorized by reset date of the underlying index. Fixed rate assets and liabilities are categorized based on their maturity dates. An interest rate gap is the difference between volumes of assets and volumes of liabilities maturing or repricing during specific future time intervals. The following gap analysis reflects rate-sensitive positions at June 30, 2000 and is not necessarily reflective of positions that existed throughout the period.

	INTEREST RATE SENSITIVITY PERIOD					
	3 MONTHS OR LESS	3 MONTHS TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 TO 2 YEARS	2 TO 5 YEARS	OVER 5 YEARS
ASSETS						
Student loans	$ 31,437	$ --	$ --	$ --	$ --	$ --
Warehousing advances	666	--	--	--	1	13
Academic facilities financings	6	11	54	85	325	481
Cash and investments	2,265	12	21	55	98	1,694
Other assets	25	30	60	97	313	1,801
Total assets	34,399	53	135	237	737	3,989
LIABILITIES AND STOCKHOLDERS' EQUITY						
Short-term borrowings	27,251	2,458	1,272	--	--	--
Long-term notes	4,586	--	--	799	325	572
Other liabilities	--	--	--	--	--	1,135
Minority interest in subsidiary	--	--	--	--	--	214
Stockholders' equity	--	--	--	--	--	938
Total liabilities and stockholders' equity	31,837	2,458	1,272	799	325	2,859
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS						
Interest rate swaps	(3,542)	2,712	1,260	550	(10)	(970)
Total off-balance sheet financial instruments	(3,542)	2,712	1,260	550	(10)	(970)
Period gap	$ (980)	$ 307	$ 123	$ (12)	$ 402	$ 160
Cumulative gap	$ (980)	$ (673)	$ (550)	$(562)	$(160)	$ --
Ratio of interest-sensitive assets to interest-sensitive liabilities	108.0%	.9%	5.9%	17.5%	130.5%	382.5%
Ratio of cumulative gap to total assets	2.5%	1.7%	1.4%	1.4%	.4%	--%

INTEREST RATE SENSITIVITY ANALYSIS

The effect of short-term movements in interest rates on the Company's results of operations and financial position has been limited through the Company's risk management activities. The Company performed a sensitivity analysis to determine the effect of a hypothetical increase in market interest rates of 10 percent on the Company's variable rate assets and liabilities and a hypothetical 10 percent increase in spreads to their underlying index. Based on this analysis, there has not been a material change in market risk from December 31, 1999 as reported in the Company's Form 10-K.

AVERAGE TERMS TO MATURITY

The following table reflects the average terms to maturity for the Company's earning assets and liabilities at June 30, 2000 (in years):

	ON-BALANCE SHEET	OFF-BALANCE SHEET	MANAGED
EARNING ASSETS			
Student loans	7.3	4.2	5.9
Warehousing advances	6.0	--	6.0
Academic facilities financings	6.9	--	6.9
Cash and investments	6.5	--	6.5
Total earning assets	7.2	4.2	6.0
BORROWINGS			
Short-term borrowings	.3	--	.3
Long-term borrowings	2.9	4.2	4.0
Total borrowings	.7	4.2	2.1

In the above table, Treasury receipts and variable rate asset-backed securities, although generally liquid in nature, extend the weighted average remaining term to maturity of cash and investments to 6.5 years. As student loans are securitized, the need for long-term on-balance sheet financing will decrease.

COMMON STOCK

The Company continues to reduce its investment portfolio and to reduce the portfolio of other non-student loan earning assets using the released capital to repurchase the Company's common stock. The Company repurchased 2.6 million shares of common stock during the six months ended June 30, 2000, lowering outstanding shares to 155 million at June 30, 2000. At June 30, 2000, the total common shares that could potentially be acquired over the next five years under outstanding equity forward contracts was 21 million, and the Company has remaining authority to enter into additional share repurchases and equity forward contracts for 1.9 million shares.

The following table summarizes the Company's common share repurchase and equity forward activity for the three and six months ended June 30, 2000 and 1999. (All amounts in the tables are common shares in millions.)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
Common shares repurchased:				
Open market	--	.7	.1	.9
Equity forwards	1.4	1.5	2.5	2.9
Total shares repurchased	1.4	2.2	2.6	3.8
Average purchase price per share	$41.83	$40.84	$42.66	$40.19
Equity forward contracts:				
Outstanding at beginning of period	22.0	20.6	21.4	20.5
New contracts	--	1.5	1.7	3.0
Exercises	(1.4)	(1.5)	(2.5)	(2.9)
Outstanding at end of period	20.6	20.6	20.6	20.6
Board of director authority remaining at end of period	1.9	8.8	1.9	8.8

As of June 30, 2000, the expiration dates and range of purchase prices for outstanding equity forward contracts are as follows:

	JUNE 30, 2000	
YEAR OF MATURITY	OUTSTANDING CONTRACTS	RANGE OF MARKET PRICES
2001	8.7	32.11-46.68
2002	5.0	41.01-46.23
2003	4.0	41.20-47.50
2004	1.7	36.04-45.62
2005	1.2	30.00-36.04
Total	20.6	

OTHER RELATED EVENTS AND INFORMATION

OTHER DEVELOPMENTS

Effective as of July 7, 2000, the Company completed the acquisition of Student Loan Funding Resources, Inc. ("SLFR") from the Thomas J. Conlan Education Foundation for $117 million in cash. SLFR is the eighth largest holder of federal student loans in the nation with a $3 billion portfolio.

Effective as of July 31, 2000, the Company completed the acquisition of the guarantee servicing, student loan servicing and secondary market operations of USA Group, Inc. The Company did not acquire the operations of the sellers' affiliates, USA Group Funds, Inc. and Secondary Market Services--Hawaii. The acquisition price was $770 million in cash and stock.

Also effective as of July 31, 2000, SLM Holding Corporation was renamed USA Education, Inc. The Company's New York Stock Exchange ticker symbol remained "SLM."

On August 11, 2000, President Clinton announced three proposals concerning student loans. The first proposal would forgive up to $5,000 in both Federal Family Education Loan Program loans and Federal Direct Student Loans for teachers who teach in needy schools for five consecutive years. At

least one of the years in the classroom must have begun after September 1998. The program would take effect July 1, 2001. The second proposal would grant students and parents who hold Federal Direct Student Loans an immediate rebate on their interest equal to 1.5% of the loan. To retain this benefit, the students or parents must make the first 12 payments on time. The third proposal would reduce the interest rate by .80% on Federal Direct Consolidation Loans for borrowers who consolidate their loans in the direct student loan program. To retain this benefit, the students must also make the first 12 payments on time. The availability of the reduced borrower interest rates on Federal Direct Consolidation Loans may increase the likelihood that a Federal Family Education Loan Program loan managed by the Company will be prepaid from the proceeds of such loans. While the Company intends to monitor the impact of these proposals on the Company's results of operations, at this time, based upon experience with like proposals, the Company believes that the financial impact to the Company resulting from these proposals will not be materially adverse.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Nothing to report.

ITEM 2. CHANGES IN SECURITIES.

Nothing to report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Nothing to report.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

At the Company's annual meeting of shareholders held on May 18, 2000, the following proposals were approved by the margins indicated:

1. To amend the Certificate of Incorporation to change the size of the Board of Directors and to permit the Board of Directors to fill director vacancies.

NUMBER OF SHARES		
VOTES FOR	VOTES AGAINST	ABSTAIN
111,927,260	1,476,416	557,798

2. To elect 17 directors to serve on the Company's Board of Directors for one-year terms or until their successors are elected and qualified.

	NUMBER OF SHARES	
	VOTES FOR	VOTES WITHHELD
James E. Brandon, Esq.	135,941,643	1,076,640
Charles L. Daley	135,941,672	1,076,411
William M. Diefenderfer, III	136,002,387	1,015,696
Richard Dooley	135,893,472	1,124,611
Edward A. Fox	135,994,169	1,023,914
Diane Suitt Gilleland	135,942,197	1,075,886
Ann Torre Grant	135,999,820	1,018,263
Ronald F. Hunt, Esq.	136,000,019	1,018,064
Benjamin J. Lambert, III	135,992,657	1,025,426
Albert L. Lord	135,992,136	1,025,947
Marie V. McDemmond	135,942,572	1,075,511
Barry A. Munitz	135,999,285	1,018,798
J. Bonnie Newman	135,979,490	1,038,049
A. Alexander Porter, Jr	136,001,349	1,016,734
Wolfgang Schoellkopf	135,942,197	1,075,886
Steven L. Shapiro	135,993,786	1,024,297
Randolph H. Waterfield, Jr	135,995,133	1,022,950

3. To amend the Company's Directors Stock Plan (the "Directors Stock Plan") to increase the number of shares authorized under the Directors Stock Plan and to change the calculation of remaining authorized shares.

NUMBER OF SHARES		
VOTES FOR	VOTES AGAINST	ABSTAIN
123,969,879	12,530,551	517,553

4. To amend the Company's Management Incentive Plan (the "Management Incentive Plan") to increase the number of shares authorized under the Management Incentive Plan and to change the calculation of remaining authorized shares.

	NUMBER OF SHARES		
	VOTES FOR	VOTES AGAINST	ABSTAIN
	123,360,658	13,117,091	540,334

5. To ratify the appointment of Arthur Andersen LLP as independent auditors for 1999.

	NUMBER OF SHARES		
	VOTES FOR	VOTES AGAINST	ABSTAIN
	136,326,403	236,631	455,049

ITEM 5. OTHER INFORMATION.

In connection with the Company's acquisition of substantially all of the assets of USA Group, Inc., James C. Lintzenich became a member of the Company's executive management team. Mr. Lintzenich was appointed to serve as president and chief operating officer. He formerly was the vice chairman and chief executive officer of USA Group. Also Thomas J. Fitzpatrick was named to serve as president and chief marketing and administrative officer of the Company. He formerly was an executive vice president of the Company. Both Mr. Fitzpatrick and Mr. Lintzenich will join the Company's Board of Directors.

Also joining the Company's Board of Directors, effective as of July 31, 2000, were Earl A. Goode and Barry L. Williams. Mr. Goode retired as the president of GTE Information Services and GTE Directories Corp., Mr. Williams is president of Williams Pacific Ventures, Inc. Resigning from the Board were James E. Brandon, Richard Dooley, Marie V. McDemmond, J. Bonnie Newman and Randolph H. Waterfield.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

3.2 Amended Bylaws of the Company.

27 Financial Data Schedule.

99.1 Purchase Agreement.

(b) Reports on Form 8-K

The Company filed the following reports on Form 8-K during the quarter ended June 30, 2000 or thereafter:

On June 19, 2000, the Company filed a Current Report on Form 8-K reporting that it has entered into a definitive purchase agreement with USA Group, Inc., USA Group Loan Services, Inc., and USA Group Guarantee Services, Inc. to purchase substantially all of the guarantee servicing, student loan servicing and secondary market operations of the sellers.

On June 22, 2000, the Company filed a Current Report on Form 8-K containing a summary of the terms of the transaction under which the Company agreed to acquire substantially all of the assets of the USA Group, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

USA EDUCATION, INC.
(Registrant)

By: /s/ JOHN F. REMONDI

John F. Remondi
SENIOR VICE PRESIDENT, FINANCE
(Principal Financial and Accounting Officer and Duly Authorized Officer)

Date: August 14, 2000

Exhibit 3.2

BY-LAWS

OF

SLM HOLDING CORPORATION

(HEREINAFTER CALLED THE "CORPORATION")

ARTICLE I -- OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

SECTION 2. OFFICES. The principal office of the Corporation shall be located in the City and Jurisdiction as the Board of Directors may, from time to time, determine. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II -- MEETINGS OF STOCKHOLDERS

SECTION 1. PLACE OF MEETINGS. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place within the continental United States, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors or, in the case of a special meeting called pursuant to Section 3 of this Article at the request in writing of the holders of at least one-third of the capital stock of the Corporation issued and outstanding and entitled to vote at an election of directors, as shall be designated by such stockholders or their representative, and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

SECTION 2. ANNUAL MEETINGS. The Annual Meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting. Written notice of the Annual Meeting, stating the place, date and hour of the meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

SECTION 3. SPECIAL MEETINGS. Unless otherwise prescribed by law or by the Certificate of Incorporation, Special Meetings of Stockholders, for any purpose or purposes, shall be called by the Secretary (i) at the direction of either (x) the Chairman or (y) the Chief Executive

Officer, if the Chief Executive Officer is a member of the Board of Directors, or (ii) at the request in writing of either (x) a majority of the Board of Directors or (y) the holders of at least one-third of the capital stock of the Corporation issued and outstanding and entitled to vote at an election of directors. Any such request shall state the purpose or purposes of the proposed meeting. Written notice of a Special Meeting, stating the place, date and hour of the meeting and purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

SECTION 4. QUORUM. Except as otherwise provided by law or by the Certificate of Incorporation, at all meetings of the stockholders, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

SECTION 5. VOTING. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, PROVIDED, HOWEVER, that at all elections of directors of the Corporation, each holder of record of shares of Common Stock on the relevant record date shall be entitled to cast as many votes, in person or by proxy, which (except for this provision) such holder would be entitled to cast for the election of directors with respect to its shares of stock multiplied by the number of directors to be elected at such election, and that such holder may cast all such votes for a single director or may distribute them among the number of directors to be voted for, or for any two or more of them as such holder sees fit. Such votes may be cast in person or by proxy, but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

SECTION 6. LIST OF STOCKHOLDERS ENTITLED TO VOTE. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary

business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the principal office of the Corporation. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

SECTION 7. STOCK LEDGER. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 8. MEETING BUSINESS. No business shall be brought before any meeting of shareholders unless it has been properly brought before the meeting in accordance with the procedures set forth in these By-Laws; PROVIDED, HOWEVER, that nothing in this Section shall be deemed to preclude discussion by any shareholder of any business properly brought before such meeting.

To be properly brought before an annual meeting, such business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise brought before the annual meeting by any shareholder of the Corporation who is a shareholder of record on the date of the giving of the notice provided for in Section 2 of this Article and on the record date for the determination of shareholders entitled to vote at the such annual meeting. To be properly brought before an annual meeting, such business also must be a proper subject for action by shareholders, provided that the law of Delaware shall govern whether such business is a proper subject for action by shareholders.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than thirty (30) nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting; PROVIDED, HOWEVER, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which notice of the date of such annual meeting was mailed. When a date is set for the determination of the timeliness of a shareholder's notice, such date shall apply to any adjournment of such meeting. To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and record address such shareholder, (c) the number of shares of the Corporation which are owned (beneficially or of record) by such

shareholder, (d) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business, and (e) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of the reports of officers and committees, but in connection with such reports no new business shall be acted upon at such annual meeting unless brought before the meeting in accordance with the procedures set forth in this Section.

The business conducted at any special meeting of shareholders shall be limited to the purposes stated in the notice of such special meeting.

The Chairman shall determine the order of business and the procedure at any shareholder meeting, including such regulation of the manner of voting and the conduct of discussion as seem to the Chairman in order and not inconsistent with these By-Laws. If the Chairman determines that business was not properly brought before the meeting in accordance with these By-Laws, the Chairman shall so declare and such business shall not be conducted.

SECTION 9. BOARD NOMINATIONS. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at any annual meeting of shareholders. Nominations of persons for election to the Board of Directors may be made at any annual meeting of shareholders (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (b) by any shareholder of the Corporation who is a shareholder of record on the date of the giving of the notice provided for in Section 2 of this Article II and on the record date for the determination of shareholders entitled to vote at such annual meeting.

In addition to any other applicable requirements, for a nomination to be made by a shareholder, the shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than thirty (30) nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which notice of the date of such annual meeting was mailed. When a date is set for the determination of the timeliness of a shareholder's notice, such date shall apply to any adjournment of such meeting. To be in proper written form, a shareholder's notice to the Secretary must set forth (a) as to each person whom such shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person and the purported basis for such person's eligibility to serve on the Board of Directors, if elected, (iii) the number of shares of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be

required by law to be disclosed in a proxy statement or in other filings required to be made in connection with solicitations of proxies for election of directors, including information required pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder; and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder, (ii) the number of shares of the Corporation which are owned beneficially or of record by such shareholder, (iii) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (iv) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to nominate the persons named in its notice and (v) any other information relating to such shareholder that would be required by law to be disclosed in a proxy statement or in other filings required to be made in connection with solicitations of proxies for election of directors, including information required pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

If the Chairman determines that a nomination was not properly brought before the meeting in accordance with these By-Laws, the Chairman shall so declare and such defective nomination shall be disregarded.

ARTICLE III -- DIRECTORS

SECTION 1. NUMBER OF DIRECTORS. Subject to the provisions of the Corporation's Certificate of Incorporation, the number of directors of the Corporation shall be fixed from time to time by a majority vote of the directors then in office.

SECTION 2. ELECTION OF DIRECTORS. Except as provided in Section 3 of this Article, directors shall be elected by a plurality of the votes cast at Annual Meetings of Stockholders, and each director so elected shall hold office until the succeeding Annual Meeting (or special meeting in lieu thereof) and until his successor is duly elected and qualified, or until his earlier resignation or removal. Any director may resign at any time upon notice to the Corporation. Such resignation shall take effect at the time specified therein or, if the time be not specified, upon the receipt thereof and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Directors need not be stockholders of the Corporation.

SECTION 3. VACANCIES. Any vacancy on the Board of Directors resulting from an increase in the number of directors or otherwise, may be filled by a majority vote of the directors then in office, even if the directors in office constitute fewer than a quorum.

SECTION 4. DUTIES AND POWERS. The business of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

SECTION 5. MEETINGS. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors shall be called by the Secretary (i) at the direction of (x) the Chairman or (y) the Chief Executive Officer, if the Chief Executive Officer is a member of the Board of Directors, or (ii) at the written request of a majority of the entire Board of Directors. Notice of a meeting of the Board of Directors, stating the place, date and hour of the meeting, shall be given to each director either by mail not less than forty-eight (48) hours before the date of such meeting, by telephone or by telegram or facsimile transmission not less than twenty-four (24) hours before the date of such meeting. A waiver of such notice by any director or directors, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent of such notice.

SECTION 6. QUORUM. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 7. ACTIONS OF BOARD. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all of the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings, setting forth the action so taken, are filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 8. MEETINGS BY MEANS OF CONFERENCE TELEPHONE. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or of any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 8 shall constitute presence in person at such meeting.

SECTION 9. COMMITTEES. The Board of Directors shall adopt resolutions establishing the following committees: (i) Executive, (ii) Audit, (iii) Nominations and Board Affairs and (iv) Compensation and Personnel. In addition, the Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more additional committees. Each committee shall consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such

committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

SECTION 10. COMPENSATION. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum or a fixed number of shares of the Corporation's stock for attendance at each meeting of the Board of Directors and/or as compensation for service as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

SECTION 11. INTERESTED DIRECTORS. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

SECTION 12. QUALIFICATION OF DIRECTORS. Notwithstanding any other provision of these By-Laws, (i) the Board of Directors shall consist of a majority of Independent directors, (ii) the Executive Committee of the Board of Directors shall consist of a majority of Independent directors, and (iii) the Audit, Nominations and Board Affairs and Compensation and Personnel Committees of the Board of Directors shall consist solely of Independent directors. For purposes hereof, a director will not generally be considered Independent if he or she: (a) has

been employed by the Corporation or one of its affiliates in an executive capacity; (b) is an employee or owner of a firm that is one of the Corporation's or its affiliates' paid advisers or consultants; (c) is employed by a significant customer or supplier; (d) has a personal services contract with the Corporation or one of its affiliates; (e) is employed by a foundation or university that receives significant grants or endowments from the Corporation or one of its affiliates; (f) is a relative of an executive of the Corporation or one of its affiliates; (g) is part of an interlocking directorate in which an executive officer of the Corporation serves on the board of another corporation that employs the director; or (h) is an employee of a firm that directly competes against the Corporation or one of its affiliates.

ARTICLE IV -- OFFICERS

SECTION 1. GENERAL. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board (who must be a director), a Chief Executive Officer, a General Counsel, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a President and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

SECTION 2. ELECTION. The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

SECTION 3. VOTING SECURITIES OWNED BY THE CORPORATION. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer or the General Counsel or such other authorized officer of the Corporation, and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

SECTION 4. CHAIRMAN OF THE BOARD OF DIRECTORS. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

SECTION 5. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall, subject to the control of the Board of Directors and the Chairman of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the Chief Executive Officer. In the absence or disability of the Chairman of the Board of Directors, the Chief Executive Officer shall preside at all meetings of the stockholders and the Board of Directors. The Chief Executive Officer shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-Laws or by the Board of Directors.

SECTION 6. VICE PRESIDENTS. At the request of the Chief Executive Officer or in his absence, or in the event of his inability or refusal to act, a Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the Chief Executive Officer, or in the event of the inability or refusal of the Chief Executive Officer to act, shall perform the duties of the Chief Executive Officer, and when so acting, such officer shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer.

SECTION 7. GENERAL COUNSEL. The General Counsel shall (a) be the principal consulting officer of the Corporation for all legal matters; (b) be responsible for and direct all counsel, attorneys, employees and agents in the performance of all legal duties and services for and on behalf of the Corporation; (c) perform such other duties and have such other powers as are ordinarily incident to the office of the General Counsel; and (d) perform such other duties as from time to time may be assigned to him by the Chief Executive Officer or by the Board of Directors.

SECTION 8. SECRETARY. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties, when required, for the committees of the Board of Directors. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall

perform such other duties as may be prescribed by the Board of Directors or Chief Executive Officer, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the Chief Executive Officer may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

SECTION 9. TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 10. ASSISTANT SECRETARIES. Except as may be otherwise provided in these By-Laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

SECTION 11. ASSISTANT TREASURERS. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or

removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 12. OTHER OFFICERS. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

SECTION 13. EMPLOYEE CONDUCT. No officer or employee shall engage, directly or indirectly, in any personal business transaction or private arrangement for personal profit which accrues from or is based upon his official position or authority or upon confidential information which he gains by reason of such position or authority, and each officer and employee shall reasonably restrict his personal business affairs so as to avoid conflicts of interest with his official duties. No officer or employee shall divulge confidential information to any unauthorized person, or release any such information in advance of authorization for its release, nor shall he accept, directly or indirectly, any valuable gift, favor or service from any person with whom he transacts business on behalf of the Corporation.

SECTION 14. OUTSIDE OR PRIVATE EMPLOYMENT. No officer or employee shall have any outside or private employment or affiliation with any firm or organization incompatible with his concurrent employment by the Corporation, nor shall he accept or perform any outside or private employment which the Chief Executive Officer of the Corporation determines will interfere with the efficient performance of his official duties.

ARTICLE V -- STOCK

SECTION 1. FORM OF CERTIFICATES. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the Chief Executive Officer or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

SECTION 2. SIGNATURES. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 3. LOST CERTIFICATES. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require

and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 4. TRANSFERS. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued.

SECTION 5. RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 6. BENEFICIAL OWNERS. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI -- NOTICES

SECTION 1. NOTICES. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by facsimile, telegram, telex or cable.

SECTION 2. WAIVERS OF NOTICE. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII -- GENERAL PROVISIONS

SECTION 1. DIVIDENDS. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

SECTION 2. ACQUISITION OF COMMON STOCK BY THE CORPORATION. Unless approved by holders of a majority of the outstanding capital stock of the Corporation then entitled to vote at an election of directors, the Corporation shall not take any action that would result in the acquisition by the Corporation, directly or indirectly, from any one person or "group" (as defined in Section 13(d) of the Securities Exchange Act of 1934) of one percent or more of the shares of Common Stock then outstanding, in one or a series of related transactions, at a price in excess of the prevailing market price of such stock, other than pursuant to a tender offer made to all holders of Common Stock or to all holders of less than 100 shares of Common Stock.

SECTION 3. DISBURSEMENTS. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

SECTION 4. FISCAL YEAR. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

SECTION 5. CORPORATE SEAL. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII -- INDEMNIFICATION

SECTION 1. POWER TO INDEMNIFY IN ACTIONS, SUITS OR PROCEEDINGS OTHER THAN THOSE BY OR IN THE RIGHT OF THE CORPORATION. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with

such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

SECTION 2. POWER TO INDEMNIFY IN ACTIONS, SUITS OR PROCEEDINGS BY OR IN THE RIGHT OF THE CORPORATION. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

SECTION 3. AUTHORIZATION OF INDEMNIFICATION. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that a director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

SECTION 4. GOOD FAITH DEFINED. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with

respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be.

SECTION 5. INDEMNIFICATION BY A COURT. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

SECTION 6. EXPENSES PAYABLE IN ADVANCE. Expenses incurred by a director or officer in defending or investigating a threatened or pending action, suit or proceeding may be paid by the Corporation, upon the determination by the Board of Directors, in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VIII, provided the Corporation approves in advance counsel selected by the director or officer (which approval shall not be unreasonably withheld).

SECTION 7. NON-EXCLUSIVITY OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation or any By-Law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to

action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise.

SECTION 8. INSURANCE. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

SECTION 9. CERTAIN DEFINITIONS. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

SECTION 10. SURVIVAL OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES. The indemnification and advancement of expenses provided by the Corporation pursuant to this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 11. LIMITATION ON INDEMNIFICATION. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which

shall be governed by Section 5 hereof), the Corporation shall not be obligated to indemnify any director or officer (in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

SECTION 12. INDEMNIFICATION OF EMPLOYEES AND AGENTS. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX -- AMENDMENTS

SECTION 1. AMENDMENTS. These By-Laws of the Corporation may be altered, amended, changed, added to or repealed in whole or in part, or new By-Laws may be adopted, by the stockholders or the Board of Directors, provided, however, that notice of such alteration, amendment, repeal or adoption of new By-Laws is provided before the date on which the meeting of stockholders at which such shall become effective or be voted on, as the case may be. For purposes of this Article IX, filing such alteration, amendment, repeal or new By-Laws with the Securities and Exchange Commission and/or the principal securities exchange on which the common stock of the Corporation is traded shall be deemed to provide notice thereof. All such amendments must be approved by either the holders of a majority of the outstanding capital stock of the Corporation entitled to vote thereon or by a majority of the entire Board of Directors.

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3,386
290,755
290,755
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Exhibit 99.1

EXECUTION COPY

PURCHASE AGREEMENT

BY AND AMONG

SLM HOLDING CORPORATION,
HIJ CORPORATION,
USA GROUP, INC.,
USA GROUP LOAN SERVICES, INC.,

AND
USA GROUP GUARANTEE SERVICES, INC.

DATED AS OF JUNE 14, 2000

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (the "AGREEMENT") is made and entered into this 14th day of June, 2000, by and among SLM Holding Corporation, a Delaware corporation ("SLM"), HIJ Corporation, a Delaware corporation ("ACQUISITION CORP." and together with SLM, the "BUYERS"), USA Group, Inc., a Delaware non-stock corporation ("GROUP"), USA Group Loan Services, Inc., a Delaware non-stock non-profit corporation of which Group is the sole member ("LOAN SERVICES"), and USA Group Guarantee Services, Inc., a Delaware non-stock non-profit corporation of which Group is the sole member ("GUARANTEE SERVICES" and, together with Group and Loan Services, the "SELLERS").

RECITALS

WHEREAS, Sellers are engaged in purchasing, holding and servicing educational loans, providing administrative and support services to student loan guarantee agencies, lenders and educational institutions and providing other education related services (other than Group Work, the Guarantee Business and services and activities performed by SMS Hawaii, the "BUSINESS");

WHEREAS, Group is a nonprofit corporation, the charitable mission of which is to foster education and encourage the continuation of studies at universities, colleges and schools (the "GROUP WORK"); Group's Affiliate, United Student Aid Funds, Inc., a Delaware non-stock non-profit corporation ("FUNDS"), is engaged in acting as a guarantor of student loans pursuant to the Higher Education Act of 1965, as amended (the "GUARANTEE BUSINESS"), and Guarantee Services is the sole member of Secondary Market Services Corp.-Hawaii, a Hawaiian non-stock non-profit corporation ("SMS HAWAII");

WHEREAS, Group is the sole member of Loan Services and Guarantee Services and owns one hundred percent (100%) of the issued and outstanding shares of the capital stock of USA Group Enterprises, Inc., a wholly-owned subsidiary of Group and an Indiana corporation, ("ENTERPRISES") and other assets used to conduct the Business;

WHEREAS, Enterprises owns one hundred percent (100%) of the issued and outstanding shares of capital stock of Education One Group, Inc., an Indiana corporation, Education Debt Services, Inc., an Indiana corporation, USA Group Noel-Levitz, Inc., an Indiana corporation, Downtown Services, Inc., an Indiana corporation, USA Group Secondary Market Services, Inc., a Delaware corporation ("USA GROUP SMS"), and Secondary Market Company, Inc., a wholly-owned subsidiary of USA Group SMS and a Delaware corporation ("SECONDARY MARKET", and together with Enterprises and the foregoing subsidiaries, the "TRANSFERRED SUBSIDIARIES"); and

WHEREAS, Sellers desire to sell to Buyers, and Buyers desire to purchase from Sellers, all of the properties and assets of Sellers other than the Retained Assets (as defined herein), used in connection with the Business upon and subject to the terms, covenants, conditions, warranties and representations set forth in this Agreement.

WHEREAS, Sellers have determined that their participation in the transactions described herein will further their charitable purposes by enhancing the resources that will be available to them for the purpose of fostering education and access to education.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained herein, the parties hereto, intending to be legally bound, agree as follows:

SECTION 1
TRANSACTION TERMS

1.1 TRANSFER OF ASSETS AND ASSUMPTION OF LIABILITIES. Upon and subject to the terms and conditions of this Agreement, at the Closing (as defined in Section 2.1, Sellers shall convey, sell, assign, transfer and deliver to Buyers, and Buyers shall purchase and acquire from Sellers all of the assets, properties, rights, privileges, claims, contracts and interests of every kind and description, real or personal, tangible or intangible, absolute or contingent, wherever situated, whether or not carried or reflected on the books and records of Sellers, which are owned by or used or held for use by Sellers in the conduct of the Business, free and clear of any and all Liens other than Permitted Liens, except for the Retained Assets (as defined in Section 1.2) (such assets, properties, rights, privileges, claims, contracts and interests being hereinafter collectively called the "ACQUIRED Assets"). "LIEN" means any mortgage, security interest, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge, preference, priority or other security agreement, option, warrant, attachment, right of first refusal, preemptive, conversion, put, call or other claim or right, restriction on transfer, or preferential arrangement of any kind or nature whatsoever (including any restriction on the transfer of any assets, any conditional sale or other title retention agreement, any financing lease involving substantially the same economic effect as any of the foregoing and the filing of any financing statement under any applicable Law (as defined in Section 3.1)). Without limiting the generality of the foregoing, the Acquired Assets shall include the following:

(a) TANGIBLE PERSONAL PROPERTY. All of the equipment, office furniture, furnishings, office equipment, computer hardware and software, leasehold and other improvements and all other tangible personal property owned by or used or held for use by Sellers in connection with the Business;

(b) ACCOUNT BALANCES. Except to the extent set forth in Section , all balances in all banking or investment accounts as of the Closing Date;

(c) BOOKS, RECORDS AND WRITTEN MATERIALS. All of the business records of the Sellers used in connection with the Business, including all financial books and records, studies, analyses, strategies, plans, forms, specifications, technical data, and any similar information which has been reduced to writing;

(d) CATALOGS AND ADVERTISING MATERIALS. All of the promotional and advertising materials, including all catalogs, brochures, videos, plans, manuals, handbooks, and equipment owned by or used or held for use by Sellers in connection with the Business;

(e) INTELLECTUAL PROPERTY. Any and all intellectual property owned by Sellers, together with all claims for damages against Persons by reason of past infringement and the right to sue for and collect such damages, confidential or proprietary business information and trade secrets and all other intellectual and intangible property rights owned by Sellers or to, or in, which Sellers have any right or interest whatsoever, and which are used or held for use by Sellers in connection with the Business (where there are multiple copies of such material in possession or control of Sellers, all copies of such material) (as used herein, "PERSON" means a corporation (either stock or non-stock, for or non-profit), limited liability company, association, partnership, organization, trust, joint venture or other legal entity, any individual, group of individuals or a United States, state, local or other governmental entity or municipality or subdivision thereof or any authority, department, commission, board, bureau, agency, court or instrumentality ("GOVERNMENTAL AUTHORITY"));

(f) CONTRACTS. All rights and benefits of Sellers in, to and under the contracts, leases, instruments, agreements and loans, written or oral (collectively, the "CONTRACTS") to which Sellers are a party and which relate to the Business or by which the Business is conducted or by which any of the Acquired Assets are bound (collectively, the "ASSUMED Contracts").

(g) LICENSES. Any license, franchise, concession, certificate, or registration from or with a Governmental Authority, and held by or used or held for use in connection with the Business (collectively, the "LICENSES");

(h) PERMITS. Any permit, consent, authorization or approval from or with a Governmental Authority, and held by or used or held for use in connection with the Business (collectively, "PERMITS");

(i) ENTERPRISES SHARES. Good, valid and record title to, and beneficial ownership of, all of the shares of capital stock of Enterprises (the "ENTERPRISES SHARES") free and clear of all Liens other than Permitted Liens;

(j) NAME. The names set forth in SCHEDULE 1.1(j); and

(k) OTHER ASSETS. All of the other assets, properties, rights, privileges, claims, contracts and interests of every kind and description of Sellers used or held for use in connection with the Business, whether, real or personal, tangible or intangible, absolute or contingent, wherever situated, and whether or not carried or reflected on the books and records of Sellers.

1.2 RETAINED ASSETS. Notwithstanding any other provision of this Agreement, Sellers shall retain, and the Acquired Assets shall not include, the following (collectively, the "RETAINED ASSETS"):

(a) cash (or other assets in a form agreed to by the parties) in an amount (subject to adjustment as set forth in Section 1.5), equal to the Net Asset Value (as defined below) minus $320 million (the "RETAINED CASH");

(b) Sellers' corporate books and records, including stock certificates of Sellers, treasury stock, stock transfer records, corporate seals and minute books, and all books and records pertaining to Taxes of Sellers;

(c) the membership interest in Funds;

(d) the membership interest in SMS Hawaii; and

(e) the assets identified on SCHEDULE 1.2.

"NET ASSET VALUE" means the book value of total assets less total liabilities as determined by generally accepted accounting principles ("GAAP"), as set forth on the Pro Forma Balance Sheets as of the Net Asset Value Date, prior to subtracting the Retained Cash from total assets. If the Closing occurs on or before November 15, 2000, then the "NET ASSET VALUE DATE" shall be June 30, 2000. If the Closing occurs after November 15, 2000, then the "NET ASSET VALUE DATE" shall be September 30, 2000, unless the failure to close prior to that date is solely as a result of the breach as of November 15, 2000 of the representations and warranties set forth in Section 3 of this Agreement which, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect or the breach as of November 15, 2000 of the covenants of Sellers in this Agreement (which the Buyers shall have the burden to prove), in which event the Net Asset Value Date shall be June 30, 2000.

1.3 ASSUMED LIABILITIES. On the terms and subject to the conditions set forth in the Assignment and Assumption Agreement in a form reasonably acceptable to Buyers and Sellers (the "ASSUMPTION AGREEMENT"), at the Closing, Buyers shall assume all liabilities and obligations of Sellers whether or not relating to the Acquired Assets, whether fixed, contingent or otherwise, choate or inchoate, known or unknown (collectively referred to hereinafter as the "ASSUMED LIABILITIES"); except that the Assumed Liabilities shall exclude, and Sellers shall retain all, and Buyers shall have no responsibility for any of Sellers' liabilities and obligations, whether or not relating to the Acquired Assets, whether fixed, contingent or otherwise, choate or inchoate, known or unknown (collectively referred to hereinafter as the "EXCLUDED LIABILITIES") set forth below:

(i) any liabilities or obligations relating solely to (A) the conduct of the Guarantee Business; (B) the conduct of the business of SMS Hawaii; or (C) the conduct of Group Work;

(ii) any liabilities arising out of or related to expenses incurred in connection with the development, negotiation and execution of the transactions contemplated by this Agreement, except to the extent that (x) (A) such liabilities are reflected on the Pro Forma Balance Sheet for the Net Asset Value Date and (B) the Purchase Price is less than it would have been if such liabilities were not included on the Pro Forma Balance Sheet for the Net Asset Value Date or (y) such liabilities have been discharged as of the Net Asset Value Date;

(iii) any liabilities for Taxes of the Sellers, including any such Taxes relating to the Acquired Assets; and

(iv) any liabilities under the Key Executive Incentive Plan, the Long Term Incentive Plan and the Excel Plan of Group (collectively, the "CASH PLANS").

1.4 PURCHASE PRICE

(a) In reliance on the representations, warranties and covenants set forth herein and in consideration of Sellers' sale, assignment, transfer and delivery of the Acquired Assets to Buyers, Buyers shall assume the Assumed Liabilities and pay to Sellers aggregate cash and stock consideration in an amount equal to the lesser of (X) four hundred and fifty million dollars ($450,000,000) plus the Net Asset Value and (Y) seven hundred seventy million dollars ($770,000,000) (the "PURCHASE PRICE"). The Purchase Price shall be subject to adjustment as described in Section 1.5 and shall be payable as follows:

(i) At Closing, Buyer shall pay to Sellers by wire transfer of immediately available funds an amount in cash equal, in the aggregate, to four hundred million dollars ($400,000,000) (the "CASH PURCHASE PRICE").

(ii) At Closing, Buyer shall deliver to the Sellers a number of shares ("SLM SHARES") of common stock, par value $.01 per share, of SLM ("SLM COMMON STOCK") having, in the aggregate, an Aggregate Value (as defined below) of the Purchase Price minus the Cash Purchase Price. For purposes of this Agreement, "AGGREGATE VALUE" shall mean the Average SLM Stock Price times the number of shares issued as consideration and "AVERAGE SLM STOCK PRICE" shall mean (X) the sum of the average price per share (which, for each day, shall equal the average of the high and low sales prices per share for such day) of SLM Common Stock on the New York Stock Exchange as reported in The Wall Street Journal (Eastern Edition) for each of the twenty consecutive Trading Days ending on the Trading Day that is the Trading Day prior to the day of Closing, or, in the case of adjustment payments pursuant to Section 1.5, such other payment date (the "PRICING PERIOD"), divided by (Y) twenty. "TRADING DAY" shall mean a day on which SLM Common Stock is traded on the New York Stock Exchange.

(b) If, solely as a result of circumstances beyond the control of Sellers, the Closing has not occurred by July 31, 2000 and occurs on or before November 15, 2000, then the Purchase Price shall be increased by interest at a per annum rate of 8%, compounded monthly, from August 1, 2000 through the date of Closing. If the Closing occurs after November 15, 2000, then no interest shall accrue except pursuant to the next sentence. If, solely as a result of circumstances beyond the control of Sellers, the Closing occurs after November 15, 2000, then

the Purchase Price shall be increased by interest at a per annum rate of 8%, compounded monthly, from November 1, 2000 through the date of Closing.

(c) The Cash Purchase Price and the SLM Shares shall be allocated among and paid to the Sellers and allocated among and paid by the Buyers as provided in SCHEDULE 1.6.

1.5 ADJUSTMENTS. USA Group shall no later than 90 days following the Net Asset Value Date (or 105 days following the Net Asset Value Date in the event the Net Asset Value Date is September 30, 2000) cause an audit to be completed of (1) the combined balance sheet of Group and its subsidiaries excluding Funds and SMS Hawaii as of the Net Asset Value Date (the "AUDITED BALANCE SHEET") and (2) the Net Asset Value as of the Net Asset Value Date, in each case by Ernst & Young LLP ("SELLERS' AUDITOR").

(a) ADJUSTED NET ASSET VALUE. If the results of such audit indicate that the book value of total assets less total liabilities as determined by generally accepted accounting principles as of the Net Asset Value Date pursuant to such audit excluding Retained Assets and Excluded Liabilities but prior to subtracting the Retained Cash from total assets (the "ADJUSTED NET ASSET VALUE") was different than the Net Asset Value, the following adjustments shall be made:

(i) If the Net Asset Value is less than $320 million and the Adjusted Net Asset Value is greater than the Net Asset Value, but less than $320 million, then the Purchase Price shall be increased by the amount of such difference.

(ii) If the Net Asset Value is less than $320 million and the Adjusted Net Asset Value is greater than the Net Asset Value and greater than $320 million, then the Purchase Price shall be increased to $770 million and the Retained Cash shall be increased by the remainder, if any, of the difference between Net Asset Value and Adjusted Net Asset Value not applied in such increase of the Purchase Price.

(iii) If the Net Asset Value is greater than $320 million and the Adjusted Net Asset Value is greater than the Net Asset Value, the Retained Cash shall be increased by the amount of such difference.

(iv) If the Net Asset Value is greater than $320 million and the Adjusted Net Asset Value is less than the Net Asset Value, but greater than $320 million, the Retained Cash shall be decreased by the amount of such difference.

(v) If the Net Asset Value is greater than $320 million and the Adjusted Net Asset Value is less than the Net Asset Value and less than $320 million, the Retained Cash shall be decreased to $0 and the Purchase Price shall be decreased by the remainder, if any, of the difference between Net Asset Value and Adjusted Net Asset Value not applied in such decrease of the Retained Cash.

(vi) If the Net Asset Value is less than $320 million and the Adjusted Net Asset Value is less than the Net Asset Value, the Purchase Price shall be decreased by the amount of such difference.

(b) POST-CLOSING PURCHASE PRICE ADJUSTMENTS. In the event the Closing has occurred, adjustments in Purchase Price will be effected through the transfer of the Aggregate Value of SLM Shares equal to the adjustment either: (i) to Sellers by Buyers (in the case of upward adjustments) or (ii) to Buyers from Sellers (in the case of downward adjustments). Any post-Closing adjustments to the Purchase Price will occur no later than 120 days following the Net Asset Value Date (or if later ten Trading Days after the final resolution of any dispute over the adjustment).

(c) POST-CLOSING RETAINED CASH ADJUSTMENTS. In the event the Closing has occurred: (i) if the amount of Retained Cash has been increased pursuant to Section 1.5(a), Buyers will transfer an amount in cash equal to the amount of such increase to Sellers and (ii) if the amount of Retained Cash has been decreased pursuant to Section 1.5(a), Sellers will transfer an amount in cash equal to the amount of such decrease to Buyers. Any post-Closing adjustments to Retained Cash will occur no later than 120 days following the Net Asset Value Date (or if later ten Trading Days after the final resolution of any dispute over the adjustment).

(d) AUDIT PROCEDURES. Buyers shall give Sellers and Sellers' Auditors reasonable access, during normal business hours, to the properties, books, records, contracts and commitments of Buyer, in order to enable Sellers' Auditors to complete the audit described herein. Sellers' Auditor will deliver to Buyers (i) the Audited Balance Sheet as of the Net Asset Value Date, (ii) a statement which calculates Adjusted Net Asset Value, and (iii) an auditor's certificate certifying the Audited Balance Sheet and Adjusted Net Asset Value as of the Net Asset Value Date and setting forth the Adjusted Net Asset Value, together with supporting calculations in reasonable detail and audit papers (the "ADJUSTMENT Certificate"). The audit shall comply with and be performed in accordance with generally accepted auditing standards and the Audited Balance Sheet shall be prepared in accordance with GAAP and in a manner that is consistent with the principles used to prepare the Audited Financial Statements and presentation set forth in the March 31, 2000 Pro Forma Balance Sheet; PROVIDED, HOWEVER, that the statement of Adjusted Net Asset Value in (ii) above shall (A) exclude all Retained Assets other than Retained Cash and Excluded Liabilities and (B) reflect and itemize, with an accompanying explanation, Retained Assets, Excluded Liabilities and Retained Cash and proposed revisions, if any, to the Net Asset Value. For purposes of planning and performing the audit, Sellers' Auditor shall utilize customary planning materiality as it relates to the fairness in presentation of the Audited Balance Sheet. Individual errors discovered in the course of the audit which are not deemed to be material but which exceed $500,000 shall be posted to a summary of audit differences schedule. No such items included on the summary of audit differences shall be reflected as an adjustment of Net Asset Value in arriving at Adjusted Net Asset Value unless the net effect of all such differences exceeds $1 million, in which case all such differences shall be reflected as an adjustment to Net Asset Value in arriving at Adjusted Net Asset Value. Buyers and its independent public accountants ("BUYERS' AUDITOR") will have 30 days from the date on which the Audited Balance Sheet as of the Net Asset Value Date and the Adjustment Certificate

are delivered to Buyers to review such documents (the "REVIEW PERIOD"). Buyers and Buyers' Auditor shall be provided with full access to the work papers of Sellers' Auditor in connection with such review. If Buyers believe that any item or amount (including the Adjusted Net Asset Value) shown or reflected in the audited Pro Forma Balance Sheet as of the Net Asset Value Date or the Adjustment Certificate is not in compliance with the Audit Requirements, Buyers may, on or prior to the last day of the Review Period, deliver a notice to Sellers setting forth, in reasonable detail, each disputed item or amount and the basis for its disagreement therewith, together with supporting calculations (the "DISPUTE NOTICE"). The Dispute Notice shall set forth Buyers' position as to the proper Adjusted Net Asset Value. If no Dispute Notice is received by Sellers on or prior to the last day of the Review Period, the Audited Balance Sheet as of the Net Asset Value Date, Adjusted Net Asset Value and the Adjustment Certificate shall be deemed accepted by Buyers. The rights of Buyers and Sellers to indemnification under Section 9 (and any limitations on such rights) shall not be deemed to limit, supersede or otherwise affect the rights of Buyers and Sellers to any adjustments to Purchase Price, Retained Cash and Net Asset Value under this Section 1.5.

(e) THE ACCOUNTANT. Within 15 days after Sellers' receipt of a Dispute Notice, if any, Buyers and Sellers will jointly and promptly contact the national office of, and shall retain the services of, an independent national accounting firm, which does not at the time of retention provide and has not in the prior three years provided auditing services to Buyers or Sellers (or to their Affiliates). If Buyers and Sellers cannot agree on the independent accounting firm to be retained, Buyers and Sellers will each submit the name of one accounting firm that satisfies the qualifications set forth in this Section 1.5(e), and the independent accounting firm shall be selected by lot from those two firms. The independent accounting firm retained by Buyers and Sellers (the "ACCOUNTANT") will conduct such review of the Audited Balance Sheet and Adjusted Net Asset Value as of the Net Asset Value Date, any related work papers of Buyers' Auditor and Sellers' Auditor, the Adjustment Certificate and the Dispute Notice, and any supporting documentation as the Accountant in its sole discretion deems necessary, and the Accountant shall conduct such hearings or hear such presentations by the parties as the Accountant in its sole discretion deems necessary.

(f) THE ADJUSTMENT REPORT. The Accountant shall, as promptly as practicable and in no event later than 60 days following the date of its retention, deliver to Buyers and to Sellers a report (the "ADJUSTMENT REPORT"), in which the Accountant shall, after considering all matters set forth in the Dispute Notice, determine what adjustments, if any, should be made to the Audited Balance Sheet as of the Net Asset Value Date in order for it to comply with the Audit Requirements, and shall determine the appropriate Adjusted Net Asset Value on that basis. The Adjustment Report shall set forth, in reasonable detail, the Accountant's determination with respect to each of the disputed items or amounts specified in the Dispute Notice, and the revisions, if any, to be made to the Audited Balance Sheet as of the Net Asset Value Date, together with supporting calculations. The Adjustment Report shall be final and binding upon Buyers and Sellers, and shall be deemed a final arbitration award that is enforceable pursuant to the terms of the Federal Arbitration Act, 9 U.S. C. Sections 1 et seq. and the state law counterparts thereto.

(g) ADJUSTMENT AND PAYMENT. Adjustments and payments based on the final Adjusted Net Asset Value shall be made pursuant to this Section 1.5 and such payments required hereunder will bear interest at a rate of 8%, compounded monthly, from the date of Closing to the date of payment.

(h) COSTS OF AUDIT. The Sellers, on the one hand, and Buyers, on the other hand, shall each pay one-half of the total cost of the audit procedures and of the Accountant set forth in this Section 1.5.

1.6 ALLOCATION OF CONSIDERATION

(a) The consideration for the Acquired Assets shall be apportioned among and paid to the Sellers and among and paid by the Buyers and allocated as set forth in SCHEDULE 1.6.

(b) The parties hereto covenant and agree with each other that this allocation was arrived at by arm's length negotiation and that none of them will take a position on any income tax return (including IRS Form 8594 (Asset Allocation Statement) if required), before any governmental agency charged with the collection of any income tax or in any judicial proceeding that is in any manner inconsistent with the terms of this Section 1.6 without the written consent of the other parties to this Agreement, which consent shall not be unreasonably withheld.

(c) If SCHEDULE 1.6 has not been agreed to by the parties as of the date hereof, the parties hereto covenant and agree that the parties will attempt, in good faith, to reach mutual agreement on the allocation of consideration by July 31, 2000, or such other date as mutually agreed on by the parties. If the parties do not reach agreement as to SCHEDULE 1.6 by the date agreed to in the previous sentence, any dispute over such allocation shall be resolved by an accounting firm chosen pursuant to Section 1.5(e) prior to the Closing. The fees and expenses of such accounting firm shall be borne equally by the parties. The parties (and their affiliates) shall: (i) timely file all forms and Tax Returns (including IRS Form 8594 (Asset Allocation Statement)) required to be filed in connection with SCHEDULE 1.6, (ii) be bound by such SCHEDULE 1.6 for all Tax purposes, (iii) prepare and file all Tax Returns in a manner consistent with such SCHEDULE 1.6, and (iv) take no position inconsistent with SCHEDULE 1.6 in any audit or other proceeding relating to Taxes without the written consent of the other parties to this Agreement, which consent shall not be unreasonably withheld.

SECTION 2
CLOSING

2.1 LOCATION AND DATE. The consummation of the transactions contemplated by this Agreement (the "CLOSING") shall take place at the offices of Wilmer, Cutler & Pickering, 2445 M Street, N.W., Washington, D.C. 20037, or another location as agreed by Buyers and Sellers, no

later than five (5) business days after all conditions to Closing shall have been satisfied or waived, or at such other time and date as Buyers and Sellers may mutually agree, which date shall be referred to as the "CLOSING DATE."

2.2 CLOSING DELIVERIES

(a) SELLERS DELIVERIES. Upon and subject to the terms and conditions contained herein, Sellers shall deliver or cause to be delivered to Buyers the following at the Closing:

(i) BILL OF SALE. A duly executed General Bill of Sale conveying, selling, transferring and assigning the Acquired Assets to Buyers, free and clear of any and all Liens other than Permitted Liens, in a form agreed to by the parties.

(ii) ASSUMPTION AGREEMENT. A duly executed Assumption Agreement.

(iii) TRANSITIONAL SERVICES AGREEMENT. A duly executed transition services and license agreement substantially in the form attached hereto as EXHIBIT 2.2(a)(iii) with such changes as agreed to by the parties (the "TRANSITIONAL SERVICES AGREEMENT"), pursuant to which Buyers will permit Sellers to use those goods, rights and services (including the use of certain office space, software and information services) enumerated in the Transitional Services Agreement, including those that are otherwise Acquired Assets, for the conduct of the Guarantee Business, Group Work and the business of SMS Hawaii for a period of 12 months with an option to extend the agreement on the part of Sellers for an additional 6 month term to permit the Sellers an opportunity to locate and obtain use of substitute assets necessary for the conduct of such activities.

(iv) REGISTRATION RIGHTS AGREEMENT. A duly executed Registration Rights Agreement ("REGISTRATION RIGHTS AGREEMENT") in the form attached hereto as EXHIBIT 2.2(a)(iii).

(v) GRANT RECOMMENDATION AGREEMENT. A duly executed Grant Recommendation Agreement ("GRANT RECOMMENDATION AGREEMENT") in the form attached hereto as EXHIBIT 2.2(a)(v).

(vi) NAME AND TRADEMARK LICENSE AGREEMENT. A duly executed Name and Trademark Licensing Agreement ("NAME AND TRADEMARK LICENSING AGREEMENT") authorizing Sellers' use of Buyers' acquired name "USA Group" and trademarks substantially in the form attached hereto as EXHIBIT 2.2(a)(vi).

(vii) AMENDMENT TO GUARANTEE SERVICES AGREEMENT. A duly executed Amendment to the Guarantee Services Agreement ("AMENDMENT TO GUARANTEE SERVICES AGREEMENT") in the form attached hereto as EXHIBIT 2.2(a)(vii).

(viii) ENTERPRISES SHARE CERTIFICATES. Certificates representing all of the issued and outstanding shares of the capital stock of Enterprises, with accompanying stock powers duly executed in blank.

(ix) OTHER SHARE CERTIFICATES. Any certificates held by Sellers representing shares of any other entity, with accompanying stock powers duly executed in blank.

(x) LIEN RELEASES. Such releases and termination statements as are necessary for the termination and release of any and all Liens other than Permitted Liens on the Acquired Assets;

(xi) PATENT AND TRADEMARKS. Patent and trademark assignments in form and substance reasonably satisfactory to Buyers;

(xii) NON-COMPETE AGREEMENT. A duly executed Non-Compete Agreement in the form attached hereto as EXHIBIT 2.2(a)(xiii).

(xiii) OFFICERS CERTIFICATES. Certificates of the Chief Executive Officer and Chief Financial Officer of Group in a form reasonably acceptable to Buyers.

(xiv) OPINION OF SELLERS' COUNSEL. An opinion from Sellers' General Counsel, Edward R. Schmidt, or from Debevoise & Plimpton, special counsel to Sellers, dated the Closing Date, in the form attached hereto as EXHIBIT 2.2(a)(xiv);

(xv) SECRETARY'S CERTIFICATES. Certificates executed by the respective Secretary of each Seller, certifying (a) copies of the certificate of incorporation, bylaws and other organizational documents of such Seller as in effect as of the Closing Date, which Certificate of Incorporation shall also be certified by an appropriate authority in such Seller's jurisdiction of incorporation, (b) duly enacted resolutions of the directors or trustees and stockholders or members of each Seller approving this Agreement and the other documents and transactions contemplated hereby and authorizing the execution and delivery thereof, and (c) specimen signatures of the officers of such Seller authorized to sign this Agreement and the other documents contemplated hereby;

(xvi) GOOD STANDING CERTIFICATES. Good standing certificates of each Seller, the Transferred Subsidiaries, certifying as of a recent date that each is in good standing under the laws of the jurisdictions in which they are organized and, except for certificates with respect to jurisdictions where the failure to be so authorized would not be reasonably likely to have a Buyers' Material Adverse Effect (as defined in Section 4.1), authorized to conduct business, as applicable, or comparable instruments (including without limitation photocopies of currently valid and unaltered business licenses);

(xvii) FIRPTA AFFIDAVIT. A properly executed certificate from Sellers in form and substance satisfactory to Buyers duly executed and acknowledged, certifying all facts necessary to exempt the transactions contemplated hereby from withholding pursuant to the provisions of (a) the Foreign Investment in Real Property Tax Act and (b) any applicable provisions of state or local law;

(xviii) CONSENTS AND OTHER DOCUMENTS. Any consents, certificates, documents, instruments and other items required to be delivered pursuant to Sections 5, 6 and 7; and

(xix) OTHER DELIVERIES. All such other documents, certificates, instruments, and authorizations as shall be reasonably requested by Buyers to vest in Buyers good and valid title and interest in and to the Acquired Assets free and clear of all Liens other than Permitted Liens in accordance with the provisions hereof, or otherwise give effect to the transactions contemplated hereby.

(b) BUYERS DELIVERIES. Upon and subject to the terms and conditions contained herein, Buyers shall deliver or cause to be delivered to Sellers the following at the Closing:

(i) INITIAL PAYMENT. The SLM Shares and the Cash Purchase Price;

(ii) ASSUMPTION AGREEMENT. A duly executed Assumption Agreement.

(iii) TRANSITIONAL SERVICES AGREEMENT. A duly executed Transitional Services Agreement.

(iv) REGISTRATION RIGHTS AGREEMENT. A duly executed Registration Rights Agreement.

(v) GRANT RECOMMENDATION AGREEMENT. A duly executed Grant Recommendation Agreement.

(vi) NAME AND TRADEMARK LICENSE AGREEMENT. A duly executed Licensing Agreement.

(vii) AMENDMENT TO GUARANTEE SERVICES AGREEMENT. A duly executed Amendment to Guarantee Services Agreement.

(viii) OFFICERS CERTIFICATES. Certificates of the Chief Executive Officer and Chief Financial Officer of SLM in a form reasonably acceptable to Sellers.

(ix) OPINION OF BUYERS' COUNSEL. An opinion from Buyers' General Counsel, Marianne M. Keler, or from Wilmer, Cutler & Pickering, counsel to Buyers, in the form attached hereto as EXHIBITS 2.2(b)(ix);

(x) SECRETARY'S CERTIFICATE. A certificate executed by the Secretary of each Buyer certifying (a) copies of the Certificate of Incorporation, bylaws and other organizational documents of Buyer as in effect as of the Closing Date which Certificate of Incorporation shall also be certified by an appropriate authority in the Buyer's jurisdiction of incorporation, (b) duly enacted resolutions of the directors of the Buyer approving this Agreement and the other documents and transactions contemplated hereby and authorizing the

execution and delivery thereof, and (c) specimen signatures of the officers of Buyer authorized to sign this Agreement and the other documents contemplated hereby; and

(xi) OTHER DELIVERIES. All such other documents, certificates and instruments as shall be reasonably requested by Sellers in order to give effect to the transactions contemplated hereby.

SECTION 3
REPRESENTATIONS AND WARRANTIES OF SELLERS

To induce Buyers to enter into this Agreement and consummate the transactions contemplated hereby, Sellers jointly and severally represent and warrant to Buyers as follows. For purposes of this agreement, "KNOWLEDGE" means with respect to either of Buyers or Sellers, information actually known by the Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer and General Counsel of Group, in the case of Sellers, or of SLM, in the case of Buyers, plus the persons identified in SCHEDULE 3.0.

3.1 DUE ORGANIZATION

(a) Each of Sellers and the Transferred Subsidiaries is duly organized, validly existing and in good standing under the laws of their respective states of incorporation. Each of the Sellers and the Transferred Subsidiaries is in good standing and is duly authorized and qualified to do business under all applicable laws, orders, judgments, rules, codes, regulations, requirements, decrees or ordinances of any Governmental Authority (collectively, "LAWS") to own, lease and operate its respective properties and to carry on its respective business in the places and manner now conducted and presently planned to be conducted, except where the failure to be so authorized or qualified does not and would not be reasonably likely to have a material adverse effect (i) on the rights of Buyers hereunder, on the Acquired Assets or Assumed Liabilities or on the operations, liabilities, or condition (financial or otherwise) of the Business or (ii) on the ability of Sellers to consummate the transactions contemplated hereby or to perform their respective obligations after the Closing (a "MATERIAL ADVERSE EFFECT").

(b) Each of the Sellers and each of the Transferred Subsidiaries has made available to Buyers true, complete and correct copies of its Articles of Incorporation and Bylaws, or comparable documents (collectively, the "CHARTER DOCUMENTS"). None of Sellers or the Transferred Subsidiaries is in violation of, in conflict with or in default under its Charter Documents, and there exists no condition or event which, after notice or lapse of time or both, would result in any such violation, conflict or default.

3.2 AUTHORIZATION; VALIDITY. Each of the Sellers has all requisite corporate power and authority to enter into, make and perform this Agreement and the transactions and other agreements and instruments contemplated by this Agreement. This Agreement and all other

agreements and instruments to be executed and delivered by any of the Sellers or in connection herewith, when executed and delivered by such Person(s) shall have been duly and validly authorized, executed and delivered by the Sellers. This Agreement and the transactions and other agreements and instruments contemplated hereby constitute, or shall constitute, the valid and binding obligations of each of Sellers (assuming they are valid and binding obligations of the other parties thereto) enforceable in accordance with their respective terms, except as may be limited by any bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3.3 NO CONFLICTS. The execution, delivery and performance of this Agreement and all other agreements and instruments contemplated hereby and the consummation of the transactions contemplated hereby and thereby will not:

(a) conflict with, result in a breach or violation of, or require any consent, approval or authorization under, any of the Charter Documents;

(b) except as set forth in SCHEDULE 3.3(b) and except as would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect, conflict with, result in a default under or impairment of, give any Person (other than a Governmental Authority) a right of termination, cancellation, acceleration, suspension or revocation under, result in the loss of a material benefit to any of Sellers and the Transferred Subsidiaries under, or require any consent, waiver, approval, order or authorization under, any Material Contract (the consents set forth on SCHEDULE 3.3(b) are hereinafter referred to as the "THIRD PARTY CONSENTS");

(c) other than such as would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect, result in the creation or imposition of any Lien other than Permitted Liens on the Business or on any of the Acquired Assets or on the assets of any Transferred Subsidiary;

(d) except as set forth in SCHEDULE 3.3(d) and except as would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect, conflict with, result in a default under or impairment of, give any Governmental Authority a right of termination, cancellation, acceleration, suspension or revocation under, result in the loss of a material benefit to any of Sellers and the Transferred Subsidiaries under, or require any consent, waiver, approval, order or authorization under, any License or Permit (the consents set forth on SCHEDULE 3.3(d) are hereinafter referred to as the "GOVERNMENT CONSENTS");

(e) except as would not be reasonably likely to, individually or in the aggregate, have a Material Adverse Effect, violate any Law to which any of Sellers or the Transferred Subsidiaries or any of their respective properties, rights or assets are subject or by which any of Sellers or the Transferred Subsidiaries or any of their respective properties, rights or assets are bound; or

(f) except as would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect, constitute an event which, after notice or lapse of time or both, would result in any conflict, breach, violation, default, requirement to perform, loss, creation or imposition of any Lien, termination or impairment or similar event described in Section 3.3(a) through (e).

3.4 TITLE AND OWNERSHIP. Except as set forth on SCHEDULE 3.4, Sellers possess good and valid title to and ownership of the Acquired Assets and have the full power and authority to convey the Acquired Assets, free and clear of any Liens other than Permitted Liens. The Acquired Assets and the Retained Assets are the only rights, assets and properties owned by Sellers. The Acquired Assets constitute all of the assets, rights and properties necessary for the conduct of the Business after the Closing Date substantially in the same manner as conducted prior to the Closing Date. As used herein "PERMITTED LIENS" means (i) Liens disclosed in SCHEDULE 3.4, (ii) Liens reserved against in the Company Financial Statements and the March 31, 2000 Pro Forma Financial Statements, to the extent so reserved, (iii) Liens for Taxes not yet due and payable, (iv) Liens that, individually and in the aggregate, do not and would not materially detract from the value of any of the Acquired Assets or the Business or materially interfere with the use thereof as currently used, or (v) Liens created by operation of Law without any action on the part of the obligor thereunder.

3.5 SUBSIDIARIES. For the purposes of this Agreement, the term "SUBSIDIARIES" shall be construed to include, with respect to any Person, entities of which such Person is the sole member.

(a) Except as set forth on SCHEDULE 3.5, none of Sellers or the Transferred Subsidiaries has any subsidiaries or presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity or membership interest in any Person, whether active or dormant, nor is any of Sellers or the Transferred Subsidiaries, directly or indirectly, a participant in any joint venture, partnership, limited liability company, trust, association or other noncorporate entity.

(b) SCHEDULE 3.5 sets forth for the Transferred Subsidiaries and all other subsidiaries (other than Funds and SMS Hawaii), their authorized capital and the number of shares of capital stock or other equity interests that are issued and outstanding. Except as set forth in SCHEDULE 3.5, Group or the subsidiary identified in SCHEDULE 3.5 is the record and beneficial owner of all of the outstanding shares of capital stock or other equity interests of the subsidiaries, free and clear of any Liens other than Permitted Liens, subscriptions, options, warrants, call rights, commitments or any other agreements, and there are no proxies with respect to any such shares, and no equity securities of any of subsidiaries are or may become required to be issued by reason of any options, warrants, rights to subscribe to, calls, commitments, agreements or arrangements of any character whatsoever relating to, or securities or rights convertible into or exchangeable or exercisable for, shares of any capital stock of any of the subsidiaries.

3.6 FINANCIAL STATEMENTS.

(a) SCHEDULE 3.6(a) includes (i) the audited combined financial statements for the years ended September 30, 1998 and 1999 (the "AUDITED FINANCIAL STATEMENTS") and (ii) the unaudited combined financial statements as of and for the period ended March 31, 2000 (the "UNAUDITED INTERIM FINANCIAL STATEMENTS" and, with the Audited Financial Statements, the "COMPANY FINANCIAL STATEMENTS"). The Company Financial Statements have been prepared in accordance with GAAP consistently applied, subject, in the case of the Unaudited Interim Financial Statements (x) to normal year-end audit adjustments, which individually or in the aggregate will not be material, (y) to the omission of footnote information and (z) the omission of a statement of cash flows. Each balance sheet included in the Company Financial Statements presents fairly the combined financial condition as of the dates indicated thereon, and each of the statements of revenues and expenses included in the Company Financial Statements presents fairly the results of operations for the periods indicated thereon. Since the dates of the Audited Financial Statements, through the date hereof, there have been no changes in the accounting policies of Group (including any change in depreciation or amortization policies or rates) and no revaluation of any of the Acquired Assets except in each case as required by GAAP.

(b) Group has made available to Buyers true, complete and correct copies of all management letters relating to any external audit or review of the financial statements or books of Group, and all other letters or documentation relating to the internal controls and/or other accounting practices of Group.

(c) SCHEDULE 3.6(c) includes combined statements of financial position of Group and its subsidiaries as of March 31, 2000 as adjusted to reflect exclusion of the Retained Assets and the Excluded Liabilities determined as of March 31, 2000 (the "MARCH 31, 2000 PRO FORMA BALANCE SHEETS") and the related statement of revenues and expenses as if the Retained Assets and the Excluded Liabilities determined as of March 31, 2000 had been excluded as of October 1,1999 (the "MARCH 31, 2000 PRO FORMA RESULTS OF OPERATIONS" and, with the March 31, 2000 Pro Forma Balance Sheets, the "MARCH 31, 2000 PRO FORMA FINANCIAL STATEMENTS"). As promptly as practicable after June 30, 2000 (and, if the Closing has not yet occurred, after September 30, 2000, and in any event no later than 10 Trading Days prior to the Closing), the Sellers shall deliver to the Buyers combined statements of financial position of Group and its subsidiaries as of June 30, 2000 or September 30, 2000, as applicable, as adjusted to reflect exclusion of the Retained Assets and the Excluded Liabilities (the "PRO FORMA BALANCE SHEETS AS OF THE NET ASSET VALUE DATE") and the related statement of revenues and expenses as if the Retained Assets and the Excluded Liabilities had been excluded as of October 1, 1999 (the "PRO FORMA RESULTS OF OPERATIONS AS OF THE NET ASSET VALUE DATE" and, with the Pro Forma Balance Sheets as of the Net Asset Value Date, the "PRO FORMA FINANCIAL STATEMENTS AS OF THE NET ASSET VALUE DATE"). The Pro Forma Financial Statements as of the Net Asset Value Date will be prepared in accordance with GAAP (subject to the exclusion of the Retained Assets and Excluded Liabilities and the omission of footnote information and a statement of cash flows) and in a manner that is consistent with the principles used to prepare the Audited Financial Statements and presentation set forth in the March 31, 2000 Pro Forma Balance Sheet. The March 31, 2000 Pro Forma Financial Statements present (and the Pro Forma Financial

Statements as of the Net Asset Value Date will present) fairly in accordance with GAAP (subject to the exclusion of the Retained Assets and Excluded Liabilities and the omission of footnote information and a statement of cash flows) and in a manner that is consistent with the principles used to prepare the Audited Financial Statements and presentation set forth in the March 31, 2000 Pro Forma Balance Sheet the combined financial condition and results of operations of Group and its subsidiaries excluding the Retained Assets and the Excluded Liabilities (for the March 31, 2000 Pro Forma Financial Statements, as of such date) for such periods, but including accounts between Funds or SMS Hawaii, on the one hand, and Group and its other subsidiaries, on the other hand.

(d) Except as set forth in SCHEDULE 3.6(d), Sellers and the Transferred Subsidiaries are not subject to any Liabilities except for (i) those Liabilities reflected or reserved against on the Audited Financial Statements (including the notes thereto) and not previously paid or discharged, (ii) Liabilities not required under GAAP to be included in the Audited Financial Statements, (iii) Liabilities of Group or its subsidiaries (other than Funds and SMS Hawaii) to Funds or SMS Hawaii of the type reflected in the March 31, 2000 Pro Forma Financial Statements and (iv) those Liabilities incurred since the date of the Audited Financial Statements in the ordinary course of business and consistent with past practice, which Liabilities would not, individually or in the aggregate be of the type prohibited by Section 5.1(c). "LIABILITIES" shall include without limitation any direct or indirect liability, indebtedness, guaranty, endorsement, claim, loss, damage, deficiency, cost, expense, obligation or responsibility, either accrued, absolute, contingent, mature, unmature or otherwise and whether known or unknown, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured.

3.7 PERMITS. Each of Sellers and the Transferred Subsidiaries owns or holds all Permits and Licenses the absence or loss of any of which, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect (the "MATERIAL PERMITS"). Each of the Material Permits are set forth on SCHEDULE 3.7. The Material Permits and Licenses are in full force and effect, and none of Sellers or the Transferred Subsidiaries has any notice that any Governmental Authority intends to modify, cancel, terminate or not renew any Material Permit or License or Knowledge of any basis for the withdrawal, cancellation, revocation or termination of any of such Material Permits or Licenses. The Business has been and is being conducted in compliance with the requirements, standards, criteria and conditions set forth in the Material Permits and other applicable Laws and is not in violation of any of the foregoing except where such non-compliance or violation, individually or in the aggregate, would not be reasonably likely to have a Material Adverse Effect.

3.8 ENVIRONMENTAL MATTERS. Except as disclosed on SCHEDULE 3.8 or as would not be reasonably likely to have a Material Adverse Effect:

(a) COMPLIANCE. The operations of the Sellers and the Transferred Subsidiaries comply with all applicable federal, state, local, and foreign laws, codes, regulations, binding requirements, binding directives, orders and common law, and all administrative or judicial interpretations thereof that may be enforced by any Governmental Authority, other Person or court, relating to pollution, the protection of human health, the protection of the

environment, or the emission, discharge, disposal, transportation, release or threatened release of hazardous or toxic materials in or into the environment, including the Occupational Safety and Health Act.

(b) PERMITS. Each of Sellers and the Transferred Subsidiaries holds all environmental Permits (the "ENVIRONMENTAL PERMITS") necessary for the conduct of the business of such Seller or Transferred Subsidiary as such activities and business are currently being conducted. All Environmental Permits are in full force and effect. Each of Sellers and the Transferred Subsidiaries is in compliance in all material respects with all terms and conditions of the Environmental Permits. To the Knowledge of each of the Sellers, there are no circumstances that may prevent or interfere with such compliance in the future. SCHEDULE 3.8(b) includes a listing and description of all Environmental Permits currently held by any of Sellers and the Transferred Subsidiaries.

(c) ENVIRONMENTAL LIABILITIES. No action, proceeding, revocation proceeding, amendment procedure, writ, injunction or claim is pending, or to the Knowledge of any Seller or the Transferred Subsidiary, threatened concerning any Environmental Permit. There are no past or present actions, activities, circumstances, conditions, events, or incidents that could involve any of Sellers or the Transferred Subsidiaries (or any Person whose Liability any Seller or any Transferred Subsidiary has retained or assumed, either by contract or operation of law) in any environmental litigation, or impose upon any Seller or the Transferred Subsidiary (or any Person whose Liability Seller or any Transferred Subsidiary has retained or assumed, either by contract or operation of law) any material environmental Liability including, without limitation, common law tort liability.

3.9 REAL PROPERTY

(a) SCHEDULE 3.9(a) contains a complete and accurate description of all interests in real property, including without limitation fee estates, leaseholds and subleaseholds, purchase options, easements, licenses and all buildings and other improvements thereon, together with any additions thereto or replacements thereof, owned, leased or licensed by any of Sellers or the Transferred Subsidiaries (the "REAL PROPERTY").

(b) Except as set forth in SCHEDULE 3.9(b) and except as would not be reasonably likely to have a Material Adverse Effect:

(i) Sellers and the Transferred Subsidiaries own good, valid and insurable title to all of the Real Property owned by any of Sellers or the Transferred Subsidiaries, in fee simple and in each case free and clear of all Liens other than Permitted Liens, title defects, leases, licenses, covenants, conditions, restrictions, easements or other title matters;

(ii) The Real Property and its continued use, occupancy and operation as used, occupied and operated in the conduct of the Business do not constitute a nonconforming use and are not the subject of a special use permit under any applicable Law. No condemnation

or similar proceeding is pending or, to the Knowledge of Sellers, threatened, that would preclude or impair the use of any of the Real Property for the purposes for which it is currently used;

(iii) None of Sellers or the Transferred Subsidiaries have received any notice claiming any violation of any Law, or requiring or calling attention to the need for any work, repairs, maintenance, construction, alterations, or installations on or in connection with such Real Property that has not been complied with in all material respects;

(iv) There are no Persons other than Sellers and the Transferred Subsidiaries in possession of any of the Real Property or any portion thereof; and

(v) All buildings, structures, appurtenances, mechanical, plumbing electrical and other improvements and building systems situated on the Real Property are in good operating condition and have no patent or latent structural defects, including without limitation any defects in the roof, structure or foundation.

3.10 LEASES. SCHEDULE 3.10 sets forth a list of each material written lease, sublease or similar agreement (including all amendments, renewals, extensions, modifications or supplements thereto) relating to any, or included in the, Acquired Assets or to which a Transferred Subsidiary is a party (individually, a "LEASE" and collectively, the "LEASES"). Each Lease that is identified on SCHEDULE 3.10 is in full force and effect and enforceable against each Seller or Transferred Subsidiary that is a party thereto, in accordance with its terms, and there does not exist any material violation, breach or default, nor any event which with the giving of notice or passage of time, or both, would constitute a violation, breach or default, by any party thereto except as would not be reasonably likely to have a Material Adverse Effect. None of Sellers or the Transferred Subsidiaries has received notice of default under any Leases, and to the Knowledge of Sellers there are no material maintenance or capital improvement obligations thereon in an amount over $250,000. No Lease is subject or subordinate to any Lien, except where subordination individually or in the aggregate would not be reasonably likely to have a Material Adverse Effect. Prior to the date hereof, Sellers and the Transferred Subsidiaries have made available to Buyers copies of the Leases and all material correspondence related thereto.

3.11 MATERIAL CONTRACTS AND COMMITMENTS

(a) Except for (A) student loan contracts with individual borrowers and (B) student loan purchase contracts in which no further loan purchases or sales by any of the Sellers or Transferred Subsidiaries is expected or required, SCHEDULE 3.11(a) contains an accurate list (as of the date hereof) of:

(i) all (A) Assumed Contracts and (B) Contracts to which any of the Transferred Subsidiaries is a party, in each case that involve the provision of services or the payment of goods and/or services in an amount exceeding $1 million and that are not terminable upon 90 days' notice or less by, and without penalty to or the acceleration of obligations of, the relevant Seller or Transferred Subsidiary, or that are otherwise material to any Transferred Subsidiary or the conduct of the Business;

(ii) all (A) Assumed Contracts and (B) Contracts to which any of the Transferred Subsidiaries is a party, that in each case is between (x) a Seller or a Transferred Subsidiary and (y) any current or former officer, director, stockholder, manager, member, employee or Affiliate thereof or of any Seller or Transferred Subsidiary in any such case involving payments or outstanding obligations of $60,000 or more individually in any one year;

(iii) each loan or credit agreement, security agreement, guaranty, indenture, mortgage, pledge, conditional sale or title retention agreement, equipment obligation, lease purchase agreement or other instrument evidencing indebtedness of any Seller or Transferred Subsidiary, or to which any Seller or Transferred Subsidiary is a party or by which any Seller or Transferred Subsidiary or any of the Acquired Assets are bound, in each case involving the payment or receipt of more than $1 million and that is not terminable upon 90 days' notice or less by, and without penalty to or the acceleration of obligations of, the relevant Seller or Transferred Subsidiary;

(iv) all Contracts which involve the licensing to or from any Seller or Transferred Subsidiary of any intellectual or intangible property material to the conduct of the Business other than such Contracts as would not be reasonably likely to have a Material Adverse Effect;

(v) all Contracts relating to any Seller or Transferred Subsidiary, or to which any Seller or Transferred Subsidiary is a party or by which any of the Acquired Assets are bound, which contain any non-solicitation, non-competition or similar obligations or which otherwise prohibit any Seller or Transferred Subsidiary from freely providing services or supplying products to any customer or potential customer other than such Contracts as would not be reasonably likely to have a Material Adverse Effect;

(vi) any Contract for the cleanup, abatement or other actions in connection with any hazardous material, the remediation of any existing environmental liabilities, violation of any environmental Laws or relating to the performance of any environmental audit or study; and

(vii) any joint venture, partnership or similar contract or agreement.

Subsections (i) through (vii) of this Section 3.11(a) and the Leases are collectively referred to as the "MATERIAL CONTRACTS." Sellers have made available to Buyers true, complete and correct copies of each of the Material Contracts.

(b) Each Material Contract is in full force and effect and is a legal, valid, binding and enforceable obligation of or against each Seller or Transferred Subsidiary that is a party thereto. None of Sellers or the Transferred Subsidiaries nor any other party to any Material Contract is currently in breach of or in default under, or has improperly terminated any Material Contract, and there exists no condition or event which, after notice or lapse of time or both, would constitute any such breach, default or termination, except for breaches, defaults or terminations that would not be reasonably likely to have a Material Adverse Effect.

(c) Except as specifically contemplated by this Agreement, as set forth in SCHEDULE 3.11(c), or as would not be reasonably likely to have a Material Adverse Effect (i) since March 31, 2000, through the date hereof, no customer or supplier that is a party to a Material Contract has to the Knowledge of Sellers or the Transferred Subsidiaries indicated in writing that it intends to stop or decrease the rate of business done with Sellers or the Transferred Subsidiaries, or that it desires to renegotiate its contract with Sellers or the Transferred Subsidiaries, (ii) as of the date hereof, Sellers and the Transferred Subsidiaries have performed all the obligations required to be performed in connection with the contracts or commitments required to be disclosed on SCHEDULE 3.11(a), (iii) as of the date hereof, none of Sellers or the Transferred Subsidiaries has a present expectation or intention of not fully performing any obligation pursuant to any contract set forth on SCHEDULE 3.11(a), and (iv) as of the date hereof, Sellers have no Knowledge of any breach or anticipated breach by any other party to any contract set forth on SCHEDULE 3.11(a).

3.12 INSURANCE. SCHEDULE 3.12 sets forth an accurate list of all material insurance policies carried by the Sellers and the Transferred Subsidiaries. Sellers have made available to Buyers a true, complete and correct schedule of all such insurance policies, all of which are in full force and effect. All premiums payable under all such policies have been paid and each of Sellers and the Transferred Subsidiaries are otherwise in material compliance with the terms of such policies. Such policies of insurance provide adequate insurance in the reasonable judgment of Sellers for the Acquired Assets and comply with all applicable Laws. To Sellers' Knowledge, as of the date hereof, there have been no threatened terminations of, or material premium increases with respect to, any of such policies.

3.13 LABOR AND EMPLOYMENT MATTERS. With respect to employees of and service providers to Sellers and the Transferred Subsidiaries:

(a) Sellers and the Transferred Subsidiaries are complying and have complied in all respects except for failures to comply that would not be reasonably likely to have a Material Adverse Effect with all applicable domestic and foreign laws respecting employment and employment practices, terms and conditions of employment and wages and hours, including without limitation any such laws respecting employment discrimination, workers' compensation, family and medical leave, the Immigration Reform and Control Act, and occupational safety and health requirements, and no claims or investigations are pending or, to Sellers' Knowledge, threatened with respect to such laws, either by private individuals or by governmental agencies;

(b) no Seller or Transferred Subsidiary is or has been engaged in any unfair labor practice, and there is not as of the date hereof, nor within the past three years has there been, any unfair labor practice complaint against any Seller or Transferred Subsidiary pending or, to Sellers' Knowledge, threatened, before the National Labor Relations Board or any other comparable foreign or domestic authority or any workers' council;

(c) no labor union represents or within the past three years has represented Sellers' or the Transferred Subsidiaries' employees and no collective bargaining agreement is or within the past three years has been binding against any Seller or Transferred Subsidiary. No

Seller or Transferred Subsidiary is currently negotiating to adopt a collective bargaining agreement. Except as set forth in SCHEDULE 3.13(c), no grievance or arbitration proceeding arising out of or under collective bargaining agreements or employment relationships is pending, and no claims therefore exist or have, to Sellers' Knowledge, been threatened;

(d) no labor strike, lock-out, slowdown, or work stoppage is or within the past three years has been pending or threatened against or directly affecting any Seller or Transferred Subsidiary; and

(e) all persons who are or were performing services for any Seller or Transferred Subsidiary and are or were classified as independent contractors do or did satisfy and have satisfied the requirements of law to be so classified, and the appropriate Seller or Transferred Subsidiary has fully and accurately reported their compensation on IRS Forms 1099 when required to do so, except in each case as would not be reasonably likely to have a Material Adverse Effect.

3.14 EMPLOYEE BENEFIT PLANS

(a) For the purposes of this Agreement:

(i) "BENEFIT ARRANGEMENT" means any benefit arrangement, obligation, or practice, whether or not legally enforceable, to provide benefits (other than merely as salary or under a Benefit Plan), as compensation for services rendered, to present or former directors, employees, agents, or independent contractors, including, but not limited to, employment or consulting agreements, severance agreements or pay policies, stay or retention bonuses or compensation, executive or incentive compensation programs or arrangements, sick leave, vacation pay, plant closing benefits, salary continuation for disability, workers' compensation, retirement, deferred compensation, bonus, stock option or purchase, tuition reimbursement or scholarship programs, employee discount programs, meals, travel, or vehicle allowances, any plans subject to Section 125 of the Code, and any plans providing benefits or payments in the event of a change of control, change in ownership or effective control, or sale of a substantial portion (including all or substantially all) of the assets of any business or portion thereof, in each case with respect to any present or former employees, directors, or agents.

(ii) "BENEFIT PLAN" means an employee benefit plan as defined in Section 3(3) of ERISA, together with plans or arrangements that would be so defined if they were not (i) otherwise exempt from ERISA by that or another section, (ii) maintained under non-U.S. law, or (iii) individually negotiated or applicable only to one person.

(iii) "COMPANY BENEFIT ARRANGEMENT" means any Benefit Arrangement Sellers or the Transferred Subsidiaries sponsor or maintain or with respect to which Sellers or the Transferred Subsidiaries have or may have any current or future liability (whether actual, contingent, with respect to any of its assets or otherwise), in each case with respect to any present or former directors, employees, or service providers to Sellers or the Transferred Subsidiaries.

(iv) "COMPANY PLAN" means any Benefit Plan that Sellers or the Transferred Subsidiaries maintain or have maintained or to which Sellers or the Transferred Subsidiaries are obligated to make payments or have or may have any liability, in each case with respect to any present or former employees of Sellers or the Transferred Subsidiaries.

(v) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(vi) "ERISA AFFILIATE" means any person or entity that, together with the entity referenced, would be or was at any time treated as a single employer under Code Section 414 or ERISA Section 4001 and any general partnership of which such entity is or has been a general partner.

(vii) "PENSION PLAN" means any plan subject to Code Section 412 or ERISA Section 302 or Title IV (including any Multiemployer Plan) or any comparable benefit plan not covered by ERISA.

(viii) "QUALIFIED PLAN" means any Company Plan intended to meet the requirements of Section 401(a) of the Code, including any already terminated plan.

(b) SCHEDULE 3.14(b) contains a complete and accurate list of all material Company Plans and Company Benefit Arrangements, and specifically identifies all Company Plans that are Qualified Plans.

(c) With respect, as applicable, to Company Plans and Company Benefit Arrangements:

(i) Sellers have made available to Buyers true, correct, and complete copies of the following documents with respect to all Company Plans and Company Benefit Arrangements: (A) all plan or arrangement documents, including but not limited to trust agreements, insurance policies, service agreements, and formal and informal amendments to each; (B) the most recent Forms 5500 or 5500C/R and any attached financial statements and related actuarial reports, and those for the prior two years; (C) the last IRS determination letter, the last IRS determination letter that covered the qualification of the entire plan (if different), and the materials submitted to obtain those letters; (D) summary plan descriptions and summaries of material modifications, and any prospectuses that describe the Company Benefit Arrangements or Company Plans; (E) written descriptions of all non-written agreements relating to any such plan or arrangement; (F) all notices that the IRS, Department of Labor, or any other governmental agency or entity issued to Sellers or the Transferred Subsidiaries within the two years preceding the date of this Agreement; (G) employee manuals or handbooks containing personnel or employee relations policies, and (H) the most recent quarterly listing of workers' compensation claims and a schedule of workers' compensation claims of Sellers and the Transferred Subsidiaries for the last two fiscal years;

(ii) Except with respect to certain previously disclosed and minor operational defects for which relief is available under the Employee Plans Compliance

Resolution System, the Qualified Plans qualify under Section 401(a) and 403(b) of the Code, and nothing has occurred with respect to the operation of the Qualified Plans that could cause the imposition of any liability, lien, penalty, or tax under ERISA or the Code; each Company Plan and each Company Benefit Arrangement has been maintained in all material respects in accordance with its constituent documents and with all applicable provisions of domestic and foreign laws, including federal and state securities laws and any reporting and disclosure requirements; with respect to each Company Plan, no transactions prohibited by Code Section 4975 or ERISA Section 406 and no breaches of fiduciary duty described in ERISA Section 404 have occurred; and no Company Plan contains any security issued by Sellers, the Transferred Subsidiaries or any ERISA Affiliate.

(iii) Except as set forth in SCHEDULE 3.14(c)(iii), with respect to each Pension Plan, (A) neither Sellers nor the Transferred Subsidiaries nor any ERISA Affiliate has terminated or withdrawn or sought a funding waiver, and no facts exist that could reasonably be expected to cause such actions; (B) no accumulated funding deficiency (under Code Section 412) exists or, within the past five years, has existed; (C) no reportable event (as defined in ERISA Section 4043) has occurred; (D) all costs have been provided for on the basis of consistent methods in accordance with sound actuarial assumptions and practices; (E) the assets, as of its last valuation date, exceeded its "BENEFIT LIABILITIES" (as defined in ERISA Section 4001(a)(16)); and (F) since the last valuation date, there have been no amendments or changes to increase the amounts of benefits and, to Sellers' Knowledge nothing has occurred that would reduce the excess of assets over benefit liabilities in such plans;

(iv) there are no pending claims (other than routine benefit claims) or lawsuits that have been asserted or instituted by, against, or relating to, any Company Plans or Company Benefit Arrangements, nor, to the Knowledge of Sellers, is there any basis for any such claim or lawsuit. No Company Plans or Company Benefit Arrangements are or have been under audit or examination (nor has notice been received of a potential audit or examination) by any domestic or foreign governmental agency or entity (including the IRS and Department of Labor); and, except as set forth in SCHEDULE 3.14(c)(iv), no matters are pending under the IRS's Employee Plans Compliance Resolutions System or any successor or predecessor program;

(v) Except as set forth in SCHEDULE 3.14(c)(v), no Company Plan or Company Benefit Arrangement contains any provision or is subject to any law that would accelerate or vest any benefit or require severance, termination or other payments or trigger any liabilities as a result of the transactions this Agreement contemplates; Sellers and the Transferred Subsidiaries have not declared or paid any bonus or incentive compensation related to the transactions this Agreement contemplates except to the extent any such bonus or incentive compensation is an Excluded Liability.

(vi) Sellers and the Transferred Subsidiaries have paid all amounts they are required to pay as contributions to the Company Plans as of March 31, 2000; all benefits accrued under any unfunded Company Plan or Company Benefit Arrangement will have been paid, accrued, or otherwise adequately reserved in accordance with GAAP as of March 31, 2000; all monies withheld from employee paychecks for Company Plans have been transferred to the relevant plan within the time applicable regulations specify; and

(vii) all group health plans of Sellers and the Transferred Subsidiaries and their ERISA Affiliates materially comply with the requirements of Part 6 of Title I of ERISA ("COBRA"), Code Section 5000, and the Health Insurance Portability and Accountability Act; neither Sellers nor any Transferred Affiliate has any liability under or with respect to COBRA for its own actions or omissions or those of any predecessor; neither the Sellers nor the Transferred Subsidiaries maintain any voluntary employee beneficiary association; no employee or former employee (or beneficiary of either) of Sellers or the Transferred Subsidiaries is entitled to receive any death or medical benefits (whether or not insured) beyond retirement or other termination of employment, other than as applicable law requires.

3.15 CONFORMITY WITH LAW. Each of Sellers and the Transferred Subsidiaries is and has been in compliance with, and has conducted its respective business and owned, used, operated and maintained its respective properties, rights and assets in full compliance with, all applicable Laws of any Governmental Authority except where the failure to do so would not be reasonably likely to have a Material Adverse Effect. None of Sellers or the Transferred Subsidiaries (a) is now in violation of any applicable Laws of any Governmental Authority, or (b) has notice of any alleged or threatened claims, violation of, liability or potential responsibility under any Law, except for such violations as would not reasonably be likely to have a Material Adverse Effect.

3.16 LITIGATION. Except as set forth on SCHEDULE 3.16, there are no claims, actions, suits, proceedings, arbitrations, governmental investigations or inquiries pending or, to the Knowledge of Sellers, threatened, against or affecting any of Sellers or the Transferred Subsidiaries, any of their respective assets, rights or properties that would be reasonably likely to have a Material Adverse Effect, or seek to prevent or delay the transactions contemplated under this Agreement and no notice of any such claim, action, suit, proceeding, governmental investigation or inquiry, whether pending or threatened, has been received by any of Sellers or the Transferred Subsidiaries. There are no judgments, orders, injunctions, decrees, stipulations or awards (whether rendered by a court, administrative agency, Governmental Authority, by arbitration or otherwise) against any of Sellers or the Transferred Subsidiaries or any of their respective businesses, or against any of the Acquired Assets that would be reasonably likely to have a Material Adverse Effect.

3.17 INTELLECTUAL PROPERTY. The Sellers and the Transferred Subsidiaries own the material intellectual property listed in SCHEDULE 3.17. Except as set forth in SCHEDULE 3.17 or except as would not be reasonably likely to have a Material Adverse Effect, one of the Sellers or Transferred Subsidiaries owns or possesses valid licenses to all other intellectual property used primarily in or necessary to the conduct of the Business as now operated and all such intellectual property owned by any Seller is included in the Acquired Assets. Except as set forth in SCHEDULE 3.17, to Sellers' Knowledge, the conduct of the Business does not infringe on the intellectual property of any other party, nor, to the Knowledge of Sellers, has there been any written allegation thereof. To Sellers' Knowledge, there is not currently and has not been any infringement by others of any of the intellectual property that would be reasonably likely to have a Material Adverse Effect.

3.18 BOOKS AND RECORDS. Each of Sellers and the Transferred Subsidiaries has made and kept (and given Buyers access to) business records which, in reasonable detail, accurately and fairly reflect the activities of each of the Sellers and the Transferred Subsidiaries (the "BOOKS AND RECORDS"). None of Sellers or the Transferred Subsidiaries has engaged in any transaction, maintained any bank account or used any corporate funds except for transactions, bank accounts and funds which have been and are reflected in its normally maintained Books and Records.

3.19 TAXES

(a) All income Tax Returns and all other material Tax Returns required to be filed on or before the date hereof by or on behalf of Sellers and the Transferred Subsidiaries have been duly filed, and all such Tax Returns are true, correct, and complete in all respects.

(b) All Taxes required to be paid by the Transferred Subsidiaries have been paid, whether or not shown on any Tax Return. All Taxes owed with respect to the Acquired Assets shown as due on any Tax Return have been paid.

(c) The amount of the current liability accruals for Taxes (excluding reserves for deferred Taxes) reflected on the balance sheets included in the Company Financial Statements accurately reflects, in accordance with the accounting standards set forth in Section 3.6(a), the amount of the Transferred Subsidiaries' liability for unpaid Taxes, as of the date thereof. The amount of the current liability accruals for Taxes (excluding reserves for deferred Taxes) as such accruals are reflected on the books and records of the Transferred Subsidiaries as of Net Asset Value Date accurately reflects, in accordance with GAAP, the amount of the Transferred Subsidiaries' liability for unpaid Taxes for all periods or portions thereof ending on or before the Net Asset Value Date .

(d) Except as set forth in SCHEDULE 3.19(d), no Tax Proceedings are presently pending or threatened, in writing or, if not in writing, to the Knowledge of Sellers, with regard to any Tax Return or Taxes of the Sellers or the Transferred Subsidiaries; no notice has been received from any governmental authority of the expected commencement of such a Tax Proceeding; and there are no outstanding agreements or waivers extending the statutory period of limitation applicable to any Tax Returns filed or required to be filed by or with respect to the Sellers or the Transferred Subsidiaries; and, except as shown on SCHEDULE 3.19(d), no extension of time within which to file any Tax Return of the Transferred Subsidiaries has been requested for any Tax Return which has not yet been filed.

(e) No later than 10 days after the date of this Agreement the Sellers will have made available to Buyers for physical inspection (i) true and complete copies of all Tax Returns of the Transferred Subsidiaries and any income Tax Returns or other material Tax Returns of the Sellers reasonably requested by Buyers, previously filed for Taxable periods ending after September 30, 1995 (including any available list of tax elections relating to items reflected on such Tax Returns); (ii) a complete listing of the Transferred Subsidiaries' tax basis in their material assets (the accuracy of which shall not be a basis for any claim by Buyers under this

Agreement); and (iii) a copy of any written ruling, closing agreement or similar written binding agreement with a Taxing Authority relating to Taxes received or entered into (x) by the Transferred Subsidiaries or (y) with respect to the Acquired Assets.

(f) None of the assets of any of the Transferred Subsidiaries is "tax exempt use property" within the meaning of Section 168(h) of the Internal Revenue Code of 1986, as amended (the "CODE"). None of the Transferred Subsidiaries is a party to any "long term contract" within the meaning of Section 460 of the Code.

(g) None of the Transferred Subsidiaries is required to include any adjustment increasing taxable income for any Taxable Period or portion thereof that ends after the Closing Date under Section 481(a) of the Code (or any similar provision of state, local or foreign law) as a result of a method of accounting in use for a Taxable Period ending on or before the Closing Date, and no application is presently pending with any governmental authority requesting permission for any change in accounting methods relating to or affecting the Transferred Subsidiaries. Each Transferred Subsidiary presently uses the accrual method of accounting for income tax purposes.

(h) Except as set forth on SCHEDULE 3.19(h), the Transferred Subsidiaries have not entered into any contracts, agreements, plans or arrangements covering any employee or former employee of any Transferred Subsidiary that, individually or collectively could give rise to the payment of any amount (or portion thereof) that would not be deductible pursuant to Sections 280G, 404 or 162 of the Code. Except as set forth on SCHEDULE 3.19(h), none of the obligations assumed by Buyers under this Agreement with respect to any employee of any Seller, individually or collectively, could give rise to the payment of any amount (or portion thereof) that would not be deductible pursuant to Sections 280G, 404 (except if such nondeductability is attributable to a qualification defect in Buyers' plan) or 162 of the Code. The parties do not intend the second sentence of this Section 3.19(h) to cover agreements that first become effective on or after the Closing Date, including those described in Section 6.3.

(i) None of the Transferred Subsidiaries is or has been a member of an affiliated, consolidated, combined, unitary or similar group in any year for which the statute of limitations for assessment or collection of tax has not expired, other than a group of which Enterprises is the common parent, and no corporation, other than the Transferred Subsidiaries, is a member of the consolidated group as defined in the U.S. Treasury consolidated return regulations, of which Enterprises is the common parent.

(j) No Transferred Subsidiary (i) is a party to any Tax allocation, Tax indemnity, tax sharing agreement, other than a tax sharing agreement to which the Transferred Subsidiaries are the only parties and a copy of which has been provided to Buyers, or any similar arrangement pursuant to which it has agreed to be liable for Taxes of any other Person or (ii) has any liability for Taxes of any other Person as a transferee or successor.

(k) Except as set forth on SCHEDULE 3.19(k), none of the Transferred Subsidiaries is a party to any joint venture, partnership or other arrangement that is treated as a partnership for federal income tax purposes.

(l) No claim has ever been made by any governmental authority in a jurisdiction where the Transferred Subsidiaries do not file Tax Returns that they have or may be subject to taxation by that jurisdiction, and none of the Transferred Subsidiaries has received any notice, or request for information from any such authority, except for a claim or notice that has been finally resolved and for which any Taxes have been paid.

(m) There are, and immediately following the Closing there will be, no Liens other than Permitted Liens, on or with respect to (i) the assets of the Transferred Subsidiaries or (ii) the Acquired Assets or the Business relating or attributable to Taxes.

(n) No deficiencies for any Taxes have been asserted or assessed, in writing or, if not in writing, to the Knowledge of Sellers, against any of Sellers or the Transferred Subsidiaries which, if unpaid, might result in a Lien, other than a Permitted Lien, on any of the Acquired Assets, the Business, or the assets of the Transferred Subsidiaries.

(o) The Transferred Subsidiaries, and the Sellers to the extent of any income and employment tax information or withholding requirements with respect to employees or independent contractors, have withheld and paid over to the proper Taxing Authority all Taxes required to have been withheld or otherwise collected or paid over, and complied with all information and backup withholding requirements, including maintenance of required records with respect thereto, in connection with amounts paid or owing to any employee, creditor, independent contractor or third party.

(p) None of the Acquired Assets or the assets of the Transferred Subsidiaries directly or indirectly secures any debt, the interest on which is tax exempt under Section 103(a) of the Code.

(q) Each of (i) the sale of the Acquired Assets to Buyers pursuant to the terms and conditions of this Agreement, including the assumption pursuant to Section 1.1(f) of this Agreement of the Guarantee Services Agreement for Funds, the Default Aversion Agreement for Funds and the Administrative Services Agreement, all dated October 1, 1999, (ii) the terms, as described in SCHEDULE 6.3, of the employment agreement with the individual identified in SCHEDULE 6.3 and, (iii) to the extent required, any options set forth in SCHEDULE 5.3(k)(xii), the amounts and recipients of which are designated by Sellers pursuant to Section 5.3(k)(xii), granted to any officers or employees of Sellers who are expected to continue with the Business who are "disqualified persons" (as defined in Section 4958(f)(1) of the Code and the regulations thereunder) with respect to Sellers, have been (or, with respect to such options, prior to the Closing will be) approved by the governing body of Group and the appropriate Sellers, or a committee of the governing body of Group and the appropriate Sellers, composed entirely of individuals who do not have a conflict of interest (within the meaning of Proposed Treas. Reg. Section

53.4958-6(d)(1)(iii)) with respect thereto. In determining whether to provide such approval, such governing body or committee has relied (or will rely) on "appropriate data as to comparability" (within the meaning of Proposed Treas. Reg. Section 53.4958-6(d)(2)) and in the case of any option described in clause (iii) above will take into account the total compensation arrangement of the recipient. The minutes of the governing body or committee will adequately document the basis for such approval (within the meaning of Proposed Treas. Reg. Section 53.4958-6(d)(3)).

(r) For purposes of this Agreement:

(i) "PRE-VALUE DATE PERIOD" means any Taxable Period or portion thereof ending on or before the Net Asset Value Date.

(ii) "TAX" (including with correlative meaning the terms "TAXES" and "TAXABLE") means (a) all foreign, federal, state, local and other income, gross receipts, sales, use, ad valorem, value-added, intangible, unitary, withholding, transfer, franchise, license, payroll, employment, estimated, excise, environmental, stamp, occupation, premium, property, prohibited transactions, windfall or excess profits, customs, duties or other taxies, levies, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, (b) any liability for payment of amounts described in clause (a) as a result of transferee liability, of being a member of an affiliated, consolidated, combined or unitary group for any period, or otherwise through operation of law, and (c) any liability for payment of amounts described in clause (a) or (b) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other person for Taxes.

(iii) "TAXABLE PERIOD" means any taxable year or other period that is treated as a taxable year with respect to which any Tax may be imposed under any applicable statute, rule or regulation.

(iv) "TAX PROCEEDING" means any action, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) relating to Taxes or Tax Returns initiated or continued by a Taxing Authority.

(v) "TAX RETURN" means any return (including any information return), report, statement, schedule, notice, form, estimate or declaration of estimated tax relating to or required to be filed with any governmental authority in connection with the determination, assessment, collection or payment of any Tax.

(vi) "TAXING AUTHORITY" means any governmental agency, board, bureau, body, department or authority of any United States federal, state or local jurisdiction or any foreign jurisdiction, having jurisdiction with respect to any Tax.

3.20 ABSENCE OF CHANGES. Since March 31, 2000, each of Sellers and the Transferred Subsidiaries has conducted its respective business in the ordinary course consistent with past practice and except as set forth on SCHEDULE 3.20, there has not been:

(a) any change that by itself or together with other changes, would be reasonably likely to have a Material Adverse Effect, excluding for purposes of this Section 3.20 any changes to the extent they arise from (i) prevailing market conditions that affect Sellers and other businesses substantially similar to the Sellers or the Transferred Subsidiaries in a similar manner or (ii) the disclosure of the transactions contemplated by this Agreement;

(b) any damage, destruction or loss (whether or not covered by insurance) that, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect;

(c) any change in the authorized capital of any of Sellers or the Transferred Subsidiaries or in their respective outstanding securities or any change in their respective ownership interests or any grant of any options, warrants, calls, conversion rights or commitments with respect to the securities of any of Sellers or the Transferred Subsidiaries;

(d) any declaration or payment of any dividend or distribution in respect of the capital stock, or any direct or indirect redemption, purchase or other acquisition of any of the capital stock, of any of the Transferred Subsidiaries;

(e) any increase in the compensation, bonus, sales commissions or fee arrangements payable or to become payable by any of Sellers or the Transferred Subsidiaries to any of their respective officers, directors, stockholders, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice and for compensation for persons who will be retained by Sellers or Funds after the transactions contemplated by this Agreement;

(f) any work interruptions, labor grievances or claims filed, or any similar event or condition of any character that would be reasonably likely to have a Material Adverse Effect;

(g) any sale or transfer, or any agreement to sell or transfer, any of the Acquired Assets to any Person, in each case outside the ordinary course of business;

(h) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any material property, rights or assets of any Person, in each case outside the ordinary course of business;

(i) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to any of Sellers or the Transferred Subsidiaries in an amount exceeding

$500,000, including without limitation any indebtedness or obligation of any current or former officer, director, manager, member, stockholder or employee of any of the Sellers or the Transferred Subsidiaries;

(j) as of the date hereof, any breach, amendment that has a material effect on the rights or obligations of Sellers or the Transferred Subsidiaries, or termination or non-renewal of any Material Contract or Material Permit;

(k) any capital expenditure or entry into any commitment or contract by any of Sellers or the Transferred Subsidiaries, either individually or in the aggregate, involving an obligation of more than $1,000,000;

(l) any incurrence, creation, or placement of any Lien other than Permitted Liens on any of the Acquired Assets, or the allowance or permission of the same;

(m) any material loan by any of Sellers or the Transferred Subsidiaries to, incurring by any of Sellers or the Transferred Subsidiaries of any material indebtedness, guaranteeing by any of Sellers or the Transferred Subsidiaries of any material indebtedness, issuance or sale of a material amount of debt securities of any of Sellers or the Transferred Subsidiaries or guaranteeing of a material amount of debt securities of others;

(n) negotiation or agreement by any of Sellers or the Transferred Subsidiaries or any officer, director, or agent thereof to do any of the things described in the preceding clauses (a) through (p) (other than negotiations with Buyers and their representatives regarding the transactions contemplated by this Agreement);

(o) any action which, if taken after the date of this Agreement without Buyers' consent, would constitute a breach under Section 5.1(b).

3.21 DISCLOSURE. The representations and warranties contained in this Section 3 (including, without limitation, the representations and warranties contained in the Disclosure Schedule) do not contain a misstatement of a material fact and do not omit to state any material fact necessary to make the information provided not misleading.

3.22 COMPLIANCE WITH THIRD-PARTY SERVICER REGULATIONS. Sellers and the Transferred Subsidiaries are, as of the Closing Date, in material compliance with all applicable substantive requirements set forth in 34 C.F.R. Sections 668 and 682 regarding qualification and performance as a third-party servicer (as such term is defined in such Sections) for all entities for which Sellers or the Transferred Subsidiaries act as third-party servicers, without regard to the dates of effectiveness and/or implementation of such Sections.

3.23 LIABILITY FOR LOAN SERVICING. SCHEDULE 3.23 sets forth (i) a summary of loans serviced by Sellers and insurance or guarantee claim denials by the guarantor or the Department of Education or the Secretary of Health and Human Services for fiscal years 1997 through 1999

and (ii) any other claims (other than borrower complaints) with respect to guarantee servicing or to the servicing, origination or disbursement of loans which have resulted, or may result, in liability to Sellers and the Transferred Subsidiaries that have not been remedied or cured and which would create a Material Adverse Effect as of May 31, 2000 (and Sellers shall update such schedule as of a date three days prior to Closing to reflect changes since May 31, 2000).

3.24 STUDENT LOAN PORTFOLIO

(a) For the purposes of this Agreement:

(i) "ACT" means Part B of Title IV of the Higher Education Act of 1965, as amended (20 U.S.C.Section1071 et seq.).

(ii) "ELIGIBLE INSURER" means with respect to loans made under the Act, the Secretary or any agency or non-profit institution or organization with whom the Secretary has an agreement under Section 428(b) of the Act.

(iii) "FFELP" means the Federal Family Education Loan Program created by the Act, as amended.

(iv) "FFELP LOAN PORTFOLIO" means any and all loans held by any of the Sellers and the Transferred Subsidiaries that are student loans insured under FFELP.

(v) "NOTE" means, in the case of student loans insured under FFELP, the promissory note of a borrower and any amendment thereto evidencing a borrower's obligation in the form consistent with the Act or in the form consistent with a multiparty agreement and, in the case of other student loans originated or held by any of the Sellers or the Transferred Subsidiaries, the promissory note in the forms provided to Buyers on the date hereof.

(vi) "PRIVATE LOAN PORTFOLIO" means any and all private education loans originated or held by any of Sellers and the Transferred Subsidiaries other than student loans insured under FFELP.

(vii) "REGULATIONS" means any rule, regulation, instruction or procedure issued by the Secretary under the Act or by an Eligible Insurer.

(viii) "STUDENT LOAN PORTFOLIO" means the combination of the FFELP Loan Portfolio and the Private Loan Portfolio.

(b) Bank One, NA serves as eligible lender trustee ("ELIGIBLE LENDER TRUSTEE") on behalf of SMS and in that capacity holds legal title to, and is the sole owner of, the FFELP Loan Portfolio free and clear of all Liens other than as set forth in SCHEDULE 3.24(b). SMS has good title to, and are the sole owners of, the Private Loan Portfolio, free and clear of all Liens other than as set forth in SCHEDULE 3.24(b).

(c) Except as would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect with respect to the Student Loan Portfolio, there exists a student loan file pertaining to each loan in the Student Loan Portfolio containing substantially all documents customarily contained in a student loan file. The files referred to in the previous sentence are currently in the possession or control of the servicer or the Eligible Lender Trustee.

(d) Except as would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect with respect to the Student Loan Portfolio, each of the loans in the Student Loan Portfolio is in full force and effect and is a legal, valid and binding obligation of each respective borrower thereunder in accordance with its terms, except for such loans noted on the Sellers' and the Transferred Subsidiaries' or any servicer's books and records as being subject to bankruptcy proceedings.

(e) Except as would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect with respect to the Student Loan Portfolio, each loan in the FFELP Loan Portfolio has been duly originated and serviced with due diligence in accordance with the Act and Regulations.

(f) Except as would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect with respect to the Student Loan Portfolio, each loan in the Private Loan Portfolio has been duly originated and serviced in accordance with the credit and collection policies as in effect from time to time as set forth in SCHEDULE 3.24(f).

(g) Sellers and the Transferred Subsidiaries have exercised due diligence and reasonable care (or have caused their servicing agent to exercise due diligence and reasonable care) in originating, purchasing, administering, servicing and collecting the loans in the Student Loan Portfolio during the time the loans have been beneficially owned by Sellers and the Transferred Subsidiaries. If a loan was not made or serviced by or on behalf of Sellers or the Transferred Subsidiaries, Sellers and the Transferred Subsidiaries have evidence that due diligence and reasonable care were exercised in making and servicing the loans prior to the time the loan was acquired by Sellers.

(h) If any Seller or Transferred Subsidiary is not the original payee of any Note, such Note has been duly and effectively transferred to the applicable Seller or Transferred Subsidiary or the Eligible Lender Trustee in accordance with all applicable requirements (including, with respect to FFELP loans, the requirements of the Act and Regulations) and such Note does not require the obligor to consent to transfer, sale or assignment of the rights and duties of the holder thereof and does not contain any provision that restricts the ability of the holder thereof or Buyers to exercise their rights thereunder.

(i) As of the date hereof, no loan in the Student Loan Portfolio has been modified, extended or renegotiated in any way not provided for in the Note and the credit and collection policies referred to in Section 3.24(f). Except as provided for under the borrower benefit programs described in SCHEDULE 3.24(i), the interest rate payable by the borrower on each

FFELP Loan is the maximum applicable rate for such loan under the Act and the interest rate for each loan in the Private Loan Portfolio is the rate described in the applicable standard form loan documents.

(j) Except as would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect with respect to the Student Loan Portfolio, all origination fees authorized to be collected from a borrower of a FFELP Loan pursuant to Section 438 of the Act have been properly reported to the Secretary, except for origination fees that would be reported in connection with ED Form 799 for periods after the first quarter in 2000. All billings to the Secretary of interest subsidies and special allowance payments on ED Form 799 with respect to Loans in the FFELP Loan Portfolio have been made in full compliance with the requirements of the Act and Regulations.

(k) Sellers and the Transferred Subsidiaries have made all refunds of any origination fee and insurance premiums on FFELP loans within the time in which they were required to be made pursuant to the Act or Regulations.

(l) Each loan in the FFELP Loan Portfolio has been duly insured by an Eligible Insurer, and such insurance is in full force and effect and is freely transferable to Buyers as an incident to the purchase of such loans (provided that the Buyers are an "eligible lender" under the Act at the time of the transfer, and provided further that the Buyers have in effect at the time of transfer a guaranty agreement with the Eligible Insurer, which guaranty agreement shall henceforth govern the terms and conditions of the Eligible Insurer's guarantee of such loan) and all premiums due and payable to the Eligible Insurer have been paid in full as of the date hereof.

3.25 FAIRNESS OPINION. Group has received an opinion of Goldman, Sachs & Co dated as of the date of this Agreement to the effect that as of such date, the Cash Purchase Price and the SLM Shares to be received in the aggregate by the Sellers pursuant to this agreement are fair from a financial point of view to Group.

3.26 ACQUISITION FOR INVESTMENT. Sellers are acquiring the SLM Shares for their own account for the purpose of investment and not with a view to or for sale in connection with a distribution thereof and Sellers have no present intention or plan to effect any distribution of the SLM Shares (other than transfers among Sellers) and understand that the certificates for the SLM Shares will contain a legend restricting their transfer unless an exemption from registration is available.

SECTION 4
REPRESENTATIONS AND WARRANTIES OF BUYERS

To induce Sellers to enter into this Agreement and consummate the transactions contemplated hereby, Buyers jointly and severally represent and warrant to Sellers as follows:

4.1 DUE ORGANIZATION

(a) Each of the Buyers is a corporation duly organized, validly existing and in good standing under the laws of their respective states of incorporation. Each of the Buyers is in good standing and is duly authorized and qualified to do business, under all applicable Laws, and to own, lease and operate its respective properties and to carry on its respective businesses in the places and in the manner now conducted and presently planned to be conducted, except where the failure to be so authorized or qualified would not be reasonably likely to have a material adverse effect on (i) the rights of Sellers hereunder, on the assets, liabilities or on the operations or condition (financial or otherwise) of the business of Buyers, or (ii) on the ability of Buyers to consummate the transactions contemplated hereby or to perform their respective obligations after Closing (a "BUYERS MATERIAL ADVERSE EFFECT").

(b) Each of the Buyers has made available to Sellers true, complete and correct copies of its Charter Documents ("BUYERS' CHARTER DOCUMENTS"). None of the Buyers is in violation of, in conflict with or in default under its Charter Documents, and there exists no condition or event which, after notice or lapse of time or both, would result in any such violation, conflict or default.

4.2 AUTHORIZATION; VALIDITY. Each of the Buyers has all requisite corporate power and authority to enter into, make and perform this Agreement and the transactions and other agreements and instruments contemplated by this Agreement. This Agreement and all other agreements and instruments to be executed and delivered by any of the Buyers in connection herewith, when executed and delivered by Buyers, shall have been duly and validly authorized, executed and delivered by Buyers. This Agreement and the transactions and other agreements and instruments contemplated hereby constitute, or shall constitute, the valid and binding obligations of Buyers (assuming that they are valid and binding obligations of the other parties thereto), enforceable in accordance with their respective terms, except as may be limited by any bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally or by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.3 COMPLIANCE. Buyer is not in conflict with, or in default or violation of, (a) any Law applicable to Buyers or by which any property or asset of Buyers is bound or affected, or (b) any Contract to which Buyers are parties or by which Buyers or any property or asset of Buyers is bound or affected, except for any such conflicts, defaults or violations that would not, individually or in the aggregate, have a Buyers Material Adverse Effect.

4.4 NO CONFLICTS. Except as set forth on SCHEDULE 4.4, the execution, delivery and performance of this Agreement and all other agreements and instruments contemplated hereby and the consummation of the transactions contemplated hereby will not:

(a) conflict with, result in a breach or violation of, or require any consent, approval or authorization under, any of Buyers' Charter Documents;

(b) except as would not, individually or in the aggregate, be reasonably likely to have a Buyers Material Adverse Effect, conflict with, result in a default under, give any Person a right of termination, cancellation, acceleration, suspension or revocation under, result in the loss of a material benefit to any of Buyers under, or require any consent, approval or authorization under, any document, agreement or other instrument to which any Buyer is a party or by which any buyer or any of its respective properties, rights or assets are bound;

(c) except as would not, individually or in the aggregate, be reasonably likely to have a Buyers Material Adverse Effect, result in termination or any impairment of, or require any authorization under, any Permit issued by any Governmental Authority to any Buyer;

(d) except as would not, individually or in the aggregate, be reasonably likely to have a Buyers Material Adverse Effect, violate any Law to which any Buyer or any of its respective properties, rights or assets are subject or by which any Buyer or any of its respective properties, rights or assets are bound;

(e) except as would not, individually or in the aggregate, be reasonably likely to have a Buyers Material Adverse Effect, constitute an event which, after notice or lapse of time or both, would result in any conflict, breach, violation, default, requirement to perform, loss, creation or imposition of any Lien, termination or impairment or similar event described in Section 4.4(a) through 4.4(d); or

(f) except as would not, individually or in the aggregate, be reasonably likely to have a Buyers Material Adverse Effect, require any consent, waiver, approval, order or authorization of or from, or registration, notification, declaration or filing with any Governmental Authority by Buyers.

4.5 CAPITALIZATION. The authorized capital stock of SLM consists of 250,000,000 shares of SLM Common Stock, par value $.20 per share, and 20,000,000 shares of preferred stock of SLM, par value $.20 per share (of which shares of preferred stock, 3,450,000 are designated as 6.97% cumulative redeemable preferred stock, Series A). As of May 31, 2000, (i) (A) 156,078,711 shares of SLM Common Stock were issued and outstanding, all of which were validly issued, fully paid and nonassessable, and (B) 3,300,000 shares of Series A preferred stock of SLM were issued and outstanding; and (ii)(A) 25,636,637 shares of SLM Common Stock were reserved for issuance under SLM employee or director benefit programs or SLM's dividend reinvestment plan (collectively, the "SLM STOCK PLANS") and options to purchase 14,223,962 shares of SLM Common Stock were issued and outstanding under the SLM Stock Plans, and (B) 30,163,109 shares of SLM Common Stock were classified as treasury shares, all of which were validly issued, fully paid and nonassessable. Except as set forth above and except for 8,500,000 additional shares of SLM Common Stock which were allocated to and reserved for SLM's Employee Stock Option Plan on June 13, 2000, since May 31, 2000, no shares of SLM Common Stock or other voting securities of SLM were issued, reserved for issuance or outstanding. All shares of SLM Common Stock subject to issuance as aforesaid and all shares of SLM Common Stock upon issuance on the terms and conditions specified in the instruments pursuant to which

they are issuable including shares to be issued pursuant to this Agreement, will be duly authorized, validly issued, fully paid and nonassessable. Other than as set forth in SCHEDULE 4.5 or as set forth above or pursuant to this Agreement, there are no outstanding contractual obligations of SLM to repurchase, redeem or otherwise acquire any shares of SLM Common Stock or any other shares of capital stock of SLM, or make any material investment (in the form of a loan, capital contribution or otherwise) in any Subsidiary of SLM or any other Person, other than a wholly-owned Subsidiary of SLM or a Person wholly-owned by one or more wholly-owned Subsidiaries of SLM. Other than as set forth on SCHEDULE 4.5, Buyer has no formal or informal plan to issue, individually or in the aggregate, more than 50,000 shares of SLM Common Stock.

4.6 SEC REPORTS AND FINANCIAL STATEMENTS

(a) Each form, report, schedule, registration statement and definitive proxy statement filed by SLM with the SEC prior to the date hereof (as such documents have been amended prior to the date hereof, the "SLM SEC REPORTS"), as of their respective dates, complied in all material respects with the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations thereunder. None of the SLM SEC Reports, as of their respective dates, contained or contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except for such statements, if any, as have been modified or superseded by subsequent filings prior to the date hereof.

(b) The consolidated financial statements included in the SLM SEC Reports have been prepared in accordance with GAAP, consistently applied during the periods involved (except as otherwise noted therein and except that the unaudited financial statements are subject to year end adjustment and do not contain all footnote disclosures required by GAAP) and fairly present in all material respects the consolidated financial position and the consolidated results of operations and cash flows of SLM and its consolidated subsidiaries as at the dates thereof or for the periods presented therein.

4.7 FINANCIAL CAPABILITY. SLM will have on the Closing Date, funds and authorized and unissued shares of SLM Common Stock sufficient to consummate the transactions contemplated by this Agreement.

4.8 ABSENCE OF CERTAIN CHANGES. Since March 31, 2000, SLM and its consolidated subsidiaries have conducted their business in the ordinary course consistent with past practice and except as set forth on SCHEDULE 4.8 there has not been:

(a) any change that by itself or together with other changes, would be reasonably likely to have a Buyers Material Adverse Effect, excluding for purposes of this Section 4.8 any changes arising exclusively from (i) prevailing market conditions that affect Buyers and other businesses substantially similar to the Buyers in a similar manner or (ii) the disclosure of the transactions contemplated hereby;

(b) any damage, destruction or loss (whether or not covered by insurance) that would, individually or in the aggregate, be reasonably likely to have a Buyers Material Adverse Effect;

(c) through the date hereof any change in the authorized capital of SLM, Inc. or in its outstanding securities or any change in its respective ownership interests or any grant of any options, warrants, calls, conversion rights or commitments with respect to the securities of SLM;

(d) any work interruptions, labor grievances or claims filed, or any similar event or condition of any character that would, if determined adversely to Buyers, be reasonably likely to have a Buyers Material Adverse Effect;

(e) through the date hereof any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any material property, rights or assets of any Person, in each case outside the ordinary course of business;

(f) through the date hereof any cancellation, or agreement to cancel, any material indebtedness or other material obligation owing to any Buyer in an amount exceeding $500,000, including without limitation any indebtedness or obligation of any current or former officer, director, manager, member, stockholder or employee of any Buyer or any Affiliate thereof;

(g) any breach, amendment or termination or non-renewal of any Buyer Material Contract or Material Permit that would, individually or in the aggregate, be reasonably likely to have a Buyers Material Adverse Effect;

(h) other than as required under GAAP, any material change in accounting or tax accounting methods or practices (including any change in depreciation or amortization or capitalization rates or policies) by Buyers;

(i) negotiation or agreement by any Buyer or any officer, director, or agent thereof to do any of the things described in the preceding clauses (a) through (h) (other than negotiations with Sellers and their representatives regarding the transactions contemplated by this Agreement).

4.9 ABSENCE OF UNDISCLOSED LIABILITIES. Except as set forth in SCHEDULE 4.9, Buyers and their subsidiaries are not subject to any Liabilities except for (i) those Liabilities reflected or reserved against on the latest financial statements included in the SLM SEC Reports and not previously paid or discharged, (ii) Liabilities not required under GAAP to be included in the latest financial statements included in the SLM SEC Reports, and (iii) those Liabilities incurred since the date of the latest financial statements included in the SLM SEC Reports in the ordinary course of business and consistent with past practice which liabilities would not, individually or in the aggregate, be reasonably likely to have a Buyers Material Adverse Effect.

4.10 EMPLOYEE BENEFIT PLANS; ERISA

(a) With respect to the employee benefit plans, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), sponsored or otherwise maintained by Buyers or any of their ERISA Affiliates, in which Buyers or any of their ERISA Affiliates participate as a participating employer; or to which Buyers or any of their ERISA Affiliates contribute and including any such plans that within the preceding five years have been terminated, merged into another plan of a Buyer or any of its ERISA Affiliates, frozen or discontinued (collectively, "BUYER PLANS"): (i) all such Buyer Plans have been, in all material respects, maintained in compliance with the requirements prescribed by all applicable statutes, orders and governmental rules or regulations, including, without limitation, ERISA, the Code, and Treasury and Labor Regulations promulgated thereunder, (ii) to the Buyers' Knowledge, all Buyer Plans intended to constitute tax-qualified plans under Section 401(a) of the Code do so qualify; (iii) to the Buyers' Knowledge, there are no actions, suits, proceedings or claims pending (other than routine claims for benefits) or threatened, against a Buyer, any Buyer Plan, any fiduciary of any Buyer Plan or the assets of any Buyer Plan as to which Buyer would have liability.

(b) Buyers have made, or will make, available to Sellers true, accurate and complete copies of the following: (i) pension, retirement, profit-sharing, savings, stock purchase, stock bonus, stock ownership, stock option and stock appreciation right plans and all amendments thereto and all summary plan descriptions thereof (including any modifications thereto); (ii) all general deferred compensation plans (whether funded or unfunded), bonus, severance and collective bargaining agreements, arrangements or understandings, (iii) all incentive compensation plans and programs; and (iv) all group insurance and health insurance contracts, policies or plans.

4.11 MATERIAL BUYER CONTRACTS; REGISTRATION RIGHTS AGREEMENTS

(a) Except for contracts that have already been filed as exhibits to the SLM SEC Reports, SCHEDULE 4.11(a) sets forth a complete and accurate list of Contracts that would be required to be filed as an exhibit to Buyers' Annual Report on Form 10-K, if such Annual Report were required to be filed on the date hereof, a copy of each of which Contract has been made available to the Sellers (the "MATERIAL BUYER CONTRACTS").

(b) Each of the Material Buyer Contracts is in full force and effect, and neither Buyers nor any of their subsidiaries, nor, to Buyers' Knowledge, any other Person, is in breach of, or default under, any such Material Buyer Contract, and no event has occurred that with notice or passage of time or both would constitute such a breach or default thereunder by Buyers or any of their subsidiaries, or, to Buyers' Knowledge, any other Person, except for such failures to be in full force and effect and such conflicts, violations, breaches or defaults as in the aggregate would not be reasonably likely to have a Material Adverse Effect.

(c) SCHEDULE 4.11(c) sets forth a complete and accurate list of each Contract Buyers have entered into with any Person, pursuant to which Contract such Person has the right to request or to cause Buyers to effect registrations under the Securities Act of Equity Securities held by such Person (each, a "REGISTRATION RIGHTS AGREEMENT") and the number of demand registration rights outstanding thereunder on the date hereof. On or prior to the date hereof Buyers have provided the Sellers a complete and accurate copy of each such Registration Rights Agreement. There are no agreements between any Person and Buyers with respect to share ownership, standstill, equity or voting matters (except for equity compensation issued under Buyers' compensation plans and forward equity contracts) other than as set forth in SCHEDULE 4.11(c).

4.12 LITIGATION. Except as set forth on SCHEDULE 4.12, there are no claims, actions, suits, proceedings, arbitrations, governmental investigations or inquiries pending or, to the Knowledge of each of Buyers, threatened against or affecting Buyers, any of their respective assets, rights or properties, or seeking to prevent or delay the transactions contemplated under this Agreement or that would be reasonably likely to have a Material Adverse Effect and no notice of any claim, action, suit, proceeding, governmental investigation or inquiry, whether pending or threatened, has been received by Buyers.

4.13 DISCLOSURE. The representations and warranties contained in this Section 4 (including without limitation, the representations and warranties contained in the Disclosure Schedule) do not contain a misstatement of a material fact and do not omit to state any material fact necessary to make the information provided not misleading.

SECTION 5
COVENANTS

5.1 SELLERS' COVENANTS. Sellers hereby covenant and agree to effect and perform the following covenants, agreements and obligations before or after Closing in order to consummate the transactions contemplated hereby:

(a) COOPERATION IN LITIGATION. In the event that any claim is asserted against Buyers or any of its subsidiaries or Affiliates in connection with the transactions contemplated by this Agreement or in connection with the Business, each of Sellers agrees to cooperate reasonably with Buyers in the defense of such claim.

(b) CONDUCT OF BUSINESS PENDING CLOSING. Between the date hereof and the Closing Date (except as otherwise approved in writing by Buyers, such approval not to be unreasonably withheld), each of Sellers will, and will cause each of the Transferred Subsidiaries to:

(i) conduct the Business in the ordinary course, consistent with past practice;

(ii) maintain the Acquired Assets, including those held under leases, in good working order and condition, ordinary wear and tear excepted;

(iii) perform all of their respective obligations under all Material Contracts except to the extent such failures to comply, individually or in the aggregate, would not be reasonably likely to have a Material Adverse Effect;

(iv) keep in full force and effect their respective present insurance policies or other comparable insurance coverage;

(v) use commercially reasonable efforts to maintain and preserve their respective business organizations intact, retain their respective present officers and key employees and maintain their respective relationships with suppliers, vendors, customers, creditors and others having business relations with them;

(vi) maintain compliance in all material respects with all applicable Laws and all Material Permits; and

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments.

(c) PROHIBITED ACTIVITIES. Between the date hereof and the Closing Date (except as otherwise approved in writing by Buyers, such approval not to be unreasonably withheld), Sellers will not, and will cause the Transferred Subsidiaries not to:

(i) change any of the Charter Documents, or authorize or propose the same;

(ii) except (A) as approved by SLM (which approval shall not be unreasonably withheld) or (B) for short-term borrowings incurred in the ordinary course of business consistent with past practice, issue, deliver or sell or authorize or propose the issuance, delivery or sale of any securities of any of Sellers or the Transferred Subsidiaries or any options, warrants, calls, conversion rights or commitments relating to such securities, or authorize or propose any change in the equity capitalization of any of Sellers or the Transferred Subsidiaries, or issue or authorize the issuance of any debt securities or incur or guarantee any indebtedness in excess of $1,000,000 in the aggregate other than pursuant to existing facilities;

(iii) declare or pay any dividend, or make any distribution (whether in cash, stock or property) in respect of their respective stock whether now or hereafter outstanding, or split, combine or reclassify any of their respective capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of their respective capital stock, or purchase, redeem or otherwise acquire or retire for value any shares of their respective stock;

(iv) other than in the ordinary course of business, enter into any contract or commitment, incur or agree to incur any Liability, make any capital expenditures, or

guarantee any indebtedness, in each case involving an obligation in excess of $1,000,000 or the equivalent value in the applicable currency;

(v) increase the number of total employees that will be hired by the Buyers pursuant to Section 5.3(k) or hire any new employee whose total annual compensation (excluding benefits costs) will exceed $125,000 per year individually or $1,250,000 in the aggregate, with the exception of those employees of Funds currently doing default collections work who will transfer to Education Debt Services and ultimately be employees of Buyers pursuant to Section 5.3(k)(i).

(vi) increase the compensation payable or to become payable to any officer, director, stockholder, employee, agent, representative or independent contractor of any of Sellers, except in the ordinary course of business consistent with past practice, or make any bonus, management fee payment, loans or advances to any such Person, or, except to the extent necessary to accomplish the requirements of Section 5.3(k), adopt or amend any Company Plan or Company Benefit Arrangement, or grant any severance or termination pay, to the extent all such increases and grants exceed $500,000 in the aggregate;

(vii) create, assume, or permit the placement of any Lien other than Permitted Liens on any of the Acquired Assets or on any assets of the Transferred Subsidiaries, whether now owned or hereafter acquired;

(viii) sell, assign, lease, pledge or otherwise transfer or dispose of any Acquired Assets or assets of any Transferred Subsidiary except in the ordinary course of business consistent with past practice;

(ix) except for purchases of student loan portfolios in the ordinary course of business consistent with past practice, acquire or negotiate for the acquisition of any business or the start-up of any new business, or otherwise acquire or agree to acquire any assets that are material, individually or in the aggregate, to the Sellers on a consolidated basis;

(x) except as permitted under Section 5.1(d), merge or consolidate or agree to merge or consolidate with or into any other Person;

(xi) amend, modify or terminate any Material Contract or Material Permit, except where such actions, individually or in the aggregate, would not be reasonably likely to have a Material Adverse Effect;

(xii) enter into any Contract that is (i) with any Affiliate of any of the Sellers which would be reasonably likely to involve payments or obligations of $60,000 in any one year or (ii) otherwise prohibited hereunder;

(xiii) other than in the ordinary course of business, cancel or agree to cancel any indebtedness or other obligation in excess of $1,000,000 owing to any Seller or Transferred Subsidiary, including without limitation any indebtedness or obligation of any current or former officer, director, manager, member, stockholder or employee of any of the

Sellers or the Transferred Subsidiaries or any Affiliate thereof or of any of Sellers or the Transferred Subsidiaries;

(xiv) commence a lawsuit, unless the statute of limitations with respect to the matter of such lawsuit would expire within 10 days of the date of commencement, (A) that may have a material adverse effect on Buyers' business or (B) against the Department of Education;

(xv) except as required under GAAP, revalue any of the Acquired Assets, including without limitation, writing down or writing off the value of inventory or writing off notes or accounts receivable other than in the ordinary course of business consistent with past practice;

(xvi) make any new elections with respect to Taxes, or any changes in current elections with respect to Taxes, affecting the Transferred Subsidiaries, the Acquired Assets, or the Business; and

(xvii) take, or agree (in writing or otherwise) to take, any of the actions described in this Section 5.1(c), or any action which would make any of the representations and warranties of any of Sellers and the Transferred Subsidiaries contained in this Agreement untrue or result in any of the conditions set forth in Sections 6 or 7 not being satisfied.

(d) NEGOTIATIONS WITH OTHERS.

(i) Except as provided in Sections 5.1(d)(ii) and 5.1(d)(iii), from and after the date of this Agreement and prior to the Closing Date:

(A) None of the Sellers shall, and each of the Sellers shall cause its officers, directors, trustees, employees and authorized agents and representatives (including, without limitation, any investment banker, attorney, or accountant retained by it) not to (X) initiate, solicit or encourage, directly or indirectly, any inquiries from potential third party acquirers (together with any agents, investment bankers, attorneys or accountants for such persons, "THIRD PARTY ACQUIRERS") or the making or implementation of any proposal or offer with respect to a merger, acquisition, consolidation or similar transaction involving, or any purchase of all or any significant portion of the assets or any equity securities of, the Sellers or any Transferred Subsidiary (any such inquiry, proposal or offer, an "ACQUISITION PROPOSAL"), (Y) have discussions concerning, engage in any negotiations concerning, or provide any information which is proprietary in nature and non-public or confidential to potential Third Party Acquirers relating to, an Acquisition Proposal, or (Z) otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal; and

(B) Sellers shall notify Buyers immediately if any Acquisition Proposal is received by, any information is requested from, or any such negotiations or discussions are sought to be initiated or continued, with either of them, as the case may be, and the Sellers shall promptly provide Buyers with copies of any written materials the Sellers receive from any potential Third Party Acquirer that relates to an Acquisition Proposal.

(ii) Notwithstanding anything to the contrary contained in SECTION 5.1(d)(i), from the date of issuance of a press release which indicates that this Agreement has been entered through 4:00 p.m. Indianapolis time on the date that is 30 calendar days after the date of issuance of such press release (the "WINDOW PERIOD"), if the Board of Directors of Group determines in good faith, based on the advice of outside counsel, that failure to do so would be reasonably likely to result in a breach of its fiduciary duties under applicable law, Group and its officers, directors, trustees, employees and authorized agents and representatives (including, without limitation, any investment banker, attorney or accountant retained by Group) may, in response to an unsolicited, bona fide, written Acquisition Proposal, furnish information to or enter into discussions or negotiations with, the person or entity that delivers such written Acquisition Proposal, provided that:

(A) Prior to or concurrently with furnishing information to, or entering into discussions or negotiations with, such a person or entity concerning an Acquisition Proposal, the Sellers provide written notice to Buyers to the effect that they are furnishing information to, or entering into discussions or negotiations with, such person or entity; and

(B) The Sellers keep Buyers informed generally of the status of any such discussions or negotiations.

(iii) The Sellers may enter into an agreement for an Acquisition Proposal received during the Window Period provided that:

(A) None of the Sellers has breached in any material respect its obligations under this Section 5.1(d);

(B) The Sellers enter into the agreement for the Acquisition Proposal within fifteen (15) days after expiration of the Window Period;

(C) The Acquisition Proposal provides for the acquisition of substantially all of the Acquired Assets and assumption of the Assumed Liabilities and the Board of Directors of Group determines in good faith, based on the advice of an independent financial advisor, that the Third party Acquirer has the financial wherewithal or is reasonably capable of raising any financing required to consummate such Acquisition Proposal;

(D) The Acquisition Proposal contains terms and conditions that, in the good faith determination of the Board of Directors of Group, are, taken as a whole, not materially less favorable than the terms and

conditions of this Agreement and the Acquisition Proposal provides total consideration that is greater than the sum of (A) the Purchase Price and (B) the amounts payable to Purchaser pursuant to Section 10.2;

(E) The Sellers have delivered to Buyers a copy of the Acquisition Proposal, including details of the price, terms and conditions of such offer, and the Buyers have failed to deliver written notice to the Sellers within three Trading Days of receipt of such copy of the Acquisition Proposal that the Buyers elect to enter into an agreement with the Sellers that contains terms and conditions that, in the good faith determination of the Board of Directors of Group, are, taken as a whole, at least equivalent to the terms and conditions of the Acquisition Proposal;

(F) The Sellers contemporaneously terminate this Agreement pursuant to Section 10.1(e); and

(G) The Sellers shall pay to Buyers the amounts contemplated by Section 10.2.

(e) ACCESS. Sellers shall: (i) during the period from the date hereof and until the Closing Date give Buyers and their representatives (including their internal or external attorneys and accountants) reasonable access during normal business hours, to the properties, books, records, contracts and commitments of Sellers, including without limitation the audit papers of Ernst & Young LLP with respect to Sellers and the Transferred Subsidiaries, and furnish to Buyers such information and documents relating to the properties and business of Sellers and the Transferred Subsidiaries as Buyers may reasonably request; and (ii) on or before the Closing, deliver to Buyers original or best available copies of all Assumed Contracts and powers of attorney to which Sellers are parties and all documents and correspondence under Sellers' control relating to past or pending litigation relating to the Business or to which any Transferred Subsidiary is a party. The Buyers acknowledge that any information or documents obtained pursuant to this Section 5.1(e) shall be subject to the confidentiality provisions of Section 5.3(c).

(f) EMPLOYEE NOTIFICATION. Sellers have provided any and all applicable notice to employees in connection with plant closings, "close shop" rules, and similar federal, state and local regulations.

(g) REPRESENTATION ON GROUP'S BOARD OF DIRECTORS. Immediately after the Closing, Group shall cause four (4) persons designated by SLM (who shall be former but, as of Closing, not current members of the board of directors of SLM) to become members of the board of directors of Group, and shall cause such persons (or such other persons as SLM may in the future designate as replacements) to hold such positions until two years following the Closing. Such designees will not have voting rights during such two year period with respect to any matters relating to Funds or Group's ownership of SLM Shares and, after such two year period, will be subject to Group's generally applicable conflict of interest rules.

(h) GROUP NAME CHANGE. Group shall maintain the phrase "USA" in its name until the earlier of: (A) five years after the Closing; (B) the termination of the Guarantee Servicing Agreement; (C) any change in the name of SLM such that USA Group is no longer used in SLM's name; and (D) an event involving SLM such that the continued use of the phrase "USA" in its name would materially impair the ability of Group to fulfill its mission.

(i) PAYMENTS UNDER CASH PLANS. With respect to all employees of Sellers to be hired by SLM as set forth in Section 5.3(k)(i), Group shall pay, at or prior to the later of September 30, 2000 and Closing, all liabilities owing under the Cash Plans accruing at or prior to Closing, or, if Group requests Buyers to make such payments, reimburse Buyers for all such payments made by Buyers at the request of Group promptly after such payments are made.

5.2 BUYERS' COVENANTS. Buyers hereby covenant and agree to effect and perform the following covenants, agreements and obligations before or after Closing in order to consummate the transactions contemplated hereby:

(a) REPRESENTATION ON SLM'S BOARD OF DIRECTORS. SLM shall cause three (3) persons designated by Group (who may be former, but, except for Jim Lintzenich, not as of Closing current, members of Group's board) to become members of the board of directors of SLM effective as of the Closing. Until the later of (i) two (2) years from Closing and (ii) the date that Group owns less than fifty percent (50%) of the SLM Shares, SLM will nominate and use its best efforts to cause the election of three (3) persons designated by Group to SLM's board of directors.

(b) EMPLOYEE MATTERS.

(i) Buyers shall assume the employment agreements of the executive vice presidents identified in SCHEDULE 5.2(b)(i) with appropriate adjustments to reflect the bonus and benefit plans of Buyers and terms of at least three years.

(ii) To the extent such persons do not become employed by SLM or by Group, Loan Services or Guarantee Services, SLM shall reimburse USA Group for severance payments made in connection with the transactions contemplated by this Agreement under their existing employment agreements.

(c) SLM NAME CHANGE. SLM shall rename SLM to include, or do business under the name, "USA". The "USA" name shall also be utilized as the name of a major operating company of SLM for at least one year following the Closing.

(d) MAINTAIN SERVICING CENTER. Barring any extraordinary business or regulatory developments, for a period of five (5) years following the Closing Date, SLM will retain its principal educational loan and guarantee servicing operations in the Indianapolis, Indiana metropolitan area and the Indianapolis, Indiana metropolitan area will be the largest employee base for SLM during such period.

5.3 JOINT COVENANTS. Buyers and Sellers hereby jointly covenant and agree to effect and perform the following covenants, agreements and obligations before or after Closing in order to consummate the transactions contemplated hereby:

(a) NOTIFICATION OF CERTAIN MATTERS. Each party hereto shall give prompt notice to the other parties hereto of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be reasonably likely to cause any representation or warranty contained herein to be untrue or inaccurate in any material respect at or prior to the Closing, or which would be reasonably likely to result in a Material Adverse Effect, and (ii) any material failure of such party to comply in all material respects with or satisfy any covenant, condition or agreement to be complied with or satisfied by such party hereunder. The delivery of any notice pursuant to this Section 5.3 shall not, without the express written consent of each of the other parties hereto (which consent may be withheld in their respective sole discretion) be deemed to (w) modify the representations, warranties, covenants or agreements hereunder of the party delivering such notice, (x) modify any of the conditions set forth in Sections 6, 7 or 8, (y) cure or prevent any such inaccuracy or failure, or (z) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

(b) PUBLIC ANNOUNCEMENTS. Prior to Closing, neither Buyers nor Sellers will issue or cause the publication of any press release or otherwise make any public statement with respect to the transactions contemplated hereby and the relationship between the parties without the prior consent of the parties hereto; PROVIDED, that any party hereto may make a public announcement to the extent required by Law, by the Securities and Exchange Commission or by any national securities exchange or quotation system.

(c) CONFIDENTIALITY.

(i) Each of the Parties hereto recognizes that by reason of the transactions contemplated hereby, its ownership or use of the Acquired Assets and information provided by each party to the others in connection with the transactions contemplated hereby, it has acquired and will acquire Confidential Knowledge, the use or disclosure of which could cause Buyers, any of Sellers or the Transferred Subsidiaries or their respective Affiliates or subsidiaries substantial loss and damages that could not be readily calculated and for which no remedy at law would be adequate. Accordingly, each of the Parties hereto covenants and agrees that it will not at any time, except in performance of its obligations to hereunder, directly or indirectly, use, disclose or publish, or permit other Persons within its control not so authorized to use, disclose or publish, any Confidential Knowledge that it may learn or has learned by reason of its ownership or use of the Acquired Assets or use any such information in a manner detrimental to the interests of any party, unless (x) such information becomes known to the public generally through no fault of any disclosing party, (y) disclosure is required by Law or the order of any Governmental Authority under color of law, or (z) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party; provided, that prior to disclosing any information pursuant to clause (x), (y) or (z) above, such disclosing party shall give prior written notice thereof to the nondisclosing party

and provide such party with the opportunity to contest such disclosure and shall cooperate with efforts to prevent such disclosure.

(ii) The term "CONFIDENTIAL KNOWLEDGE" includes, without limitation, knowledge and information that none of Sellers nor Buyers has disclosed to the public or to the trade with respect to present or future business, operations, services, products, research, inventions, discoveries, plans, processes, models, technical information, facilities, methods, trade secrets, copyrights, software, source code, systems, patents, procedures, manuals, specifications, any other intellectual property, confidential reports, price lists, pricing formulas, customer lists, financial information (including the revenues, costs, or profits associated with any products or services of any of Sellers, the Transferred Subsidiaries or Buyers), financial statements, business plans, lease structure, projections, prospects, opportunities or strategies, acquisitions or mergers, advertising or promotions, personnel matters, legal matters, any other confidential and proprietary information of or relating to any of the Sellers, the Transferred Subsidiaries or the Business, and any other information not generally known outside Sellers that may be of value to any of Sellers or Buyers but excludes any information already properly in the public domain. "CONFIDENTIAL KNOWLEDGE" also includes confidential and proprietary information and trade secrets that third parties entrust to any of the Sellers or to Buyers in confidence.

(d) MATERIALITY. Sellers and Buyers hereby agree that the covenants set forth in this Section 5 are a material and substantial part of the transactions contemplated by this Agreement, supported by adequate consideration.

(e) SEVERABILITY; REFORMATION. The covenants in this Section 5 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

(f) INDEPENDENT COVENANTS. All of the covenants in this Section 5 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Sellers against Buyers, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Buyers of such covenants.

(g) COOPERATION IN OBTAINING REQUIRED CONSENTS AND APPROVALS. Each party hereto shall cooperate in obtaining all consents and approvals required by Section 6.2.

(h) HART-SCOTT-RODINO FILING. Sellers and Buyers shall promptly file with the Federal Antitrust Division of the Department of Justice any notification and report required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT"), and, in the event that any additional filings are required, such additional filings, and shall cooperate with each other with respect to the foregoing. The parties shall give each other prior notice and

consult with each other prior to any meeting with the United States Federal Trade Commission or Department of Justice with respect to their respective filings under the HSR Act or any review by either of the foregoing agencies. Each of the parties shall take all reasonable actions necessary to cause the expiration of the waiting periods under the HSR Act as promptly as possible and shall promptly file any supplemental information which may be requested in connection therewith.

(i) FURTHER ASSURANCES. Following the Closing, each of Buyers and Sellers shall, and shall cause each of their Affiliates to, from time to time, execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably requested by the other party, to confirm and assure the rights and obligations provided for in this Agreement and in the Collateral Agreements and render effective the consummation of the transactions contemplated hereby and thereby. "COLLATERAL AGREEMENTS" means the Assumption Agreement, the Bill of Sale, the Transitional Services Agreement, the Registration Rights Agreement, the Grant Recommendation Agreement, the Name and Trademark License Agreement, the Non-Compete Agreement, and the Amendment to Guarantee Services Agreement.

(j) COMMERCIALLY REASONABLE EFFORTS. Subject to the terms and conditions provided in this Agreement, each of the parties hereto agrees to use its commercially reasonable efforts to take promptly, or cause to be taken promptly, all actions, and to do promptly or cause to be done promptly, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement. Each of the parties hereto will furnish to the other parties such necessary information and reasonable assistance as such other parties may reasonably request in connection with the foregoing.

(k) EMPLOYEE MATTERS.

(i) SLM will hire all employees of Sellers (including individuals who are not "actively at work" but are classified and treated as employees of Sellers in accordance with Sellers' established employment policies), other than those set forth on SCHEDULE 5.3(k)(i), as of the Closing Date and shall, immediately after the Closing Date, retain all employees of Transferred Subsidiaries (including individuals who are not "actively at work" but are classified and treated as employees of Transferred Subsidiaries in accordance with Sellers' and Transferred Subsidiaries' established employment policies) (such employees referred to collectively as the "TRANSFERRED EMPLOYEES");

(ii) SLM will provide each Transferred Employee with an annual salary not less than the level of annual salary in effect for the individual as of the date of this Agreement;

(iii) SLM will amend, if necessary, the Sallie Mae 401(k) Savings Plan to (I) allow all Transferred Employees (regardless of age or service) to begin participation under that 401(k) plan for purposes of making "401(k)" deferrals effective as soon as practicable but not more than 30 days following the Closing Date, (II) require all employer matching contribution

account balances of a Transferred Employee to be fully vested at all times (including contributions allocated to those accounts by Buyers while an employee of Buyers), (III) give credit for service with Sellers or Transferred Subsidiaries for all Transferred Employees, to the extent that service was credited under Sellers' 401(k) plan as of the Closing Date, for purposes of eligibility to receive "matching" or any other employer contributions (it being understood that a Transferred Employee who has 12 or more months of service with Sellers or the Transferred Subsidiaries as of the Closing Date will be eligible to receive these employer contributions immediately and that a Transferred Employee who has less than 12 months of service will become eligible upon completing 12 months of service as provided in the Buyers 401(k) plan), (IV) accept a transfer of the assets and liabilities of Sellers' 401(k) plan attributable to the Transferred Employees' accounts as soon as practicable following the Closing Date, (V) for 18 months following the Closing Date, permit Transferred Employees to retain the investment options available to them under Sellers' 401(k) plan, as in effect on the day preceding the Closing Date, at a cost to the Transferred Employees that does not exceed the cost charged to participants for any "standard" investment option under the Buyers' 401(k) plan and (VI) as soon as practicable following the Closing Date to administer all plan loans of those Transferred Employees outstanding as of the Closing Date in accordance with the loan policies and procedures of Sellers' 401(k) plan;

(iv) SLM will amend the Sallie Mae Cash Account Retirement Plan to (I) allow Transferred Employees, who are participants in the cash balance plan sponsored by Sellers on the Closing Date, to begin participation in Buyers' cash balance plan effective as of the day following the Closing Date, (II) give credit for service with Sellers or Transferred Subsidiaries for all Transferred Employees, to the extent that service was credited under Sellers' cash balance plan as of the Closing Date, for all purposes under the plan, including determinations of participation (for Transferred Employees who were not participants in Sellers' cash balance plan on the Closing Date), vesting and pay credits accrued after the Closing Date, but not for purposes of accrual of benefits or determining the applicability of any grandfathering provisions of the Sallie Mae Cash Account Retirement Plan related to service prior to October 1, 1999, (III) provide that each Transferred Employee's account balance as of the day following the Closing Date shall be the same as such Transferred Employee's account balance under the Sellers' cash balance plan as of the Closing Date and (IV) provide through the plan year ending December 31, 2005 that Transferred Employees shall accrue benefits under the Sallie Mae Cash Account Retirement Plan on the same formula as applicable under Sellers' cash balance plan as of the date of this Agreement (including those transition period benefits provided for under Sellers' cash balance plan). As soon as practicable following each plan year ending on or before December 31, 2005, Buyers will provide an accounting of the incremental funding contributions it made under Sellers' formula as opposed to the contributions it would have made under its formula (and reduced for any deduction it received for the incremental contribution) (such adjusted result being the "DIFFERENTIAL"). Sellers will promptly reimburse Buyers for the Differential. Sellers will reimburse Buyers for the actuarial expenses incurred in preparation of the actuarial calculations of the Differential. Sellers and Buyers agree to negotiate in good faith to resolve any disputes regarding the calculation of the Differential. As soon as practicable after the Closing Date, Sellers shall cause to be transferred to the Sallie Mae Cash Account Retirement Plan the liabilities relating to the Transferred Employees and assets having a fair market value equal to the aggregate present value of the accrued benefit obligation attributable to the

Transferred Employees under the Sellers' pension plan, calculated as of the Closing Date, using the assumptions set forth in PBGC Reg. Section 2619 with respect to a trusteed plan terminating on the Closing Date, ("PENSION TRANSFER VALUE") unless the Sellers' cash balance plan has insufficient assets to fund all liabilities on a plan termination basis, in which event the Pension Transfer Value shall mean the minimum amount required to be transferred to such plan in accordance with Section 414(l) of the Code and the regulations thereunder. The Pension Transfer Value shall be adjusted to reflect interest from the Closing Date to the date assets are transferred at the select period interest rate used in computing the Pension Transfer Value, and shall be adjusted to reflect benefit payments attributable to the Transferred Employees made during such period. All costs attributable to the Pension Transfer Value to the Sallie Mae Cash Account Retirement Plan shall be borne by Sellers, except the cost of verification of the calculation of the transfer value and Form 5310-A that must be filed by the recipient of the transfer;

(v) SLM will assume sponsorship of Sellers' group health plans effective as of the day preceding the Closing Date and (I) continue to maintain those plans through December 31, 2000 for all Transferred Employees after the Closing Date, (II) continue thereafter under the same or other plans to provide coverage under Buyers' group health plans for all Transferred Employees, including Transferred Employees who, as of Closing Date, are "part-time" employees to the extent coverage would have been provided to those individuals under the terms of Sellers' group health plans as in effect on the day preceding the Closing Date, and (III) amend any group health plan to the extent necessary to accomplish the foregoing;

(vi) SLM will as a result of and to the extent consistent with (v) above, assume and accept all responsibility to provide individuals eligible to receive COBRA continuation coverage under Sellers' group health plans (who became eligible for that coverage either before, as a result of, or after the Closing Date) with COBRA continuation coverage under those plans, with the understanding that, after December 31, 2000, COBRA continuation coverage may alternatively be provided under one or more of Buyers' group health plans to the extent permitted by law;

(vii) SLM will amend the "Section 125" plan it maintains to (I) allow all Transferred Employees to begin participation under that Section 125 plan effective as of the day following the Closing Date, and (II) accept a transfer of the assets and liabilities of Sellers' Section 125 plan attributable to the Transferred Employees so that all claims incurred (either before or after the Closing Date) but not paid as of the Closing Date will be paid from Buyers' Section 125 plan;

(viii) SLM will provide severance benefits to Transferred Employees who become employees of Buyers and whose employment is involuntarily terminated (or who incur a termination due to a request by Buyers to have the individual relocate more than 50 miles from his then current residence) within two years of the Closing Date with benefits at least equivalent to those set forth in SCHEDULE 5.3(k)(viii) and will grandfather for eligibility for severance under Buyers' severance plan those Transferred Employees who are classified by Sellers as regular part-time and temporary part-time at the Closing Date, with the benefits calculated in the same manner for such part-time employees as by Sellers at the Closing Date;

(ix) SLM will provide each Transferred Employee with the opportunity to acquire group term life insurance, accidental death and dismemberment insurance, long term disability benefits and short term disability benefits (for a period of six months for short term disability benefits) with maximum coverages that are comparable to the maximum coverages available under Sellers' group term life insurance, short term and long term disability plans in effect on the day preceding the Closing Date;

(x) SLM will amend its vacation policy to (I) recognize service with Sellers and Transferred Subsidiaries as service with Buyers to determine annual vacation accruals, (II) protect all vacation days accrued and unpaid under Sellers' vacation policy in effect on the day preceding the Closing Date, and (III) provide that all Transferred Employees, who were within 180 days of reaching the next higher level of vacation accrual under the Sellers' vacation policy, will be treated as having satisfied the requirements for that higher level of vacation accrual as of the Closing Date;

(xi) SLM will amend its sick leave policy (I) to protect all sick leave days accrued by and unpaid to Transferred Employees under Sellers' sick leave policy as of the Closing Date (II) to provide for an accrual of 12 sick days per year and (III) to allow, for a period of at least 60 days after the Closing Date, Transferred Employees who are eligible to cash-out unused sick days under Sellers' sick leave policy as of the Closing Date to cash-out those sick days with Buyers and will grandfather for eligibility for sick leave accrual under Buyers' sick leave accruals policies those Transferred Employees who are classified by Sellers as regular part-time at the Closing Date, with the benefits calculated in the same manner as by Sellers at the Closing Date;

(xii) SLM will grant, effective as of the date of this Agreement, (A) to each person expected to be a Transferred Employee and, without duplication, to each person who is a Transferred Employee options under the applicable Sallie Mae stock option plan to acquire at least 1,000 shares of SLM Common Stock and (B) the number of options set forth in SCHEDULE 5.3(k)(xii) having the terms set forth, in the amounts designated by Sellers on SCHEDULE 5.3(k)(xii) as of the date of the Agreement, and with respect to all such options at an exercise price equal to the closing price of shares of SLM Common Stock on the date of grant, with the understanding (I) that these options will be canceled if the Closing does not occur by January 31, 2001 and (II) that these options would become fully vested and would remain exercisable for 90 days following an involuntary termination of employment by Buyers or a termination resulting due to a request by Buyers to have the individual relocate more than 50 miles from his then current residence; in addition, Sallie Mae would expect to maintain a grant schedule under which Transferred Employees (if they remain employed) would receive additional grants of options for 300 shares in the 2001 to 2003 calendar years and to make a contribution for the same years for each eligible Transferred Employee under the Sallie Mae Shared Success Plan equal to at least 4 percent of the Transferred Employee's eligible compensation from Sallie Mae, provided that this expectation is subject to Buyers' sole discretion in light of business, regulatory, tax, and other factors; SLM will grant, effective as of the Closing Date, the performance shares set forth in SCHEDULE 5.3(k)(xii) having the terms set forth and in the amounts designated by Sellers on that schedule as of the date of this Agreement so long as the listed individuals become Transferred Employees and providing further that these shares would become fully vested following an

involuntary termination of employment by Buyers or a termination resulting due to a request by Buyers to have the individual relocate more than 50 miles from his then current residence;

(xiii) SLM will provide all Transferred Employees who are officers of Sellers or Transferred Subsidiaries (determined as of the day preceding the Closing Date) with the opportunity to participate under the Buyers management incentive and discretionary compensation based upon the availability of such plans to similarly situated officers of Sellers (as determined with reference to the Transferred Employees' duties for the Buyers);

(xiv) SLM will continue Sellers' tuition reimbursement plan for all eligible Transferred Employees, as determined under that plan as in effect on the day preceding the Closing Date, until December 31, 2000, and will expand its tuition reimbursement plan to include reimbursement for all undergraduate course work by January 1, 2001;

(xv) SLM will continue the on-site day care center located on the Sellers' business premises at substantially the same level of services in effect prior to Closing Date for a period of no less than 5 years from the Closing Date, unless and until the serving operations are closed pursuant to Section 5.2(d); and

(xvi) SLM will provide other employee benefits in accordance with its standard plans and policies, recognizing service with Sellers and Transferred Subsidiaries as service with Buyers and treating all of the Transferred Employees at least as well as similarly situated employees of Buyers.

(xvii) Nothing in this Agreement shall (a) restrict or otherwise inhibit Buyers' right to terminate the employment of any Transferred Employee on or after the Closing Date (subject to any written employment agreements to the contrary) or (b) be construed or interpreted to restrict Buyers' right or authority to amend or terminate any of its employee benefit plans, policies, or programs effective on or after the Closing Date, provided that no such amendment or termination shall be effected in a manner that treats the Transferred Employees adversely from the Buyers' other employees. Nothing expressed or implied in this Agreement shall give any Transferred Employee or dependent of such employee any third party beneficiary rights or other rights to sue under or with respect to this Section 5.3(k).

5.4 CERTAIN TAX MATTERS

(a) GENERAL.

(i) Sellers shall timely pay, and shall indemnify and hold harmless Buyers from and against (x) all Taxes that relate to the Acquired Assets or Business for any taxable period ending on or prior to the Closing Date, and (y) all Taxes of the Transferred Subsidiaries for any taxable period ending prior to, ending on or including the Net Asset Value Date in excess of the amounts reflected on the Pro Forma Balance Sheet as of the Net Asset Value Date (as finally adjusted by audit or otherwise pursuant to Section 1.5) as a current liability accrual for Taxes (excluding any reserves for deferred Taxes).

(ii) Sellers and Buyers shall each be responsible for one-half of (x) any transfer, documentary, sales, use, excise or other Taxes, other than any Tax based on net income or gross receipts, assessed upon or with respect to the transfer of the Acquired Assets or the Business to the Buyers or any other transaction contemplated under this Agreement and (y) any recording or filing fees with respect thereto.

(iii) Buyers shall prepare or cause to be prepared and file or cause to be filed all Tax Returns that are required to be filed with respect to each Transferred Subsidiary, (A) for Taxable Periods ending on or before the Closing Date that are due after the Closing Date and (B) for Taxable Periods beginning on or before and ending after the Closing Date ("STRADDLE PERIODS"). All such Tax Returns shall be prepared and filed in a manner (including, without limitation, all elections and methods of accounting) that is consistent with past practice, except (x) as otherwise required by a change in applicable law or (y) as consented to by Group, which consent shall not be unreasonably withheld. Such Tax Returns shall be provided to Group for review and reasonable comment as soon as possible prior to the final due date for the filing thereof and Buyers will endeavor to provide drafts of material Tax Returns to Group at least 60 days prior to such date.

(iv) Upon the latest of (A) five (5) business days following the receipt of a request therefor, (B) five (5) business days prior to the due date of any payment to the relevant Taxing Authority and (C) five (5) business days following the resolution of any dispute described in Section 5.4(a)(v), Sellers shall pay to Buyers all Taxes shown as due on any Tax Returns of the Transferred Subsidiaries that relate to a Pre-Value Date Period unless amounts with respect to such Taxes were paid to the relevant Taxing Authority as estimated Taxes prior to the Net Asset Value Date or such Taxes have been reflected on the Pro Forma Balance Sheet as of the Net Asset Value Date (as finally adjusted by audit or otherwise pursuant to Section 1.5) as a current liability accrual for Taxes (excluding any reserves for deferred Taxes). If, as a result of a dispute described in Section 5.4(a)(v) or Sellers' failure to make timely payment under the terms of this Section, any payment to be made by Sellers under this Section is made after the actual due date for the payment to the relevant Taxing Authority, the Sellers shall pay to Buyers in addition to all Taxes required to be paid interest on such amount from the due date of payment to the relevant Taxing Authority to the date of payment by Sellers at the actual rate then applicable to such underpayments of Tax pursuant to Section 6621 of the Code or any similar provision of foreign, state or local or other law, as applicable.

(v) If Group objects to any item reported on or withholds its consent with respect to any Tax Return described in Section 5.4(a)(iii), Buyers and Group shall proceed in good faith to resolve the matters in dispute. If Buyers and Group are unable to resolve the matters in dispute within 15 days, such matters shall be submitted to an independent accounting firm selected as described in Section 1.5(e). Once chosen, such accounting firm shall be referred all disputes under this Section until such time as such accounting firm becomes disqualified by reason of a conflict of interest. Such accounting firm shall, if requested by Buyers, determine whether Group's objection or withholding of consent is reasonable and, if it determines such objection or withholding of consent was reasonable or Buyers did not request such determination, decide the matters in dispute. The fees and expenses of such accounting firm shall be borne by Group and Buyers in inverse proportion as they may prevail on matters resolved by such accounting firm, which proportionate allocations shall be determined by the accounting firm at the same time its opinion on the merits of the matters submitted is rendered.

(vi) With respect to any Taxes that relate to the Acquired Assets or Business, if either Buyer or Sellers pay such Taxes which under the provisions of this Agreement were required to be paid or for which indemnification is provided by the other party hereunder, such other party shall pay the party which paid the Tax within five (5) business days following the receipt of notice of a request for payment. Any dispute with respect to a payment to be made under this Section shall be resolved in accordance with the procedures of Section 5.4(a)(v). The amount of any payment for Taxes made pursuant to the resolution of a dispute under this Section shall be increased for interest in accordance with the terms of Section 5.4(a)(iv) from the date the party paid such Tax or, if later, the date on which such payment was due under this Section to the date the other party makes payment under this Section.

(b) APPORTIONMENT. For purposes of apportioning any Taxes to the portion of a Straddle Period that ends on the Closing Date, the determination shall be made based on a closing of the books as of the close of business on the Closing Date; provided, however, that real property, personal property and intangible property Taxes shall be apportioned ratably on a daily basis between the portions of the Straddle Period in question. For purposes of apportioning any Taxes between the portion of any Taxable Period ending on the Net Asset Value Date and the portion of such Taxable Period beginning on the day after the Net Asset Value Date, the determination shall be made as if a closing of the books occurred as of the close of business on the Net Asset Value Date; provided, however, that real property, personal property and intangible property Taxes shall be apportioned ratably on a daily basis between the portions of such Taxable Year in question.

(c) ALLOCATION SCHEDULE. The allocation of the purchase price among the Acquired Assets, the Business, and Enterprises Shares shall be determined in accordance with Section 1.6.

(d) TAX COOPERATION. Sellers and Buyers shall, and shall cause their respective affiliates to, (x) provide each other with such assistance as may reasonably be required in connection with the preparation of any Tax Returns, the conduct of any audit or other examination by any taxing authority or judicial or administrative proceedings relating to any

liability for Taxes, (y) retain and provide each other with all records or other information, including payroll records, that may be relevant to the preparation of any Tax Returns, the conduct of any audit or examination or other Tax proceeding and (z) provide the each other with any final determination of any such audit, examination or other proceeding that affects any amount required to be shown on any Tax Return for any Taxable period. Sellers and Buyers shall retain all relevant documents, including prior years' Tax Returns, supporting work schedules and other records or information that may be relevant to such Tax Returns and shall not destroy or otherwise dispose of any such records until such time as the statute of limitations (including extension) with respect to such Tax Return expires. Any party requesting assistance after Closing pursuant to this Section 5.4(d) shall reimburse the other party for any reasonable out-of-pocket expenses incurred in providing such assistance.

(e) TAX CONTESTS

(i) If any party receives written notice from any Taxing Authority of a Tax Proceeding with respect to any Tax for which the other party is obligated to provide indemnification under this Agreement, such party shall within sixty (60) days thereof give written notice to the other party (or within such shorter time as may be necessary to give the Indemnifying Party a reasonable opportunity to respond to such notice); provided, however, that the failure to give such notice shall not affect the indemnification provided hereunder except to the extent that the failure to give such notice materially prejudices the Indemnifying Party.

(ii) Buyers shall have the right, at their own expense, to control the conduct of and, except as limited by the following two sentences, make all decisions with respect to any Tax Proceeding relating to Taxes of the Transferred Subsidiaries for any Taxable Period. With respect to any Tax Proceeding referred to in Section 5.4(e)(i), Group shall have the right to participate fully at its own expense with counsel of its own choosing in all aspects of the prosecution or defense of such Tax Proceeding. With respect to any Tax Proceeding referred to in Section 5.4(e)(i), Buyers shall not (A) take any action or position in any such Tax Proceeding if that action or position could reasonably be expected to increase the Tax liability of Sellers or any of their Affiliates for any Taxable Period or (B) settle or compromise any such Tax Proceeding without the prior written consent of Group, which shall not be unreasonably withheld. If Group refuses to provide its consent to settle or compromise any issue with respect to such Tax Proceeding, Group shall bear the expenses of all aspects of the prosecution or defense of such issue following such refusal, shall assume control of the prosecution or defense of such issue and shall indemnify Buyers for any increase in Buyers' or the Transferred Subsidiaries' liability for Taxes, if any, that the Buyers and the Transferred Subsidiaries incur with respect to such issue in excess of the liability had such Tax Proceeding been terminated or settled on the terms proposed prior to Group's refusal to consent to such settlement or compromise.

SECTION 6
CONDITIONS PRECEDENT TO
OBLIGATIONS OF BUYERS AND SELLERS

The obligation of Buyers and Sellers to effect the transactions contemplated by this Agreement is subject to the satisfaction or waiver by each, at or before the Closing Date, of the following conditions:

6.1 NO LITIGATION.

(a) No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction (each party agreeing to use its commercially reasonable efforts to have any such order reversed or injunction lifted) or other legal or regulatory restraint or provision prohibiting Buyers' proposed acquisition of the Acquired Assets, or limiting or restricting Buyers' conduct or operation of the businesses of Sellers (or its own business) or ownership or use of the Acquired Assets, in each case following the Closing, shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other Governmental Authority, seeking any of the foregoing be pending or, to the Knowledge of Buyers or Sellers, be threatened.

(b) No legislation shall have been passed by both house of the U.S. Congress which is reasonably likely to have a Material Adverse Effect.

6.2 GOVERNMENT CONSENTS AND APPROVALS. All Government Consents set forth on SCHEDULE 6.2 shall have been obtained and made. All applicable waiting periods under the HSR Act shall have expired or been terminated.

6.3 EMPLOYMENT AGREEMENTS. Buyers and the individual identified in SCHEDULE 6.3 shall have executed and delivered an employment agreement having the terms set forth in SCHEDULE 6.3. Buyers shall have offered Andrew Lynch, Edward R. Schmidt and Martha Lamkin the opportunity to become employed by SLM and to enter into employment contracts for at least a three-year term containing salary and severance payments equivalent , and with other terms substantially comparable, to those in their agreements with Group as in affect on the date hereof. To the extent such persons do not become employed by SLM or by Group, Loan Services or Guarantee Services, SLM shall reimburse USA Group for severance payments made in connection with the transactions contemplated by this Agreement under their existing employment agreements.

6.4 DEPARTMENT OF EDUCATION. Sellers shall have notified the Department of Education (the "DEPARTMENT") of the transactions contemplated by this Agreement as promptly as practicable after the execution of this Agreement and neither Sellers nor Buyers shall have received any objections to the transactions from the Department or any such objections shall have been resolved.

SECTION 7
CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYERS

The obligation of Buyers to effect the transactions contemplated by this Agreement is subject to the satisfaction or waiver, at or before the Closing Date, of the following conditions:

7.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All of the representations and warranties of Sellers contained in this Agreement shall be true, correct and complete in all respects (ignoring for these purposes any qualifications as to materiality or Material Adverse Effect) on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date except (a) that the accuracy of representations and warranties that by their terms speak as of the date of this Agreement or some other date will be determined as of such date and (b) for such failures to be true and correct as would not, individually or in the aggregate, be reasonably likely to result in a Material Adverse Effect; all of the terms, covenants, agreements and conditions of this Agreement to be complied with, performed or satisfied by any of Sellers on or before the Closing Date shall have been duly complied with, performed or satisfied in all material respects.

7.2 NO MATERIAL ADVERSE CHANGE. There have been, individually or in the aggregate, no Material Adverse Effects (excluding for these purposes, clause (ii) of the definition thereof) since March 31, 2000.

7.3 DELIVERY OF CLOSING ITEMS. Buyers shall have received the deliveries contemplated by Section 2.2(a).

7.4 U.S. DEPARTMENT OF TREASURY. Buyer shall have notified the U.S. Department of Treasury Office of Sallie Mae Oversight of the transactions contemplated by this Agreement and have received no objection to the transactions from such office or such objection shall have been resolved.

SECTION 8
CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS

The obligation of Sellers to effect the transactions contemplated hereby are subject to the satisfaction or waiver, at or before the Closing Date, of the following conditions:

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All of the representations and warranties of Buyers contained in this Agreement shall be true, correct and complete in all respects (ignoring for these purposes any qualifications as to materiality or Buyers Material Adverse Effect) on and as of the Closing Date with the same effect as though such representations and warranties had been made as of such date except (a) that the accuracy of representations and warranties that by their terms speak as of the date of this Agreement or some other date will be determined as of such date and (b) for such failures to be true and correct as would not, individually or in the aggregate, be reasonably likely to result in a Buyers Material Adverse Effect; all of the terms, covenants, agreements and conditions of this Agreement to be complied with, performed or satisfied by Buyers on or before the Closing Date shall have been duly complied with, performed or satisfied in all material respects.

8.2 NO MATERIAL ADVERSE CHANGE. There have been, individually or in the aggregate, no Buyers Material Adverse Effects since March 31, 2000.

8.3 DELIVERY OF CLOSING ITEMS. Sellers shall have received the deliveries contemplated by Section 2.2(b).

SECTION 9
INDEMNIFICATION

9.1 GENERAL INDEMNIFICATION BY SELLERS. Each of Sellers jointly and severally, covenants and agrees to indemnify, defend, protect and hold harmless Buyers and their officers, directors, employees, agents, representatives, stockholders, assigns, successors and Affiliates (individually, a "BUYERS INDEMNIFIED PARTY" and collectively, "BUYERS INDEMNIFIED PARTIES") from, against and in respect of:

(a) all Liabilities, causes of action, lawsuits, administrative proceedings (including informal proceedings), assessments, judgments, settlement payments, deficiencies, penalties, fines, interest (including interest from the date of such damages) and costs and expenses, including without limitation reasonable attorneys' fees and disbursements of every kind, nature and description, (collectively, "DAMAGES") suffered, sustained, incurred or paid by Buyers Indemnified Parties in connection with, resulting from or arising out of, directly or indirectly:

(i) any breach or inaccuracy of any representation or warranty of any of Sellers as of the date of Closing (except that the accuracy of representations and warranties that speak as of the date of this Agreement or some other date will be determined as of such date) set forth in Sections 3.1 (Due Organization), 3.2 (Authorization; Validity), 3.3(a), (d) and (e) (No Conflicts), 3.4 (Title and Ownership), 3.6(a), (b) and (c) (Financial Statements), 3.19 (Taxes), and 3.24 (Student Loan Portfolio) of this Agreement;

(ii) any breach or inaccuracy which is to the Knowledge of Sellers or to the actual knowledge of Robert J. Grennes, Jr. and Lawrence Morgan (or their successors) after reasonable inquiry (which inquiry shall be completed as of the Closing) of the following representation: Each of Sellers and the Transferred Subsidiaries is and has been in compliance with, and has conducted its respective business and owned, used, operated and maintained its respective properties, rights and assets in full compliance (with respect to loan servicing) with the Higher Education Act, the False Claims Act and the Consumer Credit Protection Act, except where the failure to do so would not be reasonably likely to have a Material Adverse Effect.

(iii) any breach or nonfulfillment of any covenant or agreement on the part of any of Sellers, in this Agreement; or

(iv) the Retained Assets or the Excluded Liabilities; and

(b) any and all Damages incident to any of the foregoing or to the enforcement of this Section 9.1.

9.2 GENERAL INDEMNIFICATION BY BUYERS. Buyers covenants and agrees to indemnify, defend, protect and hold harmless Sellers and their officers, directors, employees, stockholders, assigns, successors and Affiliates (individually, a "SELLER INDEMNIFIED PARTY" and collectively, "SELLER INDEMNIFIED PARTIES") from and against:

(a) all Damages suffered, sustained, incurred or paid by the Sellers Indemnified Parties in connection with, resulting from or arising out of, directly or indirectly:

(i) any inaccuracy or breach of any representation or warranty of Buyers as of the date of this Agreement or as of the date of Closing (except that the accuracy of representations and warranties that speak as of the date of this Agreement or some other date will be determined as of such date) set forth in Sections 4.1 (Due Organization) 4.2 (Authorization; Validity), 4.4(a), (c) and (d) (No Conflicts), and 4.6 (SEC Reports and Financial Statements) of this Agreement; or

(ii) any breach or nonfulfillment of any covenant or agreement on the part of Buyers in this Agreement; or

(iii) the Assumed Liabilities or the Acquired Assets; and

(b) any and all Damages incident to any of the foregoing or to the enforcement of this Section 9.2.

9.3 LIMITATION. Notwithstanding the above:

(a) There shall be no liability for indemnification under Section 9.1 unless the aggregate amount of Damages exceeds $7,500,000 (the "SELLERS INDEMNIFICATION THRESHOLD"), at which time Sellers will be obligated to indemnify the Buyer Indemnified Parties with respect to

all such Damages in excess of the Sellers Indemnification Threshold; PROVIDED, HOWEVER, that Sellers Indemnification Threshold shall not apply to Damages described in Section 9.1(a)(iii) or 9.1(a)(iv) or to Damages described in Section 9.1(a)(i) that relate to Section 3.19 (Taxes), Section 5.4 (Certain Tax Matters), or claims for indemnification thereunder. In no event shall Sellers' aggregate liability in respect of indemnification claims pursuant to Sections 9.1(a) exceed $200 million; PROVIDED, HOWEVER, that no claims for indemnification relating to Section 3.19 (Taxes) or the Schedules thereto or Section 5.4 (Certain Tax Matters) or claims for indemnification thereunder shall be included in determining such $200 million limitation. To the extent that Buyers had Knowledge (which Sellers shall have the burden of proving in the event of any dispute) that Buyers or any party acting on their behalf were aware that Sellers' representations and warranties set forth in Section 3 of this Agreement were not true and correct in all material respects as of the date of closing, indemnification under this Section 9 for such representations and warranties for which Buyers had Knowledge shall not be available solely with respect to the specific claim under such representations or warranties which Buyers were aware were not true and correct.

(b) There shall be no liability for indemnification under Section 9.2 unless the aggregate amount of Damages exceeds $7,500,000 (the "BUYERS INDEMNIFICATION THRESHOLD"), at which time Buyers will be obligated to indemnify the Seller Indemnified Parties with respect to all such Damages in excess of the Buyers Indemnification Threshold; PROVIDED, HOWEVER, that the Buyers Indemnification Threshold shall not apply to Damages described in Section 9.2(a)(ii)or 9.2(a)(iii). In no event shall Buyers' aggregate liability in respect of indemnification claims pursuant to Section 9.2(a) exceed $200 million. To the extent that Sellers had Knowledge (which Buyers shall have the burden of proving in the event of any dispute) that Sellers or any party acting on their behalf were aware that Buyers' representations and warranties set forth in Section 4 of this Agreement were not true and correct in all material respects as of the date of closing, indemnification under this Section 9 for such representations and warranties for which Sellers had Knowledge shall not be available solely with respect to the specific claim under such representations or warranties which Sellers were aware were not true and correct.

(c) The representations, warranties and covenants referenced in Sections 9.1(a)(i) , (ii) and (iii) shall survive the Closing and expire on March 1, 2002. The representations and warranties and covenants referenced in Sections 9.2(a)(i) and (ii) shall survive the Closing and expire on March 1, 2002. Notwithstanding the foregoing, the representations and warranties, covenants and agreements of the Sellers referred to in Sections 9.1(a)(i), (ii) and (iii) that relate to Section 3.19 (Taxes) or under Section 5.4 (Certain Tax Matters) shall survive after the Effective Time and shall remain in full force and effect until the date that is two (2) months after the expiration of the last applicable federal or state statute of limitations (including extensions thereof).

9.4 INDEMNIFICATION PROCEDURES. Except as set forth in Section 5.4(e), all Claims for indemnification under this Section 9 shall be asserted and resolved as follows:

(a) In the event that any Person entitled to indemnification hereunder (the "INDEMNIFIED PARTY") has a Claim against any party obligated to provide indemnification

pursuant to Section 9.1 or 9.2 hereof (the "INDEMNIFYING PARTY") which does not involve a Claim being sought to be collected by a third party, the Indemnified Party shall with reasonable promptness send a Claim Notice with respect to such Claim to each Indemnifying Party. If the Indemnifying Party does not notify the Indemnified Party within thirty (30) days from receipt of the Claim Notice (the "NOTICE PERIOD") that the Indemnifying Party disputes such Claim, the amount of such Claim shall be conclusively deemed a liability of the Indemnifying Party hereunder. In case an objection is made in writing in accordance with this Section 9.4(a), the Indemnified Party shall have thirty (30) days to respond in a written statement to the objection. If after such thirty (30) day period there remains a dispute as to any Claims, the parties shall attempt in good faith for thirty (30) days to agree upon the rights of the respective parties with respect to each of such Claims. If the parties should so agree, a memorandum setting forth such agreement shall be prepared and signed by both parties.

(b) In the event that any Claim for which the Indemnifying Party would be liable to an Indemnified Party hereunder is asserted against an Indemnified Party by a third party, the Indemnified Party shall with reasonable promptness notify the Indemnifying Party of such Claim, specifying the nature of such claim and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such Claim) (the "CLAIM NOTICE"). The Indemnifying Party shall, within the Notice Period, notify the Indemnified Party (i) whether or not such Indemnifying Party disputes the liability to the Indemnified Party hereunder with respect to such Claim and (ii) if such Indemnifying Party does not dispute such liability, whether or not the Indemnifying Party desires, at the sole cost and expense of the Indemnifying Party, to defend against such Claim, provided that such Indemnifying Party is hereby authorized (but not obligated) prior to and during the Notice Period to file any motion, answer or other pleading and to take any other action which the Indemnifying Party shall deem necessary or appropriate to protect the Indemnifying Party's interests. In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that the Indemnifying Party does not dispute the Indemnifying Party's obligation to indemnify hereunder and desires to defend the Indemnified Party against such Claim and except as hereinafter provided, such Indemnifying Party shall have the right to defend by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by such party to a final conclusion, PROVIDED that, unless the Indemnified Party otherwise agrees in writing, the Indemnifying Party may not settle any matter (in whole or in part) unless such settlement includes a complete and unconditional release of the Indemnified Party. If the Indemnified Party desires to participate in, but not control, any such defense or settlement the Indemnified Party may do so at its sole cost and expense. If the Indemnifying Party elects not to defend the Indemnified Party against such Claim, whether by failure of such party to give the Indemnified Party timely notice as provided above or otherwise, then the Indemnified Party, without waiving any rights against such party, may settle or defend against any such Claim in the Indemnified Party's sole discretion and the Indemnified Party shall be entitled to recover from the Indemnifying Party the amount of any settlement or judgment and, on an ongoing basis, all Damages of the Indemnified Party with respect thereto, including interest from the date such Damages were incurred. All reasonable costs and expenses incurred by the Indemnified Party in so defending a Claim shall constitute Damages.

(c) If at any time, in the reasonable opinion of the Indemnified Party, any Claim described in Section 9.4(b) seeks material prospective relief which could have a materially adverse effect on the assets, liabilities, financial condition, results of operations or business prospects of any Indemnified Party or any Affiliate thereof, the Indemnified Party shall have the right to control or assume (as the case may be) the defense of any such Claim and the amount of any judgment or settlement and the reasonable costs and expenses of defense shall be included as part of the indemnification obligations of the Indemnifying Party hereunder. If the Indemnified Party should elect to exercise such right, the Indemnifying Party shall have the right to participate in, but not control, the defense of such claim or demand at the sole cost and expense of the Indemnifying Party.

(d) Nothing herein shall be deemed to prevent the Indemnified Party from making a claim, and an Indemnified Party may make a claim hereunder, for potential or contingent claims or demands provided the Claim Notice sets forth the specific basis for any such potential or contingent claim or demand to the extent then feasible and the Indemnified Party has reasonable grounds to believe that such a claim or demand may be made.

(e) The Indemnified Party's failure to give reasonably prompt notice as required by this Section 9.4 of any actual, threatened or possible Claim which may give rise to a right of indemnification hereunder shall not relieve the Indemnifying Party of any liability which the Indemnifying Party may have to the Indemnified Party except to the extent the failure to give such notice materially and adversely prejudiced the Indemnifying Party.

(f) The parties will make appropriate adjustments for any Tax benefits, Tax detriments or insurance proceeds in determining the amount of any indemnification obligation under Sections 5.4, 9.1 or 9.2.

9.5 REMEDIES. The remedies set forth in this Section 9 are cumulative and shall not be construed to restrict or otherwise affect any other remedies that may be available to the Indemnified Parties under any other agreement or pursuant to statutory or common law.

SECTION 10
MISCELLANEOUS

10.1 TERMINATION. This Agreement may be terminated at any time prior to the Closing Date solely:

(a) by mutual consent of Buyers and Sellers;

(b) by Sellers, on the one hand, or by Buyers, on the other hand, if the Closing shall not have occurred on or before January 31, 2001, provided that the right to terminate this Agreement under this Section 10.1(b) shall not be available to either party whose material

misrepresentation, inaccuracy, breach of warranty, default or failure to fulfill any covenant or obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date;

(c) by Sellers, on the one hand, or by Buyers, on the other hand, if there is or has been an inaccuracy, breach, failure to fulfill or default on the part of the other party of any of the representations and warranties contained herein (ignoring for those purposes any qualifications as to materiality or Material Adverse Effect) except for such inaccuracies, breaches, failures or defaults as would not, individually or in the aggregate, be reasonably likely to result in a Material Adverse Effect, or in the due and timely performance and satisfaction in all material respects of any of the covenants, agreements or conditions contained herein, and the curing of such default shall not have been made within thirty (30) days from receipt of the notice of such default or could not reasonably be expected to occur before the Closing Date;

(d) by Sellers or by Buyers if:

(i) any Governmental Authority of competent jurisdiction shall have issued any judgment, injunction, order or decree prohibiting, enjoining or otherwise restraining the transactions contemplated hereby and such judgment, injunction, order or decree shall have become final and nonappealable; PROVIDED, HOWEVER, that the party seeking to terminate this Agreement pursuant to this Section 10.1(d)(i) shall have used commercially reasonable efforts to remove such judgment, injunction, order or decree; or

(ii) any statute, rule, regulation or executive order promulgated or enacted by any Governmental Authority after the date of this Agreement which prohibits the consummation of the transactions contemplated hereby shall be in effect; or

(e) by Sellers pursuant to SECTION 5.1(D).

10.2 EFFECT OF TERMINATION. In the event of any termination of this Agreement pursuant to Section 10.1 hereof, this Agreement forthwith shall become void and of no further force or effect, and no party hereto (or any of its Affiliates, directors, trustees, executors, officers, agents or representatives) shall have any liability or obligation hereunder, except (a) in any case in accordance with the expense provisions of Section 10.7, the brokers and finders provision of Sections 10.6, the provisions of this Section 10.2, the provisions of Section 5.3 to the extent they relate to Confidential Information of Buyers, and the governing law and forum selection provisions of Section 10.10 and 10.11, respectively, each of which shall survive any such termination, (b) in any case to the extent such termination results from the breach of any covenant or a knowing misrepresentation or inaccuracy of any representations, warranties or covenants contained in this Agreement and (c) if the Agreement is terminated pursuant to Section 10.1(e), then Sellers will immediately pay to Buyers a termination fee equal to $18,000,000 in cash which shall be payable immediately upon termination of this Agreement. The agreement contained in this Section 10.2 is an integral part of the transaction and constitutes liquidated damages in the event of the occurrence of the circumstances specified in Section 10.1(e) above and is not a penalty.

10.3 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned without the prior written consent of the other parties hereto (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, heirs and legal representatives; provided, however, that Buyers may assign any or all of its rights, obligations or liabilities hereunder to any of its wholly-owned Affiliates, and provided further that Buyers may assign any or all of its rights and obligations under this Agreement to any party that merges with or acquires all or substantially all of the assets of Buyers.

10.4 ENTIRE AGREEMENT. This Agreement (which includes the Schedules hereto) and the agreements set forth in the exhibits attached hereto sets forth the entire understanding of the parties hereto with respect to the transactions contemplated hereby. It shall not be amended or modified except by a written instrument duly executed by each of the parties hereto. Any and all previous agreements and understandings between or among the parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement. Each of the Schedules to this Agreement is incorporated herein by this reference and expressly made a part hereof.

10.5 COUNTERPARTS. This Agreement may be executed in multiple counterparts and any party hereto may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

10.6 BROKERS AND AGENTS. Group represents and warrants to Buyers that it has employed Goldman, Sachs & Co. ("GOLDMAN SACHS") in connection with the transactions contemplated by this Agreement and agrees to indemnify Buyers against all Damages relating to or arising out of claims for fees or commission by Goldman Sachs. Other than Goldman Sachs and Bear Stearns & Co., Inc. with respect to Sellers and Salomon Smith Barney Inc. with respect to Buyers, Buyers and Sellers each represents and warrants to the other that it has not employed any broker, finder or agent in connection with the transactions contemplated by this Agreement and agrees to indemnify the other against all Damages relating to or arising out of claims for fees or commission of any broker, finder or agent employed or alleged to have been employed by such indemnifying party.

10.7 EXPENSES AND FEES. Except as provided in Section , 10.2 or as otherwise provided in this Agreement, Buyers will pay and be solely responsible for all of the fees, expenses and disbursements of Buyers and their agents, representatives, accountants and counsel incurred in connection with this Agreement and the transactions contemplated hereby, including without limitation negotiation, legal, travel, due diligence expenses. Except as otherwise provided, Sellers will pay and be solely responsible for all of the fees, expenses and disbursements of Sellers, and their agents, representatives, financial advisers, accountants and counsel incurred in connection with this Agreement and the transactions contemplated hereby, including without limitation negotiation, legal, travel, due diligence expenses.

10.8 SPECIFIC PERFORMANCE; REMEDIES. Each party hereto acknowledges that the other parties will be irreparably harmed and that there will be no adequate remedy at law for any violation by any of them of any of the covenants or agreements contained in this Agreement. It

is accordingly agreed that, in addition to any other remedies which may be available upon the breach of any such covenants or agreements, each party hereto shall have the right to obtain injunctive relief to restrain a breach or threatened breach of, or otherwise to obtain specific performance of, the other parties, covenants and agreements contained in this Agreement.

10.9 NOTICES. Any notice, request, claim, demand, waiver, consent, approval or other communication which is required or permitted hereunder shall be in writing and shall be deemed given if delivered personally or sent by telefax (with confirmation of receipt), by registered or certified mail, postage prepaid, or by recognized courier service, as follows:

If to Buyers to:

SLM Holding Corporation
11600 Sallie Mae Drive
Reston, VA 20193
Attn: Marianne M. Keler
(703) 810-5208 (phone)
(703) 810-7695 (telefax)

and a required copy to:

Wilmer, Cutler & Pickering
2445 M Street, N.W.
Washington D.C. 20037
Attn: Richard Cass
(202) 663-6000 (phone)
(202) 663-6363 (telefax)

If to Sellers to:

USA Group, Inc.
30 South Meridian Street
Indianapolis, IN 46204-3503
Attn: Edward R. Schmidt
(317) 951-5123 (phone
(317) 951-5007 (telefax)

with a required copy to:

Debevoise & Plimpton
875 Third Avenue
New York, New York 10022
(212) 909-6000 (phone)
(212) 909-6836 (telefax)
Attention: Franci J. Blassberg

or to such other address as the person to whom notice is to be given may have specified in a notice duly given to the sender as provided herein. Such notice, request, claim, demand, waiver, consent, approval or other communication shall be deemed to have been given as of the date so delivered, telefaxed, mailed or dispatched and, if given by any other means, shall be deemed given only when actually received by the addressees.

10.10 DISPUTE RESOLUTION. The Sellers on the one hand and the Buyers on the other hand shall appoint a representative to coordinate with the other party the implementation of this Agreement. If any dispute arises with respect to either party's performance hereunder, the representatives shall meet to attempt to resolve such dispute, either in person or by telephone, within two (2) Business Days after the written request of either representative. If the representatives are unable to resolve such dispute, the chief financial officers of SLM and Group shall meet, either in person or by telephone, within ten (10) Business Days after either representative provides written notice that the representatives have been unable to resolve such dispute.

10.11 GOVERNING LAW. This Agreement shall be governed by and construed, interpreted and enforced in accordance with the Laws of the State of Delaware without giving effect to the choice of law provisions thereof.

10.12 SELECTION OF A FORUM. EACH PARTY HERETO AGREES THAT IT SHALL BRING ANY ACTION OR PROCEEDING IN RESPECT OF ANY CLAIM ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTAINED IN OR CONTEMPLATED BY THIS AGREEMENT, WHETHER IN TORT OR CONTRACT OR AT LAW OR IN EQUITY, EXCLUSIVELY IN A FEDERAL OR STATE COURT LOCATED IN THE STATE OF DELAWARE (THE "CHOSEN COURT") AND (A) IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE CHOSEN COURT, (B) WAIVES ANY OBJECTION TO LAYING OF VENUE IN ANY SUCH ACTION OR PROCEEDING IN THE CHOSEN COURT, (C) WAIVES ANY OBJECTION THAT THE CHOSEN COURT ARE AN INCONVENIENT FORUM OR DO NOT HAVE JURISDICTION OVER ANY PARTY HERETO, AND (D) AGREES THAT SERVICE OF PROCESS UPON SUCH PARTY IN ANY SUCH ACTION OR PROCEEDING SHALL BE EFFECTIVE IF NOTICE IS GIVEN IN ACCORDANCE WITH THIS AGREEMENT.

10.13 SEVERABILITY. If any provision of this Agreement or the application thereof to any Person or circumstances is held invalid or unenforceable in any jurisdiction, the remainder hereof, and the application of such provision to such person or circumstances in any other jurisdiction, shall not be affected thereby, and to this end the provisions of this Agreement shall be severable.

10.14 ABSENCE OF THIRD PARTY BENEFICIARY RIGHTS. Other than Sections 5.2(b) and 5.3(k), no provision of this Agreement is intended, nor will be interpreted, to provide or to create any third party beneficiary rights or any other rights of any kind in any client, customer, Affiliate, stockholder, officer, director, employee, partner of any party hereto or any other Person, other than the parties hereto.

10.15 MUTUAL DRAFTING. This Agreement is the mutual product of the parties hereto, and each provision hereof has been subject to the mutual consultation, negotiation and agreement of each of the parties, and shall not be construed for or against any party hereto.

10.16 FURTHER REPRESENTATIONS. Each party to this Agreement acknowledges and represents that it has been represented by its own legal counsel in connection with the transactions contemplated by this Agreement, with the opportunity to seek advice as to its legal rights from such counsel. Each party further represents that it is being independently advised as to the tax consequences of the transactions contemplated by this Agreement and is not relying on any representation or statements made by the other party as to such tax consequences.

10.17 AMENDMENT; WAIVER. This Agreement may be amended by the parties hereto at any time prior to the Closing by execution of an instrument in writing signed on behalf of each of the parties hereto. Any extension or waiver by any party of any provision hereto shall be valid only if set forth in an instrument in writing signed on behalf of such party.

10.18 SCHEDULES. The disclosure of any item in any of the Schedules attached hereto shall not be deemed a disclosure with respect to any Schedules in which such item is not disclosed, unless such item is expressly incorporated by reference, and except to the extent the matters disclosed in one Schedule would clearly appear on their face to address matters disclosed in another Schedule.

10.19 DEFINITION OF AFFILIATE. For purposes of this Agreement, the term "AFFILIATE" means, with respect to any Person, (i) any Person that, directly or indirectly through one or more entities, controls or is controlled by, or is under common control with, such Person, or (ii) any director, officer, partner, member, manager or trustee of such Person or (iii) any Person who is an officer, director, partner, member, manager or trustee of any Person described in clauses (i) or (ii) of this sentence. As used herein, "controls," "control" and "controlled" means the possession, direct or indirect, of the power to direct the management and policies of a Person, whether through the ownership of 50% or more of the voting interests of such Person or otherwise.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Purchase Agreement as of the day and year first above written.

SLM HOLDING CORPORATION

By: _____
Name: Albert L. Lord
Title: Chief Executive Officer

HIJ CORPORATION

By: _____
Name: Albert L. Lord
Title: President

USA GROUP, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

USA GROUP LOAN SERVICES, INC.

By: _____
Name: _____
Title: _____

USA GROUP GUARANTEE SERVICES, INC.

By: _____
Name: _____
Title: _____

EXHIBITS

Exhibit 2.2(a)(iii)	Transitional Services Agreement
Exhibit 2.2(a)(iv)	Registration Rights Agreement
Exhibit 2.2(a)(v)	Grant Recommendation Agreement
Exhibit 2.2(a)(vi)	Name and Trademark License Agreement
Exhibit 2.2(a)(vii)	Amendment to Guarantee Services Agreement
Exhibits 2.2(a)(xii)	Non Compete Agreement
Exhibit 2.2(a)(xiv)	Sellers' Opinions of Counsel
Exhibit 2.2(b)(ix)	Buyers' Opinions of Counsel

SCHEDULES

SCHEDULE	NAMES
Schedule 1.1(j)	Name
Schedule 1.2	Retained Assets
Schedule 1.6	Allocation of Consideration
Schedule 3.0	Additional Persons with Knowledge
Schedule 3.3(b)	Conflicts
Schedule 3.3(d)	Government Consents
Schedule 3.4	Title and Ownership
Schedule 3.5	Subsidiaries
Schedule 3.6(a)	Financial Information (including for Group, Guarantee Services, Loan Services, Enterprises and SMS)
Schedule 3.6(c)	Combined Statements of Financial Position of Group and its Subsidiaries
Schedule 3.6(d)	Liabilities
Schedule 3.7	Material Permits
Schedule 3.8	Environmental Matters
Schedule 3.8(b)	Environmental Permits
Schedule 3.9(a)	Real Property
Schedule 3.9(b)	Exceptions Regarding Real Property
Schedule 3.10	Leases
Schedule 3.11(a)	Material Contracts
Schedule 3.11(c)	Exceptions to Material Contracts
Schedule 3.12	Insurance
Schedule 3.13(c)	Labor and Employment Matters
Schedule 3.14(b)	Employee Benefit Plans
Schedule 3.14(c)(iii)	Pension Plans
Schedule 3.14(c)(iv)	Matters Pending under the IRS's Employee Plans Compliance Resolutions System
Schedule 3.14(c)(v)	Acceleration of Company Plan or Company Benefit Arrangement
Schedule 3.16	Litigation
Schedule 3.17	Intellectual Property
Schedule 3.19(d)	Tax Extensions
Schedule 3.19(h)	Employee Payments
Schedule 3.19(k)	Tax Partnerships
Schedule 3.20	Absence of Changes
Schedule 3.23	Liability for Loan Servicing
Schedule 3.24(b)	Loan Liens
Schedule 3.24(f)	Credit and Collection Policies

Schedule 3.24(i)	Borrower Benefit Programs
Schedule 4.4	No Conflicts
Schedule 4.5	Capitalization
Schedule 4.8	Absence of Certain Charges
Schedule 4.9	Absence of Undisclosed Liabilities
Schedule 4.11(a)	Material Buyer Contracts
Schedule 4.11(c)	Buyer Registration Rights Agreements
Schedule 4.12	Litigation
Schedule 5.2(b)(i)	Names of Executive Vice Presidents
Schedule 5.3(k)(i)	Non-Transferred Employees
Schedule 5.3(k)(viii)	Equivalent Benefits
Schedule 5.3(k)(xii)	Options
Schedule 6.2	Government Consents and Approvals
Schedule 6.3	Individual Subject to Employment Agreement

LOCATION OF

DEFINED TERMS