

ANNUAL FINANCIAL INFORMATION DATED AS OF MARCH 19, 2009 SUBMITTED BY THE KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION PURSUANT TO RULE 15c2-12 UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND TO THE CONTINUING DISCLOSURE AGREEMENT DATED: (I.) MAY 15, 1997, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, SERIES 1997-A-1 (CUSIP: 491303HX4), SERIES 1997-A-2 (CUSIP: 491303HY2) AND SERIES 1997-B (CUSIP: 491303HZ9); AND (II.) SEPTEMBER 18, 1998, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, SERIES 1998A-1 (CUSIP: 49130NAA7), SERIES 1998A-2 (CUSIP: 49130NAB5), AND SERIES 1998B (CUSIP: 49130NAC3) AND (III.) JUNE 30, 1999, RELATIVE TO ITS REVENUE BONDS, SERIES 1999A (CUSIP: 49130NAD1) AND SERIES 1999B (CUSIP: 49130NAE9); AND (IV.) MAY 4, 2000, RELATIVE TO ITS REVENUE BONDS, SERIES 2000A-1 (CUSIP: 49130NAF6), SERIES 2000A-2 (CUSIP: 49130NAG4), SERIES 2000A-3 (CUSIP: 49130NAH2), AND SERIES 2000B (CUSIP: 49130NAJ8) AND (V.) JULY 20, 2001, RELATIVE TO ITS REVENUE BONDS, SERIES 2001A-1 (CUSIP: 49130NAK5), SERIES 2001A-2 (CUSIP: 49130NAL3), AND SERIES 2001B (CUSIP: 49130NAM1), AND (VI.) AUGUST 6, 2002, RELATIVE TO ITS REVENUE BONDS, SERIES 2002 A-1 (CUSIP:49130NAN9), SERIES 2002 A-2 (CUSIP: 49130NAP4), SERIES 2002 A-3 (CUSIP:49130NAQ2), (VII) MAY 14, 2003, RELATIVE TO ITS REVENUE BONDS, SERIES 2003 A-1 (CUSIP:49130NAS8), SERIES 2003 A-2 (CUSIP:49130NAT6).

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION

- I. \$45,250,000 Student Loan Revenue Bonds, Senior Series 1997-A-1
 \$45,200,000 Student Loan Revenue Bonds, Senior Series 1997-A-2
 \$44,550,000 Student Loan Revenue Bonds, Subordinate Series 1997-B**

**Official Statement dated May 9, 1997
Bond Delivery Date: May 15, 1997**

- II. \$36,400,000 Student Loan Revenue Bonds, Senior Series 1998A-1
 \$36,400,000 Student Loan Revenue Bonds, Senior Series 1998A-2
 \$42,200,000 Student Loan Revenue Bonds, Senior Series 1998B**

**Official Statement dated September 9, 1998
Bond Delivery Date: September 18, 1998**

- III. \$51,350,000 Student Loan Revenue Bonds, Senior Series 1999A
 \$23,650,000 Student Loan Revenue Bonds, Senior Series 1999B**

**Official Statement dated June 23, 1999
Bond Delivery Date: June 30, 1999**

- IV. \$42,100,000 Student Loan Revenue Bonds, Senior Series 2000A-1
 \$42,100,000 Student Loan Revenue Bonds, Senior Series 2000A-2
 \$42,050,000 Student Loan Revenue Bonds, Senior Series 2000A-3
 \$23,750,000 Student Loan Revenue Bonds, Senior Series 2000B**

**Official Statement dated April 28, 2000
Bond Delivery Date: May 4, 2000**

- V. **\$59,850,000 Taxable Student Loan Revenue Bonds, Senior Series 2001A-1**
\$59,850,000 Taxable Student Loan Revenue Bonds, Senior Series 2001A-2
\$30,300,000 Student Loan Revenue Bonds, Subordinate Series 2001B

Official Statement dated July 20, 2001
Bond Delivery Date: July 27, 2001

- VI. **\$55,450,000 Taxable Student Loan Revenue Bonds, Senior Series 2002A-1**
\$55,450,000 Taxable Student Loan Revenue Bonds, Senior Series 2002A-2
\$39,100,000 Student Loan Revenue Bonds, Subordinate Series 2002A-3

Official Statement dated August 6, 2002
Bond Delivery Date: August 7, 2002

- VII. **\$63,700,000 Student Loan Revenue Bonds, Senior Series 2003A-1**
\$16,950,000 Student Loan Revenue Bonds, Senior Series 2003A-2

Official Statement dated May 14, 2003
Bond Delivery Date: May 20, 2003

I. ANNUAL FINANCIAL INFORMATION

Outstanding Student Loan Revenue Bonds

The following chart sets forth the outstanding Student Loan Revenue Bonds. The Corporation has no other outstanding borrowings other than as described below.

| <u>Series Designation</u> | <u>Original Amount Outstanding</u> | <u>Amount Outstanding as of December 31, 2008</u> |
|---------------------------|------------------------------------|---|
| Senior Series 1997-A-1 | \$ 45,250,000 | \$ 45,250,000 |
| Senior Series 1997-A-2 | 45,200,000 | 45,200,000 |
| Subordinate Series 1997-B | 44,550,000 | 44,550,000 |
| Senior Series 1998A-1 | 36,400,000 | 36,400,000 |
| Senior Series 1998A-2 | 36,400,000 | 36,400,000 |
| Senior Series 1998B | 42,200,000 | 42,200,000 |
| Senior Series 1999A | 51,350,000 | 51,350,000 |
| Senior Series 1999B | 23,650,000 | 23,650,000 |
| Senior Series 2000A-1 | 42,100,000 | 42,100,000 |
| Senior Series 2000A-2 | 42,100,000 | 42,100,000 |
| Senior Series 2000A-3 | 42,050,000 | 42,050,000 |
| Senior Series 2000B | 23,750,000 | 23,750,000 |
| Senior Series 2001A-1 | 59,850,000 | 53,600,000 |
| Senior Series 2001A-2 | 59,850,000 | 57,850,000 |
| Subordinate Series 2001B | 30,300,000 | 30,300,000 |
| Senior Series 2002A-1 | 55,450,000 | 52,750,000 |
| Senior Series 2002A-2 | 55,450,000 | 55,450,000 |
| Senior Series 2002A-3 | 39,100,000 | 39,100,000 |
| Senior Series 2003A-1 | 63,700,000 | 63,700,000 |
| Senior Series 2003A-2 | 16,950,000 | 16,950,000 |
| Total | <u>\$ 855,650,000</u> | <u>\$ 844,700,000</u> |

The Corporation has from time to time also issued other Student Loan Revenue Bonds. The Corporation's Student Loan Revenue Bonds are secured by three different trust estates that are separate and apart from the trust estate created by this General Bond Resolution. As of December 31, 2008, the outstanding aggregate principal amount for each of these estates was \$1,060,100,000, \$300,000,000, and \$50,000,000 respectively.

The Corporation also has an outstanding note payable with JP Morgan Chase Bank. At December 31, 2008, there was \$47,000,000 outstanding. The note will be paid in three scheduled installments as follows: \$15,700,000 at January 30, \$15,700,000 at February 27, and \$15,600,000 at March 31.

In addition, the Corporation has entered into two line of credit agreements with PNC Bank. The agreements provide for a commitment amount not to exceed \$55 million. At December 31, 2008, there was \$17,368,128.41 outstanding.

The Corporation's Present Portfolio of Student Loans Held Under the General Bond Resolution

The following are summaries, as of December 31, 2008, of all Student Loans held under the General Bond Resolution.

| <u>Loan Type*</u> | <u>Outstanding Principal</u> | <u>Percent of Total</u> |
|-------------------|----------------------------------|-----------------------------|
| Stafford and FISL | \$428,119,476 | 53% |
| PLUS and SLS | 17,728,984 | 2% |
| Consolidation | <u>369,010,008</u> | <u>45%</u> |
| Total | <u>\$814,858,468</u> | <u>100%</u> |

| <u>Status*</u> | | |
|--|----------------------|-------------|
| Interim (includes loans in school and grace) | \$133,175,205 | 16% |
| Deferment | 149,565,511 | 18% |
| Repayment | <u>532,117,752</u> | <u>66%</u> |
| Total | <u>\$814,858,468</u> | <u>100%</u> |

| <u>School Type*</u> | | |
|---|----------------------|-------------|
| Four-Year Public | \$230,520,460 | 28% |
| Four-Year Private | 92,296,082 | 12% |
| Two-Year Public and Private | 40,938,594 | 5% |
| Out-of-State Public and Private | 31,635,018 | 4% |
| Proprietary | 50,458,306 | 6% |
| Consolidation Loans (not classified by school type) | <u>369,010,008</u> | <u>45%</u> |
| Total | <u>\$814,858,468</u> | <u>100%</u> |

As of December 31, 2008, \$0 held under the General Bond Resolution was available to finance Student Loans.

*The Corporation has established certain allowances for losses on Student Loans which are reflected in its financial statements but not in the preceding summaries.

**Kentucky Higher Education Assistance Authority
Present Student Loan Guarantees**

The following table summarizes the student loans guaranteed by the Authority (and reinsured by the Secretary) and the aggregate outstanding guarantee commitment for the periods indicated. The Coverage Ratio set forth below is determined by dividing funds available in the Loan Insurance Fund by the principal amount of the aggregate outstanding guarantee commitment.

| <u>Fiscal Year Ended June 30</u> | <u>Annual Principal Amount of Loans Guaranteed</u> | <u>Aggregate Principal Guarantee Commitment</u> | <u>Coverage Ratio</u> | <u>Claims Rate*</u> |
|--|--|---|---------------------------|-------------------------|
| 2004 | 960,906,210 | 2,908,356,000 | .44% | 1.68% |
| 2005 | 1,197,075,689 | 3,338,746,000 | .25% | 2.18% |
| 2006 | 1,382,055,617 | 3,619,085,511 | .21% | 2.33% |
| 2007 | 1,338,171,232 | 3,931,562,000 | .26% | 2.84% |
| 2008 | 1,263,967,855 | 4,875,636,858 | .27% | 3.95% |

*At federal fiscal year ending September 30.

II. FINANCIAL STATEMENTS

Audited financial statements of the Corporation and of the Authority for the fiscal year ending June 30, 2008, respectively, are submitted herewith.