

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.) AUGUST 12, 2004, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, SERIES 2004-A-1 (CUSIP: 49130NAU3), SERIES 2004-A-2 (CUSIP: 49130NAV1), SERIES 2004-A-3 (CUSIP: 49130NAW9), SERIES 2004-A-4 (CUSIP: 49130NAX7), SERIES 2004-A-5 (CUSIP: 49130NAY5) AND SERIES 2004-B-1 (CUSIP: 49130NAZ2); AND (II.) DECEMBER 16, 2004, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, SERIES 2004A-6 (CUSIP: 49130NBA6); AND (III.) SEPTEMBER 9, 2005, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, SERIES 2005A-1 (CUSIP: 49130NBB4), SERIES 2005A-2 (CUSIP: 49130NBC2), SERIES 2005A-3 (CUSIP: 49130NBD0), SERIES 2005B-1 (CUSIP: 49130NB7); AND (IV.) OCTOBER 20, 2005, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, SERIES 2005A-4 (CUSIP: 49130NBE8), SERIES 2005A-5 (CUSIP: 49130NBF5); AND (V.) DECEMBER 22, 2005, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, SERIES 2005A-6 (CUSIP: 49130NBG3), SERIES 2005A-7 (CUSIP: 49130NBH1); AND (VI.) AUGUST 17, 2006, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, SERIES 2006A-1 (CUSIP: 49130NBK4), SERIES 2006A-2 (CUSIP: 49130NBL2), SERIES 2006B-1 (CUSIP: 49130NBQ1); AND (VII.) SEPTEMBER 19, 2006, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, SERIES 2006A-3 (CUSIP: 49130NBM0); AND (VIII.) DECEMBER 7, 2006, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, SERIES 2006A-5 (CUSIP: 49130NBP3); AND (IX) JANUARY 4, 2007, RELATIVE TO ITS STUDENT LOAN REVENUE BONDS, 2006A-4 (CUSIP: 49130NBN8).

**KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION**

- I.     \$18,850,000 Student Loan Revenue Bonds, Senior Series 2004-A-1**  
**\$57,550,000 Student Loan Revenue Bonds, Senior Series 2004-A-2**  
**\$57,600,000 Student Loan Revenue Bonds, Senior Series 2004-A-3**  
**\$57,600,000 Student Loan Revenue Bonds, Senior Series 2004-A-4**  
**\$72,400,000 Student Loan Revenue Bonds, Senior Series 2004-A-5**  
**\$11,000,000 Student Loan Revenue Bonds, Subordinate Series 2004-B-1**

**Official Statement dated August 11, 2004**  
**Bond Delivery Date: August 12, 2004**

- II.    \$75,000,000 Student Loan Revenue Bonds, Senior Series 2004-A-6**

**Official Statement dated December 14, 2004**  
**Bond Delivery Date: December 16, 2004**

- III.   \$80,000,000 Student Loan Revenue Bonds, Senior Series 2005A-1**  
**\$45,000,000 Student Loan Revenue Bonds, Senior Series 2005A-2**  
**\$45,000,000 Student Loan Revenue Bonds, Senior Series 2005A-3**  
**\$20,000,000 Student Loan Revenue Bonds, Subordinate Series 2005B-1**

**Official Statement dated August 26, 2005**  
**Bond Delivery Date: September 9, 2005**

- IV. \$70,000,000 Student Loan Revenue Bonds, Senior Series 2005A-4  
\$50,000,000 Student Loan Revenue Bonds, Senior Series 2005A-5**
- Official Statement dated August 26, 2005  
Bond Delivery Date: October 20, 2005**
- V. \$40,000,000 Student Loan Revenue Bonds, Senior Series 2005A-6  
\$50,000,000 Student Loan Revenue Bonds, Senior Series 2005A-7**
- Official Statement dated August 26, 2005  
Bond Delivery Date: December 22, 2005**
- VI. \$28,175,000 Student Loan Revenue Bonds, Senior Series 2006A-1  
\$42,825,000 Student Loan Revenue Bonds, Senior Series 2006A-2  
\$29,000,000 Student Loan Revenue Bonds, Subordinate Series 2006B-1**
- Official Statement dated August 7, 2006  
Bond Delivery Date: August 17, 2006**
- VII. \$100,000,000 Student Loan Revenue Bonds, Senior Series 2006-A-3**
- Official Statement dated August 7, 2006  
Bond Delivery Date: September 19, 2006**
- VIII. \$90,000,000 Student Loan Revenue Bonds, Senior Series 2006-A-5**
- Official Statement dated August 7, 2006  
Bond Delivery Date: December 7, 2006**
- IX. \$60,000,000 Student Loan Revenue Bonds, Senior Series 2006-A-4**
- Official Statement dated August 7, 2006  
Bond Delivery Date: January 4, 2007**

## 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 2004-A-1	\$ 18,850,000	\$ 0
Senior Series 2004-A-2	57,550,000	51,250,000
Senior Series 2005-A-3	57,600,000	57,600,000
Senior Series 2004-A-4	57,600,000	50,600,000
Senior Series 2004-A-5	72,400,000	72,400,000
Senior Series 2004-A-6	75,000,000	75,000,000
Subordinate Series 2004B-1	1,000,000	1,000,000
Senior Series 2005-A-1	80,000,000	72,250,000
Senior Series 2005-A-2	45,000,000	45,000,000
Senior Series 2005-A-3	45,000,000	45,000,000
Senior Series 2005-A-4	70,000,000	70,000,000
Senior Series 2005-A-5	50,000,000	50,000,000
Senior Series 2005-A-6	40,000,000	40,000,000
Senior Series 2005-A-7	50,000,000	50,000,000
Subordinate Series 2005B-1	20,000,000	20,000,000
Senior Series 2006A-1	28,175,000	28,175,000
Senior Series 2006A-2	42,825,000	42,825,000
Senior Series 2006A-3	100,000,000	100,000,000
Senior Series 2006A-4	60,000,000	60,000,000
Senior Series 2006A-5	90,000,000	90,000,000
Subordinate Series 2006B-1	29,000,000	29,000,000
Total	<u>\$ 1,100,000,000</u>	<u>\$ 1,060,100,000</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 \$844,700,000, \$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	\$ 721,673,024	75%
PLUS and SLS	19,736,404	2%
Consolidation/ Other	<u>221,877,984</u>	<u>23%</u>
Total	<u>\$ 963,287,412</u>	<u>100%</u>

<u>Status*</u>		
Interim (includes loans in school and grace)	\$ 349,858,170	36%
Deferment	146,082,039	15%
Repayment	<u>467,347,203</u>	<u>49%</u>
Total	<u>\$ 963,287,412</u>	<u>100%</u>

<u>School Type*</u>		
Four-Year Public	\$ 265,423,973	28%
Four-Year Private	152,758,184	16%
Two-Year Public and Private	185,380,143	19%
Out-of-State Public and Private	53,844,904	5%
Proprietary	83,998,924	9%
Consolidation /Other (not classified by school type)	<u>221,877,984</u>	<u>23%</u>
Total	<u>\$ 963,287,412</u>	<u>100%</u>

In addition, as of December 31, 2008, \$16,299,685 held under the General Bond Resolution was available to finance Student Loans.

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\*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.

**I. FINANCIAL STATEMENTS**

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