SLM CORP
Form PRER14A
June 27, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(A) of the Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
þ Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

SLM CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
o No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

12061 Bluemont Way
Reston, Virginia 20190

[ ], 2007

Dear Stockholder:

The board of directors of SLM Corporation, acting upon the unanimous recommendation of the transaction committee of the board of directors, has approved a merger agreement providing for the acquisition of SLM Corporation by Mustang Holding Company Inc., an entity owned by an investor group consisting of affiliates of J.C. Flowers & Co. LLC and each of JPMorgan Chase Bank, N.A. and Bank of America, N.A. If the merger contemplated by the merger agreement is completed, you will be entitled to receive $60.00 in cash, without interest and less any applicable withholding taxes, in exchange for each share of common stock owned by you at the effective time of the merger (unless you have exercised your appraisal rights with respect to the merger).

At a special meeting of our stockholders, you will be asked to vote on a proposal to approve and adopt the merger agreement. The special meeting will be held on [ ], 2007 at [ ] local time, at [ ]. Notice of the special meeting and the related proxy statement are enclosed.

The accompanying proxy statement provides you with detailed information about the special meeting, the merger agreement and the merger. A copy of the merger agreement is attached as Annex A to the proxy statement. We encourage you to read the entire proxy statement and the merger agreement carefully. You may also obtain more information about SLM Corporation from documents we have filed with the Securities and Exchange Commission.

Our board of directors has determined that the merger is fair to and in the best interests of SLM Corporation and its stockholders and recommends that you vote FOR the approval and adoption of the merger agreement. This recommendation is based, in part, upon the unanimous recommendation of the transaction committee of the board of directors consisting of four independent directors.

Your vote is very important. We cannot complete the merger unless a majority of the votes entitled to be cast by the holders of the outstanding shares of common stock are cast in favor of the approval and adoption of the merger agreement. **The failure of any stockholder to vote on the proposal to approve and adopt the merger agreement will have the same effect as a vote against the approval and adoption of the merger agreement.**

Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying reply envelope, or submit your proxy by telephone or the Internet. If you have Internet access, we encourage you to record your vote via the Internet. If you attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted.

Thank you in advance for your cooperation and continued support.

Sincerely,

Albert L. Lord
Chairman of the Board

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The proxy statement is dated [ ], 2007, and is first being mailed to stockholders on or about [ ], 2007.

12061 Bluemont Way
Reston, Virginia 20190

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On [ ], 2007

[ ], 2007

Dear Stockholder:

A special meeting of stockholders of SLM Corporation, a Delaware corporation, will be held on [ ], 2007 at [ ] local time, at [ ], for the following purposes:

1. To consider and vote on a proposal to approve and adopt the Agreement and Plan of Merger, dated as of April 15, 2007, by and among SLM Corporation, Mustang Holding Company Inc., a Delaware corporation and Mustang Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Mustang Holding Company Inc. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement. Pursuant to the terms of the merger agreement, Mustang Merger Sub, Inc. will merge with and into SLM Corporation and each outstanding share of SLM Corporation s common stock, par value $0.20 per share (other than shares held by the SLM Corporation as treasury stock or owned by Mustang Holding Company Inc. or Mustang Merger Sub, Inc. and shares held by stockholders, if any, who have properly demanded statutory appraisal rights), will be converted into the right to receive $60.00 in cash, without interest and less any applicable withholding taxes.

2. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to approve and adopt the merger agreement.

Only stockholders of record on [ ] are entitled to notice of and to vote at the special meeting or at any adjournment or postponement of the special meeting. All stockholders of record are cordially invited to attend the special meeting in person.

The approval and adoption of the merger agreement requires the affirmative vote of a majority of the votes entitled to be cast by the holders of SLM Corporation s common stock. Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy or submit your proxy by telephone or the Internet prior to the special meeting to ensure that your shares will be represented at the special meeting if you are unable to attend. **If you have Internet access, we encourage you to record your vote via the Internet.** If you fail to return your proxy card or fail to submit your proxy by telephone or the Internet, your shares will not be counted for purposes of determining whether a quorum is present at the meeting and will have the same effect as a vote against the approval and adoption of the merger agreement, but will not affect the outcome of the vote regarding the adjournment proposal, if necessary. If you are a stockholder of record, voting in person at the meeting will revoke any proxy previously submitted. If you hold your shares through a bank, broker or other custodian, you must obtain a legal proxy from such custodian in order to vote in person at the meeting.

If your shares are held by a bank or broker, please bring to the special meeting your statement evidencing your beneficial ownership of SLM Corporation common stock and photo identification.

Stockholders of SLM Corporation who do not vote in favor of the approval and adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares of common stock if they deliver a demand for appraisal before the vote is taken on the merger agreement and comply with all requirements of Delaware law, which are

summarized in the accompanying proxy statement.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY IN THE ACCOMPANYING REPLY ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET. IF YOU HAVE INTERNET ACCESS, WE ENCOURAGE YOU TO RECORD YOUR VOTE VIA THE INTERNET. STOCKHOLDERS WHO ATTEND THE MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON.

Mary F. Eure
Corporate Secretary

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SUMMARY

The following summary highlights selected information in this proxy statement and may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that topic. See Where You Can Find More Information beginning on page [ ].

The Parties to the Merger (Page [ ])

SLM Corporation, a Delaware corporation, which we refer to as the Company, is the nation s leading provider of saving-and paying-for-college programs. The Company originates education loans and serves nearly 10 million student and parent customers. The Company and its subsidiaries offer debt management services as well as business and technical products to a range of business clients, including higher education institutions, student loan guarantors and state and federal agencies.

Mustang Holding Company Inc., which we refer to as Parent, is a newly formed Delaware corporation. Parent was formed solely for the purpose of effecting the merger and the transactions related to the merger. Parent has not engaged in any business except activities incidental to its formation and in connection with the transactions contemplated by the Agreement and Plan of Merger, dated as of April 15, 2007, by and among the Company, Parent and Mustang Merger Sub, Inc., which we refer to as the merger agreement. Following completion of the merger, Parent will be owned 50.2% by investment vehicles affiliated with J.C. Flowers & Co. LLC, which we refer to as J.C. Flowers, and 24.9% by each of JPMorgan Chase Bank, N.A., which we refer to as JPMorgan Chase, and Bank of America, N.A., which we refer to as Bank of America. We refer to each of J.C. Flowers, JPMorgan Chase and Bank of America as an Investor and collectively as the Investor Group.

Mustang Merger Sub, Inc., which we refer to as Merger Sub, is a newly formed Delaware corporation and a wholly owned subsidiary of Parent that was formed solely for the purpose of completing the merger. Merger Sub has not engaged in any business except activities incidental to its organization and in connection with the transactions contemplated by the merger agreement.

The Merger (Page [ ])

The merger agreement provides that Merger Sub will merge with and into the Company at the effective time of the merger, which we refer to as the merger. The Company will be the surviving corporation in the merger and following the merger will continue to do business as SLM Corporation or Sallie Mae . We refer to the Company after the completion of the merger as the surviving corporation. In the merger, each outstanding share of the Company s common stock, par value $0.20 per share (other than shares held by the Company as treasury stock or owned by Parent or Merger Sub and shares held by stockholders who have properly demanded statutory appraisal rights), will be converted into the right to receive $60.00 in cash, without interest and less any applicable withholding taxes, which we refer to in this proxy statement as the merger consideration. Prior to completion of the merger, the Company will not pay dividends on the Company s common stock.

Effects of the Merger (Page [ ])

If the merger is completed, you will be entitled to receive $60.00 in cash, without interest and less any applicable withholding taxes, for each share of the Company s common stock owned by you, unless you have exercised your

statutory appraisal rights with respect to the merger. As a result of the merger, the Company will cease to be a publicly traded company. You will not own any shares of the surviving corporation.

The Special Meeting (Page [ ])

Time, Place and Date

The special meeting will be held on [ ], 2007 at [ ] local time, at [ ].

Purpose

At the special meeting, you will be asked to consider and vote upon the approval and adoption of the merger agreement, pursuant to which Merger Sub will merge with and into the Company.

Record Date and Quorum

You are entitled to vote at the special meeting if you owned shares of the Company s common stock at the close of business on [ ], 2007, the record date for the special meeting. You will have one vote for each share of the Company s common stock that you owned on the record date. As of the record date there were [ ] shares of the Company s common stock outstanding and entitled to vote. A majority of the total voting power of the Company s common stock issued, outstanding and entitled to vote at the special meeting constitutes a quorum for the purpose of considering the proposals.

Vote Required

The approval and adoption of the merger agreement requires the affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of the Company s common stock. Approval of the proposal to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional proxies requires the affirmative vote of a majority of the Company s common stock represented in person or by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is present.

Common Stock Ownership of Directors and Executive Officers

As of the record date, the directors and executive officers of the Company held less than [ ]% in the aggregate of the shares of the Company s common stock entitled to vote at the special meeting. All of our directors and executive officers have advised the Company that they plan to vote all of their shares in favor of the approval and adoption of the merger agreement.

Voting and Proxies

Any stockholder of record entitled to vote at the special meeting may submit a proxy by telephone, the Internet, returning the enclosed proxy card by mail or voting in person by appearing at the special meeting. If your shares of the Company s common stock are held in street name by your broker, you should instruct your broker on how to vote your shares of the Company s common stock using the instructions provided by your broker. If you do not provide your broker with instructions, your shares of the Company s common stock will not be voted and that will have the same effect as a vote **AGAINST** the approval and adoption of the merger agreement. The persons named in the accompanying proxy will also have discretionary authority to vote on any adjournments or postponements of the special meeting.

Revocability of Proxy

Any stockholder of record who executes and returns a proxy card (or submits a proxy via telephone or the Internet) may revoke the proxy at any time before it is voted at the special meeting in any one of the following ways:

- if you hold your shares in your name as a stockholder of record, by notifying our Secretary, Mary F. Eure, in writing, at 12061 Bluemont Way, Reston, Virginia 20190;

by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);

by submitting a later-dated proxy card;

if you voted by telephone or the Internet, by voting a second time by telephone or Internet; or

if you have instructed a broker, bank or other nominee to vote your shares of the Company s common stock, by following the directions received from your broker, bank or other nominee to change those instructions.

Treatment of Options and Other Awards (Page [ ])

Stock Options. Upon the completion of the merger, each outstanding option to acquire the Company s common stock granted under our equity incentive plans, whether or not vested, that remains outstanding as of the closing of the merger will be cancelled and converted into the right to receive a cash payment equal to the number of shares of the Company s common stock underlying the option multiplied by the amount (if any) by which $60.00 exceeds the applicable exercise price of the option, less any applicable withholding taxes.

Restricted Stock Units. Upon the completion of the merger, all restricted stock units, whether or not vested, will be cancelled and converted into the right to receive a cash payment equal to the number of shares of the Company s common stock underlying the restricted stock units multiplied by $60.00, less any applicable withholding taxes.

Deferred Stock Units. Upon the completion of the merger, all amounts held in participant accounts under the deferred compensation plans that are denominated in the Company s common stock will be converted into the right to receive a cash payment equal to the number of shares of the Company s common stock deemed held in such accounts multiplied by $60.00. This obligation will be payable or distributable in accordance with the terms of our deferred compensation plans, as amended to comply with Section 409A of the Internal Revenue Code.

Restricted Stock. Upon the completion of the merger, each share of restricted stock, whether or not vested, will be cancelled and converted into the right to receive a cash payment equal to the number of shares of the Company s common stock represented by the share of restricted stock multiplied by $60.00, less any applicable withholding taxes.

Employee Stock Purchase Plan. The Company has taken all action necessary to cause our Employee Stock Purchase Plan to be suspended as of the end of April 2007. The Company has caused the then current offering periods to end and such periods are the final offering periods under the plan. Upon completion of the merger, the Employee Stock Purchase Plan will be terminated.

Recommendation of the Transaction Committee and Our Board of Directors (Page [ ])

Transaction Committee. The transaction committee is a committee of independent members of our board of directors that was formed on February 7, 2007, for the purpose of evaluating strategic alternatives of the Company. The transaction committee unanimously determined that the merger is advisable and that it is in the best interests of the Company and its stockholders to effect the transactions contemplated by the merger agreement and unanimously recommended that the board of directors (i) authorize and approve entry by the Company into the merger agreement and the transactions contemplated thereby and (ii) recommend the approval and adoption of the merger agreement and the merger by the Company s stockholders. For a discussion of the material factors considered by the transaction committee in reaching its conclusions, see The Merger Reasons for the Merger; Recommendation of the Transaction Committee and Our Board of Directors beginning on page [ ].

Board of Directors. The board of directors, acting upon the unanimous recommendation of the transaction committee, (i) determined that the merger agreement and the merger are fair to and in the best interests of the Company and its stockholders and declared the merger to be advisable, (ii) approved the execution, delivery and performance of the merger agreement and the completion of the transactions contemplated thereby, including the merger, and (iii) resolved to recommend that the stockholders approve the adoption of the merger agreement and directed that such matter be submitted to the stockholders for their approval. The board of directors recommends that

stockholders vote **FOR** the approval and adoption of the merger agreement and **FOR** the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

If the board of directors withdraws or modifies, in a manner adverse to Parent, its recommendation that the stockholders approve and adopt the merger agreement, Parent may terminate the merger agreement and the Company would be required to pay Parent a $900 million fee upon such termination by Parent.

Interests of the Company s Directors and Executive Officers in the Merger (Page [ ])

In considering the recommendation of the board of directors, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, your interests as a stockholder, that may present actual or potential conflicts of interest.

All unvested options and restricted and performance shares will vest in connection with the merger. The Company s directors will receive an aggregate of $312,306,183 in respect of vested and unvested options as follows: Bates $7,114,311; Daley $10,160,011; Diefenderfer $4,737,178; Gilleland $4,595,391; Goode $3,350,189; Hunt $4,532,269; Lambert $7,280,313; Lord $224,920,802; Munitz $609,509; Porter $25,193,904; Schoellkopf $3,874,610; Shapiro $9,983,250; and Williams $5,954,446.

The Company s executive officers will receive an aggregate of $56,972,302 in respect of their vested options, unvested options and restricted and performance shares as follows: Andrews $16,116,200; Autor $16,022,128; Lavet $9,730,101; Masino $666,165; McCormack $8,975,958; and Moehn $5,461,750.

In the event that there are certain terminations of employment following the merger, the executive officers would receive the following approximate severance payments: Andrews $2,250,000; Autor $1,600,000; Lavet $1,360,000; Masino $698,800; McCormack $2,050,000; and Moehn $1,825,000, and will be subject to two-year non-competition and non-solicitation restrictions. The executives are also entitled to tax-equalization payments in the event the executive becomes subject to excise tax under Section 4999 of the Code.

In accordance with terms of the merger agreement, the officers of the Company at the effective time of the merger shall be the officers of the surviving corporation until such time as their successors are appointed. Currently, our executive officers do not have employment agreements and we are unaware of any change in their benefits that will occur after the effective time of the merger. See The Merger Interests of Certain Persons in the Merger .

Opinions of Financial Advisors (Page [ ])

In connection with the merger, the transaction committee s financial advisors, UBS Securities LLC, which we refer to as UBS, and Greenhill & Co., LLC, which we refer to as Greenhill, each separately delivered to the transaction committee and the board of directors a written opinion, each dated April 15, 2007, as to the fairness, from a financial point of view and as of the date of such opinion, of the merger consideration to be received by the holders of the Company s common stock (other than, in the case of UBS opinion, Parent, holders of beneficial interests in Parent and their respective affiliates to the extent they are holders of the Company s common stock and, in the case of Greenhill s opinion, affiliates of or holders of beneficial interests in Parent or Merger Sub to the extent they are holders of the Company s common stock). The full text of the written opinions of UBS and Greenhill are attached to this proxy statement as Annex B and Annex C, respectively. Holders of the Company s common stock are encouraged to read these opinions carefully in their entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **UBS and Greenhill s opinions were provided to the transaction committee and board of directors and were directed only to fairness of the merger consideration from a financial point of view, do not address any other aspect of the merger or any related transaction and do not constitute a recommendation to any stockholder as to how to vote or act with respect to the merger or any matters relating to the merger.**

Under the terms of UBS engagement, the Company has agreed to pay UBS for its financial advisory services in connection with the merger an aggregate fee estimated to be approximately $50.6 million, of which $10 million (representing approximately 20% of UBS aggregate fee) has been paid and approximately $40.6 million (representing approximately 80% of UBS aggregate fee) is contingent upon completion of the merger. Under the terms of Greenhill s engagement, the Company has agreed to pay Greenhill $4 million upon delivery of its opinion, all of which has been paid.

Financing (Page [ ])

Parent and Merger Sub estimate that the total amount of funds necessary to complete the merger and related transactions will be approximately $25.3 billion, which will be funded by new credit facilities, private offerings of debt securities and equity financing provided by the Investor Group. Funding of the equity and debt financing is subject to the satisfaction of the conditions set forth in the commitment letters under which such financing will be provided. See The Merger Financing of the Merger beginning on page [ ]. The following arrangements are in place for the financing of the merger, including the payment of the aggregate merger consideration and the payment of related transaction costs, charges, fees and expenses:

Equity Financing. Parent has received equity commitment letters from each Investor, pursuant to which, and subject to the conditions contained therein, the Investors have agreed severally to make or secure aggregate capital contributions of up to approximately $8.8 billion to Parent.

Debt Financing. Parent has received a debt commitment letter from Bank of America and JPMorgan Chase, which we refer to collectively as the Lender Parties, and certain of their respective affiliates to provide Parent (i) up to $12.5 billion under a senior secured term loan facility and (ii) to the extent Parent does not issue up to $4.0 billion in aggregate principal amount of senior second lien secured notes in a Rule 144A offering or other private placement, $4.0 billion under a senior second lien secured bridge facility.

Other Financings. On April 30, 2007, the Lender Parties and certain affiliates thereof entered into Participation Purchase and Security Agreements with subsidiaries of the Company pursuant to which such Lender Parties and their affiliates agreed to purchase participation interests in eligible FFELP and private credit loans up to an aggregate amount of $30.0 billion. These arrangements will be available until the earliest to occur of (i) February 15, 2008, (ii) the closing date of the merger and (iii) ninety days after termination of the merger agreement (or fifteen days after the date of termination of the merger agreement in connection with a superior proposal , as defined in the merger agreement).

In addition, the Lender Parties have agreed to provide upon closing, subject to the conditions set forth in the debt commitment letter, (i) three-year asset-backed commercial paper conduit facilities (with 364-day committed liquidity support facilities) of not more than $28.0 billion in the aggregate, for securitization of FFELP and private credit loans of the surviving corporation and its subsidiaries, (ii) forward flow purchase facilities regarding the purchase and sale of certain FFELP and private credit student loans for an aggregate purchase price of up to $180.0 billion over five years following the Closing Date and (iii) a loan purchase facility regarding the purchase and sale of eligible unencumbered assets for an aggregate purchase price of up to $20.0 billion over the 364 days following the Closing Date.

Antitrust and Other Regulatory Approvals (Page [ ])

We have agreed to use our reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act, and the rules promulgated thereunder by the Federal Trade Commission, which we refer to as the FTC, the merger may not be completed until notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice, which we refer to as the DOJ, and applicable waiting periods have expired or been terminated. The Company and Parent filed notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ on May 18, 2007, and termination of the applicable waiting period was granted on June 18, 2007. Parent filed for approval from the Federal Deposit Insurance Corporation on June 1, 2007, and the parties have filed for other approvals from federal, state and foreign regulatory authorities.

Material U.S. Federal Income Tax Consequences (Page [ ])

The exchange of shares of the Company s common stock for cash pursuant to the merger agreement generally will be a taxable transaction to U.S. Holders for U.S. federal income tax purposes. U.S. Holders who exchange their shares of the Company s common stock in the merger will generally recognize capital gain or loss in an amount equal to the difference, if any, between the cash received in the merger and their adjusted

tax basis in their shares of the Company s common stock. You should consult your own tax advisor for a complete analysis of the effect of the merger for federal, state, local and foreign tax purposes.

Conditions to the Merger (Page [ ])

Conditions to Each Party s Obligations. Each party s obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

- approval and adoption of the merger agreement by the affirmative vote of a majority of the votes entitled to be cast by holders of the outstanding shares of the Company s common stock;
- absence of any applicable law prohibiting the completion of the merger; and
- the expiration or termination of any applicable waiting period under the HSR Act relating to the merger and the receipt of such other approvals and consents the failure of which to obtain would result in a material adverse effect (as defined in the merger agreement) on the Company.

Conditions to Parent s and Merger Sub s Obligations. The obligation of Parent and Merger Sub to complete the merger is subject to the satisfaction or waiver of the following additional conditions:

- the Company must have performed in all material respects all of its obligations required to be performed by it at or prior to the effective time of the merger;
- subject to certain materiality thresholds, the representations and warranties of the Company set forth in the merger agreement must be true and correct as of the date of the merger agreement and as of the effective time of the merger as though made on and as of the effective time of the merger (except that representations and warranties that by their terms speak specifically as of the date of the merger agreement or another date must be true and correct as of such date); and
- Parent must have received a certificate signed on behalf of the Company by an executive officer of the Company to the foregoing effect.

Conditions to the Company s Obligations. Our obligation to complete the merger is subject to the satisfaction or waiver of the following further conditions:

- each of Parent and Merger Sub must have performed in all material respects all of its obligations required to be performed by it at or prior to the effective time of the merger;
- the representations and warranties of Parent and Merger Sub contained in the merger agreement must be true in all material respects at and as of the effective time of the merger as if made at and as of such time (except that representations and warranties that by their terms speak specifically as of the date of the merger agreement or another date shall be true and correct as of such date); and
- the Company must have received a certificate signed by an executive officer of Parent to the foregoing effect.

To the extent legally permitted, either party may waive compliance with conditions to the closing of the merger. Our board of directors intends to re-solicit stockholder approval if either party waives material conditions to the closing of the merger and such changes in the terms of the merger render the disclosure that the Company previously provided to stockholders materially misleading.

Restrictions on Solicitations of Other Offers (Page [ ])

Commencing on the date of the merger agreement, we have agreed not to:

solicit, initiate or knowingly take any action to facilitate or encourage the submission of any offer, proposal or inquiry from any third party relating to the acquisition of securities or assets of the Company;

enter into or participate in any discussions or negotiations with, furnish any information relating to the Company or any of our subsidiaries or afford access to the business, properties, assets, books or records

of the Company or any of our subsidiaries to, otherwise cooperate in any way with, or knowingly assist, participate in, facilitate or encourage any effort by, any third party that is seeking to make a proposal relating to the acquisition of securities or assets of the Company;

fail to make and include in the proxy statement, or withdraw or modify in a manner adverse to Parent, the board of directors recommendation that stockholders approve and adopt the merger agreement; or

enter into any agreement in principle, letter of intent, term sheet or other similar instrument relating to any proposal by a third party relating to the acquisition of securities or assets of the Company.

Notwithstanding these restrictions, at any time prior to the approval of the merger agreement by our stockholders, we are permitted to engage in discussions or negotiations with, or provide information with respect to the Company to, any third party to the extent that:

we receive a written acquisition proposal from a third party that our board of directors (acting through the transaction committee if such committee still exists) believes in good faith to be bona fide;

our board of directors (acting through the transaction committee if such committee still exists) determines in good faith, after consultation with its independent financial advisors and outside counsel, that such acquisition proposal constitutes or could reasonably be expected to result in a superior proposal; and

after consultation with its outside counsel, the Company s board of directors (acting through the transaction committee if such committee still exists) determines in good faith that the failure to take such action would be inconsistent with its fiduciary duties under applicable law.

In addition, we may terminate the merger agreement and enter into a definitive agreement with respect to a superior proposal if we receive a bona fide written acquisition proposal that our board of directors (acting through the transaction committee if such committee still exists) concludes in good faith, after consultation with its independent financial advisor and outside counsel, constitutes a superior proposal, after giving effect to any adjustments to the terms of the merger agreement offered by Parent, and determines in good faith, after consultation with outside counsel, that the failure to take such action would be inconsistent with its fiduciary duties under applicable law. The Company is not entitled to enter into any agreement with respect to a superior proposal unless the merger agreement has been or is concurrently terminated in accordance with its terms and in certain circumstances the Company has concurrently paid to Parent the $900 million termination fee as described in further detail in The Merger Agreement Termination Fees beginning on page [ ].

Termination of the Merger Agreement (Page [ ])

The merger agreement may be terminated at any time prior to the completion of the merger, whether before or after stockholder approval has been obtained:

by mutual written consent of the Company and Parent; or

by either the Company or Parent, if:

the merger is not completed on or before February 15, 2008, so long as the failure of the merger to be completed by such date is not the result of, or caused by, the failure of the terminating party to comply with the terms of the merger agreement;

there shall be any applicable law that makes completion of the merger illegal or otherwise prohibits or enjoins the Company or Parent from consummating the merger and such enjoinment is final and nonappealable; or

our stockholders, at the special meeting or at any adjournment or postponement thereof at which the merger agreement is voted on, fail to approve and adopt the merger agreement; or

by Parent, if:

our board of directors fails to make (and include in the proxy statement), or withdraws or modifies in a manner adverse to Parent its recommendation that the stockholders of the Company approve and adopt the merger agreement (or recommends an acquisition proposal or takes any action or makes any statement inconsistent with its recommendation that the stockholders of the Company approve and adopt the merger agreement);

the Company breaches its obligations to call the special meeting for the purpose of voting on the approval and adoption of the merger agreement or to not solicit, initiate or knowingly take any action to facilitate or encourage the submission of any acquisition proposals; or

the Company breaches any of its representations, warranties, covenants or agreements under the merger agreement in a manner that would give rise to the failure of certain conditions to closing and the breach is not, or is not capable of being, cured within sixty days of receipt of written notice by Parent to the Company (but not later than February 15, 2008); *provided* that neither Parent nor Merger Sub is then in breach of the merger agreement so as to cause specified conditions to closing to not be satisfied; or

by the Company, if:

such termination is effected prior to obtaining stockholder approval in order to enter into an agreement with respect to a superior proposal, but only to the extent the Company, concurrently with such termination, pays to Parent the termination fee required under the merger agreement;

Parent or Merger Sub has breached any of its representations, warranties, covenants or agreements under the merger agreement in a manner that would give rise to the failure of certain conditions to closing and the breach is not, or is not capable of being, cured within sixty days of receipt of written notice by the Company to Parent (but not later than February 15, 2008); *provided* that the Company is not in material breach of the merger agreement so as to cause the closing conditions relating to Parent and Merger Sub s obligations to complete the merger not to be satisfied; or

the merger is not completed on or prior to the second business day after the final day of the marketing period and all conditions to the obligations of Parent and Merger Sub (which include the Company having performed its obligations, other than delivery of any officer s certificate) have been satisfied and such conditions continue to be satisfied (as further discussed below under The Merger Agreement Effective Time; Marketing Period beginning on page [ ]).

Termination Fees (Page [ ])

The merger agreement provides that the Company will be required to pay Parent a termination fee equal to $900 million upon termination of the merger agreement in the following circumstances:

Parent terminates the merger agreement because our board of directors fails to make (and include in the proxy statement), or withdraws or modifies in a manner adverse to Parent, its recommendation that the stockholders of the Company approve and adopt the merger agreement (or recommends an acquisition proposal or takes any action or makes any statement inconsistent with its recommendation that the stockholders of the Company approve and adopt the merger agreement);

Parent terminates the merger agreement because the Company breaches its obligations to call the special meeting for the purpose of voting on the approval and adoption of the merger agreement or to not solicit, initiate or knowingly take any action to facilitate or encourage the submission of any acquisition proposals from third parties; or

the Company terminates the merger agreement prior to the special meeting in order to enter into a definitive agreement with respect to a superior proposal.

The Company will also be required to pay Parent a fee equal to $900 million in the following circumstances:

- the Company or Parent terminates the merger agreement because the merger is not completed by February 15, 2008, and (i) prior to February 15, 2008 a bona fide acquisition proposal has been made by a third party and (ii) within twelve months after such termination, the Company enters into a definitive agreement with respect to, or completes, any acquisition proposal; or

- the Company or Parent terminates the merger agreement because our stockholders, at the special meeting or at any adjournment or postponement thereof at which the merger agreement is voted on, fail to approve and adopt the merger agreement, and (i) prior to the special meeting a bona fide acquisition proposal has been made by a third party and (ii) within twelve months after such termination, the Company enters into a definitive agreement with respect to, or completes, any acquisition proposal.

The merger agreement provides that Parent will be required to pay the Company a termination fee equal to $900 million upon termination of the merger agreement in the following circumstances:

- the Company terminates the merger agreement because Parent or Merger Sub has breached any of its representations, warranties, covenants or agreements under the merger agreement in a manner that would give rise to the failure of certain conditions to closing and the breach is not, or is not capable of being, cured within sixty days of receipt of written notice by the Company to Parent (but not later than February 15, 2008); *provided* that the Company is not in breach of the merger agreement so as to cause the closing conditions relating to Parent and Merger Sub s obligations to complete the merger not to be satisfied, and at the time of such termination there is no state of facts or circumstances that would reasonably be expected to cause the conditions to the obligations of Parent and Merger Sub (other than delivery of an officer s certificate) not to be satisfied by February 15, 2008;

- the Company terminates the merger agreement in the situation where the merger is not completed on or prior to the second business day after the final day of the marketing period and all conditions to the obligations of Parent and Merger Sub (which include the Company having performed its obligations, other than delivery of any officer s certificate) have been satisfied and such conditions continue to be satisfied; or

- the Company or Parent terminates the merger agreement because the merger is not completed by February 15, 2008 as a result of Parent or its affiliates failing to satisfy the HSR Act condition to closing.

Limitation on Liability (Page [ ])

The Company s sole and exclusive remedy with respect to any breach of the merger agreement will be the termination of the merger agreement in accordance with its terms and payment by Parent to the Company of the $900 million termination fee, if applicable.

Specific Performance (Page [ ])

The Company is not entitled to seek an injunction or injunctions to prevent breaches of the merger agreement by Parent or Merger Sub or any remedy to enforce specifically the terms and provisions of the merger agreement.

Parent and Merger Sub are entitled to seek an injunction or injunctions to prevent breaches of the merger agreement by the Company or to enforce specifically the performance of the terms and provisions of the merger agreement by the Company in any federal court located in the State of Delaware or any Delaware state court, in addition to any other

remedy to which they are entitled at law or in equity.

Limited Guarantees (Page [ ])

In connection with the merger agreement, each of the Investors entered into a limited guarantee with the Company under which, among other things, each of the Investors is guaranteeing payment of the termination

fee payable by Parent, if applicable, and Parent s obligation for breach of the merger agreement, if applicable, up to a maximum amount equal to each Investor s respective pro rata share of $900 million. The limited guarantee is the Company s sole recourse against each Investor as a guarantor.

Appraisal Rights (Page [ ])

Under Delaware law, holders of the Company s common stock who do not vote in favor of approving and adopting the merger agreement will have the right to seek appraisal of the fair value of their shares of the Company s common stock as determined by the Delaware Court of Chancery if the merger is completed, but only if they comply with all requirements of Delaware law, which are summarized in this proxy statement. This appraisal amount could be more than, the same as or less than the merger consideration. Any holder of the Company s common stock intending to exercise such holder s appraisal rights, among other things, must submit a written demand for an appraisal to us prior to the vote on the approval and adoption of the merger agreement and must not vote or otherwise submit a proxy in favor of approval and adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights.

Market Price of Common Stock (Page [ ])

The closing sale price of the Company s common stock on the New York Stock Exchange, which we refer to as the NYSE, on April 12, 2007, the last trading day prior to press reports of rumors regarding a potential acquisition of the Company, was $40.75. The $60.00 per share to be paid for each share of the Company s common stock in the merger represents a premium of approximately 47.24% to the closing price on April 12, 2007 and a premium of approximately 44.17% to the average closing share price during the thirty trading days ended April 12, 2007.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger, the merger agreement and the special meeting. These questions and answers may not address all questions that may be important to you as a stockholder. Please refer to the Summary and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement, which you should read carefully. See Where You Can Find More Information beginning on page [ ].

Q. What is the proposed transaction?

A. The proposed transaction is the acquisition of the Company by Parent, an entity owned by the Investor Group, pursuant to the merger agreement. The Investor Group includes affiliates of J.C. Flowers, Bank of America and JPMorgan Chase. Once the merger agreement has been approved and adopted by the stockholders and other closing conditions under the merger agreement have been satisfied or waived, Merger Sub, a wholly owned subsidiary of Parent, will merge with and into the Company. The Company will be the surviving corporation and a wholly owned subsidiary of Parent.

Q. What will I receive in the merger?

A. Upon completion of the merger, you will be entitled to receive $60.00 in cash, without interest and less any applicable withholding taxes, in exchange for each share of the Company s common stock that you own, unless you have exercised your appraisal rights with respect to the merger. For example, if you own 100 shares of the Company s common stock, you will receive $6,000 in cash in exchange for your shares of the Company s common stock, less any applicable withholding tax. You will not own any shares in the surviving corporation.

Q. When and where is the special meeting?

A. The special meeting of the Company will be held on [ ], 2007 at [ ] local time, at [ ].

Q. What vote is required for the Company s stockholders to approve and adopt the merger agreement?

A. An affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of the Company s common stock is required to approve and adopt the merger agreement.

Q: What vote of the Company s stockholders is required to approve the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies?

A. The proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the Company s common stock represented in person or by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is present.

Q. How does the Company s board of directors recommend that I vote?

A. The board of directors, acting upon the unanimous recommendation of the transaction committee, recommends that you vote **FOR** the proposal to approve and adopt the merger agreement and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time

of the special meeting to approve and adopt the merger agreement. You should read The Merger Reasons for the Merger; Recommendation of the Transaction Committee and Our Board of Directors beginning on page [ ] for a discussion of the factors that the transaction committee and the board of directors considered in deciding to recommend the approval and adoption of the merger agreement.

Q. What effects will the proposed merger have on the Company?

A. As a result of the proposed merger, the Company will cease to be a publicly-traded company and will be wholly owned by Parent. You will no longer have any interest in the Company s future earnings or

growth. Following completion of the merger, the registration of the Company s common stock and the Company s reporting obligations with respect to the Company s common stock under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, will be terminated upon application to the Securities and Exchange Commission, which we refer to as the SEC. In addition, upon completion of the proposed merger, shares of the Company s common stock will no longer be listed on any stock exchange or quotation system, including the NYSE.

Q. What happens if the merger is not completed?

A. If the merger agreement is not approved and adopted by stockholders or if the merger is not completed for any other reason, stockholders will not receive any payment for their shares in connection with the merger. Instead, the Company will remain a public company and the Company s common stock will continue to be listed and traded on the NYSE. Under specified circumstances, the Company may be required to pay Parent a termination fee as described under the caption The Merger Agreement Termination Fees beginning on page [ ].

Q. What do I need to do now?

A. Even if you plan to attend the special meeting, after carefully reading and considering the information contained in this proxy statement, if you hold your shares in your own name as the stockholder of record, please vote your shares by completing, signing, dating and returning the enclosed proxy card, or by using the telephone number printed on your proxy card or by using the Internet voting instructions printed on your proxy card. If you have Internet access, we encourage you to record your vote via the Internet. You can also attend the special meeting and vote. DO NOT return your stock certificate(s) with your proxy.

Q. How do I vote?

A: You may vote by:

signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope;

using the telephone number printed on your proxy card;

using the Internet voting instructions printed on your proxy card; or

if you hold your shares in street name, follow the procedures provided by your broker, bank or other nominee.

If you return your signed proxy card, but do not mark the boxes showing how you wish to vote, your shares will be voted **FOR** the proposal to approve and adopt the merger agreement and **FOR** the adjournment proposal.

Q. How can I change or revoke my vote?

A. You have the right to change or revoke your proxy at any time before the vote taken at the special meeting:

if you hold your shares in your name as a stockholder of record, by notifying our Secretary, Mary F. Eure, in writing, at 12061 Bluemont Way, Reston, Virginia 20190;

by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);

by submitting a later-dated proxy card;

if you voted by telephone or the Internet, by voting a second time by telephone or Internet; or

if you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

Q. If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?

A. Your broker, bank or other nominee will only be permitted to vote your shares if you instruct your broker, bank or other nominee how to vote. You should follow the procedures provided by your broker, bank or other nominee regarding the voting of your shares. If you do not instruct your broker, bank or other nominee to vote your shares, your shares will not be voted and the effect will be the same as a vote **AGAINST** the approval and adoption of the merger agreement, but will not have an effect on the proposal to adjourn the special meeting.

Q. How do I vote my SLM Corporation 401(k) Savings Plan shares of common stock?

A. If you participate in the Sallie Mae Stock Fund, which we refer to as the fund, under the Sallie Mae 401(k) Savings Plan or the Sallie Mae DMO 401(k) Savings Plan, which we refer to collectively as the plans, you may give voting instructions to Fidelity Management Trust Company, trustee of the plans, by completing and returning the voting instructions that you will be receiving from the trustee. Your instructions tell the trustee how to vote the number of shares of the Company s common stock representing your proportionate interest in the fund which you are entitled to vote under the plan. Any such instructions will be kept confidential. The trustee will vote the number of shares of the Company s common stock representing your proportionate interest in the fund in accordance with your duly executed and delivered voting instructions. If you do not give the trustee voting instructions, the trustee will vote such shares in the same proportion as the shares for which the trustee receives voting instructions from other plan participants, unless doing so would not be consistent with the trustee s duties under applicable law.

Your voting instructions must be received by the trustee by 5:00 p.m. Eastern time on [ ], 2007. You will be provided instructions on how to cast your vote. You may revoke previously given voting instructions prior to 5:00 p.m. Eastern time on [ ], 2007. You may revoke your voting instructions by notifying the trustee by Internet, telephone or mail that you are withdrawing your prior instructions and requesting another voting instruction.

Q. What do I do if I receive more than one proxy or set of voting instructions?

A. If you also hold shares in street name, directly as a record holder or otherwise through the Company s stock purchase plans, you may receive more than one proxy and/or set of voting instructions relating to the special meeting. **These should each be voted and/or returned separately as described elsewhere in this proxy statement in order to ensure that all of your shares are voted.**

Q. What happens if I sell my shares before the special meeting?

A. The record date of the special meeting is earlier than the special meeting and the date that the merger is expected to be completed. If you transfer your shares of the Company s common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive the $60.00 per share in cash to be received by our stockholders in the merger. In order to receive the $60.00 per share, you must hold your shares through completion of the merger.

Q. Am I entitled to exercise appraisal rights instead of receiving the merger consideration for my shares?

A. Yes. As a holder of the Company s common stock, you are entitled to appraisal rights under Delaware law in connection with the merger if you follow the applicable legal requirements. See Dissenters Rights of Appraisal

beginning on page [ ].

Q. When is the merger expected to be completed? What is the marketing period ?

A. We are working toward completing the merger as quickly as possible, and we anticipate that it will be completed in either the third or fourth quarter of 2007. However, the exact timing of the completion of the merger cannot be predicted. In order to complete the merger, we must obtain stockholder approval and the other closing conditions under the merger agreement must be satisfied or waived (as permitted by

law). In addition, Parent is not obligated to complete the merger until the expiration of a thirty consecutive calendar day period that it may use to complete its financing for the merger, which we refer to as the marketing period. The marketing period generally begins to run twenty-one calendar days prior to the Company stockholder meeting if we provided certain financial and other information to Parent and we have satisfied all conditions under the merger agreement other than stockholder approval; *provided* that the marketing period must occur entirely before or entirely after the periods (i) from and including August 18, 2007 through and including September 3, 2007 or (ii) from and including December 18, 2007 through and including January 1, 2008. The marketing period may also be required to re-commence under certain circumstances. If the merger is not completed by February 15, 2008, either Parent or the Company may terminate the merger agreement so long as the failure of the merger to be completed by such date is not the result of, or caused by, the failure of the terminating party to comply with the terms of the merger agreement. See The Merger Agreement Effective Time; Marketing Period and The Merger Agreement Conditions to the Merger beginning on pages [ ] and [ ], respectively.

Q. Will a proxy solicitor be used?

A. Yes. The Company has engaged MacKenzie Partners to assist in the solicitation of proxies for the special meeting and the Company estimates it will pay MacKenzie Partners a fee of approximately $20,000. The Company has also agreed to reimburse MacKenzie Partners for reasonable administrative and out-of-pocket expenses incurred in connection with the proxy solicitation and indemnify MacKenzie Partners against certain losses, costs and expenses.

Q. Should I send in my stock certificates now?

A. No. After the merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your shares of the Company s common stock for the merger consideration. If your shares are held in street name by your broker, bank or other nominee you will receive instructions from your broker, bank or other nominee as to how to effect the surrender of your street name shares in exchange for the merger consideration. **Please do not send your certificates in now.**

Q. Who can help answer my other questions?

A. If you have additional questions about the merger, need assistance in submitting your proxy or voting your shares of the Company s common stock, or need additional copies of the proxy statement or the enclosed proxy card, please call the Corporate Secretary s Office at (703) 984-6785 or MacKenzie Partners, our proxy solicitor, toll-free at 800-323-2885 (banks and brokerage firms call collect at 212-929-5500).

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, include forward-looking statements based on estimates and assumptions. There are forward-looking statements throughout this proxy statement, including, without limitation, under the headings Summary, Questions and Answers about the Special Meeting and the Merger, The Merger, The Merger Regulatory Approvals, and in statements containing words such as believes, estimates, anticipates, continues, contemplates, expects, may, will, could, should or wo words or phrases. These statements, which are based on information currently available to us, are not guarantees of future performance and may involve risks and uncertainties that could cause our actual growth, results of operations, performance and business prospects, and opportunities to materially differ from those expressed in, or implied by, these statements. These forward-looking statements speak only as of the date on which the statements were made and we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statement included in this proxy statement or elsewhere. In addition to other factors and matters contained or incorporated in this document, these statements are subject to risks, uncertainties, and other factors, including, among others:

- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement;
- the outcome of any legal proceedings that have been or may be instituted against the Company and others relating to the merger agreement;
- the inability to complete the merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to completion of the merger, including the expiration or termination of applicable waiting period under the HSR Act;
- the failure to obtain the necessary debt financing arrangements set forth in commitment letters received in connection with the merger;
- the failure of the merger to close for any other reason;
- risks that the proposed transaction disrupts current plans and operations and the potential difficulties in employee retention as a result of the merger;
- the effect of the announcement of the merger on our customer relationships, operating results and business generally;
- the ability to recognize the benefits of the merger;
- the amount of the costs, fees, expenses and charges related to the merger and the actual terms of certain financings that will be obtained for the merger;
- the impact of the substantial indebtedness incurred to finance the completion of the merger;

and other risks detailed in our current filings with the SEC, including our most recent filings on Forms 10-Q and 10-K. See Where You Can Find More Information beginning on page [ ]. Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on forward-looking statements,

which reflect management s views only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this proxy statement, and it should not be assumed that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons that actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

THE PARTIES TO THE MERGER

SLM Corporation

12061 Bluemont Way
Reston, Virginia 20190
(703) 810-3000

The Company is the nation s leading provider of saving-and paying-for-college programs. The Company originates education loans and serves nearly 10 million student and parent customers. The Company and its subsidiaries offer debt management services as well as business and technical products to a range of business clients, including higher education institutions, student loan guarantors and state and federal agencies.

For more information about the Company, please visit our website at www.salliemae.com. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference. See also Where You Can Find More Information beginning on page [ ]. The Company s common stock is publicly traded on the NYSE under the symbol SLM .

Parent

Mustang Holding Company Inc.
c/o J.C. Flowers & Co. LLC
717 Fifth Avenue, 26th Floor
New York, New York 10022
(212) 404-6800

Parent is a newly formed Delaware corporation. Parent was formed solely for the purpose of acquiring the Company and has not engaged in any business except activities incidental to its formation and in connection with the transactions contemplated by the merger agreement. Following completion of the merger, Parent will be owned 50.2% by investment vehicles affiliated with J.C. Flowers and 24.9% by each of JPMorgan Chase and Bank of America.

At the effective time of the merger, Parent will be owned by the Investor Group. The Investors have the right to include additional investors in Parent and as a result, the Investors may ultimately include additional equity participants.

Merger Sub

Mustang Merger Sub, Inc.
c/o J.C. Flowers & Co. LLC
717 Fifth Avenue, 26th Floor
New York, New York 10022
(212) 404-6800

Merger Sub is a newly formed Delaware corporation and a wholly owned subsidiary of Parent that was formed solely for the purpose of completing the merger. Merger Sub has not engaged in any business except activities incidental to its formation and in connection with the transactions contemplated by the merger agreement. Upon the completion of the proposed merger, Merger Sub will cease to exist and the Company will continue as the surviving corporation.

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THE SPECIAL MEETING

Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by our board of directors for use at the special meeting to be held on [ ], 2007 at [ ] local time, at [ ], or at any postponement or adjournment thereof. The purpose of the special meeting is for our stockholders to consider and vote upon approval and adoption of the merger agreement (and to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies). Our stockholders must approve and adopt the merger agreement in order for the merger to occur. If the stockholders fail to approve and adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached to this proxy statement as Annex A. This proxy statement and the enclosed form of proxy are first being mailed to our stockholders on [ ], 2007.

Record Date and Quorum

We have fixed the close of business on [ ], 2007 as the record date for the special meeting, and only holders of record of the Company s common stock on the record date are entitled to vote at the special meeting. On the record date, there were [ ] shares of the Company s common stock outstanding and entitled to vote. Each share of the Company s common stock entitles its holder to one vote on all matters properly coming before the special meeting.

A majority of the total voting power of the Company s common stock issued, outstanding and entitled to vote at the special meeting constitutes a quorum for the purpose of considering the proposals. Shares of the Company s common stock represented at the special meeting but not voted, including shares of the Company s common stock for which proxies have been received but for which stockholders have abstained, will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business. In the event that a quorum is not present at the special meeting, it is expected that the meeting will be adjourned or postponed to solicit additional proxies.

Vote Required for Approval

Approval and adoption of the merger agreement requires the affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of the Company s common stock. For the proposal to approve and adopt the merger agreement, you may vote **FOR** , **AGAINST** or **ABSTAIN** . Abstentions will not be counted as votes cast or shares voting on the proposal to approve and adopt the merger agreement, but will count for the purpose of determining whether a quorum is present. **If you abstain, it will have the same effect as a vote AGAINST the approval and adoption of the merger agreement.**

Under the rules of the NYSE, brokers who hold shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to approving non-routine matters such as the approval and adoption of the merger agreement and, as a result, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote those shares, referred to generally as broker non-votes. **These broker non-votes will be counted for purposes of determining a quorum, but will have the same effect as a vote AGAINST the approval and adoption of the merger agreement.**

As of [ ], the record date, the directors and executive officers of the Company held and are entitled to vote, in the aggregate, [ ] shares of the Company s common stock, representing less than [ ]% of the Company s common

stock outstanding. The directors and executive officers have informed the Company that they currently intend to vote all of their shares of the Company s common stock **FOR** the approval and adoption of the merger agreement.

Proxies and Revocation

If you submit a proxy by telephone or the Internet or by returning a signed proxy card by mail, your shares will be voted at the special meeting as you indicate on your proxy card or by such other method. If you sign your proxy card without indicating your vote, your shares will be voted **FOR** the approval and adoption of the merger agreement and **FOR** the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies, and in accordance with the recommendations of our board of directors on any other matters properly brought before the special meeting for a vote.

If your shares of the Company s common stock are held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you do not instruct your broker to vote your shares, it has the same effect as a vote **AGAINST** approval and adoption of the merger agreement.

Proxies received at any time before the special meeting, and not revoked or superseded before being voted, will be voted at the special meeting. You have the right to change or revoke your proxy at any time before the vote taken at the special meeting:

- if you hold your shares in your name as a stockholder of record, by notifying the Company s Secretary, Mary F. Eure, in writing, at 12061 Bluemont Way, Reston, Virginia 20190;
- by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);
- by submitting a later-dated proxy card;
- if you voted by telephone or the Internet, by voting a second time by telephone or Internet; or
- if you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

Please do not send in your stock certificates with your proxy card. When the merger is completed, a separate letter of transmittal will be mailed to you that will enable you to receive the merger consideration in exchange for your stock certificates.

Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Any adjournment may be made without notice (if the adjournment is not for more than thirty days or if after the adjournment no new record date is fixed), other than by an announcement made at the special meeting of the time, date and place of the adjourned meeting. Whether or not a quorum exists, holders of a majority of the combined voting power of the Company s common stock represented in person or by proxy at the special meeting and entitled to vote thereat may adjourn the special meeting. Any signed proxies received by the Company which do not include voting instructions regarding an adjournment of the special meeting will be voted **FOR** an adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow the Company s stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Rights of Stockholders Who Object to the Merger

Stockholders are entitled to statutory appraisal rights under Delaware law in connection with the merger. This means that you are entitled to have the value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation. The ultimate amount you receive as a dissenting stockholder in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the merger agreement.

To exercise your appraisal rights, you must submit a written demand for appraisal to the Company before the vote is taken on the merger agreement and you must not vote in favor of the approval and adoption of the

merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. See Dissenters Rights of Appraisal beginning on page [ ] and the text of the Delaware appraisal rights statute reproduced in its entirety as Annex D.

Solicitation of Proxies

This proxy solicitation is being made and paid for by the Company on behalf of its board of directors. In addition, we have retained MacKenzie Partners to assist in the solicitation. We will pay MacKenzie Partners approximately $20,000 plus reasonable out-of-pocket expenses for their assistance. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid additional remuneration for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of the Company s common stock that the brokers and fiduciaries hold of record. Upon request, we will reimburse them for their reasonable out-of-pocket expenses. In addition, we will indemnify MacKenzie Partners against any losses arising out of that firm s proxy soliciting services on our behalf.

Questions and Additional Information

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call MacKenzie Partners at 800-323-2885.

Availability of Documents

The opinions referenced in this proxy statement will be made available for inspection and copying at the principal executive offices of the Company during its regular business hours by any interested holder of the Company s common stock.

Proposal to Approve and Adopt the Agreement and Plan of Merger; Recommendation of the Board of Directors

The Company s board of directors, acting upon the unanimous recommendation of the transaction committee, has approved the merger agreement and the transactions contemplated thereby. The Company s board of directors has determined that the merger agreement and the transactions contemplated thereby are advisable and in the best interests of the Company and its stockholders and recommends that the Company s stockholders vote **FOR** the proposal to approve and adopt the merger agreement. See The Merger Reasons for the Merger; Recommendation of the Transaction Committee and Our Board of Directors on page [ ] for a more detailed discussion of the recommendation of the Company s board of directors.

THE MERGER

The following discussion contains material information pertaining to the merger. This discussion of the merger is qualified in its entirety by reference to the merger agreement, which is annexed to this proxy statement. You should read the entire merger agreement carefully as it is the legal document that governs the merger.

Background of the Merger

To enhance stockholder value, the Company s board of directors has periodically discussed and reviewed the Company s business, strategic direction, performance and prospects in the context of developments in the industry and in the markets in which the Company operates. The Company s board of directors has also regularly discussed with senior management various potential strategic alternatives.

In the fall of 2005, representatives of the Company had various exploratory discussions with representatives of several private equity firms, including representatives of a private equity firm that we refer to below as the Other Bidder, concerning a potential acquisition of the Company. The discussions were terminated in December 2005 due in substantial part to the uncertainty of the parties involved as to the feasibility of a leveraged buyout of the Company, including in particular concerns relating to whether the Company would be able to maintain its investment grade debt ratings in connection with any such transaction.

In October 2006, Mr. Albert L. Lord, the Chairman of the board of directors of the Company, had a discussion with Mr. Spencer Fleischer of Friedman Fleischer & Lowe, a San Francisco-based private equity firm regarding the private equity industry and inquired about the parties who might have an interest in pursuing a possible transaction with the Company. Mr. Lord made the inquiry based on Mr. Lord s personal knowledge of Mr. Fleischer as part of Mr. Lord s overall efforts to assess strategic options for the Company. In November 2006, Mr. Fleischer introduced Mr. Lord to representatives of J.C. Flowers to discuss the possibility of an acquisition of the Company.

Although the circumstances remained that had made a leveraged buyout of the Company difficult in the fall of 2005, Mr. Lord engaged in a discussion with J.C. Flowers because of the reputation of that firm, and Mr. J. Christopher Flowers in particular, as being experienced in and capable of completing complex transactions in the financial services industry and having in depth knowledge of the financial services industry. After the initial discussion with Mr. Flowers, Mr. Lord held intermittent discussions with Mr. Flowers regarding the possibility of an acquisition of the Company by an investor group led by J.C. Flowers. Thereafter, senior management of the Company met other representatives of J.C. Flowers to discuss the possibility of a transaction and review the Company s business.

On January 25, 2007, at a regularly scheduled meeting of the board of directors of the Company, the board of directors discussed strategic alternatives of the Company and asked management to review strategic options for the Company and report back to the board of directors at its next regularly scheduled meeting. As a result of such request, the Company requested that Sandler O Neill & Partners, L.P., which we refer to as Sandler O Neill, review strategic alternatives for the Company and prepare a report on strategic alternatives for the next regularly scheduled meeting of the board of directors, to be held in March 2007.

On February 7, 2007, after Mr. Flowers indicated to Mr. Lord that he believed that a transaction between the Company and a group of investors to be led by J.C. Flowers might be feasible, the board of directors convened a meeting to review the preliminary discussions that had taken place with J.C. Flowers. After discussion, the board of directors approved the formation of a transaction committee comprised of independent directors Ann Torre Bates, Ronald F. Hunt, Albert L. Lord and Wolfgang Schoellkopf to evaluate and review strategic opportunities for the

Company.

On several occasions in February, senior management of the Company had meetings with representatives of J.C. Flowers, JPMorgan Chase and Bank of America to discuss the Company s business including the Company s business outlook, the legislative and regulatory environment for the student loan industry, and the feasability of financing a leveraged buyout. J.C. Flowers requested the participation of JPMorgan Chase and Bank of America because, among other reasons, they are both prominent financial institutions familiar with

the lending and capital markets businesses, including the distribution of assets such as student loans, into the capital markets and because their possible participation might facilitate a transaction.

On February 12, 2007, the transaction committee held a telephonic meeting to consider the retention of independent legal counsel and financial advisors.

After the February 12 meeting, Messrs. Lord and Schoellkopf, on behalf of the transaction committee, held meetings with several law firms and investment banks. On February 16, 2007, at a telephonic meeting of the transaction committee, Messrs. Lord and Schoellkopf informed other members of the transaction committee that they had interviewed possible legal advisors and, after discussion, the transaction committee determined to engage Davis Polk & Wardwell, which we refer to as Davis Polk, as its legal advisor. Representatives of Davis Polk were then invited to join the meeting and reviewed with the transaction committee its fiduciary duties in connection with its consideration of a possible transaction. On March 2, 2007, Messrs. Lord and Schoellkopf informed other members of the transaction committee that they had interviewed possible financial advisors, including UBS and Greenhill, and, subsequently, the transaction committee determined to retain UBS as financial advisor to the transaction committee, subject to negotiation and execution of an approved engagement letter.

Also on March 2, 2007, the transaction committee determined that it would be beneficial to meet with representatives of J.C. Flowers to learn more about their assessment of the Company and their perspectives on the possibility of a transaction.

On March 8, 2007, the transaction committee and its financial and legal advisors met with representatives of J.C. Flowers and Bank of America. A representative of Bank of America indicated that it was expecting to be a member of the Investor Group. The transaction committee was further advised that JPMorgan Chase was also expected to join the Investor Group. After the meeting, the transaction committee and representatives of UBS and Davis Polk met to discuss next steps and to review other potential third parties that might be interested in exploring a potential transaction with the Company. Members of the transaction committee were committed to creating a strong competitive process; however, the committee recognized that it was also important to preserve the confidentiality of any process in view of the potential for material disruption to the Company (including the potential for damage to its investment grade rating) that might result from a premature public disclosure, which necessarily meant limiting the number of bidders involved. Concern was also expressed that given the size and public prominence of the Company and the special characteristics of a leveraged buyout involving the Company, particularly the Company s continuous need for significant amounts of capital to fund its ongoing operations, a premature public disclosure could negatively impact the Company s credit ratings or the Company s access to capital markets and result in an unsatisfactory offer or the Company not being acquired at all. In light of the presence in the Investor Group of two major financial institutions and a private equity fund with a high level of acknowledged experience in financial institutions transactions, as well as the discussions with several private equity firms in the fall of 2005 regarding a potential transaction which indicated that a transaction involving a leveraged buyout of the Company would be difficult, the transaction committee determined to limit the number of parties to be approached. After review of a number of potential parties, the transaction committee instructed UBS to approach a leading private equity firm which we refer to as the Other Bidder. The transaction committee instructed UBS to contact the Other Bidder because of the prior interest the Other Bidder had shown in an acquisition of the Company, the reputation of the Other Bidder as a leading private equity firm capable of completing large, complex leveraged buyout transactions and the favorable impression that the Other Bidder s approach to analyzing the Company s business and structuring a potential transaction in connection with the discussions in the fall of 2005 regarding a potential transaction had left on the members of the transaction committee. No other parties were contacted as a result of the transaction committee weighing the risks of premature disclosure as described above compared to the transaction committee s assessment of the likelihood of significant interest from other parties.

On March 9, 2007, the transaction committee held a telephonic meeting at which representatives of UBS discussed the response of the Other Bidder to inquiries from UBS about a possible transaction. UBS informed the transaction committee that the Other Bidder had indicated that it was prepared to commence due diligence of the Company immediately and was interested in pursuing a possible transaction.

On March 11, 2007, Messrs. Lord and Schoellkopf and representatives of UBS met with representatives of the Other Bidder regarding a potential transaction.

On March 14, 2007, the transaction committee held a meeting at which Messrs. Lord and Schoellkopf updated the transaction committee and representatives of UBS and Davis Polk on their meeting with representatives of the Other Bidder on March 11, 2007. Messrs. Lord and Schoellkopf reported that the Other Bidder was determined to pursue a potential transaction and that they thought it appropriate that the Other Bidder be invited to submit an indication of interest.

Later on March 14, 2007, the board of directors met for its regularly scheduled meeting. Among other activities, it received a report from Sandler O Neill regarding the strategic alternatives for the Company and a report from the transaction committee and its financial and legal advisors regarding the process being undertaken by the transaction committee. The report by Sandler O Neill was consistent with the board of directors and the transaction committee s view that a possible transaction was worth pursuing.

On March 21, 2007, the transaction committee held a telephonic meeting at which representatives of UBS updated the transaction committee on developments with the Investor Group and the Other Bidder. The transaction committee discussed next steps for the transaction and instructed UBS to inform the Investor Group and the Other Bidder that they should submit their initial indications of interest on March 26, 2007.

On March 22, 2007, in accordance with the transaction committee s instructions, UBS sent bid process letters to J.C. Flowers and the Other Bidder. The letters specified March 26, 2007 as the submission deadline for an offer to acquire 100% of the Company s common stock and requested that each prospective bidder submit, among other things, a proposed price indication and a detailed description of the structure and funding sources for its proposal, with particular emphasis on whether debt ratings of the Company after the transaction was consummated would constitute a condition to such a proposal.

During March and April, the Company, with the assistance of Sandler O Neill and UBS, assembled non-public information (including certain non-public financial information regarding the Company s financial condition and results of operations, as well as the Company s budgets, plans and forecasts for future periods) in response to requests from J.C. Flowers and the Other Bidder and their respective equity and debt financing sources and made this information available to the representatives of J.C. Flowers and the Other Bidder and their respective equity and debt financing sources through an on-line data room. During this period, management of the Company held several meetings with representatives of J.C. Flowers and the Other Bidder and their respective equity and debt financing sources (which included Bank of America and JPMorgan Chase for J.C. Flowers and a number of prominent financial institutions for the Other Bidder) to discuss the Company s business, operations, plans, budgets and forecasts, and to answer questions raised by them and their respective advisors regarding these matters. The transaction committee instructed management to refrain from engaging in discussions with either bidder regarding their personal roles or involvement in a potential transaction until such time as an agreement was reached by the transaction committee with a bidder on the price and principal terms of a transaction.

On March 26, 2007, the transaction committee held a meeting. At the meeting, representatives of UBS updated the transaction committee on the indicative proposal letter submitted by the Other Bidder earlier in the day. The Other Bidder proposed to acquire 100% of the Company s common stock for between $56.00 and $57.50 per share in cash. The proposal was not contingent on obtaining financing or the Company maintaining an investment grade credit rating. Representatives of UBS informed the transaction committee that the Investor Group had indicated to UBS that the Investor Group would not submit an indicative proposal on March 26, 2007 as requested by the transaction committee and instead requested exclusivity as a condition to proceeding with the transaction. UBS also reported that

the Investor Group had emphasized the importance of the Company retaining an investment grade credit rating after the transaction and indicated that its members would be unlikely to proceed without an investment grade credit rating for the Company after the transaction. The transaction committee rejected the request for exclusivity and was thereafter advised by representatives of the Investor Group that they would submit a bid on March 28, 2007. After further discussions, the transaction committee decided, based upon the receipt of a proposal from the Other Bidder and the communication from the Investor Group, that the Company was well positioned to receive bids from two credible potential

acquirors and that the benefits of bringing another potential acquiror into the process were outweighed by the negative impact such an action might have on the Company and on the possibility of a successful conclusion of the current process. The transaction committee therefore instructed Davis Polk to distribute a draft merger agreement to the Other Bidder and instructed UBS not to contact other potential bidders at that time. Also on March 26, 2007, UBS reviewed with the transaction committee the current market environment, the Company s strategic position and the alternatives of the Company pursuing a possible transaction and not pursuing a possible transaction.

On March 29, 2007, the Investor Group submitted an indicative proposal letter, and the transaction committee held a telephonic meeting at which representatives of UBS updated the transaction committee on this indicative proposal letter. The Investor Group proposed to acquire 100% of the Company s common stock for $58.25 per share in cash. The proposal was not contingent on obtaining financing or the Company maintaining an investment grade credit rating. The transaction committee discussed the proposal and instructed UBS to inform the Other Bidder and the Investor Group that final bids, including definitive merger agreements and financing commitments, should be submitted by April 11, 2007. The transaction committee also authorized the distribution of the draft merger agreement to the Investor Group.

On March 30, 2007, the board of directors held a telephonic meeting at which representatives of UBS and Davis Polk updated the board of directors on the status of negotiations with the Investor Group and the Other Bidder.

During the week of April 2, the Company, with the assistance of UBS and Sandler O Neill, conducted separate due diligence sessions with the Investor Group and the Other Bidder and their respective advisors.

On April 4, 2007, the transaction committee held a telephonic meeting at which representatives of Davis Polk updated the transaction committee on the material issues raised by the revised draft of the merger agreement received from the Other Bidder. Representatives of UBS then updated the transaction committee on the progress of due diligence being conducted by the Investor Group and the Other Bidder. The transaction committee also discussed the desirability of engaging Greenhill as an additional financial advisor to the transaction committee. The transaction committee approved the engagement of Greenhill as an additional financial advisor to the transaction committee with a view that Greenhill would be requested solely to issue an opinion with respect to the proposed transaction and would be paid a fixed fee regardless of the conclusions reached in such opinion.

Later that same day, the transaction committee received a revised draft of the merger agreement from the Investor Group.

On April 6, 2007, the transaction committee held a telephonic meeting at which Mr. Thomas J. Fitzpatrick, the then Vice Chairman and Chief Executive Officer of the Company, and Mr. C.E. Andrews, the then Executive Vice President and Chief Financial Officer of the Company, provided an update on the due diligence conducted by the Other Bidder and the Investor Group. The transaction committee also discussed with Messrs. Fitzpatrick and Andrews the funding and liquidity needs of the Company between the signing of a merger agreement and closing. After Messrs. Fitzpatrick and Andrews left the meeting, representatives of Davis Polk reviewed with the members of the transaction committee principal issues raised by the revised drafts of the merger agreement received from the Investor Group and the Other Bidder, including the closing conditions and the allocation of various risks to the closing of the transaction.

Later that same day, representatives of Davis Polk had separate discussions with each of Wachtell, Lipton, Rosen & Katz, legal counsel for the Investor Group, and the outside legal counsel for the Other Bidder, regarding the significant issues raised by the draft merger agreements submitted by each of the bidders. Each of the bidders was instructed to submit a revised draft of the merger agreement with its definitive bids on April 11, 2007.

On April 11, 2007, the Investor Group submitted a definitive bid to acquire 100% of the Company s common stock for $58.25 per share in cash. The proposal was accompanied by a markup of the draft merger agreement, debt commitment letters from JPMorgan Chase and Bank of America, the form of equity commitment letter and the form of limited guarantee from each of the equity sponsors of the Investor Group

(J.C. Flowers, JPMorgan Chase and Bank of America) under which the equity sponsors would, on a several basis, guarantee the payment of the termination fee payable in certain circumstances by Parent and Merger Sub under the merger agreement.

On April 12, 2007, the Other Bidder submitted a definitive bid to acquire 100% of the Company s common stock for $58.00 per share in cash. The proposal was accompanied by a markup of the draft merger agreement, debt commitment letters from major lending institutions, the form of equity commitment letter and the form of limited guarantee to be submitted by the Other Bidder and its equity co-investor under which the equity sponsors would guarantee the payment of the termination fee payable under the merger agreement in certain circumstances.

Later in the day, the transaction committee held a telephonic meeting at which UBS updated the transaction committee on negotiations with both bidders and informed the transaction committee that the Other Bidder had requested more time to complete its due diligence. The transaction committee discussed the timing and other implications of the Other Bidder s request and instructed UBS to inform the Other Bidder to move forward as quickly as possible. Representatives of Davis Polk and the transaction committee discussed the material issues raised by each draft of the merger agreement submitted by each of the bidders. It was noted that both bidders had made significant progress in accommodating the requests of the transaction committee communicated to them.

On the evening of April 12, 2007, the transaction committee was advised that reporters had approached the Company seeking comments for news articles to the effect that discussions regarding a possible sale of the Company were ongoing. Such news articles were subsequently published.

On April 13, 2007, a telephonic meeting of the board of directors was held at which board members were updated on the status of negotiations with each bidder and on the recent news articles. Immediately following the board meeting, the transaction committee conducted a telephonic meeting and discussed the implications that the news articles might have on the process and the status of negotiations with each bidder.

Later that day, Davis Polk engaged in negotiations with representatives of both bidders regarding the remaining issues in the draft merger agreements, including in particular the definition of Material Adverse Effect, and the treatment of possible antitrust risks of the bid by the Investor Group. In accordance with the transaction committee s instructions, UBS requested the bidders to submit their best and final offer on the afternoon of Saturday, April 14, 2007.

On the morning of April 14, 2007, the transaction committee held a telephonic meeting at which representatives of UBS updated the transaction committee on the status of the process with both bidders and representatives of Davis Polk reported on the contractual allocations of risks related to the closing being discussed with the bidders. Later that day, the transaction committee held a meeting at the offices of Davis Polk at which UBS reported to the committee that the Other Bidder had submitted an offer to purchase 100% of the Company s common stock for $58.50 per share in cash but had indicated that further due diligence was still required before the Other Bidder would be in a position to enter into a definitive agreement. The Other Bidder had indicated that it was unwilling to give the transaction committee a clear indication of the time it would need to complete its due diligence but indicated it would be at least a few days. UBS also informed the transaction committee that the Investor Group submitted a bid to purchase 100% of the Company s common stock for $59.00 per share in cash and that the Investor Group indicated that its due diligence was completed and it was prepared to proceed to negotiate final documents immediately. UBS further reported that the Investor Group indicated a willingness to increase its bid to $60.00 per share in cash if the transaction committee would grant exclusivity and recommend the Investor Group s proposal to the board of directors. After deliberation, in light of the higher price offered by the Investor Group and the fact that the Other Bidder asked for more time to complete its due diligence, the transaction committee instructed UBS to inform the Investor Group that the transaction committee was prepared to move forward to negotiate a definitive agreement with the Investor Group so long as the Investor Group was prepared to complete the definitive documentation and announce the transaction before the

markets opened on Monday, April 16, if certain changes to the proposal were made by the Investor Group, including increasing the purchase price to

$60.00 per share and the resolution of all remaining contractual issues in the merger agreement on satisfactory terms.

Thereafter, the parties and their respective advisors worked to finalize the definitive merger agreement, financing agreements and ancillary documents.

On April 15, 2007, the transaction committee held a meeting at the offices of Davis Polk. Davis Polk updated the transaction committee on the outstanding issues in the merger agreement and reviewed the fiduciary duties of directors under Delaware law. UBS and Greenhill reviewed their joint financial analysis of the merger consideration with the transaction committee and each separately delivered an oral opinion, which opinion was confirmed by delivery of a written opinion dated April 15, 2007, to the transaction committee and the board of directors, to the effect that, as of that date and based on and subject to certain assumptions, matters considered and limitations described in such opinion, the merger consideration to be received by the holders of the Company s common stock (other than, in the case of UBS opinion, Parent, holders of beneficial interests in Parent and their respective affiliates to the extent they are holders of the Company s common stock and, in the case of Greenhill s opinion, affiliates of or holders of beneficial interests in Parent or Merger Sub to the extent they are holders of the Company s common stock) pursuant to the merger agreement was fair, from a financial point of view, to such holders of the Company s common stock.

After considering the terms of the proposed merger agreement with the Investor Group and other related transaction documents and the other factors set forth in Reasons for the Merger, Recommendation of the Transaction Committee and Our Board of Directors Transaction Committee , the transaction committee unanimously resolved that the proposed merger with the Investor Group was advisable and in the best interest of the Company and its stockholders, that it was advisable and in the best interest of the Company and its stockholders to enter into the merger agreement with the Investor Group and the transactions contemplated thereby and recommended that the board of directors approve and declare advisable such transactions and agreements and recommend approval and adoption by the Company s stockholders of such merger agreement.

Later in the day, the board of directors met at the offices of Davis Polk. Davis Polk reviewed with the board of directors the fiduciary duties of directors under Delaware law. Mr. Lord updated the board of directors on the offers submitted by both the Investor Group and the Other Bidder on the previous day and reported that the transaction committee had unanimously determined that the proposed merger agreement with the Investor Group was advisable and in the best interest of the Company and its stockholders and recommended that the board of directors approve and declare advisable the merger agreement and the transactions contemplated thereby and recommend approval and adoption by the Company s stockholders of such merger agreement. UBS and Greenhill reviewed with the board of directors their joint financial analysis of the merger consideration which previously had been reviewed with the transaction committee and each separately confirmed for the board of directors its opinion regarding the fairness, from a financial point of view, of the merger consideration rendered earlier in the day to the transaction committee. After considering the proposed terms of the merger agreement with the Investor Group, the other related transaction documents and the other factors set forth in Reasons for the Merger, Recommendation of the Transaction Committee and Our Board of Directors Our Board of Directors , the board of directors, by unanimous vote of the directors present, approved and declared advisable and in the best interests of the Company and its stockholders the merger agreement with the Investor Group and the transactions contemplated thereby, and recommended that the stockholders of the Company vote for the approval and adoption of the merger agreement.

On April 15, 2007, the Company, Parent and Merger Sub executed the merger agreement and ancillary agreements and the transaction was announced prior to the opening of the NYSE on April 16, 2007.

Reasons for the Merger; Recommendation of the Transaction Committee and Our Board of Directors

Transaction Committee

The transaction committee, consisting solely of independent directors, and acting with the advice and assistance of the Company s independent legal and financial advisors, evaluated and negotiated the merger proposal, including the terms and conditions of the merger agreement, with Parent and Merger Sub and the

Investor Group. The transaction committee unanimously determined that the merger is advisable and that it is in the best interests of the Company and its stockholders for the Company to enter into the merger agreement, and unanimously recommended that the board of directors (i) authorize and approve entry by the Company into the merger agreement and the completion of the transactions contained therein and (ii) recommend that the stockholders of the Company approve and adopt merger agreement.

In the course of reaching its determination, the transaction committee considered the following factors and potential benefits of the merger, each of which the members of the transaction committee believed supported its decision:

the current and historical market prices of the Company s common stock and the fact that the price of $60.00 per share represented a premium to those historical prices, a premium of approximately 47.24% to the closing share price of the Company s common stock on April 12, 2007, the last trading day prior to press reports of rumors regarding a potential acquisition of the Company, and a premium of approximately 44.17% to the average closing price for the thirty trading days ended April 12, 2007;

the possible alternatives to the sale of the Company, including continuing to operate the Company on a stand-alone basis, and the risks and uncertainties associated with such alternatives, including the risks associated with future results of operations, compared to the certainty of the cash value that our stockholders would realize on their investment as a result of the merger;

the various recent legislative and regulatory proposals made by the current administration and members of Congress regarding possible changes to the economic and regulatory aspects of the student loan industry that could affect the profitability of the Company and the corresponding impact on the stock price and future business opportunities of the Company;

the negotiations between the transaction committee and the Investor Group resulting in a price per share of the Company s common stock that was higher than the original price offered by the Investor Group and the best and final offer made by the Other Bidder;

the existence of only one other bidder, the results of the exploratory conversations that the Company had with representatives of several private equity firms in the fall of 2005 and the competition between Parent and the Other Bidder, which resulted in the Company receiving two credible bids;

the joint financial presentation of UBS and Greenhill, including the separate opinions of UBS and Greenhill, each dated April 15, 2007, to the Company s transaction committee and board of directors as to the fairness, from a financial point of view and as of the date of the opinions, of the merger consideration to be received by the holders of the Company s common stock (other than, in the case of UBS opinion, Parent, holders of beneficial interests in Parent and their respective affiliates to the extent they are holders of the Company s common stock and, in the case of Greenhill s opinion, affiliates of or holders of beneficial interests in Parent or Me