

TEXAS GUARANTEED STUDENT LOAN CORPORATION

FINANCE AND AUDIT COMMITTEE CHARTER

I. PURPOSE

The Finance and Audit Committee (the "Committee") shall assist the Board of Directors (the "Board") of Texas Guaranteed Student Loan Corporation (the "Corporation") in fulfilling its responsibility to provide oversight of management regarding: (1) the Corporation's systems of internal controls and risk management; (2) the integrity of the Corporation's financial statements; (3) the Corporation's compliance with legal and regulatory requirements and ethical standards; (4) the engagement, independence and performance of the Corporation's independent auditors; (5) overseeing the management of corporate-side financial assets; (6) reviewing investment policies and strategies; (7) reviewing financial results; (8) assuring the maintenance of an appropriate capital structure; (9) reviewing and recommending approval of an annual budget; and (10) other duties as determined by the Board from time-to-time.

II. MEMBERSHIP

The Committee shall consist of three or more members of the Board, each of whom the Board has selected and determined to be "independent". The Chair of the Committee shall be designated by the Board and shall preside at meetings of the Committee.

Committee members shall have a basic understanding of finance, accounting, investment management, and fundamental financial statements. At least one member of the Committee shall have a sophisticated understanding of financial reporting and accounting, as determined by the Board. Members that have special skills or expertise in managing and investing the Corporation's funds have a fundamental duty to use those skills to assist the Corporation in managing and investing funds.

III. MEETINGS AND QUORUM

The Committee shall meet whenever circumstances dictate, whenever requested by a Committee member, and, in any event, at least two times per year on a regularly scheduled basis. The Committee shall meet whenever circumstances dictate, whenever requested by a Committee member, and, in any event, at least twice each year with the head of the internal audit function and with the independent auditor in separate executive sessions to provide the opportunity for full and frank discussion, including without members of senior management present, if warranted.

Notice of meetings shall be given to all Committee members in the same manner as required for meetings of the Board, or may be waived. Meetings of the Committee may be held by conference telephone or other communications equipment by means of which all persons participating in the meeting can hear and speak to each other. A majority of the members of the Committee shall constitute a quorum. The act of a majority of the Committee members present at a meeting at which a quorum is present shall be the act of the Committee.

The Committee shall have direct access to, and complete and open communications with, the Board.

IV. AUTHORITY

The Committee's role is one of oversight. The Corporation's management is responsible for preparing the Corporation's financial statements and the independent auditors are responsible for auditing those financial statements. The Committee recognizes that management, including the internal audit staff and the independent auditors, have more time, knowledge, and detailed information about the Corporation than do the Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Corporation's financial statements or any professional certification as to the independent auditor's work.

In discharging its role, the Committee is empowered to inquire into any matter it considers appropriate to carry out its responsibilities, with access to all books, records, facilities, and personnel of the Corporation. In addition to retaining the Corporation's independent auditor, the Committee shall have the power to retain outside counsel, other auditors, or other advisors to assist it in carrying out its activities. The Corporation shall provide adequate resources to support the Committee's activities, including compensation of the Corporation's independent auditor and any counsel, other auditors, and other advisors retained by the Committee. The Committee shall have the sole authority to retain, compensate, direct, oversee, and terminate the Corporation's independent auditor and any counsel, other auditors, and other advisors hired to assist the Committee, who shall be accountable ultimately to the Committee.

The Committee may request any person including, but not limited to, any officer or employee of the Corporation or the independent auditor, to attend Committee meetings or to meet with any members of, or advisors to, the Committee.

V. KEY RESPONSIBILITIES

The Committee shall undertake the following responsibilities, which are set forth as a guide. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time.

A. Independent Audit

1. Recommend the appointment, review and approve the terms of the independent auditor's retention, engagement and scope of the annual audit, and if applicable, pre-approve any audit-related and non-audit services (including the fees and terms thereof) to be provided by the independent auditor, and discuss with the independent auditor the potential effects of such services on the independence of the auditor, and evaluate, compensate and oversee the work of the independent auditor, who shall report directly to the Committee, and, if appropriate, terminate the independent auditor's engagement;
2. Review and confirm the independence of the independent auditor annually by obtaining and reviewing a report from the independent auditor delineating all relationships between the independent auditor and the Corporation and discussing with the independent auditor any such disclosed relationships and their impact on the independent auditor's independence, and by obtaining the auditor's assertion of independence in accordance with professional standards; at least every three years,, review and approve the terms of the independent auditor's retention, including a review of fees charged by the auditors for the annual audits; provided, however, that the independent auditor may be retained for no more than two additional years of engagement under substantially the same engagement terms with no further review;

3. At least annually, review a report from the independent auditor describing the auditing firm's internal quality-control procedures and any material issues raised by the most recent quality-control review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, with respect to one or more independent audits carried out by the firm and any steps taken to deal with any such issues;
4. Receive presentation of the annual reports from independent auditors for recommendation to the Board;
5. Review with the independent auditor any problems the auditor has encountered performing the audit, any management letter provided and the Corporation's response to that letter, and matters that the independent auditor is required to communicate to the Committee; and
6. Review and discuss with management, the independent auditor and the internal auditor any significant findings during the year, any restrictions on the scope of activities or access to required information, any changes required in the scope of the audit plan, the audit budget and staffing and coordination of audit efforts.

B. Investments

1. Understand the Board's investment goals, risk tolerance level, and spending plans in order to develop, with management, an investment strategy to meet these goals and requisites;
2. Oversee the implementation of and compliance with periodic review, and revise as appropriate the Corporation's investment policy for Board approval;
3. Oversee the prudent management of the Corporation's funds in compliance with applicable law;
4. Review brokers engaged by the Corporation on a regular basis; and
5. Receive and review on a quarterly basis, investment performance statements and financial statements (statement of financial position, income statement, and operating statement) relating to the then-current year-to-date as well as key financial benchmarks the Committee deems relevant from time to time. These investment performance statements and financial statements may be accompanied by a narrative highlighting any financial issues and, where necessary, actions related thereto.

C. Budget and Special Expenditures

1. Review periodically an operating budget proposal by management to be approved by the Board; and
2. Approve the financing of special projects, including related capital expense; expenditures in excess of budgeted amounts which are beyond the authority of management; and extraordinary expenditures.

D. Internal Audit

1. Review the risk assessment that drives the internal audit plan and annually approve the plan;
2. Review the activities and evaluate the performance of the internal audit function;
3. Review significant adverse internal audit findings and management's response; and
4. Review the effectiveness of the internal audit function including staffing.

E. Internal Control and Risk Oversight

1. Review and discuss with management and the independent auditor the adequacy of the Corporation's internal controls and the Corporation's major financial risks or any significant exposures and assess the steps management has taken to minimize such exposures;
2. Review and discuss with management and the independent auditor the Corporation's policies with respect to risk assessment and risk management; oversee compliance with and review the effectiveness of the Corporation's internal control systems, including through regular executive sessions, whether internal control recommendations identified by internal and independent auditors have been implemented by management; and
3. Establish and oversee procedures for the receipt, retention, and treatment of complaints regarding accounting, internal controls, or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

F. Financial Reporting

1. Review and discuss with management all critical accounting policies and practices used by the Corporation and any significant changes in the Corporation's accounting policies;
2. Review issues with management related to judgments made involving valuation of assets and liabilities, and commitments and contingencies;
3. Review with management the annual financial statements, the annual audit report, and recommendations of the independent auditor, including any audit problems or difficulties, and management's response;
4. Review with management and the independent auditor any complex and/or unusual transactions or other significant matters or events not in the ordinary course of business;
5. Review with management and the external tax advisor, as necessary, any issues or judgmental areas relating to the Corporation's tax compliance; and
6. Review with management, periodic reports of the organizations financial condition and results of its operations.

G. Oversight of Legal and Ethical Compliance

1. Review periodically with the Corporation's legal counsel and its Chief Ethics Officer the scope and effectiveness of the Corporation's legal and regulatory compliance policies and programs, and ethical standards and policies;
2. Oversee legal and regulatory compliance and compliance with ethical standards and policies, including the Conflict of Interest Policy, and act on reports of non-compliance;
3. Review and discuss with management and the auditors any possible areas of noncompliance with laws or policies and ensure that management follows up with relevant procedures where appropriate;
4. Ensure through inquiry and other appropriate means that management is communicating the importance of the Corporation's values, code of conduct and ethics, and internal controls; and
5. Review, discuss with management and the independent auditor, and approve or ratify any transactions or courses of dealing with related persons (*e.g.*, including directors, executive officers, their immediate family members) that are significant in size or involve terms or other aspects that would likely be negotiated with independent parties, involving any safeguards or additional procedures to be applied in such circumstances.

I. Other Responsibilities

1. Maintain minutes of meetings and periodically report Committee findings, recommendations and actions to the Board, including on any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the performance and independence of the independent auditors and the performance of the internal audit function, the Corporation's compliance with legal or regulatory requirements and its ethical standards and policies, and any other matters the Committee deems appropriate or the Board requests.