Connecticut Higher Education Supplemental Loan Authority
(CHESLA)

2011 Annual Report

www.chesla.org

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Helping Students and their Families Invest in the Future.

Providing Access for Students

CHESLA (the "Authority") was established by Public Act No. 82-313, codified as Chapter 187b of the General Statutes of the State of Connecticut, Sections 10a-221 through 10a-246, inclusive, as amended (the "Act"). The purpose of the Act is "to provide a measure of financial assistance to students in or from the state, their parents and others responsible for the cost of their education and an alternative method to enable Connecticut institutions for higher education to assist qualified students to attend such institutions." The Authority is submitting this annual report in accordance with Sections 1-123 and 10a-240 of the Connecticut General Statutes.

Authority Board in FY 11

Ex Officio Members:

- State Treasurer Denise Nappier (represented by Sarah Sanders)
- Secretary of the Office of Policy & Management Brenda Sisco (represented by John Mengacci)
- Secretary of the Office of Policy & Management Benjamin Barnes (represented by Steve Kitowicz)
- Commissioner of Higher Education Michael Meotti

Appointed Members: (The remaining five members are appointed by the Governor based on their qualifications in the areas of higher education and/or public finance, as specified in Section 4 of the enabling legislation.)

Name	Expiration of Term	Statutory Qualifications
William J. Pizzuto	2012	Employee of constituent unit of state higher education system
Julie B. Savino	2011	Experience in higher education loan finance
Kathleen Woods	2011	Experience in higher education loan finance
Delores P. Graham	2015	Retired employee/trustee of institution for higher education
Michael E. McKeeman	2014	Experience in state and municipal finance

Officers

- Board Chair- Mr. Michael E. McKeeman was appointed as Chair of the Authority in 1999 by Governor John G. Rowland and was confirmed by the General Assembly during its 1999 Regular Session. Mr. McKeeman was nominated for reappointment by Governor M. Jodi Rell and confirmed by the General Assembly during the 2009 Regular Session.
- Julie B. Savino, Vice Chair

Staff

- Gloria F. Ragosta, Executive Director until January 2011
- Judith B. Greiman, Executive Director as of February 2011, greimanj@theccic.org
- Samuel E. Rush, Deputy Director, chesla1@chesla.org
- Susan W. Harlan, Loan Portfolio Analyst, chesla2@chesla.org

Key Administrative Activities

- Held one special and four regular board meetings
- Approved the FY10 Audit
- Appointed a committee to select a new auditor and managed the requisite RFP process resulting in selection of Blum Shapiro for a three year contract.
- Approved a charge for the Audit Committee, which met with the new auditors before and after the audit was conducted in accordance with the CHESLA Sarbanes-Oxley policy regarding audit practices. (The audit is attached as Exhibit A.)
- Approved necessary fees to Firstmark to make programming changes.
- Approved the FY10 Annual Report.
- Reviewed options for future ways to manage the Authority.
- Approved changes to job descriptions and salary ranges for Authority staff.
- Approved the FY 10 Financial Statements
- Following an RFP process, approved the renewal of Collection Corporation of America's collections contract for another three years.
- Following an RFP process, approved the renewal of Amtec's contract for arbitrage rebate calculations for another three years.
- Following an RFP process, approved the contract of Day Pitney for general and bond counsel for another three years.
- Approved a Resolution ratifying the 2010 Bond deal, which issued $45 million for loans.
- Approved a motion regarding membership on Authority committees and the Advisory Committee.
- Approved the Budget and Plan of Operations for FY11.
- Approved an extension through 2013 of the management contract with the Connecticut Conference of Independent Colleges.
- Oversaw a market analysis to determine best ways to market the loan program.
- Heard a presentation on issues in the student loan market.

- The Act requires the Authority to appoint an Advisory Committee of up to 15 persons to meet with members of the Authority at least once a year. During the year ended June 30, 2011, the following individuals served as members of the Advisory Committee: Catherine Boone, Martin L. Budd, Frank R.A. Resnick, Arthur Shahverdian, Richard Savage and Joe Popevis. The Advisory Committee met with the Authority on December 15, 20010.

Affirmative Action

The Authority's affirmative action policy statement, as required by Connecticut General Statutes Section 10a-224(h)(2): It is the policy of CHESLA to provide equal employment opportunity at all times in accordance with State Statutes. Equal employment opportunity is defined as the administration of all personnel policies - employment applications; job qualifications; job specifications; recruitment practices; job structuring; orientation; grievance procedures; evaluation; layoffs and termination - so that there is no discrimination based on race, ethnicity, religion, age, gender, sexual orientation, marital status, civil union status, national origin, ancestry, mental disabilities or any other disability that does not prevent successful job performance.

Notwithstanding the foregoing, it shall be the policy of CHESLA to take positive action, with conviction and effort, to achieve the full and fair participation of protected class persons.
In addition to its non-discrimination policies and practices, the Connecticut Higher Education Supplemental Loan Authority shall require a statement of non-discrimination from all entities with which it enters into contractual or other business arrangements. As of June 30, 2011, CHESLA had two employees: an Associate Director (1 African-American male) and a Loan Portfolio Analyst (1 Caucasian female).

Community Service Activities

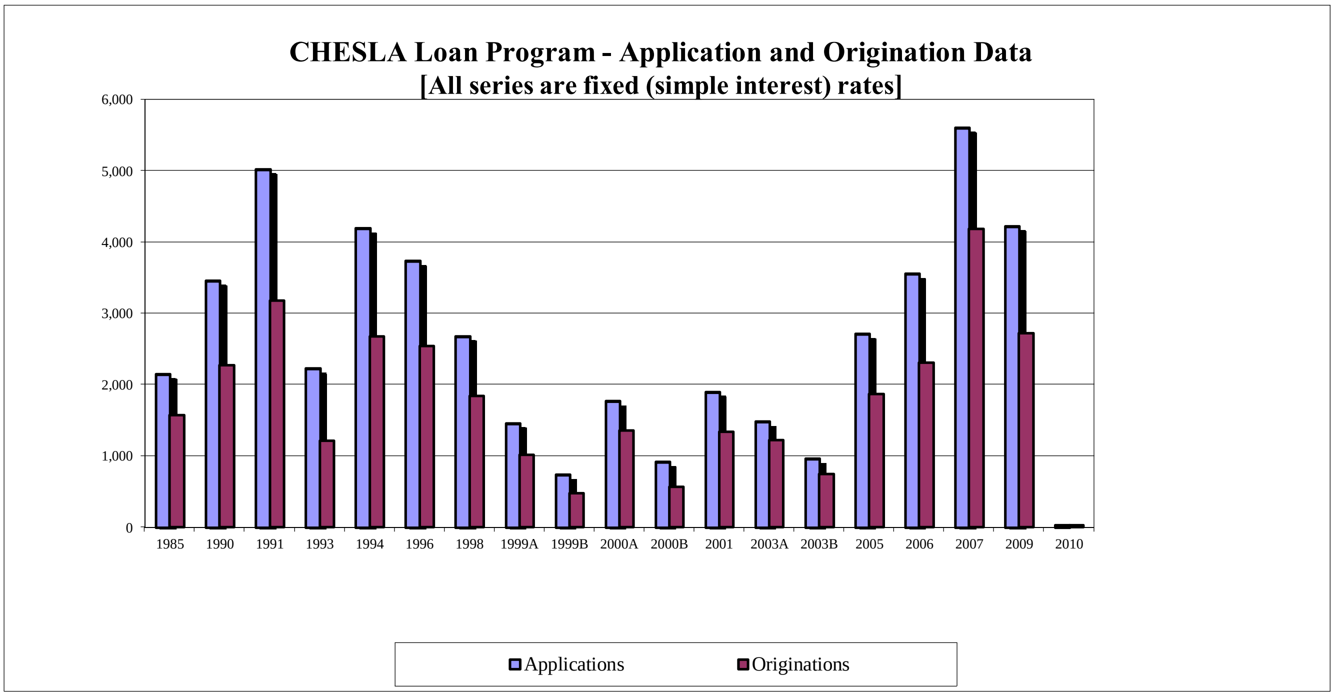
The Authority participated in one early college awareness program (Graduate!CT). In addition, CHESLA sponsored four GEAR UP students awarding each student a $2,500 "Morrison Beach Scholarship." The total award per student equals $10,000 over four years of college. Annual scholarships are based on academic performance and enrollment.

Payments in Excess of $5,000 (excluding loans for education):

AMTEC	Loan Yield/Arbitrage Rebate
Ballard Spahr Andrews & Ingersoll, LLP	Underwriter Counsel
Beers, Hamerman & Co., P.C	Accountant
Benefit Center	Health Reimbursement Plan
EOS CCA	Collection Agency
Connecticut Conference of Independent Colleges	Personal Services/Shared Office Space
Connecticut Department of Higher Education	Scholarships
Connecticare	Medical Insurance
Day Pitney LLP	Legal/Bond Counsel
Education Finance Council	Professional Membership
Firstmark Services	Loan Origination & Servicing
Fitch Rating	Rating Agency

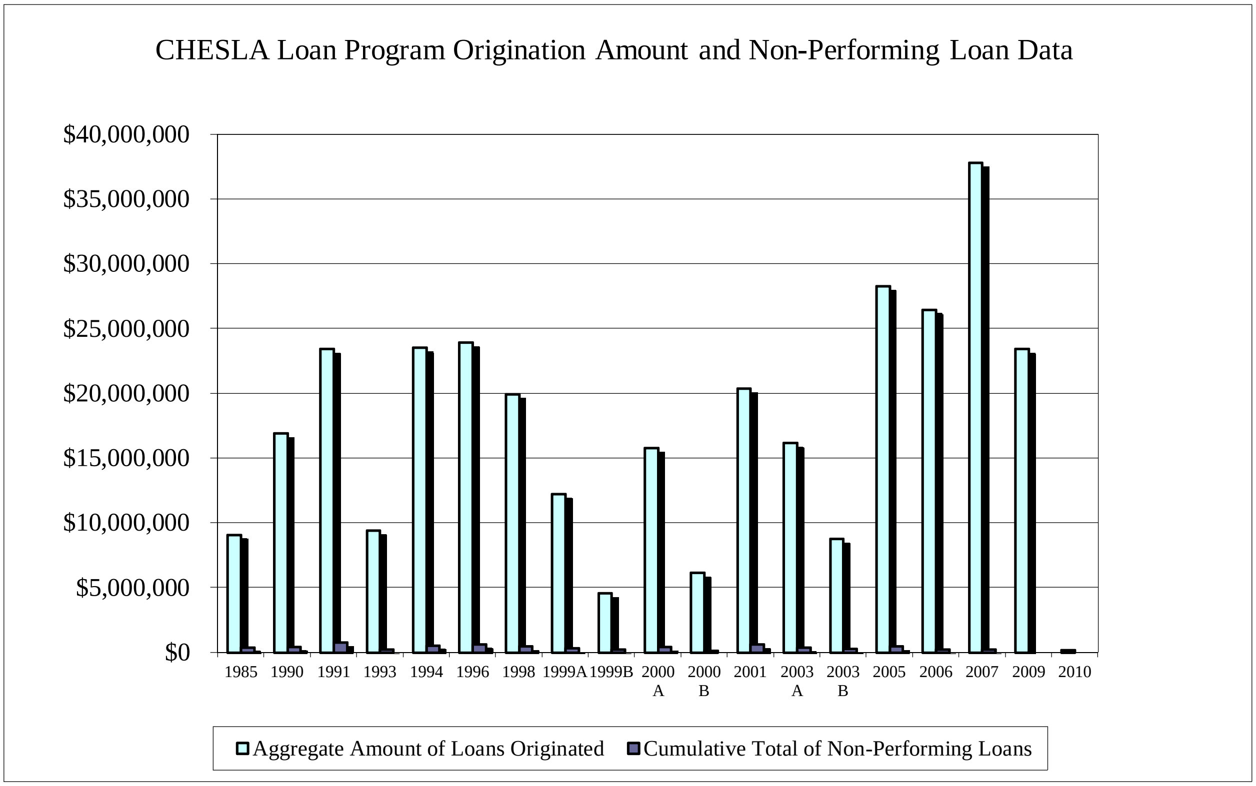
Hartford Courant	Advertisement
Moody's	Rating Agency
PFM Group	Financial Advisor
RBC Capital Markets	Underwriter
R.C. Knox & Co., Inc.	Insurance Broker/Insurance Fees
Shipman & Goodwin	Trustee Counsel
Simione Macca & Larrow	Auditor
Small Business Services	Dental and Life Insurance
U.S. Bank National Association	Trustee
Vanguard Fiduciary Trust Co.	Pension Plan

Funding for the CHESLA Loan Program



Applications Received by Bond Series - 1985 (2,150), 1990 (3,462), 1991(5,022), 1993 (2,226), 1994 (4,193), 1996 (3,737), 1998 (2,681), 1999A (1,460), 1999B (739), 2000A (1,771), 2000B (915), 2001 (1,900), 2003A (1,484) 2003B (964) 2005 (2,710) 2006 (3,552) 2007 (5,607), 2009 (1,372), and 2010 (27).

Loans Originated by Bond Series - 1985 (1,575), 1990 (2,275), 1991 (3,181), 1993 (1,215), 1994 (2,676), 1996 (2,542), 1998 (1,840), 1999A (1,014), 1999B (475), 2000A (1,360), 2000B (564), 2001 (1,341), 2003A (1,225), 2003B (743), 2005 (1,866) 2006 (2,308) 2007 (4,188), 2009 (1,026) and 2010 (27).



Aggregate Amount of Loans Originated - 1985 ($9,138,627), 1990 ($16,978,127), 1991 ($23,509,883), 1993 ($9,457,002), 1994 ($23,601,441), 1996 ($24,002,867), 1998 ($19,989,330), 1999A ($12,283,780), 1999B ($4,628,969), 2000A ($15,853,387), 2000B ($6,200,067), 2001 ($20,433,303), 2003A ($16,212,316), 2003B ($8,813,427) 2005 ($28,321,052) 2006 ($26,527,184) 2007 ($37,871,341), 2009 ($8,458,989) and 2010 ($222,037).

Cumulative Total of Non-Performing Loans - 1985 ($443,646), 1990 ($495,125), 1991 ($812,827), 1993 ($276,673), 1994 ($592,960), 1996 ($694,111), 1998 ($506,139), 1999A ($371,921), 1999B ($288,388), 2000A ($487,812) 2000B ($167,158), 2001A ($670,795), 2003A ($418,038), 2003B ($329,856), 2005 ($529,826), 2006 ($272,357) and 2007 ($258,268). Total non-performing loans $7,604,909.

Non-Performing Loan Rate - 1985 (4.85%), 1990 (2.92%), 1991 (3.46%), 1993 (2.93%), 1994 (2.51%), 1996 (2.89%), 1998 (2.53%), 1999A (3.03%), 1999B (6.23%), 2000A (3.08%), 2000B (2.70%), 2001 (3.28%), 2003A (2.58%), 2003B (3.74%), 2005A(1.87%), 2006 (1.03)% and 2007 (0.68%). Total net non-performing loan rate (2.32%)

Financial assistance activity information was compiled from student loans originated as follows:

1985 Series A Bonds - October 1, 1985 to October 30, 1988;
1990 Series A Bonds - August 22, 1990 to September 6, 1991
1991 Series A Bonds - September 12, 1991 to August 5, 1993;

1993 Series A Bonds - August 12, 1993 to August 20, 1994;
1994 Series A Bonds - August 26, 1994 to September 20, 1996;
1996 Series A Bonds - October 5, 1996 to September 5, 1998;
1998 Series A & B Bonds - September 11, 1998 to June 30, 1999;
1999 Series A & B Bonds - October 27, 1999 to November 24, 2000;
2000 Series A & B Bonds - December 15, 2000 to May 1, 2002; and
2001 Series A Bonds - May 5, 2002 to Aug. 11, 2004 (includes recycling)
2003 Series A & B Bonds - July 23, 2003 to August 10, 2005
2005 Series A& B Bonds - August 10, 2005 to June 30, 2006
2006 Series A Bonds - August 17, 2006 to June30, 2007
2007 Series A Bonds - August 23, 2007 to June 30, 2008
2009 Series A Bonds - August 4, 2009 to May 13, 2011
2010 Series A Bonds – May 13, 2011 to June 30, 2011

A table showing the total number and amounts of loans disbursed from proceeds of the 1985 through 2010 bond sales is attached as ***Exhibit B*** to this Annual Report.

A copy of the Loan Program Manual is attached as ***Exhibit C*** to this Annual Report.

Bond Issuance

The Authority issued new bonds on October 19, 2010. The 2010 Bonds were sold through a negotiated underwriting with RBC Capital Markets as the underwriter and PFM as the Authority's financial advisor.

As of June 30, 2011, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate principal amount of $441.84 million. The principal amounts of the Authority's outstanding bonds totaled $184,250,000, including:

Bond Series	Principal Issued	Principal Outstanding
1983 Series -	$15,500,000	$0
1985 Series -	$15,500,000	$0
1990 Series A -	$18,000,000	$0
1990 Series B -	$ 420,000	$0
1991 Series A -	$25,000,000	$0
1991 Series B -	$ 445,000	$0
1992 Series A -	$ 6,600,000	$0
1993 Series A -	$10,000,000	$0
1994 Series A -	$25,000,000	$0
1996 Series A -	$25,000,000	$0
1998 Series A -	$15,000,000	$ 785,000
1998 Series B -	$ 3,560,000	$0
1999 Series A -	$12,500,000	$ 1,695,000
1999 Series B -	$ 4,390,000	$ 540,000
2000 Series A -	$16,410,000	$ 2,565,000
2000 Series B -	$ 5,975,000	$ 895,000
2001 Series A -	$25,000,000	$13,720,000
2003 Series A -	$18,000,000	$ 9,200,000
2003 Series B -	$12,915,000	$ 5,855,000
2005 Series A -	$31,455,000	$19,875,000
2005 Series B -	$5,900,000	$0
2006 Series A -	$33,270,000	$22,010,000
2007 Series A -	$41,000,000	$35,525,000
2009 Series A -	$30,000,000	$26,585,000
2010 Series A	$45,000,000	$45,000,000
Total	**$441,840,000**	**$184,250,000**

The State's contingent liability, in connection with the 1996, 1998, 1999, 2000, 2001, 2003, 2005, 2006, 2007, 2009 and 2010 Bonds, is the Special Capital Reserve Fund requirement for such Bonds, as defined in Connecticut General Statutes Section 10a-232, funded as of Junes 30, 2011 in the aggregate amount of $19,395,819.

Projected Activities

The Authority has and will continue to offer education loans from the remaining proceeds of its 2010 Series during the FY12 fiscal year. The Authority is considering doing a refinancing in FY12 to take advantage of low interest rates and provide additional administrative flexibility. The Authority does not otherwise plan for a new bond issue in FY12.

CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Exhibit A - Financials

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

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BlumShapiro
Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Directors
Connecticut Higher Education Supplemental Loan Authority
Farmington, Connecticut

We have audited the accompanying basic financial statements of the Connecticut Higher Education Supplemental Loan Authority (the Authority), a component unit of the State of Connecticut, as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of and for the year ended June 30, 2010 were audited by other auditors, whose report, dated September 21, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011 and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements. The 2011 combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. These combining financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The 2010 combining financial statements were reported on by other auditors, whose report, dated September 21, 2010, stated that such information was fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blum, Shapiro & Company, P.C.

September 20, 2011

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) of the financial statements of Connecticut Higher Education Supplemental Loan Authority (the Authority) provides supplemental information to the financial statements and notes that follow and should be read in conjunction with them. The purpose of the MD&A is to introduce and highlight the more detailed information provided in the financial statements. For example, it will assess improvement to or deterioration of the Authority's financial position and will identify factors that, in management's opinion, affected financial performance during the fiscal period under review.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a component unit of the State of Connecticut, and the Authority's financial statements are included in the State's Comprehensive Annual Financial Report. The funds of the Authority are proprietary fund types. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. Usually these activities are financed by debt that is secured solely by a pledge of the operating revenues of that activity.

Financial Statements

The Authority's financial statements consist of a balance sheet, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows. The financial statements utilize the economic resources measurement focus and the accrual basis of accounting - thus providing the foundation for generally accepted accounting principles that are used in private sector business reporting. This means that all assets and liabilities associated with the operation of the Authority are included on the balance sheet, and that revenues and expenses are recognized when earned and incurred, respectively, on the statement of revenues, expenses and changes in fund net assets.

Net assets are presented in two components, (i) restricted and (ii) unrestricted. Net assets are reported as restricted when constraints are placed on those assets by creditors, grantors or laws, or are imposed by law through constitutional provisions or enabling legislation. The restrictions in place at the Authority originate from bond indentures. The Board has designated a portion of unrestricted funds as discussed in Note 5.

The statement of revenues, expenses and changes in fund net assets reports the operating revenues and expenses of the Authority for the fiscal year with the difference representing the change in net assets for the year.

The statement of cash flows reports cash activities for the fiscal year resulting from operating and investing activities and reconciles the beginning of the year cash balance with the cash balance at the end of the year.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Notes to the Financial Statements

The notes to the financial statements provide additional information that is important to understanding the information included in the financial statements.

Supplemental Information

Supplemental information includes combining balance sheets and statements of revenues, expenses and changes in fund net assets.

OVERVIEW OF THE ORGANIZATION

The Authority is a public instrumentality and political subdivision of the State of Connecticut (the State). The Authority provides financial assistance in the form of education loans to students in or from the State, their parents or others responsible for the cost of their education and provides an alternative method to enable institutions of higher education in the State to assist qualified students to attend such institutions. The Authority is authorized to issue tax-exempt bonds, the proceeds of which are used to fund education loans to applicants meeting certain eligibility requirements. The repayments of such loans service the debt on Authority bonds.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities as of June 30, 2011 and 2010, by $12.8 million and $13.2 million, respectively.

The Authority's net assets decreased by $311,483 and $803,218 for the years ended June 30, 2011 and 2010, respectively.

The Authority's total outstanding bonds increased by $28.6 million and $18.7 million for the years ended June 30, 2011 and 2010, due to the issuance of new bonds in both years.

FINANCIAL POSITION ANALYSIS

The following is a summary of the Authority's assets, liabilities and net assets at June 30, 2011, 2010 and 2009:

BALANCE SHEETS
(In Thousands)

	2011	2010	2009
Assets:			
Current unrestricted assets	$ 16,597	$ 15,514	$ 12,541
Current restricted assets	59,708	34,343	21,536
Total current assets	76,305	49,857	34,077
Noncurrent assets:			
Restricted investments	19,160	15,618	12,600
Loans receivable, net of current portion	104,349	106,719	106,876
Bond issuance costs, net	2,848	2,575	2,397
Total noncurrent assets	126,357	124,912	121,873
Total Assets	$ 202,662	$ 174,769	$ 155,950
Liabilities:			
Current liabilities	$ 10,163	$ 11,418	$ 6,630
Long-term liabilities	179,657	150,198	135,364
Total liabilities	189,820	161,616	141,994
Net assets:			
Unrestricted	(6,656)	(2,187)	716
Restricted	19,498	15,340	13,240
Total net assets	12,842	13,153	13,956
Total Liabilities and Net Assets	$ 202,662	$ 174,769	$ 155,950

The following is an overview of significant changes in the balance sheets from 2010 to 2011 and from 2009 to 2010:

Assets

From 2010 to 2011, current unrestricted assets increased by $1.1 million or 7.0%. This was primarily due to an increase in current loans receivable in 2011. From 2009 to 2010, current unrestricted assets increased by $3 million for the same reason.

FINANCIAL POSITION ANALYSIS (Continued)

From 2010 to 2011, current restricted assets increased by $25.4 million or 73.9%. This increase was the result of investments purchased with new bond proceeds, less loans issued in 2011. From 2009 to 2010, current restricted assets increased by $12.8 million or 59.5% for the same reason.

From 2010 to 2011, noncurrent assets increased by $1.4 million or 1.2%, primarily due to the investment required under the 2010 Special Capital Reserve Fund. From 2009 to 2010, noncurrent assets increased by $3.0 million or 2.5%, primarily due to the investment required under the 2009 Special Capital Reserve Fund.

Liabilities

From 2010 to 2011, current liabilities decreased by $1.3 million or 11.0% due to an increase in current bonds payable from new bonds issued in 2010 and 2011. From 2009 to 2010, current liabilities increased by $4.8 million or 71.7% due to an increase in current bonds payable from bonds issued in 2010.

From 2010 to 2011, long-term liabilities increased by $29.5 million or 19.6% due to the issuance of $45 million of bonds in 2011. From 2009 to 2010, long-term liabilities increased by $14.9 million or 11.0% due to issuance of $30 million of bonds in 2010.

Net Assets

Unrestricted net assets decreased from 2010 to 2011 due to a decrease in net assets of $311,000 from operations and the additional reserve requirements of $4.2 million relating to the 2011 bond issuance. The additional reserve requirements caused restricted net assets to increase from 2010 to 2011 by the same amount.

Net assets from 2009 to 2010 decreased due to a decrease in net assets from operations of $803,000 in 2010.

REVENUE AND EXPENSE ANALYSIS

The following is a summary of the Authority's operating revenues, operating expenses and changes in net assets for the years ended June 30, 2011, 2010 and 2009:

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(In Thousands)
Fiscal Years Ended June 30,**

	2011	2010	2009
Operating revenues:			
Interest income - loans receivable	$ 7,960	$ 7,879	$ 7,553
Interest income - investments	968	1,490	1,560
Total operating revenues	8,928	9,369	9,113
Operating expenses:			
Interest expense	7,997	7,320	6,792
Loan collection fees	477	478	524
Amortization of bond issuance costs	475	467	441
General and administrative and related expenses	674	683	522
Arbitrage rebate and excess loan yield provision (benefit)	(384)	1,224	(66)
Total operating expenses	9,239	10,172	8,213
Change in Net Assets	$ (311)	$ (803)	$ 900

Revenues

From 2010 to 2011, interest income on loans remained stable as the total outstanding loans remained consistent. Loan interest income increased by $326,000 or 4% from 2009 to 2010 due to the increase in loans outstanding from 2009 to 2010.

From 2010 to 2011, interest income on investments decreased by $522,000 or 35% due to a decrease in the amount invested, which resulted from the use of 2010 bond proceeds to make loans. Interest income on investments remained consistent from 2009 to 2010 as total investment balances were consistent over the two years.

REVENUE AND EXPENSE ANALYSIS (Continued)

Expenses

Interest expense increased by $677,000 or 9% from 2010 to 2011 due to a higher balance of bonds payable as bonds were issued in 2011. From 2009 to 2010, interest expense increased by $528,000 or 7.7% due to a higher balance of bonds payable, as bonds were issued in 2010.

Loan collection fees were consistent from 2010 to 2011 and decreased slightly from 2009 to 2010 due to more collection activity in 2009.

General and administrative expenses remained stable from 2010 to 2011 and increased from 2009 to 2010 by $161,000 or 31% due to a credit to the loan loss provision in 2009.

From 2010 to 2011, the arbitrage rebate and excess loan yield provision decreased by $1.6 million or 130% due to the Authority reducing the interest rate on certain loans held under the 1990 and 2003 Resolution as described in Note 10. The liability increased significantly from 2009 to 2010 due to a change in the method of calculating the liability.

CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
BALANCE SHEETS
JUNE 30, 2010 AND 2011

	2011	2010
ASSETS		
Current Assets		
Unrestricted assets:		
Cash and cash equivalents	$ 974,188	$ 1,136,091
Current portion of loans receivable, net of allowances for loan losses of $2,241,000 in 2011 and $2,194,000 in 2010	14,986,013	13,760,106
Interest receivable on investments	179,421	155,134
Interest receivable on loans receivable	457,542	462,464
Total unrestricted assets	16,597,164	15,513,795
Restricted assets:		
Cash and cash equivalents	51,571,290	8,749,208
Investments	8,134,532	25,592,481
Connecticut Higher Education Trust	1,727	1,603
Total restricted assets	59,707,549	34,343,292
Total current assets	76,304,713	49,857,087
Noncurrent Assets		
Restricted investments	19,159,603	15,617,398
Loans receivable, net of current portion	104,349,438	106,719,091
Bond issuance costs, net of accumulated amortization of $4,124,710 in 2011 and $3,650,018 in 2010	2,847,912	2,575,323
Total noncurrent assets	126,356,953	124,911,812
Total Assets	$ 202,661,666	$ 174,768,899

	2011	2010
LIABILITIES		
Current Liabilities		
Current portion of bonds payable	$ 8,575,000	$ 9,995,000
Accounts payable and accrued expenses	122,954	74,271
Current portion of arbitrage rebate and excess loan yield liability		6,513
Accrued interest payable	1,011,923	883,617
Current portion of deferred revenue	453,528	458,153
Total current liabilities	10,163,405	11,417,554
Noncurrent Liabilities		
Bonds payable, net of current portion	176,444,677	146,443,235
Arbitrage rebate and excess loan yield liability, net of current portion	938,038	1,321,502
Deferred revenue, net of current portion	2,273,705	2,433,284
Total noncurrent liabilities	179,656,420	150,198,021
Total liabilities	189,819,825	161,615,575
Net Assets		
Unrestricted	(6,655,858)	(2,186,676)
Restricted for debt service	19,497,699	15,340,000
Total net assets	12,841,841	13,153,324
Total Liabilities and Net Assets	$ 202,661,666	$ 174,768,899

The accompanying notes are an integral part of the financial statements

CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Operating Revenues		
Interest income on loans receivable	$ 7,959,710	$ 7,879,100
Interest income on investments	968,155	1,490,044
Total operating revenues	8,927,865	9,369,144
Operating Expenses		
Interest expense	7,996,714	7,320,439
Loan collection fees	477,488	478,021
Amortization of bond issuance costs	474,692	467,473
General and administrative expenses	279,543	287,778
Professional fees	147,280	154,250
Salaries	132,996	128,170
Trustee fees	67,750	52,000
Arbitrage rebate and excess loan yield provision (benefit)	(384,115)	1,224,231
Provision for loan losses	47,000	60,000
Total operating expenses	9,239,348	10,172,362
Change in Net Assets	(311,483)	(803,218)
Net Assets - Beginning of Year	13,153,324	13,956,542
Net Assets - End of Year	$ 12,841,841	$ 13,153,324

The accompanying notes are an integral part of the financial statements

CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities		
Receipts from loan repayments	$ 16,892,091	$ 15,954,106
Interest received on loans	8,480,029	7,760,173
Interest received on investments	1,252,943	1,180,021
Other receipts	-	1,099,528
Loans disbursed	(15,795,345)	(18,792,462)
Payment of bond interest	(7,858,375)	(7,226,378)
Payments to employees and suppliers	(1,056,374)	(2,158,745)
Other disbursements	(685,463)	-
Net cash provided by (used in) operating activities	1,229,506	(2,183,757)
Cash Flows from Investing Activities		
Sale of restricted investments	35,635,683	7,125,204
Purchase of restricted investments	(22,029,138)	(30,366,137)
Net cash provided by (used in) investing activities	13,606,545	(23,240,933)
Cash Flows from Noncapital Financing Activities		
Issuance of bonds	46,356,409	30,000,000
Bond issuance costs	(747,281)	(645,384)
Payments on bond principal	(17,785,000)	(11,675,000)
Net cash provided by noncapital financing activities	27,824,128	17,679,616
Net Increase (Decrease) in Cash and Cash Equivalents	42,660,179	(7,745,074)
Cash and Cash Equivalents - Beginning of Year	9,885,299	17,630,373
Cash and Cash Equivalents - End of Year	$ 52,545,478	$ 9,885,299

(Continued on next page)

CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Reconciliation of Change in Net Assets to Net Cash Provided by (Used In) Operating Activities		
Change in net assets	$ (311,483)	$ (803,218)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization of bond issuance costs	474,692	467,473
Amortization of deferred amount on refunding	22,915	90,627
Amortization of bond discount	43,874	44,405
Amortization of bond premium	(56,756)	(32,383)
Provision for loan losses	47,000	60,000
Accretion of treasury bond premium	-	21,977
Unrealized (gain) loss on treasury bond	309,075	(274,526)
Change in operating assets and liabilities:		
(Increase) decrease in loans receivable	1,096,746	(2,876,274)
Increase in interest receivable on investments	(24,287)	(35,497)
(Increase) decrease in interest receivable on loans receivable	4,922	(40,315)
Increase (decrease) in accounts payable and accrued expenses	48,683	(45,706)
Increase (decrease) in arbitrage rebate and excess loan yield liability	(389,977)	1,224,231
Increase in accrued interest payable	128,306	94,061
Decrease in deferred revenue	(164,204)	(78,612)
Total adjustments	1,540,989	(1,380,539)
Net Cash Provided by (Used In) Operating Activities	$ 1,229,506	$ (2,183,757)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and cash equivalents - unrestricted	$ 974,188	$ 1,136,091
Cash and cash equivalents - restricted	51,571,290	8,749,208
	$ 52,545,478	$ 9,885,299

The accompanying notes are an integral part of the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Connecticut Higher Education Supplemental Loan Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). Following is a summary of significant accounting policies of the Authority.

Reporting Entity - The Authority is a body politic and corporate established in 1982 pursuant to Section 4 of Connecticut Higher Education Supplemental Loan Authority Act, Public Act 82-313 of the Connecticut General Assembly (the Act). For purposes of financial reporting, the Authority is a component unit of the State of Connecticut (the State) and the Authority's financial statements are included in the State's Comprehensive Annual Financial Report. The Authority was established to assist students, their parents and institutions of higher education in financing the cost of higher education through its bond funds.

Measurement Focus and Basis of Accounting - The funds of the Authority are proprietary fund types. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet. Accounting principles generally accepted in the United States of America (GAAP) used for proprietary funds are generally those applicable to businesses in the private sector. In accordance with GASB Statement No. 20, the Authority applies all GASB pronouncements and all Financial Accounting Standards Board Statements, Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds include the cost of providing services to customers. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. None of the Authority's revenues or expenses are considered nonoperating.

Authority Operating Fund - The administrative functions of the Authority are accounted for in the Authority Operating Fund. Revenues in this fund consist of interest income and administrative fees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Funds - Under the Bond Funds, the Authority issues revenue bonds, the proceeds of which are used to provide loans directly to students or other borrowers to assist in the financing of higher education. Revenue in the Bond Funds is derived from interest earned on investments and loans receivable. The 2003 Bond Fund is governed by the 2003 Master Revenue Bond Resolution, pursuant to which the 2003 and 2005 Series A and B and 2006 and 2007 Series A bonds were issued. The Pre 2003 Bond Fund is governed by the 1990 Revenue Bond Resolution, as amended, supplemented and restated, pursuant to which all outstanding bonds were issued prior to the 2003 Series A and B bonds as well as the 2009 Series A and 2010 Series A bonds. In accordance with the bond resolutions, the Authority internally accounts for each bond issue separately, which includes individual funds as defined by each bond resolution, including but not limited to combinations of some of the following: the Loan Fund, Revenue Fund, Debt Service Reserve Fund and the Special Capital Reserve Fund.

Connecticut Higher Education Trust (CHET) - Under the CHET program, the Authority maintains trust accounts for students in the Authority's early college awareness program.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan losses. In determining the allowance for loan losses, management uses historical loss experience to make predictions about future losses. As the loan portfolio matures, the Authority adjusts its estimate of expected default rates used to estimate loan losses.

Revenue Recognition - Interest income on loans is recognized based on the rates applied to principal amounts outstanding. The accrual of interest income is generally discontinued when a loan is classified as nonperforming (see Note 3). Loans are currently considered nonperforming by management when the borrower has not made payments for the most recent three months.

Restricted Assets - Under provisions of the bond resolutions, certain assets are restricted for the repayment of bond principal and interest, for the issuance of student loans, and for anticipated operating costs.

Cash and Cash Equivalents - The Authority's cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The Authority presents all investments at fair value, except for nonparticipating interest-earning investment contracts, which are carried at amortized cost. There were no material differences between the amortized cost and fair values of investments as of June 30, 2011 and 2010.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Loan Losses - Interest on loans receivable is accrued and credited to operations based upon the principal amount outstanding. Loans are placed on nonaccrual status when management believes principal or interest on such loans may not be collected in the normal course of business. The allowance for loan losses has been provided through charges against operations based on management's evaluation of the loan portfolio and maintained at a level believed adequate to absorb potential losses in the loan portfolio. Loans are typically written off against the allowance for loan losses (net of loan recoveries) in the period in which the loans become nonperforming and no payments have been made for 12 consecutive months. However, a loan may be written off at any time management believes the repayment of such loan is doubtful. Collections of loans previously written off are pursued until management believes that further recoveries are doubtful.

Bond Issuance Costs - Bond issuance costs are amortized on a straight-line basis over the term of the related bonds.

Arbitrage Rebates and Excess Loan Yield Liability - Under the Internal Revenue Code of 1986 (the Code), the Authority is required to rebate to the federal government certain excess earnings on investments from funds obtained with its tax-exempt bonds, as defined by the Code. In addition, the Authority is obligated to reduce its excess loan yield on student loans financed with tax-exempt bonds. The Authority calculates this liability annually.

Deferred Revenue - The Authority charges a 3% reserve fee on loans governed by the 2003 Master Revenue Bond Resolution and a 2% to 4% reserve fee on loans governed by the 1990 Revenue Bond Resolution, depending on the originating series. The fee, net of origination costs, is deferred and recognized over the life of the loan on a straight-line basis.

Reclassifications - Certain reclassifications were made to the 2010 financial statements to conform to the 2011 presentation. One of the reclassifications was between components of net assets. Amounts restricted by the bond resolutions for debt service of $15,340,000 as of June 30, 2010 were reclassified from unrestricted net assets to restricted net assets, which resulted in an unrestricted net asset deficiency of $2,186,676. This and other reclassifications had no effect on total net assets as of June 30, 2010 or on the change in net assets for the year then ended.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - *Deposit Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits will not be returned. The Authority does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, none of the Authority's bank balance of $11,648 was exposed to custodial credit risk.

Cash Equivalents - At June 30, 2011, the Authority's cash equivalents amounted to $52,334,868, consisting of the State Short-Term Investment Fund (STIF), which has a credit rating of AAAm by Standard & Poor's. STIF investments are redeemable on demand.

Investments - The Authority's deposit and investment policy complies with the underlying bond resolution requirements. The Authority maintains guaranteed investment contracts with MBIA, Inc., IXIS Funding (formerly known as CDC Funding Corporation), Society Generale, Natixis, Citigroup, GE Capital, FSA Capital Management Services, Rabobank International and RBC. Under these agreements, all investment transactions must be authorized investments, defined by the bond resolutions as including primarily securities issued or guaranteed by the United States Government, corporate debt obligations having a bond rating of "A" or higher, mortgage participation certificates issued by the Federal Home Loan Mortgage Corporation and mortgage pass-through certificates issued by the Federal National Mortgage Association.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

As of June 30, 2011, the Authority had the following investments:

			Investment Maturities (Years)		
Investment Type	**Credit Rating**	**Fair Value**	**Less Than 1**	**1-10**	**More Than 10**
FGIC Investment Agreement	N/A	$ 1,558,635		$ 1,558,635	$
FSA Capital Management Services Investment Agreement	N/A	5,300,000			5,300,000
GE Funding Capital Market Guaranteed Investment Contract	N/A	2,200,000		2,200,000	
Ixis Funding Corp Agreement	N/A	1,688,110			1,688,110
MBIA Inc. Investment Agreement	N/A	3,000,000			3,000,000
Rabobank International Investment	N/A	1,858,340		1,858,340	
RBC Investment Agreement Deal	N/A	992,726		992,726	
Smith Barney Investment Agreement	N/A	600,000		600,000	
Societe General Investment	N/A	3,536,721		3,536,721	
US Treasury Bond	AAA	6,559,603			6,559,603
Total Investments - June 30, 2011		$ 27,294,135			

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

As of June 30, 2010, the Authority had the following investments:

			Investment Maturities (Years)		
Investment Type	**Credit Rating**	**Fair Value**	**Less Than 1**	**1-10**	**More Than 10**
FGIC Investment Agreement	N/A	$ 1,234,976		$ 1,234,976	$
FSA Capital Management Services Investment Agreement	N/A	5,300,000			5,300,000
GE Funding Capital Market Guaranteed Investment Contract	N/A	2,200,000		2,200,000	
Ixis Funding Corp Agreement	N/A	2,133,882			2,133,882
MBIA Inc. Investment Agreement	N/A	3,000,000		3,000,000	
Rabobank International Investment	N/A	1,961,584		1,961,584	
RBC Investment Agreement Deal	N/A	19,005,435		19,005,433	
Smith Barney Investment Agreement	N/A	600,000		600,000	
Societe General Investment	N/A	2,756,604		2,756,604	
US Treasury Bond	AAA	3,017,398			3,017,398
Total Investments - June 30, 2010		$ 41,209,879			

There were no significant investment losses for the years ended June 30, 2011 and 2010.

Interest Rate Risk - The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's deposit and investment policy complies with the underlying bond resolution requirements as described above.

Credit Risk - Investments - The Authority applies State Statutes with respect to credit risk policies.

Concentration of Credit Risk - The Authority does not have a formalized investment policy that restricts investments in any one issuer that is in excess of 5% of the Authority's total investments. The Authority's deposit and investment policy complies with the underlying bond resolution requirements as described above.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Authority or that sells investments to or buys them for the Authority), the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk, as the Authority's deposit and investment and investment policy complies with the underlying bond resolution requirements as described above. As of June 30, 2011, the Authority was not subject to custodial risk because it did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Authority's name.

NOTE 3 - LOANS RECEIVABLE

Under the Bond Fund Program, the Authority makes loans to individuals from the proceeds of bonds issued by the Authority. Loans receivable by outstanding bond series as of June 30, 2011 are as follows:

Bond Series	Number of Loans in 2011	Balance at June 30, 2011	Balance at June 30, 2010	Interest Rate (%)
1998A&B	613	$ 1,702,202	$ 2,709,907	2.00
1999A	395	1,907,152	2,544,463	7.50
1999B	167	557,263	785,978	7.50
2000A	603	3,338,911	4,198,992	7.25
2000B	218	1,021,482	1,372,271	7.25
2001A*	943	7,163,225	8,494,318	6.7 and 9.7
2003A	871	7,714,403	8,994,437	4.99
2003B**	507	3,616,211	4,260,908	4.99 and 9.2
2005A&B***	1,609	18,251,024	20,991,641	5.5,8.25 and 8.4
2006A****	1,871	19,989,788	23,320,146	0 and 6.1
2007A	2,236	31,070,144	34,305,083	6.99
2009A	1,596	22,317,559	8,254,577	6.80
2010A	26	221,975		5.95
	11,655	118,871,339	120,232,721	
Add nonperforming loans		2,705,112	2,440,476	
Less allowance for loan losses		(2,241,000)	(2,194,000)	
		$ 119,335,451	$ 120,479,197	

* Includes loans issued under the 1990 Series A bonds that were refunded by the 2001 Series A bonds.

** Includes loans issued under the 1991 Series A bonds that were refunded by the 2003 Series B bonds.

*** Includes loans issued under the 1993 and 1994 Series A bonds that were refunded by the 2005 Series B bonds.

**** Includes loans issued under the 1996 Series A bonds that were refunded by the 2006 Series A Bonds.

NOTE 3 - LOANS RECEIVABLE (Continued)

The Authority currently defines nonperforming loans as those on which the borrower has not made payments for the most recent three months. Interest income of approximately $154,000 and $139,000, respectively, was not accrued on nonperforming loans.

The Authority has a policy to write off uncollectible loans against the allowance for loan losses when certain criteria are met (see Note 1). In connection with this policy, the Authority wrote off loans receivable of $250,817 and $260,840 for the years ended June 30, 2011 and 2010, respectively, which had previously been provided for through the allowance for loan losses. The Authority recovered $241,866 and $71,134 in fiscal 2011 and 2010, respectively, in loans receivable and other credits that were written off in previous years.

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the years ended June 30, 2011 and 2010:

2011	Balance at July 1, 2010	Increases	Decreases	Balance at June 30, 2011	Due Within One Year
Bonds payable - principal	$ 157,035,000	$ 45,000,000	$ 17,785,000	$ 184,250,000	$ 8,575,000
Discount	(572,596)		(43,874)	(528,722)	
Premium	134,304	1,356,409	56,756	1,433,957	
Deferred amount on refunding	(158,473)		(22,915)	(135,558)	
Bonds, net	156,438,235	46,356,409	17,774,967	185,019,677	8,575,000
Arbitrage rebate and excess loan yield liability	1,328,015		389,977	938,038	
Deferred revenue	2,891,437	305,414	469,618	2,727,233	453,528
	$ 160,657,687	$ 46,661,823	$ 18,634,562	$ 188,684,948	$ 9,028,528

2010	Balance at July 1, 2009	Increases	Decreases	Balance at June 30, 2010	Due Within One Year
Bonds payable - principal	$ 138,710,000	$ 30,000,000	$ 11,675,000	$ 157,035,000	$ 9,995,000
Discount	(617,001)		(44,405)	(572,596)	
Premium	166,687		32,383	134,304	
Deferred amount on refunding	(249,100)		(90,627)	(158,473)	
Bonds, net	138,010,586	30,000,000	11,572,351	156,438,235	9,995,000
Arbitrage rebate and excess loan yield liability	103,784	1,224,231		1,328,015	6,513
Deferred revenue	2,970,049	146,518	225,130	2,891,437	458,153
	$ 141,084,419	$ 31,370,749	$ 11,797,481	$ 160,657,687	$ 10,459,666

NOTE 4 - LONG-TERM DEBT (Continued)

The bonds of the Authority bear interest at rates varying between 1.7% and 6%. Future amounts needed to pay principal and interest on bonds outstanding at June 30, 2011 is as follows:

Year Ending June 30	Principal	Interest
2012	$ 8,575,000	$ 7,945,358
2013	12,525,000	7,500,999
2014	10,395,000	7,013,270
2015	12,250,000	6,529,443
2016	14,775,000	5,964,184
2017-2021	53,930,000	21,673,582
2022-2026	48,420,000	10,479,375
2027-2031	14,870,000	3,915,835
2032-2035	8,510,000	1,627,538
	$ 184,250,000	$ 72,649,584

Outstanding principal of each bond issue at June 30, 2011 and 2010, is as follows:

	Original Amount	Outstanding June 30, 2011	Outstanding June 30, 2010
1998 Series A, 4.10%-5.15%, due serially from November 15, 2002 to November 15, 2016	$ 15,000,000	$ 785,000	$ 810,000
1998 Series B, 4%-4.875%, due serially from November 15, 2001 to November 15, 2010	3,560,000		395,000
1999 Series A, 4.7%-6%, due serially from November 15, 2002 to November 15, 2017	12,500,000	1,695,000	1,920,000
1999 Series B, 4.5%-6%, due serially from November 15, 2002 to November 15, 2012	4,390,000	540,000	1,120,000
2000 Series A, 4.625%-5.5%, due serially from November 15, 2008 to November 15, 2020	16,410,000	2,565,000	2,760,000
2000 Series B, 4.75%-5.2%, due serially from November 15, 2001 to November 15, 2012	5,975,000	895,000	1,725,000
2001 Series A, 4.25%-5.25%, due serially from November 15, 2010 to November 15, 2021	25,000,000	13,720,000	15,245,000
2003 Series A, 1.7%-4.5%, due serially from November 15, 2004 to November 15, 2020	18,000,000	9,200,000	10,015,000
2003 Series B, 2%-5%, due serially from November 15, 2004 to November 15, 2017	12,915,000	5,855,000	6,975,000
2005 Series A, 2.5%-4.375%, due serially from November 15, 2005 to November 15, 2021	31,455,000	19,875,000	20,055,000
2005 Series B, 4%, due serially from November 15, 2008 to November 15, 2010	5,900,000		2,500,000
2006 Series A, 3.9%-4.8%, due serially from November 15, 2007 to 2022	33,270,000	22,010,000	24,630,000
2007 Series A, 4.125%-1.875%, due serially from November 15, 2010 to 2024	41,000,000	35,525,000	38,885,000
2009 Series A, 1.9%-5.05%, due serially from November 15, 2011 to 2027	30,000,000	26,585,000	30,000,000
2010 Series A, 2.0%-5.25%, due serially from November 15, 2014 to 2035	45,000,000	45,000,000	
	$ 300,375,000	$ 184,250,000	$ 157,035,000

NOTE 4 - LONG-TERM DEBT (Continued)

Each Series A bond is subject to a special mandatory redemption in whole or in part from excess loan payments. During the years ended June 30, 2011 and 2010, the Authority redeemed bonds in the following amounts:

	2011	2010
1998 Series A	$	$ 300,000
1999 Series A		75,000
2000 Series A		235,000
2001 Series A		100,000
2003 Series A	270,000	1,525,000
2003 Series B		345,000
2005 Series A	180,000	650,000
2006 Series A	1,280,000	1,570,000
2007 Series A	2,645,000	1,515,000
2009 Series A	3,415,000	
	$ 7,790,000	$ 6,315,000

NOTE 5 - NET ASSETS

Restricted net assets consist of $19,497,699 and $15,340,000 as of June 30, 2011 and 2010, respectively, required by the bond indentures to be maintained in the Special Capital Reserve Funds.

The Board of Directors designated unrestricted net assets of $1,000,000 as of June 30, 2010 to be used to maintain future operations required to monitor and administer the loan portfolio in the event the Authority ceases to issue new loans. An additional designation of $600,000 was made in 2011, for a total designation of $1,600,000 as of June 30, 2011.

NOTE 6 - STATE OF CONNECTICUT DEPOSIT REQUIREMENT

Deficiencies, if any, in the Debt Service Reserve Fund balances within the Bond Funds will be funded from the amount on deposit in the applicable Special Capital Reserve Fund. Both the Debt Service Reserve Fund and the Special Capital Reserve Fund are components of restricted investments. In accordance with the Act, the State must deposit with the Trustee monies necessary to restore the Special Capital Reserve Fund requirement (i.e., an amount equal to the maximum amount of principal and interest becoming due by reason of maturity in any one succeeding calendar year or some lesser amount specified by the Authority in its resolution authorizing the issuance of any such bonds.) As of June 30, 2011 and 2010, the State has not made nor was it required to make any such deposit.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Authority shares rental space, office supplies, office equipment and utilities with the Connecticut Conference of Independent Colleges (CCIC) and shares the services of the CCIC's president. Currently, the executive director of the Authority serves as president of CCIC. Fees charged to the Authority by CCIC for providing administrative services were $106,000 for each of the years ended June 30, 2011 and 2010. In addition, the Authority reimbursed CCIC directly for specific general and administrative expenses incurred.

NOTE 8 - EMPLOYEE BENEFIT PLANS

The Authority has a Simplified Employee Pension Plan (the Plan). The Plan was established by the Board of Directors, who also have the authority to amend the Plan's provisions. Under the provisions of the Plan, the Authority makes annual contributions directly to the individual retirement accounts (IRA) of all eligible employees, equal to 8% of the employee's salary. Employees have the right to withdraw amounts from the IRA in accordance with the terms and conditions of the IRA. In 2011 and 2010, the Authority made contributions of $10,574 and $10,254, respectively, to the Plan.

NOTE 9 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors or omissions; injuries to employees; or acts of God. The Authority purchases commercial insurance to mitigate loss from these risks. Neither the Authority nor its insurers have settled any claims that have exceeded insurance coverage in the last three years. There was no reduction in insurance coverage from that of the prior year.

NOTE 10 - ARBITRAGE AND EXCESS LOAN YIELD LIABILITIES

As of June 30, 2011, the yield on the loan portfolios related to the 1998, 2006 and 2007 bond issues exceeds the amount permitted by the applicable federal income tax regulations necessary to maintain the tax-exempt status of the bonds. The resulting arbitrage and excess loan liability has been recognized in the accompanying balance sheets. Effective May 1, 2009, the Authority reduced the interest rate on certain loans held under the 1990 and 2003 Resolution. Both reductions were made to maintain the tax-exempt status of interest on the related bonds and as an attempt to offset the excess loan yield liability. The Authority intends to forgive principal amounts due on student loans in lieu of paying the IRS the excess loan yield liability as it becomes due and payable, which is allowable under IRS regulations.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
COMBINING BALANCE SHEETS
JUNE 30, 2011 AND 2010

	2011					2010				
	Authority Operating Fund	Bond Funds Pre 2003	Bond Funds 2003	Eliminations	Total	Authority Operating Fund	Bond Funds Pre 2003	Bond Funds 2003	Eliminations	Total
ASSETS										
Current Assets										
Unrestricted assets:										
Cash and cash equivalents	$ 974,188	$	$	$	$ 974,188	$ 1,136,091	$	$	$	$ 1,136,091
Current portion of loans receivable, net of allowances for loan losses of $2,241,000 in 2011 and $2,194,000 in 2010		4,815,054	10,170,959		14,986,013		3,159,989	10,600,117		13,760,106
Interest receivable on investments	447	97,738	81,236		179,421	429	74,391	80,314		155,134
Interest receivable on loans receivable		159,929	297,613		457,542		109,546	352,918		462,464
Due from 2003 series								12,290	(12,290)	-
Total unrestricted assets	974,635	5,072,721	10,549,808	-	16,597,164	1,136,520	3,343,926	11,045,639	(12,290)	15,513,795
Restricted assets:										
Cash and cash equivalents	1,600,000	42,497,082	7,474,208		51,571,290	1,000,100	1,168,839	6,580,269		8,749,208
Investments		6,276,192	1,858,340		8,134,532		23,630,897	1,961,584		25,592,481
Connecticut Higher Education Trust	1,727				1,727	1,603				1,603
Total restricted assets	1,601,727	48,773,274	9,332,548	-	59,707,549	1,001,703	24,799,736	8,541,853	-	34,343,292
Total current assets	2,576,362	53,845,995	19,882,356	-	76,304,713	2,138,223	28,143,662	19,587,492	(12,290)	49,857,087
Noncurrent Assets										
Restricted investments		8,659,603	10,500,000		19,159,603		5,117,398	10,500,000		15,617,398
Loans receivable, net of current portion		33,530,078	70,819,360		104,349,438		25,520,946	81,198,145		106,719,091
Bond issuance costs, net of accumulated amortization of $4,124,710 in 2011 and $3,650,018 in 2010	1,388,512	770,497	688,903		2,847,912	1,656,913	88,059	830,351		2,575,323
Total noncurrent assets	1,388,512	42,960,178	82,008,263	-	126,356,953	1,656,913	30,726,403	92,528,496	-	124,911,812
Total Assets	$ 3,964,874	$ 96,806,173	$ 101,890,619	$ -	$ 202,661,666	$ 3,795,136	$ 58,870,065	$ 112,115,988	$ (12,290)	$ 174,768,899

(Continued on next page)

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2011 AND 2010

	2011					2010				
	Authority Operating Fund	Bond Funds Pre 2003	Bond Funds 2003	Eliminations	Total	Authority Operating Fund	Bond Funds Pre 2003	Bond Funds 2003	Eliminations	Total
LIABILITIES										
Current Liabilities	$	$	$	$	$	$	$	$	$	$
Current portion of bonds payable		3,880,000	4,695,000		8,575,000		3,775,000	6,220,000		9,995,000
Accounts payable and accrued liabilities	1,727	81,547	39,680		122,954	24,126	27,074	23,071		74,271
Current portion of arbitrage rebate and excess loan yield liability payable					-		6,513			6,513
Accrued interest payable		491,486	520,437		1,011,923		307,248	576,369		883,617
Current portion of deferred revenue		202,396	251,132		453,528		207,021	251,132		458,153
Due to 2003 series					-		12,290		(12,290)	-
Total current liabilities	1,727	4,655,429	5,506,249	-	10,163,405	24,126	4,335,146	7,070,572	(12,290)	11,417,554
Noncurrent Liabilities										
Bonds payable, net of current portion		89,222,977	87,221,700		176,444,677		50,200,000	96,243,235		146,443,235
Arbitrage rebate and excess loan yield liability payable, net of current portion		415,911	522,127		938,038		485,538	835,964		1,321,502
Deferred revenue, net of current portion		745,912	1,527,793		2,273,705		654,359	1,778,925		2,433,284
Total noncurrent liabilities	-	90,384,800	89,271,620	-	179,656,420	-	51,339,897	98,858,124	-	150,198,021
Total liabilities	1,727	95,040,229	94,777,869	-	189,819,825	24,126	55,675,043	105,928,696	(12,290)	161,615,575
Net Assets										
Unrestricted	3,963,147	(7,231,755)	(3,387,250)		(6,655,858)	3,771,010	(1,644,978)	(4,312,708)		(2,186,676)
Restricted for debt service		8,997,699	10,500,000		19,497,699		4,840,000	10,500,000		15,340,000
Total net assets	3,963,147	1,765,944	7,112,750	-	12,841,841	3,771,010	3,195,022	6,187,292	-	13,153,324
Total Liabilities and Net Assets	$ 3,964,874	$ 96,806,173	$ 101,890,619	$ -	$ 202,661,666	$ 3,795,136	$ 58,870,065	$ 112,115,988	$ (12,290)	$ 174,768,899

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011					2010				
	Authority Operating Fund	Bond Funds		Eliminations	Total	Authority Operating Fund	Bond Funds		Eliminations	Total
		Pre 2003	2003				Pre 2003	2003		
Operating Revenues										
Interest income on investments	$ 5,994	$ 358,805	$ 603,356	$	$ 968,155	$ 42,845	$ 828,562	$ 618,637	$	$ 1,490,044
Interest income on loans receivable		2,372,740	5,586,970		7,959,710		2,019,301	5,859,799		7,879,100
Administrative fees	984,540			(984,540)	-	1,012,820			(1,012,820)	-
Total operating revenues	990,534	2,731,545	6,190,326	(984,540)	8,927,865	1,055,665	2,847,863	6,478,436	(1,012,820)	9,369,144
Operating Expenses										
Interest expense		3,560,304	4,436,410		7,996,714		2,415,668	4,904,771		7,320,439
Administrative fees		222,630	761,910	(984,540)	-		178,855	833,965	(1,012,820)	-
Loan collection fees	184	220,882	256,422		477,488	7,225	183,823	286,973		478,021
Amortization of bond issuance costs	268,401	64,843	141,448		474,692	286,024	22,900	158,549		467,473
General and administrative expenses	249,536	18,892	11,115		279,543	244,013	26,006	17,759		287,778
Professional fees	147,280				147,280	154,250				154,250
Salaries	132,996				132,996	128,170				128,170
Trustee fees		37,350	30,400		67,750		24,000	28,000		52,000
Arbitrage rebate and excess loan yield provision (benefit)		(70,278)	(313,837)		(384,115)		480,358	743,873		1,224,231
Provision for loan losses (benefit)		106,000	(59,000)		47,000		(54,000)	114,000		60,000
Total operating expenses	798,397	4,160,623	5,264,868	(984,540)	9,239,348	819,682	3,277,610	7,087,890	(1,012,820)	10,172,362
Change in Net Assets	192,137	(1,429,078)	925,458	-	(311,483)	235,983	(429,747)	(609,454)	-	(803,218)
Net Assets - Beginning of Year	3,771,010	3,195,022	6,187,292	-	13,153,324	3,535,027	3,624,769	6,796,746	-	13,956,542
Net Assets - End of Year	$ 3,963,147	$ 1,765,944	$ 7,112,750	$ -	$ 12,841,841	$ 3,771,010	$ 3,195,022	$ 6,187,292	$ -	$ 13,153,324

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Connecticut Higher Education Supplemental Loan Authority
Farmington, Connecticut

We have audited the accompanying financial statements of the Connecticut Higher Education Supplemental Loan Authority (the Authority), a component unit of the State of Connecticut, as of and for the year ended June 30, 2011 and have issued our report thereon dated September 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, the Board of Directors, the State of Connecticut, bond trustees and bond holders, and is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

September 20, 2011

CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Exhibit B - Loans Disbursed by Bond Series

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - HISTORICAL LENDING (06/11)

Institution	[1990 Resolution] Pre-2003 Series AB Number of Loans Disb. (1)	[1990 Resolution] Pre-2003 Series AB Amount of Loans Disb. (1)	[2003 Resolution] 2003 Series A Number of 4.99% Loans Disb. (2)	[2003 Resolution] 2003 Series A Amount of 4.99% Loans Disb. (2)	[2003 Resolution] 2003 Series B Number of 4.99% Loans Disb. (3)	[2003 Resolution] 2003 Series B Amount of 4.99% Loans Disb. (3)	[2003 Resolution] 2005 Series A Number of 5.50% Loans Disb. (4)	[2003 Resolution] 2005 Series A Amount of 5.50% Loans Disb. (4)	[2003 Resolution] 2006 Series A Number of 6.15% Loans Disb. (5)	[2003 Resolution] 2006 Series A Amount of 6.15% Loans Disb. (5)	[2003 Resolution] 2007 Series A Number of 6.99% Loans Disb. (6)	[2003 Resolution] 2007 Series A Amount of 6.99% Loans Disb. (6)	[1990 Resolution] 2009 Series A Number of 6.80% Loans Disb. (7)	[1990 Resolution] 2009 Series A Amount of 6.80% Loans Disb. (7)	[1990 Resolution] 2010 Series A Number of 5.95% Loans Disb. (8)	[1990 Resolution] 2010 Series A Amount of 5.95% Loans Disb. (8)	Total Number Of Students	Total Distribution to Students
Albertus Magnus College	222	$1,560,074	4	$35,551	4	$44,692	10	$123,675	11	$138,406	42	$252,345	25	$145,068	0	$0	318	$2,299,811
ARC - Alt. Route to Cert. (CT DHE)	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	14	$55,856	3	$11,325	17	$67,181
Capital Community College	1	$3,500	3	$12,000	0	$0	2	$10,544	2	$27,000	0	$0	0	$0	0	$0	8	$53,044
Charter Oak State College	10	$34,425	0	$0	0	$0	2	$18,250	0	$0	0	$0	0	$0	0	$0	12	$52,675
Central Connecticut State University	399	$2,052,575	43	$377,306	18	$130,244	76	$679,672	105	$679,277	126	$585,488	47	$199,029	0	$0	814	$4,703,591
Connecticut College	310	$3,334,887	1	$24,000	3	$35,284	5	$86,404	0	$0	7	$50,534	0	$0	0	$0	326	$3,531,109
Eastern Connecticut State University	439	$2,246,962	38	$258,930	30	$204,808	46	$435,874	82	$439,968	134	$679,879	82	$403,271	0	$0	851	$4,669,692
Fairfield University	1,323	$14,016,580	55	$789,554	35	$381,285	81	$1,471,856	123	$1,504,909	191	$2,152,537	128	$1,392,082	2	$15,800	1,938	$21,724,602
Gateway Community College	3	$8,725	0	$0	0	$0	0	$0	1	$4,000	0	$0	1	$6,000	0	$0	5	$18,725
Goodwin College, Inc.	0	$0	0	$0	0	$0	0	$0	2	$13,285	1	$5,000	2	$12,250	0	$0	5	$30,535
Gradute Institute	0	$0	4	$33,724	4	$40,987	3	$25,918	6	$81,305	14	$119,830	20	$212,177	2	$13,000	53	$526,941
Hartford Seminary	0	$0	0	$0	0	$0	0	$0	0	$0	2	$8,000	0	$0	0	$0	2	$8,000
Housatonic Community College	1	$2,734	1	$3,000	0	$0	0	$0	3	$8,500	1	$8,000	0	$0	0	$0	6	$22,234
Rensselaer at Hartford	19	$124,240	0	$0	0	$0	1	$16,846	0	$0	0	$0	0	$0	0	$0	20	$141,086
Lyme Academy of Fine Arts	3	$27,574	1	$11,815	0	$0	4	$39,438	3	$17,224	13	$89,765	11	$76,060	0	$0	35	$261,876
Manchester Community College	5	$16,743	0	$0	2	$7,000	0	$0	0	$0	0	$0	0	$0	0	$0	7	$23,743
Mitchell College	36	$342,634	1	$18,000	1	$17,000	4	$94,907	4	$71,989	25	$165,853	34	$236,714	0	$0	105	$947,097
Naugatuck Valley Community College	8	$21,000	0	$0	0	$0	0	$0	2	$4,000	0	$0	0	$0	0	$0	10	$25,000
Northwestern CT Community College	164	$2,098,570	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	164	$2,098,570
Quinnipiac University	1,410	$12,560,536	102	$1,431,915	79	$1,100,584	305	$5,223,158	365	$4,727,215	485	$5,081,973	205	$2,089,088	5	$58,963	2,956	$32,273,432
Quinnipiac University School of Law	368	$4,744,832	1	$16,094	0	$0	2	$33,530	5	$61,620	1	$15,118	3	$25,000	0	$0	380	$4,896,194
Sacred Heart University	1,406	$13,201,359	290	$4,259,532	140	$1,875,224	379	$6,657,012	296	$5,172,170	675	$6,856,582	377	$3,641,049	2	$25,728	3,565	$41,688,655
Southern Connecticut State University	226	$1,231,519	22	$172,611	10	$77,077	35	$269,612	51	$249,687	62	$245,390	30	$115,584	0	$0	436	$2,361,480
Saint Joseph College	429	$3,139,887	16	$133,927	13	$118,697	21	$256,595	28	$203,379	56	$395,704	45	$279,097	0	$0	608	$4,527,286
Saint Vincent College	20	$132,468	0	$0	0	$0	3	$33,466	1	$11,000	9	$64,133	0	$0	0	$0	33	$241,067
Teikyo Post University	77	$493,191	6	$37,296	5	$44,300	0	$0	0	$0	0	$0	0	$0	0	$0	88	$574,787
Three Rivers Community College	11	$133,200	1	$6,386	2	$7,000	0	$0	1	$2,000	3	$11,000	2	$8,400	0	$0	20	$167,986
Trinity College	225	$2,371,706	4	$18,760	0	$0	7	$85,745	5	$32,790	21	$159,209	11	$134,000	0	$0	273	$2,802,210
Tunxis Community College	15	$78,588	2	$7,250	0	$0	1	$2,400	1	$5,000	4	$9,852	1	$16,000	0	$0	24	$119,090
University of Bridgeport	206	$1,469,031	3	$28,154	1	$5,700	2	$29,886	0	$0	4	$19,200	14	$104,530	0	$0	230	$1,656,501
University of Conn. - School of Law	17	$106,462	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	17	$106,462
University of Conn. - School of Social Work	24	$129,219	1	$4,500	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	25	$133,719
University of Conn. - Dental/Health Center	89	$654,242	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	89	$654,242
University of Conn. - School of Medicine	45	$309,457	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	45	$309,457
University of Conn. - Storrs/Offsite Campuses	2,107	$13,610,768	75	$607,716	38	$298,930	51	$481,586	135	$987,156	223	$1,241,013	127	$776,135	2	$10,157	2,758	$18,013,461
University of Hartford	1,971	$19,430,253	165	$2,259,133	133	$1,521,191	292	$4,571,895	388	$3,846,396	580	$4,836,951	307	$2,505,849	1	$10,582	3,837	$38,982,250
University of New Haven	371	$2,993,773	14	$162,404	9	$83,222	17	$205,247	12	$128,508	57	$559,065	113	$921,807	1	$12,300	594	$5,066,326
Wesleyan University	618	$7,015,771	2	$37,500	1	$15,000	10	$117,534	13	$203,460	47	$506,282	32	$276,587	0	$0	723	$8,172,134
Western Connecticut State University	69	$381,233	10	$88,075	5	$35,800	9	$94,331	22	$143,841	56	$263,495	41	$154,426	0	$0	212	$1,161,201
Wilcox College of Nursing	153	$2,653,678	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	153	$2,653,678
Yale University - College	1,460	$18,796,969	98	$1,707,670	58	$897,141	131	$2,292,272	175	$2,613,232	346	$3,933,971	110	$1,221,961	1	$6,500	2,379	$31,469,716
Yale University - Graduate School	77	$760,842	0	$0	0	$0	0	$0	0	$0	1	$38,000	1	$20,000	0	$0	79	$818,842
Yale University - School of Art	17	$136,506	0	$0	0	$0	1	$3,000	0	$0	0	$0	0	$0	0	$0	18	$139,506
Yale University - School of Drama	4	$19,235	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	4	$19,235
Yale University - School of Forestry	6	$64,650	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	6	$64,650
Yale University - School of Law	281	$3,101,938	1	$4,700	0	$0	0	$0	0	$0	3	$86,600	0	$0	0	$0	285	$3,193,238
Yale University - School of Medicine	138	$1,108,608	0	$0	0	$0	0	$0	0	$0	0	$0	29	$415,596	0	$0	167	$1,524,204
Yale University - School of Nursing	111	$856,349	2	$31,300	1	$3,586	0	$0	0	$0	0	$0	0	$0	0	$0	114	$891,235
Yale University - School of Management	325	$3,181,976	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	325	$3,181,976
Total Disbursed to Students- Attending Connecticut Institutions	15,219	$140,759,469	966	$12,578,802	592	$6,944,752	1,500	$23,360,653	1,842	$21,377,317	3,189	$28,440,768	1,812	$15,443,616	19	$164,355	25,139	$249,069,731
10.98% Loans	1,575	$9,138,627.00															1,575	$9,138,627
Total Disbursed to CT Students- Attending Out-of-State Institutions	3,600	$36,178,687	259	$3,633,514	151	$1,868,675	366	$4,960,399	466	$5,149,868	999	$9,430,573	914	$8,063,022	8	$57,682	6,763	$69,342,420
Grand Total	20,394	$186,076,783	1,225	$16,212,316	743	$8,813,427	1,866	$28,321,052	2,308	$26,527,184	4,188	$37,871,341	2,726	$23,506,638	27	$222,037	33,477	$327,550,778

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - HISTORICAL LENDING (Percentage Basis)

Institution	[1990 Resolution] Pre-2003 Series AB Number of Loans Disb. (1)	Amount of Loans Disb. (1)	[2003 Resolution] 2003 Series A Number of 4.99% Loans Disb. (2)	Amount of 4.99% Loans Disb. (2)	[2003 Resolution] 2003 Series B Number of 4.99% Loans Disb. (3)	Amount of 4.99% Loans Disb. (3)	[2003 Resolution] 2005 Series A Number of 5.50% Loans Disb. (4)	Amount of 5.50% Loans Disb. (4)	[2003 Resolution] 2006 Series A Number of 6.15% Loans Disb. (5)	Amount of 6.15% Loans Disb. (5)	[2003 Resolution] 2007 Series A Number of 6.99% Loans Disb. (6)	Amount of 6.99% Loans Disb. (6)	[1990 Resolution] 2009 Series A Number of 6.80% Loans Disb. (7)	Amount of 6.80% Loans Disb. (7)	[1990 Resolution] 2010 Series A Number of 5.95% Loans Disb. (8)	Amount of 5.95% Loans Disb. (8)	Total Number Of Students	Total Distribution to Students
Albertus Magnus College	1.09%	0.84%	0.33%	0.22%	0.54%	0.51%	0.54%	0.44%	0.48%	0.52%	1.00%	0.67%	0.92%	0.62%	0.00%	0.00%	**0.95%**	**0.70%**
ARC - Alt. Route to Cert. (CT DHE)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.51%	0.24%	11.11%	5.10%	**0.05%**	**0.02%**
Capital Community College	0.00%	0.00%	0.24%	0.07%	0.00%	0.00%	0.11%	0.04%	0.09%	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.02%**	**0.02%**
Charter Oak State College	0.05%	0.02%	0.00%	0.00%	0.00%	0.00%	0.11%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.04%**	**0.02%**
Central Connecticut State University	1.96%	1.10%	3.51%	2.33%	2.42%	1.48%	4.07%	2.40%	4.55%	2.56%	3.01%	1.55%	1.72%	0.85%	0.00%	0.00%	**2.43%**	**1.44%**
Connecticut College	1.52%	1.79%	0.08%	0.15%	0.40%	0.40%	0.27%	0.31%	0.00%	0.00%	0.17%	0.13%	0.00%	0.00%	0.00%	0.00%	**0.97%**	**1.08%**
Eastern Connecticut State University	2.15%	1.21%	3.10%	1.60%	4.04%	2.32%	2.47%	1.54%	3.55%	1.66%	3.20%	1.80%	3.01%	1.72%	0.00%	0.00%	**2.54%**	**1.43%**
Fairfield University	6.49%	7.53%	4.49%	4.87%	4.71%	4.33%	4.34%	5.20%	5.33%	5.67%	4.56%	5.68%	4.70%	5.92%	7.41%	7.12%	**5.79%**	**6.63%**
Gateway Community College	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%	0.02%	0.00%	0.00%	0.04%	0.03%	0.00%	0.00%	**0.01%**	**0.01%**
Goodwin College, Inc.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	0.05%	0.02%	0.01%	0.07%	0.05%	0.00%	0.00%	**0.01%**	**0.01%**
Gradute Institute	0.00%	0.00%	0.33%	0.21%	0.54%	0.47%	0.16%	0.09%	0.26%	0.31%	0.33%	0.32%	0.73%	0.90%	7.41%	5.85%	**0.16%**	**0.16%**
Hartford Seminary	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.02%	0.00%	0.00%	0.00%	0.00%	**0.01%**	**0.00%**
Housatonic Community College	0.00%	0.00%	0.08%	0.02%	0.00%	0.00%	0.00%	0.00%	0.13%	0.03%	0.02%	0.02%	0.00%	0.00%	0.00%	0.00%	**0.02%**	**0.01%**
Rensselaer at Hartford	0.09%	0.07%	0.00%	0.00%	0.00%	0.00%	0.05%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.06%**	**0.04%**
Lyme Academy of Fine Arts	0.01%	0.01%	0.08%	0.07%	0.00%	0.00%	0.21%	0.14%	0.13%	0.06%	0.31%	0.24%	0.40%	0.32%	0.00%	0.00%	**0.10%**	**0.08%**
Manchester Community College	0.02%	0.01%	0.00%	0.00%	0.27%	0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.02%**	**0.01%**
Mitchell College	0.18%	0.18%	0.08%	0.11%	0.13%	0.19%	0.21%	0.34%	0.17%	0.27%	0.60%	0.44%	1.25%	1.01%	0.00%	0.00%	**0.31%**	**0.29%**
Naugatuck Valley Community College	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.03%**	**0.01%**
Northwestern CT Community College	0.80%	1.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.49%**	**0.64%**
Quinnipiac University	6.91%	6.75%	8.33%	8.83%	10.63%	12.49%	16.35%	18.44%	15.81%	17.82%	11.58%	13.42%	7.52%	8.89%	18.52%	26.56%	**8.83%**	**9.85%**
Quinnipiac University School of Law	1.80%	2.55%	0.08%	0.10%	0.00%	0.00%	0.11%	0.12%	0.22%	0.23%	0.02%	0.04%	0.11%	0.11%	0.00%	0.00%	**1.14%**	**1.49%**
Sacred Heart University	6.89%	7.09%	23.67%	26.27%	18.84%	21.28%	20.31%	23.51%	12.82%	19.50%	16.12%	18.10%	13.83%	15.49%	7.41%	11.59%	**10.65%**	**12.73%**
Southern Connecticut State University	1.11%	0.66%	1.80%	1.06%	1.35%	0.87%	1.88%	0.95%	2.21%	0.94%	1.48%	0.65%	1.10%	0.49%	0.00%	0.00%	**1.30%**	**0.72%**
Saint Joseph College	2.10%	1.69%	1.31%	0.83%	1.75%	1.35%	1.13%	0.91%	1.21%	0.77%	1.34%	1.04%	1.65%	1.19%	0.00%	0.00%	**1.82%**	**1.38%**
Saint Vincent College	0.10%	0.07%	0.00%	0.00%	0.00%	0.00%	0.16%	0.12%	0.04%	0.04%	0.21%	0.17%	0.00%	0.00%	0.00%	0.00%	**0.10%**	**0.07%**
Teikyo Post University	0.38%	0.27%	0.49%	0.23%	0.67%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.26%**	**0.18%**
Three Rivers Community College	0.05%	0.07%	0.08%	0.04%	0.27%	0.08%	0.00%	0.00%	0.04%	0.01%	0.07%	0.03%	0.07%	0.04%	0.00%	0.00%	**0.06%**	**0.05%**
Trinity College	1.10%	1.27%	0.33%	0.12%	0.00%	0.00%	0.38%	0.30%	0.22%	0.12%	0.50%	0.42%	0.40%	0.57%	0.00%	0.00%	**0.82%**	**0.86%**
Tunxis Community College	0.07%	0.04%	0.16%	0.04%	0.00%	0.00%	0.05%	0.01%	0.04%	0.02%	0.10%	0.03%	0.04%	0.07%	0.00%	0.00%	**0.07%**	**0.04%**
University of Bridgeport	1.01%	0.79%	0.24%	0.17%	0.13%	0.06%	0.11%	0.11%	0.00%	0.00%	0.10%	0.05%	0.51%	0.44%	0.00%	0.00%	**0.69%**	**0.51%**
University of Conn. - School of Law	0.08%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.05%**	**0.03%**
University of Conn. - School of Social Work	0.12%	0.07%	0.08%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.07%**	**0.04%**
University of Conn. - Dental/Health Center	0.44%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.27%**	**0.20%**
University of Conn. - School of Medicine	0.22%	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.13%**	**0.09%**
University of Conn. - Storrs Campus	10.33%	7.31%	6.12%	3.75%	5.11%	3.39%	2.73%	1.70%	5.85%	3.72%	5.32%	3.28%	4.66%	3.30%	7.41%	4.57%	**8.24%**	**5.50%**
University of Hartford	9.66%	10.44%	13.47%	13.93%	17.90%	17.26%	15.65%	16.14%	16.81%	14.50%	13.85%	12.77%	11.26%	10.66%	3.70%	4.77%	**11.46%**	**11.90%**
University of New Haven	1.82%	1.61%	1.14%	1.00%	1.21%	0.94%	0.91%	0.72%	0.52%	0.48%	1.36%	1.48%	4.15%	3.92%	3.70%	5.54%	**1.77%**	**1.55%**
Wesleyan University	3.03%	3.77%	0.16%	0.23%	0.13%	0.17%	0.54%	0.42%	0.56%	0.77%	1.12%	1.34%	1.17%	1.18%	0.00%	0.00%	**2.16%**	**2.49%**
Western Connecticut State University	0.34%	0.20%	0.82%	0.54%	0.67%	0.41%	0.48%	0.33%	0.95%	0.54%	1.34%	0.70%	1.50%	0.66%	0.00%	0.00%	**0.63%**	**0.35%**
Wilcox College of Nursing	0.75%	1.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.46%**	**0.81%**
Yale University - College	7.16%	10.10%	8.00%	10.53%	7.81%	10.18%	7.02%	8.09%	7.58%	9.85%	8.26%	10.39%	4.04%	5.20%	3.70%	2.93%	**7.11%**	**9.61%**
Yale University - Graduate School	0.38%	0.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.10%	0.04%	0.09%	0.00%	0.00%	**0.24%**	**0.25%**
Yale University - School of Art	0.08%	0.07%	0.00%	0.00%	0.00%	0.00%	0.05%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.05%**	**0.04%**
Yale University - School of Drama	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.01%**	**0.01%**
Yale University - School of Forestry	0.03%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.02%**	**0.02%**
Yale University - School of Law	1.38%	1.67%	0.08%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	0.23%	0.00%	0.00%	0.00%	0.00%	**0.85%**	**0.97%**
Yale University - School of Medicine	0.68%	0.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.06%	1.77%	0.00%	0.00%	**0.50%**	**0.47%**
Yale University - School of Nursing	0.54%	0.46%	0.16%	0.19%	0.13%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.34%**	**0.27%**
Yale University - School of Management	1.59%	1.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.97%**	**0.97%**
Total Disbursed to Students- Attending Connecticut Institutions	74.62%	75.65%	78.86%	77.59%	79.68%	78.80%	80.39%	82.49%	79.81%	80.59%	76.15%	75.10%	66.47%	65.70%	70.37%	74.02%	**75.09%**	**76.04%**
10.98% Loans	7.72%	4.91%															**4.70%**	**2.79%**
Total Disbursed to CT Students- Attending Out-of-State Institutions	17.65%	19.44%	21.14%	22.41%	20.32%	21.20%	19.61%	17.51%	20.19%	19.41%	23.85%	24.90%	33.53%	34.30%	29.63%	25.98%	**20.20%**	**21.17%**
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	**100.00%**	**100.00%**

Exhibit C – Loan Program Manual

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

ADOPTED AUGUST 14, 1996,

AMENDED AS OF DECEMBER 10, 1999

AMENDED AS OF OCTOBER 2, 2001

AMENDED AS OF JULY 30, 2008

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ADDENDUM, AUGUST 19, 1998

ADDENDUM, OCTOBER 27, 1999

ADDENDUM, NOVEMBER 2, 2000

ADDENDUM, OCTOBER 31, 2001 & NOVEMBER 2, 2001

ADDENDUM, JUNE 30, 2003

ADDENDUM, MARCH 2, 2005

ADDENDUM, AUGUST 2, 2006

ADDENDUM, AUGUST 10, 2007

ADDENDUM, JULY 29, 2009

ADDENDUM, OCTOBER 5, 2010

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I. GUIDELINES

A. PURPOSE

The Connecticut Higher Education Supplemental Loan Authority is a public institution founded for the purpose of providing long-term, low interest education loans for Connecticut students attending colleges and universities within the United States of America and its possessions and for out-of-state students attending colleges and universities within Connecticut.

In accordance with the policy and provisions of Chapter 187b of the Connecticut General Statutes, as amended, the CHESLA Loan Program seeks to provide long-term education loans for students, parents and others responsible for paying the costs of higher education.

B. DEFINITIONS

Unless otherwise expressly stated herein or unless the context otherwise requires, the following definitions shall apply with respect to this Manual:

ñActò means the Connecticut Higher Education Supplemental Loan Authority Act, being Chapter 187b of the General Statutes of Connecticut, Sections 10a-221 through 10a-246, inclusive, as heretofore amended and as further amended from time to time.

ñApplicantò means any individual who is an Eligible Undergraduate Student, an Eligible Graduate Student, and any parent, legal guardian, or sponsor of an Eligible Undergraduate Student or Eligible Graduate Student attending an Eligible College or University, who completes, signs and submits an Application on behalf of such student with the intention of being accepted as a Borrower or Co-Borrower under the Program.

ñApplicationò means an application for a CHESLA Loan Program Loan submitted to the Authority in the form prescribed by the Authority from time to time, together with such supporting information and documentation as the Authority may reasonably require prior to a final determination with respect thereto.

ñAuthorityò means the Connecticut Higher Education Supplemental Loan Authority, a body politic and corporate of the State of Connecticut, constituting a public instrumentality created by the Act.

ñBondsò means all bonds issued by the Authority pursuant to the Resolution, or any other bonds of the Authority the proceeds of which are used to fund Loans under the Program.

ñBorrowerò means any approved Applicant who has agreed to repay a Loan and who obtains a Loan in accordance with the terms and conditions of a Promissory Note (See also Co-Borrower).

ñBusiness Dayò means any day other than Saturday, Sunday, or a day on which banks located in the city in which the principal office of the Trustee or the Servicer is located are required or authorized to remain closed.

ñCapitalized Interest Loanò means an Education Loan made to an Eligible Graduate Student which provides for the capitalization of interest during the Capitalized Interest Period.

ñCapitalized Interest Periodò means the period during which interest on a Capitalized Interest Loan is deferred and added to the principal balance of the Capitalized Interest Loan and subject to additional interest, which shall be the period while the Eligible Graduate Student is enrolled in an Eligible College or University and for a six month period after the Eligible Graduate Student is no longer enrolled, which period shall not exceed five (5) years, or such lesser period specified by the Borrower.

ñCarry-Over Amountò means, with respect to the proceeds of Bonds of the Authority issued on or before November 15, 2000, $200,000 of the proceeds of a Series of Bonds which may be used to make loans bearing a stated interest rate equal to (a) the stated rate of interest borne by Loans originated with proceeds of the Series of Bonds most recently issued by the Authority to originate loans pursuant to the Program or (b) the stated rate of interest borne by Loans originated with proceeds of the immediately succeeding Series of Bonds issued by the Authority to originate Loans pursuant to the Program, as may be determined by the Executive Director; with respect to the proceeds of a Series of Bonds issued after November 15, 2000, ñCarry-Over Amountò means up to $500,000 of the proceeds of a Series of Bonds which may be used to make loans bearing such stated rate of interest as the Authority shall determine in accordance with the provisions of the Resolution and any related Tax Compliance Agreement entered into by the Authority in connection with the issuance of such Series of Bonds.

ñCo-Applicantò means any Applicant other than the Eligible Student.

ñCo-Borrowerò means any parent, legal guardian or sponsor of an Eligible Student attending an Eligible College or University who shall be jointly and severally liable with a Borrower for the repayment of a Loan.

ñCost of Educationò means the cost of education for a Loan Year as certified by the financial aid administrator at the Eligible College or University and is to include direct and indirect costs associated with attendance at such Eligible College or University, but shall not exceed the amounts determined by the United States Department of Education to be the cost of education, except as otherwise determined by the Executive Director and the Deputy Director, or either of them.

ñCurrent Year Loanò means a Loan other than a Tuition Prepayment Loan and may include a Loan to cover an Eligible Studentôs Cost of Education for the next preceding Loan Year.

ñDefaulted Loansò means all Loans for which any payment is one hundred and twenty (120) days or more past due.

ñDelinquent Loansò means all Loans for which any payment is thirty (30) days or more past due.

ñEducation Loan Mortgageò means the Deed of Mortgage or similar instrument recorded on the land records where the mortgaged property is located given by a Borrower or Co-Borrower or both to secure an Education Loan, and any related documents.

ñElectronic Fund Transferò means the electronic method of disbursing proceeds of an Education Loan on behalf of an Eligible Student as set forth in an agreement entered into by the Authority, acting by its duly authorized officer, the Servicer and the Trustee.

ñEligible College or Universityò means any non-profit degree- granting educational institution within the United States of America and its possessions authorized by law to provide a program of education beyond the high school level and (1) described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or any subsequent corresponding Internal Revenue Code, as from time to time amended, and exempt from Federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, or any subsequent corresponding Internal Revenue Code, as from time to time amended, with respect to a trade or business carried on by such institution which is not an unrelated trade or business, determined by applying Section 513(a) of the Internal Revenue Code of 1986, or any subsequent corresponding Internal Revenue Code, as from time to time amended, to such institution, or a foundation established for its benefit, or (2) exempt from taxation under said code as a governmental unit.

ñEligible Graduate Studentò means a student who is a resident of Connecticut and who is enrolled in and pursuing an educational program leading to a post-baccalaureate certificate or a masters, doctorate or professional degree at an Eligible College or University on at least a half-time basis as defined by such college or university, who is in good academic standing and is making satisfactory progress, as determined by such college or university. ñEligible Graduate Studentò also means a student who is not a resident of Connecticut, but who is enrolled and pursuing such an educational program at an Eligible College or University in Connecticut, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college or university.

ñEligible Studentò means an Eligible Graduate Student or an Eligible Undergraduate Student.

ñEligible Undergraduate Studentò means a student who is a resident of Connecticut and who is enrolled in and pursuing an educational program leading to a certificate or an associate or baccalaureate degree at an Eligible College or University, or a student enrolled in the Connecticut Alternate Route to Certification Program, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college, university, or program. ñEligible Undergraduate Studentò also means a student who is not a resident of Connecticut, but who is enrolled and pursuing such an educational program at an Eligible College or University in Connecticut, or a student enrolled in the Connecticut Alternate Route to Certification Program, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college, university, or program.

ñInterest Only Payment Periodò means the period during which a Borrower pays interest only on the Loan, which shall be while the Eligible Student is enrolled in an Eligible College or University and for a six month period after the Student is no longer enrolled, but which period shall not exceed five (5) years.

ñLoanò or ñEducation Loanò means a loan originated by the Authority under the Program and disbursed from the proceeds of the Bonds, including a Capitalized Interest Loan, and any other loan which the Authority determines to originate or administer under the Program.

ñLoan Yearò means a period of twelve consecutive months, commencing September 1 and ending August 31 each year, in which an Eligible Student is attending an Eligible College or University on at least a half-time basis.

ñNet Cost of Educationò means the Cost of Education as calculated by the College or University, minus any financial assistance including education loans, work study, grants, scholarships, etc. awarded for the period for which the Loan is requested (Social Security and Veteransô Administration benefits should not be considered financial aid).

ñPrepayable Costsò means tuition and fees, and room and board, as detailed in Section D(3)(a)(i) and (ii) hereof.

ñPrincipal and Interest Repayment Periodò means the period during which a Borrower repays the Loan in level monthly installments of principal and interest.

ñProgramò means the Connecticut CHESLA Loan Program described herein.

ñPromissory Noteò means the note signed by a Borrower and any Co-Borrower(s) (ñBorrowersò) promising to pay the Authority and evidencing a Loan, in the form prescribed by the Authority from time to time.

ñReserve Feeò means the non-refundable fee of four percent (4%) of each Loan, or such other amount, if any, as the Authority shall determine in connection with each Series of Bonds used to finance Education Loans, paid by the Borrower to the Authority out of the proceeds of each such Loan at the time of disbursement thereof.

ñResolutionò means the Revenue Bond Resolution of the Authority adopted June 12, 1990, as supplemented and amended June 29, 1990, March 10, 1992, March 16, 1993, June 7, 1994, as supplemented, amended and restated July 19, 1996, as further supplemented and amended June 9, 1998, September 14, 1999, November 2, 2000, and October 31, 2001, and as further supplemented and amended.

ñServicerò means the entity with whom the Authority contracts (which may be the Trustee) for the purpose or providing services with respect to the origination, servicing and administration of Education Loans, Education Loan Mortgages or any other service offered by the Authority under the Program.

ñTrusteeò means the trustee under the Resolution.

ñTruth-in-Lending Disclosure Statementò means the Truth-in-Lending Disclosure Statement sent to each Borrower in connection with the Loan.

ñTuition Prepayment Loanò means a Loan made for payment or reimbursement of a payment made pursuant to a Tuition Prepayment Plan.

ñTuition Prepayment Planò means any plan adopted by an Eligible College or University whereby an Eligible Studentôs Prepayable Costs, or any portion thereof, as determined by the Eligible College or University, may be prepaid.

C. OVERVIEW OF CHESLA LOAN PROGRAM

1. Amount.

(a) Current Year Loan. A Loan may be made in a principal amount of not less than $2,000 and not more than any one Eligible Studentôs Net Cost of Education in any one Loan Year. In no Loan Year shall the total of all forms of financial assistance (including Loans under the Program) exceed the Cost of Education.

(b) Tuition Prepayment Loan. A Loan may be made in a principal amount of not less than $2,000 and not more than $125,000 in any one Loan Year, for the purpose of prepaying any one Eligible Studentôs Prepayable Costs pursuant to a Tuition Prepayment Plan.

(c) Maximum Borrowing. In no case may any Borrower or Co-Borrower borrow proceeds over the life of the Program for any one Eligible Student in excess of $125,000.

2. Frequency of Loans. There is no limit on the number of separate Loans a Borrower may apply for and accept during a Loan year.

3. Interest Rate. Loans shall bear interest at the rate or rates as the Authority shall determine in connection with each Series of Bonds used to finance Education Loans. Interest due is calculated daily based on the actual number of days, elapsed, or as otherwise determined by the Authority.

4. Repayment Term and Schedule.

(a) For Education Loans other than Capitalized Interest Loans, the initial monthly payment of interest only will be due thirty (30) to sixty (60) days from the date of the disbursement. Interest-only payments shall be paid while the student is enrolled in school and for a six-month period after the student is no longer enrolled, for a maximum period of five (5) years. Thereafter, level payments of principal and interest on the Loans shall be paid monthly until maturity, which shall be 140 months after the date of the first principal payment. All Loans must be repaid in full on or prior to their maturity date. Loans may be prepaid in full, but not in part, subject to a four percent (4%) prepayment fee, waivable at the Authorityôs option. The Executive Director and the Deputy Director, or either of them are authorized to waive any such prepayment fee on behalf of the Authority.

(b) For Capitalized Interest Loans interest will accrue and be added to the principal Loan balance annually beginning on a date which is not more than one year following the date of disbursement and continuing annually thereafter during the Capitalized Interest Period and ending on the last day of the Capitalized Interest Period, so that an increased principal Loan balance shall be computed annually upon which interest shall accrue. Level payments of principal and interest shall commence upon the expiration of the Capitalized Interest Period and shall be paid monthly until maturity, which shall be 140 months after the date of the first principal payment. All Loans must be repaid in full on or prior to their maturity date. Loans may be prepaid in full, but not in part, subject to a four percent (4%) prepayment fee, waivable at the Authorityҫs option. The Executive Director and the Deputy Director, or either of them are authorized to waive any such prepayment fee on behalf of the Authority.

5. Promissory Note. Each Loan will be evidenced by a Promissory Note executed by the Borrower and Co- Borrower(s), if any. A Promissory Note will be sent to the Borrower and any Co-Borrower for execution upon approval of the Application by the Servicer, as authorized by the Authority.

6. Mortgages. In the event the Authority and the Servicer enter into an agreement for the purpose of servicing Loans secured by Mortgages, Borrowers and Co-Borrowers may, to the extent permitted thereby and in accordance with the procedures and subject to the limitations set forth therein, deliver such documents as are specified therein for the purpose of securing an Education Loan.

7. Credit Life Insurance. In the event the Authority and the Servicer enter into an agreement for the purpose of offering Borrowers an option to purchase credit life insurance, Borrowers may include with their Loan payments the cost thereof, in accordance with the terms of such agreement; provided, however, that Loan payments shall first be credited to principal, interest and prepayment fees as set forth herein and in the Promissory Note.

8. Reserve Fee. The non-refundable Reserve Fee will be paid by the Borrower from the proceeds of each Loan at the time of disbursement thereof.

9. Nondiscrimination. The Authority shall not discriminate on the basis of the location within the United States and its possessions of the Eligible College or University or on the basis of the residency of Eligible Students attending Eligible Colleges or Universities located in Connecticut.

10. Borrowers not to Acquire Bonds. Each Borrower shall agree that neither the Borrower, the Co-Borrower, nor any person who is a ñrelated personò within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended, has or will acquire any of the Bonds in an amount related to any Loan received by such Borrower.

D. APPLICATION PROCESS

1. Obtaining the Application. The Authority shall make Applications available , on its internet web site and in such other manner as the Authority may determine.

2. <u>Submitting the Application</u>. An Applicant seeking a Loan must submit a completed Application, to the address stated on the Application. A School Certification Form in the form or medium prescribed by the Authority from time to time must be forwarded to the Eligible College or Universityôs financial aid office. An Application is complete when the Applicant furnishes all required documentation and information on the Application and when a School Certification Form has been completed and returned to the Servicer.

3. <u>School Certification Form and Calculation of Net Cost of Education</u>. The financial aid administrator completes the School Certification Form. The School Certification Form includes (a) a representation that the institution in which the Eligible Student is enrolled is an Eligible College or University, (b) a confirmation that the student is enrolled at such institution on at least a half-time basis and is making satisfactory progress, (c) a determination and certification of the expected Cost of Education and the Net Cost of Education and (d) with respect to Capitalized Interest Loans, a determination and certification that the Eligible Student meets the requirements of an Eligible Graduate Student. The following shall be used by each Eligible College or University in estimating the expected Cost of Education:

a. <u>Direct Costs</u>:

(i) <u>Tuition & Fees</u>: The amount paid or expected to be paid directly to the Eligible College or University for such charges for the period covered by the Loan.

(ii) <u>Room & Board</u>: If a student resides at the Eligible College or University, the amount to be paid to the Eligible College or University for such charges for the period covered by the Loan.

(iii) <u>Books & Supplies</u>: An allowance as determined by the Eligible College or University.

b. <u>Indirect Costs</u>:

(i) <u>Room & Board</u>: If a student does not reside at the Eligible College or University, an allowance as determined by the Eligible College or University, for each month of expected attendance during the Loan Year, which shall not exceed the amount of such costs as determined by the United States Department of Education, provided that the Executive Director and the Deputy Director, or either of them, shall be authorized to determine such other amount as they shall deem appropriate.

(ii) <u>Miscellaneous Personal Expenses</u>: An allowance as determined by the Eligible College or University, for each month of expected attendance.

The financial aid office, after completing the School Certification Form, shall return it as the Authority shall direct.

E. <u>LOAN ORIGINATION</u>

1. <u>Application Processing by the Servicer</u>. Upon receipt of a completed Application, including the School Certification Form, the Servicer shall:

a. Check for completeness of the Application, including the School Certification Form, including all necessary attachments. Applications for Capitalized Interest Loans shall be accepted only upon the Servicerõs determination that the Borrower is an Eligible Graduate Student. If an Application is incomplete or otherwise rejected, the Servicer may return the document, or send a form for correction or completion of information contained in the document, to the Applicant or Co-Applicant, as appropriate, for missing information;

b. Verify the Applicantõs and a Co-Applicantõs income(s);

c. Verify the employment status of the Applicant and a Co-Applicant in such manner as the Authority may prescribe;

d. Request and review the Credit Report(s) of the Applicant and/or Co-Applicant and investigate any derogatory information contained therein to the extent deemed necessary;

e. Review Form 1040, as agreed by the Authority and the Servicer;

f. Review and verify that Applicant and/or Co-Applicant have acceptable credit history with current and former creditors;

g. Review the credit reports according to the following guidelines: judgments, liens, bankruptcies by or against the Applicant or Co-Applicant, if any, and defaults by the Applicant or a Co-Applicant on installment loans of any type, including other education loans, to the extent deemed necessary in order to make the recommendation required;

h. Review to determine that the Applicant, a Co-Applicant, and the Loan, if made, would meet the requirements of the Program; for example, with respect to the amount of the Loan to be made in one Loan Year and the aggregate amount the Borrower may borrow for any one Eligible Student over the life of the Program.

i. Review to determine that the Applicant and each Co-Applicant is of a legal age to commit to a contract.

2. Debt-to-Income Determination by Servicer. The Servicer shall calculate a debt-to-income ratio based on information provided on the Application. Total monthly debt obligations plus the total monthly housing expense (rent or mortgage payments) may not exceed 40% of the stable gross monthly income. For purposes of calculating a debt-to-income ratio of applicants for Capitalized Interest Loans, the Servicer shall calculate the Capitalized Interest Loan principal amount as of the end of the Capitalized Interest Period. If debt-to-income ratio is satisfactory, the Servicer will complete the credit analysis. If debt-to-income ratio exceeds 40%, Servicer will reject Application or follow the procedures under Section F.1. or F.2.

3. Credit Analysis by the Servicer. The Servicer shall perform a credit analysis in keeping with normal industry standards and shall consider such factors as it shall mutually agree upon with the Authority.

4. Credit History. The Servicer shall obtain a written credit report prepared by a commercial credit reporting agency with respect to each Application.

a. To be eligible, no Applicant or Co-Applicant may be currently in default on any Stafford Loan, Parent Loan for Undergraduate Students (PLUS), Perkins Loan, formerly known as National Direct Student Loan (NDSL), Supplemental Loan for Students (SLS), or any other education loan, or owe refunds on a Pell Grant or Supplemental Education Opportunities Grant (SEOG).

b. The Servicer shall review the credit report to determine:

(i) That no more than one account is rated sixty (60) or more days delinquent at the time of the credit report.

(ii) That no more than two accounts have been sixty (60) or more days delinquent during the preceding two (2) years.

(iii) That no account has been delinquent ninety (90) or more days during the preceding two (2) years.

(iv) That there is no record of a collection or charged-off account during the preceding two (2) years.

(v) That there is no record of a foreclosure, repossession, open judgment or suit, unpaid prior educational loan default or other negative public record items in the past six (6) years.

(vi) That there is no record of a bankruptcy in the past seven (7) years.

Credit reports that list any of the above conditions may result in a rejection of the Applicantôs application.

If any of the above items adversely affect credit-worthiness or differ substantially from the information on the Application, the Servicer may, with the consent of the Authority, consult with the Applicant and Co-Applicant and obtain written explanations of any problems satisfactory to the Servicer and the Authority before considering the Loan further.

F. LOAN APPROVAL/DISAPPROVAL

1. Limited Review of Applications Which Exceed Debt-to-Income Ratio. On a limited basis, the Servicer may review with the Authority Applications which exceed the debt-to-income ratio or otherwise do not meet the credit criteria, and decide in consultation with the Authority whether such Applications can be shown to support the credit-worthiness of the Applicant. However, the principal amount of Loans approved pursuant to this Section may not exceed the maximum amount of such Loans permitted, as determined by the Authority in connection with each Series of Bonds. The Executive Director and the Deputy Director, or either of them, are authorized to approve the making of any such Loan.

2. Approval of Loans in Lesser Amount. If the Servicer determines that the Applicant is eligible for a Loan in an amount less than that applied for, the Servicer shall recommend a lesser Loan amount which would enable the Applicant to qualify.

3. Notice of Adverse Determination. If the Servicer determines that the Applicantôs income is insufficient, utilizing the debt-to-income ratio of forty percent (40%), or if credit history does not meet the Authorityôs standards, or the Application is rejected for any other reason the Servicer shall send a notice to the Applicant at the address of the Borrower advising the reasons for rejection, to the extent required by law.

4. Time Period for Approval/Disapproval. The Servicer shall approve or disapprove a Loan upon receipt of a completed Loan Application, and the Servicer shall thereafter process all additional Loan documentation, the School Certification Form and Promissory Note. The time period within which such actions shall occur shall be as agreed upon by the Authority and the Servicer. If the Servicer cannot so act within such time frame, it shall give the Authority, the Applicant, and the Eligible College or University written notice that it will not be able to complete the required processing procedures within the said period, in which case it shall complete the requested processing within twenty (20) Business Days of the receipt of a completed Loan Application, and within ten (10) Business Days of receipt of additional Loan documents, School Certification Forms, and Promissory Notes.

5. Loan Disbursement Process. For each approved Loan,

(a) The Servicer shall:

1. Originate and mail to the approved Applicant, at the Borrowerôs address, a Promissory Note and, if applicable, an Education Loan Mortgage, to be signed by the Borrower and each Co-Borrower, and returned to the Servicer.

2. Upon receipt of an executed Note and School Certification Form, and, if applicable, an Education Loan Mortgage, notify the Authority in report form of Loan approvals and deliver to the Trustee via a secure means (such as overnight courier) the original Note and any Education Loan Mortgage. The Servicer shall keep the Application and shall keep a copy of such Note and any Education Loan Mortgage for safekeeping. The Servicer shall also determine disbursement dates for each approved Loan upon receipt of the executed Note and School Certification Form, and shall list such Loan on the disbursement roster, which shall be forwarded to the Authority and the Trustee.

(b) The Trustee shall, upon receipt of a signed Promissory Note and, if applicable, Education Loan Mortgage, and disbursement roster from the Servicer, and a signed requisition from the Authority, (a) pay from the Loan Account, via such means as the Servicer shall direct, to the Servicer the amount of the Loan less the applicable Reserve Fee and (b) advise the Authority of the disbursement. The Reserve Fee shall be retained in the Loan Account held by the Trustee.

(c) The Servicer shall disburse by check or by Electronic Fund Transfer, to the Institution, the Borrower or the Borrower's designee as specified in the Promissory Note, the Loan proceeds upon receipt of funds from the Trustee.

(d) The Servicer shall notify major credit bureaus of the making and status of each Borrower's obligation to the Authority.

6. Receipt of Check. If a Loan is disbursed by check, the Borrower and each Co-Borrower must endorse the check. In the case of a Tuition Prepayment Loan, the check must be endorsed by the Borrower, each Co-Borrower, and the Eligible College or University. If the Loan is disbursed by Electronic Fund Transfer, the Borrower, each Co-Borrower and the Eligible College or University receiving such disbursement shall execute such documents as the Authority shall require.

G. LOAN SERVICING AND REPAYMENT

Loans will be serviced by the Servicer in accordance with the following:

1. Transmittal of Information. Eligible Colleges and Universities will forward to the Servicer any changes of name, address, telephone number, date of birth, and social security number of Borrower(s) of which they are aware.

2. Monthly Statements. The Servicer will, with respect to Loans other than Capitalized Interest Loans, within a period of sixty (60) days after the disbursement of funds, commence, and continue throughout the Interest Only Payment Period and the Principal and Interest Repayment Period, to send monthly statements to the Borrower. The Servicer will, with respect to Capitalized Interest Loans, within a period of sixty (60) days after the expiration of the Capitalized Interest Period, commence, and continue throughout the Principal and Interest Repayment Period, to send monthly statements to the Borrower. In the event the Servicer and the Authority have entered an agreement for the purpose of offering Borrowers the option of purchasing credit life insurance, such statements may also include such information as the Authority deems appropriate with respect to the credit life insurance in accordance with the terms of such agreement. All payments must be made by check or money order payable to the order of the Servicer and mailed to the post office box maintained by the Servicer or as otherwise agreed by the Servicer and the Authority.

3. Processing of Payments Received. The Servicer, on behalf of Authority, will maintain a post office box to receive payments on the Loans, and will transfer such payments into an account maintained by the Trustee, on such basis as the Servicer and the Authority shall agree. Such payments shall be deemed held in trust for the Authority and the bondholders. The Authority and the Trustee shall be responsible for negotiating the terms of said account with respect to fees, interest, and transfers therefrom. The Servicer shall prepare a report monthly with respect to payments received, identifying (to the extent ascertainable) the Borrower with respect to each payment and shall deliver such report to the Authority.

4. Application of Loan Payments. Payments of Loans will be applied, to the extent sufficient, in the following order of priority: (a) interest and (b) principal. In the event that a Borrower shall have more than one Loan outstanding, partial payments shall be applied to each such Loan based upon the percentage each such Loan bears to the total Loans of such Borrower outstanding, or as otherwise agreed by the Authority and the Servicer.

5. Loan Repayments. For Loans other than Capitalized Interest Loans, interest-only payments will be due commencing no later than sixty (60) days after disbursement of funds and shall continue during the Interest Only Payment Period. Thereafter level monthly payments of principal and interest shall be due for a period of 140 months, or until the Loan is prepaid, if earlier. For Capitalized Interest Loans, level monthly payments of principal and interest shall be due commencing on the expiration of the Capitalized Interest Period and ending after 140 months or until the Loan is prepaid, if earlier.

6. Prepayments. A Loan may only be prepaid in full. The Authority will assess a fee of four percent (4%) of the balance due for such prepayments which fee may be reduced or waived by the Authority. If a Borrower wishes to prepay a Loan in full, the Borrower must contact the Servicer to determine the amount of principal and interest outstanding. If payment of more than one month is made, which payment is less than full payment including any prepayment fee, the additional moneys will be credited first towards interest and second towards principal by the Servicer or, at the option of the Authority, will be returned to the Borrower. Excess payments may be applied to the prepayment fee. Collection of the prepayment fee is the responsibility of the Authority.

7. Payments in Full. Based on information received and its records, the Servicer will notify the Authority of payment in full of a Loan before or at maturity. Upon receipt of payment in full of each account, notification will be given to the Authority in writing that payment in full has been received. For purposes of servicing only, an account will be deemed paid in full if its balance is less than $5.00.

H. LOAN COLLECTION PROCESS

1. Servicing of Delinquent Loans. The Servicer must responsibly service Delinquent Loans so as to enable, to the maximum extent possible, payment in full of such Loans on their respective repayment schedules. For accounts which continue to be delinquent, the Servicer must notify the Borrower and any Co-Borrower of the delinquency. If any payment is one hundred twenty (120) days past due, the Servicer will notify the Authority.

2. Delinquency Requirements. The Servicer will send delinquency notices and make contact with the Borrower and any Co-Borrowers in accordance with the Servicing Agreement or such other process agreed to by the Authority.

3. Defaults. The Authority, upon the 120th day of delinquency, will consider the Loan to be in default. The Authority will begin collection proceedings against the Borrower and any Co-Borrower upon receipt of the Note from the Trustee and related documents from the Servicer.

4. Death of Borrower or Co-Borrower. If, at any time, the Servicer is notified or otherwise becomes aware of the death of a Borrower or a Co-Borrower, it shall notify the Authority immediately.

5. Bankruptcy. If a Borrower or a Co-Borrower is adjudicated bankrupt and has liability for a Loan discharged, the other obligor(s) remains liable for unpaid principal and interest. The Authority and its counsel shall consult with respect to the filing of a claim in any bankruptcy proceeding of a Borrower or Co-Borrower.

6. Due Diligence. The Servicer shall exercise reasonable care and due diligence in the collection of Loans made by the Authority and shall utilize collection practices no less extensive and rigorous than those generally in use by commercial lenders for loans of comparable amounts. The Servicer shall use such collection practices as are set forth in the Servicing Agreement between the Authority and the Servicer.

7. Mortgages. The Servicer's additional responsibilities with respect to Education Loans secured by Education Loan Mortgages shall be set forth in the separate agreement, if any, entered into between the Servicer and the Authority for the servicing of Education Loans secured by Education Loan Mortgages.

8. Credit Life Insurance. The Servicer's additional responsibilities with respect to credit life insurance shall be set forth in the separate agreement, if any, entered into between the Servicer and the Authority for the purpose of offering Borrowers the option to purchase credit life insurance.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated August 19, 1998

Per the determination of the 1998 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authorityôs $15,000,000 Revenue Bonds (Family Education Loan Program) 1998 Series A and the Authorityôs $3,560,000 Revenue Refunding Bonds (Family Education Loan Program) 1998 Series B shall bear interest at a stated rate of 7.50% per annum, except any loan made with the Carry Over amount.

2. 1998 Loans will be serviced by The Connecticut Student Loan Foundation.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated October 27, 1999

Per the determination of the 1999 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authorityôs $12,500,000 Revenue Bonds (Family Education Loan Program) 1999 Series A and the Authorityôs $4,390,000 Revenue Refunding Bonds (Family Education Loan Program) 1999 Series B shall bear interest at a stated rate of 7.50% per annum, except any loan made with the Carry Over amount.

2. Prior to December 10, 1999, the Reserve Fee shall be four percent (4%) for Loans made with proceeds of the Authorityôs $12,500,000 Revenue Bonds (Family Education Loan Program) 1999 Series A and the Authorityôs $4,390,000 Revenue Refunding Bonds (Family Education Loan Program) 1999 Series B. On and after December 10, 1999, the Reserve Fee for 1999 Loans shall be three percent (3%).

3. 1999 Loans will be serviced by the Connecticut Student Loan Foundation.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated November 2, 2000

Per the determination of the 2000 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authorityôs $16,410,000 Revenue Bonds (Family Education Loan Program) 2000 Series A and the Authorityôs $5,975,000 Revenue Refunding Bonds (Family Education Loan Program) 2000 Series B (collectively the ñ2000 Bondsò) initially shall bear interest at a stated rate of 7.25% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received written confirmation from the rating agencies then rating the 2000 Bonds that such increase or decrease, in and of itself, will not cause the rating on the 2000 Bonds to be withdrawn or lower than the rating in effect immediately prior to such changes.

2. Initially, the Reserve Fee shall be two percent (2%) for Loans made with proceeds of the 2000 Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received written confirmation from the rating agencies then rating the 2000 Bonds that such increase or decrease, in and of itself, will not cause the rating on the 2000 Bonds to be withdrawn or lower than the rating in effect immediately prior to such changes.

3. 2000 Loans will be serviced by the Connecticut Student Loan Foundation.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated October 31, 2001 & November 2, 2001

Per the determination of the 2001 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authorityôs $25,000,000 Revenue Bonds (Family Education Loan Program) 2001 Series A (the ñ2001 Series A Bondsò) initially shall bear interest at a stated rate of 6.70% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received written confirmation from the rating agencies then rating the 2001 Series A Bonds that such increase or decrease, in and of itself, will not cause the rating on the 2001 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such changes.

2. Initially, the Reserve Fee shall be two percent (2%) for Loans made with proceeds of the 2001 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received written confirmation from the rating agencies then rating the 2001 Series A Bonds that such increase or decrease, in and of itself, will not cause the rating on the 2001 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such changes.

3. 2001 Loans will be serviced by the Connecticut Student Loan Foundation.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated June 30, 2003

Per the determination of the 2003 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authorityôs $18,000,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2003 Series A (the ñ2003 Series A Bondsò) and the Authorityôs $12,915,000 Senior Revenue Refunding Bonds (Connecticut Family Education Loan Program) 2003 Series B Bonds (the ñ2003 Series B Bonds,ò and, with the 2003 Series A Bonds, the ñ2003 Series Bondsò) initially shall bear interest at a stated rate of 4.990% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received a Credit Confirmation approving such change.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2003 Series Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received Credit Confirmation approving such change.

3. 2003 Loans will be serviced by the Connecticut Student Loan Foundation.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated March 2, 2005

Per the determination of the 2005 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authorityôs $31,455,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2005 Series A (the ñ2003 Series A Bondsò) and the Authorityôs $5,900,000 Senior Revenue Refunding Bonds (Connecticut Family Education Loan Program) 2005 Series B Bonds (the ñ2005 Series B Bonds,ò and, with the 2005 Series A Bonds, the ñ2005 Series Bondsò) initially shall bear interest at a stated rate of 5.50% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received a Credit Confirmation approving such change.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2005 Series Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received Credit Confirmation approving such change.

3. 2005 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated August 2, 2006

Per the determination of the 2006 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authorityôs $33,270,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2006 Series A (the ñ2006 Series A Bondsò) initially shall bear interest at a stated rate of 6.15% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received a Credit Confirmation approving such change.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2006 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received Credit Confirmation approving such change.

3. 2006 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated August 10, 2007

Per the determination of the Executive Director, as provided in the Determination of the 2007 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority on August 9, 2007:

1. Loans made with proceeds of the Authorityôs $41,000,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2007 Series A (the ñ2007 Series A Bondsò) initially shall bear interest at a stated rate of 6.99% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received a Credit Confirmation approving such change.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2007 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received Credit Confirmation approving such change.

3. 2007 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated July 29, 2009

Per the Determination of the Bond Committee of the Connecticut Higher Education Supplemental Loan Authority on July 29, 2009:

1. Loans made with proceeds of the Authorityôs $30,000,000 Revenue Bonds (CHESLA Loan Program) 2009 Series A (the ñ2009 Series A Bondsò) initially shall bear interest at a stated rate of 6.80% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority provided the Authority has notified Fitch Ratings of such change and has received written confirmation from Moodyôs Investors Service, Inc, if such agency is then rating the 2009 Series A Bonds, that such increase or decrease, in and of itself, will not cause the rating on the 2009 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such change; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such confirmation shall be required.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2009 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority provided the Authority has notified Fitch Ratings of such change and has received written confirmation from Moodyôs Investors Service, Inc, if such agency is then rating the 2009 Series A Bonds, that such increase or decrease, in and of itself, will not cause such rating on the 2009 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such change; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such confirmation shall be required.

3. 2009 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated October 5, 2010

Per the Determination of the Bond Committee of the Connecticut Higher Education Supplemental Loan Authority on October 5, 2010:

1. Loans made with proceeds of the Authorityôs $45,000,000 Revenue Bonds (CHESLA Loan Program) 2010 Series A (the ñ2010 Series A Bondsò) initially shall bear interest at a stated rate of 5.95% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority provided the Authority has notified Fitch Ratings of such change and has received written confirmation from Moodyôs Investors Service, Inc., if such agency is then rating the 2010 Series A Bonds, that such increase or decrease, in and of itself, will not cause the rating on the 2010Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such change; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such confirmation shall be required.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2010 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority provided the Authority has notified Fitch Ratings of such change and has received written confirmation from Moodyôs Investors Service, Inc, if such agency is then rating the 2010 Series A Bonds, that such increase or decrease, in and of itself, will not cause such rating on the 2010 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such change; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such confirmation shall be required.

3. 2010 Loans will be serviced by Firstmark Services LLC.

The stated rates of interest borne by Loans originated pursuant to the CHESLA Loan Program with proceeds of the Authorityôs Bonds (except for Carry-Over amounts) is as set forth below:

Stated Rate of Interest on Outstanding Loans

Revenue Bonds	Stated Rate of Interest (per annum)
1990 Series A	9.70 %
1991 Series A	9.20 %
1993 Series A	8.40 %
1994 Series A	8.25 %
1996 Series A	8.10 %
1998 Series A	7.50 %
1998 Series B	7.50 %
1999 Series A	7.50 %
1999 Series B	7.50 %
2000 Series A	7.25 %
2000 Series B	7.25 %
2001 Series A	6.70%
2003 Series A	4.99%
2003 Series B	4.99%
2005 Series A	5.50%
2005 Series B	5.50%
2006 Series A	6.15%
2007 Series A	6.99%
2009 Series A	6.80%
2010 Series A	5.95%