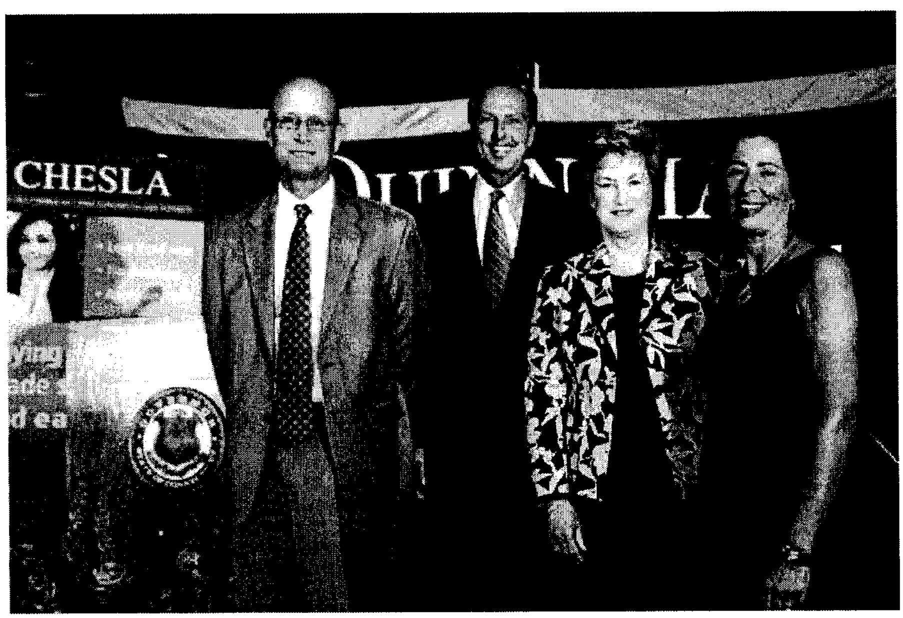
Connecticut Higher Education Supplemental Loan Authority (CHESLA)

2009 Annual Report



CHESLA Loan Program

www.chesla.org

"Celebrating Twenty-Seven Years of Helping Students and their Families Finance a College Education"

Connecticut Higher Education Supplemental Loan Authority

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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 Members

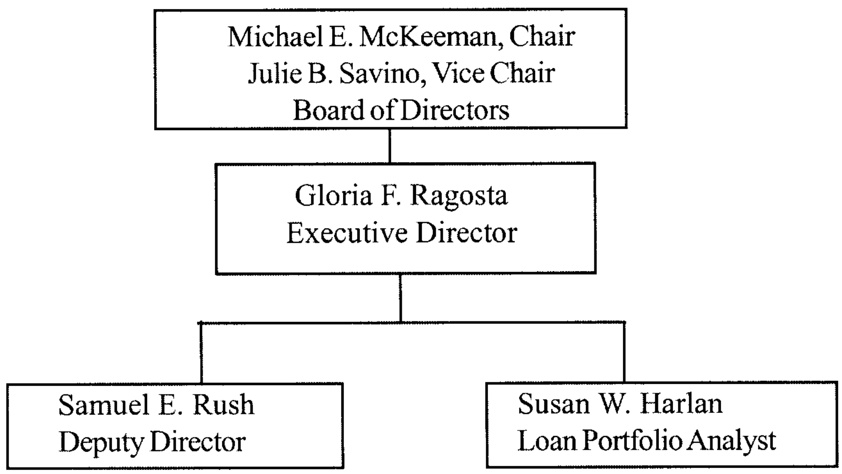
The State Treasurer Denise Nappier, Secretary of the Office of Policy and Management (OPM) Robert L. Genuario and Commissioner of Higher Education Michael Meotti serve as ex-officio members of the Authority. The remaining five members are appointed by the Governor based on their qualifications in the area of higher education and/or public finance, as specified in Section 4 of the Act.

During the year ended June 30, 2009, the following individuals served as Authority members:

Name	Expiration of Term	Statutory Qualifications
William J. Pizzuto	2012	Employeee 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

CHESLA Chair and Staff

On March 16, 1999, Governor John G. Rowland nominated Mr. Michael McKeeman for appointment as Chairman of the Authority. This appointment was confirmed by the General Assembly during its 1999 Regular Session. Mr. McKeeman was nominated for reappointment by Governor M. Jodi Rell and confirmed during the 2009 Regular Session.



Authority Activities

Between July 1, 2008 and June 30, 2009, the Authority held four regular meetings and one special meeting.

At its meeting on September 23, 2008:

- Ms. Savino was re-appointed as Vice Chair of the Authority.
- The Authority approved its 2008 Annual Report.
- The Authority held an audit committee meeting in compliance with the CHESLA Sarbanes-Oxley policy regarding audit practices.
- The Authority approved its FY 2008 CHESLA Financial Statements and Management and Discussion Anslysis.
- The Authority approved a Resolution to establish the 2009 Bond committee and authorize up to $600,000 to be used for the cost of issuance for the 2009 bond deal.

At its meeting on December 16, 2008:

- The Authority held its annual meeting with its Advisory Committee.
- The Authority approved a motion to appoint the 2009 Advisory Committee members.
- The Authority approved its meeting dates for 2009.
- The Authority reviewed the FY 2009 first quarter financial statements.
- The Authority approved a name change for its loan program from CT FELP to CHESLA Loan.

December 16, 2009 (continued)

- Amtec was approved to serve as the Arbitrage Rebate service provider for the Authority
- The Authority approved an ad to benefit an endowed chair in Humanities in memory of Rep. Richard Tulisano. The proceeds were ear marked for scholarship funds.

At its special meeting on March 5, 2009

- The Authority approved 2% loan yield reductions for the 1996 and 1998 loans.

At its meeting on March 24, 2009

- The Authority agreed to move its office from W. Hartford to Farmington to save on rent. The moving expenses were approved from the contingency fund and office expenses.
- The Authority approved a motion to authorize the payment of $2,000 to Firstmark for its 2008 SAS-70 report to be paid from the Authority's Bond Revenue accounts.
- The Authority approved its FY 2009 Third Quarter Financial Statements.
- The Authority approved a renewal of the CCIC/CHESLA Personal Service Agreement and sublease for a period of three years with a possible two-year extension.
- The Authority approved an estimated fee of $14,625 to Firstmark Services for the programming of the 2009 loan fund to be paid out of bond funds.

At its meeting on June 16, 2009

- The Authority approved the appointment of Merrill Lynch/BOA to serve as co-manager for the 2009 bond deal.
- The Authority approved a resolution ratifying the Audit Selection Committee's recommendation to reappoint Simione Macca & Larrow, LLP to serve as auditor for a period of two years.
- The CHESLA Budget and Plan of Operations for FY 2010 was approved.

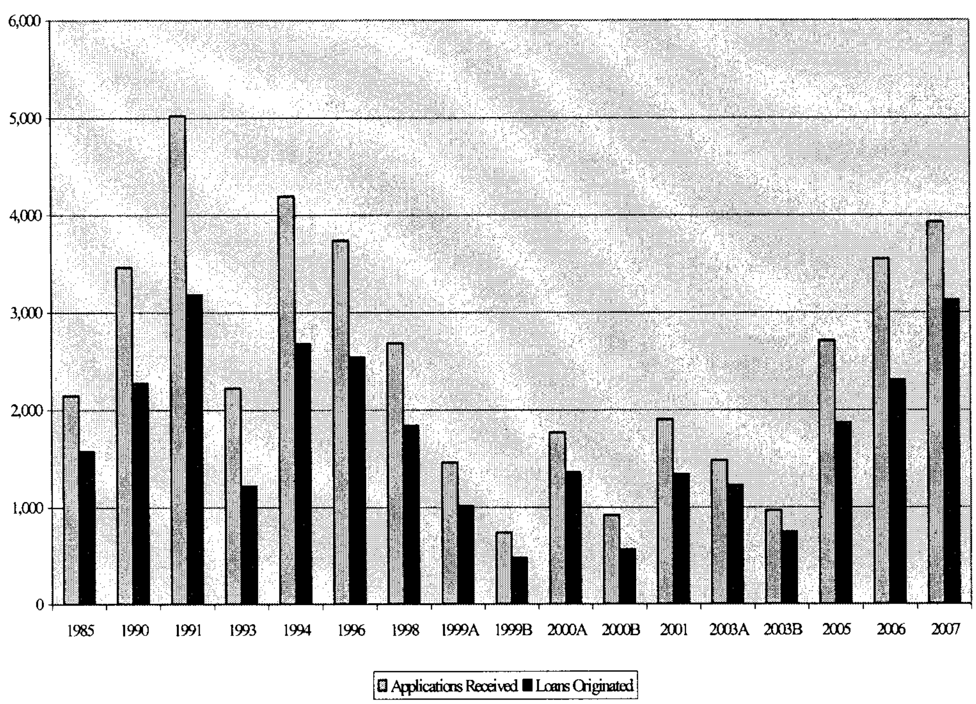
Administrative Activities

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, 2009, the following individuals served as members of the Advisory Committee: Edwin Below, Catherine Boone, Martin L. Budd, Joseph Martinkovic, Frank R.A. Resnick, Kristin White, Richard Savage and Joe Popevis. The Advisory Committee met with the Authority on December 16, 2008 as required by the Act. The Authority retained the firm of Simione Macca & Larrow to be its independent auditor for the Fiscal Year Ended June 30, 2009. (The audit is attached as Exhibit A.)

Financial Assistance Activities

Funding for the CHESLA Loan Program

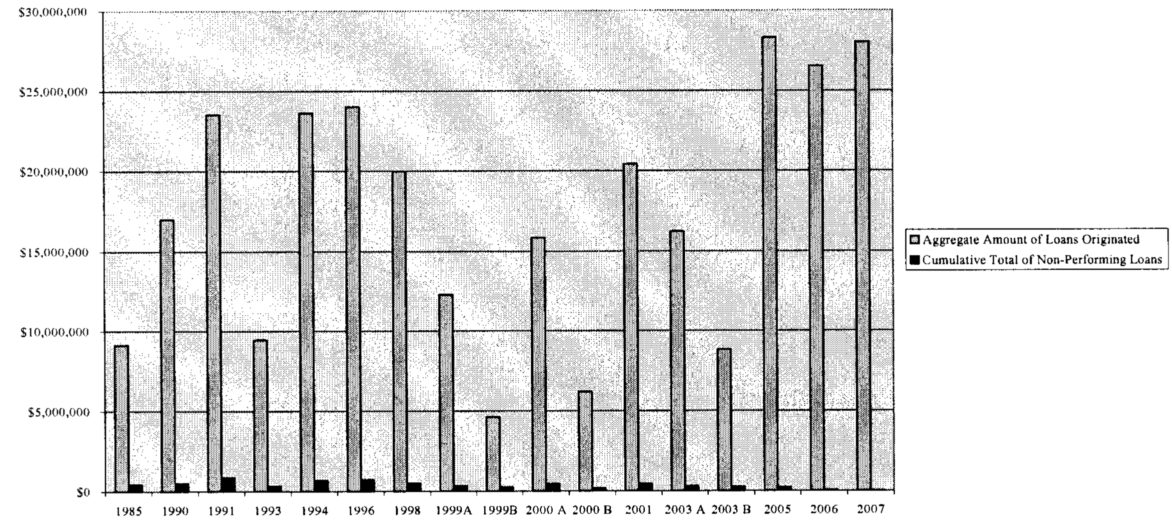
CHESLA Loan Program - Application and Origination Data
[All series are fixed (simple interest) rates]



Applications Received - 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) and 2007 (2,991).

Loans Originated - 1985 (1,575), 1990 (2,275), 1991 (3,181), 1993 (1,215), 1994 (2,676), 1996 (2,542), 1998 (1,883), 1999A (1,014), 1999B (475), 2000A (1,360), 2000B (564), 2001 (1,341), 2003A (1,225), 2003B (743), 2005 (932) 2006 (2,308) and 2007 (2,511).

CHESLA Loan Program Origination Amount and Non-Performing Loans



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) and 2007 ($28,021,734).

Cummulative Total of Non-Performing Loans - 1985 ($443,646), 1990 ($497,431), 1991 ($842,169), 1993 ($323,072), 1994 ($659,037), 1996 ($746,477), 1998 ($522,966), 1999A ($396,984), 1999B ($285,193), 2000A ($467,634) 2000B ($180,343), 2001A ($597,654), 2003A ($359,191), 2003B ($290,240), 2005 ($337,265), 2006 ($69,859) and 2007 ($21,192). Total non-performing loans $7,040,354.

Non-Performing loan Rate - 1985 (4.85%), 1990 (2.93%), 1991 (3.58%), 1993 (3.42%), 1994 (2.79%), 1996 (3.11%), 1998 (2.62%), 1999A (3.23%), 1999B (6.16%), 2000A (2.95%), 2000B (2.91%), 2001 (2.92%), 2003A (2.22%), 2003B (3.29%), 2005A(1.19%), 2006 (0.26)% and 2007 (0.08%). Total net non-performing loan rate (2.39%)

Financial assistance activity information was compiled from student loans originated during the following periods:

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 recyclying)
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

Of the 1,575 students receiving loans disbursed from the proceeds of the 1985 bond sale, 1,499 students attended in-state institutions and received a total of $8,510,327. Seventy-six students attended out-of-state institutions and received a total of $628,300. A table showing the total number and amounts of loans disbursed from proceeds of the 1990 through 2007 bond sales is attached as Exhibit B.

A copy of the 2009 CHESLA Loan Program Manual is attached as Exhibit C.

Bond Issuance

The Authority issued new bonds on August 23, 2007. The 2007 Bonds were sold through a negotiated underwriting with Goldman Sachs as the underwriter and PFM as the Authority's financial advisor.

As of June 30, 2009, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate principal amount of $366.840 million. The principal amounts of the Authority's outstanding bonds totalled $138.7 million, including:

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	$ 1,350,000
1998 Series B -	$ 3,560,000	$ 800,000
1999 Series A -	$12,500,000	$ 2,415,000
1999 Series B -	$ 4,390,000	$ 1,565,000
2000 Series A -	$16,410,000	$ 3,200,000
2000 Series B -	$ 5,975,000	$ 2,245,000
2001 Series A -	$25,000,000	$15,345,000
2003 Series A -	$18,000,000	$11,540,000
2003 Series B -	$12,915,000	$ 7,320,000
2005 Series A -	$31,455,000	$20,705,000
2005 Series B -	$5,900,000	$ 4,200,000
2006 Series A -	$33,270,000	$27,625,000
2007 Series A -	$41,000,000	$40,400,000
Total	$366,840,000	$138,710,000

The State's contingent liability, in connection with the 1996, 1998, 1999, 2000, 2001, 2003,2005 A,2006A and 2007 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, 2009 in the aggregate amount of $12.6 million.

Projected Activities

The Authority provided assistance in the form of Education Loans from the remaining proceeds of its 2007 Series Bonds in the amounts of approximately $21.9 million during the remainder of the fiscal year through June 2009 under the CHESLA Loan Program. The Authority plans to issue $30 million in new bonds in August 2009 with approximately $28 million in loan funds for 2009.

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 succesful 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, 2009, 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 in the State. 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. The students were enrolled in the University of Connecticut, Southern Connecticut State University, and two attended University of New Haven. Annual scholarship allocations are based on academic performance and continued enrollment.

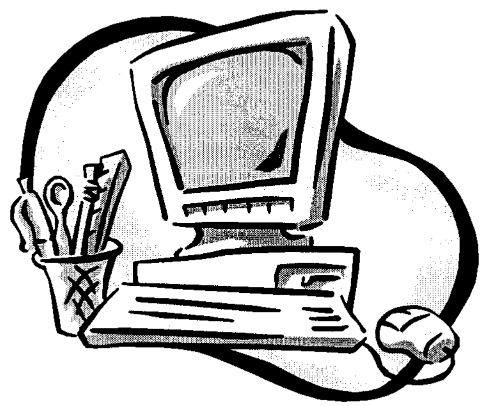
Payments in Excess of $5,000

Firms paid in excess of $5,000 in payments of loans, grants, services (excluding loans for education):

Amtec	-	Loan Yield/Arbitrage Rebate
Beers, Hammerman & Co., P.C.	-	Accountant
Collection Company of America	-	Collection Agency
Connecticut Conference of Independent Colleges	-	Personal Services/Shared Office Space
Education Finance Council	-	Professional Membership
Firstmark Services	-	Orgination/Loan Servicing
Day Pitney LLP	-	Legal/Bond Counsel
NCHELP	-	Professional Membership
R.C. Knox & Co., Inc.	-	Insurance Broker/Insurance Fees
Simione Macca & Larrow	-	Auditor
Small Business Services	-	Health Insurance
U.S. Bank National Association	-	Trustee
Vanguard Fiduciary Trust Co.	-	Pension Plan

Exhibit A

Financials



CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Financial Statements

June 30, 2009 and 2008

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

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Simione Macca & Larrow LLP

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

"On Balance, We Offer You More."

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 ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits 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 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 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 audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Connecticut Higher Education Supplemental Loan Authority as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated October 1, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

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The Management's Discussion and Analysis as listed in the table of contents 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.

Simione Macca & Larrow LLP

Rocky Hill, Connecticut
October 1, 2009

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

The Connecticut Higher Education Supplemental Loan Authority (CHESLA) is a public instrumentality and political subdivision of the State of Connecticut (the "State"). CHESLA 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. CHESLA 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 CHESLA bonds. CHESLA, in connection with the issuance of its bonds, has made certain covenants with respect to such loans, including a covenant to do or cause to be done all such acts and things necessary to receive and collect all revenues due with respect to such loans. CHESLA bonds are further secured by a special capital reserve fund.

The following Management's Discussion and Analysis (MD&A) of the Connecticut Higher Education Supplemental Loan Authority ("the Authority") activities and financial performance provides an introduction to the audited financial statements for the fiscal year ended June 30, 2009 as compared to June 30, 2008. Following the MD&A are the basic financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2009 assets decreased by $14.2 million or 8.3% over fiscal year 2008 and liabilities decreased by $15.1 million or 9.6% over fiscal year 2008. Total assets exceeded liabilities by $14 million in 2009 as compared to $13.1 million for 2008, or a net increase of $0.9 million.

BALANCE SHEETS
(In Thousands)

	2009	2008
ASSETS:		
Current unrestricted assets	$ 12,541	$ 13,268
Current restricted assets	21,836	44,376
Total Current Assets:	34,377	57,644
Non-Current assets:		
Restricted Investments	12,300	12,300
Loans receivable, net of current portion	106,876	97,374
Bond issuance costs, net	2,397	2,837
Total Non-Current Assets	121,573	112,511
TOTAL ASSETS	$ 155,950	$ 170,155
LIABILITIES:		
Current liabilities	$ 6,630	$ 7,217
Long-term liabilities	135,364	149,882
TOTAL LIABILITIES	141,994	157,099
NET ASSETS:		
Unrestricted	12,956	13,056
Temporarily restricted	1,000	-
TOTAL NET ASSETS	13,956	13,056
TOTAL LIABILITIES AND NET ASSETS	$ 155,950	$ 170,155

FINANCIAL HIGHLIGHTS

The following is an overview of significant changes within the Balance Sheets during the past fiscal year:

Assets
Current unrestricted assets decreased by $727,000 or 5%. This was due primarily to the decrease of the Authority's cash and accrued interest on investments. A portion of the Authority's cash was transferred to create a restricted cash account. The decrease in accrued interest on investments was due to the decrease in investments due to debt payments and loan issuances.

FINANCIAL HIGHLIGHTS (Continued)

Current restricted assets decreased by $22.5 million or 50.8%. This decrease was the result of loans issued in FY 2009, and the corresponding decrease in investments.

Non-current assets increased by $9.1 million or 8.1%. This was primarily due to:

- Loans receivable increased by $9.5 million because of new loans associated with the 2007 bond offerings having a greater non-current portion offset by existing loans becoming more current.

Liabilities
Current liabilities decreased by $0.6 million or 8.1% as compared to June 30, 2008, due primarily to the current payment obligations of bonds payable.

Long-term liabilities decreased by $14.5 million or 9.7% as compared to June 30, 2008, due to required principal payments on existing bonds.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

A summary of operations and changes in net assets for the fiscal year ended June 30, 2009, and the amount and percentage of change in relation to prior fiscal year amount is as follows:

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

	2009	2008
Operating revenues	$ 10,124	$ 11,178
Operating expenses	9,224	9,751
Increase in Net Assets	$ 900	$ 1,427

Operating revenues decreased in fiscal year 2009 by $1.1 million or 9.4% over fiscal year 2008, due primarily to the decrease in interest earning on investments. This decrease can be attributed to a reduction in interest income on investments, due to loan issuances and debt repayments reducing investment balances.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS (Continued)

Operating expenses also decreased during fiscal year 2008 by $0.5 million or 5.4% compared to fiscal year 2008. This was primarily due to a decrease in interest expense, arbitrage rebate, and the provision for loan losses.

SUMMARY OF REVENUE

A summary of revenues (in thousands) for the fiscal year ended June 30, 2009, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

	2009	Percent of Total	2008	Increase/ (decrease) from 2008	Percent Increase/ (decrease)
Operating:					
Interest income on loans receivable	$ 7,553	74.6%	$ 7,327	$ 226	3.1%
Interest income on investments	1,560	15.4%	2,890	(1,330)	-46.0%
Administrative fees	1,011	10.0%	955	56	5.9%
Other operating income	-	0.0%	6	(6)	100.0%
Total operating revenues	10,124	100.0%	11,178	(1,054)	
TOTAL REVENUES	$ 10,124	100.0%	$ 11,178	$ (1,054)	-9.4%

The following discusses the major changes in operating revenues of the Authority:

- Interest income on loans receivable, which represents interest income from educational loans, increased by 3.1% or $0.2 million due to the $22.7 million in new loan issuances during FY 2009.
- Interest income on investments, decreased by $1.3 million or 46% from fiscal year 2008. The decrease is due to loan issuances and debt repayments reducing the amount of investments available to earn interest.
- Administrative fees increased by $0.1 million or 5.9%. These fees are based on Authority income from a percentage of originations and principal outstanding from the various bond deals. The increase is due to an increased volume of loan originations during FY 2009 along with increased principal outstanding.

SUMMARY OF EXPENSES

A summary of expenses (in thousands) for the fiscal year ended June 30, 2009, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

	2009	Percent of Total	2008	Increase/ (decrease) from 2008	Percent Increase/ (decrease)
Operating:					
Interest expense	$ 6,793	73.6%	$ 7,141	$ (348)	-4.9%
Administrative fees	1,011	11.0%	955	56	5.9%
Loan collection fees	524	5.7%	540	(16)	-3.0%
Amortization of bond issuance costs	441	4.8%	479	(38)	-7.9%
General and administrative expenses	293	3.2%	271	22	8.1%
Professional fees	175	1.8%	102	73	71.6%
Salaries	129	1.4%	118	11	9.3%
Trustee fees	42	0.5%	46	(4)	-8.7%
Arbitrage rebate expense	(66)	-0.7%	49	(115)	-234.7%
Provision for loan losses	(118)	-1.3%	50	(168)	-336.0%
TOTAL OPERATING EXPENSES	$ 9,224	100.0%	$ 9,751	$ (527)	-5.4%

The Authority's expenses decreased from fiscal year 2008 to 2009 by approximately $0.5 million or 5.4% in total. Notable differences between the years include:

- Interest expense decreased by $0.3 million or 4.9% due to reduced bond principal outstanding in FY 2009.
- Administrative fees increased by $0.1 million or 5.9% primarily due to the loan issuances and outstanding loan principal in FY 2009.
- Arbitrage rebate expense decreased by $0.1 million due to the decrease in the rebatable arbitrage liability of the 1998, 2000, and 2006 Series bonds as compared to June 30, 2008.
- Professional fees increased by $0.1 million due primarily to increased audit and legal fees.
- Provision for loan losses decreased by $0.2 million due primarily to continuing improved collections on the Authority's loan portfolio.

SUMMARY OF CASH FLOW ACTIVITIES

The following is a summary of the major sources and uses of cash and cash equivalents for the two most recent fiscal years. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments with an original maturity of three months or less.

STATEMENTS OF CASH FLOWS
(In Thousands)
Fiscal Years Ending June 30,

	2009	2008
Cash flows from operating activities	$ (7,889)	$ (9,080)
Cash flows from investing activities	31,659	(13,616)
Cash flows from non-capital financing activities	(15,171)	23,620
Net increase in cash and cash equivalents	8,599	924
Cash and cash equivalents:		
Beginning of year	9,031	8,107
End of year	$ 17,630	$ 9,031

The Authority's available cash and cash equivalents increased $8.6 million from $9.0 million at the end of fiscal year 2008 to $17.6 million at the end of fiscal year 2009 as explained below:

- Cash flows from operating activities represents the net difference between cash received from loan payments, loan interest and investment interest, and cash paid for loans disbursed, bond interest, and other operating expenses. For fiscal year 2009, this net use of cash was $1.2 million less than fiscal year 2008 and was mainly due to a decrease in loans disbursed during FY 2009.

- Cash flows from investing activities represent the net difference between the cash proceeds from maturing investments and the cash disbursements for the purchase of investment securities. For fiscal year 2009, this net source of cash was $45.3 million more than fiscal year 2008 and was mainly due to sales of investments to facilitate loan disbursements and transfer of 2007 loan fund from investments to cash equivalents with no corresponding purchases from new bond funds.

- Cash flows from non-capital financing activities represent the net difference between total proceeds from bond issuances, versus the costs of issuance and scheduled payments on bond principal. For fiscal year 2009, this net use of cash was $38.8 million lower than fiscal year 2008 and was mainly due to regular principal payments on existing bonds and no cash infusion from a bond deal.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

BALANCE SHEETS

June 30, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents	$ 1,211,920	$ 1,731,714
Current portion of loans receivable, net of allowances for loan losses $2,134,000 in 2009 and $2,252,000 in 2008	10,786,878	10,816,874
Interest receivable on investments	119,637	334,252
Interest receivable on loans receivable	422,149	384,716
Total Unrestricted Assets	12,540,584	13,267,556
Restricted assets:		
Cash and cash equivalents	16,418,453	7,299,382
Investments	5,415,719	37,075,058
Connecticut Higher Education Trust	2,281	2,369
Total Restricted Assets	21,836,453	44,376,809
Total Current Assets	34,377,037	57,644,365
NON-CURRENT ASSETS		
Restricted investments	12,300,000	12,300,000
Loans receivable, net of current portion	106,876,045	97,373,600
Bond issuance costs, net of accumulated amortization of $3,182,544 in 2009 and $2,741,432 in 2008	2,397,412	2,837,161
Total Non-Current Assets	121,573,457	112,510,761
Total Assets	$ 155,950,494	$ 170,155,126

See notes to financial statements.

LIABILITIES AND NET ASSETS	2009	2008
CURRENT LIABILITIES		
Current portion of bonds payable	$ 5,257,350	$ 5,838,371
Accounts payable and accrued liabilities	119,977	53,497
Current portion of arbitrage rebate payable	11,693	20,861
Accrued interest payable	789,556	871,281
Current portion of deferred revenue	451,791	432,958
Total Current Liabilities	6,630,367	7,216,968
LONG-TERM LIABILITIES		
Bonds payable, net of current portion	132,753,236	147,225,577
Arbitrage rebate payable, net of current portion	92,091	169,672
Deferred revenue, net of current portion	2,518,258	2,486,483
Total Long-Term Liabilities	135,363,585	149,881,732
Total Liabilities	141,993,952	157,098,700
NET ASSETS		
Unrestricted net assets	12,956,542	13,056,426
Temporarily restricted net assets	1,000,000	-
Total Net Assets	13,956,542	13,056,426
Total Liabilities and Net Assets	$ 155,950,494	$ 170,155,126

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES		
Interest income on investments	$ 1,560,030	$ 2,890,025
Interest income on loans receivable	7,553,446	7,327,031
Administrative fees	1,010,658	955,292
Other operating income	-	6,000
Total Operating Revenues	10,124,134	11,178,348
OPERATING EXPENSES		
Interest expense	6,792,980	7,140,878
Administrative fees	1,010,658	955,292
Loan collection fees	524,379	540,407
Amortization of bond issuance costs	441,112	478,303
General and administrative expenses	292,571	270,587
Professional fees	175,050	102,192
Salaries	128,996	118,043
Trustee fees	42,160	46,114
Arbitrage rebate expense	(65,888)	49,129
Provision for loan losses	(118,000)	50,000
Total Operating Expenses	9,224,018	9,750,945
CHANGE IN NET ASSETS	900,116	1,427,403
NET ASSETS, beginning	13,056,426	11,629,023
NET ASSETS, ending	$ 13,956,542	$ 13,056,426

See notes to financial statements.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for the following:		
Loan payments	$ 13,381,001	$ 13,068,874
Interest collected on loans	7,566,621	7,037,872
Interest collected on investments	1,774,645	2,805,166
Other income	1,127,295	961,292
Total cash received	23,849,562	23,873,204
Cash paid for the following:		
Loans disbursed	(22,735,450)	(24,112,031)
Bond interest	(6,874,705)	(6,875,342)
Other expenses	(2,128,194)	(1,966,201)
Total cash disbursed	(31,738,349)	(32,953,574)
Net Cash Used in Operating Activities	(7,888,787)	(9,080,370)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of restricted investments	31,659,427	27,596,842
Purchase of restricted investments	-	(41,212,674)
Net Cash Provided by (Used in) Investing Activities	31,659,427	(13,615,832)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Issuance of bonds	-	40,613,427
Bond issuance costs	(1,363)	(987,942)
Payments on bond principal	(15,170,000)	(16,005,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	(15,171,363)	23,620,485
Net increase in cash and cash equivalents	8,599,277	924,283
CASH AND CASH EQUIVALENTS, Beginning	9,031,096	8,106,813
CASH AND CASH EQUIVALENTS, Ending	$ 17,630,373	$ 9,031,096

See notes to financial statements.

	2009	2008
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Change in net assets	$ 900,116	$ 1,427,403
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Amortization of bond issuance costs	441,112	478,303
Amortization of deferred amount on refunding	110,403	110,383
Amortization of bond discount	44,405	42,537
Amortization of bond premium	(38,170)	(38,170)
Provision for loan losses	(118,000)	50,000
Change in assets and liabilities:		
Increase in loans receivable	(9,354,449)	(11,341,859)
Decrease (Increase) in interest receivable on investments	214,615	(61,091)
Decrease (Increase) in interest receivable on loans receivable	(37,433)	(36,490)
(Decrease) Increase in accounts payable and accrued liabilities	66,480	(39,118)
Increase (decrease) in arbitrage rebate payable	(86,749)	49,129
(Decrease) Increase in accrued interest payable	(81,725)	150,783
Increase in deferred revenue	50,608	127,820
Net Cash Used in Operating Activities	$ (7,888,787)	$ (9,080,370)

	2009	2008
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Cash and cash equivalents - unrestricted	1,211,920	1,731,714
Cash and cash equivalents - restricted	16,418,453	7,299,382
	$ 17,630,373	$ 9,031,096
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Discount on issuance of 2007 Bonds recorded through reduction of issuance of bonds	$ -	$ 386,572

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Connecticut Higher Education Supplemental Loan Authority ("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 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 to finance the cost of higher education through its Bond funds.

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 non-current) 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 Governmental Accounting Standards Board (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.

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.

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 proceeds from the 2003 Series B bonds were used to refund the 1991 Series A bonds and the 2003 Series 1 bonds. The proceeds from the 2005 Series B bonds were used to refund the 1993 and 1994 Series A bonds. A portion of the proceeds from the 2006 Series A bonds was used to refund the 1996 Series A bonds. The 2003 Series 1 bonds were issued on May 15, 2003 to refund prior obligations of the Authority scheduled to be retired by special mandatory redemption on May 15, 2003. 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. In accordance with the bond resolutions, the Authority internally accounts for each bond issue, which includes individual funds as defined by each bond resolution, including but not limited to combinations of

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Funds (Continued) –

some of the following:

The Loan Fund, Revenue Fund, Debt Service Reserve Fund and the Special Capital Reserve Fund.

Prior to 1988, these loans were provided for the purpose of assisting in the financing of attendance at eligible colleges and universities in Connecticut under the Family Education Loan Program (CTFELP). In 1988, the program was expanded to include loans to Connecticut residents attending institutions outside the state. In December 2008, the CTFELP program was renamed the CHESLA Loan Program.

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan losses. In connection with the determination of the allowance for loan losses, management has used 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 non-performing (see Note 3). Loans are currently considered non-performing by management when the borrower has defaulted and not made payments for the most recent three months.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consisted of short-term investments in the State Treasurer's Short-Term Investment Fund, which totaled $17,002,769 and $8,474,808 as of June 30, 2009 and 2008, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State Treasurer's Short-Term Investment Fund is an investment pool managed by the State Treasurer's Office. The fair value of the Authority's position in the pool is the same as the value of the pool shares.

Investments – In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* the Authority presents all investments at fair value, except for non-participating interest earning investment contracts, which are carried at amortized cost.

The Authority's deposit and investment 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 and Rabobank International. 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.

There were no significant investment losses for the years ended June 30, 2009 and 2008.

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 non-accrual 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 non-performing 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.

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 anticipated operating costs.

Bond Issuance Costs – Bond issuance costs are amortized over the term of the related bonds.

Arbitrage Rebates – 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. The Authority accrues or adjusts for this liability as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue – The Authority charges a 3 percent reserve fee on loans governed by the 2003 Master Revenue Bond Resolution and a 2 to 4 percent 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.

Fair Value Measurements - During 2009, the Authority adopted SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes guidelines for measuring fair value, and expands disclosure regarding fair value measurements. The adoption of SFAS No. 157 did not have a material effect on the Authority's financial condition or operating results.

Reclassifications - Certain reclassifications were made to the 2008 financial statements to conform to the 2009 presentation, with no impact on previously reported net assets or change in net assets.

Income Taxes – The Authority is exempt from state and federal income taxes.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits – Governmental Accounting Standards Board Statement No. 3, *Deposits with Financial Institutions, Investments, and Repurchase Agreements,* requires governmental organizations to categorize their cash deposits into three levels of risk. Category 1 includes amounts, which are insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes amounts, which are collateralized with securities held by the pledging financial institution's trust department or agent in the name of the Authority. Category 3 includes amounts, which are uninsured and uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institutions, or by its trust department or agent, but not in the name of the Authority.

For purposes of this disclosure, cash deposits include bank deposits and exclude cash equivalents (see Note 1). As of June 30, 2009 and 2008, the carrying amount of the Authority's unrestricted and restricted cash deposits totaled \$627,604 and \$556,285, respectively. As of June 30, 2009, the bank balance totaled \$35,274, which was insured by the Federal Deposit Insurance Corporation (Category 1).

Investments – In accordance with the provisions of Statement No. 3 of the Governmental Accounting Standards Board, the Authority's investments, including cash equivalents, must be categorized to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered in the Authority's name or are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments, which are held by a counter party's trust department or by its agent in the Authority's name. Category 3 includes uninsured or unregistered securities, which are held by a counter party, its trust department or by its agent, but not held in the Authority's name.

CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (Continued)

The Authority's investments consist of guaranteed investment contracts, which are not required to be classified under GASB Statement No. 3 because they are direct contractual investments, and are not securities. The State of Connecticut Short-Term Investments Funds, which are presented as cash equivalents, are pooled investments and are not required to be classified under GASB Statement No. 3.

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, 2009 are as follows:

Bond Series	Number	Balance	Interest Rate (%)
1998A&B	803	$ 3,851,591	2.00
1999A	476	3,164,268	7.50
1999B	206	1,031,840	7.50
2000A	708	5,132,164	7.25
2000B	267	1,707,129	7.25
2001A*	1,067	10,070,759	6.7 & 9.7
2003A	987	10,400,108	4.99
2003B**	580	5,191,122	4.99 & 9.2
2005 A&B***	2,147	23,805,197	5.5, 8.25,& 8.4
2006 A****	2,442	26,516,752	0, 6.1
2007 A	1,924	26,855,940	6.99
	11,607	117,726,870	
Add: Non-performing loans		2,070,053	
Less: Allowance for loan losses		(2,134,000)	
		$ 117,662,923	

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

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

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

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

NOTE 3 – LOANS RECEIVABLE (Continued)

Outstanding loans receivable bear interest at rates ranging from 0% to 9.7%.

The Authority currently defines non-performing loans as those on which the borrower has defaulted and not made payments for the most recent three months. As of June 30, 2009 and 2008, non-performing loans totaled $2,070,053 and $2,359,299, respectively, for which interest income of approximately $114,111 and $156,806, respectively, was not accrued.

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 $322,217 and $268,340 for the years ended June 30, 2009 and 2008, respectively, which had been previously provided for through the allowance for loan losses. The Authority recovered $120,036 and $199,653 in fiscal 2009 and 2008, respectively, in loans receivable and other credits written-off in previous years.

NOTE 4 – BONDS PAYABLE

The following is a summary of changes in bonds payable for the years ended June 30, 2009 and 2008.

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Bonds payable - principal	$ 128,340,770	$ 40,613,428	$ 15,890,250	$ 153,063,948

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009	Within One Year
Bonds payable - principal	$ 153,880,000	$ -	$ 15,170,000	$ 138,710,000	$ 5,360,000
Discount	(933,799)	-	(44,405)	(889,394)	(44,405)
Premium	477,250	-	38,170	439,080	32,382
Deferred amount on refunding	(359,503)	-	(110,403)	(249,100)	(90,627)
	$ 153,063,948	$ -	$ 15,053,362	$ 138,010,586	$ 5,257,350

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, 2009 is as follows:

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – BONDS PAYABLE (Continued)

Year Ending June 30,	Principal	Interest
2010	$ 5,360,000	$ 6,196,541
2011	11,825,000	$ 5,831,365
2012	8,310,000	$ 5,405,657
2013	12,310,000	$ 4,967,859
2014	9,860,000	$ 4,458,393
2015-2019	52,205,000	$ 15,160,333
2020-2024	21,840,000	$ 6,579,007
2025-2029	17,000,000	$ 414,375
	$ 138,710,000	$ 49,013,530

Outstanding principal of each bond issue at June 30, 2009 and 2008 is as follows:

	Original Amount	Outstanding June 30, 2009	Outstanding June 30, 2008
1998 Series A, 4.10%-5.15%, due serially from November 15, 2002 to November 15, 2016	$ 15,000,000	$ 1,350,000	$ 2,455,000
1998 Series B, 4%-4.875%, due serially from November 15, 2001 to November 15, 2010	3,560,000	800,000	800,000
1999 Series A, 4.7%-6%, due serially from November 15, 2002 to November 15, 2017	12,500,000	2,415,000	3,375,000
1999 Series B, 4.5%-6%, due serially from November 15, 2002 to November 15, 2012	4,390,000	1,565,000	1,565,000
2000 Series A, 4.625%-5.5%, due serially from November 15, 2008 to November 15, 2020	16,410,000	3,200,000	4,480,000
2000 Series B, 4.75%-5.2%, due serially from November 15, 2001 to November 15, 2012	5,975,000	2,245,000	2,245,000
2001 Series A, 4.25%-5.25%, due serially from November 15, 2010 to November 15, 2021	25,000,000	15,345,000	16,515,000
2003 Series A, 1.7%-4.5%, due serially from November 15, 2004 to November 15, 2020	18,000,000	11,540,000	14,150,000

NOTE 4 – BONDS PAYABLE (Continued)

	Original Amount	Outstanding June 30, 2009	Outstanding June 30, 2008
2003 Series B, 2%-5%, due serially from November 15, 2004 to November 15, 2017	12,915,000	7,320,000	7,320,000
2005 Series A, 2.5%-4.375% due serially from November 15, 2005 to November 15, 2021	31,455,000	20,705,000	22,105,000
2005 Series B, 4% due serially from November 15, 2008 to 2010	5,900,000	4,200,000	5,900,000
2006 Series A, 3.9%-4.8% due serially from November 15, 2007 to 2022	33,270,000	27,625,000	31,970,000
2007 Series A, 4.125%-4.875% due serially from November 15, 2010 to 2024	41,000,000	40,400,000	41,000,000
	$ 225,375,000	$ 138,710,000	$ 153,880,000

Each Series A bond is subject to a special mandatory redemption in whole or in part from excess loan payments. During the year ended June 30, 2009 and 2008, the Authority redeemed bonds in the following amounts:

	2009	2008
1998 Series A	$ 765,000	$ 1,170,000
1999 Series A	470,000	225,000
2000 Series A	1,005,000	1,880,000
2001 Series A	1,170,000	1,880,000
2003 Series A	650,000	1,000,000
2005 Series A	1,400,000	1,800,000
2006 Series A	3,155,000	300,000
2007 Series A	600,000	-
	$ 9,215,000	$ 8,255,000

NOTE 5 – RESTRICTED NET ASSETS

Restricted net assets consist of $1,000,000 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.

NOTE 6- FAIR VALUE MEASUREMENTS

During 2009, the Authority adopted SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes guidelines for measuring fair value, and expands disclosure regarding fair value measurements. SFAS No. 157 establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. SFAS No. 157 establishes and prioritizes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices in active markets for identical assets or liabilities. The Authority has no Level 1 fair value measurements.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The Authority has no Level 3 fair value measurements.

The following table presents the Authority's assets measured at fair value on a recurring basis at June 30, 2009 and 2008:

	Observable Inputs other than Quoted Prices in Active Markets for Identical Assets (Level 2)	
	2009	2008
Investments	$17,715,719	$ 49,375,058

NOTE 7 – 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, 2009 and 2008, the State has not made nor was it required to make any such deposit.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Authority shares rental space, office supplies, office equipment and utilities with and shares the services of the Vice President of the Connecticut Conference of Independent Colleges (CCIC). Currently, the executive director of CHESLA serves as Vice President of CCIC. Fees charged to the Authority by CCIC for providing administrative services were $104,000 for the years ended June 30, 2009 and 2008. In addition, the Authority reimbursed CCIC directly for actual general and administrative expenses incurred.

NOTE 9– EMPLOYEE BENEFIT PLANS

The Authority has a Simplified Employee Pension Plan (the Plan). Under the provisions of the Plan, the Authority will make annual contributions directly to the individual retirement accounts (IRA) of all eligible employees, equal to eight percent 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 2009 and 2008, the Authority made contributions of $10,254 and $9,443, respectively, to the Plan.

NOTE 10 – 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 11 – CONTINGENCY

As calculated as of June 30, 2009, the yield on the loan portfolios related to the 1996, 1998, and 2007 bond issues exceeds the amount permitted by the applicable federal income tax regulations. Were the Authority permitted to calculate a single yield for all loan portfolios held within a single trust estate, the Authority's liability would be reduced or eliminated. In September 2007, the Internal Revenue Service (IRS) issued proposed regulations, which would eliminate the Tax Commissioner's authority to allow usage of a blended yield for a bond portfolio in the calculation of the excess loan yield liability. As of the date of our financial statements, the IRS has yet to make a final ruling on an issuer's ability to use a blended yield for this calculation. An additional excess loan yield liability would result if the final ruling eliminates the use of the blended rate, and requires separate yield calculations for each bond issue. However, the Authority has not accrued this liability since the IRS has yet to make a final ruling on this issue, and as a result, an estimate of this liability cannot be determined as of June 30, 2009. Effective May 1, 2009, the Authority reduced the interest rate on certain loans held under the 1990 Resolution. The Authority also reduced the interest rate on certain loans held under the 2003 Resolution. Both reductions were done to maintain the tax-exempt status of interest on the related bonds.

NOTE 12 - SUBSEQUENT EVENT

In August 2009, the Authority closed the 2009 Series A bond deal. The 2009 Series A bonds raised proceeds of $27,000,000.

Simione Macca & Larrow LLP

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of the
CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
Farmington, Connecticut

Our report on our audits of the basic financial statements of Connecticut Higher Education Supplemental Loan Authority for the years ended June 30, 2009 and 2008 appears on page 1. These audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on pages 26 to 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Simione Macca & Larrow LLP

Rocky Hill, Connecticut
October 1, 2009

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CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
COMBINING BALANCE SHEETS
JUNE 30, 2009 AND 2008
(See Independent Auditors' Report on Supplementary Information)

	June 30, 2009				June 30, 2008			
	AUTHORITY OPERATING	BOND FUNDS			AUTHORITY OPERATING	BOND FUNDS		
ASSETS	FUND	PRE 2003	2003	TOTAL	FUND	PRE 2003	2003	TOTAL
CURRENT ASSETS								
Unrestricted assets:								
Cash and cash equivalents	$ 1,211,920	$ -	$ -	$ 1,211,920	$ 1,731,714	$ -	$ -	$ 1,731,714
Current portion of loans receivable, net of allowances for loan losses of $2,134,000 in 2009 and $2,252,000 in 2008	-	2,067,055	8,719,823	10,786,878	-	2,737,482	8,079,392	10,816,874
Interest receivable on investments	916	34,428	84,293	119,637	3,382	31,547	299,323	334,252
Interest receivable on loans receivable	-	84,909	337,240	422,149	-	107,909	276,807	384,716
Total Unrestricted Assets	1,212,836	2,186,392	9,141,356	12,540,584	1,735,096	2,876,938	8,655,522	13,267,556
Restricted assets:								
Cash and cash equivalents	1,000,507	886,762	14,531,184	16,418,453	367	898,194	6,400,821	7,299,382
Investments	-	3,693,715	1,722,004	5,415,719	-	3,342,982	33,732,076	37,075,058
Connecticut Higher Education Trust	2,281	-	-	2,281	2,369	-	-	2,369
Total Restricted Assets	1,002,788	4,580,477	16,253,188	21,836,453	2,736	4,241,176	40,132,897	44,376,809
Total Current Assets	2,215,624	6,766,869	25,394,544	34,377,037	1,737,832	7,118,114	48,788,419	57,644,365
NON-CURRENT ASSETS								
Restricted investments	-	1,800,000	10,500,000	12,300,000	-	1,800,000	10,500,000	12,300,000
Loans receivable, net of current portion	-	23,058,052	83,817,993	106,876,045	-	26,900,198	70,473,402	97,373,600
Bond issuance costs, net of accumulated amortization of $3,182,544 in 2009 and $2,741,432 in 2008	1,344,300	64,211	988,901	2,397,412	1,587,108	87,250	1,162,803	2,837,161
Total Non-Current assets	1,344,300	24,922,263	95,306,894	121,573,457	1,587,108	28,787,448	82,136,205	112,510,761
Total Assets	$ 3,559,924	$ 31,689,132	$ 120,701,438	$ 155,950,494	$ 3,324,940	$ 35,905,562	$ 130,924,624	$ 170,155,126

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2009 AND 2008
(See Independent Auditors' Report on Supplementary Information)

	June 30, 2009				June 30, 2008			
	AUTHORITY OPERATING	BOND FUNDS			AUTHORITY OPERATING	BOND FUNDS		
LIABILITIES AND NET ASSETS	FUND	PRE 2003	2003	TOTAL	FUND	PRE 2003	2003	TOTAL
CURRENT LIABILITIES								
Current portion of bonds payable	$ -	$ 2,235,000	$ 3,022,350	$ 5,257,350	$ -	$ 1,105,000	$ 4,733,371	$ 5,838,371
Accounts payable and accrued liabilities	24,897	22,509	72,571	119,977	8,769	11,478	33,250	53,497
Current portion of arbitrage rebate payable	-	11,693	-	11,693	-	20,861	-	20,861
Accrued interest payable	-	168,431	621,125	789,556	-	196,914	674,367	871,281
Current portion of deferred revenue	-	221,728	230,063	451,791	-	246,780	186,178	432,958
Total Current Liabilities	24,897	2,659,361	3,946,109	6,630,367	8,769	1,581,033	5,627,166	7,216,968
LONG-TERM LIABILITIES								
Bonds payable, net of current portion	-	24,685,000	108,068,236	132,753,236	-	30,330,000	116,895,577	147,225,577
Arbitrage rebate payable, net of current portion	-	-	92,091	92,091	-	24,317	145,355	169,672
Deferred revenue, net of current portion	-	720,002	1,798,256	2,518,258	-	941,730	1,544,753	2,486,483
Total Long-Term Liabilities	-	25,405,002	109,958,583	135,363,585	-	31,296,047	118,585,685	149,881,732
Total Liabilities	24,897	28,064,363	113,904,692	141,993,952	8,769	32,877,080	124,212,851	157,098,700
NET ASSETS								
Unrestricted net assets	2,535,027	3,624,769	6,796,746	12,956,542	3,316,171	3,028,482	6,711,773	13,056,426
Restricted net assets	1,000,000	-	-	1,000,000	-	-	-	-
Total Net Assets	3,535,027	3,624,769	6,796,746	13,956,542	3,316,171	3,028,482	6,711,773	13,056,426
TOTAL LIABILITIES AND NET ASSETS	$ 3,559,924	$ 31,689,132	$ 120,701,438	$ 155,950,494	$ 3,324,940	$ 35,905,562	$ 130,924,624	$ 170,155,126

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2009 AND 2008
(See Independent Auditors' Report on Supplementary Information)

	June 30, 2009				June 30, 2008			
	AUTHORITY OPERATING FUND	BOND FUNDS PRE 2003	BOND FUNDS 2003	TOTAL	AUTHORITY OPERATING FUND	BOND FUNDS PRE 2003	BOND FUNDS 2003	TOTAL
OPERATING REVENUES								
Interest income on investments	$ 31,146	$ 285,931	$ 1,242,953	$ 1,560,030	$ 80,360	$ 359,140	$ 2,450,525	$ 2,890,025
Interest income on loans receivable	-	2,013,481	5,539,965	7,553,446	-	2,528,034	4,798,997	7,327,031
Administrative fees	1,010,658	-	-	1,010,658	955,292	-	-	955,292
Other operating income	-	-	-	-	6,000	-	-	6,000
Total Operating Revenues	1,041,804	2,299,412	6,782,918	10,124,134	1,041,652	2,887,174	7,249,522	11,178,348
OPERATING EXPENSES								
Interest expense	-	1,463,703	5,329,277	6,792,980	-	1,786,213	5,354,665	7,140,878
Administrative fees	-	179,402	831,256	1,010,658	-	206,954	748,338	955,292
Loan collection fees	995	172,317	351,067	524,379	5,621	196,652	338,134	540,407
Amortization of bond issuance costs	244,171	23,039	173,902	441,112	260,506	27,296	190,501	478,303
General and administrative expenses	273,736	4,288	14,547	292,571	249,970	1,111	19,506	270,587
Professional fees	175,050	-	-	175,050	102,192	-	-	102,192
Salaries	128,996	-	-	128,996	118,043	-	-	118,043
Trustee fees	-	24,000	18,160	42,160	-	24,114	22,000	46,114
Arbitrage rebate expense (income)	-	(12,624)	(53,264)	(65,888)	-	4,241	44,888	49,129
Provision for loan losses	-	(151,000)	33,000	(118,000)	-	54,000	(4,000)	50,000
Total Operating Expenses	822,948	1,703,125	6,697,945	9,224,018	736,332	2,300,581	6,714,032	9,750,945
CHANGE IN NET ASSETS	218,856	596,287	84,973	900,116	305,320	586,593	535,490	1,427,403
NET ASSETS, beginning	3,316,171	3,028,482	6,711,773	13,056,426	3,402,895	9,015,810	(789,682)	11,629,023
Elimination of Interfund Balances	-	-	-	-	(392,044)	(6,573,921)	6,965,965	-
NET ASSETS, ending	$ 3,535,027	$ 3,624,769	$ 6,796,746	$ 13,956,542	$ 3,316,171	$ 3,028,482	$ 6,711,773	$ 13,056,426

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 of the
CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
Farmington, Connecticut

We have audited the accompanying basic financial statements of the Connecticut Higher Education Supplemental Loan Authority ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated October 1, 2009. We conducted our audits 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 audits, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 basic 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 basic 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.*

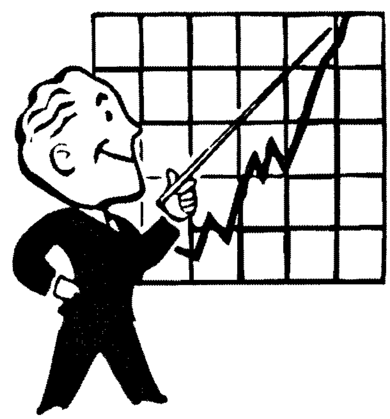
This report is intended solely for the information and use of management, the board of directors, and the State of Connecticut Office of the Comptroller, and is not intended to be and should not be used by anyone other than these specified parties.

Simione Macca & Larrow LLP

Rocky Hill, Connecticut
October 1, 2009

Exhibit B

Loans Disbursed
1990-2008



CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - HISTORICAL LENDING (06/09)

Institution	Pre-2003 Series AB Number of Loans Disb. (1)	Pre-2003 Series AB Amount of Loans Disb. (1)	2003 Series A Number of 4.99% Loans Disb. (2)	2003 Series A Amount of 4.99% Loans Disb. (2)	2003 Series B Number of 4.99% Loans Disb. (3)	2003 Series B Amount of 4.99% Loans Disb. (3)	2005 Series A Number of 5.50% Loans Disb. (4)	2005 Series A Amount of 5.50% Loans Disb. (4)	2006 Series A Number of 6.15% Loans Disb. (5)	2006 Series A Amount of 6.15% Loans Disb. (5)	2007 Series A Number of 6.99% Loans Disb. (6)	2007 Series A Amount of 6.99% Loans Disb. (6)	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	29	$187,745	280	$2,090,143
Capital Community College	1	$3,500	3	$12,000	0	$0	2	$10,544	2	$27,000	0	$0	8	$53,044
Charter Oak State College	10	$34,425	0	$0	0	$0	2	$18,250	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	97	$463,009	738	$4,382,083
Connecticut College	310	$3,334,887	1	$24,000	3	$35,284	5	$86,404	0	$0	4	$36,734	323	$3,517,309
Eastern Connecticut State University	439	$2,246,962	38	$258,930	30	$204,808	46	$435,874	82	$439,968	89	$433,854	724	$4,020,396
Fairfield University	1,323	$14,016,580	55	$789,554	35	$381,285	81	$1,471,856	123	$1,504,909	142	$1,642,577	1,759	$19,806,760
Gateway Community College	3	$8,725	0	$0	0	$0	0	$0	1	$4,000	0	$0	4	$12,725
Goodwin College, Inc.	0	$0	0	$0	0	$0	0	$0	2	$13,285	1	$5,000	3	$18,285
Gradute Institute	0	$0	4	$33,724	4	$40,987	3	$25,918	6	$81,305	12	$103,730	29	$285,664
Hartford Seminary	0	$0	0	$0	0	$0	0	$0	0	$0	2	$8,000	2	$8,000
Housatonic Community College	1	$2,734	1	$3,000	0	$0	0	$0	3	$8,500	1	$8,000	6	$22,234
Rensselaer at Hartford	19	$124,240	0	$0	0	$0	1	$16,846	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	11	$84,765	22	$180,816
Manchester Community College	5	$16,743	0	$0	2	$7,000	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	17	$124,000	63	$668,530
Naugatuck Valley Community College	8	$21,000	0	$0	0	$0	0	$0	2	$4,000	0	$0	10	$25,000
Northwestern CT Community College	164	$2,098,570	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	362	$3,804,836	2,623	$28,848,244
Quinnipiac University School of Law	368	$4,744,832	1	$16,094	0	$0	2	$33,530	5	$61,620	1	$15,163	377	$4,871,239
Sacred Heart University	1,406	$13,201,359	290	$4,259,532	140	$1,875,224	379	$6,657,012	296	$5,172,170	412	$4,265,968	2,923	$35,431,264
Southern Connecticut State University	226	$1,231,519	22	$172,611	10	$77,077	35	$269,612	51	$249,687	52	$196,949	396	$2,197,455
Saint Joseph College	429	$3,139,887	16	$133,927	13	$118,697	21	$256,595	28	$203,379	44	$313,154	551	$4,165,639
Saint Vincent College	20	$132,468	0	$0	0	$0	3	$33,466	1	$11,000	0	$0	24	$176,934
Teikyo Post University	77	$493,191	6	$37,296	5	$44,300	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	2	$6,000	17	$154,586
Trinity College	225	$2,371,706	4	$18,760	0	$0	7	$85,745	5	$32,790	12	$109,574	253	$2,618,575
Tunxis Community College	15	$78,588	2	$7,250	0	$0	1	$2,400	1	$5,000	4	$9,852	23	$103,090
University of Bridgeport	206	$1,469,031	3	$28,154	1	$5,700	2	$29,886	0	$0	4	$19,200	216	$1,551,971
University of Conn. - School of Law	17	$106,462	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	25	$133,719
University of Conn. - Dental/Health Center	89	$654,242	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	45	$309,457
University of Conn. - Storrs Campus	2,107	$13,610,768	75	$607,716	38	$298,930	51	$481,586	135	$987,156	145	$834,661	2,551	$16,820,817
University of Hartford	1,971	$19,430,253	165	$2,259,133	133	$1,521,191	292	$4,571,895	388	$3,846,396	495	$4,153,788	3,444	$35,782,656
University of New Haven	371	$2,993,773	14	$162,404	9	$83,222	17	$205,247	12	$128,508	36	$324,040	459	$3,897,194
Wesleyan University	618	$7,015,771	2	$37,500	1	$15,000	10	$117,534	13	$203,460	36	$420,047	680	$7,809,312
Western Connecticut State University	69	$381,233	10	$88,075	5	$35,800	9	$94,331	22	$143,841	46	$203,195	161	$946,475
Wilcox College of Nursing	153	$2,653,678	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	243	$2,615,029	2,165	$28,922,313
Yale University - Graduate School	77	$760,842	0	$0	0	$0	0	$0	0	$0	1	$38,000	78	$798,842
Yale University - School of Art	17	$136,506	0	$0	0	$0	1	$3,000	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	4	$19,235
Yale University - School of Forestry	6	$64,650	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	285	$3,193,238
Yale University - School of Medicine	138	$1,108,608	0	$0	0	$0	0	$0	0	$0	0	$0	138	$1,108,608
Yale University - School of Nursing	111	$856,349	2	$31,300	1	$3,586	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	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	2,303	$20,513,469	22,422	$225,534,462
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	825	$7,508,265	5,667	$59,299,408

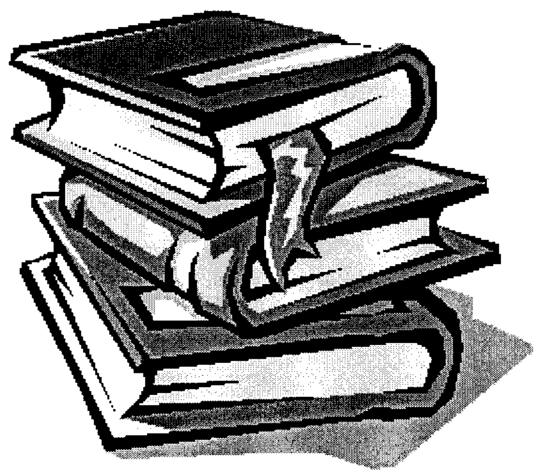
Grand Total	20,394	$186,076,783	1,225	$16,212,316	743	$8,813,427	1,866	$28,321,052	2,308	$26,527,184	3,128	$28,021,734	29,664	$293,972,497

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

Institution	Pre-2003 Series AB Number of Loans Disb. (1)	Pre-2003 Series AB Amount of Loans Disb. (1)	2003 Series A Number of 4.90% Loans Disb. (2)	2003 Series A Amount of 4.90% Loans Disb. (2)	2003 Series B Number of 4.90% Loans Disb. (3)	2003 Series B Amount of 4.90% Loans Disb. (3)	2005 Series A Number of 5.50% Loans Disb. (4)	2005 Series A Amount of 5.50% Loans Disb. (4)	2006 Series A Number of 6.15% Loans Disb. (5)	2006 Series A Amount of 6.15% Loans Disb. (5)	2007 Series A Number of 6.99% Loans Disb. (6)	2007 Series A Amount of 6.99% Loans Disb. (6)	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%	0.93%	0.67%	0.94%	0.71%
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%	0.03%	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%	0.04%	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%	3.10%	1.65%	2.49%	1.49%
Connecticut College	1.52%	1.79%	0.08%	0.15%	0.40%	0.40%	0.27%	0.31%	0.00%	0.00%	0.13%	0.13%	1.09%	1.20%
Eastern Connecticut State University	2.15%	1.21%	3.10%	1.60%	4.04%	2.32%	2.47%	1.54%	3.55%	1.66%	2.85%	1.55%	2.44%	1.37%
Fairfield University	6.49%	7.53%	4.49%	4.87%	4.71%	4.33%	4.34%	5.20%	5.33%	5.67%	4.54%	5.86%	5.93%	6.74%
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%	0.01%	0.00%
Goodwin College, Inc.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	0.05%	0.03%	0.02%	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%	0.38%	0.37%	0.10%	0.10%
Hartford Seminary	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%	0.03%	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%	0.03%	0.03%	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%	0.07%	0.05%
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%	0.35%	0.30%	0.07%	0.06%
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%	0.02%	0.01%
Mitchell College	0.18%	0.18%	0.08%	0.11%	0.13%	0.19%	0.21%	0.34%	0.17%	0.27%	0.54%	0.44%	0.21%	0.23%
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%	0.03%	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%	0.55%	0.71%
Quinnipiac University	6.91%	6.75%	8.33%	8.83%	10.63%	12.49%	16.35%	18.44%	15.81%	17.82%	11.57%	13.58%	8.84%	9.81%
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%	0.03%	0.05%	1.27%	1.66%
Sacred Heart University	6.89%	7.09%	23.67%	26.27%	18.84%	21.28%	20.31%	23.51%	12.82%	19.50%	13.17%	15.22%	9.85%	12.05%
Southern Connecticut State University	1.11%	0.66%	1.80%	1.06%	1.35%	0.87%	1.88%	0.95%	2.21%	0.94%	1.66%	0.70%	1.33%	0.75%
Saint Joseph College	2.10%	1.69%	1.31%	0.83%	1.75%	1.35%	1.13%	0.91%	1.21%	0.77%	1.41%	1.12%	1.86%	1.42%
Saint Vincent College	0.10%	0.07%	0.00%	0.00%	0.00%	0.00%	0.16%	0.12%	0.04%	0.04%	0.00%	0.00%	0.08%	0.06%
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%	0.30%	0.20%
Three Rivers Community College	0.05%	0.07%	0.08%	0.04%	0.27%	0.08%	0.00%	0.00%	0.04%	0.01%	0.06%	0.02%	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%	0.38%	0.39%	0.85%	0.89%
Tunxis Community College	0.07%	0.04%	0.16%	0.04%	0.00%	0.00%	0.05%	0.01%	0.04%	0.02%	0.13%	0.04%	0.08%	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%	0.13%	0.07%	0.73%	0.53%
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%	0.06%	0.04%
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%	0.08%	0.05%
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%	0.30%	0.22%
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%	0.15%	0.11%
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%	4.64%	2.98%	8.60%	5.72%
University of Hartford	9.66%	10.44%	13.47%	13.93%	17.90%	17.26%	15.65%	16.14%	16.81%	14.50%	15.82%	14.82%	11.61%	12.17%
University of New Haven	1.82%	1.61%	1.14%	1.00%	1.21%	0.94%	0.91%	0.72%	0.52%	0.48%	1.15%	1.16%	1.55%	1.33%
Wesleyan University	3.03%	3.77%	0.16%	0.23%	0.13%	0.17%	0.54%	0.42%	0.56%	0.77%	1.15%	1.50%	2.29%	2.66%
Western Connecticut State University	0.34%	0.20%	0.82%	0.54%	0.67%	0.41%	0.48%	0.33%	0.95%	0.54%	1.47%	0.73%	0.54%	0.32%
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%	0.52%	0.90%
Yale University - College	7.16%	10.10%	8.00%	10.53%	7.81%	10.18%	7.02%	8.09%	7.58%	9.85%	7.77%	9.33%	7.30%	9.84%
Yale University - Graduate School	0.38%	0.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.14%	0.26%	0.27%
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%	0.06%	0.05%
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%	0.01%	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%	0.02%	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%	0.10%	0.31%	0.96%	1.09%
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%	0.47%	0.38%
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%	0.38%	0.30%
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%	1.10%	1.08%
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%	73.63%	73.21%	75.59%	76.72%
10.98% Loans	7.72%	4.91%											5.31%	3.11%
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%	26.37%	26.79%	19.10%	20.17%
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%

Exhibit C

2009 CT FELP 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

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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 Family Education 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:

"Act" 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.

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

"Application" means an application for a Family Education 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.

"Authority" 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.

"Bonds" 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.

"Borrower" 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).

"Business Day" 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.

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

"Capitalized Interest Period" 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.

"Carry-Over Amount" 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, "Carry-Over Amount" 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.

"Co-Applicant" means any Applicant other than the Eligible Student.

"Co-Borrower" 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.

"Cost of Education" 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.

"Current Year Loan" means a Loan other than a Tuition Prepayment Loan and may include a Loan to cover an Eligible Student's Cost of Education for the next preceding Loan Year.

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

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

"Education Loan Mortgage" 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.

"Electronic Fund Transfer" 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.

"Eligible College or University" 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) a governmental unit.

"Eligible Graduate Student" means an Eligible Student enrolled in and pursuing an educational program leading to a post-baccalaureate certificate or a masters, doctorate or professional degree.

"Eligible Student" 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 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. "Eligible Student" 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 or university, who is in good academic standing and is making satisfactory progress, as determined by such college or university.

"Interest Only Payment Period" 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.

"Loan" or "Education Loan" 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.

"Loan Year" 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.

"Net Cost of Education" 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 Veterans' Administration benefits should not be considered financial aid).

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

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

"Program" means the Connecticut Family Education Loan Program described herein.

"Promissory Note" means the note signed by a Borrower and any Co-Borrower(s) ("Borrowers") promising to pay the Authority and evidencing a Loan, in the form prescribed by the Authority from time to time.

"Reserve Fee" 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.

"Resolution" 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.

"Servicer" 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.

"Trustee" means the trustee under the Resolution.

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

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

"Tuition Prepayment Plan" means any plan adopted by an Eligible College or University whereby an Eligible Student's Prepayable Costs, or any portion thereof, as determined by the Eligible College or University, may be prepaid.

C. <u>OVERVIEW OF FAMILY EDUCATION LOAN PROGRAM</u>

1. <u>Amount</u>.

(a) <u>Current Year Loan</u>. A Loan may be made in a principal amount of not less than $2,000 and not more than any one Eligible Student's 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 Student's 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 Authority's 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 Authority's 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 "related person" 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 at its office, via telephone and written request, and in such other manner as the Authority may determine.

2. Submitting the Application. 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 University's 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. School Certification Form and Calculation of Net Cost of Education. 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. Direct Costs:

(i) Tuition & Fees: 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) Room & Board: 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) Books & Supplies: An allowance as determined by the Eligible College or University.

b. Indirect Costs:

(i) Room & Board: 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) Miscellaneous Personal Expenses: 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. LOAN ORIGINATION

1. Application Processing by the Servicer. 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 Servicer's 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 Applicant's and a Co-Applicant's 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. <u>Debt-to-Income Determination by Servicer</u>. 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 Applicant's 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 Applicant's income is insufficient, utilizing the debt-to-income ratio of forty percent (40%), or if credit history does not meet the Authority's 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 Borrower's 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 a disbursement date 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. The Servicer will promptly notify the Authority upon receipt of any payments received which are in excess of the principal and interest due. 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

FAMILY EDUCATION 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 Authority's $15,000,000 Revenue Bonds (Family Education Loan Program) 1998 Series A and the Authority's $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

FAMILY EDUCATION 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 Authority's $12,500,000 Revenue Bonds (Family Education Loan Program) 1999 Series A and the Authority's $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 Authority's $12,500,000 Revenue Bonds (Family Education Loan Program) 1999 Series A and the Authority's $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

FAMILY EDUCATION 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 Authority's $16,410,000 Revenue Bonds (Family Education Loan Program) 2000 Series A and the Authority's $5,975,000 Revenue Refunding Bonds (Family Education Loan Program) 2000 Series B (collectively the "2000 Bonds") 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

FAMILY EDUCATION 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 Authority's $25,000,000 Revenue Bonds (Family Education Loan Program) 2001 Series A (the "2001 Series A Bonds") 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

FAMILY EDUCATION 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 Authority's $18,000,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2003 Series A (the "2003 Series A Bonds") and the Authority's $12,915,000 Senior Revenue Refunding Bonds (Connecticut Family Education Loan Program) 2003 Series B Bonds (the "2003 Series B Bonds," and, with the 2003 Series A Bonds, the "2003 Series Bonds") 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

FAMILY EDUCATION 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 Authority's $31,455,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2005 Series A (the "2003 Series A Bonds") and the Authority's $5,900,000 Senior Revenue Refunding Bonds (Connecticut Family Education Loan Program) 2005 Series B Bonds (the "2005 Series B Bonds," and, with the 2005 Series A Bonds, the "2005 Series Bonds") 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

FAMILY EDUCATION 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 Authority's $33,270,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2006 Series A (the "2006 Series A Bonds") 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

FAMILY EDUCATION 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 Authority's $41,000,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2007 Series A (the "2007 Series A Bonds") 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 2007Series 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 Authority's $30,000,000 Revenue Bonds (CHESLA Loan Program) 2009 Series A (the "2009 Series A Bonds") 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 Moody's 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 Moody's 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.

The stated rates of interest borne by Loans originated pursuant to the CHESLA Loan Program with proceeds of the Authority's 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%