CHESLA

Connecticut Higher Education Supplemental Loan Authority

Annual Report

Fiscal Year Ended June 30, 2013

www.chesla.org

10 Columbus Boulevard
Hartford, CT 06106
860-520-4001

Helping Students and their Families Invest in the Future.

CHESLA
Connecticut Higher Education Supplemental Loan Authority

www.chesla.org
Connecticut Higher Education Supplemental Loan Authority
10 Columbus Boulevard, 7th Floor, Hartford, Connecticut 06106
(860) 520-4001 Outside CT • (800) 252-3357 in CT • FAX (860) 520-4004

Message from the Executive Director:

Fiscal Year 2013 was a year of transition for the Connecticut Higher Education Supplemental Loan Authority (CHESLA). Effective July 1, 2012, CHESLA was statutorily consolidated with the Connecticut Health and Educational Facilities Authority (CHEFA) and now operates as a CHEFA subsidiary. The consolidation changed CHESLA's operations in many ways, starting with a physical relocation of CHESLA's executive office to CHEFA's executive office in Hartford, Connecticut. The CHESLA Board was reconstituted and now includes key areas of overlap with the CHEFA Board, in order to give CHEFA direct knowledge of CHESLA's operations. The CHEFA Board Chair, Barbara Rubin, also serves as the CHESLA Board Chair. Two higher education representatives on the CHEFA Board serve on the CHESLA Board, as does the Executive Director of CHEFA. I serve as Executive Director of CHESLA, as well as Managing Director of CHEFA. While there are many direct links with regard to management and governance, CHESLA continues to exist as a separate entity in order to preserve its mission and its identity in the municipal bond market and the student loan industry. The CHESLA staff also remains in place and provides important service continuity to our borrowers.

With all of the changes occurring, Management and the Board considered it critical to make board education and strategic planning a priority. Early in the fiscal year, a full day board education session was convened with speakers addressing all aspects of CHESLA operations and key industry concerns. In subsequent meetings, the Board adopted a new Mission and Vision statement and a strategic plan that focuses on positioning CHESLA for the future and ensuring its ongoing availability to students in or from the State of Connecticut as a resource for furthering their education. In the midst of this "big picture" assessment, CHESLA also successfully issued $25 million of bonds and was able to offer loans to Connecticut students at a very low, 5.99% fixed interest rate.

As we move through Fiscal Year 2014, we are maintaining our strategic focus and will be considering new initiatives and products that would broaden CHESLA's borrower base and provide prudent and attractive options for students who use borrowing as part of their college financing plans. We recognize our responsibility to educate and respect our consumers as we develop new products and we look forward to continuing to serve Connecticut residents.

Jeanette W. Weldon
Executive Director
September, 2013

Overview and Governance

CHESLA 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.

Effective July 1, 2012, CHESLA became statutorily consolidated with the Connecticut Health and Educational Facilities Authority (CHEFA) and relocated its offices to Hartford. Additional information about CHEFA may be found in its Annual Report available at www.chefa.com. Jeanette Weldon, Managing Director of CHEFA, also became Executive Director of CHESLA; while the remaining CHESLA staff (Samuel Rush, Deputy Director and Josh Hurlock, Portfolio and Marketing Associate) remained in place to provide continuity for borrowers and financial aid staffs. A new Board was constituted and the following Mission & Vision Statement was adopted:

CHESLA 2013-2015 Strategic Plan: Mission & Vision Statement

- **Mission:** to expand higher educational opportunities for students in or from the State of Connecticut by offering a cost-effective alternative financing program.
- **Vision:** to become a resource for students as they plan for their college education, not only by providing financing, but by providing information and tools for students to make informed decisions; to enhance the competitiveness of Connecticut institutions of higher education by providing additional financing options; to encourage interest in higher education to help the state meet its workforce needs.

Consolidation Savings

Management expects to achieve operating savings as a result of the consolidation with CHEFA. During FY 2013, certain functions which were previously outsourced (such as accounting services and general counsel services) were transitioned to being provided by CHEFA staff. During this period, there was some service overlap between outside providers and internal (i.e. CHEFA) providers in order to facilitate a smooth transition of services. As a result of this necessary service overlap, operating savings were not achieved in FY 2013. However, management has budgeted to achieve substantial savings in FY 2014, when administrative service costs are expected to be approximately 30% below FY 2012 pre-consolidation levels, as summarized below.

	FY 2012	FY 2013	FY 2014 Budget
Administrative Service Costs*	$216,000	$232,000	$143,000

*Includes management services, accounting, general counsel services and administrative support services

CHESLA's Board Members

Statutorily Designated:	Ex Officio Members	Member's Designee
	The Honorable Denise L. Nappier State Treasurer	Sarah Sanders Assistant Treasurer of Debt Management
	Benjamin Barnes Secretary Office of Policy & Management	Steven Kitowicz Principal Budget Specialist
	Dr. Gregory W. Gray President, Board of Regents for Higher Education	Richard Bishop Director, CCSU Office of Financial Aid
	Barbara Rubin Chair of the Board of CHESLA	*Coterminous Term Chair of the Board of CHEFA
	Jeffrey A. Asher Executive Director of CHEFA	*Coterminous Term Executive Director of CHEFA

The remaining members are appointed by the CHEFA Board of Directors based on their qualifications, as specified in the enabling legislation.

Appointed Members	Expiration of Term	Statutory Qualifications
 Julie B. Savino *Vice Chair of the Board of CHESLA*	July 1, 2018	Experience in Higher Education Loan Field
 Martin L. Budd, Esq.	July 1, 2017	Retired - Experience in State and Municipal Finance

Dr. Peter W. Lisi | Coterminous** | Member of Board of CHEFA who is an Employee of a Connecticut Institution for Higher Education

Paul Mutone | Coterminous** | Member of Board of CHEFA who is an Employee of a Connecticut Institution for Higher Education

*Ms. Rubin and Mr. Asher have terms coterminous with their service as Chair of the CHEFA Board and Executive Director of CHEFA, respectively

**Messrs. Mutone and Lisi have terms coterminous with their service on the CHEFA Board unless a successor is appointed earlier by the CHEFA Board

CHESLA Staff Members

Jeanette W. Weldon
Executive Director

Email address: jweldon@chesla.org

Samuel E. Rush
Deputy Director

Email address: srush@chesla.org

Joshua Hurlock
Loan Portfolio and
Marketing Associate

Email address: jhurlock@chesla.org

Non-discrimination and Equal Rights Policy

The Authority is an Equal Opportunity Employer and does not tolerate discrimination in any form. It does not discriminate against any person in regard to any term or condition of employment based on race, color, religious creed, age, gender, gender identification or expression, sexual orientation, marital status, national origin, ancestry, pregnancy, present or past history of mental disorder, mental retardation, mental disability or physical disability (including, but not limited to, blindness), veteran's status, or any other reason prohibited by any applicable law or regulation including those outlined in the provisions of the Connecticut General Statutes Sections 4a-60 as amended, and 4a-60a, as amended. Further, it bases its employment decisions, including recruiting, hiring, training and promoting, on this nondiscriminatory principle *[CHESLA Personnel Policies and Procedures Manual August, 2012].*

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, 2013, CHESLA had two employees: a Deputy Director (1 African-American Male) and a Portfolio and Marketing Associate (1 Caucasian Male).

Fiscal Year 2013 Strategic Initiative Highlights

Core Goal 1 – Superior Client Service

- Through its substantial equity contribution and favorable market conditions, CHESLA achieved a very competitive non-tiered fixed interest rate of 5.99% for student borrowers with the 2013 Series A Revenue Bond Deal. CHESLA's hiring of an experienced financial advisor in FY 2013 was also strategic. The financial advisor helped CHESLA to balance its goal of a low borrower rate with the also important goal of building the financial strength of the trust.
- A new financial glossary page was added to the CHESLA website to promote financial literacy amongst current and future borrowers.
- CHESLA updated its marketing flyer and included a QR code, so that potential borrowers can readily access the CHESLA website. A CHESLA Facebook page has also been established and will be promoted in FY 2014.

Core Goal 2 – Programs and Services that Meet the Demands of a Changing Market

- During FY 2013, CHESLA was listed as a preferred lender with 4 schools and significantly increased its visibility to students with 17 schools listing CHESLA on their ELMSelect portal that allows schools to display loan types and preferred lenders for students to evaluate, compare and select a lender that fits their loan needs.
- CHESLA staff attended the 2012 Quest Education Summit sponsored by the Connecticut Chapter of the National Society of Hispanic MBA's on November 10, 2012. The event was held on the campus of Southern Connecticut State University and attended by approximately 250 prospective Hispanic and minority college students.
- CHESLA's visibility was also heightened through its participation and sponsorship of College Goal Sunday on January 27, 2013. Financial aid workshops were conducted state-wide in a coordinated effort with the Connecticut Association of Professional Financial Aid Administrators (CAPFAA). CHESLA provided a $200.00 scholarship to one student at each of the 15 College Goal Sunday sites throughout the state.
- CHESLA staff conducted a spring visit to 15 Connecticut colleges to inform them of the new loan rate.
- Issued 2013 Series A Bonds that resulted in a low fixed interest rate of 5.99% for CHESLA student borrowers.
- CHESLA staff presented a proposal for a Science, Technology, Engineering and Mathematics (STEM) Student Loan Program to the Governor's Director of Policy. The concept of the program is to augment the Governor's Next Generation Connecticut

initiative with a targeted student loan program available to students attending any college in Connecticut.

Core Goal 3 – Partner in Public Policy

- CHESLA is a member of the Education Finance Council (EFC), a national trade association representing non-profit and state agency student loan organizations.
- CHESLA is a member of the National Association of School Financial Aid Administrators (NASFAA), which provides focus on student aid legislation, regulatory analysis and training for financial aid professionals.
- CHESLA is a member of the Connecticut Association of Professional Financial Aid Administrators (CAPFAA), which assists in promoting and developing effective programs for student financial aid. Additionally, CAPFAA facilitates communication and cooperation among educational institutions and sponsors of student aid funds by organizing conferences and training sessions on important issues in student aid. CHESLA staff is very active in CAPFAA and serve on the State & Federal Relations and Winter Conference Committees.

Core Goal 4 – Sustainable and Ethical Organization

- CHESLA staff organized a substantive board education session in September 2012. Outside speakers included CHESLA's underwriters, trustee, and bond counsel.
- CHESLA management and staff have been developing proposals which may result in future revenue diversification and program enhancement opportunities.

Bond Issuance

The Authority issued $25,000,000 in Revenue Bonds on April 2, 2013. Including original issue premium, the Authority netted $25,103,698. The 2013 Series A Bonds were sold through a negotiated underwriting with RBC Capital Markets as the senior managing underwriter, BofA Merrill Lynch as the co-managing underwriter and FirstSouthwest Company as the Authority's financial advisor.

As of June 30, 2013, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate original principal amount of $479,925,000. The principal amounts of the Authority's outstanding bonds as of June 30, 2013 total $167,660,000, as shown below:

Bond Series	Principal Issued	Principal Outstanding
1983 Series	$15,500,000	$0
1985 Series	$15,500,000	$0
1990 Series A	$18,000,000	$0
1990 Series B	$420,000	$0
1991 Series A	$25,000,000	$0
1991 Series B	$445,000	$0
1992 Series A	$6,600,000	$0
1993 Series A	$10,000,000	$0
1994 Series A	$25,000,000	$0
1996 Series A	$25,000,000	$0
1998 Series A	$15,000,000	$0
1998 Series B	$3,560,000	$0
1999 Series A	$12,500,000	$0
1999 Series B	$4,390,000	$0
2000 Series A	$16,410,000	$0
2000 Series B	$5,975,000	$0
2001 Series A	$25,000,000	$0
2003 Series A	$18,000,000	$6,810,000
2003 Series B	$12,915,000	$4,270,000
2005 Series A	$31,455,000	$13,825,000
2005 Series B	$5,900,000	$0
2006 Series A	$33,270,000	$14,985,000
2007 Series A	$41,000,000	$28,020,000
2009 Series A	$30,000,000	$23,645,000
2010 Series A	$45,000,000	$40,965,000
2012 Series A*	$13,085,000	$10,140,000
2013 Series A	$25,000,000	$25,000,000
Total	**$479,925,000**	**$167,660,000**

*Underwriter: RBC Capital Markets; Negotiated Sale. Financial Advisor: Public Financial Management (PFM); The Authority issued $13,085,000; Net proceeds of $13,061,209.

The State's contingent liability, in connection with the 2003, 2005, 2006, 2007, 2009, 2010, 2012 and 2013 Bonds, is the Special Capital Reserve Fund requirement for such Bonds, as defined in Connecticut General Statutes Section 10a-232. Further disclosure is provided in the Audited Financial Statements, Exhibit A.

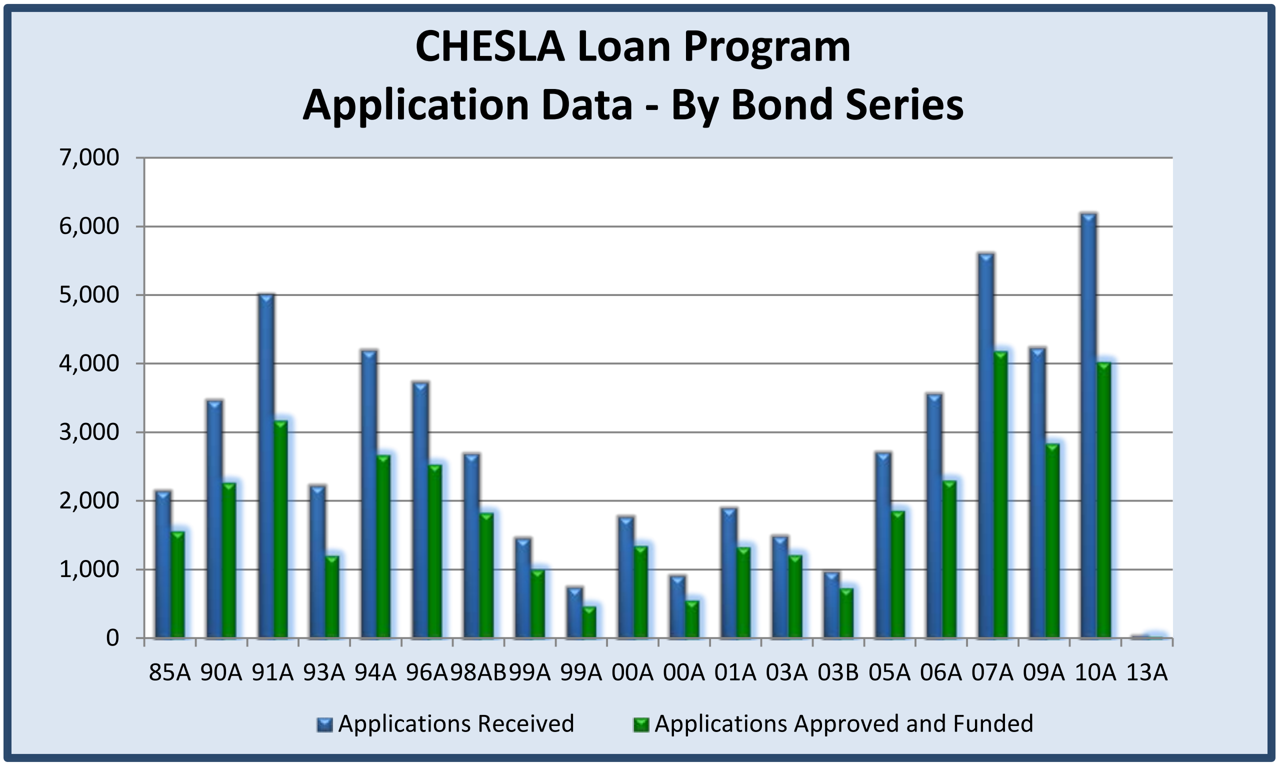
Projected Activities

The Authority has and will continue to offer education loans from the remaining proceeds of its 2013 A Series Loan Fund and is planning for a new bond issue in Fiscal Year 2014, which management expects to be generally comparable to prior par issuance amounts .

The Authority will continue to focus on its Core Goals and related strategic objectives. CHESLA's Strategic Plan is included as Exhibit D. All activities are expected to be consistent with the Fiscal Year 2014 operating budget, included as Exhibit E.

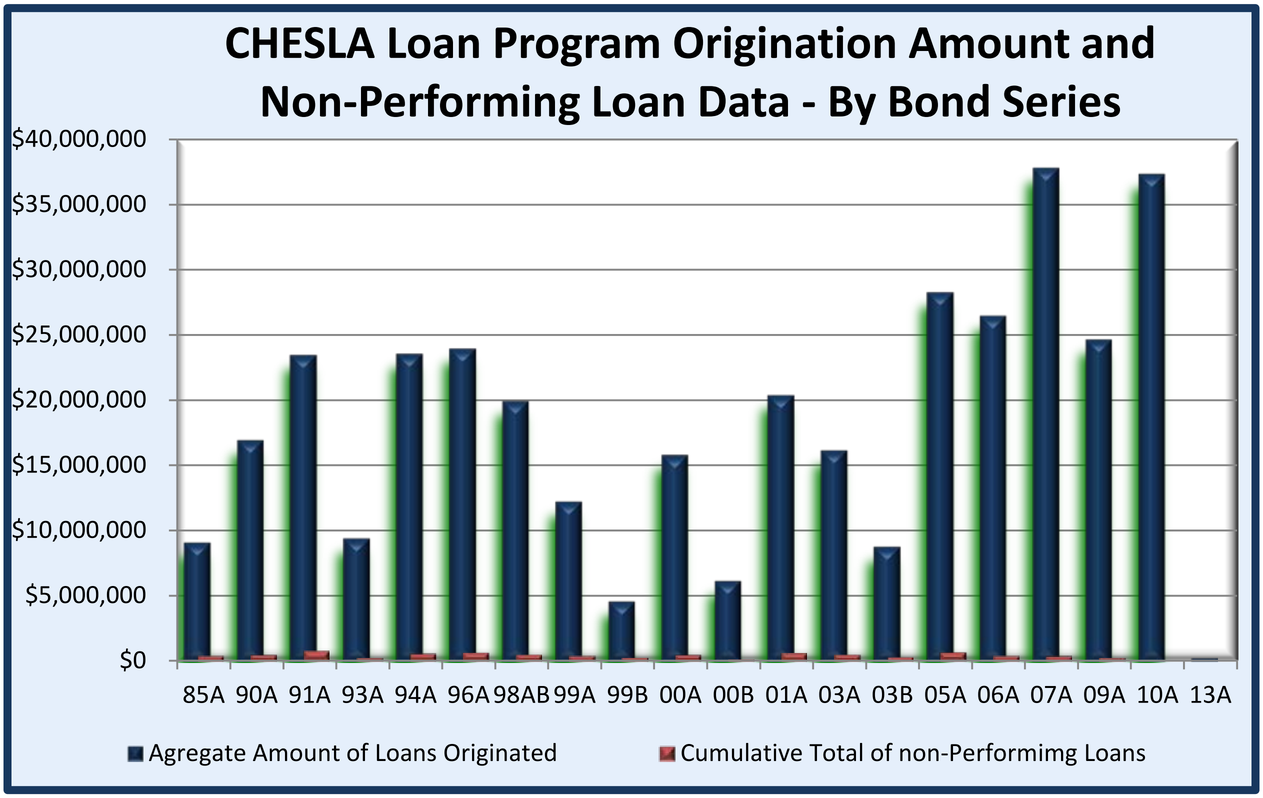
Payments in Excess of $5,000 (excluding loans for education):

Services and Account Disbursements in Excess of $5,000 Fiscal Year End June 30, 2013
Paid from CHESLA Operating Budget
Beers, Hamerman & Company, PC
Blum Shapiro
Bank of America
Connecticut Conference of Independent Colleges (CCIC)
Connecticut Health and Education Facilities Authority (CHEFA)
Day Pitney, LLP
Education Finance Council, Inc.
People's United Ins. Agency CT
Paid from CHESLA 1990 & 2003 Bond Resolution Revenue Accounts
AMTEC
Ballard Spahr
Collection Company of America (CCA)
Day Pitney, LLP
Firstmark Services
FirstSouthwest
Fitch Rating
Moody's Investor Service
Shipman & Goodwin
U.S. Trust
U.S. Treasury



Applications Received by Bond Series – 85A (2,150), 90A (3,462), 91A (5,022), 93A (2,226), 94A (4,193), 96A (3,737), 98AB (2,681), 99A (1,460), 99B (739), 00A (1,771),00B (915), 01A (1,900), 03A (1,484) 03B (964) 05A (2,710) 06A (3,552) 07A (5,607), 09A (4,223), 10A (6,188) and 13A (32).

Applications Approved and Funded by Bond Series – 85A (1,575), 90A (2,275), 91A (3,181), 93A (1,215), 94A (2,676), 96A (2,542), 98AB (1,840), 99A (1,014), 99B (475), 00A (1,360), 00B (564), 01A (1,341), 03A (1,225), 03B (743), 05A (1,866), 06A (2,308), 07A (4,188), 09A (2,848), 10A (4,029) and 13A (32).



Aggregate Amount of Loans Originated – 85A ($9,138,627), 90A ($16,978,127), 91A ($23,509,883), 93A ($9,457,002), 94A ($23,601,441), 96A ($24,002,867), 98AB ($19,989,330), 99A ($12,283,780), 99B ($4,628,969), 00A ($15,853,387), 00B ($6,200,067), 01A ($20,433,303), 03A ($16,212,316), 03B ($8,813,427) 05A ($28,321,052) 06A ($26,527,184) 07A ($37,871,341), 09A ($24,703,581), 10A ($37,389,234) and 13A ($248,333).

Cumulative Total of Non-Performing Loans – 85A ($433,731), 90A ($497,899), 91A ($817,090), 93A ($252,939), 94A ($588,164), 96A ($663,557), 98AB ($524,819), 99A ($413,995), 99B ($282,372), 00A ($507,808) 00B ($167,590), 01A ($647,764), 03A ($528,157), 03B ($320,685), 05A ($707,069), 06A ($436,800), 07A ($402,261), 09A ($250,901), 10A ($8,597) and 13A ($0). Total non-performing loans $8,452,200.

Net Non-Performing Default Rate – 85A (4.75%), 90A (2.93%), 91A (3.48%), 93A (2.67%), 94A (2.49%), 96A (2.76%), 98AB (2.63%), 99A (3.37%), 99B (6.10%), 00A (3.20%), 00B (2.70%), 01A (3.17%), 03A (3.26%), 03B (3.64%), 05A (2.50%), 06A (1.65)%, 07A (1.06%), 09A (1.02%), 10A (0.02%) and 13A (0.00%). Total net non-performing default rate (2.31%)

Activity information was compiled from loans originated as follows:	
1985 Series A – 10/01/85 to 10/30/88	2001 Series A – 05/01/02 to 08/31/05 includes recycling
1990 Series A – 08/22/90 to 09/06/91	2003 Series A & B – 07/23/03 to 07/13/05
1991 Series A – 09/12/91 to 08/05/93	2005 Series A& B – 07/13/05 to 11/14/06
1993 Series A – 08/12/93 to 08/20/94	2006 Series A – 09/20/06 to 07/14/08 includes recycling
1994 Series A – 08/26/94 to 09/20/96	2007 Series A – 09/05/07 to 03/26/10 includes recycling
1996 Series A – 10/05/96 to 09/05/98	2009 Series A – 09/04/09 to 05/24/13 includes recycling
1998 Series A & B – 09/11/98 to 06/30/99	2010 Series A – 05/06/11 to 07/19/13 includes recycling
1999 Series A & B Bonds – 10/27/99 to 11/24/00	2013 Series A – 05/10/13 to 06/30/13
2000 Series A & B – 12/15/00 to 05/01/02	

- A table showing loan disbursements by School and Bond Series, from proceeds of the 1985 through 2013 Series A bond sales is attached as Exhibit B to this Annual Report.
- A copy of the Loan Program Manual is attached as Exhibit C to this Annual Report.

CHESLA

Connecticut Higher Education Supplemental Loan Authority

Exhibit A - Financials

The Authority's financial statements are consolidated and reflect the combined operations of CHEFA and CHESLA. Consolidating schedules are provided as supplemental information.

State of Connecticut Health and Educational Facilities Authority *(A Component Unit of the State of Connecticut)*

Management's Discussion and Analysis,
Independent Auditors' Report,
Consolidated Financial Statements and Exhibits

As of and for the Year Ended
June 30, 2013

Saslow Lufkin & Buggy, LLP
Certified Public Accountants and Consultants

State of Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)
Management's Discussion and Analysis,
Independent Auditors' Report, Consolidated Financial Statements and Exhibits
As of and for the Year Ended June 30, 2013

Table of Contents

State of Connecticut Health and Educational Facilities Authority
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

This Management's Discussion and Analysis (MD&A) of the State of Connecticut Health and Educational Facilities Authority's (CHEFA's or the Authority's) activities and financial performance provides the reader with an introduction to the audited consolidated financial statements for the fiscal year ended June 30, 2013. Following this MD&A are the consolidated 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.

CHEFA is a conduit issuer of tax-exempt bonds issued on behalf of non-profit healthcare institutions, higher education institutions and private secondary schools, child care facilities, long-term care facilities, cultural institutions and various other qualified non-profit institutions pursuant to Connecticut General Statutes Chapter 187, Sections 10a-176 through 10a-198. These tax-exempt bonds are financial obligations of the institution on whose behalf CHEFA issues the bonds. The issuance of tax-exempt bonds can provide funds for new construction projects, the refinancing of eligible existing debt, funding of Debt Service Reserve Funds (if applicable), and funding of issuance costs.

Effective July 1, 2012, the Connecticut Higher Education Supplemental Loan Authority (CHESLA) was statutorily consolidated into CHEFA, effectively making CHESLA a subsidiary of CHEFA. CHESLA issues tax-exempt bonds in order to fund student loans for the higher education of students in or from the State of Connecticut. CHESLA's bonds are repaid from student loan repayments and are further supported by a Special Capital Reserve Fund, the replenishment of which is deemed appropriated by the State of Connecticut.

The Authority's financial statements are consolidated and reflect the combined operations of CHEFA and CHESLA. Consolidating schedules are provided as supplemental information. The financial statements use proprietary fund reporting and report the financial position in three basic financial statements: (1) a statement of net position; (2) a statement of revenues, expenses and changes in net position; and (3) a statement of cash flows.

This Management's Discussion and Analysis is broken into two major segments, one addressing the operations of CHEFA as an individual entity, and the other addressing the operations of CHESLA as an individual entity. Financial information presented in each section is derived from the supplemental consolidating schedules included with the financial statements and from management records.

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY (CHEFA)

Bonds Issued - The following is a review of CHEFA bond issues, summarized by market segment and comparing FY 2013, FY 2012 and FY 2011.

In FY 2013, CHEFA bond issuance dollar-volume returned to the levels experienced in FY 2011. The near record breaking dollar volume in FY 2012 made the FY 2013 decline substantial. The decrease results from fewer issues and a smaller average issue size (approximately $22 in FY 2013 vs. $50.6 in FY 2012). During FY 2013, CHEFA continued to experience a significant number of privately placed transactions. 62% of CHEFA dollar issuance volume and 74% of total issues in FY 2013 were privately placed, most often directly with local or regional banks. The appetite of these banks for this type of product provided financing opportunities for several smaller borrowers. Other statistics for FY 2013 are as follows:

- Approximately 71% of dollar volume in FY 2013 represented new money financings
- Approximately 53% of dollar volume represented fixed rate transactions
- Only one letter of credit backed transaction was executed

(Amounts Expressed in Thousands)

In FY 2012, CHEFA had a 143% increase in par amount issued over FY 2011 levels. The bonds issued during FY 2012 include $584,043 for new projects and $631,280 in refinancing of existing bond issues. This total issuance of $1,215,323 is the second highest annual dollar-volume in CHEFA's history. A high volume of refinancing resulted from a low interest rate environment. In FY 2012, healthcare was the most active sector, with the year's largest transaction of $325,815 for Hartford HealthCare Corporation.

The municipal market as a whole experienced lower new issue supply in FY 2011 and this contributed to lower market yields over most sectors. This led to a significant number of refinancings; 10 in the fiscal year, some of which were combined with new money. Most of the new project issuance during FY 2011 was in the health care sector.

	2013		2012		2011	
	# of issues	Par amount	# of issues	Par amount	# of issues	Par amount
Healthcare	4	$ 207,145	9	$ 890,440	10	$ 321,963
Higher education	2	46,060	5	167,620	7	145,345
Private secondary schools	10	103,609	7	88,963	-	-
Long-term care	2	44,454	-	-	1	21,000
Child care	-	-	1	28,840	-	-
Other	1	20,000	2	39,460	1	12,020
	19	$ 421,268	24	$ 1,215,323	19	$ 500,328

Annual Fees - The following is a summary of the revenues generated from annual administrative fees charged during FY 2013, FY 2012, and FY 2011 based on the Board approved administrative fee of 9 basis points (or .0009) on the outstanding balance for all market segments with the exception of Special Capital Reserve Fund long-term care bond issues which have a 14 basis points (or .0014) fee:

	2013	2012	2011
Healthcare	$ 2,308	$ 2,114	$ 1,841
Higher education	3,930	3,950	3,908
Private secondary schools	572	559	578
Long-term care	177	207	223
Child care	59	62	65
Other	64	64	72
	$ 7,110	$ 6,956	$ 6,687

CHEFA fee revenue has increased, reflecting the impact of new issuances and the par amount of bonds outstanding.

(Amounts Expressed in Thousands)

Statements of Net Position - The table below reflects CHEFA's Statements of Net Position, as shown in the Consolidating Statement of Net Position shown on pages 35 and 36 of the financial statements for FY 2013, with comparables for FY 2012 and FY 2011 provided by management.

	2013	2012	2011
Assets			
Current unrestricted assets:			
Cash	$ 227	$ 276	$ 240
Accounts receivable	195	379	200
Board designated investments	10,638	7,941	7,189
Prepaid expenses and other assets	91	123	120
Total current unrestricted assets	11,151	8,719	7,749
Current restricted assets:			
Cash	57	81	36
Fund investments	507,721	571,323	358,361
Other investments	-	-	6,037
Interest receivable	-	-	49
Total current restricted assets	507,778	571,404	364,483
Non-current assets:			
Restricted investments	7,167	7,257	10,580
Capital assets, net	178	158	188
Total assets	$ 526,274	$ 587,538	$ 383,000
Liabilities			
Current liabilities	$ 509,451	$ 572,061	$ 368,664
Non-current liabilities	2,182	2,191	2,207
Total liabilities	511,633	574,252	370,871
Net position			
Invested in capital assets	178	158	188
Restricted	4,985	5,066	5,373
Unrestricted	9,478	8,062	6,568
Total net position	14,641	13,286	12,129
Total liabilities and net position	$ 526,274	$ 587,538	$ 383,000

Unrestricted Assets - The following is an overview of the major components of unrestricted current assets.

Cash - Normal operating activity has resulted in fluctuations in unrestricted cash, as reflected in the $49 decrease in FY 2013 to a balance of $227. This compares to a $36 increase and balance of $276 in FY 2012, and a $111 decrease and balance of $240 in FY 2011.

Accounts Receivable - This represents receivables for annual administrative fees and annual trustee fees paid by CHEFA and billed to the institutions, net of allowances. The variability over the past three years, ranging from $200 in FY 2011, to $379 in FY 2012, and to $195 in FY 2013, is mainly a reflection of the par amount of bonds outstanding.

Board Designated Investments - In FY 2013 there was a $2,697 increase to $10,638 in Board Designated Investments, resulting from strong operating performance. Board Designated funds in FY 2012 increased $752 over FY 2011 to $7,941, as a result of favorable fiscal year financial performance. Authority funds are invested in accordance with the Authority's Board approved investment policy.

Restricted Assets - The following is an overview of the major components of restricted assets.

Fund Investments - Fund investments represent all CHEFA's restricted assets in FY 2013 and FY 2012. These are investments associated with construction funds managed and held by CHEFA on behalf of its client institutions and include the construction account, capitalized interest account and the cost of issuance account. Fund investments for FY 2013 are 11% lower than FY 2012, totaling $507,778 for FY 2013. For FY 2013 and 2012, Fund investments also include proceeds of tax-exempt equipment loan financings completed by the Authority through its Easy Loan program.

Exhibit A attached to this Management's Discussion and Analysis details the construction fund balances, including cash and investments, as of June 30, 2013, 2012, and 2011 and the corresponding CHEFA financing.

The Construction Funds are managed by the Authority on behalf of the borrowing institutions. The proceeds are invested and managed in accordance with an investment policy that is approved by the Authority's Board of Directors and are invested in strict accordance with the relevant provisions of the respective bond issue trust indentures and with Connecticut state law. Bond funds are generally invested in the Fidelity Institutional Government Money Market Fund, Class I; State of Connecticut Treasurer's Short-Term Investment Fund; obligations issued or guaranteed by the U.S. Government; and Qualified Guaranteed Investment Contracts complying with Connecticut General Statutes Section 10a-180(s).

Other Investment - For Fiscal Year 2011, other investments represent debt service reserve funds associated with the Authority's Tax-Exempt Pooled Issue Loan Program for child care providers and held by the Bond Trustee. The State of Connecticut was the original source of most of these funds, with an additional $500 contributed by the Authority. In FY 2012, $3,000 was released back to the State through a refinancing transaction for which the Authority's $500 was used to cover costs of issuance. As of June 30, 2012, Authority management decided to remove the remaining asset and liability, given that this amount is held by the bond trustee.

Non-Current Assets - The following is an overview of the major changes in non-current assets.

In order to clarify the commitment of certain CHEFA assets to specific purposes, management has identified as "Non-current assets - Restricted investments" those assets which are legally required to be held for a specific program or purpose.

For FY 2013, Non-current assets - Restricted investments consist of $4,320 for the School Readiness and Child Daycare Guaranteed Loan Fund Program, $2,182 in amounts held for the State of Connecticut in connection with the child care Small Direct loan and Guaranteed Loan Programs, and $665 for the Connecticut Credit Union Student Loan Guarantee Program. The Connecticut Credit Union Student Loan Guarantee Program is not currently accepting new loans and the Authority is only holding an amount equal to its current exposure under the program. These amounts are consistent with amounts held in FY 2012 and FY 2011 in those programs. In FY 2011, $3,000 was also held for the State of Connecticut for the Connecticut Green Technology, Life Science, and Health Information Technology Loan Forgiveness Program. Pursuant to Public Act 10-75, as of January 1, 2012, the Authority transferred $3,000 to the State of Connecticut.

Liabilities - The following is an overview of the major components of liabilities, both current and non-current.

Accounts Payable and Accrued Expenses - Accounts payable and accrued expenses increased to $1,673 in FY 2013 from $657 in FY 2012. This fluctuation was in the normal course of business. Accounts payable and accrued expenses declined significantly in FY 2012 from a FY 2011 level of $4,181, primarily due to the transfer as of January 1, 2012 of $3,000 due to the State of Connecticut in connection with the Connecticut Green Technology, Life Science and Health Information Technology Loan Forgiveness Program. This $3,000 was accrued in FY 2011.

Amounts Held for Institutions - The $507,778 for FY 2013, $571,404 for FY 2012, and the $364,483 for FY 2011 reflect the amount held by the Authority for client construction funds, including the construction account, the cost of issuance account and the capitalized interest account. For FY 2013 and 2012, this also includes proceeds of the Authority's tax-exempt equipment financing program ("Easy Loan"). Fluctuations in the amounts occur as new projects are funded and as disbursements are made on new or existing projects.

Amount Held on Behalf of the State of Connecticut - This reflects the amounts held by the Authority pursuant to Public Act 97-259 for school readiness and child day care programs. The Act provided $1,500 to fund the loan guarantees for the Guaranteed Loan Fund Program managed by Peoples United Bank and $682 to fund the guarantees for the Small Direct Loan Fund Program managed by the Connecticut Community Investment Corporation (CTCIC).

Net Position - the following is an overview of the major changes in net position.

For FY 2013, total net position increased by $1,355, slightly more than the FY 2012 increase of $1,157. The results reflect normal operating and other activity.

(Amounts Expressed in Thousands)

The changes in net position for FY 2013, 2012 and 2011 are summarized below.

	2013	2012	2011
Operating revenues:			
Administrative fees	$ 7,110	$ 6,956	$ 6,687
Investment income	14	12	22
Bond issuance fees	158	101	97
Other revenue	241	22	4
Total operating revenues	7,523	7,091	6,810
Operating expenses:			
Salaries and related expenses	2,844	2,795	2,722
General and administrative	1,057	1,135	1,163
Total operating expenses	3,901	3,930	3,885
Total operating income	3,622	3,161	2,925
Non-operating activity:			
Grant expense	(2,267)	(2,004)	(985)
Transfer to State of Connecticut	-	-	(3,000)
Change in net position	$ 1,355	$ 1,157	$ (1,060)

Operating Revenues - The following summarizes key components of operating revenues.

Administrative Fees - 19 bond issues closed in FY 2013; 24 bond issues closed in FY 2012; and 19 bond issues closed in FY 2011. Despite fluctuations in annual issuance volume, CHEFA fee revenue maintains a degree of consistency because fees are based on the total par amount outstanding in any given year. CHEFA administrative fee revenue increased by $154, or 2%, to $7,110 in FY 2013, and by $269 to $6,956 in FY 2012.

Bond Issuance Fees - This amount reflects the upfront fees paid to the Authority in connection with each bond transaction. These amounts fluctuate in correlation to the number of transactions in any given year.

Investment income - Investment income for FY 2013 was $14, a slight improvement over the FY 2012 level of $12, which was reported as non-operating revenue. Investment income in FY 2012 was below 2011 levels, dropping by $10 and was a reflection of the low interest rate environment.

Other Revenue - Other revenue represents recovery of certain expenses, including grant expense. In FY 2013, other revenue also includes approximately $110 from CHESLA to cover support services provided by CHEFA.

Operating Expenses

Salaries and Related Expenses - Salaries and related expenses increased by $49 in FY 2013 to $2,844 and $73 to $2,795 in FY 2012. In FY 2011, salaries and related expenses totaled $2,722.

General and Administrative Expenses **-** General and administrative expenses in FY 2013 totaled $1,057, a decline from FY 2012 levels of $1,135 and FY 2011 levels of $1,163. Over the three year period there has been a significant decline in consultant expense, particularly with regard to arbitrage rebate consultants.

Non-Operating Activity

Grant Expense - Grant expense for FY 2013 is comparable to FY 2012 levels and totaled $2,267. $1,034 of that amount went to CHEFA clients and the remainder to non-client social service agencies. The dollars were distributed to various entities following an application process, with non-client grant dollars distributed for shelter, food and health care related purposes.

After a two year suspension, CHEFA's grant program was reinstated for FY 2011 and a $985 grant was made to the CERC Foundation for the Connecticut Data Collaborative.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY (CHESLA)

CHESLA provides financial assistance in the form of education loans to students in or from the State, and helps make Connecticut institutions of higher education more competitive. 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 CHESLA's debt. Public Act 12-149, effective July 1, 2012, statutorily consolidated CHESLA with the Connecticut Health and Educational Facilities Authority (CHEFA).

Loan Disbursements - In FY 2013, CHESLA disbursed $19,745 in loan dollars, a 2% decline from FY 2012 levels, but approximately a 25% increase over FY 2011 volume. Close to 58% of the disbursement volume in FY 2013 went to institutions within the State of Connecticut, consistent with trends in FY 2012 and 2011. Loan funds were primarily derived from proceeds remaining from Series 2010 bonds and from $25,000 of 2013 Series A bonds issued on April 2, 2013. Loans from Series 2010 proceeds carried an interest rate of 5.95%, while loans from the 2013 series carried an interest rate of 5.99%.

(Amounts Expressed in Thousands)

The following summarizes the key components of loans disbursed.

	2013	2012	2011
In State Institution:	**12/13 Term**	**11/12 Term**	**10/11 Term**
Jul - Sept (1Q)	$ 4,895	$ 5,163	$ 3,217
Oct - Dec (2Q)	5,064	2,103	2,808
Jan - Mar (3Q)	1,194	4,492	3,685
Apr - Jun (4Q)	213	248	285
Total In State Institution	11,366	12,006	9,995
Out of State Institution:			
Jul - Sept (1Q)	3,636	3,163	1,358
Oct - Dec (2Q)	3,917	1,056	1,629
Jan - Mar (3Q)	755	3,779	2,620
Apr - Jun (4Q)	71	145	217
Total Out of State Institution	8,379	8,143	5,824
Total:			
Jul - Sept (1Q)	8,531	8,326	4,575
Oct - Dec (2Q)	8,981	3,159	4,437
Jan - Mar (3Q)	1,949	8,271	6,305
Apr - Jun (4Q)	284	393	502
Total	$ 19,745	$ 20,149	$ 15,819

CHESLA receives annual administrative fees on the outstanding balances of loans. The fees vary in accordance with the bonds series and range from 30 to 100 basis points. The 2003 bond indenture is structured to include MBIA bond insurance and as a result has not been used since 2007. The fees for loans made pursuant to the 2003 indenture are higher than for those made pursuant to the 1990 indenture. As the loans associated with the 2003 indenture are paid down, and as new bond issues to fund loans are made under the 1990 indenture, revenues have decreased as shown below.

(Amounts Expressed in Thousands)

	Admin Fee Basis Points	2013	2012	2011
1993 Bond/Loan Program	100	$ -	$ 1	$ 2
1994 Bond/Loan Program	100	2	3	6
1996 Bond/Loan Program	70	3	6	11
1998 Bond/Loan Program	^	3	6	16
1999 Bond/Loan Program	^	6	8	21
2000 Bond/Loan Program	^	10	14	34
2001 Bond/Loan Program	^	18	23	51
2003 Bond/Loan Program	100	94	113	132
2005 Bond/Loan Program	100	152	176	201
2006 Bond/Loan Program	100	159	184	211
2007 Bond/Loan Program	60	157	179	199
2009 Bond/Loan Program	^	62	66	101
2010 Bond/Loan Program	30	88	14	-
2013 Bond/Loan Program	30	-	-	-
Total Revenues		$ 754	$ 793	$ 985

^ Administrative fee was 60 basis points in FY 2011 and 30 basis points thereafter

CHESLA accounts for its financial position and operations through three primary funds, an agency operating fund and two bond funds which reflect activity associated with bonds issued and student loans made in connection with two bond resolutions, a 1990 resolution and a 2003 resolution. The financial overview of CHESLA that follows in this MD&A represents the combined results and financial position for all three funds.

State of Connecticut Health and Educational Facilities Authority
Management's Discussion and Analysis (continued)
As of and for the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

CHESLA Statements of Net Position

	2013	2012	2011
Assets:			
Current unrestricted assets:			
Cash and investments	$ 1,230	$ 1,094	$ 974
Current portion of loans receivable, net	18,652	16,341	14,986
Interest receivable on loans	519	466	458
Board designated investments	1,000	1,600	1,600
Other	165	149	179
Total current unrestricted assets	21,566	19,650	18,197
Current restricted assets	37,509	39,133	58,108
Total current assets	59,075	58,783	76,305
Noncurrent assets:			
Restricted investments	22,036	19,540	19,160
Loans receivable, net of current portion	102,743	103,824	104,349
Bond issuance costs, net*	248	2,592	2,848
Total noncurrent assets	125,027	125,956	126,357
Total assets	$ 184,102	$ 184,739	$ 202,662
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	$ 36	$ 102	$ 123
Current portion of bonds payable	10,275	11,210	8,575
Accrued interest payable	761	866	1,012
Current portion of deferred revenue	-	454	453
Total current liabilities	11,072	12,632	10,163
Long term liabilities	158,225	157,806	179,657
Total liabilities	169,297	170,438	189,820
Net position:			
Unrestricted	(44,740)	(44,372)	(64,426)
Restricted	59,545	58,673	77,268
Total net position	14,805	14,301	12,842
Total liabilities and net position	$ 184,102	$ 184,739	$ 202,662

The following is an overview of significant changes in the statements of net position from FY 2013 to FY 2012 and from FY 2012 to FY 2011:

Current Unrestricted Assets - Current unrestricted assets consist primarily of the current portion of loans receivable, net of loan loss allowances. In FY 2013, current loans receivable increased by approximately 14%, or $2,311, over FY 2012 levels. From FY 2011 to FY 2012, current loans receivable increased by 9%. Cash and investments in the operating fund, the other significant component of current unrestricted assets (totaling $2,230 in FY 2013 and $2,694 and $2,574 in FY 2012 and FY 2011, respectively) decreased in FY 2013 by 17% as a result of a $700 contribution from the operating fund to the Series 2013A bond financing.

Current Restricted Assets - Current restricted assets consist primarily of trustee held funds associated with the bond resolutions representing dollars either in the loan fund, revenue fund or debt service fund.

Non-current Assets - Noncurrent restricted investments primarily consist of assets held in the Special Capital Reserve Funds, which are the debt service reserve funds backed by the State of Connecticut associated with outstanding bonds. Dollar amounts have fluctuated as bonds have been redeemed or new bonds have been issued.

The largest component of noncurrent assets is loans receivable. Loans receivable have not changed significantly since FY 2011. Although $25,000 of additional bonds to fund loans were issued in FY 2013, most of the lending of those proceeds is expected to occur after fiscal year end.

With the adoption of GASB 65, there is a significant change in noncurrent assets in FY 2013. Unamortized bond issuance costs are only reflected to the extent that they relate to bond insurance premium costs, and these costs are now described as prepaid bond insurance premiums. Total noncurrent assets declined from $125,956 in FY 2012 to $125,027 in FY 2013, also reflecting an increase in restricted investments.

Current Liabilities - Current liabilities include the current portion of bonds payable (which is the largest component representing approximately 93% of total current liabilities in FY 2013), accrued interest payable and historically has also included the current portion of deferred revenue. Deferred revenue represented CHESLA's origination fee on loans. As a result of GASB 65 implementation in FY 2013, there is no deferred revenue liability in FY 2013. In FY 2012 and 2011, the current portion of this liability represented 3.6% and 4.5% of total current liabilities, respectively.

Noncurrent Liabilities - Noncurrent or long term liabilities primarily represent bonds payable. Fluctuations in bonds payable since FY 2011 reflect bond paydowns and redemptions and the additional bonds issued in FY 2013. In FY 2012 and 2011, noncurrent liabilities also included deferred revenue, representing CHESLA's loan origination fees. As previously mentioned, this liability was eliminated with the implementation of GASB 65.

Net Position - Total net position of $14,805 for FY 2013 reflects the net impact of operations and of GASB 65, with the elimination of unamortized bond issuance costs and deferred revenue affecting net position. The restricted and unrestricted components for FY 2012 and FY 2011 are restated from prior year audited statements to be consistent with the FY 2013 presentation of all bond resolution related funds as restricted.

(Amounts Expressed in Thousands)

Revenues and Expenses - The following is a summary of CHESLA's operating revenues, operating expenses and changes in net position for the years ended June 30, 2013, 2012 and 2011:

	2013	2012	2011
Operating revenues:			
Interest income - loans receivable	$ 7,867	$ 7,860	$ 7,960
Investment income	388	2,622	968
Total operating revenues	8,255	10,482	8,928
Operating expenses:			
Interest expense	6,483	7,650	7,997
Loan collection fees	532	493	477
Bond issuance and insurance costs	524	627	475
General and administrative expenses	472	519	494
Salaries and related expenses*	189	120	133
Provision for loan losses (benefit)	(106)	180	47
Arbitrage rebate and excess loan yield provision (benefit)	35	(566)	(384)
Total operating expenses	8,129	9,023	9,239
Change in net position	$ 126	$ 1,459	$ (311)

* For FY 2012 and 2011, salary related expenses were included as part of general and administrative expenses, with salary only reported on a separate line. The salary only expense for FY 2013 was $140.

Revenues - Interest income on loans receivable is the largest component of operating revenues. Over the past three years interest income has been relatively stable at approximately $7,900.

With regard to investment income, CHESLA had income from investments of $388 in FY 2013, an 85% reduction from income in FY 2012. From FY 2011 to FY 2012, investment income increased by approximately $1,700.

Expenses - Interest expense represents the largest component of operating expenses and totaled approximately $6,483 in FY 2013, a 15% change from FY 2012 levels. Interest expense was relatively consistent from FY 2011 to FY 2012.

Loan collection fees increased $39 in FY 2013 reflecting an increase in the amount collected.

With the implementation of GASB 65, bond issuance costs now represents costs associated with the Series 2013A bonds and prepayment of insurance premium costs. Prior to FY 2013, bond issuance costs were amortized over the life of the bonds.

As a result of the consolidation with CHEFA, certain functions which were previously outsourced (such as accounting services and general counsel services) were transitioned to being provided by CHEFA staff. During this period, there was some service overlap between outside providers and internal (i.e. CHEFA) providers in order to facilitate a smooth transition of services. In FY 2013, CHESLA was assessed a service charge by CHEFA and paid service fees to outside providers until outside services were terminated. The CHEFA service charge for FY 2013 was $114, including a rent component of $4. The previously existing management contract did not terminate until after the first quarter of FY 2013, incurring an additional expense of $26. Outside vendors for accounting and legal services were also paid $96 in FY 2013. In FY 2012, prior to consolidation with CHEFA, $216 was paid for management, accounting and general counsel services. All amounts affect the operating fund only.

Salaries and related expenses in FY 2013 includes salaries, payroll taxes, employee pension benefits, employer funded health benefit costs and tuition reimbursements. Of the $189 reported, $140 represents actual salary. In FY 2012 and 2011, salary related costs (other than actual salary) are included as part of administrative and general expense.

The provision for loan losses is based on a weighted average factor of collections, net of write-offs, relative to loans issued and outstanding. This methodology has been in use throughout the three-year period.

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY CONSOLIDATED FINANCIAL STATEMENTS

The audited statements that follow this management's discussion and analysis are consolidated and include both CHEFA and CHESLA.

CONTACTING THE AUTHORITY

This financial report is designed to provide a general overview of the Authority's finances, including CHESLA. If you have questions about this report or need additional financial information, contact the Connecticut Health and Educational Facilities Authority at 10 Columbus Boulevard, Hartford, Connecticut 06106-1978.

State of Connecticut Health and Educational Facilities Authority
Management's Discussion and Analysis (continued)
As of and for the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

Exhibit A

Restricted Construction Fund Balances As of June 30, 2011 - 2013* (Amounts Expressed in Thousands)

Issue Name	Date of Bond Issue	Scheduled Completion Date	Fund Balance 2013	Fund Balance 2012	Fund Balance 2011
Bridgeport Hospital D	05/31/12	05/12	$ 20	$ 184	$ -
Connecticut Children's Medical Center D	06/30/11	06/13	-	-	719
Day Kimball Hospital B	06/06/13	06/15	11,155	-	-
Eastern Connecticut Health Network E	12/21/10	12/12	-	-	1,067
Hartford Health Care A	09/29/11	09/13	5,179	30,094	-
Hartford Health Care B	09/29/11	09/13	17,704	46,738	-
Lawrence & Memorial Hospital F	09/15/11	09/13	-	4,879	-
Middlesex Hospital N	07/26/11	07/12	-	127	-
Norwalk Hospital G	12/09/10	12/12	-	2,301	24,350
Norwalk Hospital J	12/07/12	12/14	66,663	-	-
Stamford Hospital I	05/27/10	05/12	-	-	1,360
Stamford Hospital J	06/20/12	06/14	203,296	252,289	-
Waterbury Hospital D	12/22/10	12/12	-	1,361	6,642
Western CT Healthcare K	06/17/11	06/13	-	-	114
Western CT Healthcare L	07/13/11	07/13	43,110	73,768	-
Western CT Healthcare M	07/13/11	07/13	19,508	34,019	-
Western CT Healthcare N	11/22/11	11/12	-	67	-
Yale New Haven Hospital M	12/22/10	12/12	-	30,971	85,292
Masonicare E	09/05/12	09/14	28	-	-
Pierce Memorial Baptist Home B	03/13/13	03/15	30	-	-
Connecticut College H-1	06/30/11	06/13	-	1,749	12,136
Connecticut College H-2	06/30/11	06/13	-	-	47
Connecticut College I	04/04/12	04/12	-	56	-
Connecticut St. Univ. Sys. E	05/30/03	04/05	-	-	4,361
Connecticut St. Univ. Sys. G	06/17/05	05/07	-	-	1,720
Connecticut St. Univ. Sys. J	06/22/11	06/21	10,930	21,762	26,119
Connecticut St. Univ. Sys. K	06/22/11	06/13	-	13	127
Connecticut St. Univ. Sys. L	04/04/12	04/12	-	46	-
Connecticut St. Univ. Sys M	01/10/13	01/15	36,585	-	-
Fairfield University O	03/17/10	03/12	-	1,002	15,580
Mitchell College A	11/02/10	11/12	-	-	20
Quinnipiac University I	12/20/07	11/08	-	-	16,992
Sacred Heart University G	06/29/11	06/28	5,244	5,243	28,650
Sacred Heart University H	02/14/12	02/12	163	164	-
University of Bridgeport C	12/09/10	12/12	-	1,132	4,957
University of Bridgeport D	11/02/12	11/14	11,360	-	-
University of Hartford H	04/26/12	04/14	-	45	-
University of Hartford I	04/26/12	04/14	-	9	-
Yale University 2010A	02/24/10	02/12	-	24,609	127,991
Brunswick School C	03/29/12	03/12	-	29	-
Ethel Walker School C	04/03/13	04/15	5,834	-	-
Forman School B	03/28/13	03/15	2,895	-	-
Gunnery School B	09/28/12	09/14	43	-	-
Kent School F	03/28/13	03/15	6,847	-	-
Loomis Chaffee School H	08/23/11	08/12	-	6	-
Norwich Free Academy B	03/01/13	03/15	127	-	-
Pomfret School B-1	06/14/12	06/14	2	41	-
Pomfret School B-2	06/14/12	06/14	4	5,881	-
Rectory School B	01/05/12	01/14	1,189	1,833	-
Taft School I	11/07/12	11/14	4,329	-	-
Westminster School G	06/29/12	06/14	-	6,149	-
Winston Prepartory School A	04/13/12	04/14	2,908	5,922	-
Child Care Facility Prog. G	10/23/08	10/10	-	-	153
Bushnell Memorial B	03/16/12	03/12	664	687	-
Greater Hartford YMCA C	04/27/12	04/14	-	2	-
UCONN Foundation C	04/24/13	04/15	17,612	-	-
EasyLoans	various	various	34,349	18,226	-
CONSTRUCTION FUND TOTAL (1)			**$ 507,778**	**$ 571,404**	**$ 358,397**

* includes all cash and investments for Construction Fund, Cost of Issuance, Capitalized Interest, Equity Accounts and EasyLoans.

(1) For FY 2013 and 2012 Authority management is including the proceeds of Easy Loan tax-exempt equipment financing on the balance sheet as part of Fund Investments.

Independent Auditors' Report

To the Board of Directors of the
State of Connecticut Health and Educational Facilities Authority:

We have audited the accompanying basic consolidated financial statements of the State of Connecticut Health and Educational Facilities Authority (the Authority), a component unit of the State of Connecticut, which comprise the statement of net position as of June 30, 2013, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2013, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Report on Consolidating Financial Statements

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating financial statements are presented for purposes of additional analysis in conjunction with the consolidated financial statements rather to present the financial position and results of operations of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating financial statements have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial statements are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Saslow Lufkin & Buggy, LLP

Avon, Connecticut
September 18, 2013

State of Connecticut Health and Educational Facilities Authority
Consolidated Statement of Net Position
June 30, 2013
(Amounts Expressed in Thousands)

Assets		
Current assets:		
Unrestricted assets:		
Cash	$	277
Investments		1,180
Current portion of loans receivable, net of allowances for loan losses of $2,321		18,652
Accounts receivable, less allowance of $86		195
Interest receivable on investments		150
Interest receivable on loans receivable		519
Board-designated investments		11,638
Prepaid expenses and other assets		106
Total unrestricted assets		32,717
Restricted assets:		
Cash		57
Fund investments		545,230
Total restricted assets		545,287
Total current assets		578,004
Non-current assets:		
Restricted investments		29,203
Loans receivable, net of current portion		102,743
Prepaid bond insurance premiums		248
Capital assets, net		178
Total non-current assets		132,372
Total assets	$	710,376
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	$	1,709
Current portion of bonds payable		10,275
Accrued interest payable		761
Amounts held for institutions		507,778
Total current liabilities		520,523
Non-current liabilities:		
Bonds payable, net of current portion		158,225
Amount held on behalf of the State of Connecticut		2,182
Total non-current liabilities		160,407
Total liabilities		680,930
Net position:		
Invested in capital assets		178
Restricted		64,530
Unrestricted		(35,262)
Total net position		29,446
Total liabilities and net position	$	710,376

The accompanying notes are integral part of these consolidated financial statements.

State of Connecticut Health and Educational Facilities Authority
Consolidated Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

Operating revenues:		
Interest income on loans receivable	$	7,867
Administrative fees		7,110
Investment income		402
Bond issuance fees		158
Other revenues		131
Total operating revenues		15,668
Operating expenses:		
Interest expense		6,483
Salaries and related expenses		3,033
General and administrative expenses		1,419
Loan collection fees		532
Bond issuance costs		524
Provision for loan losses (benefit)		(106)
Arbitrage rebate and excess loan yield benefit		35
Total operating expenses		11,920
Total operating income		3,748
Non-operating - revenues (expenses):		
Grant expense		(2,267)
Total non-operating expense		(2,267)
Increase in net position		1,481
Net position, beginning of year (See Note 1)		27,965
Net position, end of year	$	29,446

The accompanying notes are integral part of these consolidated financial statements.

State of Connecticut Health and Educational Facilities Authority
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

Cash flows from operating activities:	
Cash received from loan payments	$ 18,468
Cash received for administrative fees	7,311
Interest received on loans	7,274
Cash received from other operating income	272
Loans disbursed	(19,629)
Payments of bond interest	(6,591)
Cash paid to employees	(2,987)
Cash paid to grantees	(1,392)
Cash paid for other expenses	(1,812)
Net cash provided by operating activities	915
Cash flows from noncapital financing activities:	
Proceeds from bond sales, net	433,058
Proceeds from institutions	1,546
Bond issuance costs	(466)
Payments of bond principal	(23,405)
Construction expenses paid	(357,106)
Net transfers to restricted funds	(132,212)
Net cash used in noncapital financing activities	(78,585)
Cash flows from capital and related financing activities:	
Net purchases of capital assets	(105)
Net cash used in capital and related financing activities	(105)
Cash flows from investing activities:	
Cash from restricted investment earnings	1,175
Net proceeds from investments	76,503
Cash received from investment earnings	13
Net cash provided by investing activities	77,692
Net change in cash	(83)
Cash, beginning of year	417
Cash, end of year	$ 334

The accompanying notes are integral part of these consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity **-** The Connecticut Health and Educational Facilities Authority (CHEFA) is a quasi-public agency of the State of Connecticut (the State). CHEFA was established pursuant to Chapter 187 of the General Statutes of Connecticut, Revision of 1958, as amended by Public Acts 93-102, 93-262 and 97-259 (the Act). CHEFA is constituted as a public instrumentality and political subdivision of the State whose board of directors is appointed by the Governor of the State of Connecticut. The purpose of CHEFA, as stated in the Act, is to assist certain health care institutions, institutions of higher education and qualified not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to the programs for these institutions. Debt issued by CHEFA is payable from the revenues of the institutions and is not an obligation of CHEFA or the State of Connecticut. Neither the State or CHEFA is obligated for such debt (except for loans or bonds issued under the Child Care Facilities Loan Program as discussed in Note 6 and the Special Capital Reserve Fund Program. Under the Special Capital Reserve Fund Program, the State is obligated for replenishment of debt service reserve funds.)

The Connecticut Higher Education Supplemental Loan Authority (CHESLA) is a quasi-public agency established in 1982 pursuant to Section 4 of the Connecticut Higher Education Supplemental Loan Authority Act, Public Act 82-313 of the Connecticut General Assembly. CHESLA was established to assist students, their parents and institutions of higher education in financing the cost of higher education through its bond funds. CHESLA maintains separate financial statement accounts for its agency operating fund and two separate bond funds. The administrative functions of CHESLA are accounted for in the agency operating fund. The 1990 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 and after 2007. The 2003 Bond Fund is governed by the 2003 Master Revenue Bond Resolution pursuant to which all outstanding bonds were issued between 2003 and 2007.

Consolidation **-** Public Act 12-149, effective July 1, 2012, statutorily consolidated CHESLA with CHEFA by making CHESLA a subsidiary of CHEFA. As a subsidiary of CHEFA, CHESLA retains its legal identity as a separate quasi-public authority, continues to be subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State of Connecticut. The supplemental schedules on pages 35 through 37 show the combined financial statement balances of CHESLA's agency operating fund and bond funds as previously described as well as the overall CHEFA and CHESLA consolidated financial statement balances. All intracompany balances between the CHESLA agency operating fund and the bond funds have been eliminated. All intercompany balances between CHESLA and CHEFA have been eliminated. Throughout these consolidated financial statements, CHEFA and CHESLA are referred to as the Authority on a consolidated basis.

Measurement focus and basis of accounting **-** The accompanying basic consolidated financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP applicable to state and local governmental entities is promulgated by the Governmental Accounting Standards Board (GASB).

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 to sound financial administration.

Note 1 - Summary of Significant Accounting Policies (continued)

GAAP used for proprietary funds are similar to those applicable to businesses in the private sector. They are reported using the economic resources of measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows. Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the funds' activity are included on the funds' statement of net position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of providing services to customers. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Recently adopted accounting standards **-** The Authority has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65). This standard establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this standard that affect the Authority most significantly relate to debt issuance costs and loan origination fees. Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. In addition, loan origination fees, except any portion related to points, should be recognized as revenue in the period received. The adoption of this standard required the restatement of CHESLA's July 1, 2012 net position by $378, to remove the beginning balances of unamortized bond issuance costs (other than insurance) and also to remove deferred revenue related to loan origination fees.

Cash and cash equivalents **-** Cash and cash equivalents include all highly liquid investments purchased with an original maturity of three months or less. The Authority's investments in money market funds and the State Treasurer's Short Term Investment Fund are excluded from cash equivalents because they are considered an investment. The Authority had no cash equivalents at June 30, 2013.

Investments **-** In accordance with GASB 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 investment contracts which are recorded at cost.

The fair value of investments traded on public markets is determined using quoted market prices. The Authority invests in the State Treasurer's Short-Term Investment Fund, which 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. The Authority also classifies its investments in money market funds as investments.

Restricted assets **-** Restricted assets are maintained under trust agreements in separate funds for each debt issue in accordance with the requirements of the underlying bond issue documents.

CHEFA's restricted assets include assets held in construction and project funds for which CHEFA has fiduciary responsibility. Construction and project funds reflect the receipt of bond proceeds, costs of issuance and disbursement of monies for the payment of construction or renovation projects and equipment for the institutions.

Note 1 - Summary of Significant Accounting Policies (continued)

CHESLA's restricted assets include assets held by the individual bond funds as governed by the bond resolutions as previously described. Under the provisions of the bond resolutions, certain assets are restricted for the repayment of bond principal and interest and for the issuance of student loans. Under the bond funds, CHESLA issues revenue bonds, the proceeds of which are used to provide loans for student borrowers to assist in the financing of their 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 1990 Bond Fund is governed by the 1990 Revenue Bond Resolution pursuant to which all outstanding bonds were issued prior to the 2003 Series A and B bonds as well as the 2009, 2010, 2012 and 2013 Series A bonds. In accordance with the bond resolutions, CHESLA internally accounts for each bond issue separately, which includes individual funds as defined by each bond resolution, including but not limited to combinations of some of the following: the Loan Fund, Revenue Fund, Debt Service Fund and Special Capital Reserve Fund.

Other significant accounting policies related to restricted assets are as follows:

- CHEFA's interest earned on restricted assets is not reflected in the statements of revenues, expenses, and changes in net position as such income accrues to the benefit of the institutions.

- Restricted fund investments in money market funds are classified as investments.

- Restricted fund investments in guaranteed investment contracts are valued at cost and all other fund investments are valued at market. Generally, market value is not significantly different from cost.

- CHEFA's restricted investments classified as non-current include funds held by CHEFA under its agency relationship with the State Department of Education (SDE) described in Note 6 and investments held in connection with the Connecticut Credit Union Student Loan Guarantee program.

- CHESLA's restricted investments classified as current include the fund investments held by CHESLA pursuant to the bond resolutions in the individual Loan Fund, Revenue Fund and Debt Service Funds.

- CHESLA's restricted investments classified as non-current include funds held by CHESLA pursuant to the bond resolutions in individual Special Capital Reserve Funds (Note 9).

Non-operating revenue and expense **-** Activities not related to CHEFA's primary purpose are considered non-operating. Non-operating income and expenses consist primarily of expenses related CHEFA's grant program and income from investments. All of CHESLA's revenues and expenses are considered operating.

Amounts held for institutions **-** Amounts held for institutions represent amounts payable to institutions, bondholders, and others from CHEFA's restricted assets.

Amounts held on behalf of the State of Connecticut **-** Amounts held on behalf of the State of Connecticut represent funds transferred to CHEFA under its agency relationship with SDE related to the childcare program pursuant to Public Act 97-259 (See Note 6 for further discussion).

Note 1 - Summary of Significant Accounting Policies (continued)

Capital assets **-** Capital assets, which include property, plant and equipment, are stated at cost. CHEFA defines capital assets as assets with an initial cost exceeding five-hundred dollars. Depreciation and amortization are computed on a straight line basis over estimated service lives generally ranging from three to five years. Maintenance and repairs that do not add to the value of the asset or materially extend their lives are charged to expense as incurred, while significant renewals and betterments are capitalized.

Net position **-** The accompanying statements of net position present the Authority's fiduciary and non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Invested in capital assets **-** This category consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

- Restricted net position **-** This category consists of the net position whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, or through restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net position **-** This category consists of the net position, which do not meet the definition of the two preceding categories.

Administrative fees **-** CHEFA is self-supporting and charges an administrative fee to institutions with outstanding bond issues to cover its operating expenses. All issues, other than those under the Special Capital Reserve Fund Program for long term care facilities, are charged an annual fee of nine basis points, billed semi-annually, in arrears, on the outstanding par amount of the bonds. Long-term care bonds issued under the Special Capital Reserve Fund Program are charged an annual fee of fourteen basis points, billed semi-annually, in arrears, on the outstanding par amount of the bonds. In addition, CHEFA charges a bond issuance fee of five thousand dollars for each bond issue.

CHESLA also is self-supporting and charges an administrative fee on outstanding loan balances to cover its operating expenses. The fees are assessed to the bond resolution funds and vary in accordance with the related bonds series and range from 30 to 100 basis points.

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

Prepaid bond insurance premium **-** Bond insurance premiums are amortized on a straight-line basis over the term of the related bonds. All other bond issuance costs are expensed as incurred pursuant to the provisions of GASB No. 65 as previously mentioned. Prior to the adoption of GASB No. 65, all bond issuance costs were amortized over the term of the related bonds.

Note 1 - Summary of Significant Accounting Policies (continued)

***Arbitrage rebate and excess loan yield liability* -** Under the Internal Revenue Code of 1986 (the Code), CHESLA 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 or reduce its excess loan yield on student loans financed with tax-exempt bonds. CHESLA calculates this liability annually.

***Loan reserve fee revenue* -** CHESLA charges a 3% reserve fee on loans governed by the 2003 Master Revenue Bond Resolution and a 2% to 4% reserve fee on loans governed by the 1990 Revenue Bond Resolution, depending on the originating series. This fee is recognized as an origination fee to the loans and in accordance with GASB No. 65, as previously mentioned, is recognized upon issuance of the related loan. Prior to adoption of GASB No. 65, the fee was deferred and recognized over the life of the loan on a straight-line basis.

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

***Use of estimates* -** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. 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 determining the allowance for loan losses, management uses historical loss experience to make predictions about future losses. As the loan portfolio matures, CHESLA adjusts its estimate of expected default rates used to estimate loan losses.

***Subsequent event measurement date* -** The Authority monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its consolidated financial statements for the year ended June 30, 2013 through September 18, 2013, the date on which the consolidated financial statements were available to be issued. Management believes there are no subsequent events having an impact on the consolidated financial statements.

Note 2 - Cash Deposits and Investments

***Cash deposits - custodial credit risk* -** Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. CHEFA does not have a deposit policy for custodial credit risk.

As of June 30, 2013, $34 of the Authority's bank balances of $334 was exposed to custodial credit risk.

All of the Authority's deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

(Amounts Expressed in Thousands)

Note 2 - Cash Deposits and Investments (continued)

A reconciliation of the Authority's cash deposits as of June 30, 2013 is as follows:

Unrestricted assets:		
Cash	$	277
Restricted assets:		
Cash		57
	$	334

Investments - As of June 30, 2013, the Authority's investments consisted of the following:

		Investment Maturities		
Investment type	Fair Value	Less than 1 year	1 to 10 years	More than 10 years
Money market funds	$ 513,824	$ 513,824	$ -	$ -
Short-term Investment Fund (STIF)	48,777	48,777	-	-
Guaranteed Investment Contracts (GIC):				
IXIS Funding Corp	1,459	-	1,459	-
GE Capital Corp	2,200	-	2,200	-
Rabobank International	1,611	-	1,611	-
MBIA, Inc.	3,000	-	3,000	-
FSA Capital Management Services	5,300	-	2,500	2,800
GE Capital Corp	512	-	512	-
Salomon Smith (Citigroup)	600	-	600	-
U.S. treasuries	9,968	2,849	-	7,119
Total	$ 587,251	$ 565,450	$ 11,882	$ 9,919

Because the STIF and money market funds have weighted average maturities of 60 days and 90 days, respectively, they are presented as investments with maturities of less than one year.

Note 2 - Cash Deposits and Investments (continued)

Interest rate risk **-** CHEFA and CHESLA invest unrestricted funds in the Connecticut State Treasurer's Short Term Investment Fund (STIF), which has historically maintained its net asset values such that the principal of the investments is not eroded by interest rate fluctuations. In addition, CHEFA invests some of its unrestricted funds in money market funds. CHEFA's investment policy provides that the investment portfolio for its unrestricted investments be designed with the objective of regularly exceeding the average return of ninety day U.S. Treasury Bills. The investment policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures and with applicable Connecticut State law. Whenever possible, restricted investments are to be held to maturity and invested in an appropriate manner so as to ensure the availability for specified payment dates, planned construction draws and other intended purposes as set forth in the relevant trust indentures and agreements, and to ensure a rate of return at least equal to the restricted bond yield, all with minimal risk to capital. CHESLA's specific investment policy complies with the underlying bond resolution requirements previously described.

Credit risk **-** CHEFA has an investment policy that would further limit its investment choices beyond those limited by Connecticut State statutes for both unrestricted and restricted investments.

Investments that may be purchased with the written approval of an officer, provided the instrument has a maturity date of 365 days or less from the date of purchase, are as follows: obligations issued or guaranteed by the U.S. Government, including the Federal Deposit Insurance Corporation (FDIC); qualified money market funds or institutional money market funds investing in short-term securities as permitted by enabling legislation; the STIF provided it maintains a "AAA" rating by Standard and Poor's; and qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government. With approval by the Audit-Finance Committee or Board of Directors, the following unrestricted investments are also permissible: any otherwise permitted investment with a maturity greater than 365 days from purchase; obligations issued or guaranteed by the State of Connecticut, including the State's medium term or long term investment fund; other debt obligations which are statutorily permissible; and qualified guaranteed investment contracts complying with Connecticut General State Statutes 10a-180(s), Authority guidelines and applicable trust indentures.

Pursuant to the General Statutes of the State of Connecticut, CHEFA may only invest funds in the following: obligations issued or guaranteed by the United States of America or the State of Connecticut and in other obligations, which are legal investments for savings banks in the State; investment agreements with financial institutions whose short-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the State Commissioner of Banking; investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States or in securities or obligations which are legal investments for savings banks in this State, subject to repurchase agreements in the manner in which such agreements are negotiated in sales of securities in the marketplace, provided that CHEFA shall not enter into any such agreement with any securities dealer or bank acting as a securities dealer unless such dealer or bank is included in the list of primary dealers, effective at the time of such agreement, as prepared by the Federal Reserve Bank of New York.

Custodial credit risk **-** For an investment, custodial credit risk is the risk that, in the event of the failure of counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk as the applicable deposit and investment policies comply with the underlying relevant trust indentures, agreements, and bond resolutions. The Authority was not subject to custodial risk because it did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Authority's name.

(Amounts Expressed in Thousands)

Note 2 - Cash Deposits and Investments (continued)

Concentrations of credit risk **-** For unrestricted investments, CHEFA places limits on the amount of investment in any one issuer. No issuer other than the United States Treasury or the Connecticut State Treasurer's Short-Term Investment Fund shall constitute greater than 5% of unrestricted investments, except for qualified money market or mutual bond funds, none of which shall constitute greater than 50% of general fund investments. CHEFA's investment portfolio as of June 30, 2013 was in compliance with this policy. CHEFA places no limit on the amount of investment in any one issuer for restricted investments.

Note 3 - Loans Receivable

Under the Bond Fund Program, CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. Loans receivable by outstanding bond series as of June 30, 2013 are as follows:

Bond Series	Number of Loans at June 30, 2013	Balance at June 30, 2013	Interest Rate %
2003A&B*	1,202	7,450	4.99 and 9.20
2005A&B**	1,292	12,880	5.5, 8.25 and 8.40
2006A***	1,309	14,121	0 and 6.15
2007A	1,918	23,749	6.99
2009A	1,543	19,891	6.80
2010A****	2,249	35,428	5.95, 7.25 and 7.5
2012A*****	1,803	7,426	2.00 - 7.50
2013A	29	248	5.99
	11,345	$ 121,193	
Add: nonperforming loans		2,523	
Less: allowance for loan losses		(2,321)	
		$ 121,395	

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

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

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

**** Includes loans issued under 1999 and 2000 series B bonds that were refunded by the 2010 Series A bonds.

***** Includes loans issued under 1999, 2000, and 2001 Series A bonds and 1998 Series A and B bonds that were refunded by the 2012 Series A bonds.

CHESLA currently defines nonperforming loans as defaulted loans in collections but not written off. Write-off occurs if no payment has been received by the collection agency in 12 months. Interest income of approximately $133 for the year ended June 30, 2013 was not accrued on nonperforming loans.

(Amounts Expressed in Thousands)

Note 3 - Loans Receivable (continued)

CHESLA 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, CHESLA wrote off loans receivable of $422 for the year ended June 30, 2013, which had previously been provided for through the allowance for loan losses. CHESLA recovered $119 in fiscal year 2013 in loans receivable and other credits that were written off in previous years.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

2013	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Leasehold improvements	$ 147	$ 5	$ -	$ 152
Computer equipment	601	22	-	623
Furniture and fixtures	255	21	-	276
Office equipment	419	57	-	476
Total capital assets	1,422	105	-	1,527
Less accumulated depreciation and amortization for:				
Leasehold improvements	(146)	(2)	-	(148)
Computer equipment	(601)	(15)	-	(616)
Furniture and fixtures	(235)	(17)	-	(252)
Office equipment	(282)	(51)	-	(333)
	(1,264)	(85)	-	(1,349)
	$ 158	$ 20	$ -	$ 178

Note 5 - Bonds Payable

The following is a summary of changes in CHESLA's bonds payable for the year ended June 30, 2013:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013	Due Within One Year
Bonds payable - principal	$ 166,065	$ 25,000	$ (23,405)	$ 167,660	$ 10,275
Discount	(620)	-	69	(551)	-
Premium	1,361	104	(74)	1,391	-
	$ 166,806	$ 25,104	$ (23,410)	$ 168,500	$ 10,275

(Amounts Expressed in Thousands)

Note 5 - Bonds Payable (continued)

The bonds of CHESLA bear interest at rates varying between 1.7% and 7%. Future amounts needed to pay principal and interest on bonds outstanding at June 30, 2013 is as follows:

Year Ending June 30	Principal	Interest
2014	$ 10,275	$ 6,483
2015	11,395	6,088
2016	12,655	5,624
2017	12,900	5,103
2018	12,930	4,558
2019-2023	57,955	15,230
2024-2028	33,595	5,797
2029-2033	12,160	1,513
2034-2035	3,795	149
	$ 167,660	$ 50,545

Outstanding principal of each bond issue at June 30, 2013, is as follows:

	Original Amount	Outstanding June 30, 2013
2003 Series A, 1.7%-4.5%, due serially from November 15, 2004 to November 15, 2020	$ 18,000	$ 6,810
2003 Series B, 2%-5%, due serially from November 15, 2004 to November 15, 2017	12,915	4,270
2005 Series A, 2.5%-4.375%, due serially from November 15, 2005 to November 15, 2021	31,455	13,825
2006 Series A, 3.9%-4.8%, due serially from November 15, 2007 to November 15, 2022	33,270	14,985
2007 Series A, 4.125%-1.875%, due serially from November 15, 2010 to November 15, 2024	41,000	28,020
2009 Series A 1.9%-5.05%, due serially from November 15, 2011 to November 15, 2027	30,000	23,645
2010 Series A 2.0%-5.25%, due serially from November 15, 2014 to November 15, 2035	45,000	40,965
2012 Series A .4%-3.125%, due serially from November 15, 2012 to November 15, 2021	13,085	10,140
2013 Series A .14%-3.98%, due serially from November 15, 2014 to November 15, 2029	25,000	25,000
	$ 249,725	$ 167,660

(Amounts Expressed in Thousands)

Note 5 - Bonds Payable (continued)

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, 2013, CHESLA redeemed bonds in the following amounts:

2003 Series A	$	600
2005 Series A		500
2006 Series A		800
2007 Series A		1,100
2009 Series A		300
2010 Series A		3,000
2012 Series A		500
	$	6,800

As of June 30, 2013, CHEFA has total outstanding principal balances of special obligation bonds of $8,030,153. The bonds are issued on behalf of institutions to finance the construction of various health and educational facilities. These bonds are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and therefore not reported within the statements of net position.

CHEFA issued general obligation bonds through July 1979 for which CHEFA was ultimately responsible for the payment of principal and interest when due. Subsequent to July 1, 1979, CHEFA has issued only special obligation bonds for which principal and interest is payable solely from the revenues of the institutions. As of June 30, 2013 there were no general obligation bonds outstanding.

Note 6 - Child Care Facilities Loan Programs

CHEFA has entered into a partnership with the State of Connecticut Department of Education, the Office of the State Treasurer, and banking institutions to provide child care providers with access to financing under three loan programs: the Tax-Exempt Pooled Bond Issue Program, the Guaranteed Loan Fund Program, and the Small Revolving Direct Loan Program.

Tax-Exempt Child Care Facilities Program **-** From April 1998 to June 2011, CHEFA issued $78,430 in revenue bonds under the Tax-Exempt Pooled Bond Issue Program. The program was established to provide low interest loans to eligible child care providers for the new construction or renovation of child care centers. In August 2011, CHEFA issued $28,840 of State Supported Child Care Revenue Bonds, Series 2011 that refinanced all but two series (Child Care Facilities Program Series F and G) of the previously issued bonds.

Note 6 - Child Care Facilities Loan Programs (continued)

As of June 30, 2013, there was approximately $61,155 in loan balances outstanding under this program. The State of Connecticut is responsible for paying a portion of the debt service on the Child Care Facilities Program Series F and G bonds and all of the debt service on the State Supported Child Care Revenue Bonds, subject to available appropriations and pursuant to a Memorandum of Understanding.

***Guaranteed Loan Fund Program* -** The purpose of the Guaranteed Loan Fund Program is to guarantee loans for the expansion or development of child care and child development centers in the State. CHEFA is responsible for guaranteeing 20% to 50% of each loan outstanding. As of June 30, 2013, outstanding loan balances totaled $8,445. On average, CHEFA is guaranteeing 38% of those balances, or approximately $3,212.

In FY 1998, CHEFA designated $4,500 of its net position to be used for loan guarantees and debt service funding under this program, if providers default on their loans. As of June 30, 2008, the net position designation was reduced to $4,320, a decrease of $180, which was due to a payment on a defaulted loan.

In FY 1998, DSS transferred $1,500 to CHEFA to further support this program, with those funds serving as an additional reserve.

In June 1999, CHEFA's Board of Directors approved an amendment to the Guaranteed Loan Fund to subsidize 3% of the interest rate on future loans issue in conjunction with this program. Loans issued under this program are approved, granted and administered by participating financial institutions.

***Small Revolving Direct Loan Program* -** This program provides for loans or loan guarantees from the State of Connecticut to child care providers. In FY 1999, the Connecticut Department of Social Services (DSS) transferred $750 to CHEFA to support the Small Direct Loan Program. The funds transferred to CHEFA represent funds available to provide loan guarantees. As of June 30, 2013, the balance of those funds remaining was $682, reflecting drawdowns for prior year loan defaults. CHEFA is under no obligation to provide additional funds for loan guarantees.

The DSS contributions to the Guaranteed Loan Fund Program and the Small Direct Loan Program, net of payouts and accrued expense, along with CHEFA's $4,320 to support the Guaranteed Loan Fund Program, are recorded within Restricted Investments.

Note 7 - Student Loan Programs Mandated by State Statute

Pursuant to Public Act 09-110, which established the Connecticut Credit Union Student Loan Program, CHEFA was required to fund a first loss loan guarantee of 20% on the outstanding balance on each loan. The guarantee reserve at June 30, 2013 was $665, and is sufficient to meet the loan loss reserve requirement. This amount is included within restricted investments.

Note 8 - Net Position

A portion of the unrestricted net position has been designated by CHEFA's Board of Directors for operations and the remainder for programs that are part of CHEFA's mission and purpose, as well as for contingencies. In addition, as described in Note 6, CHEFA designated $4,320 of its net position for the Guaranteed Loan Fund Program for child care facilities pursuant to Public Act 97-259. The $4,320, along with the $665 set aside for the Connecticut Credit Union Student Loan Program for FY 2013 are reflected within restricted net position.

(Amounts Expressed in Thousands)

Note 8 - Net Position (continued)

CHESLA's Board of Directors designated unrestricted net assets of $1,000 as of June 30, 2013, to be used to maintain future operations required to monitor and administer the loan portfolio in the event CHESLA ceases to issue new loans. CHESLA's restricted net assets consist of $37,509 of bond fund investments for debt service and issuance of student loans as of June 30, 2013 as well as $22,036, required by the bond indentures to be maintained in the Special Capital Reserve Funds.

A summary of the net position as of June 30, 2013 is as follows:

Invested in capital assets	$	178
Restricted:		
Special Capital Reserve Funds		22,036
Bond Fund Investments		37,509
Child Care Facilities Loan Program		4,320
Student Loan Guarantee Program		665
Total restricted		64,530
Unrestricted:		
Focused investment program		1,025
Legal fee contingencies		1,500
Operations and contingency		6,953
CHESLA deficit		(44,740)
Total unrestricted		(35,262)
Total	$	29,446

Note 9 - State of Connecticut Deposit Requirement

Deficiencies, if any, in the Debt Service Fund balances within the CHESLA Bond Funds will be funded from the amount on deposit in the applicable Special Capital Reserve Fund. Both the Debt Service Fund and the Special Capital Reserve Fund are components of restricted investments. In accordance with the Public Act 82-313, the State must deposit with the trustee monies necessary to restore the Special Capital Reserve Fund requirement. As of June 30, 2013, the State has not made nor was it required to make any such deposit.

Note 10 - Related Party Transactions

CHEFA charged CHESLA in FY 2013 an annual fee of $110 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. The managing director of CHEFA serves as executive director of CHESLA. In addition, CHESLA reimbursed CHEFA directly for specific general and administrative expenses incurred. The general agency fund of CHESLA charges a fee to each of the bond funds for administering the bond funds. The fee is based on an agreed upon percentage of the outstanding loans payable in each of the funds. For the year ended June 30, 2013, the total fees charged were $754.

(Amounts Expressed in Thousands)

Note 11 - Employee Benefit Plans

The Authority maintains a defined contribution money purchase plan (the Plan) covering all employees with three months of continuous service and one-thousand anticipated hours of service annually. The Plan is administered by CHEFA and can be amended by the trustees of the Plan. CHEFA and CHESLA contribute annually to the Plan an amount equal to ten percent of each qualified employee's annual salary. For the year ended June 30, 2013, retirement plan expense was $229.

In addition, the Authority has a deferred compensation plan, which was established during fiscal year 1991 in accordance with Internal Revenue Code Section 457 and is available to Authority employees. Employees are permitted to defer a portion of their salaries, subject to certain limitations. CHEFA and CHESLA match up to one thousand five hundred dollars of employee contributions. Related expense was $33 for the year ended June 30, 2013.

Note 12 - Operating Leases

CHEFA leases office space and other office equipment for use in operations. As of June 30, 2013, minimum future rental commitments of the leases are as follows:

2014	$	238
2015	$	241
2016	$	242
2017	$	240
2018	$	244

Rental expense for these leases during the years ended June 30, 2013 was $252.

Note 13 - Legal Matters and Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; directors and officers; injuries to employees; or acts of God. The Authority purchases commercial insurance to mitigate loss from these risks. Under terms of the agreements between CHEFA and its borrowers, any costs associated with the litigation are the obligations of the borrowers. CHEFA is indemnified under the terms of the bond agreements.

(Amounts Expressed in Thousands)

Note 14 - Reconciliation of Operating Income to Net Cash Provided By Operating Activities

The following is a reconciliation of operating income provided by operating activities for the years ended June 30, 2013.

Cash flows from operating activities:		
Increase in net position	$	1,481
Adjustments to reconcile decrease in net position		
to net cash provided by operating activities:		
Depreciation		86
Income from investments		(402)
Loan reserve fee revenue		(532)
Bond issuance costs		524
Provision for loan benefit		(106)
Amortization of bond discount (premium)		(5)
Changes in assets and liabilities:		
Loans receivable		(1,124)
Accounts receivable		184
Interest receivable on loans receivable		(53)
Prepaid expenses and other assets		17
Accounts payable and accrued expenses		950
Accrued interest payable		(105)
Net cash provided by operating activities	$	915

State of Connecticut Health and Educational Facilities Authority
Consolidating Statement of Net Position
June 30, 2013
(Amounts Expressed in Thousands)

		CHESLA				
		Agency Operating	Bond Funds			
	CHEFA	**Fund**	**1990 Resolution**	**2003 Resolution**	**Total CHESLA**	**Total**
Assets						
Current assets:						
Unrestricted assets:						
Cash	**$ 227**	$ 50	$ -	$ -	**$ 50**	**$ 277**
Investments	**-**	1,180	-	-	**1,180**	**1,180**
Current portion of loans receivable, net of allowances for loan losses of $2,321	-	-	9,606	9,046	**18,652**	**18,652**
Accounts receivable, less allowance of $86	**195**	-	-	-	**-**	**195**
Interest receivable on investments	-	-	69	81	**150**	**150**
Interest receivable on loans receivable	-	-	297	222	**519**	**519**
Board-designated investments	**10,638**	1,000	-	-	**1,000**	**11,638**
Prepaid expenses and other assets	**91**	15	-	-	**15**	**106**
Total unrestricted assets	**11,151**	2,245	9,972	9,349	**21,566**	**32,717**
Restricted assets:						
Cash	**57**	-	-	-	**-**	**57**
Fund investments	**507,721**	-	29,420	8,089	**37,509**	**545,230**
Total restricted assets	**507,778**	-	29,420	8,089	**37,509**	**545,287**
Total current assets	**518,929**	2,245	39,392	17,438	**59,075**	**578,004**
Non-current assets:						
Restricted investments	**7,167**	-	11,536	10,500	**22,036**	**29,203**
Loans receivable, net of current portion	**-**	-	53,019	49,724	**102,743**	**102,743**
Prepaid bond insurance premiums	**-**	130	-	118	**248**	**248**
Capital assets, net	**178**	-	-	-	**-**	**178**
Total non-current assets	**7,345**	130	64,555	60,342	**125,027**	**132,372**
Total assets	**$ 526,274**	$ 2,375	$ 103,947	$ 77,780	**$ 184,102**	**$ 710,376**

See independent auditors' report

State of Connecticut Health and Educational Facilities Authority
Consolidating Statement of Net Position (continued)
June 30, 2013
(Amounts Expressed in Thousands)

	CHEFA	CHESLA: Agency Operating Fund	CHESLA: Bond Funds: 1990 Resolution	CHESLA: Bond Funds: 2003 Resolution	Total CHESLA	Total
Liabilities and Net Position						
Current liabilities:						
Accounts payable and accrued expenses	**$ 1,673**	$ 15	$ 21	$ -	**$ 36**	**$ 1,709**
Current portion of bonds payable	**-**	-	3,950	6,325	**10,275**	**10,275**
Accrued interest payable	**-**	-	366	395	**761**	**761**
Amounts held for institutions	**507,778**	-	-	-	**-**	**507,778**
Total current liabilities	**509,451**	15	4,337	6,720	**11,072**	**520,523**
Non-current liabilities:						
Bonds payable, net of current portion	**-**	-	97,091	61,134	**158,225**	**158,225**
Amount held on behalf of the State of Connecticut	**2,182**	-	-	-	**-**	**2,182**
Total non-current liabilities	**2,182**	-	97,091	61,134	**158,225**	**160,407**
Total liabilities	**511,633**	15	101,428	67,854	**169,297**	**680,930**
Net position:						
Invested in capital assets	**178**	**-**	-	-	**-**	**178**
Restricted	**4,985**	**-**	40,956	18,589	**59,545**	**64,530**
Unrestricted	**9,478**	2,360	(38,437)	(8,663)	**(44,740)**	**(35,262)**
Total net position	**14,641**	2,360	2,519	9,926	**14,805**	**29,446**
Total liabilities and net position	**$ 526,274**	$ 2,375	$ 103,947	$ 77,780	**$ 184,102**	**$ 710,376**

See independent auditors' report

State of Connecticut Health and Educational Facilities Authority
Consolidating Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

		CHESLA						
		Agency	Bond Funds					
		Operating	1990	2003				
	CHEFA	Fund	Resolution	Resolution	Eliminations	Total CHESLA	Eliminations	Total
Operating revenues:								
Interest income on loans receivable	-	-	4,128	3,739	-	$ 7,867	$ -	$ 7,867
Administrative fees	7,110	754	-	-	(754)	-	-	7,110
Investment income (loss)	14	15	(226)	599	-	388	-	402
Bond issuance fees	158	-	-	-	-	-	-	158
Other revenues	241	-	-	-	-	-	(110)	131
Total operating revenues	7,523	769	3,902	4,338	(754)	8,255	(110)	15,668
Operating expenses:								
Interest expense	-	-	3,030	3,453	-	6,483	-	6,483
Salaries and related expenses	2,844	189	-	-	-	189	-	3,033
General and administrative expenses	1,057	342	252	632	(754)	472	(110)	1,419
Loan collection fees	-	-	378	154	-	532	-	532
Bond issuance and insurance costs	-	30	466	28	-	524	-	524
Provision for loan losses (benefit)	-	-	93	(199)	-	(106)	-	(106)
Arbitrage rebate and excess loan yield benefit	-	-	-	35	-	35	-	35
Total operating expenses	3,901	561	4,219	4,103	(754)	8,129	(110)	11,920
Total operating income (loss)	3,622	208	(317)	235	-	126	-	3,748
Non-operating - revenues (expenses):								
Grant expense	(2,267)	-	-	-	-	-	-	(2,267)
Total non-operating expense	(2,267)	-	-	-	-	-	-	(2,267)
Income before transfers	1,355	208	(317)	235	-	126	-	1,481
Transfers	-	(700)	700	-	-	-	-	-
Increase (decrease) in net position	1,355	(492)	383	235	-	126	-	1,481
Net position, beginning of year (See Note 1)	13,286	2,852	2,136	9,691	-	14,679	-	27,965
Net position, end of year	14,641	2,360	2,519	9,926	-	$ 14,805	$ -	$ 29,446

See independent auditors' report

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
State of Connecticut Health and Educational Facilities Authority:

We have audited in accordance with the 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, the consolidated financial statements of the State of Connecticut Health and Educational Facilities Authority (the Authority), a component unit of the State of Connecticut, which comprise the statement of net position as of June 30, 2013 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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*.

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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*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of the an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Saslow Lufkin & Buggy, LLP

September 18, 2013

CHESLA

Connecticut Higher Education Supplemental Loan Authority

Exhibit B – Loans Disbursed to Schools by Bond Series

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - HISTORICAL LENDING (06/13)

	[1990 Resolution] Pre-2003 Series AB		[2003 Resolution] 2003 Series A		[2003 Resolution] 2003 Series B		[2003 Resolution] 2005 Series A		[2003 Resolution] 2006 Series A		[2003 Resolution] 2007 Series A		[1990 Resolution] 2009 Series A		[1990 Resolution] 2010 Series A		[1990 Resolution] 2013 Series A			
Institution	Number of Loans Disb. (1)	Amount of Loans Disb. (1)	Number of 4.99% Loans Disb. (2)	Amount of 4.99% Loans Disb. (2)	Number of 4.99% Loans Disb. (3)	Amount of 4.99% Loans Disb. (3)	Number of 5.50% Loans Disb. (4)	Amount of 5.50% Loans Disb. (4)	Number of 6.15% Loans Disb. (5)	Amount of 6.15% Loans Disb. (5)	Number of 6.99% Loans Disb. (6)	Amount of 6.99% Loans Disb. (6)	Number of 6.80% Loans Disb. (7)	Amount of 6.80% Loans Disb. (7)	Number of 5.95% Loans Disb. (8)	Amount of 5.95% Loans Disb. (8)	Number of 5.99% Loans Disb. (9)	Amount of 5.99% Loans Disb. (9)	Total Number Of Students	Total Distribution to Students
Albertus Magnus College	222	$1,560,074	4	$35,551	4	$44,692	10	$123,675	11	$138,406	42	$252,345	25	$145,068	12	$76,824	0	$0	**330**	**$2,376,635**
ARC - Alt. Route to Cert. (CT DHE)	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	14	$55,856	23	$85,370	1	$3,975	**38**	**$145,201**
Asnuntuck Community College	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	1	$6,990	2	$10,689	0	$0	**3**	**$17,679**
Capital Community College	1	$3,500	3	$12,000	0	$0	2	$10,544	2	$27,000	0	$0	0	$0	0	$0	0	$0	**8**	**$53,044**
Charter Oak State College	10	$34,425	0	$0	0	$0	2	$18,250	0	$0	0	$0	0	$0	2	$12,400	0	$0	**14**	**$65,075**
Central Connecticut State University	399	$2,052,575	43	$377,306	18	$130,244	76	$679,672	105	$679,277	126	$585,488	56	$237,543	74	$420,134	0	$0	**897**	**$5,162,239**
Connecticut College	310	$3,334,887	1	$24,000	3	$35,284	5	$86,404	0	$0	7	$50,534	0	$0	13	$91,245	2	$10,000	**341**	**$3,632,354**
Eastern Connecticut State University	439	$2,246,962	38	$258,930	30	$204,808	46	$435,874	82	$439,968	134	$679,879	84	$416,037	129	$686,508	2	$3,400	**984**	**$5,372,366**
Fairfield University	1,323	$14,016,580	55	$789,554	35	$381,285	81	$1,471,856	123	$1,504,909	191	$2,152,537	130	$1,407,402	144	$1,472,145	3	$25,444	**2,085**	**$23,221,711**
Gateway Community College	3	$8,725	0	$0	0	$0	0	$0	1	$4,000	0	$0	1	$6,000	0	$0	0	$0	**5**	**$18,725**
Goodwin College, Inc.	0	$0	0	$0	0	$0	0	$0	2	$13,285	1	$5,000	2	$12,250	9	$60,378	0	$0	**14**	**$90,913**
Gradute Institute	0	$0	4	$33,724	4	$40,987	3	$25,918	6	$81,305	14	$119,830	23	$241,177	25	$203,920	2	$11,500	**81**	**$758,361**
Hartford Seminary	0	$0	0	$0	0	$0	0	$0	0	$0	2	$8,000	0	$0	2	$21,000	0	$0	**4**	**$29,000**
Housatonic Community College	1	$2,734	1	$3,000	0	$0	0	$0	3	$8,500	1	$8,000	0	$0	0	$0	0	$0	**6**	**$22,234**
Rensselaer at Hartford	19	$124,240	0	$0	0	$0	1	$16,846	0	$0	0	$0	0	$0	0	$0	0	$0	**20**	**$141,086**
Lyme Academy of Fine Arts	3	$27,574	1	$11,815	0	$0	4	$39,438	3	$17,224	13	$89,765	11	$76,060	15	$71,920	0	$0	**50**	**$333,796**
Manchester Community College	5	$16,743	0	$0	2	$7,000	0	$0	0	$0	0	$0	0	$0	1	$2,000	0	$0	**8**	**$25,743**
Mitchell College	36	$342,634	1	$18,000	1	$17,000	4	$94,907	4	$71,989	25	$165,853	35	$243,001	30	$227,409	0	$0	**136**	**$1,180,793**
Naugatuck Valley Community College	8	$21,000	0	$0	0	$0	0	$0	2	$4,000	0	$0	0	$0	3	$8,100	0	$0	**13**	**$33,100**
Northwestern CT Community College	164	$2,098,570	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	3	$16,000	0	$0	**167**	**$2,114,570**
Quinnipiac University	1,410	$12,560,536	102	$1,431,915	79	$1,100,584	305	$5,223,158	365	$4,727,215	485	$5,081,973	213	$2,168,088	367	$4,200,529	1	$15,975	**3,327**	**$36,509,973**
Quinnipiac University School of Law	368	$4,744,832	1	$16,094	0	$0	2	$33,530	5	$61,620	1	$15,118	3	$25,000	0	$0	0	$0	**380**	**$4,896,194**
Sacred Heart University	1,406	$13,201,359	290	$4,259,532	140	$1,875,224	379	$6,657,012	296	$5,172,170	675	$6,856,582	395	$3,853,288	513	$5,707,849	5	$28,500	**4,099**	**$47,611,515**
Southern Connecticut State University	226	$1,231,519	22	$172,611	10	$77,077	35	$269,612	51	$249,687	62	$245,390	32	$128,689	75	$386,089	1	$5,000	**514**	**$2,765,674**
Saint Joseph College (Univ. of Saint Joseph)	429	$3,139,887	16	$133,927	13	$118,697	21	$256,595	28	$203,379	56	$395,704	47	$293,337	53	$422,967	1	$8,000	**664**	**$4,972,493**
Saint Vincent College	20	$132,468	0	$0	0	$0	3	$33,466	1	$11,000	9	$64,133	0	$0	0	$0	0	$0	**33**	**$241,067**
Teikyo Post University	77	$493,191	6	$37,296	5	$44,300	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	**88**	**$574,787**
Three Rivers Community College	11	$133,200	1	$6,386	2	$7,000	0	$0	1	$2,000	3	$11,000	2	$8,400	2	$2,000	0	$0	**22**	**$169,986**
Trinity College	225	$2,371,706	4	$18,760	0	$0	7	$85,745	5	$32,790	21	$159,209	11	$134,000	21	$252,240	0	$0	**294**	**$3,054,450**
Tunxis Community College	15	$78,588	2	$7,250	0	$0	1	$2,400	1	$5,000	4	$9,852	1	$16,000	4	$15,498	0	$0	**28**	**$134,588**
University of Bridgeport	206	$1,469,031	3	$28,154	1	$5,700	2	$29,886	0	$0	4	$19,200	16	$148,364	14	$74,690	0	$0	**246**	**$1,775,025**
University of Conn. - School of Law	17	$106,462	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	**17**	**$106,462**
University of Conn. - School of Social Work	24	$129,219	1	$4,500	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	**25**	**$133,719**
University of Conn. - Dental/Health Center	89	$654,242	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	**89**	**$654,242**
University of Conn. - School of Medicine	45	$309,457	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	**45**	**$309,457**
University of Conn. - Storrs/Offsite Campuses	2,107	$13,610,768	75	$607,716	38	$298,930	51	$481,586	135	$987,156	223	$1,241,013	130	$795,942	193	$1,339,390	3	$22,475	**2,955**	**$19,384,976**
University of Hartford	1,971	$19,430,253	165	$2,259,133	133	$1,521,191	292	$4,571,895	388	$3,846,396	580	$4,836,951	311	$2,539,545	178	$1,587,565	0	$0	**4,018**	**$40,592,929**
University of New Haven	371	$2,993,773	14	$162,404	9	$83,222	17	$205,247	12	$128,508	57	$559,065	119	$970,143	183	$1,602,650	6	$69,009	**788**	**$6,774,021**
Wesleyan University	618	$7,015,771	2	$37,500	1	$15,000	10	$117,534	13	$203,460	47	$506,282	32	$276,587	24	$308,025	0	$0	**747**	**$8,480,159**
Western Connecticut State University	69	$381,233	10	$88,075	5	$35,800	9	$94,331	22	$143,841	56	$263,495	41	$154,426	46	$244,865	0	$0	**258**	**$1,406,066**
Wilcox College of Nursing	153	$2,653,678	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	**153**	**$2,653,678**
Yale University - College	1,460	$18,796,969	98	$1,707,670	58	$897,141	131	$2,292,272	175	$2,613,232	346	$3,933,971	124	$1,426,415	193	$2,548,425	0	$0	**2,585**	**$34,216,095**
Yale University - Graduate School	77	$760,842	0	$0	0	$0	0	$0	0	$0	1	$38,000	1	$20,000	0	$0	0	$0	**79**	**$818,842**
Yale University - School of Art	17	$136,506	0	$0	0	$0	1	$3,000	0	$0	0	$0	0	$0	0	$0	0	$0	**18**	**$139,506**
Yale University - School of Drama	4	$19,235	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	**4**	**$19,235**
Yale University - School of Forestry	6	$64,650	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	**6**	**$64,650**
Yale University - School of Law	281	$3,101,938	1	$4,700	0	$0	0	$0	0	$0	3	$86,600	0	$0	0	$0	0	$0	**285**	**$3,193,238**
Yale University - School of Medicine	138	$1,108,608	0	$0	0	$0	0	$0	0	$0	0	$0	29	$415,596	0	$0	0	$0	**167**	**$1,524,204**
Yale University - School of Nursing	111	$856,349	2	$31,300	1	$3,586	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	**114**	**$891,235**
Yale University - School of Management	325	$3,181,976	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	0	$0	**325**	**$3,181,976**
Total Disbursed to Students- Attending Connecticut Institutions	15,219	$140,759,469	966	$12,578,802	592	$6,944,752	1,500	$23,360,653	1,842	$21,377,317	3,189	$28,440,768	1,889	$16,221,204	2,353	$22,158,824	27	$203,278	**27,577**	**$272,045,066**
10.98% Loans	1,575	$9,138,627.00																	**1,575**	**$9,138,627**
Total Disbursed to CT Students- Attending Out-of-State Institutions	3,600	$36,178,687	259	$3,633,514	151	$1,868,675	366	$4,960,399	466	$5,149,868	999	$9,430,573	959	$8,482,377	1,676	##########	5	$45,055	**8,481**	**$84,979,558**
Grand Total	20,394	$186,076,783	1,225	$16,212,316	743	$8,813,427	1,866	$28,321,052	2,308	$26,527,184	4,188	$37,871,341	2,848	$24,703,581	4,029	$37,389,234	32	$248,333	**37,633**	**$366,163,251**

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - HISTORICAL LENDING (06/13)

Institution	[1990 Resolution] Pre-2003 Series AB		[2003 Resolution] 2003 Series A		[2003 Resolution] 2003 Series B		[2003 Resolution] 2005 Series A		[2003 Resolution] 2006 Series A		[2003 Resolution] 2007 Series A		[1990 Resolution] 2009 Series A		[1990 Resolution] 2010 Series A		[1990 Resolution] 2013 Series A			
	Number of Loans Disb. (1)	Amount of Loans Disb. (1)	Number of 4.99% Loans Disb. (2)	Amount of 4.99% Loans Disb. (2)	Number of 4.99% Loans Disb. (3)	Amount of 4.99% Loans Disb. (3)	Number of 5.50% Loans Disb. (4)	Amount of 5.50% Loans Disb. (4)	Number of 6.15% Loans Disb. (5)	Amount of 6.15% Loans Disb. (5)	Number of 6.99% Loans Disb. (6)	Amount of 6.99% Loans Disb. (6)	Number of 6.80% Loans Disb. (7)	Amount of 6.80% Loans Disb. (7)	Number of 5.95% Loans Disb. (8)	Amount of 5.95% Loans Disb. (8)	Number of 5.99% Loans Disb. (9)	Amount of 5.99% Loans Disb. (9)	Total Number Of Students	Total Distribution to Students
CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - HISTORICAL LENDING (Percentage Basis)																				
Albertus Magnus College	1.09%	0.84%	0.33%	0.22%	0.54%	0.51%	0.54%	0.44%	0.48%	0.52%	1.00%	0.67%	0.88%	0.59%	0.30%	0.21%	0.00%	0.00%	**0.88%**	**0.65%**
ARC - Alt. Route to Cert. (CT DHE)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.49%	0.23%	0.57%	0.23%	3.13%	1.60%	**0.10%**	**0.04%**
Asnuntuck Community College	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%	0.03%	0.05%	0.03%	0.00%	0.00%		
Capital Community College	0.00%	0.00%	0.24%	0.07%	0.00%	0.00%	0.11%	0.04%	0.09%	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.02%**	**0.01%**
Charter Oak State College	0.05%	0.02%	0.00%	0.00%	0.00%	0.00%	0.11%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.03%	0.00%	0.00%	**0.04%**	**0.02%**
Central Connecticut State University	1.96%	1.10%	3.51%	2.33%	2.42%	1.48%	4.07%	2.40%	4.55%	2.56%	3.01%	1.55%	1.97%	0.96%	1.84%	1.12%	0.00%	0.00%	**2.38%**	**1.41%**
Connecticut College	1.52%	1.79%	0.08%	0.15%	0.40%	0.40%	0.27%	0.31%	0.00%	0.00%	0.17%	0.13%	0.00%	0.00%	0.32%	0.24%	6.25%	4.03%	**0.91%**	**0.99%**
Eastern Connecticut State University	2.15%	1.21%	3.10%	1.60%	4.04%	2.32%	2.47%	1.54%	3.55%	1.66%	3.20%	1.80%	2.95%	1.68%	3.20%	1.84%	6.25%	1.37%	**2.61%**	**1.47%**
Fairfield University	6.49%	7.53%	4.49%	4.87%	4.71%	4.33%	4.34%	5.20%	5.33%	5.67%	4.56%	5.68%	4.56%	5.70%	3.57%	3.94%	9.38%	10.25%	**5.54%**	**6.34%**
Gateway Community College	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%	0.02%	0.00%	0.00%	0.04%	0.02%	0.00%	0.00%	0.00%	0.00%	**0.01%**	**0.01%**
Goodwin College, Inc.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	0.05%	0.02%	0.01%	0.07%	0.05%	0.22%	0.16%	0.00%	0.00%	**0.04%**	**0.02%**
Gradute Institute	0.00%	0.00%	0.33%	0.21%	0.54%	0.47%	0.16%	0.09%	0.26%	0.31%	0.33%	0.32%	0.81%	0.98%	0.62%	0.55%	6.25%	4.63%	**0.22%**	**0.21%**
Hartford Seminary	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.02%	0.00%	0.00%	0.05%	0.06%	0.00%	0.00%	**0.01%**	**0.01%**
Housatonic Community College	0.00%	0.00%	0.08%	0.02%	0.00%	0.00%	0.00%	0.00%	0.13%	0.03%	0.02%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.02%**	**0.01%**
Rensselaer at Hartford	0.09%	0.07%	0.00%	0.00%	0.00%	0.00%	0.05%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.05%**	**0.04%**
Lyme Academy of Fine Arts	0.01%	0.01%	0.08%	0.07%	0.00%	0.00%	0.21%	0.14%	0.13%	0.06%	0.31%	0.24%	0.39%	0.31%	0.37%	0.19%	0.00%	0.00%	**0.13%**	**0.09%**
Manchester Community College	0.02%	0.01%	0.00%	0.00%	0.27%	0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.01%	0.00%	0.00%	**0.02%**	**0.01%**
Mitchell College	0.18%	0.18%	0.08%	0.11%	0.13%	0.19%	0.21%	0.34%	0.17%	0.27%	0.60%	0.44%	1.23%	0.98%	0.74%	0.61%	0.00%	0.00%	**0.36%**	**0.32%**
Naugatuck Valley Community College	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	0.02%	0.00%	0.00%	0.00%	0.00%	0.07%	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%	0.00%	0.00%	0.07%	0.04%	0.00%	0.00%	**0.44%**	**0.58%**
Quinnipiac University	6.91%	6.75%	8.33%	8.83%	10.63%	12.49%	16.35%	18.44%	15.81%	17.82%	11.58%	13.42%	7.48%	8.78%	9.11%	11.23%	3.13%	6.43%	**8.84%**	**9.97%**
Quinnipiac University School of Law	1.80%	2.55%	0.08%	0.10%	0.00%	0.00%	0.11%	0.12%	0.22%	0.23%	0.02%	0.04%	0.11%	0.10%	0.00%	0.00%	0.00%	0.00%	**1.01%**	**1.34%**
Sacred Heart University	6.89%	7.09%	23.67%	26.27%	18.84%	21.28%	20.31%	23.51%	12.82%	19.50%	16.12%	18.10%	13.87%	15.60%	12.73%	15.27%	15.63%	11.48%	**10.89%**	**13.00%**
Southern Connecticut State University	1.11%	0.66%	1.80%	1.06%	1.35%	0.87%	1.88%	0.95%	2.21%	0.94%	1.48%	0.65%	1.12%	0.52%	1.86%	1.03%	3.13%	2.01%	**1.37%**	**0.76%**
Saint Joseph College (Univ. of Saint Joseph)	2.10%	1.69%	1.31%	0.83%	1.75%	1.35%	1.13%	0.91%	1.21%	0.77%	1.34%	1.04%	1.65%	1.19%	1.32%	1.13%	3.13%	3.22%	**1.76%**	**1.36%**
Saint Vincent College	0.10%	0.07%	0.00%	0.00%	0.00%	0.00%	0.16%	0.12%	0.04%	0.04%	0.21%	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.09%**	**0.07%**
Teikyo Post University	0.38%	0.27%	0.49%	0.23%	0.67%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.23%**	**0.16%**
Three Rivers Community College	0.05%	0.07%	0.08%	0.04%	0.27%	0.08%	0.00%	0.00%	0.04%	0.01%	0.07%	0.03%	0.07%	0.03%	0.05%	0.01%	0.00%	0.00%	**0.06%**	**0.05%**
Trinity College	1.10%	1.27%	0.33%	0.12%	0.00%	0.00%	0.38%	0.30%	0.22%	0.12%	0.50%	0.42%	0.39%	0.54%	0.52%	0.67%	0.00%	0.00%	**0.78%**	**0.83%**
Tunxis Community College	0.07%	0.04%	0.16%	0.04%	0.00%	0.00%	0.05%	0.01%	0.04%	0.02%	0.10%	0.03%	0.04%	0.06%	0.10%	0.04%	0.00%	0.00%	**0.07%**	**0.04%**
University of Bridgeport	1.01%	0.79%	0.24%	0.17%	0.13%	0.06%	0.11%	0.11%	0.00%	0.00%	0.10%	0.05%	0.56%	0.60%	0.35%	0.20%	0.00%	0.00%	**0.65%**	**0.48%**
University of Conn. - School of Law	0.08%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.05%**	**0.03%**
University of Conn. - School of Social Work	0.12%	0.07%	0.08%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.07%**	**0.04%**
University of Conn. - Dental/Health Center	0.44%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.24%**	**0.18%**
University of Conn. - School of Medicine	0.22%	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.12%**	**0.08%**
University of Conn. - Storrs Campus	10.33%	7.31%	6.12%	3.75%	5.11%	3.39%	2.73%	1.70%	5.85%	3.72%	5.32%	3.28%	4.56%	3.22%	4.79%	3.58%	9.38%	9.05%	**7.85%**	**5.29%**
University of Hartford	9.66%	10.44%	13.47%	13.93%	17.90%	17.26%	15.65%	16.14%	16.81%	14.50%	13.85%	12.77%	10.92%	10.28%	4.42%	4.25%	0.00%	0.00%	**10.68%**	**11.09%**
University of New Haven	1.82%	1.61%	1.14%	1.00%	1.21%	0.94%	0.91%	0.72%	0.52%	0.48%	1.36%	1.48%	4.18%	3.93%	4.54%	4.29%	18.75%	27.79%	**2.09%**	**1.85%**
Wesleyan University	3.03%	3.77%	0.16%	0.23%	0.13%	0.17%	0.54%	0.42%	0.56%	0.77%	1.12%	1.34%	1.12%	1.12%	0.60%	0.82%	0.00%	0.00%	**1.98%**	**2.32%**
Western Connecticut State University	0.34%	0.20%	0.82%	0.54%	0.67%	0.41%	0.48%	0.33%	0.95%	0.54%	1.34%	0.70%	1.44%	0.63%	1.14%	0.65%	0.00%	0.00%	**0.69%**	**0.38%**
Wilcox College of Nursing	0.75%	1.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.41%**	**0.72%**
Yale University - College	7.16%	10.10%	8.00%	10.53%	7.81%	10.18%	7.02%	8.09%	7.58%	9.85%	8.26%	10.39%	4.35%	5.77%	4.79%	6.82%	0.00%	0.00%	**6.87%**	**9.34%**
Yale University - Graduate School	0.38%	0.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.10%	0.04%	0.08%	0.00%	0.00%	0.00%	0.00%	**0.21%**	**0.22%**
Yale University - School of Art	0.08%	0.07%	0.00%	0.00%	0.00%	0.00%	0.05%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.05%**	**0.04%**
Yale University - School of Drama	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.01%**	**0.01%**
Yale University - School of Forestry	0.03%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.02%**	**0.02%**
Yale University - School of Law	1.38%	1.67%	0.08%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	0.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.76%**	**0.87%**
Yale University - School of Medicine	0.68%	0.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.02%	1.68%	0.00%	0.00%	0.00%	0.00%	**0.44%**	**0.42%**
Yale University - School of Nursing	0.54%	0.46%	0.16%	0.19%	0.13%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.30%**	**0.24%**
Yale University - School of Management	1.59%	1.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.86%**	**0.87%**
Total Disbursed to Students- Attending Connecticut Institutions	74.62%	75.65%	78.86%	77.59%	79.68%	78.80%	80.39%	82.49%	79.81%	80.59%	76.15%	75.10%	66.33%	65.66%	58.40%	59.27%	84.38%	81.86%	**73.28%**	**74.30%**
10.98% Loans	7.72%	4.91%																	**4.19%**	**2.50%**
Total Disbursed to CT Students- Attending Out-of-State Institutions	17.65%	19.44%	21.14%	22.41%	20.32%	21.20%	19.61%	17.51%	20.19%	19.41%	23.85%	24.90%	33.67%	34.34%	41.60%	40.73%	15.63%	18.14%	**22.54%**	**23.21%**
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	**100.00%**	**100.00%**

CHESLA

Connecticut Higher Education Supplemental Loan Authority

Exhibit C – Loan Program Manual

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

ADOPTED AUGUST 14, 1996,

AMENDED AS OF DECEMBER 10, 1999

AMENDED AS OF OCTOBER 2, 2001

AMENDED AS OF JULY 30, 2008

* * * * * * * * * *

ADDENDUM, AUGUST 19, 1998
ADDENDUM, OCTOBER 27, 1999
ADDENDUM, NOVEMBER 2, 2000
ADDENDUM, OCTOBER 31, 2001 & NOVEMBER 2, 2001
ADDENDUM, JUNE 30, 2003
ADDENDUM, MARCH 2, 2005
ADDENDUM, AUGUST 2, 2006
ADDENDUM, AUGUST 10, 2007
ADDENDUM, JULY 29, 2009
ADDENDUM, OCTOBER 5, 2010
ADDENDUM, MARCH 19, 2013

TABLE OF CONTENTS

Education Loan Interest Rates

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I. GUIDELINES

A. PURPOSE

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

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

B. DEFINITIONS

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

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

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

“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) exempt from taxation under said code as a governmental unit.

"Eligible Graduate Student" means a student who is a resident of Connecticut and who is enrolled in and pursuing an educational program leading to a post-baccalaureate certificate or a masters, doctorate or professional degree at an Eligible College or University on at least a half-time basis as defined by such college or university, who is in good academic standing and is making satisfactory progress, as determined by such college or university. "Eligible Graduate 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, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college or university.

"Eligible Student" means an Eligible Graduate Student or an Eligible Undergraduate Student.

"Eligible Undergraduate 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, or a student enrolled in the Connecticut Alternate Route to Certification Program, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college, university, or program. "Eligible Undergraduate 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, or a student enrolled in the Connecticut Alternate Route to Certification Program, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college, university, or program.

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

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

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

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

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

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

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

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

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

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

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

Credit reports that list any of the above conditions may result in a rejection of the 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 disbursement dates for each approved Loan upon receipt of the executed Note and School Certification Form, and shall list such Loan on the disbursement roster, which shall be forwarded to the Authority and the Trustee.

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

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

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

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

G. LOAN SERVICING AND REPAYMENT

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

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

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

3. Processing of Payments Received. The Servicer, on behalf of Authority, will maintain a post office box to receive payments on the Loans, and will transfer such payments into an

account maintained by the Trustee, on such basis as the Servicer and the Authority shall agree. Such payments shall be deemed held in trust for the Authority and the bondholders. The Authority and the Trustee shall be responsible for negotiating the terms of said account with respect to fees, interest, and transfers therefrom. The Servicer shall prepare a report monthly with respect to payments received, identifying (to the extent ascertainable) the Borrower with respect to each payment and shall deliver such report to the Authority.

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

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

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

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

H. LOAN COLLECTION PROCESS

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

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

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

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

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

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

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

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

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated August 19, 1998

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

1. Loans made with proceeds of the 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

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated October 27, 1999

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

1. Loans made with proceeds of the 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

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated November 2, 2000

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

1. Loans made with proceeds of the 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

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated October 31, 2001 & November 2, 2001

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

1. Loans made with proceeds of the 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

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated June 30, 2003

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

1. Loans made with proceeds of the 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
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated March 2, 2005

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

1. Loans made with proceeds of the 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
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated August 2, 2006

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

1. Loans made with proceeds of the 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

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated August 10, 2007

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

1. Loans made with proceeds of the 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 2007 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received Credit Confirmation approving such change.

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

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated July 29, 2009

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

1. Loans made with proceeds of the 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.

ADDENDUM TO

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

Dated October 5, 2010

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

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

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

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

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated March 19, 2013

Per the Determination of the Executive Director of the Connecticut Higher Education Supplemental Loan Authority on March 19, 2013:

1. Loans made with proceeds of the Authority's $25,000,000 Revenue Bonds (CHESLA Loan Program) 2013 Series A (the "2013 Series A Bonds") initially shall bear interest at a stated rate of 5.99% 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 the Authority provided there has been a finding by the Authority that the Revenues and other amounts derived by the Authority from the Program shall continue to be sufficient at all times (a) to pay the cost of maintaining and servicing the Program and keeping it properly insured, (b) to pay the principal or Redemption Price of, and the interest on, all Outstanding Bonds of the Authority issued with respect to such Program, (c) to establish, increase as required hereunder and maintain the Special Capital Reserve Fund at the Special Capital Reserve Fund Requirement, and (d) to pay such other Program Costs as shall be required; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such finding shall be required.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2013 Series A Bonds. The Reserve Fee may be increased or decreased by the Authority, provided that for any decrease, there has been a finding by the Authority that the Revenues and other amounts derived by the Authority from the Program shall continue to be sufficient at all times (a) to pay the cost of maintaining and servicing the Program and keeping it properly insured, (b) to pay the principal or Redemption Price of, and the interest on, all Outstanding Bonds of the Authority issued with respect to such Program, (c) to establish, increase as required hereunder and maintain the Special Capital Reserve Fund at the Special Capital Reserve Fund Requirement, and (d) to pay such other Program Costs as shall be required.

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

The stated rates of interest borne by Loans originated pursuant to the CHESLA Loan Program with proceeds of the 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%
2010 Series A	5.95%
2013 Series A	5.99%

CHESLA

Connecticut Higher Education Supplemental Loan Authority

Exhibit D – CHESLA's Strategic Plan

Approved by CHESLA Board March 5, 2013

CHESLA Strategic Plan
FY 2013 – 2015

Mission: to expand higher educational opportunities for students in or from the State of Connecticut by offering a cost-effective alternative financing program.
Vision: to become a resource for students as they plan for their college education, not only by providing financing, but by providing information and tools for students to make informed decisions; to enhance the competitiveness of Connecticut institutions of higher education by providing additional financing options; to encourage interest in higher education to help the state meet its workforce needs.
Goals and Objectives:

Core Goal 1 – Superior Client Service

A. Cost effective and well-structured bond issuance that helps achieve a low cost of funds for students (Measure is our rate compared to PLUS and unsubsidized Stafford Loans, as well as compared to private fixed rate products)
    1. Protect tax-exempt status through thorough post issuance compliance processes
    2. Effective investment management
    3. Strengthen Investor Relations to support low bond interest rates
    4. Resolution structure that supports strong bond ratings and mix of products
B. Develop informed borrowers by educating them on debt.
    1. Consider modifying the application process for students and co-borrowers so that before they can access application, they have to go through a tutorial
    2. Provide educational sessions and information on-line (Measure: attendance at info sessions, hits on-line to education portion of website)
C. Well managed loan servicer to support easy application process, timely disbursement to schools, good billing and follow up (Measure: periodic phone surveys to schools for feedback on this and other issues—perhaps at the end of the first term)
D. Well managed, effective and ethical collection agency (Measure: collection rate, consumer complaint and other data compiled in annual management report to be provided by collection agency each May)
E. Responsive staff (Set standards like response time for school/borrower questions)
F. Good borrower communication
    1. Send borrowers congratulatory note upon graduation that advises them of upcoming principal payments
    2. Develop newsletter
    3. Explore social media
    4. Make CHESLA more prominent in borrower communications

Core Goal 2 – Programs and Services that Meet the Demands of a Changing Market

A. Evolve Existing Programs
    1. Broaden the number of schools served by CHESLA loans; continue to apply for preferred lender status. (Measure – increase in placement on preferred lists)
    2. Develop marketing program for increasing CHESLA awareness

i. Attend financial aid fairs etc.
ii. Search engine management
iii. Client visits
iv. Program for regular press releases coordinated when feasible with governor's office

B. Develop/Implement New Programs and Loan Products
   1. Develop more financial aid/debt education tools e.g. on-line, seminars
   2. Consider other loan products, e.g. interest rates that vary with borrower credit quality; flexibility to restructure payment terms
   3. Consider programs to broaden the base of eligible students
   4. Consider programs that incentivize students to pursue areas of study that fit with state's workforce development needs
   5. Be prepared to counter market impact of large lenders now offering a fixed rate product (e.g. Sallie Mae and Discover)
   6. Meet with counterparts in other states
   7. Highlight graduate and undergraduate product and serve each market individually

Core Goal 3 – Partner in Public Policy

A. Leadership in Creation of Public Policy
   1. Work with other groups to support educational opportunity
   2. Work within the tax-exempt bond community to ensure continued access to capital for CHESLA loans
   3. Monitor any proposed changes in bankruptcy law that would give borrowers and/or co-borrowers the ability to discharge student loans in bankruptcy

B. Collaboration with Other State Entities/Advocacy Groups on Common Interests (e.g. providing educational opportunity, fostering interest in college at an early age); Continue work with CT Association of Professional Financial Aid Administrators (CAPFAA), EFC etc.
C. Work with Treasurer's Office on financial literacy programs and CHET links
D. Community service as individuals and as an organization

Core Goal 4 – Sustainable and Ethical Organization

A. Staff and Management Development – use professional organizations for continuing education
B. Board Development and Oversight – annual session for board education
C. Increase Awareness of the Authority's Accomplishment and Challenges
D. Regulatory compliance function, use internal audit function
E. Clean Audits
F. Expense Management
G. Perform well vs. budget

CHESLA

Connecticut Higher Education Supplemental Loan Authority

Exhibit E – Fiscal Year 2014 Operating Budget

CHESLA Budget
Budget for the Twelve Months Ending June 30, 2014

	FYE June 30, 2013 Budget		FYE June 30, 2013 Proj Actual		FYE June 30, 2014 Budget	
Revenues						
Admin Fee Income	$	734,918	$	761,026	**$**	**686,726**
Investment Income		5,300		4,794		**4,500**
Misc Income & Recovery		0		10,155		**0**
Total Revenues	$	740,218	$	775,975	**$**	**691,226**
Expenses						
Compensation	$	142,868	$	139,558	**$**	**145,140**
Employee Benefits		57,296		46,148		**52,184**
General and Administrative		84,222		61,233		**109,298**
Business Education, Board and Reimbursable		10,600		4,713		**12,750**
Membership Dues		14,500		7,403		**14,500**
CHEFA Support Services		106,179		106,179		**142,874**
Outside Services		155,640		156,647		**36,000**
Total Expenses	$	571,305	$	521,881	**$**	**512,746**
Excess Revenue from Operations	$	168,913	$	254,094	**$**	**178,480**
Bond Issuance Costs & Amortization		0		1,704,177		**25,627**
Total Excess Revenue	**$**	**168,913**	**$**	**(1,450,083)**	**$**	**152,853**

Benefit % to Compensation	**40.10%**	**33.07%**	**35.95%**

* Projected Actual is based on Actual Financials as of March 31, 2013, plus 3 months of projected amounts.

** Revised Budget per Board Resolution dated September 17, 2013 (see General and Administrative; Business Insurance)

CHESLA Salary & Benefits Expense
Budget for the Twelve Months Ending June 30, 2014

	FYE June 30, 2013 Budget	FYE June 30, 2013 Proj Actual	FYE June 30, 2014 Budget
Staff Compensation	$ 142,868	$ 139,558	**$ 145,140**
Bonus	0	0	**0**
Temporary Salaries	0	0	**0**
Total Compensation	$ 142,868	$ 139,558	**$ 145,140**
Payroll Taxes	$ 11,707	$ 10,689	**$ 11,061**
Medical & Life Insurance			
CBIA Medical w/CBIA Life	15,324	8,087	**9,334**
Deductible Funding HSA (CHEFA)	3,750	1,875	**3,750**
Less: CBIA Co-insurance	(3,819)	(2,005)	**(2,321)**
Net Medical Insurance	15,255	7,957	**10,763**
CHEFA Alternative Insurance	2,800	2,800	**2,800**
Life Insurance	746	778	**769**
Dental	2,224	2,218	**2,335**
Total Medical, Life Insurance & Other	21,025	13,753	**16,667**
Pension			
Contributions	14,287	12,793	**14,514**
Administrative Fee	0	574	**574**
Total Pension	14,287	13,367	**15,088**
457 Plan	3,000	2,513	**2,551**
Vacation	0	0	**0**
Disability Insurance - Long Term	833	596	**597**
Disability Insurance - Short Term	800	618	**620**
Workers Compensation	644	592	**600**
Tuition	5,000	4,020	**5,000**
Total Employee Benefits	57,296	46,148	**52,184**
Total Employment	$ 200,164	$ 185,706	**$ 197,324**

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2014

	FYE June 30, 2013 Budget	FYE June 30, 2013 Proj Actual	FYE June 30, 2014 Budget	
Lease & Storage				
Lease - Office Space	$ 8,541	$ 8,285	**$ 12,048**	
Offsite Storage & Filesanywhere (electronic storage)	0	367	**400**	
Total Lease & Storage	8,541	8,652	**12,448**	
Business Insurance				
Office Package	0	842	**642**	
Cyber Policy	0	0	**10,000**	*
Fiduciary & Performance Bond & Terrorism	0	136	**150**	
Directors and Officers Liability	9,589	25,489	**33,540**	
Total Business Insurance	9,589	26,467	**44,332**	
Office Supplies and Non Capital Equipment				
General Office Expense and Supplies	3,739	750	**1,200**	
Non-Capital furniture, Equipment & Software Licensing	6,225	5,555	**500**	
Total Office Supplies and Non Capital Equip	9,964	6,305	**1,700**	
Communications: Telephone & Internet				
Phone, Data Svc & Conferencing	1,440	1,372	**2,616**	
Website Development & Hosting	840	250	**452**	
Total Communications: Phone & Internet	2,280	1,622	**3,068**	
Postage Expense				
Postage & Courier Expense	2,848	2,712	**2,750**	
Maintenance Contracts	6,000	6,158	**5,534**	
Publications & Resource Materials	0	0	**500**	
Marketing Costs	35,000	5,612	**35,000**	
Advertising	0	0	**20,000**	
Brochures	0	999	**1,000**	
Exhibit/Sponsorship Fees	0	730	**1,000**	
Exhibit/Sponsorship Promotional Items	0	548	**1,000**	
Scholarships	0	3,000	**6,000**	
Misc Marketing items	35,000	335	**6,000**	
Total Marketing Costs	35,000	5,612	**35,000**	
Miscellaneous				
Kitchen supplies, soda, Sam's Club	0	386	**391**	
ADP Payroll Service	0	1,270	**1,300**	
Bank Fees & Safe Deposit Box	0	132	**150**	
Contingency	10,000	1,738	**0**	
Staff Activities	0	0	**125**	
Miscellaneous	0	179	**2,000**	
Total Miscellaneous	10,000	3,705	**3,966**	
Contributions				

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2014

	FYE June 30, 2013 Budget	FYE June 30, 2013 Proj Actual	FYE June 30, 2014 Budget
Miscellaneous	0	0	**0**
Total Contributions	0	0	**0**
Total General and Administrative Expenses	$ 84,222	$ 61,233	$ 109,298
Bond Insurance Cost - Amortization	0	0	**25,627**
Bond Issuance Costs	0	1,704,177	**0**
Total Bond Issuance Cost	**0**	**1,704,177**	**25,627**

* Revised Budget per Board Resolution dated September 17, 2013

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2014

	FYE June 30, 2013 Budget	FYE June 30, 2013 Proj Actual	FYE June 30, 2014 Budget
Depreciation	$ 0	0	**$ 0**
Employee Reimbursable			
Staff business and travel expenses	500	231	**750**
Total Employee Reimbursable	500	231	**750**
Board Expense			
Board lunches	600	1,057	**1,500**
Board business	0	0	**1,000**
Total Board Expense	600	1,057	**2,500**
Conference & Education Expense			
Conferences (including expenses)	8,500	3,398	**8,500**
End User Education (non tuition, computer and other)	1,000	27	**1,000**
Total Conference & Education Expense	9,500	3,425	**9,500**
Education - Board		0	**0**
Total Business Education, Board and Reimbursable	$ 10,600	$ 4,713	**$ 12,750**
Memberships Dues	$ 14,500	$ 7,403	**$ 14,500**
CHEFA Support Services	106,179	106,179	**142,874**

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2014

	FYE June 30, 2013 Budget	FYE June 30, 2013 Proj Actual	FYE June 30, 2014 Budget
Accounting Systems			
Enhancements (IT)	0	197	**1,000**
Total Accounting and IT Systems	0	197	**1,000**
Consultant Others			
Beers Hamerman & Co.	15,140	15,950	**0**
CCIC	26,500	26,500	**0**
Insurance Consultant	0	0	**8,000**
Total Consultant Others	41,640	42,450	**8,000**
Legal	80,000	80,000	**0**
Independent Auditors	34,000	34,000	**27,000**
Total Outside Services	$ 155,640	$ 156,647	**$ 36,000**