



Annual Report

Fiscal Year Ended June 30, 2014

www.chesla.org

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Hartford, CT 06106
860-520-4001

Helping Students and their Families Invest in the Future.



www.chesla.org

Connecticut Higher Education Supplemental Loan Authority
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Message from the Executive Director:

During FY 2014, the Connecticut Higher Education Supplemental Loan Authority (CHESLA) continued to focus on its borrowers. A key part of this effort has been outreach to students and financial aid professionals. Informing these constituencies about CHESLA's mission and loan products is a key objective. During FY 2014, CHESLA staff met with financial aid officers at 18 colleges and universities throughout the state. Their feedback reassured us that our product offers value and benefit to students. We also reinstated our Advisory Committee, naming three experienced guidance and aid professionals to provide input as we consider new features for our loans. One such feature, which we implemented with our 2014 loan pool, is a co-borrower release. After 5 years of on-time repayment, a co-borrower may, upon request, be removed from a loan if the borrower is independently capable of meeting the credit criteria at that time. We believe that this is a very attractive feature for parents, who often serve as co-borrowers. CHESLA staff also worked throughout the year to ensure that our borrowers are receiving high quality customer service from our partners, particularly our loan servicer.

CHESLA made efforts this year to increase student awareness of our product. Our student and parent outreach was achieved through online and print advertising in local and campus newspapers, radio advertisements, distribution of fliers, and direct contact with parents and students. Participation in events such as College Goal Sunday has also helped to raise our profile with students and their families.

Our most notable achievement for our borrowers this year is our interest rate. We achieved a very favorable fixed rate of 6.75% for our loan pool. CHESLA funds its loans through the issuance of bonds that are indirectly supported by the State of Connecticut. This state support lowers the interest rate on our bonds and allows us to provide our borrowers with a lower loan rate. Our loan rate is not only favorable for borrowers, relative to other comparable loan products; it also is consistent with the continued financial strength of the Authority. Maintaining CHESLA's financial viability is critical to achieving our mission. We look forward to serving Connecticut students for many years to come.

Jeanette W. Weldon
Executive Director
September, 2014

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.



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

CHESLA became statutorily consolidated with the Connecticut Health and Educational Facilities Authority (CHEFA) on July 1, 2012. Additional information about CHEFA may be found in its Annual Report available at www.chefa.com.

The CHESLA consolidation with CHEFA allowed certain previously outsourced CHESLA functions to be provided by CHEFA staff. FY 2014, CHESLA paid CHEFA approximately \$143,000 for management and support services. This compares favorably to the approximately \$216,000 paid by CHESLA for outsourced services in FY 2012, prior to the consolidation. The CHESLA consolidation is reflected in the audited financial statements which are presented on a consolidated basis.

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

Erika H. Steiner
Chief Financial Officer



Barbara Rubin*
Chair of the Board of CHESLA



Jeffrey A. Asher*
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

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 Employment Opportunity Policy

The Authority is an Equal Opportunity Employer and it is the Authority’s policy not to tolerate discrimination or sexual harassment in any form. The Authority does not discriminate against any person in regard to any term or condition of employment based on race, color, religious creed, age, gender, sexual orientation, gender identity or expression, marital status or civil union status, national origin,

ancestry, pregnancy, present or past history of mental disorder, intellectual disability, mental or physical disability (including, but not limited to, blindness), veteran's status, prior conviction of a crime, or any other reason prohibited by any applicable law or regulation. Further, it bases its employment decisions, including recruiting, hiring, training and promoting, on this nondiscriminatory principle.

If at any time an employee feels that she or he has been discriminated against or that the above guidelines have been in any way violated, the employee should immediately inform any officer of the Authority. Any employee found to have engaged in discriminatory conduct in violation of the above may be subject to disciplinary action up to and including dismissal. The ultimate responsibility for the implementation of this policy rests with the Executive Director.

Please be advised that, in addition to the above, the Authority will not tolerate disparaging comments about any of the above classes of individuals even if the person to whom the comments are made is not a member of such a class. Any Authority employee found to have made such comments or to have exhibited discriminatory behavior based on any of these or any other classifications may be subject to disciplinary measures up to and including dismissal.

As of June 30, 2014, CHESLA had two employees: a Deputy Director (1 African-American Male) and a Portfolio and Marketing Associate (1 Caucasian Male).

Fiscal Year 2014 Strategic Initiative Highlights

Core Goal 1 – Superior Client Service

- A \$300,000 equity contribution and favorable market conditions combined to produce a competitive 2014 Series A loan rate for CHESLA's student borrowers. CHESLA utilized its pool of underwriters and experienced financial advisor to formulate a favorable strategy that will also strengthen the 1990 Resolution Trust.
- Added a new co-borrower release feature with the 2014 loans, which will allow the co-borrower to be released from the loan upon request after 5 years of on-time repayment if the borrower can individually qualify for the loan at that time.
- Provided a college financial aid presentation for parents and guidance counselors of middle school students at Shepaug Valley School during May FY2014.
- The Authority appointed three professionals with student guidance, higher education admissions and college lending backgrounds to the reinstated Advisory Committee. The committee members provided beneficial feedback on CHESLA's 2014 loan product.
- Staff visited Firstmark Services during FY2014 to engage in meetings focused on updating the origination and servicing procedure manual. This activity was conducted to further ensure that the loan servicer is well equipped in providing superior service to CHESLA and its customers.



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

- During FY 2014, CHESLA was listed as a preferred lender with 4 schools and significantly increased its visibility to students with 22 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 participated in the Quest College Fair Summit sponsored by the Connecticut Chapter of the National Society of Hispanic MBA's.



- CHESLA's again participated and sponsored College Goal Sunday. 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 18 Connecticut colleges to inform them of the program and remaining loan funds available to their students.
- Scheduled pricing of the 2014 Series A bond to occur after the rate basis for the Federal Parent PLUS loan was known, in order to enhance competitiveness of CHESLA's loan rate. Added a new co-borrower release benefit to remain competitive with other lenders products.

Core Goal 3 – Partner in Public Policy



- Staff and management are members of the Education Finance Council (EFC), a national trade association representing non-profit and state agency student loan organizations; the National Association of School Financial Aid Administrators (NASFAA), which provides focus on student aid legislation, regulatory analysis and training for financial aid professionals; and, the Connecticut Association of Professional Financial Aid Administrators (CAPFAA), which assists in promoting and developing effective programs for student financial aid.
- CHESLA participated in a community service day with the Hartford Boys and Girls Club, through the Hands on Hartford organization, in FY2014 in conjunction with CHEFA staff.

Core Goal 4 – Sustainable and Ethical Organization

- In its FY2014 consolidated audit of CHEFA and CHESLA, Saslow, Lufkin & Buggy, LLP issued a clean opinion with no audit findings.



Bond Issuance

The Authority issued \$23,000,000 in Revenue Bonds on June 18, 2014. The 2014 Series A Bonds were sold through a negotiated underwriting with BofA Merrill Lynch as the senior managing underwriter, RBC Capital Markets as co-managing underwriter and FirstSouthwest Company as the Authority's financial advisor.

As of June 30, 2014, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate original principal amount of \$502,925,000. The principal amounts of the Authority's outstanding bonds as of June 30, 2014 total \$173,205,000, as shown below:

<u>Bond Series</u>	<u>Principal Issued</u>	<u>Principal Outstanding</u>
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	\$5,135,000
2003 Series B	\$12,915,000	\$4,270,000
2005 Series A	\$31,455,000	\$11,515,000
2005 Series B	\$5,900,000	\$0
2006 Series A	\$33,270,000	\$12,200,000
2007 Series A	\$41,000,000	\$24,620,000
2009 Series A	\$30,000,000	\$21,580,000
2010 Series A	\$45,000,000	\$38,920,000
2012 Series A	\$13,085,000	\$6,965,000
2013 Series A	\$25,000,000	\$25,000,000
2014 Series A	\$23,000,000	\$23,000,000
Total	\$502,925,000	\$173,205,000

The State's contingent liability, in connection with the outstanding 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.

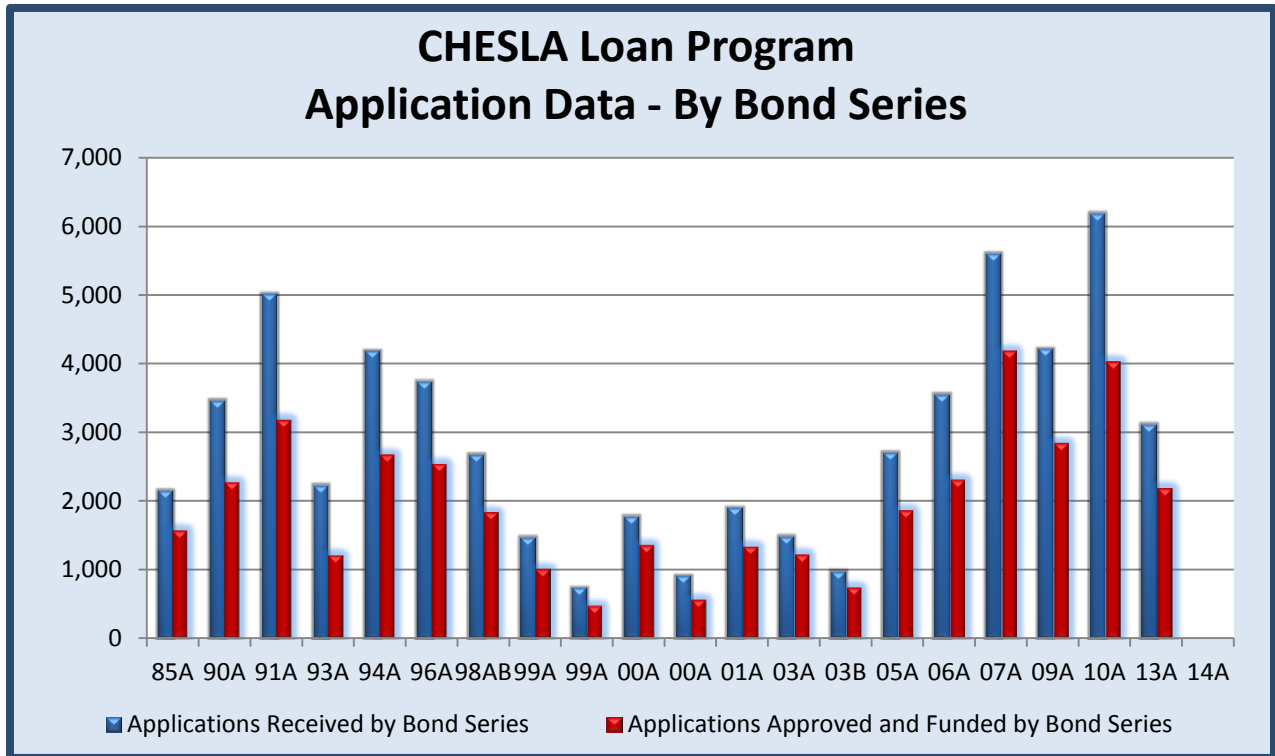
Projected Activities

The Authority has and will continue to offer education loans from the remaining proceeds of its 2013 Series A and 2014 Series A Loan Funds at 6.75%.

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 2015 operating budget, included as Exhibit E.

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

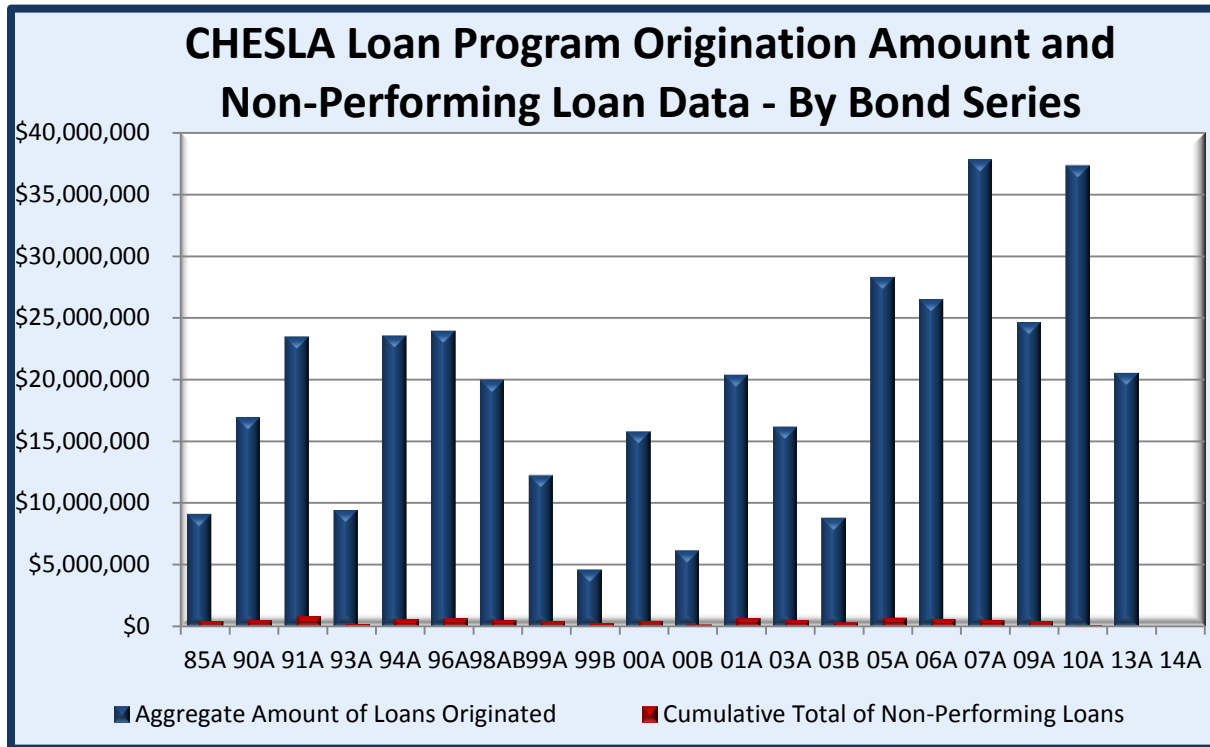
Services and Account Disbursements in Excess of \$5,000 Fiscal Year End June 30, 2014
Paid from CHESLA Operating Budget
Bank of America Connecticut Health and Education Facilities Authority (CHEFA) Education Finance Council, Inc. RMI Associates Willis of Connecticut
Paid from CHESLA 1990 & 2003 Bond Resolution Revenue Accounts
AMTEC Collection Company of America (CCA) Day Pitney, LLP Firstmark Services Fitch Ratings ImageMaster Moody's Investors Service U.S. Trust



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), 13A (3,104), and 14A (0).

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), 13A (2,187), and 14A (0).





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), 13A (\$20,566,117), and 14A (\$0). Total cumulative amount originated: \$386,481,035.

Cumulative Total of Non-Performing Loans – 85A (\$433,731), 90A (\$492,607), 91A (\$809,190), 93A (\$237,783), 94A (\$553,729), 96A (\$636,623), 98AB (\$514,576), 99A (\$417,238), 99B (\$285,465), 00A (\$468,291) 00B (\$163,384), 01A (\$641,732), 03A (\$512,631), 03B (\$332,751), 05A (\$690,989), 06A (\$590,059), 07A (\$522,091), 09A (\$409,138), 10A (\$113,712), 13A (\$0), and 14A (\$0) . Total non-performing loans \$8,825,720.

Net Non-Performing Default Rate – 85A (4.75%), 90A (2.90%), 91A (3.44%), 93A (2.51%), 94A (2.35%), 96A (2.65%), 98AB (2.57%), 99A (3.40%), 99B (6.17%), 00A (2.95%), 00B (2.64%), 01A (3.14%), 03A (3.16%), 03B (3.78%), 05A (2.44%), 06A (2.22)%, 07A (1.38%), 09A (1.66%), 10A (0.30%), 13A (0.00%), and 14A (0.00%). Total net non-performing default rate (2.28%)

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 06/30/14
2000 Series A & B – 12/15/00 to 05/01/02	2014 Series A

- 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.



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 Years Ended
June 30, 2014 and 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 Years Ended June 30, 2014 and 2013

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State of Connecticut Health and Educational Facilities Authority
Management's Discussion and Analysis
As of and for the Years Ended June 30, 2014 and 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 financial statements for the fiscal years ended June 30, 2014 and 2013. Following this MD&A are the 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 or the Authority)

Bonds Issued - The following is a review of CHEFA bonds issued for FY 2014, FY 2013 and FY 2012, summarized by market segment.

In FY 2014, CHEFA bond issuance volume increased 188% over FY 2013 levels and approximately equaled the near record breaking dollar volume experienced in FY 2012. The increase results from more than a 47% increase in bond offerings and a larger average issue size (approximately \$43,300 in FY 2014 vs. \$22,200 in FY 2013). During FY 2014, CHEFA continued to experience a significant number of privately placed transactions. Approximately 68% of CHEFA's total issues were privately placed, most often directly with local or regional banks. Healthcare was the most active sector in FY 2014 consisting of 14 bond offerings totaling \$891,820, with Yale New Haven Health issuing over 60% of the total dollar volume for the sector.

Other statistics for FY 2014 are as follows:

- Approximately 72% of dollar volume in FY 2014 represented refundings;
- Approximately 56% of dollar volume represented variable rate transactions; and
- One bond offering was backed by the Special Capital Reserve Fund.

State of Connecticut Health and Educational Facilities Authority
Management's Discussion and Analysis (continued)
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

In FY 2013, CHEFA bond issuance volume was at its lowest level in the three past years, with 19 offerings totaling \$421,268, with an average issue size of approximately \$22,000. During FY 2013, CHEFA experienced a significant number of privately placed transactions representing approximately 62% of CHEFA dollar issuance volume and 74% of total issues. The private secondary schools accounted for the largest issuance volume (over 50%), while the healthcare sector accounted for the largest dollar volume (approximately 50%).

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 volume in CHEFA's history. A high volume of refinancing resulted from the 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.

	2014		2013		2012	
	# of issues	Par amount	# of issues	Par amount	# of issues	Par amount
Healthcare	14	\$ 891,820	4	\$ 207,145	9	\$ 890,440
Higher education	6	240,610	2	46,060	5	167,620
Private secondary schools	6	65,426	10	103,609	7	88,963
Long-term care	1	5,000	2	44,454	-	-
Child care	-	-	-	-	1	28,840
Other	1	9,987	1	20,000	2	39,460
	<u>28</u>	<u>\$ 1,212,843</u>	<u>19</u>	<u>\$ 421,268</u>	<u>24</u>	<u>\$ 1,215,323</u>

Annual Fees - The following is a summary of the revenues generated from annual administrative fees charged during FY 2014, FY 2013 and FY 2012 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.

	2014	2013	2012
Healthcare	\$ 2,374	\$ 2,308	\$ 2,114
Higher education	4,002	3,930	3,950
Private secondary schools	581	572	559
Long-term care	166	177	207
Child care	58	59	62
Other	52	64	64
	<u>\$ 7,233</u>	<u>\$ 7,110</u>	<u>\$ 6,956</u>

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

State of Connecticut Health and Educational Facilities Authority
Management's Discussion and Analysis (continued)
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

Statements of Net Positions - The table below reflects CHEFA's Statements of Net Position, as shown in the Consolidating Statement of Net Position, supplemental to the financial statements for FY 2014, with comparable for FY 2013 and FY 2012 provided by management.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Current unrestricted assets:			
Cash	\$ 361	\$ 227	\$ 276
Accounts receivable	617	195	379
Board designated investments	11,617	10,638	7,941
Prepaid expenses and other assets	<u>80</u>	<u>91</u>	<u>123</u>
Total current unrestricted assets	12,675	11,151	8,719
Current restricted assets:			
Cash	-	57	81
Fund investments	<u>407,730</u>	<u>507,721</u>	<u>571,323</u>
Total current restricted assets	407,730	507,778	571,404
Non-current assets:			
Restricted investments	7,088	7,167	7,257
Capital assets, net	<u>171</u>	<u>178</u>	<u>158</u>
 Total assets	 <u>\$ 427,664</u>	 <u>\$ 526,274</u>	 <u>\$ 587,538</u>
Liabilities			
Current liabilities	\$ 410,720	\$ 509,451	\$ 572,061
Non-current liabilities	<u>2,182</u>	<u>2,182</u>	<u>2,191</u>
Total liabilities	412,902	511,633	574,252
Net position			
Invested in capital assets	171	178	158
Restricted	4,906	4,985	5,066
Unrestricted	<u>9,685</u>	<u>9,478</u>	<u>8,062</u>
Total net position	<u>14,762</u>	<u>14,641</u>	<u>13,286</u>
 Total liabilities and net position	 <u>\$ 427,664</u>	 <u>\$ 526,274</u>	 <u>\$ 587,538</u>

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

Cash - Normal operating activity has resulted in fluctuations in unrestricted cash, as reflected in a \$134 increase in FY 2014 to a balance of \$361. This compares to a \$49 decrease in FY 2013 and balance of \$227, and a \$36 increase and balance of \$276 in FY 2012.

State of Connecticut Health and Educational Facilities Authority
Management's Discussion and Analysis (continued)
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

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 \$617 in FY 2014, to \$195 in FY 2013, and \$379 in FY 2012 is mainly a reflection of the par amount of bonds outstanding, and the timing of billing and payments received.

Board Designated Investments - In FY 2014 there was an increase of \$979 to \$11,617 in Board Designated investments, resulting from strong operating performance. Board Designated funds in FY 2013 increased \$2,697 over FY 2012 to \$10,638 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 of CHEFA's restricted assets in FY 2014, 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 2014 are 20% lower than FY 2013, totaling \$407,730. 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, 2014, 2013, and 2012 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 Investments - Prior to FY 2012, other investments representing 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 were also part of restricted assets. 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.

State of Connecticut Health and Educational Facilities Authority
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For each of FY 2014 and FY 2013, Non-current assets-Restricted investments for the School Readiness and Child Daycare Guaranteed Loan Fund Program consist of \$4,320 and \$2,182 in amounts held for the State of Connecticut in connection with the child care Small Direct loan and Guaranteed Loan Programs. The Connecticut Credit Union Student Loan Guarantee Program (CUSLP) totaled \$586 and \$665 for FY 2014 and FY 2013 (respectively). The CUSLP 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 2013 and FY 2012 in those programs. CHEFA previously held funds for the Connecticut Green Technology, Life Science, and Health Information Technology Loan Forgiveness Program, and pursuant to Public Act 10-75, as of January 1, 2012, the Authority transferred the \$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 \$2,990 in FY 2014 from \$1,673 in FY 2013. This fluctuation was in the normal course of business. Accrued expenses increased to reflect the increase in amounts awarded through CHEFA's Non-Client Grant program. In FY 2013, the accounts payable and accrued expenses had increased by \$1,016 over FY 2012's \$657 balance, also reflecting CHEFA's grant program.

Amounts Held for Institutions - The \$407,730 for FY 2014, \$507,778 for FY 2013, and the \$571,404 for FY 2012, reflect the amount held by the Authority for client construction funds, including the construction account, the cost of issuance account, equity account and the capitalized interest account. 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.

Non-current liabilities - 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 \$750 to fund the guarantees for the Small Direct Loan Fund Program managed by the Connecticut Community Investment Corporation (CTCIC). As of FY 2014, a total of \$68 has been disbursed to CTCIC for defaulted loans.

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

For FY 2014, total net assets increased by \$121, reflecting the increase in grant expense compared to FY 2013 levels. In FY 2013, total net assets increased by \$1,355 slightly more than the FY 2012 increase of \$1,157. The results reflect normal operating and other activity.

State of Connecticut Health and Educational Facilities Authority
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The changes in net position for FY 2014, FY 2013 and FY 2012 are summarized below.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Administrative fees	\$ 7,233	\$ 7,110	\$ 6,956
Investment income	9	14	12
Bond issuance fees	80	158	101
Other revenue	178	241	22
Total operating revenues	<u>7,500</u>	<u>7,523</u>	<u>7,091</u>
Operating expenses:			
Salaries and related expenses	2,848	2,844	2,795
General and administrative	1,023	1,057	1,135
Total operating expenses	<u>3,871</u>	<u>3,901</u>	<u>3,930</u>
Total operating income	3,629	3,622	3,161
Non-operating activity:			
Grant expense	(3,508)	(2,267)	(2,004)
Transfer to State of Connecticut	-	-	-
Change in net position	<u>\$ 121</u>	<u>\$ 1,355</u>	<u>\$ 1,157</u>

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

Administrative Fees - 28 bond issues closed in FY 2014; 19 bond issues closed in FY 2013; and 24 bond issues closed in FY 2012. 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 \$123, or 2% to \$7,233 in FY 2014 and by \$154 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 - The investment income for FY 2014 was \$9, continuing to reflect the low interest rate environment, a slight decline from FY 2013's investment income of \$14, which was a slight improvement over the FY 2012 level of \$12.

Other Revenue - Other revenue represents recovery of certain expenses, including grant expense. In FY 2014, other revenue also includes approximately \$154 from CHESLA to cover support services provided by CHEFA. Support fees included for FY 2013 were \$110.

State of Connecticut Health and Educational Facilities Authority
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Operating Expenses

Salaries and Related Expenses - Salaries and related expenses increased by \$4 in FY 2014 to \$2,848, by \$49 in FY 2013 to \$2,844, and by \$73 to \$2,795 in FY 2012.

General and Administrative Expenses - General and administrative expenses in FYE 2014 totaled \$1,023 from FY 2013's total of \$1,057, a decline of \$34, further declining from FY 2012 levels of \$1,135. Over the three year period there has been a significant decline in consultant expense, particularly with regard to arbitrage rebate consultants.

Non-Operating Expenses

Grant Expense - Grant expense increased in FY 2014 by \$1,241. \$1,008 was awarded 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. FY 2013 and FY 2012 grant expenses were comparable and totaled \$2,267 and \$2,004, respectively.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY (CHESLA)

Loan Disbursements - CHESLA provides financial assistance in the form of education loans to students in or from the State of Connecticut. CHESLA is authorized to issue tax-exempt bonds, the proceeds of which are used to fund education loans to applicants meeting certain eligibility requirements. The repayments of such loans service the debt on CHESLA bonds. Public Act 12-149, effective July 1, 2012, statutorily consolidated CHESLA with the Connecticut Health and Educational Facilities Authority (CHEFA).

In FY 2014, CHESLA disbursed \$20,839 in loan dollars as compared to \$19,745 in FY 2013 and \$20,149 in FY 2012. The 2014 disbursements reflect an increase of 5.5% over FY 2013 which had reported a 2% decline from FY 2012 levels. Approximately 57% of the disbursement volume in FY 2014 went to students attending institutions within the State of Connecticut, a level consistent with prior trends. Loan funds were primarily derived from proceeds of the 2013 Series A bonds issued on April 2, 2013 and carried a 5.99% interest rate. CHESLA issued its 2014 Series A Bonds on June 18, 2014, in the par amount of \$23 million. Loans made from the 2014 Series A Bonds will carry an interest rate of 6.75%.

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The following summarizes the key components of loans disbursed.

In State Institution:	<u>2014</u>	<u>2013</u>	<u>2012</u>
	<u>13/14 Term</u>	<u>12/13 Term</u>	<u>11/12 Term</u>
Jul - Sept (1Q)	\$ 5,218	\$ 4,895	\$ 5,163
Oct - Dec (2Q)	661	5,064	2,103
Jan - Mar (3Q)	5,666	1,194	4,492
Apr - Jun (4Q)	<u>320</u>	<u>213</u>	<u>248</u>
Total In State Institution	11,865	11,366	12,006
Out of State Institution:			
Jul - Sept (1Q)	3,561	3,636	3,163
Oct - Dec (2Q)	899	3,917	1,056
Jan - Mar (3Q)	4,283	755	3,779
Apr - Jun (4Q)	<u>231</u>	<u>71</u>	<u>145</u>
Total Out of State Institution	8,974	8,379	8,143
Total:			
Jul - Sept (1Q)	8,779	8,531	8,326
Oct - Dec (2Q)	1,560	8,981	3,159
Jan - Mar (3Q)	9,949	1,949	8,271
Apr - Jun (4Q)	<u>551</u>	<u>284</u>	<u>393</u>
Total	<u>\$ 20,839</u>	<u>\$ 19,745</u>	<u>\$ 20,149</u>

CHESLA receives annual administrative fees on the outstanding balances of loans. The fees vary in accordance with the loan series and range from 30 to 100 basis points. Since FY 2011, the administrative fees for loans associated with the 1990 resolution (which most recently includes loans made with 2014 and 2013 bond proceeds) has been 30 basis points. As older loans with higher fees have been paid down, revenues have decreased as shown below.

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	Admin Fee Basis			
	Points	2014	2013	2012
1993 Bond/Loan Program	100	\$ -	\$ -	\$ 1
1994 Bond/Loan Program	100	-	2	3
1996 Bond/Loan Program	70	2	3	6
1998 Bond/Loan Program	^	1	3	6
1999 Bond/Loan Program	^	4	6	8
2000 Bond/Loan Program	^	7	10	14
2001 Bond/Loan Program	^	18	18	23
2003 Bond/Loan Program	100	76	94	113
2005 Bond/Loan Program	100	129	152	176
2006 Bond/Loan Program	100	137	159	184
2007 Bond/Loan Program	60	136	157	179
2009 Bond/Loan Program	^	58	62	66
2010 Bond/Loan Program	30	101	88	14
2013 Bond/Loan Program	30	36	-	-
2014 Bond/Loan Program	30	-	-	-
		<u>705</u>	<u>754</u>	<u>793</u>
Total Revenues		<u>\$ 705</u>	<u>\$ 754</u>	<u>\$ 793</u>

^ 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
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CHESLA Statements of Net Position

The following is a summary of CHESLA's assets, liabilities and net assets at June 30, 2014, 2013 and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current unrestricted assets:			
Cash and investments	\$ 1,156	\$ 1,230	\$ 1,094
Current portion of loans receivable, net	18,605	18,652	16,341
Interest receivable on loans	476	519	466
Board designated investments	1,000	1,000	1,600
Other	151	165	149
Total current unrestricted assets	<u>21,388</u>	<u>21,566</u>	<u>19,650</u>
Current restricted assets	<u>41,428</u>	<u>37,509</u>	<u>39,133</u>
Total current assets	62,816	59,075	58,783
Non-current assets:			
Restricted investments	23,163	22,036	19,540
Loans receivable, net of current portion	105,353	102,743	103,824
Bond issuance costs, net	199	248	2,592
Total noncurrent assets	<u>128,715</u>	<u>125,027</u>	<u>125,956</u>
Total assets	<u>\$ 191,531</u>	<u>\$ 184,102</u>	<u>\$ 184,739</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 241	\$ 36	\$ 102
Current portion of bonds payable	10,765	10,275	11,210
Accrued interest payable	822	761	866
Current portion of deferred revenue	-	-	454
Total current liabilities	<u>11,828</u>	<u>11,072</u>	<u>12,632</u>
Non-current liabilities	<u>164,086</u>	<u>158,225</u>	<u>157,806</u>
Total liabilities	175,914	169,297	170,438
Net position:			
Unrestricted	(48,974)	(44,740)	(44,372)
Restricted	<u>64,591</u>	<u>59,545</u>	<u>58,673</u>
Total net position	<u>15,617</u>	<u>14,805</u>	<u>14,301</u>
Total liabilities and net position	<u>\$ 191,531</u>	<u>\$ 184,102</u>	<u>\$ 184,739</u>

State of Connecticut Health and Educational Facilities Authority
Management's Discussion and Analysis (continued)
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The following is an overview of significant balance sheet items.

Assets

Current Unrestricted Assets - Current unrestricted assets consist primarily of the current portion of loans receivable, net of loan loss allowances. In FY 2014, current loans receivable decreased by 0.25% or \$47. In FY 2013, current loans receivable increased by approximately 14%, \$2,311, over FY 2012 levels. Cash and investments in the operating fund, the other significant component of current unrestricted assets (totaling \$2,156 in FY 2014, \$2,230 in FY 2013 and \$2,694 in FY 2012) decreased in FY 2014 by 3%, resulting in part from a \$300 contribution from the operating fund to the 2014 Series A bond financing.

Current Restricted Assets - Current restricted assets consist primarily of trustee held funds associated with the bond resolutions representing either dollars in the loan fund, revenue fund, and 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 non-current assets is loans receivable. Similar to FY 2013, (with \$25,000 of bonds issued), FY 2014 bonds of \$23,000 were issued on June 18, 2014 to fund loans, with most of the lending of those proceeds expected to occur after fiscal year end.

With the adoption of GASB 65, 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. For FY 2014, prepaid bond insurance premiums decreased by \$49, total non-current assets increased to \$128,715 from \$125,027 in FY 2013 and \$125,956 in FY 2012.

Liabilities

Current Liabilities - Current liabilities include the current portion of bonds payable (which is the largest component representing approximately 91% of total current liabilities in FY 2014), accrued interest payable and prior to FY 2013 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, fees are recognized when received and there is no deferred revenue liability in FY 2014 or FY 2013. In FY 2012, the current portion of this liability represented 3.6% of total current liabilities.

Long Term Liabilities - Non-current or long term liabilities primarily represent bonds payable, net of the current portion. Fluctuations in bonds payable since FY 2012 reflect principal payments, redemptions and the additional bonds issued in FY 2013 and FY 2014. Prior to FY 2013, non-current 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 for FY 2014 is \$15,617, an increase of \$812 over the total net position of \$14,805 for FY 2013 which reflected the net impact of operations and of GASB 65, with the elimination of unamortized bond issuance costs and deferred revenue affecting net position. The total net position for FY 2012 were restated from prior year audited statements to be consistent with the FY 2013 presentation of all bond resolution related funds as restricted.

State of Connecticut Health and Educational Facilities Authority
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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, 2014, 2013 and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Interest income - loans receivable	\$ 8,530	\$ 8,169	\$ 7,860
Investment income	1,041	388	2,622
	<hr/>	<hr/>	<hr/>
Total operating revenues	9,571	8,557	10,482
Operating expenses:			
Interest expense	6,722	6,483	7,650
Loan service fees	706	532	493
Bond issuance and insurance costs	379	524	627
General and administrative expenses	453	472	519
Salaries and related expenses*	197	189	120
Provision for loan losses (benefit)	302	196	180
Arbitrage rebate and excess loan yield provision (benefit)	-	35	(566)
	<hr/>	<hr/>	<hr/>
Total operating expenses	8,759	8,431	9,023
	<hr/>	<hr/>	<hr/>
Change in net position	<u>\$ 812</u>	<u>\$ 126</u>	<u>\$ 1,459</u>

* The salary only expense for FY 2014 and FY 2013 was \$144 and \$140 (respectively). For FY 2012, salary related expenses were included as part of general and administrative expenses, with salary only reported on a separate line.

Revenues - Interest income on loans receivable is the largest component of operating revenues. Interest increased in FY 2014 by \$361 to \$8,530. Interest increased in FY 2013 by \$309 to \$8,169 from \$7,860 in FY 2012.

With regard to investment income, CHESLA had income from investments of \$1,041 in FY 2014, \$388 in FY 2013, an 85% reduction from investment income in FY 2012. In FY 2012, investment income increased by \$1.7 million. These fluctuations reflect unrealized gains and losses.

Expenses - Interest expense represents the largest component of operating expenses and increased by \$239 or 3.6% to \$6,722 in FY 2014. In FY 2013 interest expense decreased by approximately 15% from FY 2012 levels.

Loan service fees increased \$174 in FY 2014 compared to \$39 in FY 2013, reflecting an increase in the amount of loans established and serviced.

State of Connecticut Health and Educational Facilities Authority
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With the implementation of GASB 65, bond issuance costs now represent costs associated with the 2014 Series A, the 2013 Series A bonds and prepayment of insurance premium costs. Prior to FY 2013, bond issuance costs were amortized over the life of the bonds.

In FY 2012, prior to consolidation with CHEFA, \$216 was paid for management, accounting and general counsel services. 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, the previously existing management contract did not terminate until after the first quarter, incurring an additional expense of \$26. Outside vendors for accounting and legal services were also paid \$96 in FY 2013. 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. In FY 2014, CHESLA was assessed a service charge by CHEFA of \$155, including rent of \$12. All such amounts affect the operating fund only.

Salaries and related expenses in FY 2014 and FY 2013 includes salaries, payroll taxes, employee pension benefits, employer funded health benefit costs, and tuition reimbursements. In FY 2014, \$144 of the \$197 represents actual salary, compared to \$140 of the \$189 for FY 2013. In FY 2012, 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 Years Ended June 2014, 2013 and 2012
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Construction Fund Balances As of June 30, 2012 - 2014* (Amounts Expressed in Thousands)

Exhibit A

Issue Name	Date of Bond Issue	Scheduled Completion Date	Construction Fund Balance		
			2014	2013	2012
Bridgeport Hospital D	05/31/12	05/12	\$ -	\$ 20	\$ 184
Day Kimball Hospital B	06/06/13	06/15	1,290	11,155	-
Hartford Health Care A	09/29/11	09/13	-	5,179	30,094
Hartford Health Care B	09/29/11	09/13	8,314	17,704	46,738
Hartford HealthCare Corporation A	03/26/14	03/16	16,991	-	-
Lawrence & Memorial Hospital F	09/15/11	09/13	-	-	4,879
Lawrence & Memorial Hospital H	11/05/13	11/15	218	-	-
Middlesex Hospital N	07/26/11	07/12	-	-	127
Norwalk Hospital G	12/09/10	12/12	-	-	2,301
Norwalk Hospital J	12/07/12	12/14	33,276	66,663	-
Saint Francis Hospital H	01/24/14	01/16	1,624	-	-
Stamford Hospital J	06/20/12	06/14	101,088	203,296	252,287
Waterbury Hospital D	12/22/10	12/12	-	-	1,361
Western CT Healthcare L	07/13/11	07/13	2,392	43,110	73,768
Western CT Healthcare M	07/13/11	07/13	1,046	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
Yale-New Haven Health Services Corporation A	06/23/14	06/16	441	-	-
Yale-New Haven Health Services Corporation B	06/23/14	06/16	724	-	-
Yale-New Haven Health Services Corporation C	06/23/14	06/16	341	-	-
Yale-New Haven Health Services Corporation D	06/23/14	06/16	355	-	-
Yale-New Haven Health Services Corporation E	06/23/14	06/16	90,362	-	-
Masonicare E	09/05/12	09/14	-	28	-
Pierce Memorial Baptist Home B	03/13/13	03/15	30	30	-
Connecticut College H-1	06/30/11	06/13	-	-	1,749
Connecticut College I	04/04/12	04/12	-	-	56
Connecticut State University System J	06/22/11	06/13	1,212	10,930	21,762
Connecticut State University System K	06/22/11	06/13	-	-	13
Connecticut State University System L	04/04/12	04/12	-	-	46
Connecticut State University System M	01/10/13	01/15	36,588	36,585	-
Connecticut State University System N	10/23/13	10/15	76,476	-	-
Fairfield University O	03/17/10	03/12	-	-	1,002
Sacred Heart University G	06/29/11	06/13	-	5,244	5,243
Sacred Heart University H	02/14/12	02/12	-	163	164
University of Bridgeport C	12/09/10	12/12	-	-	1,132
University of Bridgeport D	11/02/12	11/14	2,381	11,360	-
University of Hartford H	04/26/12	04/14	-	-	45
University of Hartford I	04/26/12	04/14	-	-	9
University of Saint Joseph C	11/01/13	11/15	52	-	-
University of Saint Joseph D	11/01/13	11/15	5,646	-	-
Yale University 2010A	02/24/10	02/12	-	-	24,609
Avon Old Farms School C	11/01/13	11/15	38	-	-
Brunswick School C	03/29/12	03/12	-	-	29
Ethel Walker School C	04/03/13	04/15	3	5,834	-
Forman School B	03/28/13	03/15	231	2,895	-
Gunnery School B	09/28/12	09/14	-	43	-
Kent School F	03/28/13	03/15	786	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	634	1,189	1,833
South Kent School A	08/29/13	08/15	3,595	-	-
Stanwich School B	12/06/13	12/15	5	-	-
Suffield Academy C	11/20/13	11/15	2	-	-
Taft School I	11/07/12	11/14	2,442	4,329	-
Westminster School G	06/29/12	06/14	-	-	6,149
Winston Preparatory School A	04/13/12	04/14	-	2,908	5,922
Xavier High School A	02/14/14	02/16	4,363	-	-
Bushnell Memorial B	03/16/12	03/12	664	664	687
Greater Hartford YMCA C	04/27/12	04/14	-	-	2
UConn Foundation C	04/24/13	04/15	-	17,612	-
Village for Families & Children C	10/02/13	10/15	21	-	-
Saint Joseph's Living Center B	09/20/13	09/15	953	-	-
Easy Lease	Various	Various	13,145	34,349	18,225
CONSTRUCTION FUND TOTAL (1)			\$ 407,729	\$ 507,778	\$ 571,404

* Includes all cash and investment for Construction Fund, Cost of Issuance, Capitalized Interest, Equity Accounts and EasyLoans (EZ).



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 consolidated statements of net position as of June 30, 2014 and 2013, and the related consolidated statements of revenue, expenses and changes in net position and cash flows for the years 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, 2014 and 2013, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.





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 than to present the financial position and results of operations of the individual entities and are 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 17, 2014 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

Simsbury, Connecticut
September 17, 2014

State of Connecticut Health and Educational Facilities Authority
Consolidated Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

	2014		2013
Assets			
Current assets:			
Unrestricted assets:			
Cash	\$ 384		\$ 277
Investments	1,133		1,180
Current portion of loans receivable, net of allowances for loan losses of \$2,357 and \$2,321	18,605		18,652
Accounts receivable, less allowance of \$86 and \$86	617		195
Interest receivable on investments	135		150
Interest receivable on loans receivable	476		519
Board-designated investments	12,617		11,638
Prepaid expenses and other assets	96		106
Total unrestricted assets	34,063		32,717
Restricted assets:			
Cash	-		57
Fund investments	449,158		545,230
Total restricted assets	449,158		545,287
Total current assets	483,221		578,004
Non-current assets:			
Restricted investments	30,251		29,203
Loans receivable, net of current portion	105,353		102,743
Prepaid bond insurance premiums	199		248
Capital assets, net	171		178
Total non-current assets	135,974		132,372
Total assets	\$ 619,195		\$ 710,376
Liabilities and Net Position			
Current liabilities:			
Accounts payable and accrued expenses	\$ 3,231		\$ 1,709
Current portion of bonds payable	10,765		10,275
Accrued interest payable	822		761
Amounts held for institutions	407,730		507,778
Total current liabilities	422,548		520,523
Non-current liabilities:			
Bonds payable, net of current portion	164,086		158,225
Amount held on behalf of the State of Connecticut	2,182		2,182
Total non-current liabilities	166,268		160,407
Total liabilities	588,816		680,930
Net position:			
Invested in capital assets	171		178
Restricted	69,497		64,530
Unrestricted (Note 1)	(39,289)		(35,262)
Total net position	30,379		29,446
Total liabilities and net position	\$ 619,195		\$ 710,376

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

State of Connecticut Health and Educational Facilities Authority
Consolidated Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

	2014	2013
Operating revenues:		
Interest income on loans receivable	\$ 8,530	\$ 8,169
Administrative fees	7,233	7,110
Investment income	1,050	402
Bond issuance fees	80	158
Other revenues	35	131
Total operating revenues	16,928	15,970
Operating expenses:		
Interest expense	6,722	6,483
Salaries and related expenses	3,045	3,033
General and administrative expenses	1,333	1,419
Loan service fees	706	532
Bond issuance costs	379	524
Provision for loan losses	302	196
Arbitrage rebate and excess loan yield expense	-	35
Total operating expenses	12,487	12,222
Total operating income	4,441	3,748
Non-operating expenses:		
Grant expense	(3,508)	(2,267)
Total non-operating expense	(3,508)	(2,267)
Increase in net position	933	1,481
Net position, beginning of year (See Note 1)	29,446	27,965
Net position, end of year	\$ 30,379	\$ 29,446

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

State of Connecticut Health and Educational Facilities Authority
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

	2014	2013
Cash flows from operating activities:		
Cash received from loan payments	\$ 18,250	\$ 18,468
Cash received for administrative fees	6,810	7,311
Interest received on loans	7,960	7,274
Cash received from other operating income	105	272
Loans disbursed	(20,236)	(19,629)
Payments of bond interest	(6,884)	(6,591)
Cash paid to employees	(3,040)	(2,987)
Cash paid to grantees	(2,206)	(1,392)
Cash paid for other expenses	(1,693)	(1,811)
	(934)	915
Cash flows from noncapital financing activities:		
Proceeds from bond sales, net	1,025,941	433,058
Proceeds from institutions	3,205	1,546
Bond issuance costs	(331)	(466)
Payments of bond principal	(17,455)	(23,405)
Construction expenses paid	(404,867)	(357,106)
Net transfers to restricted funds	(700,609)	(132,212)
	(94,116)	(78,585)
Net cash used in noncapital financing activities		
Cash flows from capital and related financing activities:		
Net purchases of capital assets	(69)	(105)
	(69)	(105)
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Cash from restricted investment earnings	1,085	1,175
Net proceeds from investments	94,055	76,504
Cash received from investment earnings	29	13
	95,169	77,692
Net cash provided by investing activities		
Net change in cash	50	(83)
Cash, beginning of year	334	417
Cash, end of year	\$ 384	\$ 334

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

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

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 36 through 41 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.

Unrestricted net position (deficit) - The unrestricted net position (deficit) of the Authority of (\$30,379) and (\$35,262), as of June 30, 2014 and 2013, respectively, relates solely to CHESLA and the fact that it has assets which are restricted by the bond resolutions. These restricted assets include the assets in the loan fund, which will be used to make loans to students. Once the loans are made, they are recorded as unrestricted assets within loans receivable on the statement of net position. Other restricted assets pursuant to the bond resolutions are assets in the revenue fund, debt service fund and the special capital reserve fund. To the extent some of those are used for debt service, they reduce the outstanding bonds payable on the statement of net position. When used to either make loans or pay debt service, such application would increase the unrestricted net position. The magnitude of the unrestricted net deficit position is the result of timing and the amount of restricted assets as of the statement of net position date.

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).

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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 non-current) 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 - In 2013, the Authority has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65). This standard established 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 recognized, 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, is recognized as an expense in the period incurred. In addition, loan origination fees, except any portion related to points, is 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.

Reclassifications - Certain 2013 amounts have been reclassified to conform with the 2014 consolidated financial statement presentation. Such reclassifications did not have a material effect on the consolidated financial statements.

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, 2014 and 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.

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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, 2013 and 2014 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 activities - Activities not related to CHEFA's primary purpose are considered non-operating. Non-operating activities consist primarily of expenses related to CHEFA's grant program. 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).

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

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.

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

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 years ended June 30, 2014 and 2013 through September 17, 2014, 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 except as described in Note 15.

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, 2014 and 2013, \$111 and \$34, respectively of the Authority's bank balances were 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.

As of June 30, 2014, all of the Authority's cash deposits were unrestricted. As of June 30, 2013, \$57 of the Authority's \$334 of cash deposits was restricted.

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

Note 2 - Cash Deposits and Investments (continued)

Investments - As of June 30, 2014, the Authority's investments consisted of the following:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>Less than 1 year</u>	<u>1 to 10 years</u>	<u>More than 10 years</u>
Money market funds	\$ 417,829	\$ 417,829	\$ -	\$ -
Short-term Investment Fund (STIF)	52,047	52,047	-	-
Guaranteed Investment Contracts (GIC):				
IXIS Funding Corp	1,490	-	1,490	-
GE Capital Corp	2,200	-	2,200	-
Rabobank International	1,553	-	1,553	-
MBIA, Inc.	3,000	-	3,000	-
FSA Capital Management Services	5,300	-	2,500	2,800
FGIC Investment Agreement	512	-	512	-
Salomon Smith (Citigroup)	600	-	600	-
U.S. treasuries	8,628	1,503	-	7,125
Total	\$ 493,159	\$ 471,379	\$ 11,855	\$ 9,925

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>Less than 1 year</u>	<u>1 to 10 years</u>	<u>More than 10 years</u>
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
FGIC Investment Agreement	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.

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

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.

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.

State of Connecticut Health and Educational Facilities Authority
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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, 2014 and 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

CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. Loans receivable by outstanding bond series, as of June 30, 2014, are as follows:

Bond Series	Number of Loans at June 30, 2014	Balance at June 30, 2014	Interest Rate %
2003A&B*	1,097	\$ 5,716	4.99 and 9.20
2005A&B**	1,188	10,577	5.5, 8.25 and 8.40
2006A***	1,244	11,592	0 and 6.15
2007A	1,850	20,222	6.99
2009A	1,443	17,662	6.80
2010A****	2,274	32,770	5.95, 7.25 and 7.5
2012A*****	1,374	4,837	2.00 to 7.50
2013A	1,224	20,071	5.99
	11,694	\$ 123,447	
Add: nonperforming loans		2,868	
Less: allowance for loan losses		(2,357)	
Total		\$ 123,958	

* 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.

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
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(Amounts Expressed in Thousands)

Note 3 - Loans Receivable (continued)

Loans receivable by outstanding bond series, as of June 30, 2013, are as follows:

<u>Bond Series</u>	<u>Number of Loans at June 30, 2013</u>	<u>Balance at June 30, 2013</u>	<u>Interest Rate %</u>
2003A&B*	1,202	\$ 7,450	4.99 and 9.20
2005A&B**	1,290	12,880	5.5, 8.25 and 8.40
2006A***	1,311	14,121	0 and 6.15
2007A	1,918	23,749	6.99
2009A	1,543	19,891	6.80
2010A****	2,449	35,428	5.95, 7.25 and 7.5
2012A*****	1,803	7,426	2.00 to 7.50
2013A	29	248	5.99
	<u>11,545</u>	<u>\$ 121,193</u>	
Add: nonperforming loans		2,523	
Less: allowance for loan losses		<u>(2,321)</u>	
Total		<u><u>\$ 121,395</u></u>	

* 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.

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 \$384 and \$422 for the years ended June 30, 2014 and 2013, respectively, which had previously been provided for through the allowance for loan losses. CHESLA recovered \$123 and \$119 in fiscal years 2014 and 2013, respectively, in loans receivable and other credits that were written off in previous years.

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
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Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013, are as follows:

2014	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Leasehold improvements	\$ 152	\$ 2	\$ -	\$ 154
Computer equipment	623	15	-	638
Furniture and fixtures	276	6	-	282
Office equipment	476	46	-	522
Total capital assets	<u>1,527</u>	<u>69</u>	<u>-</u>	<u>1,596</u>
Less accumulated depreciation and amortization for:				
Leasehold improvements	(148)	(1)	-	(149)
Computer equipment	(616)	(15)	-	(631)
Furniture and fixtures	(252)	(13)	-	(265)
Office equipment	(333)	(47)	-	(380)
	<u>(1,349)</u>	<u>(76)</u>	<u>-</u>	<u>(1,425)</u>
Total	<u>\$ 178</u>	<u>\$ (7)</u>	<u>\$ -</u>	<u>\$ 171</u>
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	<u>1,422</u>	<u>105</u>	<u>-</u>	<u>1,527</u>
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)
	<u>(1,264)</u>	<u>(85)</u>	<u>-</u>	<u>(1,349)</u>
Total	<u>\$ 158</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 178</u>

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
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Note 5 - Bonds Payable

The following is a summary of changes in CHESLA's bonds payable for the year ended June 30, 2014:

	<u>Balance at July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Bonds payable - principal	\$ 167,660	\$ 23,000	\$ (17,455)	\$ 173,205	\$ 10,765
Discount	(551)	-	68	(483)	-
Premium	1,391	818	(80)	2,129	-
Total	<u>\$ 168,500</u>	<u>\$ 23,818</u>	<u>\$ (17,467)</u>	<u>\$ 174,851</u>	<u>\$ 10,765</u>

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

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

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, 2014 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 10,765	\$ 6,828
2016	12,050	6,504
2017	12,820	6,025
2018	13,105	5,492
2019	12,875	4,944
2019-2023	59,270	16,732
2024-2028	37,580	6,424
2029-2033	12,700	1,300
2034-2035	2,040	85
Total	<u>\$ 173,205</u>	<u>\$ 54,334</u>

State of Connecticut Health and Educational Facilities Authority
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Note 5 - Bonds Payable (continued)

Outstanding principal of each bond issue as of June 30, 2014 and 2013, are as follows:

	<u>Original Amount</u>	<u>Outstanding June 30, 2014</u>	<u>Outstanding June 30, 2013</u>
2003 Series A, 1.7%-4.5%, due serially from November 15, 2004 to November 15, 2020	\$ 18,000	\$ 5,135	\$ 6,810
2003 Series B, 2%-5%, due serially from November 15, 2004 to November 15, 2017	12,915	4,270	4,270
2005 Series A, 2.5%-4.375%, due serially from November 15, 2005 to November 15, 2021	31,455	11,515	13,825
2006 Series A, 3.9%-4.8%, due serially from November 15, 2007 to November 15, 2022	33,270	12,200	14,985
2007 Series A, 4.125%-1.875%, due serially from November 15, 2010 to November 15, 2024	41,000	24,620	28,020
2009 Series A 1.9%-5.05%, due serially from November 15, 2011 to November 15, 2027	30,000	21,580	23,645
2010 Series A 2.0%-5.25%, due serially from November 15, 2014 to November 15, 2035	45,000	38,920	40,965
2012 Series A .4%-3.125%, due serially from November 15, 2012 to November 15, 2021	13,085	6,965	10,140
2013 Series A 2%-4%, due serially from November 15, 2014 to November 15, 2029	25,000	25,000	25,000
2014 Series A 3%-5%, due serially from November 15, 2015 to November 15, 2030	23,000	23,000	-
Total	<u>\$ 272,725</u>	<u>\$ 173,205</u>	<u>\$ 167,660</u>

Each Series A bond is subject to a special mandatory redemption in whole or in part from excess loan payments. During the years ended June 30, 2014 and 2013, CHESLA redeemed bonds in the following amounts:

	<u>2014</u>	<u>2013</u>
2003 Series A	\$ 170	\$ 600
2005 Series A	665	500
2006 Series A	1,285	800
2007 Series A	1,365	1,100
2009 Series A	885	300
2010 Series A	2,045	3,000
2012 Series A	765	500
Total	<u>\$ 7,180</u>	<u>\$ 6,800</u>

As of June 30, 2014 and 2013, CHEFA had total outstanding principal balances of special obligation bonds of \$8,141,328 and \$8,030,153 respectively. 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.

State of Connecticut Health and Educational Facilities Authority
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Note 5 - Bonds Payable (continued)

CHEFA issued general obligation bonds through July 1979 for which CHEFA was 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, 2014 and 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.

As of June 30, 2014 and 2013, there was approximately \$59,185 and \$61,155, respectively, 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, 2014 and 2013, outstanding loan balances totaled \$7,937 and \$8,445, respectively. As of June 30, 2014, on average, CHEFA is guaranteeing 38% of those balances, or approximately \$3,018.

In 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 1998, the Connecticut Department of Social Services (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 1999, 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, 2014 and 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.

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
As of and for the Years Ended June 30, 2014 and 2013
(Amounts Expressed in Thousands)

Note 6 - Child Care Facilities Loan Programs (continued)

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, 2014 and 2013 was \$586 and \$665, respectively, 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 \$586 set aside for the Connecticut Credit Union Student Loan Program for fiscal year 2014 are reflected within restricted net position.

CHESLA's Board of Directors designated unrestricted net assets of \$1,000 as of June 30, 2014 and 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 \$41,428 and \$37,509 of bond fund investments for debt service and issuance of student loans as of June 30, 2014 and 2013 as well as \$23,163 and \$22,036, required by the bond indentures to be maintained in the Special Capital Reserve Funds as of June 30, 2014 and 2013.

A summary of the net position as of June 30, 2014 and 2013, is as follows:

	2014	2013
Invested in capital assets	\$ 171	\$ 178
Restricted:		
Special capital reserve funds	23,163	22,036
Bond fund investments	41,428	37,509
Child care facilities loan program	4,320	4,320
Student loan guarantee program	586	665
Total restricted	69,497	64,530
Unrestricted:		
Focused investment program	992	1,025
Legal fee contingencies	1,509	1,500
Operations and contingency	7,184	6,953
CHESLA unrestricted deficit	(48,974)	(44,740)
Total unrestricted	(39,289)	(35,262)
Total	\$ 30,379	\$ 29,446

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
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(Amounts Expressed in Thousands)

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, 2014 and 2013, the State has not made nor was it required to make any such deposit.

Note 10 - Related Party Transactions

CHEFA charged CHESLA in fiscal years 2014 and 2013 an annual fee of \$143 and \$110, respectively, 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 and loan portfolios. The fee is based on an agreed upon percentage of the outstanding loans payable in each of the funds. For the years ended June 30, 2014 and 2013, the total fees charged were \$699 and \$754, respectively.

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 years ended June 30, 2014 and 2013, retirement plan expense was \$233 and \$229, respectively.

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 each of the years ended June 30, 2014 and 2013.

Note 12 - Operating Leases

CHEFA leases office space and other office equipment for use in operations. As of June 30, 2014, minimum future rental commitments of the leases are as follows:

2015	\$	241
2016	\$	242
2017	\$	240
2018	\$	244
2019	\$	123

Rental expense for these leases during the years ended June 30, 2014 and 2013 was \$229 and \$252.

State of Connecticut Health and Educational Facilities Authority
Notes to the Consolidated Financial Statements
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(Amounts Expressed in Thousands)

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.

Note 14 - Reconciliation of Operating Income to Net Cash (Used In) Provided By Operating Activities

The following is a reconciliation of operating income provided by operating activities for the years ended June 30, 2014 and 2013.

	2014	2013
Cash flows from operating activities:		
Increase in net position	\$ 933	\$ 1,481
Adjustments to reconcile decrease in net position to net cash provided by operating activities:		
Depreciation	76	85
Income from investments	(1,050)	(402)
Bond issuance costs	379	524
Provision for loan losses	302	196
Amortization of bond (premium) discount	(12)	54
Changes in assets and liabilities:		
Loans receivable	(2,865)	(2,016)
Accounts receivable	(422)	184
Interest receivable on loans receivable	43	(53)
Prepaid expenses and other assets	10	17
Accounts payable and accrued expenses	1,522	950
Accrued interest and other payables	150	(105)
	\$ (934)	\$ 915

Note 15 - Subsequent Event

Pursuant to Public Act 14-217, effective July 1, 2014, the Connecticut Student Loan Foundation (CSLF) was statutorily consolidated with CHEFA by becoming a subsidiary of CHEFA. CSLF is a Connecticut State chartered not-for-profit corporation established pursuant to Title IV of the Higher Education Act of 1965, for the purpose of improving educational opportunity by helping students finance the cost of higher education.

State of Connecticut Health and Educational Facilities Authority
Consolidating Statement of Net Position
June 30, 2014
(Amounts Expressed in Thousands)

Assets	CHESLA					
	CHEFA	Agency Operating Fund	Bond Funds		Total CHESLA	Total
			1990 Resolution	2003 Resolution		
Current assets:						
Unrestricted assets:						
Cash	\$ 361	\$ 23	\$ -	\$ -	\$ 23	\$ 384
Investments	-	1,133	-	-	1,133	1,133
Current portion of loans receivable, net of allowances for loan losses of \$2,357	-	-	9,580	9,025	18,605	18,605
Accounts receivable, less allowance of \$86	617	-	-	-	-	617
Interest receivable on investments	-	-	58	77	135	135
Interest receivable on loans receivable	-	-	315	161	476	476
Board-designated investments	11,617	1,000	-	-	1,000	12,617
Prepaid expenses and other assets	80	16	-	-	16	96
Total unrestricted assets	12,675	2,172	9,953	9,263	21,388	34,063
Restricted assets:						
Fund investments	407,730	-	33,454	7,974	41,428	449,158
Total restricted assets	407,730	-	33,454	7,974	41,428	449,158
Total current assets	420,405	2,172	43,407	17,237	62,816	483,221
Non-current assets:						
Restricted investments	7,088	-	12,663	10,500	23,163	30,251
Loans receivable, net of current portion	-	-	65,344	40,009	105,353	105,353
Prepaid bond insurance premiums	-	104	-	95	199	199
Capital assets, net	171	-	-	-	-	171
Total non-current assets	7,259	104	78,007	50,604	128,715	135,974
Total assets	\$ 427,664	\$ 2,276	\$ 121,414	\$ 67,841	\$ 191,531	\$ 619,195

See independent auditors' report.

State of Connecticut Health and Educational Facilities Authority
Consolidating Statement of Net Position (continued)
June 30, 2014
(Amounts Expressed in Thousands)

Liabilities and Net Position	CHESLA					
	CHEFA	Agency Operating Fund	Bond Funds		Total CHESLA	Total
			1990 Resolution	2003 Resolution		
Current liabilities:						
Accounts payable and accrued expenses	\$ 2,990	\$ 6	\$ 189	46	\$ 241	\$ 3,231
Current portion of bonds payable	-	-	4,105	6,660	10,765	10,765
Accrued interest payable	-	-	483	339	822	822
Amounts held for institutions	407,730	-	-	-	-	407,730
Total current liabilities	410,720	6	4,777	7,045	11,828	422,548
Non-current liabilities:						
Bonds payable, net of current portion	-	-	113,409	50,677	164,086	164,086
Amount held on behalf of the State of Connecticut	2,182	-	-	-	-	2,182
Total non-current liabilities	2,182	-	113,409	50,677	164,086	166,268
Total liabilities	412,902	6	118,186	57,722	175,914	588,816
Net position:						
Invested in capital assets	171	-	-	-	-	171
Restricted	4,906	-	46,117	18,474	64,591	69,497
Unrestricted (Note 1)	9,685	2,270	(42,889)	(8,355)	(48,974)	(39,289)
Total net position	14,762	2,270	3,228	10,119	15,617	30,379
Total liabilities and net position	\$ 427,664	\$ 2,276	\$ 121,414	\$ 67,841	\$ 191,531	\$ 619,195

See independent auditors' report.

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

Assets	CHESLA					Total
	CHEFA	Agency Operating Fund	Bond Funds		Total CHESLA	
			1990 Resolution	2003 Resolution		
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)

Liabilities and Net Position	CHESLA					
	CHEFA	Agency Operating Fund	Bond Funds		Total CHESLA	Total
			1990 Resolution	2003 Resolution		
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 (Note 1)	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, 2014
(Amounts Expressed in Thousands)

	CHESLA							
	CHEFA	Agency Operating Fund	Bond Funds		Eliminations	Total CHESLA	Eliminations	Total
			1990 Resolution	2003 Resolution				
Operating revenues:								
Interest income on loans receivable	\$ -	\$ -	\$ 5,061	\$ 3,469	\$ -	\$ 8,530	\$ -	\$ 8,530
Administrative fees	7,233	699	-	-	(699)	-	-	7,233
Investment income	9	5	460	576	-	1,041	-	1,050
Bond issuance fees	80	-	-	-	-	-	-	80
Other revenues	178	-	-	-	-	-	(143)	35
Total operating revenues	7,500	704	5,521	4,045	(699)	9,571	(143)	16,928
Operating expenses:								
Interest expense	-	-	3,815	2,907	-	6,722	-	6,722
Salaries and related expenses	2,848	197	-	-	-	197	-	3,045
General and administrative expenses	1,023	271	299	582	(699)	453	(143)	1,333
Loan service fees	-	-	492	214	-	706	-	706
Bond issuance and insurance costs	-	26	329	24	-	379	-	379
Provision for loan losses	-	-	258	44	-	302	-	302
Total operating expenses	3,871	494	5,193	3,771	(699)	8,759	(143)	12,487
Total operating income	3,629	210	328	274	-	812	-	4,441
Non-operating - expenses:								
Grant expense	(3,508)	-	-	-	-	-	-	(3,508)
Total non-operating expense	(3,508)	-	-	-	-	-	-	(3,508)
Income before transfers	121	210	328	274	-	812	-	933
Transfers	-	(300)	381	(81)	-	-	-	-
Increase (decrease) in net position	121	(90)	709	193	-	812	-	933
Net position, beginning of year	14,641	2,360	2,519	9,926	-	14,805	-	29,446
Net position, end of year	\$ 14,762	\$ 2,270	\$ 3,228	\$ 10,119	\$ -	\$ 15,617	\$ -	\$ 30,379

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							
	CHEFA	Agency Operating Fund	Bond Funds		Eliminations	Total CHESLA	Eliminations	Total
			1990 Resolution	2003 Resolution				
Operating revenues:								
Interest income on loans receivable	\$ -	\$ -	\$ 4,232	\$ 3,937	\$ -	\$ 8,169	\$ -	\$ 8,169
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	4,006	4,536	(754)	8,557	(110)	15,970
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 service fees	-	-	378	154	-	532	-	532
Bond issuance and insurance costs	-	30	466	28	-	524	-	524
Provision for loan losses (benefit)	-	-	197	(1)	-	196	-	196
Arbitrage rebate and excess loan yield benefit	-	-	-	35	-	35	-	35
Total operating expenses	3,901	561	4,323	4,301	(754)	8,431	(110)	12,222
Total operating income (loss)	3,622	208	(317)	235	-	126	-	3,748
Non-operating - 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 consolidated statements of net position as of June 30, 2014 and 2013 and the related consolidated statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2014.

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 by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to 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*.





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 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 17, 2014



Exhibit B – Loans Disbursed to Schools by Bond Series

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY - HISTORICAL LENDING (06/14)

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		Total Number Of Students	Total Distribution to Students
	Number of Loans Disb. (1)	Amount of Loans (\$)	Number of 4.99% Loans Disb. (2)	Amount of 4.99% Loans (\$)	Number of 4.99% Loans Disb. (3)	Amount of 4.99% Loans (\$)	Number of 5.50% Loans Disb. (4)	Amount of 5.50% Loans (\$)	Number of 6.15% Loans Disb. (5)	Amount of 6.15% Loans (\$)	Number of 6.99% Loans Disb. (6)	Amount of 6.99% Loans (\$)	Number of 6.80% Loans Disb. (7)	Amount of 6.80% Loans (\$)	Number of 5.95% Loans Disb. (8)	Amount of 5.95% Loans (\$)	Number of 5.99% Loans Disb. (9)	Amount of 5.99% Loans (\$)		
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	6	\$39,750	336	\$2,416,385
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	12	\$46,060	49	\$187,286
Asnuntuck Community College	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	2	\$10,689	0	\$0	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	63	\$316,101	960	\$5,478,340
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	10	\$77,502	349	\$3,699,856
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	66	\$340,962	1,048	\$5,709,928
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	53	\$552,413	2,135	\$23,748,680
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	2	\$7,000	16	\$97,913
Graduate Institute	0	\$0	4	\$33,724	4	\$40,987	3	\$25,918	6	\$81,305	14	\$119,830	23	\$241,177	25	\$203,920	19	\$182,500	98	\$929,361
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	5	\$29,250	55	\$363,046
Manchester Community College	5	\$16,743	0	\$0	2	\$7,000	0	\$0	0	\$0	0	\$0	0	\$0	1	\$2,000	3	\$17,882	11	\$43,625
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	7	\$70,750	143	\$1,251,543
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	115	\$1,418,963	3,441	\$37,912,961
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	302	\$3,270,425	4,396	\$50,853,440
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	53	\$274,185	566	\$6,034,859
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	37	\$295,861	700	\$5,260,354
Saint Vincent College	20	\$132,468	0	\$0	0	\$0	3	\$33,466	1	\$11,000	9	\$64,133	0	\$0	0	\$0	2	\$9,000	35	\$250,067
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	2	\$12,000	24	\$181,986
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	10	\$140,103	304	\$3,194,553
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	9	\$53,010	255	\$1,828,035
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	126	\$971,588	3,078	\$20,334,089
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	99	\$846,554	4,117	\$41,439,483
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	130	\$1,219,293	912	\$7,924,305
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	8	\$102,628	755	\$8,582,787
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	23	\$128,500	281	\$1,534,566
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	100	\$1,627,795	2,685	\$35,843,890
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	1,262	\$12,050,075	28,812	\$283,891,863
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	#####	925	\$8,516,042	9,401	\$93,450,545
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	2,187	\$20,566,117	39,788	\$386,481,035



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

AMENDED AS OF MAY 8, 2014

* * * * *

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

ADDENDUM, MAY 15, 2014

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Education Loan Interest Rates

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. OVERVIEW OF CHESLA LOAN PROGRAM

1. Amount.
 - (a) Current Year Loan. A Loan may be made in a principal amount of not less than \$2,000 and not more than any one Eligible Student’s Net Cost of Education in any one Loan Year. In no Loan Year shall the total of all forms of financial assistance (including Loans under the Program) exceed the Cost of Education.
 - (b) Tuition Prepayment Loan. A Loan may be made in a principal amount of not less than \$2,000 and not more than \$125,000 in any one Loan Year, for the purpose of prepaying any one Eligible Student’s Prepayable Costs pursuant to a Tuition Prepayment Plan.
 - (c) Maximum Borrowing. In no case may any Borrower or Co-Borrower borrow proceeds over the life of the Program for any one Eligible Student in excess of \$125,000.
2. Frequency of Loans. There is no limit on the number of separate Loans a Borrower may apply for and accept during a Loan year.
3. Interest Rate. Loans shall bear interest at the rate or rates as the Authority shall determine in connection with each Series of Bonds used to finance Education Loans. Interest due is calculated daily based on the actual number of days, elapsed, or as otherwise determined by the Authority.
4. Repayment Term and Schedule.

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

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

5. Promissory Note. Each Loan will be evidenced by a Promissory Note executed by the Borrower and Co- Borrower(s), if any. A Promissory Note will be sent to the Borrower and any Co-Borrower for execution upon approval of the Application by the Servicer, as authorized by the Authority.
6. Mortgages. In the event the Authority and the Servicer enter into an agreement for the purpose of servicing Loans secured by Mortgages, Borrowers and Co-Borrowers may, to the extent permitted thereby and in accordance with the procedures and subject to the limitations set forth therein, deliver such documents as are specified therein for the purpose of securing an Education Loan.
7. Credit Life Insurance. In the event the Authority and the Servicer enter into an agreement for the purpose of offering Borrowers an option to purchase credit life insurance, Borrowers may include with their Loan payments the cost thereof, in accordance with the terms of such agreement; provided, however, that Loan payments shall first be credited to principal, interest and prepayment fees as set forth herein and in the Promissory Note.
8. Reserve Fee. The non-refundable Reserve Fee will be paid by the Borrower from the proceeds of each Loan at the time of disbursement thereof.
9. Nondiscrimination. The Authority shall not discriminate on the basis of the location within the United States and its possessions of the Eligible College or University or on the basis of the residency of Eligible Students attending Eligible Colleges or Universities located in Connecticut.
10. Borrowers not to Acquire Bonds. Each Borrower shall agree that neither the Borrower, the Co-Borrower, nor any person who is a "related person" within the meaning of Section

147(a) of the Internal Revenue Code of 1986, as amended, has or will acquire any of the Bonds in an amount related to any Loan received by such Borrower.

11. Release of Co-Borrowers. In connection with Education Loans originated with proceeds of the 2014 Series A Bonds and bonds issued thereafter, upon request, a Co-Borrower may be released from responsibility for repayment of a Loan for which not fewer than 60 consecutive Timely payments of principal and interest have been received following the end of the Interest Only Payment Period, and for which the remaining Borrower would satisfy the then current credit criteria for Education Loan eligibility as set forth in Section E. A payment shall be considered Timely so long as it is received not later than ten days after the due date therefor and all other payments within the prior twelve-month period have been received on or before the due dates therefor.

The Authority may charge a fee for processing any such request for release.

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
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CHESLA LOAN PROGRAM
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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.

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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.

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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
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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
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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.

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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.

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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.

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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.

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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.

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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 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.

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
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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. 2013 Loans will be serviced by Firstmark Services LLC.

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Dated May 15, 2014

Per the Determination of the Executive Director of the Connecticut Higher Education Supplemental Loan Authority on May 15, 2014:

1. Loans made with proceeds of the Authority's \$23,000,000 Revenue Bonds (CHESLA Loan Program) 2014 Series A (the "2014 Series A Bonds") initially shall bear interest at a stated rate of 6.75% 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 2014 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. 2014 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%
2014 Series A	6.75%



Exhibit D – CHESLA’s Strategic Plan

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 2015
Operating Budget**

CHESLA Budget
Budget for the Twelve Months Ending June 30, 2015

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2015 Budget
Revenues			
Admin Fee Income	\$ 753,984	\$ 686,726	\$ 644,283
Investment Income	4,078	4,500	3,600
Misc Income & Recovery	10,814	0	0
Total Revenues	\$ 768,876	\$ 691,226	\$ 647,883
Expenses			
Compensation	\$ 139,558	\$ 145,140	\$ 151,435
Employee Benefits	49,592	52,184	49,757
General and Administrative	65,856	109,298	87,886
Business Education, Board and Reimbursable	6,905	12,750	14,250
Membership Dues	6,112	14,500	14,500
CHEFA Support Services	106,179	142,874	149,587
Outside Services	156,647	36,000	36,038
Total Expenses	\$ 530,850	\$ 512,746	\$ 503,453
Excess Revenue from Operations	\$ 238,026	\$ 178,480	\$ 144,430
Bond Issuance Costs & Amortization & Transfer to Trust	729,704	25,627	22,227
Total Excess Revenue	\$ (491,678)	\$ 152,853	\$ 122,203
Benefit % to Compensation	35.54%	35.95%	32.86%

* Projected Actual is based on Actual Financials as of March 31, 2014, plus 3 months of projected amounts.

CHESLA Salary & Benefits Expense
Budget for the Twelve Months Ending June 30, 2015

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2015 Budget
Staff Compensation	\$ 139,558	\$ 145,140	\$ 151,435
Total Compensation	\$ 139,558	\$ 145,140	\$ 151,435
Payroll Taxes	\$ 10,689	\$ 11,061	\$ 11,677
Medical & Life Insurance			
CBIA Medical w/CBIA Life	6,781	9,334	3,796
Deductible Funding HSA (CHEFA)	1,875	3,750	2,812
Less: CBIA Co-insurance	(2,005)	(2,321)	(562)
Net Medical Insurance	6,651	10,763	6,046
CHEFA Alternative Insurance	2,800	2,800	2,800
Life Insurance	717	769	953
Dental	2,218	2,335	2,907
Total Medical, Life Insurance & Other	12,386	16,667	12,706
Pension			
Contributions	13,387	14,514	15,144
Administrative Fee	0	574	594
Total Pension	13,387	15,088	15,738
457 Plan	2,515	2,551	3,000
Vacation	5,125	0	0
Disability Insurance - Long Term	549	597	621
Disability Insurance - Short Term	570	620	647
Workers Compensation	351	600	368
Tuition	4,020	5,000	5,000
Total Employee Benefits	49,592	52,184	49,757
Total Employment	\$ 189,150	\$ 197,324	\$ 201,192

**CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2015**

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2015 Budget
Lease & Storage			
Lease - Office Space	\$ 8,329	\$ 12,048	\$ 12,362
Lease - Taxes/CAM fees	0	0	196
Offsite Storage & Filesanywhere (electronic storage)	321	400	114
Total Lease & Storage	8,650	12,448	12,672
Business Insurance			
Office Package	1,103	642	653
Cyber Policy	0	10,000	6,567
Fiduciary & Performance Bond & Terrorism	86	150	303
Directors and Officers Liability / Public Officials	25,489	33,540	16,753
Total Business Insurance	26,678	44,332	24,276
Office Supplies and Non Capital Equipment			
General Office Expense and Supplies	983	1,200	1,300
Non-Capital furniture, Equipment & Software Licensing	5,555	500	1,000
Total Office Supplies and Non Capital Equip	6,538	1,700	2,300
Communications: Telephone & Internet			
Phone, Data Svc & Conferencing	2,677	2,616	2,600
Website Development & Hosting	361	452	500
Total Communications: Phone & Internet	3,037	3,068	3,100
Postage Expense			
Postage & Courier Expense	2,842	2,750	2,761
Maintenance Contracts	4,769	5,534	5,277
Publications & Resource Materials	0	500	500
Marketing Costs			
Advertising	4,240	20,000	20,000
Brochures	999	1,000	1,000
Fees - Exhibit/Sponsorship	300	1,000	1,000
Promotional Items - Exhibit/Sponsorship	548	1,000	1,000
Scholarships	3,000	6,000	6,000
Misc Marketing	913	6,000	5,000
Total Marketing Costs	10,001	35,000	34,000
Miscellaneous			
Kitchen supplies, soda, Sam's Club	0	0	0
ADP Payroll Service	1,270	1,300	1,350
Bank Fees & Safe Deposit Box	155	150	150
Contingency	0	0	0
Staff Activities	0	125	500

**CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2015**

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2015 Budget
Miscellaneous	1,917	2,391	1,000
Total Miscellaneous	3,342	3,966	3,000
Contributions			
Miscellaneous	0	0	0
Total Contributions	0	0	0
Total General and Administrative Expenses	\$ 65,856	\$ 109,298	\$ 87,886
Bond Insurance Cost - Amortization	29,507	25,627	22,227
Bond Issuance Costs	700,197	0	0
Total Bond Issuance Cost	\$ 729,704	\$ 25,627	\$ 22,227

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2015

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2015 Budget
Depreciation		\$ 0	\$ 0
Employee Reimbursable			
Staff business and travel expenses	1,458	750	750
Total Employee Reimbursable	1,458	750	750
Board Expense			
Board lunches	1,024	1,500	1,500
Board education	0	1,000	1,000
Total Board Expense	1,024	2,500	2,500
Conference & Education Expense			
Conferences (including expenses)	4,397	8,500	9,000
End User Education (non tuition, computer and other)	27	1,000	1,000
Total Conference & Education Expense	4,424	9,500	11,000
Total Business Education, Board and Reimbursable	\$ 6,905	\$ 12,750	\$ 14,250
Memberships Dues	\$ 6,112	\$ 14,500	\$ 14,500
CHEFA Support Services	\$ 106,179	\$ 142,874	\$ 149,587

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2015

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2015 Budget
Accounting Systems			
Enhancements (IT)	197	1,000	1,000
Total Accounting and IT Systems	197	1,000	1,000
Consultant Others			
Beers Hamerman & Co.	15,950	0	0
CCIC	26,500	0	0
Insurance Consultant	0	8,000	8,000
Total Consultant Others	42,450	8,000	8,000
Legal	80,000	0	0
Independent Auditors	34,000	27,000	27,038
Total Outside Services	\$ 156,647	\$ 36,000	\$ 36,038