CHESLA

www.chesla.org

Connecticut Higher Education Supplemental Loan Authority
21 Talcott Notch Road, Suite 1, Farmington, Connecticut 06032
(860) 678-7788 Outside CT • (800) 252-3357 In CT • FAX (860) 678-0006

September 14, 2010

TO: Board of Directors and Advisory Committee of the Connecticut Higher Education Supplemental Loan Authority (CHESLA)

FROM: Gloria F. Ragosta, Executive Director

SUBJECT: September 21, 2010 Audit Committee and Board Meeting

Enclosed are materials for the CHESLA Board of Directors meeting on Tuesday, September 21 2010. The **Audit Committee will meet at 9:00 a.m.** and the Board meeting will be held from 10:00 a.m. to 11:30 a.m. in the Conference Room on the **First Floor** of the Dept. of Higher Education, 61 Woodland St., West Hartford, CT. Directions are enclosed. Parking is available behind the building. You will need to enter from either side of the back of the building on the ground level and show an id to the guard.

For those of you calling in via conference call, the call in number is: 1-866-906-9888 and the Participant Code is: 7579396.

Please call the CHESLA office to indicate your attendance for both meetings. I look forward to seeing you on September 21st.

cc: CHESLA Advisory Committee, and Professional Advisors (General Counsel, Financial Advisor, Trustee, Auditor, Accountant)

Connecticut Department of Higher Education

The Department of Higher Education is located at 61 Woodland Street in Hartford, Connecticut

Traveling on I-91 North: Take the I-84 West exit (Exit 32A) and follow the directions below for traveling on I-84.

Traveling on I-91 South: Take the I-84 West exit and follow directions below for traveling on I-84.

Traveling on I-84 (East or West):

1. Take the Sisson Avenue exit (Exit 46). Keep right at the fork in the ramp.
2. At the end of the exit ramp, at the light, turn right onto Sisson Avenue and go to Farmington Avenue.
3. Turn right onto Farmington Avenue and go to Woodland Street (first traffic light).
4. Turn left onto Woodland Street and go to Asylum Avenue.
5. Take a left onto Asylum Avenue. The parking area may be entered from Asylum Avenue.
6. Turn left into the second driveway.
7. Take the elevator in Capitol Community Technical College to the third floor, and signs for the main DHE office will be on your left.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

September 21, 2010
9:00 a.m.-10:00 a.m. Audit Committee Meeting
10:00 a.m. - 11:30 a.m. Board Meeting
Department of Higher Education
First Floor Conference Room
61 Woodland St.
Hartford, Connecticut

The Audit Committee (and any board members who wish to attend) will meet from 9:00 a.m. to 10:00 a.m. prior to the full board meeting.

AGENDA

1. Call to Order

*2. Approval of Minutes of the June 15, 2010 Meeting

3. Executive Director's Report

    *A. Report on CHESLA Program Borrowers
    *B. Report on Arbitrage Rebate and Loan Yield Calculations
    *C. Year-to-date Budget Report
    D. Update on 2010 Bond Deal

4. Election of Vice Chairman

5. Audit Committee Report – (meeting with auditors)

*6. Approval of Draft CHESLA Audit 2010 and MD&A

*7. Approval of Draft 2010 Annual Report

*8. Approval of Resolution Approving an Audit Selection Committee

**9. Approval of Firstmark Fee to Program for New Loan Rate

*10. Findings/Recommendations/Approval of the Management Planning Committee

11. Other Business

12. Public Participation

13. Adjournment

*Indicates enclosure with agenda
**To be mailed separately

Agenda Item 2

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Minutes of Meeting
June 15, 2010
Mandell Jewish Community Center
Bloomfield, Connecticut

Authority Members Present:	Michael E. McKeeman, Chair; Julie Savino, Vice Chair; Delores Graham; Kathleen Woods; Nancy Brady (for Michael Meotti); John Mengacci (for Robert L. Genuario); William Pizzuto; and Sarah Sanders (for Denise Nappier)
Authority Staff and Advisors Present:	Gloria F. Ragosta, Executive Director; Samuel E. Rush, Deputy Director; Susan Harlan, Loan Portfolio Analyst; Judith Blank, Day Pitney (General and Bond Counsel); Joe Popevis and Christy Phillips, Firstmark Services (Loan Servicer - via conference call); Christine Doyle and Robert Guadagno, PFM (Financial Advisor - via conference call); Elizabeth Hammer, U.S. Bank (Trustee); Jeffrey Wagner, RBC Capital Markets (Underwriter – via conference call); Julie Gillespie, Simione Macca & Larrow (Auditor)
Authority Advisory Committee Members Present:	Frank R.A. Resnick

The Board went into Executive Session at 9:00 a.m. to discuss future CHESLA staffing and personnel issues including staff compensation for the FY 2011 Budget and Plan of Operations. The following individuals were present during Executive Session: Mr. McKeeman, Ms. Savino, Ms. Graham, Ms. Woods, Mr. Meotti, Mr. Pizzuto, Ms. Sanders, Ms. Blank and Ms. Ragosta. Regular session resumed at 10:25 a.m.

A quorum being present, the Chairman called the meeting to order at 10:25 a.m. Mr. McKeeman indicated that Ms. Ragosta announced that she hopes to retire from CCIC by the end of January 2011 and he wished her well on behalf of the CHESLA Board. He indicated that the Authority would be engaged in a management transition process during the next six months.

The minutes of the March 23, 2010 meeting were approved unanimously with one correction.

Ms. Ragosta presented the executive director's report. She reported that the Authority had $18.6 million (gross) available to lend with an additional $3.1 million in the pipeline. Ms. Ragosta indicated that Collection Company of America (CCA) had collected approximately $15.3 million through March 2010 (first placement collection rate of 72.7%; second placement collection rate of 73.1%). Mr. Rush reviewed the quarterly marketing data.

Ms. Ragosta provided an update on legislative issues that could impact the Authority. She noted the passage of House Bill 5392 "AAC Non-appropriated Funds and Personnel Status Reports by Quasi-Public Agencies" The bill requires quasi-public agencies to submit quarterly reports concerning financial information and personnel vacancies to the Office of Fiscal Analysis (beginning July 1, 2010). House Bill 5391 "AAC Quasi-Public Agency Compliance Audits" changed the state audit of quasi-public agencies including CHESLA from each year to every two years. Ms. Ragosta noted that Senate Bill 57, would have changed the terms for students with defaulted loans while still enrolled in college. The bill died with opposing testimony from CHESLA and OPM.

Ms. Ragosta reported that there were several proposals on the Federal level that would negatively affect CHESLA. She noted that the lobbying efforts of CHESLA and EFC with Sen. Dodd's staff had prevented the implementation of some of the more harmful proposals in the federal student loan legislation. Ms. Ragosta indicated that the temporary exclusion of the AMT tax had been extended for private activity tax-exempt bonds issued through 2011, including refunding issues.

Ms. Ragosta noted that the National Credit Bureau Trans Union reported in the first quarter of 2010 that 90 day and 30-day delinquency rates on private loans were 6% and 7.5% respectively. The Department of Education's FY 2008 draft for student loan cohort default rates rose from 6.7% in 2007 to 7.2% in 2008. She indicated that CHESLA's net default rates were 3.24% for the 1990 trust and 1.95% for the 2003 trust.

Ms. Ragosta reported that the Federal fixed-loan interest rates for loans first disbursed on or after July 1, 2010 were included in the Board package. She noted that the fixed interest rate for subsidized undergraduate loans disbursed between July 1, 2010 and June 30, 2011 would be 4.5%, representing a reduction from the current 5.6% rate.

Ms. Ragosta reported that the state auditors completed CHESLA's FY 2009 financial and compliance audit. She noted that copies of the report had been sent to Board members and that the report contained three minor recommendations focusing on a payroll error, vacation carryover and approval of American Express expenses. Ms. Ragosta indicated that the Authority had implemented all three recommendations.

Ms. Ragosta reported on the following May 15th redemptions: $300,000 in 1998A series bonds; $75,000 in 1999A series bonds; $235,000 in 2000A series bonds; and $100,000 in 2001A series bonds.

Ms. Ragosta reported that the interest rate reduction on 1998 Series A & B loans helped reduce the 2% bond yield liability. She noted that the 1996 Series A loan yield was still too high compared to the principal balances remaining in the portfolio. Ms. Ragosta noted that a meeting of the 2% yield committee would be scheduled to review the issue and to make recommendations to the Board.

Ms. Ragosta reported that the Bond Committee was working on the 2010 bond deal and that the Authority was authorized by OPM to issue up to $45 million in private activity bonds. She noted that Board approval was necessary to authorize the maximum cost of issuance contribution from CHESLA for the deal. Mr. Mengacci made a motion authorizing the 2010 Bond Committee to allocate up to $600,000 of Authority operating funds, contingent upon agency fund balances and availability, to use to pay down the cost of issuance of the 2010 bond deal. Seconded by Ms. Graham, the motion passed unanimously.

Ms. Ragosta asked for Board approval to authorize the Bond Committee to approve the payment of $12,500 for Moody's to run an analysis of the 2003 Master Resolution portfolio to determine if excess equity could be released for the purpose of a new Bond Resolution. MBIA would also have to approve the release of the equity based on Moody's analysis. Mr. Mengacci made a motion to authorize the 2010 Bond Committee to approve the cost of $12,500 for Moodys to calculate the available equity in the 2003 Master

Resolution based on the structure of the bond deal and the value of capturing the excess equity. Seconded by Dr. Pizzuto, the motion passed unanimously.

Ms. Ragosta reported that Fitch and Moodys downgraded Connecticut's General Obligation Credit to AA and the state outlook had been revised to "stable" from negative. She noted that this action did not affect CHESLA's credit rating.

Ms. Ragosta presented the FY 2010 Third Quarter Financial Statements. She noted that Mr. Santore indicated that the changes in cash/equivalents stemmed from the depletion of money in the 2007 loan fund, investments were $20M higher than the prior year and interest expenses were higher. Ms. Ragosta indicated that Mr. Santore noted that the financials were in good condition.

Ms. Savino made a motion to approve the proposed CHESLA Budget and Plan of Operations for FY 2011. Seconded by Ms. Graham, the motion passed with Ms. Sanders opposing and Mr. Mengacci abstaining.

Public Participation – No public participation.

New Business:

Mr. Mengacci proposed the creation of a new Management Planning Committee. Dr. Pizzuto made a motion charging the Management Planning Committee to meet and to provide a report to the Board at the September 2010 meeting regarding recommendations pertaining to the future management of CHESLA with the following committee members: Mr. Mengacci (Chair), Mr. Meotti, Ms. Savino, Ms. Woods and Ms. Sanders. Seconded by Ms. Graham the motion passed unanimously.

The meeting adjourned at 11:03 a.m.

CHESLA

AGENDA ITEM 3A

Fact Sheet

Loans Made from All Bond Series*
(Loans made between October 1985 and 4Q FY10)

	Pre 2003 Resolution	2003 Res. ('91, '93, '94, '96, '03A '03B, '05A, '05B, '06A, '07A)	
• Total Amount Loaned:	$113,964,580	**$198,316,512**	[$312,281,092]
• Total Number of Loans:	11,806	**19,944**	[31,750]
• Average Loan:	$9653	**$9,943**	[$9,835]
• Current Loan Principal Outstanding:	$28,360,505^	**$91,872,215^**	[$120,232,720]
• Net Default Rate (Non-performing loans plus collection attorney fees):	2.99% ↓ 0.17%	***2.01% ↓ 0.07%***	[2.37%]
• Total Bond Principal Outstanding:	$53,975,000^*	***$103,060,000***	[$157,035,000]
• Available Funds to Lend	Executive Director Report		

* CHESLA first made loans directly to students in 1985-88 at 10.98%. The CHESLA Loan Program was started in 1990. The following bond series have been issued to provide loans under CHESLA:

1990 - $18.0 million - 9.70%	2000 - $22.4 million - 7.25%
1991 - $25.0 million - 9.20%	2001 - $25.0 million - 6.70%
1993 - $10.0 million - 8.40%	2003 - $30.9 million - 4.99%
1994 - $25.0 million - 8.25%	2005 - $37.4 million - 5.50%
1996 - $25.0 million - 8.10%	2006 - $33.3 million - 6.15%
1998 - $18.6 million - 7.50%	2007 - $41.0 million - 6.99%
1999 - $16.8 million - 7.50%	2009 - $30.0 million - 6.80%

- Collections by CCA
  - Since December 1997:

PI&F	$15,432,662
Fee Paid to CCA	$ 2,905,190
Net to CHESLA	$12,527,472

- CT Income Tax Intercepts through 4th Quarter: $193,357.09 (less returns)

^ Excludes Defaulted Accounts at Collection Agents

^* As of 05/15/10 Redemption

Connecticut Higher Education Supplemental Loan Authority (CHESLA) - 4th Quarter FY-2010 Analysis of Disbursements and Marketing Data (as of June 30, 2010)

Analysis of Disbursements

Agenda Item 3A

Subtotal - In State Institution Loans

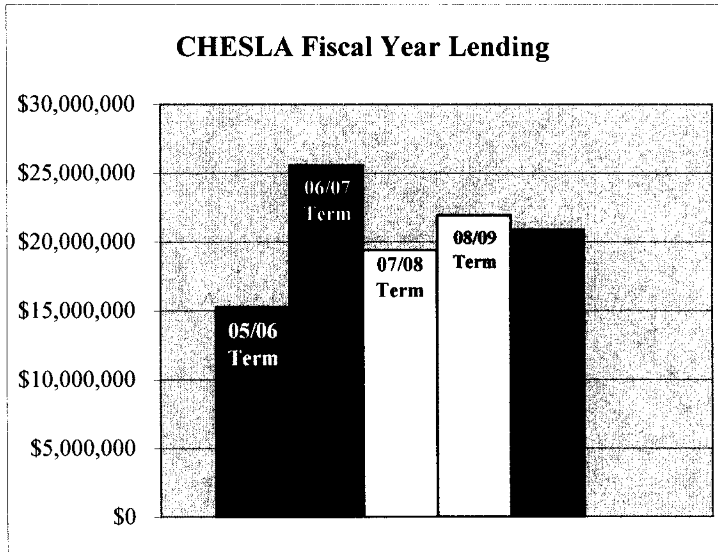
	05/06 Term	06/07 Term	07/08 Term	08/09 Term	**09/10 Term**
Jul-Sept (1Q)	$8,377,780	$14,646,463	$11,800,000	$6,699,723	$5,310,778
Oct-Dec (2Q)	$1,621,602	$4,264,417	$1,597,646	$2,186,066	$3,187,939
Jan-Mar (3Q)	$1,329,297	$1,596,932	$2,466,259	$6,238,582	$6,421,426
Apr-Jun (4Q)	$631,676	$331,339	$174,052	$298,165	$266,495
YTD Totals	$11,960,355	$20,839,151	$16,037,957	$15,422,536	$15,186,637

Subtotal - Out of State Institution Loans

	05/06 Term	06/07 Term	07/08 Term	08/09 Term	**09/10 Term**
Jul-Sept (1Q)	$2,451,853	$2,680,394	$2,035,435	$2,708,161	$2,207,304
Oct-Dec (2Q)	$479,365	$1,323,072	$310,515	$756,746	$789,021
Jan-Mar (3Q)	$334,381	$616,407	$783,742	$2,908,472	$2,598,147
Apr-Jun (4Q)	$23,727	$104,985	$216,121	$133,932	$99,561
YTD Totals	$3,289,326	$4,724,858	$3,345,813	$6,507,311	$5,694,033

Total Gross Originations - Fiscal Year Comparison

	05/06 Term	06/07 Term	07/08 Term	08/09 Term	**09/10 Term**
Jul-Sept (1Q)	$10,829,633	$17,326,857	$13,835,435	$9,407,884	$7,518,082
Oct-Dec (2Q)	$2,100,967	$5,587,489	$1,908,161	$2,942,812	$3,976,960
Jan-Mar (3Q)	$1,663,678	$2,213,339	$3,250,001	$9,147,054	$9,019,572
Apr-Jun (4Q)	$655,403	$436,324	$390,173	$432,097	$366,056
YTD Totals	$15,249,681	$25,564,009	$19,383,770	$21,929,847	$20,880,670



Total Gross Originations - Fiscal Year Comparison

Analysis

The CHESLA Loan Program originated $366,056 (gross) in new loans. The new loans are comprised of $266,495 disbursed to students attending Connecticut Institutions and $99,561 disbursed to students attending Non-Connecticut Institutions. The loans originated are $66,041 less than the loans originated during the 4th quarter last year. To date, the amount of loans originated is $1,049,177 less than the amount originated during the 2008/2009 fiscal reporting term.

Data Source

CHESLA worksheet and Input charts derived from Firstmark Services weekly disbursement rosters.

Marketing Data

The following marketing data represents information from Firstmark Services for CHESLA loans originated under the 2009 A series bonds that began origination during Sept. 2009

*Borrowing by Grade Level	Gross Princ.	No. of Loans
Undergraduate	$8,283,089	999
Graduate	$431,296	46
Total	$8,714,385	1,045

*Borrowing by Income Level

	(a)	(b)	Est. Avg (a/b)
Data Not Available	$0	0	
$20,000 - $50,000	$534,468	66	$8,098
$50,001 - $100,000	$1,645,491	233	$7,062
$100,001 - $150,000	$1,896,561	243	$7,805
$150,001 - $200,000	$1,581,010	188	$8,410
$200,001 - $250,000	$932,049	109	$8,551
$250,001 - $300,000	$556,528	61	$9,123
$300,001+	$1,568,279	145	$10,816
Total	$8,714,385	1,045	$8,339

*Top 10 Borrowing by Town Level

	Town	Originated	No. of Loans	Previous Rank
1).	New Haven	$235,737	23	1
2).	Milford	$206,261	20	2
3).	Wallingford	$187,054	26	3
4).	Chesire	$137,806	10	4
5).	West Hartford	$132,411	16	5
6).	Branford	$96,730	10	8
7).	Bristol	$96,028	15	10
8).	Seymour	$94,270	9	9
9).	Hamden	$94,225	12	New
10).	Southington	$91,436	13	New

	**Top 10 Borrowing by CT Institution		Loans
1).	University of Hartford	$1,152,677	151
2).	Sacred Heart University	$980,764	101
3).	Yale	$684,004	61
4).	Quinnipiac University	$606,684	65
5).	Fairfield University	$561,979	53
6).	University of New Haven	$383,106	48
7).	University of Connecticut	$256,571	47
8).	Wesleyan University	$179,895	15
9).	Graduate Institute	$117,704	9
10).	Eastern CT State University	$107,129	30

* Source: Firstmark Services

AMTEC

AGENDA ITEM 3B

TAX-EXEMPT COMPLIANCE

September 13, 2010

Ms. Gloria F. Ragosta
Executive Director
Connecticut Higher Education
Supplemental Loan Authority
21 Talcott Notch Road, Suite 1
Farmington, CT 06032

Re: Excess Loan Yield Liability for the Connecticut Higher Education Supplemental Loan Authority: 2006 Series A

Dear Ms. Ragosta:

The Connecticut Higher Education Supplemental Loan Authority ("CHESLA") has requested that AMTEC provide an update for the above referenced bonds (the "Bonds"). Please find below a summary of our computations as of June 1, 2010.

Bond Yield	4.652986%
Permitted Spread	2.000000%
Allowable Yield	6.652986%

Borrower Rate – 2006 Series A	6.150000%
Borrower Rate – 1996 Series A	8.100000%
–Reduced in May 2009	0.000000%
Allowable Yield	6.652986%
Loan Yield	7.238233%
Excess Loan Yield Liability	**$578,898.80**

At the direction of CHESLA, we have assumed that the Excess Loan Yield Liability (positive $922,159.25) for the 1996 Series A Bonds as of its Final Computation Date (November 1, 2006) has transferred to the Bonds on this date, becoming subject to yield restriction at the yield on the Bonds.

Thank you and should you have any questions, please do not hesitate to contact us.

Very truly yours,

Raymond H. Bentley

Raymond H. Bentley
President

AMTEC

TAX-EXEMPT COMPLIANCE

September 3, 2010

Ms. Gloria F. Ragosta
Executive Director
Connecticut Higher Education
Supplemental Loan Authority
21 Talcott Notch, Suite 1
Farmington, CT 06032

Re: Excess Loan Yield Liability Computations for the Connecticut Higher Education Supplemental Loan Authority Bond Issues

Dear Ms. Ragosta:

AMTEC was formally appointed on December 14, 2005 to provide Loan Yield Calculation Reporting Services for the Connecticut Higher Education Supplemental Loan Authority ("CHESLA") Bond Issues. This engagement concluded with the delivery of the June 1, 2008 Reports. AMTEC was reappointed in January 2009 and since our reappointment, we have worked with CHESLA personnel to bring all loan yield computations current through June 1, 2010.

In addition to providing computations since June 1, 2005, we incorporated the results from the previous reports, which reflected activity prior to June 1, 2005. Therefore, the data included in our Excess Loan Yield Reports encompasses the loan, bond and expense activity from the date of each closing through June 1, 2010.

Issues with an Excess Loan Yield Liability

Based upon our computations, the following issues have an Excess Loan Yield Liability:

- $25,000,000 1996 Series A – $922,159.25 as of November 1, 2006 Final Computation Date, the current liability is $1,333,060.30.
- $18,560,000 1998 Series A and 1998 Series B – $474,358.19 as of June 1, 2008 Computation Date, the current liability is $485,537.81.
- $41,000,000 2007 Series A – The current liability is $213,778.22.

Issues without an Excess Loan Yield Liability

Based upon our computations, the following issues do not have an Excess Loan Yield Liability:

- $16,890,000 1999 Series A and 1999 Series B
- $22,385,000 2000 Series A and 2000 Series B
- $25,000,000 2001 Series A
- $30,915,000 2003 Series A and 2003 Series B
- $37,355,000 2005 Series A and 2005 Series B
- $33,270,000 2006 Series A

Summary

We have included our Summary of Excess Loan Yield Liability Computations. This schedule includes our results as of June 1, 2010, as well as our results reported as of June 1, 2009.

Our next Reports are scheduled to be delivered as of June 1, 2011. Should CHESLA require an interim update, one will be provided upon request for no additional fee.

We would like to acknowledge your assistance and the assistance of your staff in the preparation of these Reports. Thank you very much for this engagement and should you have any questions, please do not hesitate to contact us.

Very truly yours,

Raymond H. Bentley

Raymond H. Bentley
President

Connecticut Higher Education Supplemental Loan Authority
Summary of Excess Loan Yield Liability Computations
June 1, 2010 Report

Delivery Date	Size ($)	Issue Description	Borrower Interest Rate	Allowable Yield	6/1/09 Loan Yield	6/1/09 Excess Loan Yield Liability ($)	6/1/10 Loan Yield	6/1/10 Excess Loan Yield Liability ($)	Computation Date
6/15/90	18,000,000	1990 Series A	9.70%	N/A	N/A	N/A	N/A	N/A	12/1/01 [1]
7/25/91	25,000,000	1991 Series A	9.20%	N/A	N/A	N/A	N/A	N/A	8/1/03 [2]
4/06/93	10,000,000	1993 Series A	8.40%	N/A	N/A	N/A	N/A	N/A	4/1/05 [3]
7/14/94	25,000,000	1994 Series A	8.25%	N/A	N/A	N/A	N/A	N/A	4/1/05 [3]
8/28/96	25,000,000	1996 Series A	8.10%	7.506154%	7.971761%	**1,395,800.74**	7.917394%	**1,333,060.30**	11/1/06 [4]
8/19/98	18,560,000	1998 Series A 1998 Series B	7.50% 7.50%	6.805834%	7.142054%	**658,700.97**	7.034739%	**485,537.81**	6/1/08 [5]
10/27/99	16,890,000	1999 Series A 1999 Series B	7.50% 7.50%	7.577435%	6.865390%	(1,062,628.83)	6.856635%	(1,192,320.53)	6/1/14
11/15/00	22,385,000	2000 Series A 2000 Series B	7.25% 7.25%	7.187584%	6.804541%	(640,563.91)	6.793651%	(735,823.34)	6/1/10
11/15/01	25,000,000	2001 Series A	6.70%	6.778907%	5.697300%	(1,519,863.72)	5.687563%	$(1,755,555.01)	6/1/11
7/22/03	30,915,000	2003 Series A 2003 Series B	4.99% 4.99%	5.971625%	3.902315%	(2,928,073.91)	3.914219%	(3,424,667.22)	6/1/13
3/15/05	37,355,000	2005 Series A 2005 Series B	5.50% 5.50%	6.321556%	5.763498%	(633,779.13)	5.677880%	(936,127.32)	6/1/14
8/17/06	33,270,000	2006 Series A	6.15%	6.652986%	6.556646%	(66,552.20)	6.068163%	(591,341.29)	6/1/16
8/23/07	41,000,000	2007 Series A	6.99%	6.902624%	7.346716%	**101,192.91**	7.263695%	**213,778.22**	6/1/17

1 According to prior consultant's report, issue was refunded with proceeds of certain 2001 Bonds. Calculations are no longer required.

2 According to prior consultant's report, issue was refunded with proceeds of certain 2003 Bonds. Calculations are no longer required.

3 According to prior consultant's report, issue was refunded with proceeds of certain 2005 Bonds. Calculations are no longer required.

4 According to prior consultant's report, issue was refunded with proceeds of certain 2006 Bonds. Please note that the excess loan yield liability was $922,159.25 as of the November 1, 2006 Final Computation Date.

5 Please note that the Excess Loan Yield Liability was $474,358.19 as of the June 1, 2008 Computation Date.

AMTEC

TAX-EXEMPT COMPLIANCE

September 3, 2010

Ms. Gloria F. Ragosta
Executive Director
Connecticut Higher Education
Supplemental Loan Authority
21 Talcott Notch Road, Suite 1
Farmington, CT 06032

Re: Excess Loan Yield Liability for the Connecticut Higher Education Supplemental Loan Authority: 1996 Series A and 1998 Series A & B

Dear Ms. Ragosta:

The Connecticut Higher Education Supplemental Loan Authority ("CHESLA") has requested that AMTEC provide quarterly updates, beginning September 1, 2009, for the excess loan yield liability for the above referenced issues. Please find below a summary of our computations through June 1, 2010.

1996 Series A

The borrower rate is 8.10% and the allowable yield is 7.506154% (bond yield of 5.506154% plus 2% allowable spread).

		Borrower Rate	**8.100000%**
		Allowable Yield	**7.506154%**
Date	**Loan Yield**	**Liability ($)**
November 1, 2006	**7.899481%**	**922,159.25**
June 1, 2008	**7.971760%**	**1,278,163.66**
June 1, 2009	**7.971761%**	**1,395,800.74**
September 1, 2009	**7.954175%**	**1,369,573.16**
December 1, 2009	**7.935959%**	**1,339,613.78**
March 1, 2010	**7.927310%**	**1,338,780.75**
June 1, 2010	**7.917394%**	**1,333,060.30**

1998 Series A & B

The borrower rate is 7.50% and the allowable yield is 6.805834% (bond yield of 4.805834% plus 2% allowable spread).

	Borrower Rate	**7.500000%**
	Allowable Yield	**6.805834%**
Date	**Loan Yield**	**Liability ($)**
June 1, 2008	**7.073230%**	**474,358.19**
June 1, 2009	**7.142054%**	**658,700.97**
September 1, 2009	**7.099205%**	**586,222.49**
December 1, 2009	**7.067521%**	**533,358.14**
March 1, 2010	**7.050661%**	**509,054.55**
June 1, 2010	**7.034739%**	**485,537.81**

Due to the borrower rate of interest being reduced, the excess loan yield continues to decrease for 1996 Series A and 1998 Series A & B.

We have scheduled our next calculation to be delivered as of September 1, 2010. Thank you for your assistance and should you have any questions, please do not hesitate to contact us.

Very truly yours,

Raymond H. Bentley

Raymond H. Bentley
President

Agenda Item 3C.

Approved FY 2011
CHESLA Budget and Plan of Operations:

A. Operating Budget

	Budgeted FY 2011	Actual Thru Aug. 30	Projected Year End FY 2011	Variance Budget to Actual
Admin. Fees 1990 Bond/Loan Program (1)	$0	$0	$0	$0
Admin. Fees 1991 Bond/Loan Program (2)	$0	$0	$0	$0
Admin. Fees 1993 Bond/Loan Program (3)	$961	$430	$961	($531)
Admin. Fees 1994 Bond/Loan Program (4)	$3,758	$1,790	$3,758	($1,968)
Admin. Fees 1996 Bond/Loan Program (5)	$10,610	$3,281	$10,610	($7,329)
Admin. Fees 1998 Bond/Loan Program (6)	$15,953	$4,528	$15,953	($11,425)
Admin. Fees 1999 Bond/Loan Program (7)	$20,948	$5,678	$20,948	($15,270)
Admin. Fees 2000 Bond/Loan Program (8)	$33,539	$9,132	$33,539	($24,407)
Admin. Fees 2001 Bond/Loan Program (9)	$50,761	$13,543	$50,761	($37,218)
Admin. Fees 2003 Bond/Loan Program (10)	$131,468	$34,908	$131,468	($96,560)
Admin. Fees 2005 Bond/Loan Program (11)	$201,571	$52,514	$201,571	($149,057)
Admin. Fees 2006 Bond/Loan Program (12)	$210,781	$54,806	$210,781	($155,975)
Admin. Fees 2007 Bond/Loan Program (13)	$197,813	$51,375	$197,813	($146,438)
Admin. Fees 2009 Bond/Loan Program (14)	$118,526	$12,365	$118,526	($118,101)
Interest Earnings (15) Aug.	$10,000	$425	$3,500	($9,575)
Total Revenues	$1,006,691	$244,774	$1,000,189	($761,917)
Personnel				
Salary & Benefits*	$189,993	$31,791	$189,993	($158,202)
Soc. Sec./Medicare/WComp.	$10,911	$2,441	$10,911	($8,470)
Non-Personnel				
Accounting Services	$28,400	$6,825	$28,400	($21,575)
Audit	$37,400	$0	$37,400	($37,400)
Computer Access/Special Reports	$6,000	$540	$2,000	($5,460)
Contingency	$10,000	$0	$0	($10,000)
Gear-Up	$10,000	$0	$10,000	($10,000)
Insurance - Directors & Officers Liability	$10,000	$8,322	$8,322	($1,678)
Insurance - Surety Bond	$800	$683	$683	($117)
Legal Fees	$90,000	$22,500	$90,000	($67,500)
Marketing/Printing	$10,000	$4,000	$10,000	($6,000)
Office Exp. (rent,phone,postage,etc)	$35,000	$4,878	$30,000	($30,122)
Special Project-Early College Awareness	$10,000	$0	$0	($10,000)
Staff Services - CCIC	$106,000	$17,667	$106,000	($88,333)
Subscriptions/Memberships	$14,000	$150	$14,000	($13,850)
Travel/Meetings	$10,000	$118	$2,000	($9,882)
Total Expenses	$594,504	$99,915	$539,709	($494,589)
Total Revenues Over (Less Than) Total Expenses	$412,186	$144,859	$460,480	($267,327)

The Executive Director of CHESLA, upon a determination that such an expenditure is in the Authority's best interests, may authorize non-budgeted expenditures of up to (but less than) $2,000 without prior approval by the Board of Directors. The Executive Director shall notify the Chairman of the Board of any such expenditures.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Financial Statements

June 30, 2010 and 2009

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Connecticut Higher Education Supplemental Loan Authority ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Connecticut Higher Education Supplemental Loan Authority as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated October 1, 2010 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

Rocky Hill, Connecticut
October 1, 2010

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

The Connecticut Higher Education Supplemental Loan Authority (CHESLA) is a public instrumentality and political subdivision of the State of Connecticut (the "State"). CHESLA provides financial assistance in the form of education loans to students in or from the State, their parents or others responsible for the cost of their education and provides an alternative method to enable institutions of higher education in the State to assist qualified students to attend such institutions. CHESLA is authorized to issue tax-exempt bonds, the proceeds of which are used to fund education loans to applicants meeting certain eligibility requirements. The repayments of such loans service the debt on CHESLA bonds. CHESLA, in connection with the issuance of its bonds, has made certain covenants with respect to such loans, including a covenant to do or cause to be done all such acts and things necessary to receive and collect all revenues due with respect to such loans. CHESLA bonds are further secured by a special capital reserve fund.

The following Management's Discussion and Analysis (MD&A) of the Connecticut Higher Education Supplemental Loan Authority ("the Authority") activities and financial performance provides an introduction to the audited financial statements for the fiscal year ended June 30, 2010 as compared to June 30, 2009. Following the MD&A are the basic financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

FINANCIAL POSITION SUMMARY

The Authority's fiscal year 2010 assets increased by $18.8 million or 12.1% over fiscal year 2009 and liabilities increased by $20.4 million or 14.4% over fiscal year 2009. Total assets exceeded liabilities by $12.4 million in 2010 as compared to $14 million for 2009, or a net decrease of $1.6 million.

BALANCE SHEETS
(In Thousands)

	2010	2009
ASSETS:		
Current unrestricted assets	$ 15,526	$ 12,541
Current restricted assets	34,343	21,536
Total Current Assets:	49,869	34,077
Non-Current assets:		
Restricted Investments	15,618	12,600
Loans receivable, net of current portion	106,719	106,876
Bond issuance costs, net	2,575	2,397
Total Non-Current Assets	124,912	121,873
TOTAL ASSETS	$ 174,781	$ 155,950
LIABILITIES:		
Current liabilities	$ 11,381	$ 6,630
Long-term liabilities	150,247	135,364
TOTAL LIABILITIES	161,628	141,994
NET ASSETS:		
Unrestricted	12,153	12,956
Temporarily restricted	1,000	1,000
TOTAL NET ASSETS	13,153	13,956
TOTAL LIABILITIES AND NET ASSETS	$ 174,781	$ 155,950

FINANCIAL HIGHLIGHTS

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

Assets
Current unrestricted assets increased by $3 million or 23.8%. This was primarily due to loans receivable becoming more current in 2010.

FINANCIAL HIGHLIGHTS (Continued)

Current restricted assets increased by $12.8 million or 59.5%. This increase was the result of investments acquired as part of the 2009 bond deal offset by loans issued in FY 2010.

Non-current assets increased by $3 million or 2.5%. This was primarily due to the investment required under the 2009 Special Capital Reserve Fund.

Liabilities
Current liabilities increased by $4.8 million or 71.7% as compared to June 30, 2009, due primarily to the current payment obligations of bonds payable.

Long-term liabilities increased by $14.9 million or 11% as compared to June 30, 2009, due to the 2009 bonds being issued offset by required principal payments on existing bonds. Additionally, the excess loan yield liability was recorded by the Authority in FY 2010.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

A summary of operations and changes in net assets for the fiscal year ended June 30, 2010, and the amount and percentage of change in relation to prior fiscal year amount is as follows:

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

	2010	2009
Operating revenues	$ 10,382	$ 10,124
Operating expenses	11,185	9,224
Increase (decrease) in Net Asset	$ (803)	$ 900

Operating revenues increased during fiscal year 2010 by $0.3 million or 2.5% compared to fiscal year 2009. This was primarily due to the increase in interest earnings on loans receivable being offset by the decrease in interest earnings on investments.

Operating expenses increased during fiscal year 2010 by $2 million or 21.3% compared to fiscal year 2009. This was primarily due to the recording of the excess loan yield liability and an increase in interest expense associated with the issuance of the 2009 bonds.

SUMMARY OF REVENUE

A summary of revenues (in thousands) for the fiscal year ended June 30, 2010, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

	2010	Percent of Total	2009	Increase/ (decrease) from 2009	Percent Increase/ (decrease)
Operating:					
Interest income on loans receivable	$ 7,879	75.8%	$ 7,553	$ 326	4.3%
Interest income on investments	1,490	14.4%	1,560	(70)	-4.5%
Administrative fees	1,013	9.8%	1,011	2	0.2%
Total operating revenues	10,382	100.0%	10,124	258	
TOTAL REVENUES	$ 10,382	100.0%	$ 10,124	$ 258	2.5%

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

- Interest income on loans receivable, which represents interest income from educational loans, increased by 4.3% or $0.3 million due to the $18.8 million in new loan issuances during FY 2010.

- Interest income on investments, decreased by $0.1 million or 4.5% from fiscal year 2009. The decrease is due to loan issuances and debt repayments reducing the amount of investments available to earn interest as well as lower interest rates on the 2009 investments. Offsetting these decreases was the $0.3 million of unrealized gain on the Authority's treasury bond investment.

- Administrative fees were in line with 2009 fees. These fees are based on Authority income from a percentage of originations and principal outstanding from the various bond deals.

SUMMARY OF EXPENSES

A summary of expenses (in thousands) for the fiscal year ended June 30, 2010, and the amount and percentage of change in relation to prior fiscal year amounts is as follows:

	2010	Percent of Total	2009	Increase/ (decrease) from 2009	Percent Increase/ (decrease)
Operating:					
Interest expense	$ 7,320	65.4%	$ 6,793	$ 527	7.8%
Administrative fees	1,013	9.1%	1,011	2	0.2%
Loan collection fees	478	4.3%	524	(46)	-8.8%
Amortization of bond issuance costs	468	4.2%	442	26	5.9%
General and administrative expenses	288	2.6%	293	(5)	-1.7%
Professional fees	154	1.4%	175	(21)	-12.0%
Salaries	128	1.1%	128	-	0.0%
Trustee fees	52	0.5%	42	10	23.8%
Arbitrage rebate expense	1,224	10.9%	(66)	1,290	1954.5%
Provision for loan losses	60	0.5%	(118)	178	150.8%
TOTAL OPERATING EXPENSES	$ 11,185	100.0%	$ 9,224	$ 1,961	21.3%

The Authority's expenses increased from fiscal year 2009 to 2010 by approximately $2 million or 21.3% in total. Notable differences between the years include:

- Interest expense increased by $0.5 million or 7.8% due to the issuance of the 2009 bonds in FY 2010.
- Arbitrage rebate expense increased by $1.3 million due to the recording of the excess loan yield liability in FY 2010.
- Provision for loan losses increased by $0.2 million due primarily to the increased principal outstanding during FY 2010.

SUMMARY OF CASH FLOW ACTIVITIES

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

SUMMARY OF CASH FLOW ACTIVITIES (Continued)

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

	2010	2009
Cash flows from operating activities	$ (2,184)	$ (7,889)
Cash flows from investing activities	(23,241)	31,659
Cash flows from non-capital financing activities	17,680	(15,171)
Net increase in cash and cash equivalents	(7,745)	8,599
Cash and cash equivalents:		
Beginning of year	17,630	9,031
End of year	$ 9,885	$ 17,630

The Authority's available cash and cash equivalents decreased $7.7 million from $17.6 million at the end of fiscal year 2009 to $9.9 million at the end of fiscal year 2010 as explained below:

- Cash flows from operating activities represents the net difference between cash received from loan payments, loan interest and investment interest, and cash paid for loans disbursed, bond interest, and other operating expenses. For fiscal year 2010, this net use of cash was $5.7 million less than fiscal year 2009 and was mainly due to a decrease in loans disbursed during FY 2010 as well as greater principal collected during FY 2010.

- Cash flows from investing activities represent the net difference between the cash proceeds from maturing investments and the cash disbursements for the purchase of investment securities. For fiscal year 2010, this net use of cash was $54.9 million more than fiscal year 2009 and was mainly due to purchase of investments associated with the 2009 bond deal offset by loan issuances from the 2009 loan fund whereas FY 2009 had only sales of investments to facilitate bond payments and the transfer of the 2007 loan account from an investment to a cash equivalent.

- Cash flows from non-capital financing activities represent the net difference between total proceeds from bond issuances, versus the costs of issuance and scheduled payments on bond principal. For fiscal year 2010, this net source of cash was $32.9 million greater than fiscal year 2009 and was mainly due to issuance of the 2009 bonds offset by principal payments whereas FY 2009 only had principal payments.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

BALANCE SHEETS

June 30, 2010 and 2009

ASSETS	2010	2009
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents	$ 1,136,091	$ 1,211,920
Current portion of loans receivable, net of allowances for loan losses $2,194,000 in 2010 and $2,134,000 in 2009	13,760,106	10,786,878
Interest receivable on investments	155,134	119,637
Interest receivable on loans receivable	462,464	422,149
Due from Pre 2003 series	12,290	-
Total Unrestricted Assets	15,526,085	12,540,584
Restricted assets:		
Cash and cash equivalents	8,749,208	16,418,453
Investments	25,592,481	5,115,719
Connecticut Higher Education Trust	1,603	2,281
Total Restricted Assets	34,343,292	21,536,453
Total Current Assets	49,869,377	34,077,037
NON-CURRENT ASSETS		
Restricted investments	15,617,398	12,600,000
Loans receivable, net of current portion	106,719,091	106,876,045
Bond issuance costs, net of accumulated amortization of $3,650,018 in 2010 and $3,182,544 in 2009	2,575,323	2,397,412
Total Non-Current Assets	124,911,812	121,873,457
Total Assets	$ 174,781,189	$ 155,950,494

See notes to financial statements.

LIABILITIES AND NET ASSETS	2010	2009
CURRENT LIABILITIES		
Current portion of bonds payable	$ 9,946,534	$ 5,257,350
Accounts payable and accrued liabilities	74,271	119,977
Current portion of arbitrage rebate payable	6,513	11,693
Accrued interest payable	883,617	789,556
Current portion of deferred revenue	458,153	451,791
Due to 2003 series	12,290	-
Total Current Liabilities	11,381,378	6,630,367
LONG-TERM LIABILITIES		
Bonds payable, net of current portion	146,491,701	132,753,236
Arbitrage rebate payable, net of current portion	1,321,502	92,091
Deferred revenue, net of current portion	2,433,284	2,518,258
Total Long-Term Liabilities	150,246,487	135,363,585
Total Liabilities	161,627,865	141,993,952
NET ASSETS		
Unrestricted net assets	12,153,324	12,956,542
Temporarily restricted net assets	1,000,000	1,000,000
Total Net Assets	13,153,324	13,956,542
Total Liabilities and Net Assets	$ 174,781,189	$ 155,950,494

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Interest income on investments	$ 1,490,044	$ 1,560,030
Interest income on loans receivable	7,879,100	7,553,446
Administrative fees	1,012,820	1,010,658
Total Operating Revenues	10,381,964	10,124,134
OPERATING EXPENSES		
Interest expense	7,320,439	6,792,980
Administrative fees	1,012,820	1,010,658
Loan collection fees	478,021	524,379
Amortization of bond issuance costs	467,473	441,112
General and administrative expenses	287,778	292,571
Professional fees	154,250	175,050
Salaries	128,170	128,996
Trustee fees	52,000	42,160
Arbitrage rebate expense	1,224,231	(65,888)
Provision for loan losses	60,000	(118,000)
Total Operating Expenses	11,185,182	9,224,018
CHANGE IN NET ASSETS	(803,218)	900,116
NET ASSETS, beginning	13,956,542	13,056,426
NET ASSETS, ending	$ 13,153,324	$ 13,956,542

See notes to financial statements.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for the following:		
Loan payments	$ 15,954,106	$ 13,381,001
Interest collected on loans	7,760,173	7,566,621
Interest collected on investments	1,180,021	1,774,645
Other income	1,099,528	1,127,295
Total cash received	25,993,828	23,849,562
Cash paid for the following:		
Loans disbursed	(18,792,462)	(22,735,450)
Bond interest	(7,226,378)	(6,874,705)
Other expenses	(2,158,745)	(2,128,194)
Total cash disbursed	(28,177,585)	(31,738,349)
Net Cash Used in Operating Activities	(2,183,757)	(7,888,787)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of restricted investments	7,125,204	31,659,427
Purchase of restricted investments	(30,366,137)	-
Net Cash Provided by (Used in) Investing Activities	(23,240,933)	31,659,427
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Issuance of bonds	30,000,000	-
Bond issuance costs	(645,384)	(1,363)
Payments on bond principal	(11,675,000)	(15,170,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	17,679,616	(15,171,363)
Net increase (decrease) in cash and cash equivalents	(7,745,074)	8,599,277
CASH AND CASH EQUIVALENTS, Beginning	17,630,373	9,031,096
CASH AND CASH EQUIVALENTS, Ending	$ 9,885,299	$ 17,630,373

See notes to financial statements.

	2010	2009
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Change in net assets	$ (803,218)	$ 900,116
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Amortization of bond issuance costs	467,473	441,112
Amortization of deferred amount on refunding	90,627	110,403
Amortization of bond discount	44,405	44,405
Amortization of bond premium	(32,383)	(38,170)
Provision for loan losses	60,000	(118,000)
Accretion of treasury bond premium	21,977	-
Unrealized gain on treasury bond	(274,526)	-
Change in assets and liabilities:		
Increase in loans receivable	(2,876,274)	(9,354,449)
Decrease (Increase) in interest receivable on investments	(35,497)	214,615
Increase in interest receivable on loans receivable	(40,315)	(37,433)
Increase (Decrease) in accounts payable and accrued liabilities	(45,706)	66,480
Increase (decrease) in arbitrage rebate payable	1,224,231	(86,749)
Increase (Decrease) in accrued interest payable	94,061	(81,725)
Increase (Decrease) in deferred revenue	(78,612)	50,608
Net Cash Used in Operating Activities	$ (2,183,757)	$ (7,888,787)

	2010	2009
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Cash and cash equivalents - unrestricted	1,136,091	1,211,920
Cash and cash equivalents - restricted	8,749,208	16,418,453
	$ 9,885,299	$ 17,630,373

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Bond Funds – Under the Bond Funds, the Authority issues revenue bonds, the proceeds of which are used to provide loans directly to students or other borrowers to assist in the financing of higher education. Revenue in the Bond Funds is derived from interest earned on investments and loans receivable. The 2003 Bond Fund is governed by the 2003 Master Revenue Bond Resolution, pursuant to which the 2003 and 2005 Series A and B and 2006 and 2007 Series A bonds were issued. The proceeds from the 2003 Series B bonds were used to refund the 1991 Series A bonds and the 2003 Series 1 bonds. The proceeds from the 2005 Series B bonds were used to refund the 1993 and 1994 Series A bonds. A portion of the proceeds from the 2006 Series A bonds was used to refund the 1996 Series A bonds. The 2003 Series 1 bonds were issued on May 15, 2003 to refund prior obligations of the Authority scheduled to be retired by special mandatory redemption on May 15, 2003. The Pre 2003 Bond Fund is governed by the 1990 Revenue Bond Resolution, as amended, supplemented and restated, pursuant to which all outstanding bonds were issued prior to the 2003 Series A and B bonds as well as the 2009 Series A bonds. In accordance with the bond resolutions, the Authority internally accounts for each bond issue, which includes individual funds as defined by each bond resolution, including but not limited to combinations of some of the following:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Funds (Continued) –

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

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

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan losses. In connection with the determination of the allowance for loan losses, management has used historical loss experience to make predictions about future losses. As the loan portfolio matures, the Authority adjusts its estimate of expected default rates used to estimate loan losses.

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

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consisted of short-term investments in the State Treasurer's Short-Term Investment Fund, which totaled $9,734,009 and $17,002,769 as of June 30, 2010 and 2009, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

There were no significant investment losses for the years ended June 30, 2010 and 2009.

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

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

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

Arbitrage Rebates – Under the Internal Revenue Code of 1986 (the Code), the Authority is required to rebate to the federal government certain excess earnings on investments from funds obtained with its tax-exempt bonds, as defined by the Code. The Authority accrues or adjusts for this liability as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fair Value Measurements - During 2009, the Authority adopted SFAS No. 157, *Fair Value Measurements,* which defines fair value, establishes guidelines for measuring fair value, and expands disclosure regarding fair value measurements. The adoption of SFAS No. 157 did not have a material effect on the Authority's financial condition or operating results. The Financial Accounting Standards Board ("FASB") created the FASB Accounting Standards Codification ("ASC") System which is the official source of authoritative, nongovernmental accounting principles generally accepted in the United States of America effective for reporting periods ending after September 15, 2009. ASC Topic 820 addresses the concepts formerly contained in SFAS 157.

Reclassifications - Certain reclassifications were made to the 2009 financial statements to conform to the 2010 presentation, with no impact on previously reported net assets or change in net assets.

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

The Authority adopted ASC Topic 740 (formerly FASB Interpretation No. 48), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" effective July 1, 2009. ASC Topic 740 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon adoption of ASC Topic 740 and in subsequent periods. Management is not aware of any uncertain tax positions taken by the Authority as of that date except as disclosed in Note 11.

Disclosure of Subsequent Events - The Authority adopted ASC Topic 855 (formerly FASB SFAS No. 165), "Subsequent Events" effective July 1, 2009. ASC Topic 855 requires disclosure of the date through which subsequent events have been evaluated, and whether that date is the date that the financial statements were issued or available to be issued. Management has evaluated subsequent events through September __, 2010, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustment to, or disclosure in, the accompanying financial statements.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

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

For purposes of this disclosure, cash deposits include bank deposits and exclude cash equivalents (see Note 1). As of June 30, 2010 and 2009, the carrying amount of the Authority's unrestricted and restricted cash deposits totaled $151,291 and $627,604, respectively. As of June 30, 2010, the bank balance totaled $31,618, which was insured by the Federal Deposit Insurance Corporation (Category 1).

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

The Authority's investments consist of guaranteed investment contracts, which are not required to be classified under GASB Statement No. 3 because they are direct contractual investments, and are not securities. The Authority also has a United States treasury bond which is considered a Category 1 investment. The State of Connecticut Short-Term Investments Funds, which are presented as cash equivalents, are pooled investments and are not required to be classified under GASB Statement No. 3.

Income on investments consists of the following as of June 30, 2010:

Interest	$ 1,215,518
Unrealized gain on investment	274,526
Income on investments	$ 1,490,044

NOTE 3 – LOANS RECEIVABLE

Under the Bond Fund Program, the Authority makes loans to individuals from the proceeds of bonds issued by the Authority. Loans receivable by outstanding bond series as of June 30, 2010 are as follows:

Bond Series	Number	Balance	Interest Rate (%)
1998A&B	729	$ 2,709,907	2.00
1999A	441	2,544,463	7.50
1999B	190	785,978	7.50
2000A	656	4,198,992	7.25
2000B	250	1,372,271	7.25
2001A*	994	8,494,318	6.7 & 9.7
2003A	923	8,994,437	4.99
2003B**	535	4,260,908	4.99 & 9.2
2005 A&B***	1,843	20,991,641	5.5, 8.25,& 8.4
2006 A****	2,193	23,320,146	0, 6.1
2007 A	2,388	34,305,083	6.99
2009 A	628	8,254,577	6.80
	11,770	120,232,721	
Add: Non-performing loans		2,440,476	
Less: Allowance for loan losses		(2,194,000)	
		$ 120,479,197	

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

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

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

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

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

The Authority currently defines non-performing loans as those on which the borrower has defaulted and not made payments for the most recent three months. As of June 30, 2010 and 2009, non-performing loans totaled $2,440,476 and $2,070,053, respectively, for which interest income of approximately $139,228 and $114,111, respectively, was not accrued.

NOTE 3 – LOANS RECEIVABLE (Continued)

The Authority has a policy to write-off uncollectible loans against the allowance for loan losses when certain criteria are met (see Note 1). In connection with this policy, the Authority wrote-off loans receivable of $260,840 and $322,217 for the years ended June 30, 2010 and 2009, respectively, which had been previously provided for through the allowance for loan losses. The Authority recovered $71,134 and $120,036 in fiscal 2010 and 2009, respectively, in loans receivable and other credits written-off in previous years.

NOTE 4 – BONDS PAYABLE

The following is a summary of changes in bonds payable for the years ended June 30, 2010 and 2009.

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
Bonds payable - principal	$ 153,063,948	$ -	$ 15,053,362	$ 138,010,586

	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010	Within One Year
Bonds payable - principal	$ 138,710,000	$ 30,000,000	$ 11,675,000	$ 157,035,000	$ 9,995,000
Discount	(889,394)	-	(44,405)	(844,989)	(44,405)
Premium	439,080	-	32,383	406,697	18,323
Deferred amount on refunding	(249,100)	-	(90,627)	(158,473)	(22,384)
	$ 138,010,586	$ 30,000,000	$ 11,572,351	$ 156,438,235	$ 9,946,534

The bonds of the Authority bear interest at rates, varying between 1.7% and 6%. Future amounts needed to pay principal and interest on bonds outstanding at June 30, 2010 is as follows:

Year Ending June 30,	Principal	Interest
2011	$ 9,995,000	$ 6,866,141
2012	10,425,000	$ 6,439,297
2013	13,180,000	$ 5,946,911
2014	12,545,000	$ 5,404,048
2015	12,310,000	$ 4,874,259
2016-2020	56,450,000	$ 16,358,594
2021-2025	34,830,000	$ 5,474,909
2026-2030	7,300,000	$ 568,125
	$ 157,035,000	$ 51,932,284

Outstanding principal of each bond issue at June 30, 2010 and 2009 is as follows:

NOTE 4 – BONDS PAYABLE (Continued)

	Original Amount	Outstanding June 30, 2010	Outstanding June 30, 2009
1998 Series A, 4.10%-5.15%, due serially from November 15, 2002 to November 15, 2016	$ 15,000,000	810,000	$ 1,350,000
1998 Series B, 4%-4.875%, due serially from November 15, 2001 to November 15, 2010	3,560,000	395,000	800,000
1999 Series A, 4.7%-6%, due serially from November 15, 2002 to November 15, 2017	12,500,000	1,920,000	2,415,000
1999 Series B, 4.5%-6%, due serially from November 15, 2002 to November 15, 2012	4,390,000	1,120,000	1,565,000
2000 Series A, 4.625%-5.5%, due serially from November 15, 2008 to November 15, 2020	16,410,000	2,760,000	3,200,000
2000 Series B, 4.75%-5.2%, due serially from November 15, 2001 to November 15, 2012	5,975,000	1,725,000	2,245,000
2001 Series A, 4.25%-5.25%, due serially from November 15, 2010 to November 15, 2021	25,000,000	15,245,000	15,345,000
2003 Series A, 1.7%-4.5%, due serially from November 15, 2004 to November 15, 2020	18,000,000	10,015,000	11,540,000
2003 Series B, 2%-5%, due serially from November 15, 2004 to November 15, 2017	12,915,000	6,975,000	7,320,000
2005 Series A, 2.5%-4.375% due serially from November 15, 2005 to November 15, 2021	31,455,000	20,055,000	20,705,000
2005 Series B, 4% due serially from November 15, 2008 to 2010	5,900,000	2,500,000	4,200,000

NOTE 4 – BONDS PAYABLE (Continued)

	Original Amount	Outstanding June 30, 2010	Outstanding June 30, 2009
2006 Series A, 3.9%-4.8% due serially from November 15, 2007 to 2022	33,270,000	24,630,000	27,625,000
2007 Series A, 4.125%-4.875% due serially from November 15, 2010 to 2024	41,000,000	38,885,000	40,400,000
2009 Series A, 1.9%-5.05% due serially from November 15, 2011 to 2027	30,000,000	30,000,000	-
	$ 255,375,000	$ 157,035,000	$ 138,710,000

Each Series A bond is subject to a special mandatory redemption in whole or in part from excess loan payments. During the year ended June 30, 2010 and 2009, the Authority redeemed bonds in the following amounts:

	2010	2009
1998 Series A	$ 300,000	$ 765,000
1999 Series A	75,000	470,000
2000 Series A	235,000	1,005,000
2001 Series A	100,000	1,170,000
2003 Series A	1,525,000	650,000
2003 Series B	345,000	-
2005 Series A	650,000	1,400,000
2006 Series A	1,570,000	3,155,000
2007 Series A	1,515,000	600,000
	$ 6,315,000	$ 9,215,000

NOTE 5 – RESTRICTED NET ASSETS

Restricted net assets consist of $1,000,000 to be used to maintain future operations required to monitor and administer the loan portfolio in the event the Authority ceases to issue new loans.

NOTE 6- FAIR VALUE MEASUREMENTS

During 2009, the Authority adopted ASC Topic 820 (formerly SFAS No. 157, *Fair Value Measurements)*, which defines fair value, establishes guidelines for measuring fair value, and expands disclosure regarding fair value measurements. ASC Topic 820 establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. ASC Topic 820 establishes and prioritizes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices in active markets for identical assets or liabilities.

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

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

The following table presents the Authority's assets measured at fair value on a recurring basis at June 30, 2010 and 2009:

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Observable Inputs other than Quoted Prices in Active Markets for Identical Assets (Level 2)	
	2010	2009	2010	2009
US Treasury Bond	$ 2,958,930	$ -	$ -	$ -
Investments	-	-	38,250,948	17,715,719

NOTE 7 – STATE OF CONNECTICUT DEPOSIT REQUIREMENT

Deficiencies, if any, in the Debt Service Reserve Fund balances within the Bond Funds will be funded from the amount on deposit in the applicable Special Capital Reserve Fund. Both the Debt Service Reserve Fund and the Special Capital Reserve Fund are components of restricted investments. In accordance with the Act, the State must deposit with the Trustee monies necessary to restore the Special Capital Reserve Fund requirement (i.e., an amount equal to the maximum amount of principal and interest becoming due by reason of maturity in any one succeeding calendar year or some lesser amount specified by the Authority in its resolution authorizing the issuance of any such bonds.) As of June 30, 2010 and 2009, the State has not made nor was it required to make any such deposit.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Authority shares rental space, office supplies, office equipment and utilities with and shares the services of the Vice President of the Connecticut Conference of Independent Colleges (CCIC). Currently, the executive director of CHESLA serves as Vice President of CCIC. Fees charged to the Authority by CCIC for providing administrative services were $106,000 and $104,000 for the years ended June 30, 2010 and 2009, respectively. In addition, the Authority reimbursed CCIC directly for actual general and administrative expenses incurred.

NOTE 9– EMPLOYEE BENEFIT PLANS

The Authority has a Simplified Employee Pension Plan (the Plan). Under the provisions of the Plan, the Authority will make annual contributions directly to the individual retirement accounts (IRA) of all eligible employees, equal to eight percent of the employee's salary. Employees have the right to withdraw amounts from the IRA in accordance with the terms and conditions of the IRA. In 2010 and 2009, the Authority made contributions of $10,254 to the Plan.

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – ARBITRAGE LIABILITIES

As of June 30, 2010, the yield on the loan portfolios related to the 1998, 2006, and 2007 bond issues exceeds the amount permitted by the applicable federal income tax regulations. In prior years, the Authority accounted for these excesses on the basis of calculating a single yield for all loan portfolios held within a single trust estate. This tax position had the impact of reducing or eliminating the Authority's liability. In September 2007, the Internal Revenue Service (IRS) issued proposed regulations, which would eliminate the Tax Commissioner's authority to allow usage of a blended yield for a bond portfolio in the calculation of the excess loan yield liability. As of the date of our financial statements, the IRS has yet to make a final ruling on an issuer's ability to use a blended yield for this calculation. An additional excess loan yield liability would result if the final ruling eliminates the use of the blended rate, and requires separate yield calculations for each bond issue. While the final ruling has not been issued, it appears to be the intent of the IRS to eliminate the blended yield method. Therefore, under ASC Topic 740, Income Taxes, the Authority has accrued the excess loan yield liability of $1.3 million as of June 30, 2010. Effective May 1, 2009, the Authority reduced the interest rate on certain loans held under the 1990 and 2003 Resolution. Both reductions were done to maintain the tax-exempt

NOTE 11 – ARBITRAGE LIABILITIES (Continued)

status of interest on the related bonds and attempt to offset the excess loan yield liability. The Authority intends to forgive principal amounts due on student loans in lieu of paying the IRS the excess loan yield liability as it becomes due and payable. This forgiveness is allowable under IRS regulations.

The estimate of the Authority's arbitrage liability is computed by an outside company who specializes in this area.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

Our report on our audits of the basic financial statements of Connecticut Higher Education Supplemental Loan Authority for the years ended June 30, 2010 and 2009 appears on page 1. These audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on pages 27 to 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rocky Hill, Connecticut
October 1, 2010

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
COMBINING BALANCE SHEETS
JUNE 30, 2010 AND 2009
(See Independent Auditors' Report on Supplementary Information)

	June 30, 2010				June 30, 2009			
	AUTHORITY OPERATING	BOND FUNDS			AUTHORITY OPERATING	BOND FUNDS		
ASSETS	FUND	PRE 2003	2003	TOTAL	FUND	PRE 2003	2003	TOTAL
CURRENT ASSETS								
Unrestricted assets:								
Cash and cash equivalents	$ 1,136,091	$ -	$ -	$ 1,136,091	$ 1,211,920	$ -	$ -	$ 1,211,920
Current portion of loans receivable, net of allowances for loan losses of $2,194,000 in 2010 and $2,134,000 in 2009	-	3,134,012	10,626,094	13,760,106	-	2,067,055	8,719,823	10,786,878
Interest receivable on investments	429	74,391	80,314	155,134	916	34,428	84,293	119,637
Interest receivable on loans receivable	-	109,546	352,918	462,464	-	84,909	337,240	422,149
Due from Pre-2003 Series	-	-	12,290	12,290	-	-	-	-
Total Unrestricted Assets	1,136,520	3,317,949	11,071,616	15,526,085	1,212,836	2,186,392	9,141,356	12,540,584
Restricted assets:								
Cash and cash equivalents	1,000,100	1,168,839	6,580,269	8,749,208	1,000,507	886,762	14,531,184	16,418,453
Investments	-	23,630,897	1,961,584	25,592,481	-	3,393,715	1,722,004	5,115,719
Connecticut Higher Education Trust	1,603	-	-	1,603	2,281	-	-	2,281
Total Restricted Assets	1,001,703	24,799,736	8,541,853	34,343,292	1,002,788	4,280,477	16,253,188	21,536,453
Total Current Assets	2,138,223	28,117,685	19,613,469	49,869,377	2,215,624	6,466,869	25,394,544	34,077,037
NON-CURRENT ASSETS								
Restricted investments	-	5,117,398	10,500,000	15,617,398	-	2,100,000	10,500,000	12,600,000
Loans receivable, net of current portion	-	25,546,923	81,172,168	106,719,091	-	23,058,052	83,817,993	106,876,045
Bond issuance costs, net of accumulated amortization of $3,650,018 in 2010 and $3,182,544 in 2009	1,656,913	88,059	830,351	2,575,323	1,344,300	64,211	988,901	2,397,412
Total Non-Current assets	1,656,913	30,752,380	92,502,519	124,911,812	1,344,300	25,222,263	95,306,894	121,873,457
Total Assets	$ 3,795,136	$ 58,870,065	$ 112,115,988	$ 174,781,189	$ 3,559,924	$ 31,689,132	$ 120,701,438	$ 155,950,494

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
COMBINING BALANCE SHEETS (CONTINUED)
JUNE 30, 2010 AND 2009
(See Independent Auditors' Report on Supplementary Information)

	June 30, 2010				June 30, 2009			
	AUTHORITY OPERATING	BOND FUNDS			AUTHORITY OPERATING	BOND FUNDS		
LIABILITIES AND NET ASSETS	FUND	PRE 2003	2003	TOTAL	FUND	PRE 2003	2003	TOTAL
CURRENT LIABILITIES								
Current portion of bonds payable	$ -	$ 3,775,000	$ 6,171,534	$ 9,946,534	$ -	$ 2,235,000	$ 3,022,350	$ 5,257,350
Accounts payable and accrued liabilities	24,126	27,074	23,071	74,271	24,897	22,509	72,571	119,977
Current portion of arbitrage rebate payable	-	6,513	-	6,513	-	11,693	-	11,693
Accrued interest payable	-	307,248	576,369	883,617	-	168,431	621,125	789,556
Current portion of deferred revenue	-	207,021	251,132	458,153	-	221,728	230,063	451,791
Due to 2003 series	-	12,290	-	12,290	-	-	-	-
Total Current Liabilities	24,126	4,335,146	7,022,106	11,381,378	24,897	2,659,361	3,946,109	6,630,367
LONG-TERM LIABILITIES								
Bonds payable, net of current portion	-	50,200,000	96,291,701	146,491,701	-	24,685,000	108,068,236	132,753,236
Arbitrage rebate payable, net of current portion	-	485,538	835,964	1,321,502	-	-	92,091	92,091
Deferred revenue, net of current portion	-	654,359	1,778,925	2,433,284	-	720,002	1,798,256	2,518,258
Total Long-Term Liabilities	-	51,339,897	98,906,590	150,246,487	-	25,405,002	109,958,583	135,363,585
Total Liabilities	24,126	55,675,043	105,928,696	161,627,865	24,897	28,064,363	113,904,692	141,993,952
NET ASSETS								
Unrestricted net assets	2,771,010	3,195,022	6,187,292	12,153,324	2,535,027	3,624,769	6,796,746	12,956,542
Restricted net assets	1,000,000	-	-	1,000,000	1,000,000	-	-	1,000,000
Total Net Assets	3,771,010	3,195,022	6,187,292	13,153,324	3,535,027	3,624,769	6,796,746	13,956,542
TOTAL LIABILITIES AND NET ASSETS	$ 3,795,136	$ 58,870,065	$ 112,115,988	$ 174,781,189	$ 3,559,924	$ 31,689,132	$ 120,701,438	$ 155,950,494

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2010 AND 2009
(See Independent Auditors' Report on Supplementary Information)

	June 30, 2010				June 30, 2009			
	AUTHORITY OPERATING FUND	BOND FUNDS PRE 2003	BOND FUNDS 2003	TOTAL	AUTHORITY OPERATING FUND	BOND FUNDS PRE 2003	BOND FUNDS 2003	TOTAL
OPERATING REVENUES								
Interest income on investments	$ 42,845	$ 828,562	$ 618,637	$ 1,490,044	$ 31,146	$ 285,931	$ 1,242,953	$ 1,560,030
Interest income on loans receivable	-	2,019,301	5,859,799	7,879,100	-	2,013,481	5,539,965	7,553,446
Administrative fees	1,012,820	-	-	1,012,820	1,010,658	-	-	1,010,658
Total Operating Revenues	1,055,665	2,847,863	6,478,436	10,381,964	1,041,804	2,299,412	6,782,918	10,124,134
OPERATING EXPENSES								
Interest expense	-	2,415,668	4,904,771	7,320,439	-	1,463,703	5,329,277	6,792,980
Administrative fees	-	178,855	833,965	1,012,820	-	179,402	831,256	1,010,658
Loan collection fees	7,225	183,823	286,973	478,021	995	172,317	351,067	524,379
Amortization of bond issuance costs	286,024	22,900	158,549	467,473	244,171	23,039	173,902	441,112
General and administrative expenses	244,013	26,006	17,759	287,778	273,736	4,288	14,547	292,571
Professional fees	154,250	-	-	154,250	175,050	-	-	175,050
Salaries	128,170	-	-	128,170	128,996	-	-	128,996
Trustee fees	-	24,000	28,000	52,000	-	24,000	18,160	42,160
Arbitrage rebate expense (income)	-	480,358	743,873	1,224,231	-	(12,624)	(53,264)	(65,888)
Provision for loan losses	-	(54,000)	114,000	60,000	-	(151,000)	33,000	(118,000)
Total Operating Expenses	819,682	3,277,610	7,087,890	11,185,182	822,948	1,703,125	6,697,945	9,224,018
CHANGE IN NET ASSETS	235,983	(429,747)	(609,454)	(803,218)	218,856	596,287	84,973	900,116
NET ASSETS, beginning	3,535,027	3,624,769	6,796,746	13,956,542	3,316,171	3,028,482	6,711,773	13,056,426
NET ASSETS, ending	$ 3,771,010	$ 3,195,022	$ 6,187,292	$ 13,153,324	$ 3,535,027	$ 3,624,769	$ 6,796,746	$ 13,956,542

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the accompanying basic financial statements of the Connecticut Higher Education Supplemental Loan Authority ("Authority"), a component unit of the State of Connecticut, as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 1, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

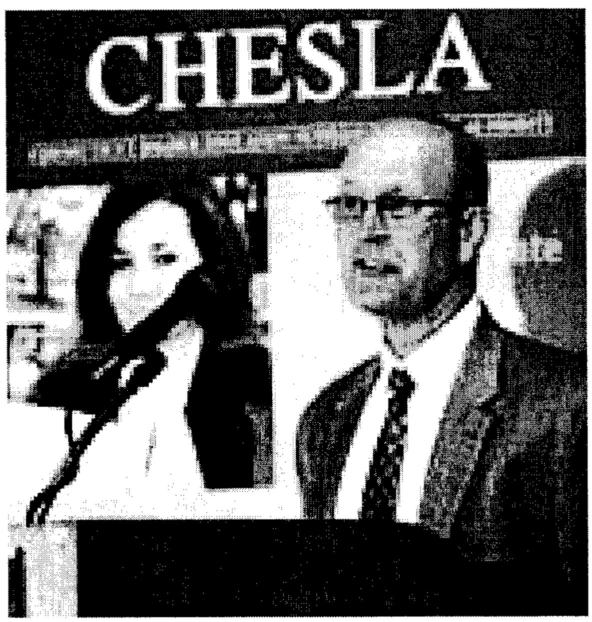
This report is intended solely for the information and use of management, the board of directors, and the State of Connecticut Office of the Comptroller, and is not intended to be and should not be used by anyone other than these specified parties.

Rocky Hill, Connecticut
October 1, 2010

AGENDA ITEM 7

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

2010 Annual Report



CHESLA Loan Program

www.chesla.org

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

Connecticut Higher Education Supplemental Loan Authority

CHESLA
21 Talcott Notch Rd. Suite 1
Farmington, Connecticut 06032

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	Susan W. Harlan -	chesla2@chesla.org

Providing Access for Students

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

Authority Members

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

During the year ended June 30, 2010, the following individuals served as Authority members:

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

CHESLA Chair and Staff

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

Michael E. McKeeman, Chair
Julie B. Savino, Vice Chair
Board of Directors

Gloria F. Ragosta
Executive Director

Samuel E. Rush
Deputy Director

Susan W. Harlan
Loan Portfolio Analyst

Authority Activities

Between July 1, 2009 and June 30, 2010, the Authority held four regular meetings

At its meeting on September 22, 2009:

- The Authority approved $5,000 from the Early Awareness budget line for CHESLA's sponsorship of Graduate!CT's college fair.
- Ms. Savino was re-appointed as Vice Chair of the Authority.
- The Authority approved its 2009 Annual Report.
- The Authority held an audit committee meeting in compliance with the CHESLA Sarbanes-Oxley policy regarding audit practices.
- The Authority approved its FY 2009 CHESLA Financial Statements and Management and Discussion Anslysis.
- The Authority approved the renewal of Firstmark's servicing contract for another five years.
- The Authority approved the Financial Advisor Selection Committee's recommendation to retain PFM for two-years with an optional one-year renewal.
- The Authority approved the Accountant Selection Committee's recommendation to retain Beers Hamerman for a three-year contract to provide accounting services to the Authority.
- The Authority approved a Resolution ratifying the 2009 Bond deal.
- The Authority approved a motion to include Ms. Graham and Mr. Ciecko as members of the Personnel Committee

At its meeting on December 15, 2009:

- The Authority approve its 2010 Advisory Committee members.
- The Authority approved its 2010 Board meeting dates.
- The Authority approved the Bond Committee's selection of RBC Capital Markets as Senior Managing Underwriter and Bank of America Merrill Lynch as Co-Managing Underwriter to the Authority for a period not to exceed three years.
- The Authority approved a resolution appointing the 2010 Bond Committee including authorization for up to $600,000 for the cost of issuance to lower the interest rate if needed for CHESLA loans.

At its meeting on March 23, 2010

- The Authority approved approve the $25,750 invoice for the cost of programming the three new Federal disclosure requirements.
- The Authority approved a motion to authorize the payment of $2,000 to Firstmark for its 2009 SAS-70 report to be paid from the Authority's Bond Revenue accounts.
- The Authority approved a revised vacation policy for its staff.
- The Authority authorized $1,500 for Sacred Heart and $500 for CSU from the marketing budget to purchase ads for their scholarship programs.

At its meeting on June 15, 2010

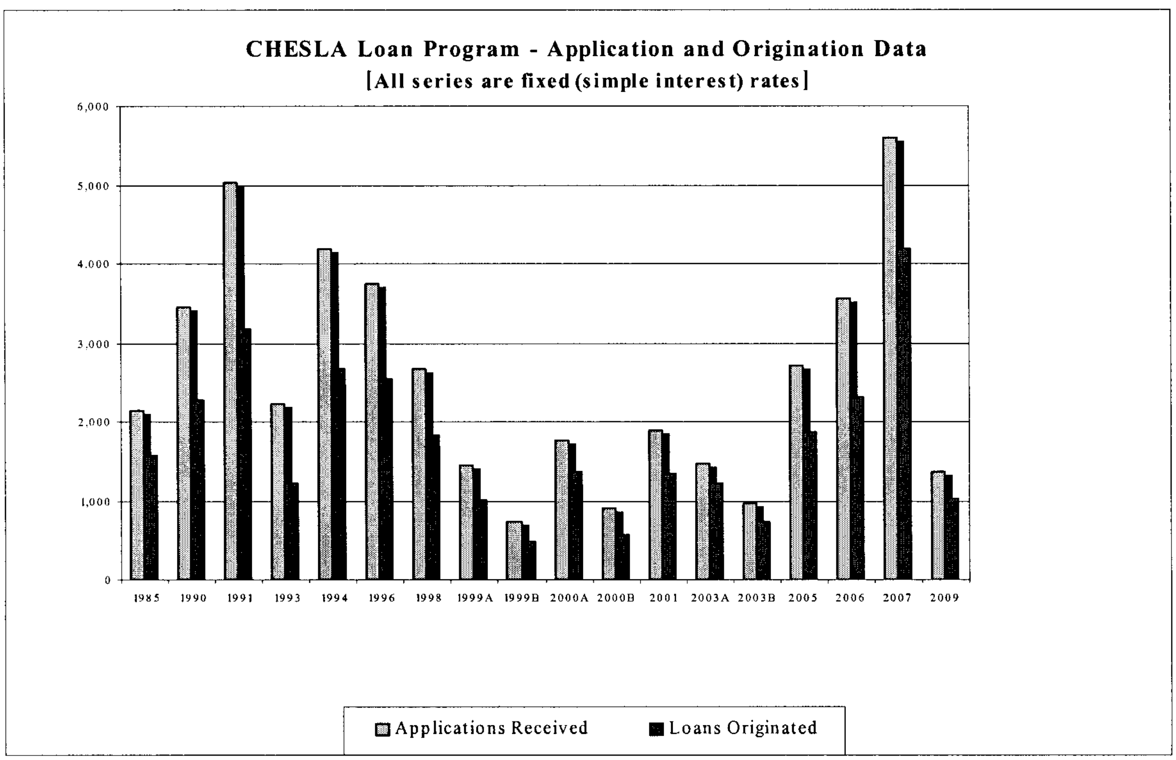
- The Authority approved a bond resolution including authorization for up to $600,000 to be used for cost of issuance.
- The CHESLA Budget and Plan of Operations for FY 2011 was approved.
- The Authority approved a new Management and Planning Committee

Administrative Activities

The Act requires the Authority to appoint an Advisory Committee of up to 15 persons to meet with members of the Authority at least once a year. During the year ended June 30, 2010, the following individuals served as members of the Advisory Committee: Catherine Boone, Martin L. Budd, Frank R.A. Resnick, Arthur Shahverdian, Richard Savage and Joe Popevis. The Advisory Committee met with the Authority on December 15, 2009 as required by the Act. The Authority retained the firm of Simione Macca & Larrow to be its independent auditor for the Fiscal Year Ended June 30, 2010. (The audit is attached as Exhibit A.)

Financial Assistance Activities

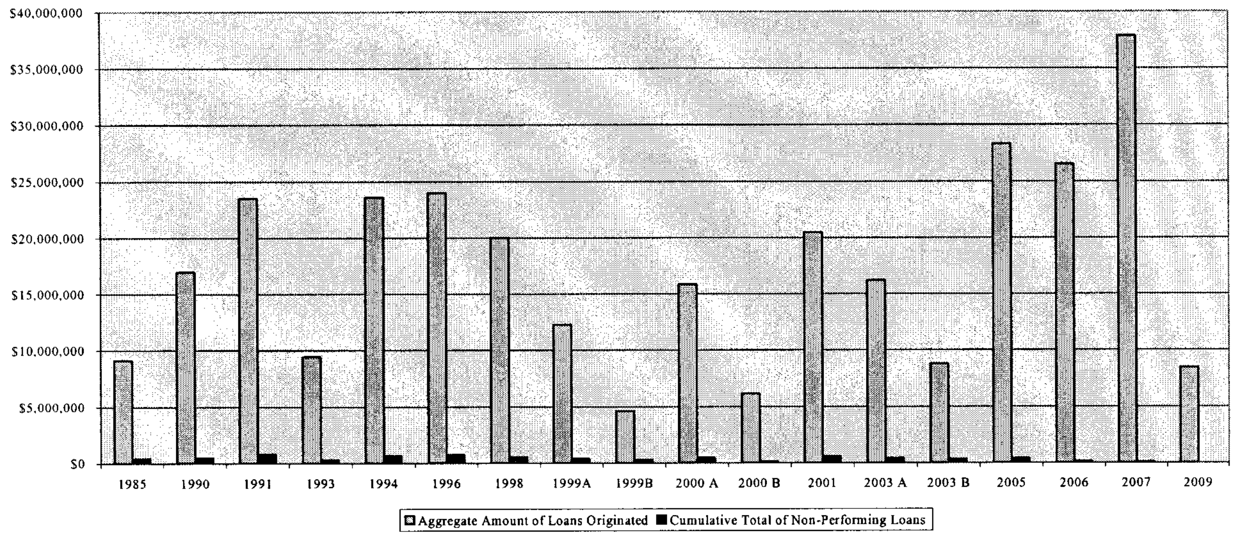
Funding for the CHESLA Loan Program



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

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

CHESLA Loan Program Origination Amount and Non-Performing Loans



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

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

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

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

1985 Series A Bonds - October 1, 1985 to October 30, 1988;
1990 Series A Bonds - August 22, 1990 to September 6, 1991
1991 Series A Bonds - September 12, 1991 to August 5, 1993;
1993 Series A Bonds - August 12, 1993 to August 20, 1994;
1994 Series A Bonds - August 26, 1994 to September 20, 1996;
1996 Series A Bonds - October 5, 1996 to September 5, 1998;
1998 Series A & B Bonds - September 11, 1998 to June 30, 1999;
1999 Series A & B Bonds - October 27, 1999 to November 24, 2000;
2000 Series A & B Bonds - December 15, 2000 to May 1, 2002; and
2001 Series A Bonds - May 5, 2002 to Aug. 11, 2004 (includes recyclying)
2003 Series A & B Bonds - July 23, 2003 to August 10, 2005
2005 Series A& B Bonds - August 10, 2005 to June 30, 2006
2006 Series A Bonds - August 17, 2006 to June30, 2007
2007 Series A Bonds - August 23, 2007 to June 30, 2008
2009 Series A Bonds - August 4, 2009 to June 30, 2010

Of the 1,575 students receiving loans disbursed from the proceeds of the 1985 bond sale, 1,499 students attended in-state institutions and received a total of $8,510,327. Seventy-six students attended out-of-state institutions and received a total of $628,300. A table showing the total number and amounts of loans disbursed from proceeds of the 1990 through 2009 bond sales is attached as Exhibit B.

A copy of the 2010 CHESLA Loan Program Manual is attached as Exhibit C.

Bond Issuance

The Authority issued new bonds on August 6, 2009. The 2009 Bonds were sold through a negotiated underwriting with Goldman Sachs as the underwriter and PFM as the Authority's financial advisor.

As of June 30, 2010, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregrate principal amount of $396.840 million. The principal amounts of the Authority's outstanding bonds totalled $157.035 million, including:

Principal Issued		Principal Outstanding
1983 Series -	$15,500,000	$0
1985 Series -	$15,500,000	$0
1990 Series A -	$18,000,000	$0
1990 Series B -	$ 420,000	$0
1991 Series A -	$25,000,000	$0
1991 Series B -	$ 445,000	$0
1992 Series A -	$ 6,600,000	$0
1993 Series A -	$10,000,000	$0
1994 Series A -	$25,000,000	$0
1996 Series A -	$25,000,000	$0
1998 Series A -	$15,000,000	$ 810,000
1998 Series B -	$ 3,560,000	$ 395,000
1999 Series A -	$12,500,000	$ 1,920,000
1999 Series B -	$ 4,390,000	$ 1,120,000
2000 Series A -	$16,410,000	$ 2,760,000
2000 Series B -	$ 5,975,000	$ 1,725,000
2001 Series A -	$25,000,000	$15,245,000
2003 Series A -	$18,000,000	$10,015,000
2003 Series B -	$12,915,000	$ 6,975,000
2005 Series A -	$31,455,000	$20,055,000
2005 Series B -	$5,900,000	$ 2,500,000
2006 Series A -	$33,270,000	$24,630,000
2007 Series A -	$41,000,000	$38,885,000
2009 Series A -	$30,000,000	$30,000,000
Total	$396,840,000	$157,035,000

The State's contingent liability, in connection with the 1996, 1998, 1999, 2000, 2001, 2003,2005 A,2006A 2007 and 2009 Bonds, is the Special Capital Reserve Fund requirement for such Bonds, as defined in Connecticut General Statutes Section 10a-232, funded as of Junes 30, 2010 in the aggregate amount of $15.340 million.

Projected Activities

The Authority provided assistance in the form of Education Loans from the remaining proceeds of its 2009 Series Bonds in the amounts of approximately $9.3 million during the remainder of the fiscal year through June 2010 under the CHESLA Loan Program. The Authority plans to issue $45 million in new bonds in October, 2010 with approximately $1 million in loan funds for 2010.

Affirmative Action

The Authority's affirmative action policy statement, as required by Connecticut General Statutes Section 10a-224(h)(2):

It is the policy of CHESLA to provide equal employment opportunity at all times in accordance with State Statutes. Equal employment opportunity is defined as the administration of all personnel policies - employment applications; job qualifications; job specifications; recruitment practices; job structuring; orientation; grievance procedures; evaluation; layoffs and termination - so that there is no discrimination based on race, ethnicity, religion, age, gender, sexual orientation, marital status, civil union status, national origin, ancestry, mental disabilities or any other disability that does not prevent succesful job performance.

Notwithstanding the foregoing, it shall be the policy of CHESLA to take positive action, with conviction and effort, to achieve the full and fair participation of protected class persons.

In addition to its non-discrimination policies and practices, the Connecticut Higher Education Supplemental Loan Authority shall require a statement of non-discrimination from all entities with which it enters into contractual or other business arrangements.

As of June 30, 2010, CHESLA had two employees: an Associate Director (1 African-American male) and a Loan Portfolio Analyst (1 Caucasian female).

Community Service Activities

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

Payments in Excess of $5,000

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

Amtec	-	Loan Yield/Arbitrage Rebate
Beers, Hamerman & Co., P.C.	-	Accountant
EOS CCA	-	Collection Agency
Connecticut Conference of Independent Colleges	-	Personal Services/Shared Office Space
Education Finance Council	-	Professional Membership
Firstmark Services	-	Orgination/Loan Servicing
Day Pitney LLP	-	Legal/Bond Counsel
R.C. Knox & Co., Inc.	-	Insurance Broker/Insurance Fees
Simione Macca & Larrow	-	Auditor
Small Business Services	-	Health Insurance
U.S. Bank National Association	-	Trustee
Vanguard Fiduciary Trust Co.	-	Pension Plan
Shipman & Goodwin	-	Trustee Counsel
Fitch Rating	-	Rating Agency
Moody's	-	Rating Agency
PFM Group	-	Financial Advisor
Goldman Sachs	-	Underwriter
Ernst & Young	-	Underwriter Auditor
Pullman & Comley	-	Underwriter Counsel

Exhibit A

Financials

Exhibit B

Loans Disbursed
1990-2008

Exhibit C

2009 CT FELP Program Manual

Agenda Item 8

RESOLUTION OF THE BOARD OF DIRECTORS CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY September 21, 2010

WHEREAS, the Operating Procedures of the Connecticut Higher Education Supplemental Loan Authority provide that the Authority shall solicit proposals for services at least once every three years; and

WHEREAS, the Authority requires the services of an auditor, and has not solicited proposals for such services since 2008; and

WHEREAS, the Authority is desirous of appointing a subcommittee of its members for the purposes of reviewing the responses to the request for proposal and making a recommendation to the full Board for a firm to be appointed as an auditor for the Authority.

NOW, THEREFORE BE IT RESOLVED, that the Executive Director is directed to prepare and distribute a request for proposal for an auditor; and

FURTHER RESOLVED, that there is hereby established the 2010 Auditor Selection Committee of the Authority, which shall have as its members the following individuals: _______________(Chair), _________, and _________; and

FURTHER RESOLVED, that the 2010 Auditor Selection Committee and the Executive Director are authorized to take such steps as they shall deem necessary in the review process, including interviewing representatives of those firms responding to the request for proposal; and

FURTHER RESOLVED, that the 2010 Auditor Selection Committee is directed to recommend to the full Board a firm to serve as Auditor for the Authority for a period of not more than three years.

Review of Potential Future Strategic Options for CHESLA

Draft 9-1-2010

Option	Cost and Value	Consistency of Mission	Institutional Risk	Integrity	Financial Acumen	Independence	Feasibility and Difficulty	Track Record
Independent Authority with CHESLA Executive Director	Expected to be the highest cost option but may be justified in terms of value. Minimum added cost estimated to be roughly $150,000 year, or 6 basis points in Borrowers' Rate. Some scenarios are higher or lower cost.	Mission focused solely on CHESLA	Perhaps greatest risk due to a small independent staff. Risk mitigated by use of outside professionals and availability of experienced industry personnel.	Should be able to hire an Executive Director with this professional strength.	Should be able to hire an Executive Director with needed skills.	Most independent structure.	Would need to interview and hire Executive Director, find space, and establish any needed office infrastructure.	Should be able to hire an Executive Director with strong track record.
Contract for Management Services: 1) CCIC	May be the lowest cost option due to established cost sharing efficiencies of personnel, space and overhead.	CCIC and CHESLA share a higher education industry focus. CCIC also has its own mission on behalf of its members.	Both CCIC and CHESLA are very small so that the institutional risk is close to independent. CCIC employee follows CHESLA and can carry institutional knowledge forward and provide interim oversight.	CCIC has a reputation for integrity and has no involvement in loan approval process. May need to revisit any implications related to the fact that CCIC members are recipients of CHESLA funding.	CCIC has experience managing CHESLA activities over the years as well as other prior experience and expertise in higher ed, legislative, budget and state finance matters.	CHESLA retains an independent identity but would continue to be managed by a leader/employee responsible for running CCIC. CCIC Board selects CHESLA Executive Director.	Probably the least difficult to implement given existing contracts and arrangements. However Board may recommend an RFP to compare with other potential affiliations.	CCIC has a 29 year proven track record with running CHESLA.
2) Other Quasi-Public	Should be comparable to CCIC affiliation through shared personnel, space and overhead.	Quasi publics operate within similar public/private framework, but may not have same higher ed focus. CHEFA has strong understanding of higher ed institutions, CHFA highly experienced with issuing bonds backed by SCRF and loans, similar to CHEFA.	Long standing quasi-public agencies have larger staffs which can become knowledgeable of operations and are able to provide interim oversight and/or cross training.	State quasi-public agencies have strong requirements for integrity and ethical conduct.	State quasi-public agencies can provide highest levels of financial acumen due to the other bonding programs they already run and their financial, credit and legal expertise could be value added and synergistic for CHESLA.	If CHESLA is administered under contract or as a subsidiary then the CHESLA identity would be preserved. If fully merged and integrated, some focus may be lost.	Would probably need RFP, new contracts and arrangements. Quasi-public agencies may want Executive Branch direction on this matter. A full merger would require legislation and other legal changes. Some felt this should not be raised.	The State quasi-public agencies have strong track records of successfully running significant operations similar and even larger than CHESLA.
3) Other Not-For-Profit or Private Entity	Depends on entity and arrangement	Depends on entity and arrangement	Depends on entity and arrangement	Depends on entity and arrangement	Depends on entity and arrangement	Depends on entity and arrangement	Requires RFP and negotiation of contracts	Depends on entity