COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
Denver, Colorado

FINANCIAL AND COMPLIANCE AUDIT
June 30, 2010 and 2009

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

Members of the Legislative Audit Committee:

This report contains the results of the financial and compliance audit of the Student Loan Program Funds of CollegeInvest as of June 30, 2010. The audit was conducted pursuant to Section 2-3-103 and 23-3.1-201, C.R.S., which authorizes the State Auditor to conduct audits of the departments, institutions and agencies of State government.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 16, 2010

Member of HLB International

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AND COMPLIANCE AUDIT
June 30, 2010

REPORT SUMMARY

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
FINANCIAL AUDIT
FISCAL YEAR ENDED JUNE 30, 2010

Purpose and Scope

The Office of the State Auditor, State of Colorado engaged Clifton Gunderson LLP to conduct the financial and compliance audit of CollegeInvest Student Loan Program Funds (Student Loan Program Funds) for the Fiscal Year ended June 30, 2010. Clifton Gunderson LLP performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purpose and scope of our audit was to express an opinion on the Student Loan Program Funds' basic financial statements as of and for the Fiscal Year ended June 30, 2010.

Audit Opinions and Reports

We expressed an unqualified opinion on the Student Loan Program Funds' basic financial statements as of and for the year ended June 30, 2010.

Summary of Key Findings and Recommendations

There were no findings for the year ended June 30, 2010.

Summary of Progress in Implementing Prior Year audit Recommendations

The audit report for the year ended June 30, 2009 contained two recommendations, which have been implemented. The Disposition of Prior Year Audit Recommendations begins on page 6.

DESCRIPTION OF THE COLLEGEINVEST STUDENT LOAN PROGRAM FUNDS

Organization

The Colorado General Assembly, pursuant to Colorado Revised Statutes 23-3.1-201, et. seq., and 23-3.1-301, et. seq., established a student obligation bond program (Student Loan Program Funds, which consist of the Bond Funds, the CollegeInvest Early Achievers Scholarship Fund (a scholarship trust program), the Nursing Teacher Loan Forgiveness Fund and the Health Care Provider Fund), a post secondary education expense program (Prepaid Tuition Fund), and an Internal Revenue Code Section 529 college savings program (Scholars Choice Fund, Direct Portfolio Fund, Stable Value Plus Fund, and Smart Choice Fund), which are administered by CollegeInvest. The programs assist students in meeting the expenses incurred in availing themselves of higher education opportunities. The Executive Director of the Colorado Department of Higher Education has responsibility for oversight and management of CollegeInvest and appoints the Director of CollegeInvest. In addition, CollegeInvest has a nine-person Board of Directors (Board) designated by the Governor with the consent of the State Senate to serve four-year terms.

Student Loan Program Funds

Primary operations of the student obligation bond program commenced in 1981. In meeting its legislative mandate, CollegeInvest issues tax-exempt and taxable financings. The amount of tax-exempt financing authority is limited by federal volume caps for private activity bonds, allocated to Colorado and by Colorado's allocation of these caps among state and local governments that issue debt. The proceeds from such financings are used to originate and purchase student loans. CollegeInvest is authorized to issue its own revenue bonds, notes and other obligations in the aggregate amount of $2.0 billion. The bonds do not constitute an indebtedness, debt or liability of the State of Colorado.

The financial statements of the Student Loan Program Funds present the activities of the Bond Funds, CollegeInvest's Borrower Benefit Fund, Nursing Teacher Loan Forgiveness, Health Care Provider Fund, and Early Achievers Scholarship Fund, formerly known as the College in Colorado Scholarship Trust Fund. Each Bond Fund represents bond proceeds that are restricted by the financing documents of each individual bond issue. Each Bond Fund is accounted for separately and is a separate trust estate. The Borrower Benefit Fund consists of assets and revenue that are not pledged as collateral to the Bond Funds. These monies are available for the administration of CollegeInvest and for use in other programs in accordance with CRS 23-3.1-201 that are authorized by the General Assembly.

During the 2004 legislative session, the General Assembly enacted H.B. 04-1350, making several changes to the Student Loan Program Funds, effective for fiscal year 2005. Nonresidents are now allowed to obtain student loans through CollegeInvest. The definition of "Student Loan" has been expanded to include loans made by institutions of higher education or by nonprofit corporations operating on behalf of the institution, located outside of Colorado. The definition of "lender" now includes any domestic branch or agency of a foreign bank duly licensed by a State or the United States.

Effective March 2010, the Federal Health Care and Education Affordability Reconciliation Act (HCEARA) of 2010 was signed into law by the President of the United States terminating the authority to make or insure any additional loans in the Federal Family Education Loan (FFELP) program after June 30, 2010. In part, as a result of this law, and the ongoing credit market conditions, CollegeInvest entered into an agreement with Nelnet, Inc. to sell certain FFELP loans and certain private loans. CollegeInvest sold substantially all of its student loans and accrued interest receivable to Nelnet in May 2010.

Early Achievers Scholarship Trust Fund

Colorado Achievement Scholarship Program (Scholarship Program), created in statute as Colorado Achievement Scholarship Trust Fund, was created by Colorado statute CRS 23-3.1-206.9 to provide higher education scholarships for eligible students. CollegeInvest was designated by the statute to implement and administer the Scholarship Program. A scholarship under the Scholarship Program may only be awarded to undergraduate students who meet certain eligibility requirements established by the Board in accordance with the statute.

The financial activities of the Early Achievers Scholarship Trust Fund consists of investment of monies deposited to the trust by CollegeInvest, the State (to the extent appropriated) and as a result of any gifts, grants, or donations received by CollegeInvest for the Scholarship Program, as well as distribution of scholarships in conformance with the eligibility requirements established by the Board. Moneys in the trust may be used by CollegeInvest to fund the direct and indirect costs of implementing, marketing, and administering the Scholarship Program.

Nursing Teacher Loan Forgiveness Fund

A Loan Forgiveness Fund was created by Colorado statute CRS 23-3.6-101 to provide student loan forgiveness to persons who teach courses in nursing at a participating institution of higher education for at least five consecutive academic years after receipt of advanced degree. The General Assembly appropriates funds for the program to the Colorado Department of Higher Education (DHE). CollegeInvest was designated by statute to administer the Nursing Teacher Loan Forgiveness (NTLF) Fund for the DHE. Repayment of loans through the program may only be awarded to persons who meet certain eligibility requirements established by the Board in accordance with the statute.

The financial activities of the NTLF Fund consist of monies deposited in the State Treasurer's Cash Fund. CollegeInvest is also authorized to receive and expend gifts, grants, and donations or monies appropriated by the General Assembly for the purpose of implementing the program.

Health Care Provider Fund

A loan repayment program was created by Colorado statute CRS 23-3.6-201 to provide student loan repayment to certain health care professionals. The General Assembly appropriates funds for the program to the DHE. CollegeInvest was designated by the statute to administer the Health Care Provider (HCP) Fund for the DHE. Repayment of loans through the program may only be awarded to persons who meet certain eligibility requirements established by the Board in accordance with the statute.

The financial activities of the HCP Fund consist of monies deposited in the State Treasurer's cash fund. CollegeInvest is also authorized to receive and expend gifts, grants, and donations or moneys appropriated by the General Assembly for the purpose of implementing the program. Colorado House Bill 1111 transferred administration of the HCP to the Colorado Department of Public Health and Environment effective July 1, 2009. CollegeInvest transferred $101,000 of remaining cash to the Department of Public Health and Environment in July 2009.

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

Fiscal Year 2009 Recommendations

Number	Recommendation	Disposition
1	CollegeInvest should establish a process that requires the review and approval of all general ledger entries prior to them being posted to the general ledger.	Implemented
2	CollegeInvest should evaluate options to expedite the closing and financial reporting processes in order to improve the timeliness of the year-end financial reporting process and audit support efforts needed to meet State deadlines.	Implemented

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and each major fund of CollegeInvest, (a division of the Department of Higher Education, State of Colorado) Student Loan Program Funds, as of and for the years ending June 30, 2010 and 2009, which collectively comprise CollegeInvest Student Loan Program Funds' basic financial statements as listed in the table of contents. These financial statements are the responsibility of CollegeInvest Student Loan Program Funds' management. Our responsibility is to express opinions on these 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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.

As discussed in Note 1 – Organization and Summary of Significant Accounting Policies, the financial statements of the Student Loan Program Funds are intended to present the financial position, and results of operations and cash flows for only that portion of the financial reporting entity, the State of Colorado, that is attributable to the transactions of CollegeInvest Student Loan Program Funds. They do not purport to, and do not present fairly, the financial position of the State of Colorado as of June 30, 2010 and 2009 and the changes in its financial position and its cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of CollegeInvest Student Loan Program Funds, as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows 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 our report dated December 16, 2010 on our consideration of CollegeInvest Student Loan Program Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 8 to 24 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information 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 audit 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.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 16, 2010

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2010 AND 2009

This section of the Student Loan Program Funds' (Funds) financial statements is a discussion and analysis of the financial performance of the Funds for the fiscal years ended June 30, 2010, 2009, and 2008. CollegeInvest, a division of the Colorado Department of Higher Education (Department) of the State of Colorado, administers the Funds, the Prepaid Tuition Fund, and the College Savings Program, which consists of the Scholars Choice, Stable Value Plus, Smart Choice and Direct Portfolio Funds. The Funds' financial results are presented as a proprietary fund in the State of Colorado Comprehensive Annual Financial Report. Management of CollegeInvest is responsible for the financial statements, footnotes, and this discussion. The management's discussion and analysis should be read in conjunction with the Funds' financial statements.

Overview of the Financial Statements:

This annual report contains two sections - management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets presents information on all of the Funds' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Funds is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents information that reflects how the Funds' net assets changed during the past year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows reports the Funds' cash flows from operating, investing, non-capital, and capital financing activities.

Analysis of Major Funds:

CollegeInvest Student Loan Program Funds consists of five major funds, the Bond Funds, the Borrower Benefit Fund, the CollegeInvest Early Achievers Scholarship Trust Fund (CEAS Trust), the Nursing Teacher Loan Forgiveness Fund (NTLF Fund), and the Health Care Provider Loan Repayment Fund (HCP Fund). All of the Funds are accounted for as separate enterprise funds within the State of Colorado's financial reporting system. However, the State Controller's Office combines these five Funds in the State's Comprehensive Annual Financial Report.

The Executive Director of the Department and CollegeInvest's Board approve the annual budget and exercise financial oversight responsibilities of the Funds.

Bond Funds:

In meeting its legislative mandate, the Bond Funds issue tax-exempt and taxable financings. The proceeds from such financings are used to originate and purchase student loans or to make loans to institutions of higher education for their graduate lending programs. These financial activities are recorded within the Bond Funds in funds and accounts established under the financing documents. The financing documents for each Bond Fund restrict assets held in each respective trust estate for the payment of the outstanding obligations. Additionally, revenues generated within the Bond Funds are pledged as security on the financings.

Analysis of Major Funds (continued):

Bond Funds (continued):

Effective March 2010, the Federal Health Care and Education Affordability Reconciliation Act of 2010 (HCEARA) was signed into law by the President of the United States terminating the authority to make or insure any additional loans in the Federal Family Education Loan Program (FFELP) after June 30, 2010. In part, as a result of this law, and the ongoing credit market conditions, CollegeInvest entered into an agreement with Nelnet, Inc. (Nelnet) to sell certain FFELP and private loans. CollegeInvest sold substantially all student loans and accrued interest receivable in the Bond Funds to Nelnet on May 7, 2010. On the same date, CollegeInvest either paid or defeased all financings of the Bond Funds. As of June 30, 2010, all financings were redeemed.

Borrower Benefit Fund:

The Funds, as well as the Prepaid Tuition Fund and College Savings Program, utilize the Borrower Benefit Fund for payment of general and administrative expenses and other activities necessary to fulfill their purposes. The general and administrative expenses and activities have been allocated to the respective Funds, the Prepaid Tuition and College Savings Program. Additionally, cash in the Borrower Benefit Fund has been committed by CollegeInvest's Board of Directors (Board) to fund scholarships, to pay for operating expenses of the Borrower Benefit Fund, capital expenditures, and to provide reserves for operating expenses and cash flow timing differences of the Prepaid Tuition Fund.

In August 2008, the U.S. Department of Education (USDE) implemented the Loan Purchase Commitment Program (Purchase Program) and the Loan Participation Program (Participation Program) pursuant to the Ensuring Continued Access to Student Loans Act, Public Law 110-227 (ECASLA) in response to concerns that credit market conditions could disrupt federal student loan availability. CollegeInvest entered into agreements with the USDE in order to participate in these Programs due to its inability to access credit markets at reasonable financing costs. The activities of these Programs are recorded in the Borrower Benefit Fund.

Under the Purchase Program, the USDE will purchase loans at a price equal to the sum of (i) par value, (ii) accrued interest, (iii) the one-percent origination fee paid to the USDE, and (iv) a fixed amount of $75 per loan. Under the Participation Program, the USDE provides interim short term liquidity to Family Federal Education Loan Program (FFELP) lenders by purchasing participation interests in pools of FFELP loans. FFELP lenders are charged an annual rate of interest by using the Commercial Paper Rate plus 50 basis points on the principal amount of participation interests outstanding. This rate is re-set on a quarterly basis. Loans funded under the Participation Program must have been either refinanced by the lender or sold to the USDE pursuant to the Purchase Program prior to its expiration on October 15, 2009. In September and October of 2009, CollegeInvest sold $258.1 million of eligible student loans and interest receivable to the USDE under this Program.

In November 2008, the USDE implemented Public Law 10-350 which extended the Participation and Purchase Program for the 2009-2010 academic year (ECASLA II). CollegeInvest once again entered into agreements with the USDE in order to continue to participate in this Program. The programs were extended under substantially the same terms and expire on October 15, 2010. In September, 2010, CollegeInvest sold approximately $200.3 million of student loans and interest receivable in the Participation Program to the USDE prior to the expiration date. This includes loans originated up to that date.

During fiscal year 2009, the State of Colorado was awarded a federal College Access Challenge Grant (CACG). The Governor's office selected the Colorado Department of Higher Education (Department) to administer the CACG and CollegeInvest was assigned administration of the grant from the Department. The CACG is a two-year federal grant with the opportunity for carry-over of its remaining funds for a third year. The required fifty percent match for the grant is

Analysis of Major Funds (continued):

Borrower Benefit Fund (continued):

funded by CollegeInvest through its outreach, collateral, and scholarship activities recorded in the Bond Funds and the College Savings Programs. The federal amount for fiscal year 2009 was $852,698 and the state match was $426,349. In fiscal year 2010, the federal amount was $904,838 and the state match was $452,419. $1.2 million and $297,559 was incurred in the fiscal years ending June 30, 2010 and 2009, respectively. The $217,000 remaining balance from 2010 will be carried forward. Reimbursement from the USDE is recorded as intergovernmental revenue in the Borrower Benefit Fund. Funds must be used to increase access to post-secondary education for low-income students in high school and college. Through the HCEARA, $150 million had been appropriated nationwide for fiscal years 2010 through 2014 for the CACG program. All future awards granted to the State, along with any remaining balance carried forward, will be administered by the Department effective August 16, 2010.

CollegeInvest Early Achievers Scholarship Trust Fund (CEAS Trust):

The CEAS Trust was established by Colorado Senate Bill 05-003 on April 7, 2005. This trust is designed to make college a reality for deserving students who work hard academically, but whose families cannot afford college. The scholarship encourages students to begin planning for college early and provides financial support for high-need students. The CEAS Trust was originally funded by contributions from the Borrower Benefit Fund, the Bond Funds and the Colorado Student Loan Program dba College Assist (CA). CA is discussed in more detail within the Notes under Related Party Transactions.

Statute 23-3.1-206.9 effective on July 1, 2009 required the CEAS Trust to transfer $15 million to the State of Colorado's General Fund to assist in meeting state budget shortfalls. Additionally, Colorado House Bill 10-1383 was passed calling for additional $29.8 million transfer effective in June 2010. As a result of this bill, new CEAS applications will no longer be accepted. The funds remaining in the Trust are estimated to be sufficient to fund two additional cohorts of students in the fall of 2010 and 2011.

Nursing Teachers Loan Forgiveness (NTLF):

The NTLF Fund was established for the 2006-2007 academic year by Senate Bill 06-136 on June 1, 2006 and is designed to increase the supply of teachers in the nursing field by helping them repay their student loans. The program will provide for a payment of up to $4,000 per year for five consecutive academic years after receiving an advanced degree. The maximum award for the five year teaching commitment is $20,000. The payment may be applied to the principal and interest on a loan for persons who teach courses in nursing at an eligible institution of higher education.

Health Care Provider Loan Repayment (HCP):

The HCP Fund was established by Colorado Senate Bill 07-232 and is designed to increase the supply of health care professionals working in shortage areas by helping them repay their student loans. The program receives funds from the Federal Department of Health and Human Services for loan repayments, which the state matches. These combined funds provide for a payment of up to $25,000 a year for persons who practice for a minimum of two years in a Federally Designated Health Professional Shortage Area in Colorado as identified by the Federal Department of Health and Human Services. Colorado House Bill 09-1111 transferred administration of the HCP to the Colorado Department of Public Health and Environment effective July 1, 2009. CollegeInvest transferred $101,000 of remaining cash to the Department of Public Health and Environment in July 2009.

Comparison of Current Year Results to Prior Years:

Bond Funds:

Bond Funds Condensed Statements of Net Assets as of June 30:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Assets:			
Current:			
Cash and investments	$ **43,110**	$ 70,784	$ 162,393
Student loans, interest and other receivables	**956**	94,712	78,072
Total current assets	**44,066**	165,496	240,465
Noncurrent:			
Student loans, net	-	1,664,815	1,608,626
Bond and note issuance costs, net	-	9,649	9,687
Total noncurrent assets	-	1,674,464	1,618,313
Total assets	**44,066**	1,839,960	1,858,778
Liabilities:			
Current:			
Accounts payable, interest payable and other liabilities	**11,000**	2,299	6,128
Intrafund payable (receivable)	**(4,470)**	1,810	2,704
Due to Department of Education	**1,898**	9,620	1,492
Bonds and notes payable	-	24,000	24,000
Total current liabilities	**8,428**	37,729	34,324
Noncurrent:			
Arbitrage rebate payable	**673**	17,730	17,985
Bonds and notes payable	-	1,677,330	1,701,330
Total noncurrent liabilities	**673**	1,695,060	1,719,315
Total liabilities	**9,101**	1,732,789	1,753,639
Restricted net assets	$ **34,965**	$ 107,171	$ 105,139

CollegeInvest sold its FFELP and alternative student loans and accrued interest receivable to Nelnet on May 7, 2010. The decrease in cash and investments of $27.7 million in the Bond Funds from June 30, 2009 to June 30, 2010, was primarily due to the sale of student loans and the redemption of all bonds with the proceeds from that sale. The final reconciliation and settlement of the purchase price of the loan sale will be completed on December 31, 2010.

The decrease in cash and investments of $91.6 million in the Bond Funds from June 30, 2008 to June 30, 2009, was primarily due to the acquisition of student loans in excess of repayment of existing student loans of $31.5 million, redemption of $24.0 million of outstanding bonds and the purchase of $21.0 million in student loans and accrued borrower interest from the CEAS Trust.

Comparison of Current Year Results to Prior Years (continued):

Bond Funds (continued):

In 2009, the Bonds Funds and the Borrower Benefit Fund both recorded activity related to student loans. For purposes of this section, this activity was combined in the table below for comparison to 2009 amounts. In 2010, student loans, net, including premiums and borrower benefits, decreased by $1.7 billion due to the sale to Nelnet. CollegeInvest will sell the remaining balance of eligible student loans from the Borrower Benefit Fund to the USDE in September 2010 under the Purchase Program.

In 2009, student loans, increased by $201.8 million due to the origination and acquisition of $406.7 million in student loans, offset by student loan principal repayments and sales totaling $204.9 million.

Borrower benefits, which have been offered by CollegeInvest since 1997 and periodically revised, generally reward prompt and regular payments, and payments made by automatic bank drafts, with credits to or reduction of principal balance, interest rate reductions and credit or waiver of origination and federal default fees. These benefits vary depending on loan type. Once a benefit has been earned, the borrower retains that benefit for the life of the loan unless the borrower defaults. The premiums and borrower benefits are capitalized and amortized over five years. As of July 1, 2008, CollegeInvest eliminated its credit or waiver of origination fees borrower benefit for new loans.

Student loan principal acquisitions and principal payments were as follows:

	2010			2009			2008
	Bond Funds	**BBF**	**Total**	Bond Funds	BBF	Total	Bond Funds
	(dollar amounts expressed in millions)						
Originations	**0.3**	**185.8**	**186.1**	158.6	87.4	246.0	191.0
Purchases	**-**	**-**	**-**	115.2	44.4	159.6	210.7
Consolidations	**-**	**-**	**-**	1.1	-	1.1	146.9
Sales/Purchases	**(1,566.9)**	**(96.4)**	**(1,663.3)**	(60.9)	(17.0)	(77.9)	(23.8)
Principal payments received	**(131.8)**	**(7.4)**	**(139.2)**	(126.8)	(0.2)	(127.0)	(231.4)
Net Change	**$ (1,698.4)**	**$ 82.0**	**$ (1,616.4)**	$ 87.2	$ 114.6	$ 201.8	$ 293.4

The overall decrease in loan originations from $246.0 million in 2009 to $186.1 million in 2010 is a result of the impact of the HCEARA. Although the bill was not signed into law until May of 2010, in September 2009 CollegeInvest announced to schools and borrowers that they would no longer originate loans after June 30, 2010. As a result many borrowers began pursuing other available lenders throughout 2010.

The increase of $55.0 million in new loan originations from $191.0 million in 2008 to $246.0 million in 2009 is a result of several different factors. Some lenders exited the market as a result of limited availability of financing due to the disruption in the credit markets and the diminishing profitability of student loans. Changes implemented by the USDE in October 2007 decreased yields on student loans made by private lenders. Disruption in the credit markets has diminished CollegeInvest's ability to obtain cost effective financing for origination and purchase of student loans. CollegeInvest may have gained volume due to fewer lenders in the marketplace. Additionally, after concluding the CollegeLender program effective June 30, 2008, (a program in which College Invest loaned funds to Colorado colleges to originate student loans, then purchased the student loans from the colleges). CollegeInvest has directly originated a portion of the graduate loans that would have been originated by CollegeLenders and reflected as "Purchases" in prior years.

Comparison of Current Year Results to Prior Years (continued):

Bond Funds (continued):

Purchases and sales of student loans in the Bond Funds in 2009 were primarily between the CEAS Trust and the Bond Funds. In 2008, purchases were primarily from CollegeLenders. The CollegeLender program was eliminated effective June 30, 2008 and therefore, CollegeInvest did not purchase any loans from CollegeLenders in 2009.

The decrease in consolidations during the years ended June 30, 2008, 2009 and 2010, was due to the suspension of consolidation originations effective March 1, 2008. Changes in the Higher Education Act (HEA) reduced the yield earned on consolidation loans and CollegeInvest, along with many other student loan lenders, stopped consolidating existing loans. The decrease in principal payments received in the year ended June 30, 2008 was primarily due to a reduction in loans consolidated away from CollegeInvest by other lenders.

The arbitrage rebate payable is composed of excess interest and arbitrage rebate fees. The decrease of $17.1 million from June 30, 2009 to June 30, 2010, is due primarily to a decrease in excess interest liability of approximately $15.6 million and a decrease in the arbitrage rebate liability of $1.5 million. The decrease of $0.3 million from June 30, 2008 to June 30, 2009, is due primarily to a decrease in excess interest liability of approximately $1.1 million and an increase in the arbitrage rebate liability of $871,000**.** See the operating expense section for a discussion of the changes in excess earnings and arbitrage rebate expenses.

The Bond Funds had bonds and notes payable as of June 30:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Beginning balance	**$ 1,701,330**	$ 1,725,330	$ 1,641,304
Bond and note issuance	**-**	-	188,300
Redemptions of bonds and notes	**(1,701,330)**	(24,000)	(104,274)
Bonds and notes payable	**$ -**	$ 1,701,330	$ 1,725,330

Until June 2008, the Bond Funds issued and redeemed bonds in an effort to maximize the ability to originate and purchase loans and take advantage of favorable tax-exempt and taxable debt attributes while minimizing the carrying costs of debt and costs of issuance. CollegeInvest did not issue bonds in 2009 or 2010 due to the high cost of debt as a result of the on-going disruption in the capital markets. The USDE introduced the Participation Program to provide liquidity to lenders in the FFEL Program in July 2008, and CollegeInvest used this program to finance origination of loans beginning December 2008. In May 2010, CollegeInvest sold all of its student loans held in the Bond funds and redeemed all of its outstanding debt obligations.

Restricted net assets include net assets that are restricted for use either by creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation. The Bond Funds had restricted net assets of $35.0 million, $107.2 million and $105.1 million as of June 30, 2010, 2009, and 2008, respectively.

Comparison of Current Year Results to Prior Years (continued):

Bond Funds Condensed Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Operating revenues:			
Loan interest, net	**$ 25,821**	$ 51,304	$ 78,369
Investment income	**107**	1,256	9,292
Miscellaneous income	**4,040**	-	-
Total operating revenues	**29,968**	52,560	87,661
Less provision for loan losses	**709**	1,461	1,715
Total operating revenues after provision for loan losses	**29,259**	51,099	85,946
Operating expenses:			
Interest expense	**13,504**	36,127	84,396
Rebate tax expense, net	**(17,057)**	(256)	(5,325)
Loan servicing costs and bond fees	**8,597**	10,467	8,752
General and administrative expenses	**2,269**	2,711	4,682
Total operating expenses	**7,313**	49,049	92,505
Net income before special items and transfers	**21,946**	2,050	(6,559)
Special items:			
Loss on sale of student loans	**(82,188)**	-	-
Loss on bond redemptions	**(6,971)**	-	-
Total special items	**(89,159)**	-	-
Intrafund transfers	**(4,993)**	(18)	(50)
Change in net assets	**(72,206)**	2,032	(6,609)
Net assets, beginning of year	**107,171**	105,139	111,748
Net assets, end of year	**$ 34,965**	$ 107,171	$ 105,139

Comparison of Current Year Results to Prior Years (continued):

Bond Funds (continued):

Detail of loan interest is as follows:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Borrower interest	**$ 68,234**	$ 93,903	$ 88,073
Special allowance payments	**(28,786)**	(23,471)	10,228
Borrower benefits and premium amortization	**(7,006)**	(9,654)	(9,616)
Consolidation rebate fees	**(6,626)**	(7,958)	(7,789)
Lender fees	**5**	(1,516)	(2,527)
Total loan interest, net	**$ 25,821**	$ 51,304	$ 78,369

Borrower interest decreased by $25.7 million from the year ended June 30, 2009 to the year ended June 30, 2010 and increased by $5.9 million from the year ended June 30, 2008 to the year ended June 30, 2009. Since CollegeInvest sold its student loans at the beginning of May 2010, the 2010 decrease is due in part to ten months of operations in 2010 compared to twelve months of operations in 2009. The decrease in borrower interest is primarily due to a decrease in volume. The average student loan balance decreased by $470.0 million while the average interest rate on student loans overall was consistent between years at 5.4%. In 2009, borrower interest income increased by $17.7 million due to an increase in the average student loan balance from $1.54 billion in 2008 to $1.74 billion in 2009 but was offset by a decrease of $11.8 million due to a lower average interest rate paid by borrowers, as lower interest rate indices impacted the variable interest rate loans. Interest rates on the Stafford loans in the portfolio originated from July 1, 1998 through June 30, 2006 are variable and are set based on the 91-day U. S. Treasury bill rate plus a spread that is determined by the loan status. All variable rate student loans are reset July 1 of each year and remain fixed for one year. The 91-day U.S. Treasury bill rates on July 1, 2009, 2008, and 2007 were .12%, 1.6%, and 4.9%, respectively. Loans originated after June 30, 2006 and before July 1, 2008 bear interest at a 6.8% fixed rate. Subsidized Stafford undergraduate loans originated after June 30, 2008 bear interest at a 6.0% fixed rate. All other loans originated after June 30, 2008 remained at the 6.8% fixed rate. The average interest rate on consolidation loans was 5.1% in 2008, 5.2% in 2009 and 5.3% in 2010.

Special allowance is the difference between the borrower interest rate and a "market" rate defined by the Higher Education Act (HEA) of 1965, as amended. If the borrower rate is higher than the "market" rate, then CollegeInvest pays the allowance to the USDE. The USDE pays CollegeInvest if the opposite occurs.

Special allowance payments to the USDE increased by approximately $5.3 million in fiscal year 2010, from $23.5 million in fiscal year 2009 to $28.8 million in fiscal year 2010. CollegeInvest paid the USDE $23.5 million in fiscal year 2009 as compared to receiving special allowance payments of $10.2 million in fiscal year 2008. The payments to the USDE, as compared to the receipt of special allowance are primarily due to decreases in the commercial paper rate. Special allowance is paid quarterly based on the rate defined by the HEA (market rate), which is 90-day commercial paper rate plus a spread based on the status of the loan. Commercial paper quarterly average was .28%, 1.7%, 4.1% for the years ended June 30, 2010, 2009, and 2008, respectively. Additionally, there was a change in the USDE's interpretation of the HEA regarding payments of 9.5% Floor special allowance in fiscal year 2007. The USDE suspended payments of Floor special allowance effective October 1, 2006 until lenders completed an audit of their Floor special allowance eligible loan population. CollegeInvest completed this audit in January 2008. The Floor special allowance loan population was decreased from $197.9 million as of September 30, 2006 to $88.7 million. Supplemental special allowance payments at the 9.5 percent minimum rate were approximately $824,000 and $977,000 for fiscal years 2010 and 2009, respectively.

Comparison of Current Year Results to Prior Years (continued):

Bond Funds (continued):

CollegeInvest billed the USDE for seven quarters of Floor special allowance payments in its billing for the quarter ended June 30, 2008. CollegeInvest recorded Floor special allowance income in the year ended June 30, 2008, the past due amounts of $836,000 relating to the year ended June 30, 2007 and $1.1million related to the year ended June 30, 2008.

Borrower benefits and premiums decreased by $2.6 million in 2010 due to a declining balance of consolidation loans as well as ten months of operations in fiscal year 2010 as compared to twelve months in fiscal year 2009. Borrower benefits and premium amortization fees increased only slightly in 2009. Premiums and borrower benefits are capitalized and amortized over five years. As of May 7, 2010, all unamortized balances were written off with the sale of the student loans, and included in the calculation of the loss on sale of student loans. CollegeInvest last purchased student loans at a premium in June 2008 and discontinued the upfront borrower benefits at the end of 2008. CollegeInvest also purchased a small amount of student loans at a discount in 2009 that somewhat offset this amortization expense.

Consolidation rebate expense is a fee paid monthly to the USDE on the balance of consolidation loans owned by CollegeInvest. Consolidation rebate fees decreased by $1.3 million due to a declining balance of consolidation loans as well as ten months of operations in fiscal year 2010 as compared to twelve months in fiscal year 2009. Consolidation rebate fees increased slightly in 2009 due to the purchase of approximately $44.1 million in consolidation rehabilitation loans during the year.

Lender fees are paid on originations of Stafford and Consolidation loans. In 2010, origination of loans was conducted in the Borrower Benefit Fund and in the Bond Funds consisted of minor adjustments to lender fees from 2009. Overall, lender fees decreased from $2.5 million in 2009 to $1.8 million in 2010 as origination volume began to decline in anticipation of the end of the FFELP and schools began transferring to the Federal Direct Loan Program as mandated by law. In 2009, originations were recorded in both the Bond Funds and the Borrower Benefit Fund, and overall, were lower in 2009 by $1.0 million compared to 2008 as a result of lower origination volume.

The decrease in pledged investment income of approximately $1.1 million from the year ended June 30, 2009 to the year ended June 30, 2010 is due to a $23.5 million increase in the average cash and investments balance and a decrease in the average interest rate from 1.1% for the year ended June 30, 2009 to .17% for the year ended June 30, 2010. The decrease in pledged investment income of approximately $8.0 million from the year ended June 30, 2008 to the year ended June 30, 2009 is due to a $92.9 million decrease in the average cash and investments balance and a decrease in the average interest rate from 4.4% for the year ended June 30, 2008 to 1.1% for the year ended June 30, 2009.

Miscellaneous income of $4.0 million consists of reimbursement of the upfront one-percent lender fee and $75 per loan that was paid to CollegeInvest when it sold, or put, $148.1 million in student loans and interest receivable from the Bond Funds to the USDE in September and October 2009.

Interest expense is comprised of interest on bonds and amortization of bond issuance costs. Interest on bonds for the year ended June 30, 2010 decreased by $22.4 million from the year ended June 30, 2009. The weighted average bond balance outstanding in 2010 was $1.48 billion as compared to $1.71 billion in 2009. CollegeInvest redeemed $32.0 million of bonds during 2010 at a discount, reducing its outstanding bond balance, as well as the redemption of all outstanding bonds in May and June 2010 as a result of the student loan sale to Nelnet. The average interest rate paid during 2010 was 0.90%. Interest expense on bonds for the year ended June 30, 2009 decreased by $48.3 million from the year ended June 30, 2008. The decrease was due to a decrease in the weighted average interest rate on debt in 2009. As of June 30, 2009 and 2010, there were $1.1 billion and $0, respectively, of bonds outstanding that are auction rate securities. As of February 2008 turmoil in the capital markets negatively impacted the auction rate market causing these securities to fail and maximum interest rate waivers to take effect. This caused CollegeInvest to incur larger than normal interest expense between the months of February through June 2008. However, the maximum rate waivers were a temporary measure. Between July and September 2008 the maximum rate waivers associated with the auction rate securities expired and the interest rates for

Comparison of Current Year Results to Prior Years (continued):

Bond Funds (continued):

these bonds reset, using calculations per each series indentures. As a result, the average interest rates for the auction rate securities are substantially lower in 2009 compared to 2008.

Average debt outstanding for the years ended June 30, 2010, 2009, and 2008 was $1.5 billion, $1.7 billion and $1.6 billion, respectively. The decrease in average debt outstanding in 2010 is due to the redemption of bonds throughout the year and the increase from 2008 to 2009 was due primarily to a higher amount of debt issuance in response to anticipated student loan purchases. The average interest rate on debt for the years ended June 30, 2010, 2009 and 2008 was .90%, 2.1% and 5.1%, respectively.

Rebate tax expense includes excess interest and arbitrage rebate as follows:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Excess interest	**$ (15,629)**	$ (1,127)	$ (4,809)
Arbitrage rebate	**(1,428)**	871	(516)
Total rebate tax expense	**$ (17,057)**	$ (256)	$ (5,325)

The excess interest liability has been reduced the last three years. Therefore, excess interest expense resulted in a credit for the fiscal years ended June 30, 2008, 2009 and 2010. The credit increased approximately $14.5 million for the year ended June 30, 2010. This was primarily due to the sale of its student loans in both its taxable and tax-exempt financings at a loss and thus decreased the yield on the loans significantly. The credit decreased approximately $3.7 million for the year ended June 30, 2009. The change in excess earnings is due to the increased earnings for tax-exempt financing from 2009 over 2008.

The arbitrage rebate expense is the amount of interest earned from investments using tax-exempt financing above the allowable spread. This expense decreased approximately $2.3 million in total from June 30, 2009 to June 30, 2010 due to a decrease in the spread between the interest earned on investments and the interest paid on tax-exempt bonds. The expense increased approximately $1.4 million from June 30, 2008 to June 30, 2009 due to an increase in the spread between the interest earned on investments and the interest paid on tax-exempt bonds in the year ended June 30, 2009. CollegeInvest made payments to the IRS of $0, $0 and $463,000 during the years ended June 30, 2010 and 2009, and 2008, respectively.

Loan servicing costs and bond fees were 0.7%, 0.6% and 0.6% of the average student loan balance for the years ended June 30, 2010, 2009 and 2008. General and administrative expenses support the student loan activity and were 0.2% of the average net student loan balance for 2010 and 2009, and 0.4% for the 2008.

Loss on bond redemptions was the result of purchasing bonds from bondholders at a discount, less the write-off of all remaining issuance costs after all bonds were redeemed. $32.1 million in bonds was purchased at a discount of $3.1 million and issuance costs of $10.1 million were written off for a total loss of $7.0 million.

As noted above, CollegeInvest sold substantially all of its student loans receivable from its indentures on May 7, 2010. The initial sales price was 96% of FFELP student loans and accrued interest receivable and 70% of alternative student loans and accrued interest receivable. Per the agreement with Nelnet, the initial sales price was adjusted such that net settlement proceeds to CollegeInvest would equal $35.0 million. The discount on the student loans, after adjustment, amounted to $69.3 million. CollegeInvest wrote off capitalized borrower benefits, premiums and prepaid expenses, net of discounts of $15.4 million. A reduction in the allowance for loan loss of $2.5 million offset the amounts above for a total loss of $82.2 million.

Comparison of Current Year Results to Prior Years (continued):

Borrower Benefit Fund:

Borrower Benefit Fund Condensed Statements of Net Assets as of June 30:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 24,777**	$ 8,446	$ 9,430
Student loans, net	**195,753**	114,674	-
Interest, other receivables and prepaid expenses	**4,755**	2,246	254
Capital assets, net	**67**	196	340
Total assets	**225,352**	125,562	10,024
Liabilities:			
Accounts payable and accrued expenses	**1,210**	490	429
Due to other funds and other agencies	**10,155**	8,375	467
Due to USDE	**200,279**	108,675	-
Long term liabilities	**159**	185	182
Total liabilities	**211,803**	117,725	1,078
Net assets:			
Invested in capital assets	**67**	196	340
Unrestricted	**13,482**	7,641	8,606
Total net assets	**$ 13,549**	$ 7,837	$ 8,946

As noted above, in August 2008, CollegeInvest entered into an agreement with the USDE in order to participate in the ECASLA program. In December 2008, CollegeInvest began originating student loans in its Borrower Benefit Fund and began utilizing the Participation Program. Prior to CollegeInvest entering into the Participation Program, student loans were originated with funds in the Bond Funds. Further discussions relating to student loan originations and the Participation Program were discussed in the Bond Funds section of this report in order to compare student loan volume to fiscal years 2010, 2009 and 2008.

Cash and investments of the Borrower Benefit Fund increased $16.3 million from June 30, 2009 to June 30, 2010 due primarily to the cash transfer of approximately $4.2 million from the Bond Funds for administrative fees allowed in excess of actual expenses, approximately $8.6 million in claim loans from the Bond Funds that were not included in the loan sale to Nelnet, and an increase in excess administrative fees, marketing and scholarship commitments for the College Savings Programs of $1.4 million. Student loans, net, increased from $114.7 million as of June 30, 2009 to $195.8 million as of June 30, 2010 due to an increase in Participation Program loans with the USDE. CollegeInvest participated loans for a full year in fiscal year 2010 as compared to seven months in fiscal year 2009.

Cash and investments of the Borrower Benefit Fund decreased $1.0 million from June 30, 2008 to June 30, 2009, primarily due to operating losses of the Participation Program. Student loans, net increased from zero as of June 30, 2008 to $114.7 million as of June 30, 2009 as CollegeInvest had originated or purchased $114.7 million in loans and participated $108.7 million of loans with the USDE.

Comparison of Current Year Results to Prior Years (continued):

Borrower Benefit Fund (continued):

Due to other funds and other agencies increased from $8.4 million on June 30, 2009 to $10.2 million on June 30, 2010 primarily as a result of paying down CollegeInvest's line of credit with the CA which was used to facilitate the Participation Program, offset by an increase in the amount due to the Bond Funds as a result of claim loan payments received but not yet transferred to the Bond Funds. As of June 30, 2010, CollegeInvest had a zero balance on the line of credit compared to a $7.0 million balance as of June 30, 2009. Due to other funds and other agencies increased from $467,000 to $8.4 million from June 30, 2008 to June 30, 2009 due drawing $7.0 million as of June 30, 2009 against the line of credit agreement with CA.

Due to USDE increased from $108.7 million as of June 30, 2009 to $200.3 million as of June 30, 2010. This liability consists of amounts due to the USDE for participated loans and for yield payments due to the USDE under the Participation Program. As noted above, CollegeInvest participated loans for a full year in fiscal year 2010 as compared to seven months in fiscal year 2009. CollegeInvest pays the USDE the Commercial Paper Rate plus 50 basis points for borrowings under the Participation Program. Due to USDE increased from zero as of June 30, 2008 to $108.7 million as of June 30, 2009. This liability also consists of amounts due to the USDE for participated loans and for yield payments due to the USDE under the Participation Program.

Net assets are restricted for use either by creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation. Under the Participation Program, the principal, interest receivable and revenues associated with the student loans are restricted for payment of the related liability to the USDE.

Capital Assets:

The investment in capital assets at June 30, 2010 and 2009 amounted to $67,000 and $196,000, respectively, net of accumulated depreciation. Capital assets consist of furniture, equipment and software. The changes in capital assets were as follows:

	Balance June 30, 2009	Additions (Deletions)	Depreciation & Amortization	**Balance June 30, 2010**
	(dollar amounts expressed in thousands)			
Software	$ 44	$ -	$ 20	$ **24**
Leasehold Improvements	14	-	4	**10**
Furniture and equipment	138	-	105	**33**
Total capital assets, net	$ 196	$ -	$ 129	$ **67**

	Balance June 30, 2008	Additions (Deletions)	Depreciation & Amortization	**Balance June 30, 2009**
	(dollar amounts expressed in thousands)			
Software	$ 47	$ 12	$ 15	$ **44**
Leasehold Improvements	18	-	4	**14**
Furniture and equipment	275	4	141	**138**
Total capital assets, net	$ 340	$ 16	$ 160	$ **196**

The remaining net assets of the Borrower Benefit Fund are designated primarily for bond issuance costs, operating reserves for all funds administered by CollegeInvest, cash flow reserves of the Prepaid Tuition Fund and computer equipment and software.

Comparison of Current Year Results to Prior Years (continued):

Borrower Benefit Fund (continued):

Borrower Benefit Fund Condensed Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Operating revenues:			
Loan interest	**$ 615**	$ 27	-
Investment income	**858**	270	504
Miscellaneous income	**2,600**	-	-
Total operating revenues	**4,073**	297	504
Operating expenses:			
Interest expense	**1,389**	1,039	-
Loan servicing and financing fees	**1,748**	278	-
General and administrative expenses	**1,460**	387	75
Net income before other income and transfers	**(524)**	(1,407)	429
Intergovernmental revenue	**1,243**	298	-
Transfers	**4,993**	-	-
Change in net assets	**5,712**	(1,109)	429
Net assets, beginning of year	**7,837**	8,946	8,517
Net assets, end of year	**$ 13,549**	$ 7,837	$ 8,946

Investment income consists of the following:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Interest on investments	**$ 435**	$ 250	$ 410
Unrealized gain on investments	**423**	20	94
Investment income	**$ 858**	$ 270	$ 504

Loan interest increased by $588,000 and $27,000 for the years ended June 30, 2010, and June 30, 2009 due to income received as a result of the Participation Program, beginning in 2009. CollegeInvest earns 1% of the Lender Fee and $75 for each Loan serviced though this Program. As noted above, CollegeInvest participated loans for a full year in fiscal year as compared to seven months in fiscal year 2009.

Comparison of Current Year Results to Prior Years (continued):

Borrower Benefit Fund (continued):

Investment income increased by $588,000 in 2010 primarily due to interest earned as a result of the Participation Program and decreased by $234,000 in 2009 due to smaller cash balances in this Fund. The average cash and investment balances for the years ended June 30, 2010, 2009, and 2008 were $20.2 million, $8.6 million, and $9.7 million, respectively, with average interest returns of 2.2%, 2.9%, and 4.2%, respectively.

Interest expense is related to the Participation Program. Interest expense increased from $1.0 million on June 30, 2009 to $1.4 million on June 30, 2010 due to participating loans for the entire fiscal year in 2010 compared to seven months in fiscal year 2009. Interest expense increased from $0 on June 30, 2008 to $1.0 million on June 30, 2009 due to the Participation Program. The average amount outstanding under the Participation Program was $140.4 million and $46.7 million for the fiscal years ended June 30, 2010 and 2009, respectively. The average interest rate paid to the USDE was 0.8% and 2.0% for the fiscal years ended June 30, 2010 and 2009, respectively.

Loan servicing costs are expenses associated with the Participation Program. Loan servicing costs increased from $278,000 on June 30, 2009 to $1.7 million on June 30, 2010 due to participating loans for the entire fiscal year in 2010 compared to seven months in fiscal year 2009. In addition, CollegeInvest paid deconversion servicing expenses in the year ended June 30, 2010 of $780,000 on loans put to the USDE in September and October 2009. Loan servicing costs increased from $0 on June 30, 2008 to $278,000 on June 30, 2009 due to the Participation Program.

General and administrative expenses increased by $1.1 million in 2010 primarily due to additional expenses relating to the CACG. General and administrative expenses increased by $312,000 in 2009 primarily due to the inclusion of $298,000 of CACG expenses. This was offset by reimbursement of these costs through payments from the USDE under the grant. Intergovernmental revenues of $1.2 million in 2010 and $298,000 in 2009 reimbursed these expenses under the grant. Funds from the CACG were used to increase statewide CollegeInvest outreach efforts in English and Spanish, enhance College In Colorado web and outreach services to adult students, develop a financial literacy program to assist students in access to and retention in higher education, and offer a counselor loan forgiveness program.

As noted above, during fiscal year 2010, the Borrower Benefit Fund sold $105.7 million of its 2008-2009 academic year student loans receivable and accrued borrower interest under the Purchase Program and recognized a gain of $2.6 million.

Comparison of Current Year Results to Prior Years (continued):

CollegeInvest Early Achievers Scholarship Trust Fund:

Effective June 25, 2007, CollegeInvest entered into a trust agreement with Russell Trust Company (RTC) to maintain the CEAS Trust established by Senate Bill 05-003 which created a new program for higher education scholarships. In March 2008, CollegeInvest entered into a new trust agreement with Zions Bank to accommodate the purchase of approximately $24.5 million in student loans receivable held as an investment. The Bond Funds paid the CEAS Trust a net rate of 2.3% on these student loans during the year ended June 30, 2009, and a net rate of 4.6% during the year ended June 30, 2008. The trust accounts are also used to pay for the costs of implementing, marketing, and administering the CEAS Trust. The scholarship provides up to $1,500 per year for four years to high need students. Scholarships were awarded to students beginning in the 2008-2009 academic year. Approximately 386 students received an average award of $714 in fiscal year 2010. Approximately 75 students received an average award of $1,200 in fiscal 2009.

Statute 23-3.1-206.9 effective on July 1, 2009 which required the CEAS Trust to transfer $15 million to the State of Colorado's General Fund to assist in meeting state budget shortfalls. Additionally, Colorado House Bill 10-1383 was passed calling for additional $29.8 million transfer effective in June 2010. As a result of this bill, it is estimated that only two additional cohorts of students in the fall of 2010 and 2011 will be eligible to receive scholarships.

CollegeInvest Early Achievers Scholarship Condensed Statements of Net Assets as of June 30:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Assets:			
Cash and investments	**$ 30,960**	$ 68,046	$ 51,798
Student loans	-	-	22,786
Interest and other receivables	**2**	24	684
Total assets	**30,962**	68,070	75,268
Accounts payable and accrued expenses	**80**	61	67
Intrafund payable	**46**	612	(183)
Total liabilities	**126**	673	(116)
Net assets (all restricted)	**$ 30,836**	$ 67,397	$ 75,384

Cash and investments decreased by approximately $37.1 million from June 30, 2009 to June 30, 2010 primarily due to the transfers cited above, offset by an increase in investment income of $8.6 million. Cash and investments increased by approximately $16.2 million from June 30, 2008 to June 30, 2009. This was primarily a result of net sales of student loans to the Bond Funds of $21.0 million and an increase of $1.4 million in the fair value of equity investments. These increases were offset by investment losses of $9.5 million.

Comparison of Current Year Results to Prior Years (continued):

CollegeInvest Early Achievers Scholarship Trust Fund (continued):

CollegeInvest Early Achievers Scholarship Condensed Statements of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Operating revenues:			
Net investment income	**$ 8,603**	$ (7,776)	$ (5,181)
Operating expenses:			
General and administrative expenses	**364**	211	242
Change in net assets before transfers	**8,239**	(7,987)	(5,423)
Transfers to State of Colorado General Fund	**(44,800)**	-	-
Change in net assets	**(36,561)**	(7,987)	(5,423)
Net assets, beginning of year	**67,397**	75,384	80,807
Net assets, end of year	**$ 30,836**	$ 67,397	$ 75,384

Net investment income consists of the following:

	2010	2009	2008
	(dollar amounts expressed in thousands)		
Unrealized gain (loss) on investments	**$ 4,689**	$ 1,445	$ (5,433)
Realized loss on investments	**4,226**	(9,471)	(2,206)
Dividends	**-**	-	2,384
Interest	**-**	479	332
Investment fees	**(312)**	(229)	(258)
Net investment income	**$ 8,603**	$ (7,776)	$ (5,181)

Unrealized gain on investments as of June 30, 2010 and 2009 respectively, were $4.7 million and $1.4 million. The positive change to unrealized gain on investments in 2009 was due to improving equity market conditions as of June 30, 2010 and 2009.

On July 1, 2008, RTC eliminated its Common Trust Fund investment vehicle and transferred all assets into Russell Institutional Funds (RIFL). The change in investment vehicle is intended to provide greater flexibility to investors including a broader investment base and more flexibility to directly exercise investment discretion. The $9.5 million realized loss in 2009 was partially due to changes in the investment vehicle noted above ($5.3 million) and partially due to the sale of investments to purchase student loans ($3.7 million). The regular sale of investments throughout the year to realign the investment allocation resulted in $0.5 million in realized losses. The CEAS investment allocation targets are 40% Large Cap U.S. Equity, 40% Fixed Income, 15% Non-U.S. Equity and 5% Small Cap U.S. Equity investments. Dividends decreased by $2.4 million in 2009 due to the change in investment vehicle. The RIFL investments do not pay dividends. Interest income

Comparison of Current Year Results to Prior Years (continued):

CollegeInvest Early Achievers Scholarship Trust Fund (continued):

increased by $147,000 in 2009 due to a higher average balance of student loans held during 2009 than in 2008. Investment fees were consistent between 2009 and 2008. Student loans were not held by the Fund in fiscal year 2010.

Total operating expenses increased by $153,000 due primarily to the additional scholarships awarded for the year ended June 30, 2010. Total operating expenses decreased by $31,000 for the year ended June 30, 2009 due to decreases in salaries and benefits and reductions in start-up activities such as systems development that occurred in 2008.

Economic Factors and Future Years' Rates:

- CollegeInvest's net income will increase or decrease depending on the interest rate spread between the borrower rates earned (as described within the Borrower Benefit Fund section of this report) and the rate it experiences on its yield payments due to the USDE under the Participation Agreement.

- The loan sale agreement with Nelnet calls for net settlement proceeds to equal $35.0 million. Under the agreement CollegeInvest agreed to repurchase no greater than $5.0 million of FFELP loans that the USDE or a guarantee agency refuses to honor all or part of a claim filed by CollegeInvest with respect to a FFELP loan purchased pursuant to the agreement, including any claim for interest subsidy payments, special allowance payments or guarantee payments on or before December 31, 2010.

- CollegeInvest has received an Information Document Request and notice of examination from the Internal Revenue Service regarding its tax-exempt Student Loan Revenue Bonds Series 2005XI-A1 and Series 2005XI-A2. The outcome of this examination may or may not result in additional amounts due to the Internal Revenue Service for arbitrage and rebate liabilities.

- Under the terms of federal grants, periodic audits and or reviews are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Such audits could lead to reimbursement to the grantor agency or the USDE. The USDE performed a review of CollegeInvest in May 2006. As a result, CollegeInvest received a finding from the USDE regarding under billing of 9.5% Floor SAP of approximately $13.6 million. The under billing identified in the review began in the quarter ended March 31, 1999. Effective October 1, 2006, the DOE changed its interpretation of Floor SAP. Utilizing this new methodology, CollegeInvest is in the process of working with USDE in determining the revised amount of the under billing. See footnote #13 for further discussion.

- Future fair market valuation of equity and fixed income securities may fluctuate based on market conditions and interest rates.

Requests for Information:

This report is designed to provide a general overview of the Funds' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Wendy Hause, Controller, CollegeInvest, 1560 Broadway, Suite 1700, Denver, CO 80202.

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009
(dollar amounts expressed in thousands)

	2010						2009					
	Bond Funds	Borrower Benefit Fund	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total	Bond Funds	Borrower Benefit Fund	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Assets:												
Current assets:												
Cash and investments	$ 43,110	$ 24,777	$ 30,960	$ 613	$ -	$ 99,460	$ 70,784	$ 8,446	$ 68,046	$ 466	$ 101	$ 147,843
Student loans, net	901	195,753	-	-	-	196,654	54,781	114,674	-	-	-	169,455
Interest and other receivables	55	4,612	-	-	-	4,667	39,748	1,959	22	-	-	41,729
Prepaid expenses	-	143	2	-	-	145	183	287	2	-	-	472
Total current assets	44,066	225,285	30,962	613	-	300,926	165,496	125,366	68,070	466	101	359,499
Noncurrent assets:												
Capital assets, net	-	67	-	-	-	67	-	196	-	-	-	196
Student loans, net	-	-	-	-	-	-	1,664,815	-	-	-	-	1,664,815
Bond and note issuance costs, net	-	-	-	-	-	-	9,649	-	-	-	-	9,649
Total noncurrent assets	-	67	-	-	-	67	1,674,464	196	-	-	-	1,674,660
Total assets	44,066	225,352	30,962	613	-	300,993	1,839,960	125,562	68,070	466	101	2,034,159
Liabilities:												
Current liabilities:												
Accounts payable and accrued expenses	11,000	1,210	80	4	-	12,294	1,099	490	61	-	-	1,650
Due to (from) other Funds and other agencies	(4,470)	10,155	46	-	-	5,731	1,810	8,375	612	-	-	10,797
Due to (from) USDE	1,898	200,279	-	-	-	202,177	9,620	108,675	-	-	-	118,295
Interest payable	-	-	-	-	-	-	1,200	-	-	-	-	1,200
Bonds and notes payable	-	-	-	-	-	-	24,000	-	-	-	-	24,000
Total current liabilities	8,428	211,644	126	4	-	220,202	37,729	117,540	673	-	-	155,942
Noncurrent liabilities:												
Accrued compensated absences	-	159	-	-	-	159	-	185	-	-	-	185
Arbitrage rebate payable	673	-	-	-	-	673	17,730	-	-	-	-	17,730
Bonds and notes payable	-	-	-	-	-	-	1,677,330	-	-	-	-	1,677,330
Total noncurrent liabilities	673	159	-	-	-	832	1,695,060	185	-	-	-	1,695,245
Total liabilities	9,101	211,803	126	4	-	221,034	1,732,789	117,725	673	-	-	1,851,187
Net assets:												
Invested in capital assets	-	67	-	-	-	67	-	196	-	-	-	196
Restricted	34,965	-	30,836	609	-	66,410	107,171	-	67,397	466	101	175,135
Unrestricted	-	13,482	-	-	-	13,482	-	7,641	-	-	-	7,641
Total net assets	$ 34,965	$ 13,549	$ 30,836	$ 609	$ -	$ 79,959	$ 107,171	$ 7,837	$ 67,397	$ 466	$ 101	$ 182,972

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(dollar amounts expressed in thousands)

	2010 Bond Funds	2010 Borrower Benefit Fund	2010 CollegeInvest Early Achievers Scholarship	2010 Nursing Teacher Loan Forgiveness	2010 Health Care Provider Loan Repayment	2010 Total
Operating revenues:						
Loan interest	$ 25,821	$ 615	$ -	$ -	$ -	$ 26,436
Investment income	107	858	8,603	21		9,589
Miscellaneous income	4,040	2,600	-	-		6,640
Total operating revenues	29,968	4,073	8,603	21	-	42,665
Less provision for loan losses	709	-	-	-	-	709
Total operating revenues after provision for loan losses	29,259	4,073	8,603	21	-	41,956
Operating expenses:						
Interest expense	13,504	1,389	-	-	-	14,893
Loan servicing costs	6,598	1,673	276	40	-	8,587
Rebate tax expense, net	(17,057)	-	-	-	-	(17,057)
Financing fees	1,999	75	-	-	-	2,074
General and administrative expenses	780	1,274	32	-	-	2,086
Salaries and benefits	1,391	186	56	-	-	1,633
Depreciation and amortization	98	-	-	-	-	98
Total operating expenses	7,313	4,597	364	40	-	12,314
Operating income (loss) before special items and transfers	21,946	(524)	8,239	(19)	-	29,642
Special items:						
Loss on sale of student loans	(82,188)	-	-	-	-	(82,188)
Loss on bond redemptions	(6,971)	-	-	-	-	(6,971)
Total special items	(89,159)	-	-	-	-	(89,159)
Intergovernmental revenue (expense)	-	1,243	(44,800)	162	(101)	(43,496)
Transfers to other funds	(4,993)	4,993	-	-	-	-
Change in net assets	(72,206)	5,712	(36,561)	143	(101)	(103,013)
Net assets, beginning of year	107,171	7,837	67,397	466	101	182,972
Net assets, end of year	$ 34,965	$ 13,549	$ 30,836	$ 609	$ -	$ 79,959

	2009 Bond Funds	2009 Borrower Benefit Fund	2009 CollegeInvest Early Achievers Scholarship	2009 Nursing Teacher Loan Forgiveness	2009 Health Care Provider Loan Repayment	2009 Total
Operating revenues:						
Loan interest	$ 51,304	$ 27	$ -	$ -	$ -	$ 51,331
Investment income	1,256	270	(7,776)	17	4	(6,229)
Miscellaneous income	-	-	-	-	-	-
Total operating revenues	52,560	297	(7,776)	17	4	45,102
Less provision for loan losses	1,461	-	-	-	-	1,461
Total operating revenues after provision for loan losses	51,099	297	(7,776)	17	4	43,641
Operating expenses:						
Interest expense	36,127	1,039	-	-	-	37,166
Loan servicing costs	6,155	244	-	40	185	6,624
Rebate tax expense, net	(256)	-	-	-	-	(256)
Financing fees	4,312	34	-	-	-	4,346
General and administrative expenses	1,037	281	145	-	-	1,463
Salaries and benefits	1,547	106	66	-	-	1,719
Depreciation and amortization	127	-	-	-	-	127
Total operating expenses	49,049	1,704	211	40	185	51,189
Operating income (loss) before special items and transfers	2,050	(1,407)	(7,987)	(23)	(181)	(7,548)
Special items:						
Loss on sale of student loans	-	-	-	-	-	-
Loss on bond redemptions	-	-	-	-	-	-
Total special items	-	-	-	-	-	-
Intergovernmental revenue (expense)	-	298	-	162	170	630
Transfers to other funds	(18)	-	-	-	-	(18)
Change in net assets	2,032	(1,109)	(7,987)	139	(11)	(6,936)
Net assets, beginning of year	105,139	8,946	75,384	327	112	189,908
Net assets, end of year	$ 107,171	$ 7,837	$ 67,397	$ 466	$ 101	$ 182,972

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(dollar amounts expressed in thousands)

	2010						2009					
	Bond Funds	Borrower Benefit Fund	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total	Bond Funds	Borrower Benefit Fund	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Cash Flows from Operating Activities:												
Borrower principal and interest payments received	$ 179,926	$ 2,904	$ -	$ -	$ -	$ 182,830	$ 196,509	$ 744	$ 2,075	$ -	$ -	$ 199,328
Loans participated with the USDE	-	206,735	-	-	-	206,735	20,857	107,008	-	-	-	127,865
Borrower interest subsidy received from USDE	16,067	2,857	-	-	-	18,924	19,912	721	-	-	-	20,633
Cash received from educational institutions	-	-	-	-	-	-	2	-	-	-	-	2
Cash sales of student loans	1,627,775	-	-	-	-	1,627,775	61,280	17,002	38,507	-	-	116,789
Cash received from plan managers and other Funds	-	8,395	-	-	-	8,395	-	10,171	-	-	-	10,171
Cash borrowed from other agency	-	20,000	-	-	-	20,000	-	7,000	-	-	-	7,000
Cash repaid to other agency	-	(27,000)	-	-	-	(27,000)	-	-	-	-	-	-
Purchases/redemptions of student loans	(1,765)	(185,687)	-	-	-	(187,452)	(287,818)	(131,792)	(17,001)	-	-	(436,611)
Cash payments to federal government	(38,672)	(8,193)	-	-	-	(46,865)	(25,501)	(3,134)	-	-	-	(28,635)
Cash payments to suppliers for goods and services	(7,968)	(9,328)	(833)	-	-	(18,129)	(10,102)	(8,313)	(174)	-	-	(18,589)
Cash payments to employees for service	(1,391)	(186)	(56)	(36)	-	(1,669)	(1,547)	(106)	(66)	(56)	(185)	(1,960)
Net cash provided (used) by operating activities	1,773,972	10,497	(889)	(36)	-	1,783,544	(26,408)	(699)	23,341	(56)	(185)	(4,007)
Cash Flows from Investing Activities:												
Proceeds from maturities of investments	28,305	(135)	56,280	-		84,450	91,609	340	14,000	-	-	105,949
Purchase of investments	-	-	-	-		-	-	-	(25,008)	-	-	(25,008)
Income received from investments	126	435	3,915	14	-	4,490	1,490	250	(8,538)	14	3	(6,781)
Increase (decrease) from unrealized gain (loss) on investments	-	-	894	7	-	901	-	20	(3,795)	3	1	(3,771)
Net cash provided (used) by investing activities	28,431	300	61,089	21	-	89,841	93,099	610	(23,341)	17	4	70,389
Cash Flows from Non-Capital Financing Activities:												
Issuance of bonds and notes	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of bonds and notes	(1,698,228)	-	-	-	-	(1,698,228)	(24,000)	-	-	-	-	(24,000)
Sale of student loans	(82,188)											
Interest paid on bonds, notes and participation	(14,364)	(1,389)	-	-	-	(15,753)	(38,546)	(1,039)	-	-	-	(39,585)
Payment of bond and arbitrage rebate fees	(1,999)	-	-	-	-	(1,999)	(4,127)	-	-	-	-	(4,127)
Contribution from intergovenmental agency	-	788	-	162	-	950	-	-	-	162	152	314
Intrafund transfers	(4,993)	4,993	(44,800)	-	(101)	(44,901)	(18)	-	-	-	18	-
Net cash provided (used) in non-capital financing acti	(1,801,772)	4,392	(44,800)	162	(101)	(1,759,931)	(66,691)	(1,039)	-	162	170	(67,398)
Cash Flows from Capital Financing Activities:												
Cash received from other Funds for depreciation reimbursement	-	129	-	-	-	129	-	160	-	-	-	160
Purchase of capital assets	-	-	-	-	-	-	-	(16)	-	-	-	(16)
Net cash used in capital financing activities	-	129	-	-	-	129	-	144	-	-	-	144
Increase in cash and cash equivalents	631	15,318	15,400	147	(101)	31,395	-	(984)	-	123	(11)	(872)
Cash and cash equivalents, beginning of year	-	8,446	-	466	101	9,013	-	9,430	-	343	112	9,885
Cash and cash equivalents, end of year	$ 631	$ 23,764	$ 15,400	$ 613	$ -	$ 40,408	$ -	$ 8,446	$ -	$ 466	$ 101	$ 9,013

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

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(dollar amounts expressed in thousands)

	2010						2009					
	Bond Funds	**Borrower Benefit Fund**	**CollegeInvest Early Achievers Scholarship**	**Nursing Teacher Loan Forgiveness**	**Health Care Provider Loan Repayment**	**Total**	Bond Funds	Borrower Benefit Fund	CollegeInvest Early Achievers Scholarship	Nursing Teacher Loan Forgiveness	Health Care Provider Loan Repayment	Total
Reconciliation of operating income to net cash provided by operating activities:												
Income before transfers	$ 21,946	$ (524)	$ 8,239	$ (19)	$ -	$ 29,642	$ 2,050	$ (1,407)	$ (7,987)	$ (23)	$ (181)	$ (7,548)
Items reflected as investing and non-capital financing activities:												
Income received from investments	(126)	(435)	(3,915)	(14)	-	(4,490)	(1,490)	(250)	8,538	(14)	(3)	6,781
Interest paid on bonds, notes and participations	14,364	1,389	-	-	-	15,753	38,546	1,039	-	-	-	39,585
Bond fees	1,999	-	-	-	-	1,999	4,128	-	-	-	-	4,128
Amortization of bond and note issuance costs	331	-	-	-	-	331	359	-	-	-	-	359
Prepaid expenses	(9)	-	-	-	-	(9)	15	-	-	-	-	15
Accounts payable and accrued expenses	(344)	-	-	-	-	(344)	186	-	-	-	-	186
Adjustments to reconcile operating income to net cash provided (used) by operating activities:												
Amortization of premium costs	7,671	-	-	-	-	7,671	9,654	-	-	-	-	9,654
Change in allowance for loan losses	(715)	104	-	-	-	(611)	504	-	-	-	-	504
Depreciation expense	-	129	-	-	-	129	-	160	-	-	-	160
Depreciation expense allocated to other Funds	-	(129)	-	-	-	(129)	-	(160)	-	-	-	(160)
Net (appreciation) depreciation of fair value of investments and State Treasurer's cash pool	-	(423)	(4,688)	(7)	-	(5,118)	-	(20)	(1,445)	(3)	(1)	(1,469)
Changes in operating assets and liabilities:												
Student loans	1,710,984	(81,183)	-	-	-	1,629,801	(87,598)	(114,716)	22,786	-	-	(179,528)
Interest and other receivables	39,693	(2,653)	22	-	-	37,062	1,486	(1,912)	662	-	-	236
CollegeLender receivable	-	-	-	-	-	-	2	-	-	-	-	2
Prepaid expenses	192	144	-	-	-	336	7	(80)	(2)	-	-	(75)
Due (to) from other funds and other agencies	(6,280)	1,780	(566)	-	-	(5,066)	(894)	7,908	795	(16)	-	7,793
Due to USDE	(7,722)	91,604	-	-	-	83,882	8,128	108,675	-	-	-	116,803
Accounts payable and accrued expenses	9,045	694	19	4	-	9,762	(1,236)	64	(6)	-	-	(1,178)
Arbitrage rebate payable	(17,057)	-	-	-	-	(17,057)	(255)	-	-	-	-	(255)
Net cash provided by (used) by operating activities	$ 1,773,972	$ 10,497	$ (889)	$ (36)	$ -	$ 1,783,544	$ (26,408)	$ (699)	$ 23,341	$ (56)	$ (185)	$ (4,007)

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

1. Organization and Summary of Significant Accounting Policies:

Pursuant to Colorado Revised Statutes 23-3.1-201, et seq., and 23-3.1-301, et seq., as amended, CollegeInvest is a division of the Colorado Department of Higher Education (Department). The Executive Director of the Department (Executive Director) has responsibility for oversight and management of CollegeInvest. In addition, CollegeInvest has a nine-person advisory Board of Directors (Board) designated by the Governor with the consent of the State Senate to serve four-year terms.

The Colorado General Assembly established a student obligation bond program (Bond Funds), a scholarship trust program (CollegeInvest Early Achievers Scholarship), a Section 529 post secondary education expense program (Prepaid Tuition Fund), a Section 529 college savings program (Scholars Choice, Stable Value Plus, Direct Portfolio and Smart Choice Funds), a loan forgiveness program for nursing teachers (Nursing Teacher Loan Forgiveness) and a loan repayment program for health care providers (Health Care Providers Fund), which are administered by CollegeInvest. The financial statements presented here do not include operations of the post secondary education expense program or the college savings program.

CollegeInvest receives less than 10% of its funding from the State or any local government of the State, and therefore retains its enterprise status under Section 20, Article X of the Colorado Constitution.

Primary operations of the student obligation bond program commenced in 1981. In meeting its legislative mandate, CollegeInvest issues tax-exempt and taxable financings. The proceeds from such financings are used to originate and purchase student loans and to make loans to institutions of higher education. Pursuant to Colorado Revised Statute 23-3.1-208, as amended, CollegeInvest is authorized to issue its own revenue bonds, notes and other obligations which are not deemed to constitute indebtedness, a debt or liability of the State of Colorado.

Effective March 2010, the Federal Health Care and Education Affordability Reconciliation Act (HCEARA) of 2010 was signed into law by the President of the United States terminating the authority to make or insure any additional loans in the Federal Family Education Loan program after June 30, 2010. In part, as a result of this law, and the ongoing credit market conditions, CollegeInvest entered into an agreement with Nelnet, Inc. to sell certain FFELP loans and certain private loans. CollegeInvest sold substantially all of its student loans and accrued interest receivable to Nelnet in May 2010. See the Bond Funds section of this report for details of this transaction.

The Health Care Provider Fund (HCP) was established by Colorado Senate Bill 07-232 and was designed to increase the supply of health care professionals working in shortage areas by helping them repay their student loans. CollegeInvest administered the program in fiscal years 2008 and 2009. The program receives funds from the Federal Department of Health and Human Services for loan repayments, which the state matches. These combined funds provide for a payment of up to $25,000 a year for persons who practice for a minimum of two years in a Federally Designated Health Professional Shortage Area in Colorado as identified by the Federal Department of Health and Human Services. Colorado House Bill 09-1111 transferred administration of the HCP to the Colorado Department of Public Health and Environment effective July 1, 2009. CollegeInvest transferred $101,000 of remaining cash to the Department of Public Health and Environment in July 2009

Reporting Entity:

The Student Loan Program Funds (Funds) present the financial statements of the Borrower Benefit Fund, the Bond Funds, the CollegeInvest Early Achievers Scholarship Trust Fund (CEAS Trust), the Nursing Teacher Loan Forgiveness Fund (NTLF Fund) and the Health Care Provider Fund (HCP Fund). The Borrower Benefit Fund, the Bond Funds, the CEAS Trust, the NTLF Fund and the HCP Fund are accounted for as separate enterprise funds within the State of Colorado's financial reporting system. The CEAS Trust, NTLF Fund and HCP Fund were established by statute in July 2005, July 2006 and July 2007, respectively. An enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the fund be self-supporting.

Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

The accompanying financial statements of the Funds are not intended to present the financial position, results of operations, and cash flows of CollegeInvest as a whole in conformity with accounting principles generally accepted in the United States of America.

Bond Funds

Effective March 2010, the Federal Health Care and Education Affordability Reconciliation Act of 2010 (HCEARA) was signed into law by the President of the United States terminating the authority to make or insure any additional loans in the Federal Family Education Loan Program (FFELP) after June 30, 2010. In part, as a result of this law, and the ongoing credit market conditions, CollegeInvest entered into an agreement with Nelnet, Inc. (Nelnet) to sell certain FFELP loans and certain private loans. CollegeInvest sold substantially all student loans and accrued interest receivable in the Bond Funds to Nelnet on May 7, 2010. On the same date, CollegeInvest either paid or defeased all financings of the Bond Funds. As of June 30, 2010, all financings were redeemed.

CollegeInvest administers the Loan Incentives for Teachers Program (LIFT). The Program provides for loan forgiveness for teachers in a qualified position. Because this program was established within the statute that established the Student Loan Program, it is not separately appropriated and therefore the activity of this Program is not presented in a separate fund. Under the LIFT program, CollegeInvest forgave $391,000 and $409,000 for the years ended June 30, 2010 and 2009, respectively. The last cohort of teachers to receive the loan forgiveness were for the 2008-2009 academic year. Assuming they receive their full four years of loan forgiveness, the program is set to end in December 2012.

Borrower Benefit Fund

In August 2008, the U.S. Department of Education (USDE) implemented the Loan Purchase Commitment Program (Purchase Program) and the Loan Participation Program (Participation Program) pursuant to the Ensuring Continued Access to Student Loans Act, Public Law 110-227 (ECASLA) in response to concerns that credit market conditions could disrupt federal student loan availability. CollegeInvest entered into agreements with the USDE in order to participate in these Programs due to its inability to access credit markets at reasonable financing costs. The activities of these Programs are recorded in the Borrower Benefit Fund.

Under the Purchase Program, the USDE will purchase loans at a price equal to the sum of (i) par value, (ii) accrued interest, (iii) the one-percent upfront origination fee paid to the USDE, and (iv) a fixed amount of $75 per loan. Under the Participation Program, the USDE provides interim short term liquidity to Family Federal Education Loan Program (FFELP) lenders by purchasing participation interests in pools of FFELP loans. FFELP lenders are charged an annual rate of interest by using Commercial Paper plus 50 basis points on the principal amount of participation interests outstanding. This rate is re-set on a quarterly basis. Loans funded under the Participation Program must be either refinanced by the lender or sold to the USDE pursuant to the Purchase Program prior to its expiration on October 15, 2009. In November 2008, the USDE announced the replication of the terms of the Participation and Purchase Program, which will include FFELP student loans made for the 2009-2010 academic year. CollegeInvest is also utilizing this Program.

During 2009, the State of Colorado was awarded a federal College Access Challenge Grant (CACG). The Governor's office selected the Colorado Department of Higher Education (Department) to administer the CACG and CollegeInvest was assigned administration of the grant from the Department. The CACG is a two-year federal grant with the opportunity for

Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

Borrower Benefit Fund (continued):

carry-over of its remaining funds for a third year. The required fifty percent match for the grant is funded by CollegeInvest (CI) through its outreach, collateral, and scholarship activities recorded in the Bond Funds and the College Savings Programs. The federal amount for fiscal year 2009 is $852,698 and the state match is $426,349. In fiscal year 2010, the federal amount is $904,838 and the state match is $452,419. $1.2 million and $298,000 was incurred in the fiscal years ended June 30, 2010 and 2009, respectively. Reimbursement from the USDE is recorded as intergovernmental revenue in the Borrower Benefit Fund. Funds must be used to increase access to post-secondary education for low-income students in high school and college. On August 16, 2010, administration of the CACG will transfer to the Department.

The Funds, as well as the Prepaid Tuition Fund and College Savings Programs, utilize the Borrower Benefit Fund for payment of general and administrative expenses and other activities. These expenses and activities have been allocated to the respective Funds, the Prepaid Tuition Fund and the College Savings Programs. Assets and revenues of the Borrower Benefit Fund are not pledged as collateral for the Bond Funds. However, assets associated with the Participation Program are pledged as collateral to the USDE.

CollegeInvest Early Achievers Scholarship Trust Fund

A scholarship program (Scholarship Program) was created by Colorado statute to provide higher education scholarships for eligible students. CollegeInvest was designated by the statute to implement and administer the Scholarship Program. A scholarship under the Scholarship Program may only be awarded to undergraduate students who meet certain eligibility requirements established by the Board in accordance with the statute.

The financial activities of the CEAS Trust consist of investment of monies deposited to the trust by CollegeInvest, the State (to the extent appropriated) and monies received from gifts, grants or donations. Distribution of scholarships are recorded in the CEAS Trust in conformance with the eligibility requirements established by the Board. Moneys in the trust may be used by CollegeInvest to fund the costs of implementing, marketing, and administering the Scholarship Program.

Statute 23-3.1-206.9 which was effective on July 1, 2009, required the CEAS Trust to transfer $15 million to the State of Colorado's General Fund to assist in meeting state budget shortfalls. Colorado House Bill 10-1383 was passed in fiscal year 2010, calling for an additional $29.8 million transfer in June 2010 to the state and a $15.4 million transfer to the Department in fiscal year 2011 to assist in meeting state budget shortfalls. As a result of this bill, new CEAS applications will no longer be accepted. The funds remaining in the Trust are estimated to be sufficient to fund two additional cohorts of students in the fall of 2010 and 2011.

Nursing Teacher Loan Forgiveness Fund

A loan forgiveness program was created by Colorado statute to provide student loan forgiveness to certain nursing teachers. Intergovernmental revenue is appropriated from the State of Colorado to the Department. CollegeInvest was designated by the statute to administer the NTLF Fund for the Department. Repayment of loans through the program may only be awarded to persons who meet certain eligibility requirements established by the Colorado General Assembly in accordance with the statute.

Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

Nursing Teacher Loan Forgiveness Fund (continued)

The financial activities of the NTLF Fund consist of monies deposited in the State Treasurer's cash fund. CollegeInvest is also authorized to receive and expend gifts, grants, and donations or moneys appropriated by the General Assembly for the purpose of implementing the program. Moneys in the trust may be used by CollegeInvest for the payment of $4,000 per year up to $20,000 for all or part of the principal and interest on a loan for persons who teach courses in nursing at an eligible institution of higher education for at least five consecutive academic years after receipt of an advanced degree. The State appropriated $160,000 in fiscal years 2007, 2008, 2009 and 2010 for repayment of student loans for the five year forgiveness period and $1,600 annually to administer the program. All amounts shown as loan servicing costs in the statement of revenues, expenses and changes in net assets are related to the loan forgiveness program.

Health Care Providers Fund

A loan repayment program was created by Colorado statute to provide student loan repayment to certain health care professionals. Intergovernmental revenue is appropriated from the State of Colorado to the Department. CollegeInvest was designated by the statute to administer the HCP Fund for the Department. Repayment of loans through the program may only be awarded to persons who meet certain eligibility requirements established by the Colorado General Assembly in accordance with the statute. Effective July 1, 2009, administration of this Fund has been transferred to the Colorado Department of Public Health and Environment.

The financial activities of the HCP Fund consist of monies deposited in the State Treasurer's cash fund. Moneys in the trust may be used for the payment of up to $35,000 in each of two or more years for all or part of the principal, interest, and related expenses of the education loans of physicians or other health professionals who agree to provide primary health services in federally designated health professional shortage areas in Colorado. CollegeInvest received $60,000 from the Colorado Department of Public Health and Environment for each of the years ended June 30, 2009 and 2008. CollegeInvest received a $92,000 match from the Federal Department of Health and Human Services for loan repayment. CollegeInvest contributed $18,000 to the program for the year ended June 30, 2009. A total of $185,000 in loan repayment was distributed to participants by CollegeInvest in fiscal year 2009.

1. Organization and Summary of Significant Accounting Policies (continued):

Budgets and Budgetary Accounting:

By statute, the Funds are continuously appropriated through user charges. Therefore, the budget is not legislatively adopted and a Statement of Revenues and Expenses – Budget to Actual is not a required part of these financial statements. However, the Board does approve an annual budget for all funds.

Total budgeted expenses for the Funds for the year ended June 30, 2010 were $54.8 million, compared with actual expenses of $12.3 million. Total budgeted operating revenues of the Funds for the year ended June 30, 2010 were $59.1 million as compared with actual revenues of $42.0 million. Total expenses and total operating revenues for the Funds were $42.5 million under budget and $17.1 under budget, respectively, due to changes that resulted from the HCEARA. The Early Achiever's Scholarship Trust revenues were also substantially lower than budgeted due to equity market conditions. The Executive Director and the Board exercise oversight responsibilities, including budgetary and financial oversight.

Basis of Accounting:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and standards of the Governmental Accounting Standards Board (GASB). CollegeInvest has applied pronouncements issued on or before November 30, 1989 by the Financial Accounting Standards Board, the Accounting Principles Board, and the Committee on Accounting Procedure except for pronouncements that conflict with or contradict the GASB. As enterprise activities, the Funds use the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Operating Revenues and Expenses:

The Funds distinguish between operating revenues and expenses and nonoperating items in the Statement of Revenues, Expenses and Changes in Net Assets. Operating revenues and expenses generally result from providing services in connection with the Funds' purpose of providing loans to borrowers for higher education. Operating revenues consist of interest and special allowance earned on loans and investment income. Operating expenses include the cost of interest on debt, servicing of loans, arbitrage, and general and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital transfers.

Cash and Cash Equivalents:

CollegeInvest considers all cash, demand deposit accounts and the State Treasurer's cash pool to be cash equivalents.

Investments:

Investments are carried at fair value, which is determined primarily based on quoted market prices at June 30, 2010 and 2009.

Student Loans:

Student loans are carried at their uncollected principal balances net of an allowance for loan losses. The Bond Funds may purchase student loans from lenders at a premium or discount. Until December 2008, the Bond Funds also originate student loans directly to borrowers. During the years ended June 30, 2010 and 2009, the Borrower Benefit Fund also originated loans directly to borrowers. The Bond Funds provide a benefit to borrowers which generally rewards prompt and regular payments, and payments made by automatic bank drafts, with credits to or reduction of principal balance, interest rate reductions and waiver of origination fees. Effective July 1, 2008, CollegeInvest suspended its waiver of origination

1. Organization and Summary of Significant Accounting Policies (continued):

Student Loans (continued):

fees benefit and eliminated most interest rate reductions. Premiums and borrower benefits are capitalized and amortized over the estimated life of the loan using a method approximating the effective interest method. Unamortized premiums and borrower benefits collectively were $0 and $25.2 million at June 30, 2010 and 2009, respectively.

During 2009, the CEAS Trust purchased $17.0 million in student loans from the Bond Funds and sold approximately $38.5 million in student loans plus accrued interest to the Bond Funds. The CEAS Trust did not hold any student loan investments as of June 30, 2010 or 2009.

Allowance for Loan Losses:

The provision for loan losses is determined by management's evaluation of the student loan portfolios. This evaluation considers such factors as historical loss experience, quality of student loan servicing and collection, and economic conditions. When this evaluation determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations net of student loan recoveries is recorded. Actual losses are charged against the allowance for loan losses as they occur. The allowance for loan loss was $123,000 and $3.3 million at June 30, 2010 and 2009, respectively.

Capital Assets:

Equipment is carried at cost less accumulated depreciation. Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation of equipment is computed on the straight-line method over the estimated life of the equipment ranging from three to five years. Amortization is computed on the straight-line method over the original office facility lease term. Software is carried at cost less accumulated amortization. Amortization is calculated on the straight-line method over the estimated life of the software ranging from three to five years.

Bond and Note Issuance Costs:

Bond and note issuance costs are carried at cost, less accumulated amortization. Amortization of issuance costs is computed using a method approximating the effective interest method over the life of the bond or note issue, unless the bonds or notes are retired early, at which time the remaining issuance costs related to the retired bonds or notes are expensed.

Compensated Absences:

Compensated absences, known as general leave, includes vacation and sick leave for employees who are expected to retire and is included in accrued compensated absences. Compensated absences are based on an employee's length of service and are earned ratably during the term of employment. Vested and accumulated vacation that is expected to be liquidated is accrued and charged against current operations.

Arbitrage Rebate Payable:

Interest income earned from investments in the Bond Funds is limited by U. S. Treasury regulations to the bond yield on tax-exempt bond issues. Interest income in excess of this limit has been deposited in rebate accounts in accordance with applicable financing documents. These rebate funds are remitted to the federal government as required by the applicable laws and regulations.

1. Organization and Summary of Significant Accounting Policies (continued):

Arbitrage Rebate Payable (continued):

Interest income from student loans is limited to 1.5% or 2% over bond yield of the respective tax-exempt bond issue. Student loans, including principal and accrued interest, and cash have been deposited in excess earnings accounts in the amount of the interest income which exceeded the limit. The Bond Funds may utilize losses on non-performing, non-guaranteed student loans; reduction of principal on performing guaranteed loans; or pay the federal government to liquidate the liability for excess earnings as required by the applicable laws and regulations.

Transfers From/To Other Funds:

During the years ended June 30, 2010 and 2009, the Bond Funds of CollegeInvest transferred $0 and $18,000, respectively, to HCP to fund a portion of the loan repayment program.

Due From/To Other Funds and Other Agencies:

As of June 30, 2010, $2,000 was due from College Assist, (CA), the State of Colorado's designated FFELP Guarantee Agency and as of June 30, 2009, $7.0 million was due to CA. As of June 30, 2010 and June 30, 2009, $94,000 and $0, respectively, was due to the State Auditor's Office.

The following interfund and interagency balances exist as of June 30, 2010:

	Borrower Benefit Funds	Bond Funds	Prepaid Tuition Fund	Scholars Choice Fund	Stable Value Plus Fund	Direct Portfolio Fund	CollegeInvest Early Achievers Scholarship	Nursing Loan Forgiveness
Interfunds loans due from (to):	(dollars amounts expressed in thousands)							
Bond Funds	**($4,470)**	**$4,470**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Prepaid Tuition Fund	**50**	**-**	**(50)**	**-**	**-**	**-**	**-**	**-**
Scholar's Choice Fund	**(5,131)**	**-**	**-**	**5,131**	**-**	**-**	**-**	**-**
Stable Value Plus Fund	**54**	**-**	**-**	**-**	**(54)**	**-**	**-**	**-**
Direct Portfolio Fund	**(508)**	**-**	**-**	**-**	**-**	**508**	**-**	**-**
Early Achievers Scholarship	**46**	**-**	**-**	**-**	**-**	**-**	**(46)**	**-**
Other agencies	**(196)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total:	**($10,155)**	**$4,470**	**($50)**	**$5,131**	**($54)**	**$508**	**($46)**	**$ -**

The following interfund and interagency balances existed as of June 30, 2009:

	Borrower Benefit Funds	Bond Funds	Prepaid Tuition Fund	Scholars Choice Fund	Stable Value Plus Fund	Direct Portfolio Fund	CollegeInvest Early Achievers Scholarship	Nursing Loan Forgiveness
Interfunds loans due from (to):	(dollars amounts expressed in thousands)							
Bond Funds	$2,871	($2,329)	$ -	$ -	$ -	$ -	($542)	$ -
Prepaid Tuition Fund	48	-	(48)	-	-	-	-	-
Scholar's Choice Fund	(3,670)	-	-	3,670	-	-	-	-
Stable Value Plus Fund	66	-	-	-	(66)	-	-	-
Direct Portfolio Fund	(212)	-	-	-	-	212	-	-
Early Achievers Scholarship	(472)	542	-	-	-	-	(70)	-
Other agencies	(7,006)	(23)	-	-	-	-	-	-
Total:	($8,375)	($1,810)	($48)	$3,670	($66)	$212	($612)	$ -

1. Organization and Summary of Significant Accounting Policies (continued):

Revenues:

Revenue consists of interest income on student loans, investment income, and special allowance on student loans, net of borrower benefits, premium amortization and consolidation rebate fees. Pursuant to the Higher Education Act (Act), special allowance payments are intended to assure that the limitation on interest rates and other conditions imposed by the Act do not impede the carrying out of the purposes of the Act or cause the return to holders of loans made and insured under the Act to be less than equitable. The rate of special allowance payments for loans depends on the date of disbursement of the loan, and the source of the holder's funding to acquire the loan. Special allowance is the difference between the borrower interest rate and a "market" rate defined by the Higher Education Act (HEA) of 1965, as amended. If the borrower rate is higher than the "market" rate, then CollegeInvest pays the allowance to the U. S. Department of Education's (USDE). The USDE pays CollegeInvest if the opposite occurs.

Use of Estimates:

The preparation of financial statements in conformity with 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 significantly from these estimates.

Related Party Transactions:

CA was established in 1979 as a division of the Colorado Department of Higher Education. CA is the student loan guarantor for the State of Colorado. Loans to be insured by CA may only be originated by eligible institutions, which include CollegeInvest under the HEA (Higher Education Act). Effective January 6, 2006, the Director of CollegeInvest was appointed the Director of CA. Although CollegeInvest and CA are both divisions of the Department, they are each constituted and operate as separate enterprises of the State under the direction of the same Director, and each (CollegeInvest and CA) retains the ability to enforce contractual obligations against the other.

CollegeInvest purchased loans that have been rehabilitated by CA. CollegeInvest purchased $1.5 million and $54.4 million in rehabilitated loans during the years ended June 30, 2010 and 2009, respectively. Purchases of rehabilitated loans include principal, collection fees and accrued borrower interest less discounts, if any. CollegeInvest received $63.3 million and $53.3 million in student loan claim payments from College Assist as the guarantor in the years ended June 30, 2010 and 2009, respectively.

In order to facilitate the Participation Program, CollegeInvest obtained short-term financing from CA and the Colorado State Treasurer. CollegeInvest entered into Revolving Financing Agreements (RFAs) with CA and the Colorado State Treasurer. Under the RFAs, CollegeInvest could borrow up to $30.0 million from both entities. CollegeInvest pays interest on the unpaid average daily principal balances outstanding based on the interest rate calculated monthly and published by the State Treasurer. The RFA with the Colorado State Treasurer expired on March 31, 2009 and was paid in full. The RFA with CA was set to expire on September 30, 2009 but was superseded by a new RFA that allows borrowing up to $20.0 million and expired on September 30, 2010. As of June 30, 2010, CollegeInvest did not have any outstanding amounts due under the RFA. During 2010 CollegeInvest paid $275,000 in interest to CA. During 2009, CollegeInvest paid interest of $59,000 to CA and $63,000 to the Colorado State Treasurer under the agreements.

Reclassifications:

Certain amounts in the June 30, 2009 financial statements have been reclassified to conform to the current year's presentation.

2. Cash Deposits and Investments:

Cash Deposits:

All cash deposits of the Borrower Benefit Fund, NTLF and HCP are held by a bank or the State Treasurer. Receipts are deposited to demand deposit accounts daily. Collected balances are transferred daily into money market funds.

CollegeInvest deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. CollegeInvest reports its share of the State Treasurer's unrealized gains/losses based on its participation in the State Treasurer's pool. All of the State Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2010 and 2009. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains or losses on the treasurer's pooled cash are shown as increases or decreases in cash balances, and therefore, are reported as noncash transactions. Additional information on the State Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

Cash deposits of the Borrower Benefit Fund, the CEAS, the NTLF and the HCP as of June 30 are as follows:

	2010			2009		
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
	(dollar amounts expressed in thousands)					
Demand deposit accounts	**$ -**	**$ 667**	**$ 667**	$ -	$ -	$ -
State Treasurer's cash pool	**23,728**	**16,013**	**39,741**	6,755	567	7,322
	$ 23,728	**$ 16,680**	**$ 40,408**	$ 6,755	$ 567	$ 7,322
Total cash and cash equivalents	**$ 23,728**	**$ 16,680**	**$ 40,408**	$ 6,755	$ 567	$ 7,322

The Bond Funds allows for demand deposits, however, all funds are currently invested in money market accounts or guaranteed investment contracts.

Custodial Credit Risk – Cash Deposits:

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Funds will not be able to recover their deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the demand deposit accounts are insured by federal depository insurance for the first $250,000. Deposits in excess of the $250,000 limit are collateralized subject to the provisions of the State's Public Deposit Protection Act (PDPA) for monies held within the State.

2. Cash Deposits and Investments (continued):

Investment Authority and Policy:

The Borrower Benefit Fund allows investment in direct obligations of the U.S. government and its agencies, demand deposits, certificates of deposit, banker's acceptances, commercial paper, money market funds, written reverse repurchase agreements and written repurchase agreements, general or revenue obligations of any state in the United States, and investment agreements as authorized by the Colorado Revised Statutes Section 24-75-601.1.

Cash receipts of the Bond Funds are invested when received and are held by the bond trustee and are governed by provisions of the respective debt agreements. These investments are comprised primarily of guaranteed investment contracts. The investment contracts are between the trustee as agent for CollegeInvest, and various AAA or AA rated financial institutions. As of June 30, 2010, the remaining cash and investments were not restricted for debt purposes because the debt was paid in full.

Investments of assets in the CEAS Trust and the underlying portfolios are selected and managed in accordance with the standards set forth in the Colorado Revised Statutes Sections 15-1-304 and 15-1.1-103. Consistent with these standards, the Board, or its designated committee, will determine from time to time suitable investment parameters for the CEAS Trust, which seek to control risk through portfolio diversification, and obtain a reasonable return on the investment of Trust assets.

The appropriate asset allocation for investments of the CEAS Trust is a function of multiple factors, including projected cash flow requirements, minimizing risk while working to achieve an overall 5% disbursement objective, and minimizing loss or use of corpus. Since the Trust was closed to new participants and $60.2 million has been transferred or will be transferred to the State's general fund, leaving $15.4 million in the Trust, the investment objective is to preserve capital sufficient to fully fund current participants plus two additional cohorts of 625 students each, plus operating expenses.

The table below identifies the broad asset categories based on the respective benchmark that are authorized for investments of the CEAS Trust:

Asset Category	Allocation	Range	Benchmark
Fixed Income Securities	40%	+/- 2%	Barclays Capital US Aggregate Bond
Small Cap Equity Securities	5%	+/- 2%	Russell 2000 Index
Large Cap Equity Securities	40%	+/- 2%	Russell 1000 Index
International Equity Securities	15%	+/- 2%	MSCI EAFE Index net

2. Cash Deposits and Investments (continued):

Investment Authority and Policy (continued):

Investments of the Borrower Benefit Fund, the Bond Funds and the CEAS Trust as of June 30 are as follows:

	2010			2009		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	(dollar amounts expressed in thousands)					
Money market mutual funds	$ 402	$ 43,110	$ 43,512	$ 1,442	$ 58,832	$ 60,274
Fixed income securities	-	6,445	6,445	-	21,007	21,007
Guaranteed investment contracts	-	-	-	-	27,730	27,730
International equity securities	-	2,284	2,284	-	7,877	7,877
Large cap equity securities	-	6,052	6,052	-	21,007	21,007
Small cap equity securities	-	759	759	-	2,626	2,626
	$ 402	$ 58,650	$ 59,052	$ 1,442	$ 139,079	$ 140,521

During 2009, the CEAS Trust purchased student loans and borrower interest receivable from the Bond Funds. During 2009, the CEAS Trust sold all student loans and accrued interest back to the Bond Funds.

Custodial Credit Risk:

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Funds will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All investments of the Borrower Benefit Fund, the Bond Funds and the CEAS Trust are held in CollegeInvest’s name.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Borrower Benefit Fund invests in money market mutual funds which are exposed to interest rate risk. The Bond Funds invest in a money market mutual fund and in guaranteed investment contracts. The guaranteed investment contracts are not exposed to interest rate risk as of June 30, 2009. The CEAS Trust invests in a money market mutual fund and in fixed income, small cap equity, large cap equity and international equity funds managed by Russell Trust Company (RTC). The fixed income fund is exposed to interest rate risk. RTC chooses money managers with expertise in selecting bonds across the maturity spectrum and combines firms that have differing investment approaches to manage the risk.

2. Cash Deposits and Investments (continued):

Interest Rate Risk (continued):

Investment Type		**2010**			2009	
		Fair Value	**Weighted Average Maturity (in years)**		Fair Value	Weighted Average Maturity (in years)
		(dollar amounts expressed in thousands)				
RIFL Core Bond Fund	**$**	**6,445**	**6.3**	$	21,007	6.8
JPMorgan 100% U.S. Treasury Securities Money Market Fund		**402**	**< 1 year**		1,442	< 1 year
Federated Treasury Obligation Fund		**611**	**< 1 year**		248	< 1 year
Dreyfus Treasury Cash Management and Agency Fund		**42,499**	**< 1 year**		57,887	< 1 year

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Fund's investment policy and the actual ratings for each investment type:

2. Cash Deposits and Investments (continued):

Credit Risk (continued):

As of June 30, 2010:

Investment Type	Minimum Rating	Exempt From Disclosure	Standard & Poor's Rating as of Year End				
			AAA	A1	A2	A3	NR
			(dollar amounts expressed in thousands)				
Fixed income securities	N/A	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 6,445**
Guaranteed investment contracts	N/A	**-**	**-**	**-**	**-**	**-**	**-**
International equity securities	N/A	**-**	**-**	**-**	**-**	**-**	**2,284**
Large cap equity securities	N/A	**-**	**-**	**-**	**-**	**-**	**6,052**
Money market mutual fund	N/A	**-**	**43,512**	**-**	**-**	**-**	**-**
Small cap equity securities	N/A	**-**	**-**	**-**	**-**	**-**	**759**

As of June 30, 2009:

Investment Type	Minimum Rating	Exempt From Disclosure	Standard & Poor's Rating as of Year End				
			AAA	A1	A2	A3	NR
			(dollar amounts expressed in thousands)				
Fixed income securities	N/A	$ -	$ -	$ -	$ -	$ -	$ 21,007
Guaranteed investment contracts	N/A	27,730	-	-	-	-	-
International equity securities	N/A	-	-	-	-	-	7,877
Large cap equity securities	N/A	-	-	-	-	-	21,007
Money market mutual fund	N/A	-	59,578	-	-	-	696
Small cap equity securities	N/A	-	-	-	-	-	2,626

2. Cash Deposits and Investments (continued):

Credit Risk (continued):

As of June 30, 2010:

Investment Type	Minimum Rating	Exempt From Disclosure	Moody's Rating as of Year End			
			Aaa	Aa3	Aa2	NR
			(dollar amounts expressed in thousands)			
Fixed income securities	N/A	**$ -**	**$ -**	**$ -**	**$ -**	**$ 6,445**
Guaranteed investment contracts	N/A	**-**	**-**	**-**	**-**	**-**
International equity securities	N/A	**-**	**-**	**-**	**-**	**2,284**
Large cap equity securities	N/A	**-**	**-**	**-**	**-**	**6,052**
Money market mutual fund	N/A	**-**	**43,512**	**-**	**-**	**-**
Small cap equity securities	N/A	**-**	**-**	**-**	**-**	**759**

As of June 30, 2009:

Investment Type	Minimum Rating	Exempt From Disclosure	Moody's Rating as of Year End			
			Aaa	Aa3	Aa2	NR
			(dollar amounts expressed in thousands)			
Fixed income securities	N/A	$ -	$ -	$ -	$ -	$ 21,007
Guaranteed investment contracts	N/A	27,730	-	-	-	-
International equity securities	N/A	-	-	-	-	7,877
Large cap equity securities	N/A	-	-	-	-	21,007
Money market mutual fund	N/A	-	59,578	-	-	696
Small cap equity securities	N/A	-	-	-	-	2,626

2. Cash Deposits and Investments (continued):

Concentrations of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in any one issuer that represent 5% or more of total Bond Funds' and CEAS investments as of June 30, 2010 and 2009 are as follows:

Issuer	Investment Type	2010 Fair Value	2009 Fair Value
		(dollar amounts expressed in thousands)	
Dreyfus Treasury Cash Management	Money market mutual fund	**$ 42,499**	$ 57,887
CTF Russell Core Bond Fund	Fixed income securities	**6,445**	21,007
CTF Russell Quantitative US Equity Fund	Large cap equity securities	**6,052**	21,007
CTF Russell Common Trust International Equity Fund	International equity securities	**2,284**	7,877
Trinity Plus Funding Company	Guaranteed investment contracts	**-**	15,302
Bayerische Landesbank	Guaranteed investment contracts	**-**	12,428

Investment Income:

Net investment income as of June 30, 2010 and 2009 was comprised of the following:

	2010 Bond Funds	2010 Borrower Benefit Fund	2010 CollegeInvest Early Achievers Scholarship	2010 Nursing Teachers Loan Forgiveness	2010 Health Care Provider Fund	2010 Total	2009 Bond Funds	2009 Borrower Benefit Fund	2009 CollegeInvest Early Achievers Scholarship	2009 Nursing Teachers Loan Forgiveness	2009 Health Care Provider Fund	2009 Total
	(dollar amounts expressed in thousands)											
Investment income	**$ 107**	**$ 435**	**$ (311)**	**$ 14**	**$ -**	$ 245	$1,256	$ 250	$ 250	$ 13	$ 3	$ 1,772
Realized gain (loss) on investments	**-**	**-**	**4,226**	**-**	**-**	4,226	-	-	(9,471)	-	-	(9,471)
Unrealized gain (loss) on investments	**-**	**-**	**4,688**	**-**	**-**	4,688	-	-	1,445	-	-	1,445
Change in fair value of State Treasurer's cash pool	**-**	**423**	**-**	**7**	**-**	430	-	20	-	4	1	25
Net investment income	**$ 107**	**$ 858**	**$ 8,603**	**$ 21**	**$ -**	$ 9,589	$1,256	$ 270	$ (7,776)	$ 17	$ 4	$ (6,229)

In the year ended June 30, 2010, Early Achievers Scholarship Trust Fund realized a $4.2 million gain as a result of liquidating investments in order to transfer a total of $44.8 million to the State of Colorado's general Fund to assist in meeting state budget shortfalls. In the year ended June 30, 2009, Early Achievers Scholarship Trust Fund realized a $9.5 million loss, of which $5.8 million was a result in changes in the investment vehicle and $3.7 million which was a result of the sale of investments to purchase student loans.

3. Student Loans:

Until December 2008, the Bond Funds originated student loans directly to the borrower and purchased student loans from originating lenders in accordance with the provisions of the Federal Family Education Loan Program (Program) under the HEA and administered by the USDE. Almost all of the student loans in the Bond Funds have been originated under the Program. The Program includes loans originated in the Federal Stafford Loan program, the Federal Parent Loan for Undergraduate Students program, and the Federal Consolidation Loan program. Loan terms and interest rates vary depending on the respective loan program and date of origination. Loan terms generally provide repayment of principal and interest on a monthly basis over a period of up to thirty years. Interest rates range from 1.5% to 12.0% (not including borrower benefits). CollegeInvest began originating loans directly in the Borrower Benefit Fund under the USDE Purchase Program and the Participation Program in December 2008. On May 7, 2010 and June 9, 2010, substantially all Program loans were sold to Nelnet.

CollegeInvest terminated the originations of loans in its alternative loan program in the Bond Funds effective May 1, 2008. The ending balance of alternative loans as of June 30, 2009 was approximately $1.8 million. Alternative loans are credit-based, school certified, supplemental loans offered by private lenders to students who are not eligible for federal loans or who need assistance beyond their federal loan eligibility. Interest rates are variable, adjusted quarterly and equal to the three month LIBOR, plus a spread, dependent on the borrower’s or cosigner’s credit rating. On May 7, 2010, all remaining alternative loans were sold to Nelnet.

For loans originated under the Program, interest paid by the borrower is either at a fixed or variable rate subject to a maximum rate. The applicable rate also varies based on loan type and date of origination.

Principally, CA guarantees Program loans against the borrower's default, death, disability, and bankruptcy. CA is reinsured under HEA. The loan guarantee is subject to applicable procedures relating to the origination and servicing of student loans. There are penalties up to loss of guarantee if the applicable procedures are not met. CollegeInvest could reinstate guarantees under certain circumstances. CollegeInvest also has recourse provisions with its lenders and its servicers for any loss of guarantee. Loans disbursed prior to October 1, 1993 are 100% insured while loans disbursed on or after October 1, 1993 were insured up to 98% of principal and accrued interest in the case of default. Loans disbursed after June 30, 2006 are insured up to 97% of principal and accrued interest.

4. Capital Assets:

Capital assets activity for the year ended June 30, 2010 and 2009 was as follows:

	Balance June 30, 2009	Additions	Deletions/ Depreciation	**Balance June 30, 2010**
	(dollar amounts expressed in thousands)			
Software	$ 2,873	$ -	$ -	$ **2,873**
Leasehold Improvements	19	-	-	**19**
Furniture and equipment	736	-	-	**736**
Accumulated depreciation	(3,432)	-	(129)	**(3,561)**
Total capital assets, net	$ 196	$ -	$ (129)	$ **67**

	Balance June 30, 2008	Additions	Deletions/ Depreciation	Balance June 30, 2009
	(dollar amounts expressed in thousands)			
Software	$ 2,861	$ 12	$ -	$ 2,873
Leasehold Improvements	19	-	-	19
Furniture and equipment	732	4	-	736
Accumulated depreciation	(3,272)	-	(160)	(3,432)
Total capital assets, net	$ 340	$ 16	$ (160)	$ 196

Depreciation expense for the years ended June 30, 2010 and 2009 was $129,000 and $160,000, respectively, of which $98,000 and $127,000, respectively, was allocated to the Bond Funds. The remaining amount was allocated to the Prepaid Tuition, Scholars Choice, Stable Value Plus, and Direct Portfolio Funds.

5. Bond and Note Issuance Costs:

Bond and note issuance costs as of June 30 are as follows:

	2010	2009
	(dollar amounts expressed in thousands)	
Bond and note issuance costs	**$ 12,250**	$ 12,696
Less accumulated amortization	**(12,250)**	(3,047)
Bond and note issuance costs, net	**$ -**	$ 9,649

CollegeInvest paid $1.1 million in costs associated with refinancing bonds and amortized $331,000 of bond issuance costs through May and June of 2010. $10.1 million of unamortized bond issuance costs was included in the loss on bond redemptions.

6. Bonds and Notes Payable:

Until June 2008, CollegeInvest issued bonds and notes to originate and purchase student loans. Each bond or note payable was a separate financing. All financings were revenue bonds or notes that were collateralized as provided in the financing agreements, by an assignment and pledge to a Trustee of all CollegeInvest's rights, title and interest in the investments, student loans, and loans purchased from Colorado institutions of higher education and the revenues and receipts derived there from. CollegeInvest issued bonds and notes in different series under master indentures which allowed cross collateralizing, greater efficiency, and the ability to issue additional bonds and notes. All bonds and notes were redeemed as of June 30, 2010. The Series 1989A, 1990A, 2008-IA and the 2006XII-A4 bonds were redeemed on the date of the Nelnet sale. The remainder of the bonds in the Senior Sub Indenture were all defeased on the date of sale. The redemption dates for the bonds that were defeased and placed in escrow, were determined based on their auction rate cycle date. The auction rate securities cycled every 7, 28 or 35 days. The Series 2004IX-A3 and 2007XIII-A2 were Rate Reset Notes whose interest payment dates were on June 1, which allowed for CollegeInvest to redeem those bonds on those dates.

Restrictive Covenants:

Certain indentures of trust and insurance policies include, among other requirements, covenants relative to restrictions on additional indebtedness, limits as to direct and indirect administrative expenses, restrictions to student loan portfolio mix, and requirements for maintaining certain financial ratios. Also, certain indentures of trust required the establishment of reserve accounts. CollegeInvest was in compliance with such covenants as of June 30, 2009 and up to the final redemption of debt requiring a reserve.

The serial bonds and notes may, at the option of CollegeInvest, be redeemed, without premium, from available surpluses in the respective Bond Funds. The term bonds and notes were subject to mandatory redemption at the principal amount plus accrued interest to the redemption date to the extent monies were available in the respective Bond Funds.

Liquidity and Insurance Agreements:

CollegeInvest had entered into an agreement with a liquidity provider. Pursuant to the Standby Agreement, the Liquidity Provider agreed, subject to the terms and conditions therein, to purchase certain Series 1989A Bonds or Series 1990A Bonds which were tendered by the owners thereof to the Tender Agent or were subject to mandatory purchase but are not remarketed by the Remarketing Agents. The liquidity fees on principal and interest were paid quarterly. During 2009, the Remarketing Agent was unable to remarket the bonds and the Liquidity Provider was required to purchase the bonds. As of June 30, 2009, the Liquidity Provider owned the Series 1989A and 1990A Bonds.

On March 24, 1999, CollegeInvest entered into an agreement to obtain municipal bond insurance on the Series 1989A Bonds and Series 1990A Bonds. The policy insured payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. The term of the policy was for the life of the bonds and required an annual fee.

On June 5, 2008, CollegeInvest entered into a letter of credit agreement. The letter of credit called for the trustee to draw on the letter of credit to pay the principal and accrued interest on the Series 2008 I-A bonds which if properly tendered by the owners thereof to the Trustee and not remarketed by the Remarketing Agent. The agreement was initially scheduled to expire on June 4, 2010. The letter of credit required a quarterly fee. As a part of this transaction, CollegeInvest borrowed $13 million in private activity bond cap from the Colorado Housing and Finance Authority with a commitment to return it by December 31, 2008. CollegeInvest complied with this commitment.

6. Bonds and Notes Payable (continued):

The following activity occurred in bonds and notes payable from June 30, 2009 to June 30, 2010:

	Authorized And Issued	Outstanding June 30, 2009	Issued (Redeemed) During 2010	Outstanding June 30, 2010
	(dollar amounts expressed in thousands)			
1999 Series A Master Indenture, Variable I				
Weekly Adjustable Interest Rate Bonds				
1989A, Jun. 8, 1989	$ 80,000	$ 80,000	$ (80,000)	$ -
1990A, Jan. 4, 1990	66,655	60,655	(60,655)	-
1999 Series IV Master Indenture, Variable Rate Notes/Bonds:				
Monthly Adjustable Interest Rate Notes/Bonds				
Series 1999IV-A1, Nov. 1, 1999	96,800	64,900	(64,900)	-
Series 1999IV-A2, Nov. 1, 1999	96,800	64,900	(64,900)	-
Series 1999IV-A4, Nov. 1, 1999	19,300	19,300	(19,300)	-
Series 2001V-A, July 31, 2001	36,250	36,250	(36,250)	-
Series 2002VII-A1, August 20, 2002	32,000	32,000	(32,000)	-
Series 2002VII-A2, August 20. 2002	16,000	16,000	(16,000)	-
Series 2002VII-A3, August 20, 2003	62,000	62,000	(62,000)	-
Series 2003VIII-A1, April 24, 2003	65,000	65,000	(65,000)	-
Series 2003VIII-A2, April 24, 2003	120,000	96,000	(96,000)	-
Series 2004IX-A1, July 22, 2004	38,500	38,500	(38,500)	-
Series 2004IX-A2, July 22, 2004	38,525	38,525	(38,525)	-
Series 2004X-A1, December 15, 2004	50,000	50,000	(50,000)	-
Series 2005XI-A1, September 1, 2005	65,000	65,000	(65,000)	-
Series 2005XI-A2, September 1, 2005	66,000	66,000	(66,000)	-
Series 2005XI-A3, September 1, 2005	50,000	50,000	(50,000)	-
Series 2006XII-A1, August 3, 2006	49,500	49,500	(49,500)	-
Series 2006XII-A2, August 3, 2006	49,500	49,500	(49,500)	-
Series 2006XII-A3, August 3, 2006	50,500	50,500	(50,500)	-
Series 2006XII-A4, August 3, 2006	50,500	50,500	(50,500)	-
Series 2007 XIII-A1, April 17, 2007	66,000	66,000	(66,000)	-
Monthly Adjustable Interest Rate Subordinate Bonds				
Series 2004IX-B4, July 22, 2005	6,000	6,000	(6,000)	-
Series 2007XIII-B1 April 17, 2007	21,000	21,000	(21,000)	-
Series 2007XIII-B2, April 17, 2007	19,000	19,000	(19,000)	-
Quarterly Adjustable Interest Rate Notes				
Series 2004IX-A3, July 22, 2005	96,000	96,000	(96,000)	-
Series 2007XIII-A2, April 17, 2007	200,000	200,000	(200,000)	-
2008 Series I-A Master Indebture, Variable Rate Bonds:				
Weekly Adjustable Interest Rate Bonds				
Series 2008I-A	188,300	188,300	(188,300)	-
Bonds and notes payable	$ 1,795,130	$ 1,701,330	$ (1,701,330)	$ -

6. Bonds and Notes Payable (continued):

	Authorized And Issued	Outstanding June 30, 2008	Issued (Redeemed) During 2009	Outstanding June 30, 2009
1999 Series A Master Indenture, Variable l	(dollar amounts expressed in thousands)			
Weekly Adjustable Interest Rate Bonds				
1989A, Jun. 8, 1989	$ 80,000	$ 80,000	$ -	$ 80,000
1990A, Jan. 4, 1990	66,655	60,655	-	60,655
1999 Series IV Master Indenture, Variable Rate Notes/Bonds:				
Monthly Adjustable Interest Rate Notes/Bonds				
Series 1999IV-A1, Nov. 1, 1999	96,800	64,900	-	64,900
Series 1999IV-A2, Nov. 1, 1999	96,800	64,900	-	64,900
Series 1999IV-A4, Nov. 1, 1999	19,300	19,300	-	19,300
Series 2001V-A, July 31, 2001	36,250	36,250	-	36,250
Series 2002VII-A1, August 20, 2002	32,000	32,000	-	32,000
Series 2002VII-A2, August 20. 2002	16,000	16,000	-	16,000
Series 2002VII-A3, August 20, 2003	62,000	62,000	-	62,000
Series 2003VIII-A1, April 24, 2003	65,000	65,000		65,000
Series 2003VIII-A2, April 24, 2003	120,000	120,000	(24,000)	96,000
Series 2004IX-A1, July 22, 2004	38,500	38,500	-	38,500
Series 2004IX-A2, July 22, 2004	38,525	38,525	-	38,525
Series 2004X-A1, December 15, 2004	50,000	50,000	-	50,000
Series 2005XI-A1, September 1, 2005	65,000	65,000	-	65,000
Series 2005XI-A2, September 1, 2005	66,000	66,000	-	66,000
Series 2005XI-A3, September 1, 2005	50,000	50,000	-	50,000
Series 2006XII-A1, August 3, 2006	49,500	49,500	-	49,500
Series 2006XII-A2, August 3, 2006	49,500	49,500	-	49,500
Series 2006XII-A3, August 3, 2006	50,500	50,500	-	50,500
Series 2006XII-A4, August 3, 2006	50,500	50,500	-	50,500
Series 2007 XIII-A1, April 17, 2007	66,000	66,000	-	66,000
Monthly Adjustable Interest Rate Subordinate Bonds				
Series 2004IX-B4, July 22, 2005	6,000	6,000	-	6,000
Series 2007XIII-B1 April 17, 2007	21,000	21,000	-	21,000
Series 2007XIII-B2, April 17, 2007	19,000	19,000	-	19,000
Quarterly Adjustable Interest Rate Notes				
Series 2004IX-A3, July 22, 2005	96,000	96,000	-	96,000
Series 2007XIII-A2, April 17, 2007	200,000	200,000	-	200,000
2008 Series I-A Master Indebture, Variable Rate Bonds:				
Weekly Adjustable Interest Rate Bonds				
Series 2008I-A	188,300	188,300	-	188,300
Bonds and notes payable	$ 1,795,130	$ 1,725,330	$ (24,000)	$ 1,701,330

6. Bonds and Notes Payable (continued):

Weekly Adjustable Interest Rate Bonds:

The weekly adjustable interest rate bonds were subject to purchase on demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to CollegeInvest's Remarketing Agent and Trustee. The Remarketing Agent was authorized to sell the repurchased bonds at par by adjusting the interest rate. Interest is paid quarterly at a variable rate established weekly by the Remarketing Agent. The annual effective interest rate for such bonds was 1.9% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

Monthly Adjustable Interest Rate Notes/Bonds:

CollegeInvest issued Taxable Senior Asset-Backed Notes that were subject to an auction every 7 days when the Auction Agent determined the interest rate for the subsequent period. The annual effective interest rate for such note was 1.02% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

CollegeInvest issued Taxable Senior Asset-Backed Notes that were subject to an auction every 28 days when the Auction Agent determined the interest rate for the subsequent period. The annual effective interest rate for such notes was 1.18% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

CollegeInvest issued Tax-Exempt Senior Asset-Backed Bonds that are subject to an auction every 35 days when the Auction Agent determines the interest rate for the subsequent period. The effective interest rate for such bonds was .69% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

Monthly Adjustable Interest Rate Subordinate Bonds:

CollegeInvest issued its Tax-Exempt Subordinate Asset-Backed Bonds concurrently with the issuance of the Taxable Senior Asset-Backed Notes/Bonds. The Subordinate Bonds were payable from the Trust Estate on a subordinate basis to the Senior Notes/Bonds in accordance with the terms of the master indenture. The Subordinate Bonds were subject to an auction every 35 days when the Auction Agent determined the interest rate for the subsequent period. Interest on the subordinate bonds was paid on June 1 and December 1. The annual effective interest rate for such bonds was .76% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

Quarterly Adjustable Interest Rate Notes:

CollegeInvest issued Taxable Senior Asset-Backed Floating Rate notes at an interest rate equal to Three-Month LIBOR plus 0.225%. The initial floating rate term was through June 1, 2008. Subsequent to the initial floating rate term, the notes were subject to a quarterly auction. The annual effective interest rate for such notes was .49% for the year ended June 30, 2010. The bonds were paid in full as of June 30, 2010.

Floating Rate Notes:

In April 2003, CollegeInvest issued $120 million of Floating Rate Notes. The interest rate was reset quarterly based on 3 Month LIBOR plus 0.225%. On June 3, 2008, the Series 2003VIII-A2 Floating Rate Notes were not remarketed successfully and were converted to Auction Rate Securities per the indenture. The failed remarketing also triggered accelerated amortization of these bonds. Principal payments of $6.0 million were due on the first business day of March, June, September and December, starting in September 2008. The bonds were paid in full as of June 30, 2010.

7. Commitments and Contingencies:

Grants and Other:

Under the terms of federal grants, periodic audits are required and certain costs may be interpreted as not being appropriate expenses under the terms of the grants. Such audits could lead to reimbursement to the grantor agency or the USDE.

Cash Commitments:

As of June 30, 2010 and 2009, CollegeInvest had committed $4.0 and $1.8 million, respectively, to pay future operating expenses and potential cash flow shortfalls of the Prepaid Tuition Fund. As of June 30, 2010, CollegeInvest had committed $1.0 million to pay scholarships.

Lease Commitments:

CollegeInvest leases certain office facilities under an operating lease agreement which expires on February 28, 2018. College Assist occupies a portion of the office space leased by CollegeInvest and reimburses CollegeInvest for its share of rent. CollegeInvest has also entered into an interagency sublease agreement with the Department for certain office space. The total rent expense for the years ended June 30, 2010 and 2009 were $246,000 and $246,000, respectively. CollegeInvest allocates additional rent expenses to other Funds. Minimum future lease payments under the agreements are as follows:

2012	697,000
2013	697,000
2014	697,000
2015	697,000
2016 - 2020	2,300,000
	$ 5,088,000

CollegeInvest subleases office space to College Assist, a related party, under an Intra-Department Memorandum of Understanding (MOU). Under the agreement, College Assist is required to pay rent of approximately $23,000 per month. The MOU expires on June 30, 2011, unless the parties enter into a written amendment extending the term of the agreement.

8. Retirement Plans:

Plan Description:

Most of CollegeInvest's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931.

Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

8. Retirement Plans (continued):

Plan Description (continued):

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, excluding community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which he or she last contributed or, if there was no prior participation, to the defined benefit plan. PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to rules in effect for those hired on or after January l, 2007, as discussed below. The employer contribution to the defined contribution plan is the same amount as the contribution to the PERA defined benefit plan.

Defined benefit plan members (except state troopers) vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service.

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods.

8. Retirement Plans (continued):

Plan Description (continued):

For retirements after January 1, 2009, the HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- Hired on or after January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

In the 2010 legislative session, the General Assembly set the current increase as the lesser of 2 percent or the average of the monthly CPI amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0 percent. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

Funding Policy:

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2009, to December 31, 2009, the state contributed 12.95 percent (15.65 percent for state troopers and 16.46 percent for the Judicial Branch) of the employee's salary. From January 1, 2010, through June 30, 2010, the state contributed 13.85 percent (16.55 percent for state troopers and 17.36 percent for the Judicial Branch). During all of Fiscal Year 2009-2010, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2009, the division of PERA in which the state participates was underfunded with an amortization period of 43 years.

8. Retirement Plans (continued):

Funding Policy (continued):

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED.

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of .4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. If the funding ratio reaches 103%, both the AED and the SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The Fund's contributions to PERA and/or the state defined contribution plan for the fiscal years ending June 30, 2010, 2009 and 2008 were $186,000, $199,000 and $196,000, respectively. These contributions met the contribution requirement for each year.

9. Other Retirement Plans:

Defined Contribution Plan:

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the state's defined contribution plan was transferred to PERA and participants of the state's plan became participants of the PERA defined contribution plan. Existing state plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. At December 31, 2009, the plan had 3,039 participants.

The PERA Compensation Plan (457) was established July 1, 2009, as a continuation of the state's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the state's administrative functions were transferred to PERA, and all costs of administration and funding are borne by the plan participants. In calendar year 2009, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $16,500. Participants who are age 50 and older may contribute an additional $5,500 for total contributions of $22,000 in 2009. At December 31, 2009, the plan had 18,007 participants.

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. Certain agencies and institutions of the State offer 403b or 401(a) plans.

10. Other Postemployment Benefits:

Health Care Plan

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 5. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The Fund contributed $16,500, $17,600, and $18,900 as required by statute in Fiscal Years 2009-10, 2008-09, and 2007-08, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2009. As of December 31, 2009, there were 46,985 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2009, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.50 billion, a funded ratio of 14.8 percent, and a 53-year amortization period.

11. Risk Management:

Self Insurance

The State of Colorado currently self-insures its agencies, officials, and employees for the risks of losses to which they are exposed. That includes general liability, motor vehicle liability, and worker's compensation. The State Risk Management Fund is a restricted General Fund used for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State except for employee medical claims. Property claims are not self-insured; rather the State has purchased insurance.

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Worker's Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The State utilizes the services of Pinnacol Assurance (formerly Colorado Compensation Insurance Authority), a related party, to administer its plan. The State reimburses Pinnacol Assurance for the current cost of claims paid and related administrative expenses.

CollegeInvest participates in the Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

11. Risk Management (continued):

Self Insurance (continued)

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

The limits of liability for which the State accepts responsibility pursuant to the Colorado Governmental Immunity Act, section 24-10-101 are as follows:

Liability	Limits of Liability
General & Automobile	Each person $150,000 Each occurrence $600,000

There were no significant reductions or changes in insurance coverage from the prior year. Settled claims did not exceed insurance coverage in any of the past three fiscal years.

Furniture and Equipment

The State of Colorado carries a $15,000 deductible replacement policy on all state owned furniture and equipment. For each loss incurred, CollegeInvest is responsible for the first $5,000 of the deductible and the State of Colorado is responsible for the next $10,000 of the deductible. Any loss in excess of $15,000 is covered by the insurance carrier up to replacement cost.

12. Net Assets:

The Funds have net assets consisting of three components – invested in capital assets, restricted, and unrestricted.

Invested in capital assets consists of capital assets, net of accumulated depreciation. The Funds have no debt outstanding related to capital assets. As of June 30, 2010 and 2009, the Funds had invested in capital assets of $67,000 and $196,000, respectively.

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Funds had restricted net assets of $66.4 million and $175.1 million as of June 30, 2010 and 2009, respectively. As of June 30, 2010, the Bond Funds are restricted by statute for the purpose of paying for ongoing costs of the Nelnet sale agreement, transition costs of the student loan program and for need based financial aid. The Bond Funds restrict net assets to uses prescribed in the respective financing documents as of June 30, 2009. The CEAS Trust restricts net assets to uses prescribed under Senate Bill 05-003 to pay for costs of implementing, marketing, and administering the Scholarship Program for the purpose specifically outlined in the statute. In the Borrower Benefit Fund, under the Participation Program, the principal, interest receivable and revenues associated with the student loans are restricted for payment of the related liability to the USDE.

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets or restricted net assets. As of June 30, 2010 and 2009, the Funds had unrestricted net assets of $13.5 million and $7.6 million, respectively. Although the Funds report unrestricted net assets on the face of the statement of net assets, unrestricted net assets are to be used by CollegeInvest for the payment of obligations incurred by CollegeInvest in carrying out its

12. Net Assets (continued):

statutory powers and duties and are to remain in the Fund and not be transferred or revert to the general fund of the State of Colorado as outlined in 23.3-1-205.4 of the Colorado Revised Statutes.

13. Department of Education Review:

The USDE performed a review of CollegeInvest in May 2006. As a result, CollegeInvest received a finding from the USDE regarding under billing of 9.5% Floor Special Allowance Payments (Floor SAP) of approximately $13.6 million. Special Allowance Payments (SAP) is a government subsidy paid to student loan lenders which is designed to ensure a competitive return on student loans. Floor SAP eligible student loans receive a 9.5% total return. Student loans financed with tax-exempt bond proceeds originally issued prior to October 1, 1993 generally are eligible for Floor SAP. The under billing identified in the review began in the quarter ended March 31, 1999. CollegeInvest has reviewed its portfolio from the quarter ended March 31, 1999 to the present. CollegeInvest is in the process of working with USDE in determining the revised amount of the under billing. CollegeInvest has not recorded and will not record this in its financial statements until the amount of the under billing has been determined and approved by the USDE.

14. Subsequent Events:

On September 24, 2010, CollegeInvest sold approximately $200.3 million of student loans to the USDE. This amount includes the par amount of the loans, accrued interest, a one-percent origination fee previously paid to the USDE, and a fixed amount of $75 per loan.

On October 1st, CollegeInvest paid Nelnet $11.0 million of net settlement proceeds due from the loan sale agreement made between CollegInvest and Nelnet on May 7, 2010.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's 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

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and each major fund of CollegeInvest (a division of the Department of Higher Education, State of Colorado) Student Loan Program Fund as of and for the year ended June 30, 2010, and have issued our report thereon dated December 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CollegeInvest Student Loan Program Funds' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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 CollegeInvest Student Loan Program Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Legislative Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 16, 2010

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Required Communications to the Legislative Audit Committee

December 16, 2010

Members of the Legislative Audit Committee

This letter is to provide you with information about significant matters related to our audit of the financial statements of CollegeInvest Student Loan Program Funds for the year ended June 30, 2010.

The following are our observations arising from the audit that are relevant to the CollegeInvest Board of Directors' (the Board) responsibilities in overseeing the financial reporting process.

Auditor's Responsibilities Under Generally Accepted Auditing Standards. Our audit was performed for the purpose of forming and expressing an opinion about whether the financial statements, that have been prepared by management with the Board's oversight, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit does not relieve the Board or management of their responsibilities.

Other Information in Documents Containing Audited Financial Statements. In connection with the CollegeInvest Student Loan Program Funds' financial statements, we did not perform any procedures or corroborate other information included in the report. However, we read management's discussion and analysis of financial conditions and results of operations and considered whether the information or the manner in which it was presented was materially inconsistent with information or the manner of presentation of the financial statements. Based on our reading, we concluded that the information did not require revision.

Significant Issues Discussed With Management Prior to Retention. We discuss various matters with management prior to retention as CollegeInvest Student Loan Program Funds' auditors. These discussions occur in the normal course of our professional relationship. There were no significant issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

Consultations with Other Accountants. We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles or generally accepted auditing standards.

Qualitative Aspects of Accounting Practices.

Accounting Policies
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CollegeInvest Student Loan Program Funds are described in Note 1 to the financial statements. There were no significant accounting policies or their application which were either initially selected or changed during the year.

We noted no transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates of financial data which would be particularly sensitive and require substantial judgments by management.

Financial Statement Disclosures
Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management related to the performance of our audit.

Corrected Misstatements. There were no material misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole.

Representations from Management. We have requested and received representations from management.

Disagreements With Management. There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to CollegeInvest, Student Loan Program Funds' financial statements or our report on those financial statements.

Please contact Mark Elmshauser if you have any questions regarding the matters included in this letter.

Clifton Gunderson LLP

SUPPLEMENTARY INFORMATION

CollegeInvest
Supplementary Schedule - Bond Funds Combining Statement of Net Assets
June 30, 2010 and 2009
(dollar amounts expressed in thousands)

	2010 Insured Bond Fund	2010 Senior/ Subordinate Bond Fund	2010 Master 2008 Bond Fund	2010 Student Loan Transition Fund	2010 Total Bond Funds	2009 Insured Bond Fund	2009 Senior/ Subordinate Bond Fund	2009 Master 2008 Bond Fund	2009 Student Loan Transition Fund	2009 Total Bond Funds
Assets:										
Current assets:										
Restricted current assets:										
Investments	$ 20,405	$ 4,230	$ 18,475	$ -	$ 43,110	$ 14,918	$ 29,877	$ 25,989	$ -	$ 70,784
Student loans, net	91	747	63	-	901	5,461	45,328	3,992	-	54,781
Interest and other receivables	8	43	4	-	55	1,477	34,331	3,940	-	39,748
CollegeLender receivable	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	94	77	12	-	183
Total restricted current assets	20,504	5,020	18,542	-	44,066	21,950	109,613	33,933	-	165,496
Noncurrent assets:										
Restricted noncurrent assets:										
Student loans, net	-	-	-	-	-	152,225	1,328,897	183,693	-	1,664,815
Bond and note issuance costs, net	-	-	-	-	-	589	7,818	1,242	-	9,649
Total restricted noncurrent assets	-	-	-	-	-	152,814	1,336,716	184,935	-	1,674,464
Total restricted assets	20,504	5,020	18,542	-	44,066	174,764	1,446,328	218,868	-	1,839,960
Liabilities:										
Current liabilities:										
Current liabilities payable from restricted assets:										
Accounts payable and accrued expenses	933	9,506	524	37	11,000	101	449	549	-	1,099
Due from (to) other Funds and other agencies	(391)	(4,692)	219	394	(4,470)	(1,485)	(3,666)	6,961	-	1,810
Due from (to) the Department of Education	(3)	1,766	135	-	1,898	93	8,344	1,183	-	9,620
Interest payable	-	-	-	-	-	242	895	63	-	1,200
Bonds and notes payable	-	-	-	-	-	-	24,000	-	-	24,000
Total current liabilities payable from restricted assets	539	6,580	878	431	8,428	(1,049)	30,022	8,756	-	37,729
Noncurrent liabilities:										
Noncurrent liabilities payable from restricted assets:										
Arbitrage rebate payable	-	673	-	-	673	440	13,245	4,045	-	17,730
Bonds and notes payable	-	-	-	-	-	140,655	1,348,375	188,300	-	1,677,330
Total noncurrent liabilities payable from restricted assets	-	673	-	-	673	141,095	1,361,620	192,345	-	1,695,060
Total liabilities	539	7,253	878	431	9,101	140,046	1,391,642	201,101	-	1,732,789
Total restricted net assets	$ 19,965	$ (2,233)	$ 17,664	$ (431)	$ 34,965	$ 34,718	$ 54,686	$ 17,767	$ -	$ 107,171

CollegeInvest
Supplementary Schedule - Bond Funds Combining Statement of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2010 and 2009
(dollar amounts expressed in thousands)

	2010 Insured Bond Fund	**2010** Senior/ Subordinate Bond Fund	**2010** Master 2008 Bond Fund	**2010** Student Loan Transition Fund	**2010** Total Bond Funds (Restricted)	2009 Insured Bond Fund	2009 Senior/ Subordinate Bond Fund	2009 Master 2008 Bond Fund	2009 Student Loan Transition Fund	2009 Total Bond Funds (Restricted)
Operating revenues:										
Loan interest	**$ 2,630**	**21,328**	**1,863**	**-**	**$ 25,821**	$ 6,364	$ 41,600	$ 3,340	$ -	$ 51,304
Investment income	**8**	**99**	**-**	**-**	**107**	98	763	395	-	1,256
Miscellaneous income	**128**	**860**	**3,052**	**-**	**4,040**	-	-	-	-	-
Total operating revenues	**2,766**	**22,287**	**4,915**	**-**	**29,968**	6,462	42,363	3,735	-	52,560
Less provision for loan losses	**91**	**520**	**98**	**-**	**709**	135	1,094	232	-	1,461
Net investment income after provision for loan losses	**2,675**	**21,767**	**4,817**	**-**	**29,259**	6,327	41,269	3,503	-	51,099
Operating expenses:										
Interest expense	**3,728**	**9,428**	**348**	**-**	**13,504**	5,470	27,839	2,818	-	36,127
Loan servicing costs	**489**	**4,518**	**1,523**	**68**	**6,598**	524	4,979	652	-	6,155
Rebate tax expense, net	**(440)**	**(12,572)**	**(4,045)**	**-**	**(17,057)**	(88)	1,504	(1,672)	-	(256)
Bond fees	**320**	**602**	**1,077**	**-**	**1,999**	606	1,782	1,924	-	4,312
General and administrative expenses	**70**	**556**	**42**	**112**	**780**	112	827	98	-	1,037
Salaries and benefits	**119**	**1,031**	**82**	**159**	**1,391**	153	1,246	148	-	1,547
Depreciation and amortization	**6**	**52**	**4**	**36**	**98**	13	102	12	-	127
Total operating expenses	**4,292**	**3,615**	**(969)**	**375**	**7,313**	6,790	38,279	3,980	-	49,049
Net income before other income and transfers	**(1,617)**	**18,152**	**5,786**	**(375)**	**21,946**	(463)	2,990	(477)	-	2,050
Special items:										
Loss on sale of student loans	**(7,182)**	**(71,061)**	**(3,889)**	**(56)**	**(82,188)**	-	-	-	-	-
Loss on bond redemption	**(627)**	**(5,075)**	**(1,269)**	**-**	**(6,971)**	-	-	-	-	-
Total special items	**(7,809)**	**(76,136)**	**(5,158)**	**(56)**	**(89,159)**	-	-	-	-	-
Transfers to other funds	**(5,327)**	**1,065**	**(731)**	**-**	**(4,993)**	-	(18)	-	-	(18)
Changes in net assets	**(14,753)**	**(56,919)**	**(103)**	**(431)**	**(72,206)**	-	-	-	-	-
Net assets, beginning of year	**34,718**	**54,686**	**17,767**	**-**	**107,171**	35,181	51,714	18,244	-	105,139
Net assets, end of year	**$ 19,965**	**$ (2,233)**	**$ 17,664**	**$ (431)**	**$ 34,965**	$ 34,718	$ 54,686	$ 17,767	$ -	$ 107,171

COLLEGEINVEST
STUDENT LOAN PROGRAM FUNDS
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