

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

Financial Statements
Including
Supplemental Information

June 30, 2001



CONNECTICUT
HIGHER EDUCATION TRUST
COLLEGE SAVINGS PROGRAM

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

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REPORT OF INDEPENDENT AUDITORS

To the Account Owners and Trustee of
Connecticut Higher Education Trust Program:

We have audited the accompanying statements of financial condition of the Connecticut Higher Education Trust Program (the "Program") as of June 30, 2001 and 2000, and the related statements of operations and changes in program equity for the years then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit 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. Our procedures included confirmation of securities owned as of June 30, 2001, by correspondence with the custodian. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Higher Education Trust Program at June 30, 2001 and 2000, and the results of its operations and changes in its program equity for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplemental 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 our 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.

Ernst + Young LLP

August 13, 2001

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
STATEMENTS OF FINANCIAL CONDITION

	<u>June 30,</u> <u>2001</u>	<u>June 30,</u> <u>2000</u>
ASSETS		
Investments, at value (cost: \$99,718,757 and \$56,793,999)	\$93,827,210	\$56,862,927
Cash	497,952	32,777
Due from transfer agent	143,280	79,624
Receivable from former Program Manager	—	33,179
Dividends and interest receivable	218,074	156,085
TOTAL ASSETS	<u>\$94,686,516</u>	<u>\$57,164,592</u>
LIABILITIES		
Due to custodian	\$ —	\$ 12,386
Accrued management fee	231,296	27,912
Payable for securities transactions	523,518	225,148
TOTAL LIABILITIES	<u>754,814</u>	<u>265,446</u>
PROGRAM EQUITY	<u>93,931,702</u>	<u>56,899,146</u>
TOTAL LIABILITIES AND PROGRAM EQUITY	<u>\$94,686,516</u>	<u>\$57,164,592</u>

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
STATEMENTS OF OPERATIONS

	For the Years Ended	
	June 30	
	2001	2000
INVESTMENT INCOME		
Income:		
Interest	\$ 8,575	\$ 27,530
Dividends	3,544,747	1,378,716
TOTAL INCOME	3,553,322	1,406,246
Expenses—Note 3:		
Management fee	411,860	497,866
Administration fee	—	59,186
Other expenses of the Trust	77,750	—
TOTAL EXPENSES	489,610	557,052
Less expenses waived by the advisor	—	(117,960)
NET EXPENSES	489,610	439,092
INVESTMENT INCOME—NET	3,063,712	967,154
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS—Note 4		
Net realized gain (loss) on investments	(83,852)	4,662,159
Net change in unrealized depreciation on investments	(5,960,475)	(2,374,721)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	(6,044,327)	2,287,438
OTHER INCOME		
Penalty fees on non-qualified withdrawals	2,993	1,270
NET INCREASE (DECREASE) IN PROGRAM EQUITY RESULTING FROM OPERATIONS	\$(2,977,622)	\$ 3,255,862

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
STATEMENTS OF CHANGES IN PROGRAM EQUITY

	For the Years Ended June 30	
	2001	2000
FROM OPERATIONS		
Investment income—net	\$ 3,063,712	\$ 967,154
Net realized gain (loss) on investments	(83,852)	4,662,159
Net change in unrealized depreciation on investments	(5,960,475)	(2,374,721)
Penalty fees on non-qualified withdrawals	2,993	1,270
NET INCREASE (DECREASE) IN PROGRAM EQUITY RESULTING FROM OPERATIONS	(2,977,622)	3,255,862
FROM ACCOUNT OWNER TRANSACTIONS		
Subscriptions	42,053,586	26,394,768
Redemptions	(2,043,408)	(4,048,941)
NET INCREASE IN PROGRAM EQUITY RESULTING FROM ACCOUNT OWNER TRANSACTIONS	40,010,178	22,345,827
OTHER TRANSACTIONS—Notes 3 and 5		
Excess escrow payment from Program Manager	—	95,497
Management and administration fees returned by former Program Manager	—	105,021
Other fees returned by former Program Manager	—	63,353
NET INCREASE IN PROGRAM EQUITY RESULTING FROM OTHER TRANSACTIONS	—	263,871
NET INCREASE IN PROGRAM EQUITY	37,032,556	25,865,560
PROGRAM EQUITY:		
Beginning of year	56,899,146	31,033,586
End of year	\$ 93,931,702	\$ 56,899,146

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

NOTES TO FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION

The Connecticut Higher Education Trust Program (the "Program") was formed on July 1, 1997 by Connecticut law, to help people save for the costs of education after high school. The Program is administered by the Treasurer of the State of Connecticut, as trustee of the Connecticut Higher Education Trust (the "Trust"). The Trustee has the authority to enter into contracts for program management services, adopt regulations for the administration of the Program and establish investment policies for the Program. TIAA-CREF Tuition Financing, Inc. ("TFI"), an indirect subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Trustee have entered into a Management Agreement under which TFI serves as Program Manager. The Program is operated in a manner such that it is exempt from registration as an investment company under the Investment Company Act of 1940. Prior to December 17, 1999, Collegiate Capital Group, Inc. was the Program Manager.

An individual participating in the Program establishes an Account in the name of a Beneficiary. Contributions can be made among three investment options: the Managed Allocation Option, the High Equity Option, and the Principal Plus Interest Option. Contributions in the Managed Allocation Option are allocated among ten age bands, based on the age of the beneficiary. Each age band invests in varying percentages in the Equity Index, International Equity, Bond and Money Market Funds of the TIAA-CREF Institutional Mutual Funds. The High Equity Option invests in varying percentages in the Growth & Income, International Equity and Bond Funds of the TIAA-CREF Institutional Mutual Funds. All allocation percentages are determined by the Treasurer and are subject to change. The Principal Plus Interest Option invests in the Money Market Fund of the TIAA-CREF Institutional Mutual Funds. Effective July 1, 2001, the Principal Plus Interest Option will invest in a guaranteed funding agreement issued by TIAA-CREF Life Insurance Company, a subsidiary of TIAA, which offers a guarantee to the Trust of principal and a minimum rate of return.

Teachers Advisors, Inc. ("Advisors"), an affiliate of TFI, is registered with the Securities and Exchange Commission ("Commission") as an investment adviser and provides investment advisory services to the TIAA-CREF Institutional Mutual Funds. Teachers Personal Investors Services, Inc. ("TPIS"), an affiliate of TFI, and TIAA-CREF Individual & Institutional Services, Inc. ("Services"), also an affiliate of TFI, both of which are registered with the Commission as broker-dealers and are members of the National Association of Securities Dealers, Inc., provide the telephone counseling, marketing and information services required of TFI.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and related disclosures. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Trust, which are in conformity with accounting principles generally accepted in the United States.

Valuation of Investments: The market value of the investments in the mutual funds and the guaranteed funding agreement are based on the respective net asset values as of the close of business on the valuation date.

Accounting for Investments: Securities transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses are based upon the specific identification method.

Penalty Fees: Penalty fees on non-qualified withdrawals are retained by the Program in an administrative account and may be applied to the payment or reimbursement of the direct and indirect expenses of the Program.

Federal Income Tax: No provision for federal income tax has been made. The Program is established to be a qualified state tuition program under Section 529 of the Internal Revenue Code, which is exempt from federal and state income tax, and does not expect to have any unrelated business income subject to tax.

NOTE 3—MANAGEMENT AGREEMENTS

For its services as Program Manager, TFI is paid an annual fee of 0.57% of the average daily net assets of the Program plus the specific investment management fees for the underlying investments in the TIAA-CREF Institutional Mutual Funds not to exceed 0.79% of the average daily net assets. No fee will be charged on the Principal Plus Interest Option once the investment is moved to the funding agreement issued by TIAA-CREF Life Insurance Company. Total fees earned by TFI for the year ended June 30, 2001 were \$549,048, which includes \$411,860 due directly from the Program and \$137,188 due on Program investments in the TIAA-CREF Institutional Mutual Funds. Telephone counseling, marketing and information services required of TFI are provided by TPIS and Services in accordance with a Distribution Agreement among TFI, TPIS and Services.

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

NOTES TO FINANCIAL STATEMENTS—(Concluded)

NOTE 3—MANAGEMENT AGREEMENTS (Concluded)

For its services as Program Manager for the period July 1, 1999 to December 17, 1999, Collegiate Capital earned \$216,802 consisting of \$177,534 for management fees and \$39,268 for administration fees. Collegiate Capital was paid \$111,781 for its services for the period July 1, 1999 to September 30, 1999. As part of the change in Program Manager, Collegiate Capital's unpaid fee of \$105,021 (\$216,802 less \$111,781) for the period October 1, 1999 to December 17, 1999 was assigned by them back to the Program.

During the year ended June 30, 2001, \$77,750 was withdrawn from the administrative account for reimbursement of expenses of the Trust.

NOTE 4—INVESTMENTS

At June 30, 2001, net unrealized depreciation of portfolio investments was \$5,891,547, consisting of gross unrealized appreciation of \$995,565 and gross unrealized depreciation of \$6,887,112.

Purchases and sales of portfolio securities, for the year ended June 30, 2001 were \$44,568,559 and \$6,721,298, respectively.

As of June 30, 2001, the Program's investments consist of the following:

	<u>COST</u>	<u>VALUE</u>
TIAA-CREF Institutional Mutual Funds:		
International Equity Fund	\$11,185,851	\$ 8,200,655
Growth & Income Fund	1,535,717	1,507,891
Equity Index Fund.....	41,782,033	37,907,943
Bond Fund	38,634,508	39,630,073
Money Market Fund	6,371,762	6,371,762
TIAA-CREF Mutual Funds:		
Money Market Fund*	208,886	208,886
	<u>\$99,718,757</u>	<u>\$93,827,210</u>

*Represents the assets of the administrative account.

NOTE 5—REORGANIZATION AND NEW PROGRAM MANAGER

At December 17, 1999, TFI replaced Collegiate Capital Group, Inc. as Program Manager. In addition, at March 13, 2000, the Program was reorganized into ten age bands. Prior to the reorganization, all investments of the Program were liquidated and the net cash was allocated among the ten age bands as described in Note 1.

As required by the Escrow Agreement entered into by TFI, Collegiate Capital and the Program, on December 17, 1999, TFI made a payment of \$1,087,000 to an escrow account to cover various unpaid liabilities of Collegiate Capital relating to the Program. Upon payment of these liabilities, \$95,497 remained and was remitted to the Program.

In addition, Collegiate Capital returned to the Program certain fees totaling \$63,353, representing fees received from the professional money managers that managed the Program assets prior to March 13, 2000.

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SUPPLEMENTAL INFORMATION

The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Connecticut Higher Education Trust Program ("Program"). It shows financial information relating to the Managed Allocation Option, the High Equity Option, and the Principal Plus Interest Option which are included in the Program.

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
COMBINING STATEMENT OF ASSETS AND LIABILITIES
June 30, 2001

	<u>2001-2000</u>	<u>1999-1998</u>	<u>1997-1996</u>	<u>1995-1994</u>	<u>1993-1992</u>
ASSETS					
Investments in the TIAA-CREF					
Institutional Mutual Funds, at value:					
International Equity Fund	\$ 305,465	\$ 811,710	\$ 1,006,009	\$ 1,037,012	\$ 1,107,351
Growth & Income Fund	—	—	—	—	—
Equity Index Fund	2,156,145	4,832,180	5,510,852	5,147,119	5,049,482
Bond Fund	605,324	2,414,450	3,501,974	4,105,656	4,981,346
Money Market Fund	—	—	—	—	—
TOTAL INVESTMENTS	<u>3,066,934</u>	<u>8,058,340</u>	<u>10,018,835</u>	<u>10,289,787</u>	<u>11,138,179</u>
Cash	491	39,007	31,083	94,890	30,250
Receivable for Program shares sold	11,935	34,087	30,501	5,484	1,526
Dividends and interest receivable	2,969	11,864	17,208	19,838	24,426
TOTAL ASSETS	<u>3,082,329</u>	<u>8,143,298</u>	<u>10,097,627</u>	<u>10,409,999</u>	<u>11,194,381</u>
LIABILITIES					
Accrued management fee	6,045	19,850	25,536	25,608	28,403
Payable for securities transactions	4,133	51,807	47,269	109,056	34,810
Payable for Program shares redeemed	—	—	—	—	—
TOTAL LIABILITIES	<u>10,178</u>	<u>71,657</u>	<u>72,805</u>	<u>134,664</u>	<u>63,213</u>
NET ASSETS	<u>\$3,072,151</u>	<u>\$8,071,641</u>	<u>\$10,024,822</u>	<u>\$10,275,335</u>	<u>\$11,131,168</u>
SHARES OF BENEFICIAL INTEREST OUTSTANDING	<u>352,377</u>	<u>878,589</u>	<u>1,076,652</u>	<u>1,088,271</u>	<u>1,164,959</u>
NET ASSET VALUE PER SHARE	<u>\$8.72</u>	<u>\$9.19</u>	<u>\$9.31</u>	<u>\$9.44</u>	<u>\$9.55</u>

Year of Birth of Beneficiaries, as Provided by the Account Owners

<u>1991-1990</u>	<u>1989-1988</u>	<u>1987-1986</u>	<u>1985-1984</u>	<u>Pre-1984</u>	<u>High Equity Option</u>	<u>Principal Plus Interest Option</u>	<u>Total</u>
\$ 1,309,215	\$ 1,301,394	\$ 549,714	\$ 330,194	\$ 225,169	\$ 217,422	\$ —	\$ 8,200,655
—	—	—	—	—	1,507,891	—	1,507,891
5,281,175	4,600,948	3,317,937	1,330,129	681,976	—	—	37,907,943
6,525,579	7,121,299	5,983,148	2,620,080	1,340,768	430,449	—	39,630,073
—	—	1,103,120	2,309,793	2,250,711	—	708,138	6,371,762
13,115,969	13,023,641	10,953,919	6,590,196	4,498,624	2,155,762	708,138	93,618,324
54,611	78,594	7,880	11,773	9,757	46,011	93,605	497,952
12,959	1,233	2,340	1,375	652	47,169	—	149,261
31,810	34,850	33,033	20,426	14,225	5,382	2,043	218,074
<u>13,215,349</u>	<u>13,138,318</u>	<u>10,997,172</u>	<u>6,623,770</u>	<u>4,523,258</u>	<u>2,254,324</u>	<u>803,786</u>	<u>94,483,611</u>
33,280	33,350	27,894	16,783	12,517	1,518	512	231,296
83,739	64,009	37,719	29,605	16,318	40,719	4,334	523,518
—	—	—	—	1,008	—	4,973	5,981
<u>117,019</u>	<u>97,359</u>	<u>65,613</u>	<u>46,388</u>	<u>29,843</u>	<u>42,237</u>	<u>9,819</u>	<u>760,795</u>
<u>\$13,098,330</u>	<u>\$13,040,959</u>	<u>\$10,931,559</u>	<u>\$6,577,382</u>	<u>\$4,493,415</u>	<u>\$2,212,087</u>	<u>\$793,967</u>	<u>\$93,722,816</u>
<u>1,352,053</u>	<u>1,329,177</u>	<u>1,055,893</u>	<u>639,792</u>	<u>435,257</u>	<u>214,851</u>	<u>78,540</u>	
<u>\$9.69</u>	<u>\$9.81</u>	<u>\$10.35</u>	<u>\$10.28</u>	<u>\$10.32</u>	<u>\$10.30</u>	<u>\$10.11</u>	

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
COMBINING STATEMENT OF OPERATIONS

	<u>2001-2000</u>	<u>1999-1998</u>	<u>1997-1996</u>	<u>1995-1994</u>	<u>1993-1992</u>
INVESTMENT INCOME					
Investment income:					
Interest	\$ 470	\$ 877	\$ 772	\$ 905	\$ 1,046
Dividends	<u>40,832</u>	<u>232,349</u>	<u>334,467</u>	<u>364,185</u>	<u>421,675</u>
TOTAL INCOME	41,302	233,226	335,239	365,090	422,721
Expenses:					
Management fee	<u>7,727</u>	<u>34,465</u>	<u>46,236</u>	<u>46,500</u>	<u>51,196</u>
INVESTMENT INCOME—NET	<u>33,575</u>	<u>198,761</u>	<u>289,003</u>	<u>318,590</u>	<u>371,525</u>
REALIZED AND UNREALIZED LOSS ON INVESTMENTS					
Net realized gain (loss) on investments	(4,374)	(2,339)	5,972	(19,788)	(20,101)
Net change in unrealized depreciation on investments	<u>(153,623)</u>	<u>(759,809)</u>	<u>(928,812)</u>	<u>(852,826)</u>	<u>(858,206)</u>
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS	<u>(157,997)</u>	<u>(762,148)</u>	<u>(922,840)</u>	<u>(872,614)</u>	<u>(878,307)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u><u>\$(124,422)</u></u>	<u><u>\$(563,387)</u></u>	<u><u>\$(633,837)</u></u>	<u><u>\$(554,024)</u></u>	<u><u>\$(506,782)</u></u>

For the Year Ended June 30, 2001					For the Period March 20, 2001 (commencement of operations) to June 30, 2001		
Year of Birth of Beneficiaries, as Provided by the Account Owners					High Equity Option	Principal Plus Interest Option	Total
1991-1990	1989-1988	1987-1986	1985-1984	Pre-1984			
\$ 1,229	\$ 987	\$ 654	\$ 394	\$ 732	\$ 334	\$ 175	\$ 8,575
<u>524,195</u>	<u>556,801</u>	<u>498,630</u>	<u>304,256</u>	<u>242,489</u>	<u>7,482</u>	<u>3,761</u>	<u>3,531,122</u>
525,424	557,788	499,284	304,650	243,221	7,816	3,936	3,539,697
<u>59,760</u>	<u>60,089</u>	<u>49,785</u>	<u>30,306</u>	<u>23,766</u>	<u>1,518</u>	<u>512</u>	<u>411,860</u>
<u>465,664</u>	<u>497,699</u>	<u>449,499</u>	<u>274,344</u>	<u>219,455</u>	<u>6,298</u>	<u>3,424</u>	<u>3,127,837</u>
(7,571)	(17,908)	8,157	(8,066)	(17,834)	—	—	(83,852)
<u>(912,502)</u>	<u>(801,364)</u>	<u>(327,816)</u>	<u>(201,314)</u>	<u>(122,345)</u>	<u>(41,858)</u>	<u>—</u>	<u>(5,960,475)</u>
<u>(920,073)</u>	<u>(819,272)</u>	<u>(319,659)</u>	<u>(209,380)</u>	<u>(140,179)</u>	<u>(41,858)</u>	<u>—</u>	<u>(6,044,327)</u>
<u>\$(454,409)</u>	<u>\$(321,573)</u>	<u>\$ 129,840</u>	<u>\$ 64,964</u>	<u>\$ 79,276</u>	<u>\$(35,560)</u>	<u>\$3,424</u>	<u>\$(2,916,490)</u>

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
COMBINING STATEMENT OF CHANGES IN NET ASSETS

	<u>2001-2000</u>	<u>1999-1998</u>	<u>1997-1996</u>	<u>1995-1994</u>	<u>1993-1992</u>
FROM OPERATIONS					
Investment income—net	\$ 33,575	\$ 198,761	\$ 289,003	\$ 318,590	\$ 371,525
Net realized gain (loss) on investments	(4,374)	(2,339)	5,972	(19,788)	(20,101)
Net change in unrealized depreciation on investments	<u>(153,623)</u>	<u>(759,809)</u>	<u>(928,812)</u>	<u>(852,826)</u>	<u>(858,206)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u>(124,422)</u>	<u>(563,387)</u>	<u>(633,837)</u>	<u>(554,024)</u>	<u>(506,782)</u>
FROM ACCOUNT OWNER TRANSACTIONS					
Subscriptions	2,989,178	4,382,219	4,434,370	4,611,550	4,807,557
Redemptions	<u>(9,271)</u>	<u>(99,013)</u>	<u>(142,403)</u>	<u>(164,683)</u>	<u>(165,874)</u>
NET INCREASE IN NET ASSETS RESULTING FROM ACCOUNT OWNER TRANSACTIONS	<u>2,979,907</u>	<u>4,283,206</u>	<u>4,291,967</u>	<u>4,446,867</u>	<u>4,641,683</u>
NET INCREASE IN NET ASSETS	2,855,485	3,719,819	3,658,130	3,892,843	4,134,901
NET ASSETS					
Beginning of period	216,666	4,351,822	6,366,692	6,382,492	6,996,267
End of period	<u>\$ 3,072,151</u>	<u>\$ 8,071,641</u>	<u>\$ 10,024,822</u>	<u>\$ 10,275,335</u>	<u>\$ 11,131,168</u>

For the Year Ended June 30, 2001					For the Period March 20, 2001 (commencement of operations) to June 30, 2001		
Year of Birth of Beneficiaries, as Provided by the Account Owners					High Equity	Principal Plus	Total
1991-1990	1989-1988	1987-1986	1985-1984	Pre-1984	Option	Interest Option	
\$ 465,664	\$ 497,699	\$ 449,499	\$ 274,344	\$ 219,455	\$ 6,298	\$ 3,424	\$ 3,127,837
(7,571)	(17,908)	8,157	(8,066)	(17,834)	—	—	(83,852)
<u>(912,502)</u>	<u>(801,364)</u>	<u>(327,816)</u>	<u>(201,314)</u>	<u>(122,345)</u>	<u>(41,858)</u>	<u>—</u>	<u>(5,960,475)</u>
<u>(454,409)</u>	<u>(321,573)</u>	<u>129,840</u>	<u>64,964</u>	<u>79,276</u>	<u>(35,560)</u>	<u>3,424</u>	<u>(2,916,490)</u>
5,565,013	5,051,772	3,824,804	2,013,156	1,301,853	2,247,647	824,467	42,053,586
<u>(174,254)</u>	<u>(111,940)</u>	<u>(19,018)</u>	<u>(39,677)</u>	<u>(1,083,351)</u>	<u>—</u>	<u>(33,924)</u>	<u>(2,043,408)</u>
5,390,759	4,939,832	3,805,786	1,973,479	218,502	2,247,647	790,543	40,010,178
<u>4,936,350</u>	<u>4,618,259</u>	<u>3,935,626</u>	<u>2,038,443</u>	<u>297,778</u>	<u>2,212,087</u>	<u>793,967</u>	<u>37,093,688</u>
8,161,980	8,422,700	6,995,933	4,538,939	4,195,637	—	—	56,629,128
<u>\$ 13,098,330</u>	<u>\$ 13,040,959</u>	<u>\$ 10,931,559</u>	<u>\$ 6,577,382</u>	<u>\$ 4,493,415</u>	<u>\$ 2,212,087</u>	<u>\$ 793,967</u>	<u>\$ 93,722,816</u>

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

FINANCIAL HIGHLIGHTS

	2001-2000		1999-1998		1997-1996		1995-1994		1993-1992	
	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)
SELECTED PER SHARE DATA										
Net asset value, beginning of period	\$9.80	\$10.00	\$10.08	\$10.00	\$10.07	\$10.00	\$10.08	\$10.00	\$10.08	\$10.00
Gain (loss) from investment operations:										
Net investment income	0.21 (b)	0.01	0.30 (b)	0.04	0.33 (b)	0.05	0.36 (b)	0.06	0.39 (b)	0.07
Net realized and unrealized gain (loss) on investments . . .	(1.29)	(0.21)	(1.19)	0.04	(1.09)	0.02	(1.00)	0.02	(0.92)	0.01
Net asset value, end of period . . .	<u>\$8.72</u>	<u>\$9.80</u>	<u>\$9.19</u>	<u>\$10.08</u>	<u>\$9.31</u>	<u>\$10.07</u>	<u>\$9.44</u>	<u>\$10.08</u>	<u>\$9.55</u>	<u>\$10.08</u>
TOTAL RETURN	(11.02)%	(2.00)%	(8.83)%	0.80%	(7.55)%	0.70%	(6.35)%	0.80%	(5.26)%	0.80%
RATIOS AND SUPPLEMENTAL DATA										
Net assets at end of period (in thousands)	\$3,072	\$217	\$8,072	\$4,352	\$10,025	\$6,367	\$10,275	\$6,382	\$11,131	\$6,996
Ratio of expenses to average net assets (c)	0.57%	0.19%	0.57%	0.17%	0.57%	0.17%	0.57%	0.17%	0.57%	0.17%
Ratio of net investment income to average net assets	2.47%	0.34%	3.27%	0.47%	3.56%	0.56%	3.89%	0.67%	4.12%	0.76%

(a) The percentages shown for this period are not annualized.

(b) Based on average shares outstanding.

(c) Does not include expenses due on Program investments in the TIAA-CREF Institutional Mutual Funds.

(d) In addition to net realized and unrealized losses on investments as set forth in the Statement of Operations, this amount includes an increase in net asset value per share resulting from the timing of issuances and redemptions of shares in relation to fluctuating market values for the portfolio investments.

Year of Birth of Beneficiaries, as Provided by the Account Owners

Year of Birth of Beneficiaries, as Provided by the Account Owners										High Equity Option	Principal Plus Interest Option
1991-1990		1989-1988		1987-1986		1985-1984		Pre-1984			
Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)		March 20, 2001 (commencement of operations) to June 30, 2001 (a)
\$10.08	\$10.00	\$10.09	\$10.00	\$10.18	\$10.00	\$10.14	\$10.00	\$10.13	\$10.00	\$10.00	\$10.00
0.42 (b)	0.08	0.45 (b)	0.09	0.50 (b)	0.12	0.50 (b)	0.12	0.52 (b)	0.13	0.07 (b)	0.11
(0.81)	—	(0.73)	—	(0.33)	0.06	(0.36)	0.02	(0.33)	—	0.23 (d)	0.00
<u>\$9.69</u>	<u>\$10.08</u>	<u>\$9.81</u>	<u>\$10.09</u>	<u>\$10.35</u>	<u>\$10.18</u>	<u>\$10.28</u>	<u>\$10.14</u>	<u>\$10.32</u>	<u>\$10.13</u>	<u>\$10.30</u>	<u>\$10.11</u>
(3.87)%	0.80%	(2.78)%	0.90%	1.67%	1.80%	1.38%	1.40%	1.88%	1.30%	3.00%	1.10%
\$13,098	\$8,162	\$13,041	\$8,423	\$10,932	\$6,996	\$6,577	\$4,539	\$4,493	\$4,196	\$2,212	\$794
0.57%	0.17%	0.57%	0.17%	0.57%	0.18%	0.57%	0.19%	0.57%	0.19%	0.16%	0.16%
4.42%	0.87%	4.70%	0.97%	5.10%	1.27%	5.04%	1.30%	5.08%	1.36%	0.67%	1.09%

Dear Account Owner:

Enclosed is summary financial information for the Connecticut Higher Education Trust Program (the "Program") for the fiscal year ended June 30, 2001. It includes information for the Managed Allocation Option, the High Equity Option, and the Principal Plus Interest Option. If you have any questions about this information, or if you would like a copy of the complete audited financial statements of the Program for fiscal year 2001, please call us at 1-888-799-CHET.

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
Summary Financial Information**

	For the Year Ended June 30, 2001											For the Period March 20, 2001 (commencement of operations) to June 30, 2001(a)		
	Year of Birth of Beneficiaries, as Provided by the Account Owners											High Equity Option	Principal Plus Interest Option	Total
	2001 - 2000	1999 - 1998	1997 - 1996	1995 - 1994	1993 - 1992	1991 - 1990	1989 - 1988	1987 - 1986	1985 - 1984	Pre-1984				
CHANGES IN NET ASSETS:														
Investment income—net	\$ 33,575	\$ 198,761	\$ 289,003	\$ 318,590	\$ 371,525	\$ 465,664	\$ 497,699	\$ 449,499	\$ 274,344	\$ 219,455	\$ 6,298	\$ 3,424	\$ 3,127,837	
Net realized gain (loss) on investments	(4,374)	(2,339)	5,972	(19,788)	(20,101)	(7,571)	(17,908)	8,157	(8,066)	(17,834)	—	—	(83,852)	
Net change in unrealized depreciation on investments	(153,623)	(759,809)	(928,812)	(852,826)	(858,206)	(912,502)	(801,364)	(327,816)	(201,314)	(122,345)	(41,858)	—	(5,960,475)	
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(124,422)	(563,387)	(633,837)	(554,024)	(506,782)	(454,409)	(321,573)	129,840	64,964	79,276	(35,560)	3,424	(2,916,490)	
NET INCREASE IN NET ASSETS RESULTING FROM ACCOUNT OWNER TRANSACTIONS	2,979,907	4,283,206	4,291,967	4,446,867	4,641,683	5,390,759	4,939,832	3,805,786	1,973,479	218,502	2,247,647	790,543	40,010,178	
NET INCREASE IN NET ASSETS	2,855,485	3,719,819	3,658,130	3,892,843	4,134,901	4,936,350	4,618,259	3,935,626	2,038,443	297,778	2,212,087	793,967	37,093,688	
Beginning of period	216,666	4,351,822	6,366,692	6,382,492	6,996,267	8,161,980	8,422,700	6,995,933	4,538,939	4,195,637	—	—	56,629,128	
End of period	\$ 3,072,151	\$ 8,071,641	\$ 10,024,822	\$ 10,275,335	\$ 11,131,168	\$ 13,098,330	\$ 13,040,959	\$ 10,931,559	\$ 6,577,382	\$ 4,493,415	\$ 2,212,087	\$ 793,967	\$ 93,722,816	
TOTAL RETURN	(11.02)%	(8.83)%	(7.55)%	(6.35)%	(5.26)%	(3.87)%	(2.78)%	1.67%	1.38%	1.88%	3.00%	1.10%		
2001 TARGET ALLOCATION GUIDELINES:														
TIAA-CREF Institutional Mutual Funds:														
Equity Index Fund	70%	60%	55%	50%	45%	40%	35%	30%	20%	15%	0%	0%	0%	
Growth & Income Fund	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
International Equity Fund	10%	10%	10%	10%	10%	10%	10%	5%	5%	5%	10%	0%	0%	
Bond Fund	20%	30%	35%	40%	45%	50%	55%	55%	40%	30%	20%	0%	0%	
Money Market Fund	0%	0%	0%	0%	0%	0%	0%	10%	35%	50%	0%	100%	100%	
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

(a) The percentages shown for this period are not annualized.

The total returns reflect past performance and assumes investment in the Program for the entire year. An individual account owner's return may be more or less than the amount shown depending on when the account owner made their investment(s) in CHET. The Allocation Guidelines for each Investment Option and for each Age Band in the Managed Allocation Option change periodically, which may substantially affect how an Investment Option or Age Band performs over time. Past performance is not, and should not be viewed as a guarantee of future results. Total returns and the principal value of investments in your Account can increase or decrease based on the investment performance of the underlying funds in which the assets are invested, so your investment may be worth more or less than the original value when you withdraw your money.

Connecticut Higher Education Trust Program is described in the current Program Disclosure Booklet. Accounts are opened by completing a Participation Agreement. All of these documents should be read carefully before opening an account. The State of Connecticut, its agencies, TIAA and its affiliates do not insure any account or guarantee its principal or investment return (except to the extent of the guarantee by TIAA-CREF Life Insurance Company to the Program Trust under the funding agreement for the Principal Plus Interest Option). Account values will fluctuate based upon a number of factors, including general financial market conditions. Federal, state, and local tax benefits are subject to certain limitations. You should consult your tax advisor. Investments may be made through Teachers Personal Investors Services, Inc., as distributor.