

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM -

DIRECT PLAN

Financial Statements

June 30, 2012



**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM -
DIRECT PLAN
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June 30, 2012**

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Report of Independent Auditors

To the Trustee of the Connecticut Higher Education Trust Program-Direct Plan:

In our opinion, the accompanying financial statement of fiduciary net assets and the related statement of changes in fiduciary net assets of the Connecticut Higher Education Trust Program-Direct Plan (the "Direct Plan") which collectively comprise the Direct Plan's basic financial statements, present fairly, in all material respects, the respective financial position of the Direct Plan at June 30, 2012, and the changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of TIAA-CREF Tuition Financing, Inc. (the "Plan Manager"). Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, assessing the accounting principles used and significant estimates made by the Plan Manager, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the Direct Plan changed the accounting guidance used to prepare the financial statements from Financial Accounting Standards Board accounting principles to Governmental Accounting Standard Board accounting principles.

The accompanying management's discussion and analysis on pages 3 through 5 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the Direct Plan's basic financial statements. The combining statements of assets and liabilities on pages 13-17, operations on pages 19-23, changes in net assets on 25-29 and financial highlights on pages 30-33 are presented for purposes of additional analysis and are not a required part of the Direct Plan's basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2012 on our consideration of the Plan Manager's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations and contracts and other matters. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits. 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.

PricewaterhouseCoopers LLP

August 23, 2012

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**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM -
DIRECT PLAN
Management's Discussion and Analysis**

As Plan manager of the Connecticut Higher Education Trust Program – Direct Plan (the “Direct Plan”), TIAA-CREF Tuition Financing, Inc. (“TFI”) offers readers of the Direct Plan’s financial statements this discussion and analysis of the financial performance for the fiscal year ended June 30, 2012. Readers should consider the information presented in this section in conjunction with the Direct Plan’s financial statements and notes to financial statements. The Plan is comprised of 26 investment portfolios (the “Portfolios”) in which account owners may invest.

Financial Highlights

During the fiscal year ended June 30, 2012, the portfolios within the Direct Plan posted returns as follows:

<u>Conservative Managed</u>		<u>Aggressive Managed</u>	
<u>Allocation Option</u>		<u>Allocation Option</u>	
Ages 0-3	0.56%	Ages 0-3	(3.21)%
Ages 4-7	2.27	Ages 4-7	(1.77)
Ages 8-11	3.71	Ages 8-11	(0.28)
Ages 12-14	3.57	Ages 12-14	0.73
Ages 15-17	3.51	Ages 15-17	1.89
Ages 18 & Over	3.26	Ages 18 & Over	2.34
 <u>Moderate Managed</u>		 <u>Additional Investment</u>	
<u>Allocation Option</u>		<u>Options</u>	
Ages 0-3	(1.04)%	High Equity Option	(2.89)%
Ages 4-7	0.07	Equity Index Option	(5.30)
Ages 8-11	1.42	Active Equity Option	(7.23)
Ages 12-14	2.49	Index Fixed-Income Option	7.11
Ages 15-17	2.43	Active Fixed-Income Option	6.96
Ages 18 & Over	2.12	Social Choice Option	0.66
		Money Market Option	0.00
		Principal Plus Interest Option	2.38

The Direct Plan received \$99.1 million in net contributions from account owners during the year ended June 30, 2012.

The Direct Plan earned \$36.9 million from investment operations and paid out \$2.6 million for operating expenses during the year ended June 30, 2012.

Overview of the Financial Statements

The Direct Plan’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management’s Discussion and Analysis- for State and Local Governments*, as amended.

This report consists of two parts: management’s discussion and analysis (this section) and the basic financial statements. The basic financial statements are composed of a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets, and Notes to Financial Statements that explain some of the information in the financial statements and provide more detailed information.

The Statement of Fiduciary Net Assets presents information on the Direct Plan’s assets and liabilities, with the difference between the two reported as net assets as of June 30, 2012. This statement, along with all of the Direct Plan’s financial statements, is prepared using the accrual basis of accounting. Contributions are recognized when enrollment in the Direct Plan is finalized; subsequent contributions and redemptions are recognized on trade date; expenses and liabilities are recognized when services are provided, regardless of when cash is disbursed.

The Statement of Changes in Fiduciary Net Assets presents information showing how the Direct Plan’s net assets changed during the most recent fiscal period. Changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

The Notes to Financial Statements provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

This report presents the operating results and financial status of the Direct Plan, which the State of Connecticut reports as a fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity.

Financial Analysis

Net assets. The following is a condensed Statement of Fiduciary Net Assets as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Investments	\$1,695,382,654	\$1,584,492,902
Cash	1,368	66,246
Receivables	<u>4,192,389</u>	<u>1,895,485</u>
Total Assets	<u>1,699,576,411</u>	<u>1,586,454,633</u>
Payables	<u>4,280,948</u>	<u>2,126,935</u>
Total Liabilities	<u>4,280,948</u>	<u>2,126,935</u>
Total Net Assets	<u>\$1,695,295,463</u>	<u>\$1,584,327,698</u>

Net assets represent total contributions from account owners, plus the net increases (decreases) from operations, less withdrawals and expenses.

Investments are approximately 100% of total net assets, and consist of 26 investment portfolios, each of which invests in varying percentages in multiple TIAA-CREF Funds and other third-party mutual funds, or the Funding Agreement issued by TIAA-CREF Life Insurance Company to the Direct Plan. Other assets consist of cash and receivables for securities sold, contributions, and accrued income. Liabilities consist mainly of payables for securities purchased, withdrawals, and accrued expenses.

Changes in net assets. The following is a condensed Statement of Changes in Fiduciary Net Assets for the year ended June 30, 2012 and 2011:

	2012	2011
Additions:		
Subscriptions	\$ 587,156,328	\$ 552,870,094
Interest	4,684,213	4,405,575
Dividends	32,236,586	28,762,891
Net increase in fair value of investments	-	171,719,565
Total Additions	<u>624,077,127</u>	<u>757,758,125</u>
Deductions:		
Redemptions	(488,041,584)	(435,937,603)
Plan management fee	(2,474,268)	(3,218,380)
Administrative fee	(137,284)	(125,664)
Net decrease in fair value of investments	(22,456,226)	-
Total Deductions	<u>(513,109,362)</u>	<u>(439,281,647)</u>
Changes in Net Assets	110,967,765	318,476,478
Net Assets - beginning of year	1,584,327,698	1,265,851,220
Net Assets - end of year	<u>\$ 1,695,295,463</u>	<u>\$ 1,584,327,698</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
STATEMENT OF FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

ASSETS

Cash	\$ 1,368
Investments, at value (Cost: \$1,589,086,760)	1,695,382,654
Dividends and interest receivable	2,704,875
Receivable from securities transactions	243,472
Receivable for Plan Units sold	1,244,042
TOTAL ASSETS	<u>1,699,576,411</u>

LIABILITIES

Accrued Plan management fee	212,316
Accrued State trustee fee	11,763
Payable for securities transactions	3,150,516
Payable for Plan Units redeemed	906,353
TOTAL LIABILITIES	<u>4,280,948</u>

NET ASSETS

Held in Trust for participant education savings Plan	<u><u>\$ 1,695,295,463</u></u>
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See notes to financial statements

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

ADDITIONS

Subscriptions	\$ 587,156,328
Investment Income:	
Interest	4,684,213
Dividends	<u>32,236,586</u>
Total investment income	<u>36,920,799</u>
Net increase in fair value of investments	<u>-</u>
Total additions	<u>624,077,127</u>

DEDUCTIONS

Redemptions	(488,041,584)
Plan management fee	(2,474,268)
Administrative fee	(137,284)
Net decrease in fair value of investments	<u>(22,456,226)</u>
Total deductions	<u>(513,109,362)</u>
Changes in net assets	110,967,765
Net assets – beginning of year	<u>1,584,327,698</u>
Net assets – end of year	<u>\$ 1,695,295,463</u>

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM- DIRECT PLAN

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies

The Connecticut Higher Education Trust Program - Direct Plan (the "Direct Plan") was formed on July 1, 1997 by Connecticut law, to help people save for the costs of education after high school. The Direct Plan is administered by the Treasurer of the State of Connecticut, as trustee (the "Trustee") of the Connecticut Higher Education Trust (the "Trust"). The Trustee has the authority to enter into contracts for Direct Plan management services, adopt regulations for the administration of the Direct Plan and establish investment policies for the Direct Plan. TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Trustee have entered into a Management Agreement under which TFI serves as Direct Plan Manager. The Direct Plan is intended to meet the requirements of a qualified tuition program under Section 529 of the Internal Revenue Code ("Code") and was established pursuant to the Connecticut Annotated Statutes Sections 3-22f to 3-22o. Investment options and allocations, as approved by the Trustee, are described in the current Disclosure Booklet for the Direct Plan.

The assets in the Principal Plus Interest Option are allocated to a funding agreement issued by TIAA-CREF Life Insurance Company ("TIAA-CREF Life"), a subsidiary of TIAA. The Funding Agreement provides the Trust a return of principal plus a guaranteed minimum rate of interest and provides the opportunity for additional interest as declared periodically by TIAA-CREF Life.

Teachers Advisors, Inc. ("Advisors"), an affiliate of TFI, is registered with the Securities and Exchange Commission as an investment adviser and provides investment advisory services to the TIAA-CREF Funds.

Effective for the June 30, 2012 reporting period, the State of Connecticut has approved changing the accounting guidance used to prepare the Direct Plan's financial statements from Financial Accounting Standards Board accounting principles to Government Accounting Standards Board ("GASB") accounting principles. Adopting GASB is preferable to provide the financial reporting consistent with the State of Connecticut's government reporting. The net assets and change in net assets are not affected by the change in accounting principles; however, the format of the financial statements and the disclosures has been updated for GASB requirements.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB which may require the use of estimates made by management and the evaluation of subsequent events. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Direct Plan.

Investment valuation: All investments, excluding the Funding Agreement, are recorded at their estimated fair value as described in the valuation of investments note to the financial statements. The Funding Agreement is considered a nonparticipating interest-earning investment contract and is accounted for at cost. There is no impairment of the underlying issuer that affects the contract.

Investments and investment income: Securities transactions are accounted for as of the trade date for financial reporting purposes. Interest income is recorded as earned. Dividend income and capital gain distributions from the underlying mutual funds are recorded on the ex-dividend date. Income distributions from underlying funds are included in total investment income and gain distributions are included in net decrease in fair value of investments. Realized gains and losses are based upon the specific identification method.

Income tax: No provision for federal income tax has been made. The Direct Plan is designed to constitute a qualified tuition program under Section 529 of the Code and does not expect to have any unrelated business income subject to tax.

Units: The beneficial interests for each account owner in the investment options are represented by Direct Plan units. Subscriptions and redemptions are recorded upon receipt of account owner's instructions in good order, based on the next determined net asset value per unit ("Unit Value"). Unit Values for each investment option are determined at the close of business of the New York Stock Exchange. There are no distributions of net investment gains or net investment income to the investment option's account owners or beneficiaries.

Note 2 – Valuation of Investments

A description of the valuation techniques applied to the Direct Plan's investments:

Investments in registered investment companies: These investments are valued at their net asset value on the valuation date.

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN NOTES TO FINANCIAL STATEMENTS (continued)

Funding Agreement: The TIAA-CREF Life Funding Agreement, to which the Principal Plus Interest Option allocates assets, is stated at the principal contributed and earnings credited less any withdrawals to date.

Note 3 – Direct Plan Expenses

For its services as Direct Plan Manager with respect to the Conservative Managed Allocation Option, Moderate Managed Allocation Option, the Aggressive Managed Allocation Option, the High Equity Option, the Equity Index Option, the Active Equity Option, Index Fixed-Income Option, the Active Fixed-Income Option, the Social Choice Option, and the Money Market Option, TFI is paid an annual aggregate Direct Plan management fee of 0.18% of the average daily net assets of the Direct Plan, invested in such investment options. In addition, Advisors is paid investment management fees on the underlying investments in the TIAA-CREF Funds. The Direct Plan management fee indicated applies on total assets in the Plan up to \$2.0 billion. The Direct Plan management fee will revert to 0.20%, however, if total assets in the Direct Plan decrease to below \$1.5 billion for a period of at least 90 consecutive days. If, however, total assets in the Direct Plan reach \$2.0 billion or above for a period of at least 90 days, the Direct Plan management fee indicated will be further reduced to 0.15% and will remain at such level for as long as such assets do not decline to below \$2.0 billion for 90 consecutive days.

No fee is charged on the assets invested in the Principal Plus Interest Option; however, a fee is paid to TFI by TIAA-CREF Life for distribution, administrative and other reasonable expenses. TIAA-CREF Life also pays the Trustee a fee, equal to 0.01% of the average daily net assets held by the Principal Plus Interest Option, for expenses related to the oversight of the Trust for this Investment Option.

For its services administering the Direct Plan, each Investment Option (with the exception of the Principal Plus Interest Option) pays to the Trustee an Administrative Fee at an annual rate of 0.01% of the average daily net assets of the Investment Option. The fee is deposited in the Administrative Account and then used to pay certain Direct Plan administrative expenses.

Beginning August 1, 2011, TFI and the Trustee began voluntarily waiving the Money Market Option's Direct Plan management fee and administrative fee, respectively, in an attempt to maintain a 0.00% return for that Option. TFI and the Trustee may discontinue the waiver at any time without notice.

For the period ended June 30, 2012, TFI received total Direct Plan management fees of \$2,474,268. Total underlying fund fee expenses for the TIAA-CREF Funds during the period were \$3,003,234. The Direct Plan management fees and the administrative fees charged to each investment option are disclosed in the Statements of Operations.

Note 4 – Investments

Cash deposits: Cash deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits-in-transit) at \$1,368 at June 30, 2012. The entire amount was covered by federal depository insurance coverage.

Investments: As of June 30, 2012, net unrealized appreciation (depreciation) of portfolio investments was \$106,295,894 consisting of gross unrealized appreciation of \$138,584,567 and gross unrealized depreciation of \$(32,288,673).

An account owner has an investment in an investment option and not a direct investment in any underlying mutual funds or other investment vehicle.

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN NOTES TO
FINANCIAL STATEMENTS (continued)**

At June 30, 2012, the Direct Plan's investments consist of the following:

	<u>UNITS</u>	<u>COST</u>	<u>VALUE</u>
TIAA-CREF Funds (Institutional Class):			
Inflation-Linked Bond Fund	10,239,946	\$107,494,225	\$125,541,736
Equity Index Fund	26,488,405	203,610,676	274,949,640
International Equity Index Fund	18,296,490	286,189,667	267,494,677
Bond Fund	5,306,279	53,265,894	56,883,312
Money Market Fund	86,942,278	86,942,278	86,942,277
Real Estate Securities Fund	4,228,937	39,317,292	51,846,771
S&P 500 Index Fund	5,072,898	65,087,346	78,021,178
Mid-Cap Growth Fund	418,502	6,237,342	8,156,608
Growth & Income Fund	148,070	1,369,684	1,477,736
Mid-Cap Value Fund	479,992	7,582,456	8,524,657
Short-Term Bond Fund	4,649,525	48,132,531	48,448,053
Bond Index Fund	28,765,972	300,520,200	314,412,073
Large-Cap Value Fund	50,583	645,196	673,766
Social Choice Equity Fund	630,583	6,239,102	7,081,444
High-Yield Fund	427,607	4,173,801	4,284,625
TIAA-CREF Funds (Retail Class):			
Money Market Fund*	635,494	635,494	635,494
Non-Proprietary Funds:			
Artio International Equity Fund II	108,576	1,222,956	1,077,078
DFA Emerging Markets Core Equity Portfolio	3,058,751	64,177,364	55,118,685
GE Institutional Small-Cap Equity Fund	603,995	8,518,175	9,712,234
T. Rowe Price Inst. Large-Cap Growth Fund	38,583	641,061	693,338
Templeton Global Bond Fund	6,279,712	83,992,809	80,443,107
Thornburg International Value Fund	68,160	1,845,363	1,718,317
TIAA-CREF Life Insurance Company:			
Funding Agreement	14,467,080	211,245,848	211,245,848
		<u>\$1,589,086,760</u>	<u>\$1,695,382,654</u>

*Represents the assets of the Administrative Account.

Note 5 – Investment Risks

Certain investments are subject to a variety of investment risks based on the amount of risk in the underlying funds. GASB requires that entities disclose certain essential risk information about deposits and investments. All of the Direct Plan's investment options are uninsured and unregistered and are held by a custodian in the Direct Plan's name.

Custodial credit risk: Custodial credit risk is the risk that in the event of a failure, the Direct Plan deposits and investments may not be returned. An account owner has an investment in an investment option and not a direct investment in any underlying mutual fund or other investment vehicle to which funds in that investment option may be allocated. Because of this ownership structure, the custodial credit risk is significantly mitigated.

Credit risk: The underlying mutual funds investing primarily in fixed income securities are subject to credit risk. Credit risk refers to the ability of the issuer to make timely payments of interest and principal. The underlying mutual funds do not carry a formal credit quality rating.

Interest rate risk: Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At June 30, 2012, the average maturities for the underlying fixed income mutual funds are as follows:

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (concluded)

<u>Investment</u>	<u>Market Value</u>	<u>Average Maturity</u>
TIAA-CREF Funds (Institutional Class):		
Inflation Linked Bond Fund	\$125,541,736	9.26 Years
Bond Fund	56,883,312	6.99 Years
Short-Term Bond Fund	48,448,053	2.80 Years
Bond Index Fund	314,412,073	6.59 Years
High-Yield Fund	4,284,625	7.40 Years
Non-Proprietary Funds:		
Templeton Global Bond Fund	80,443,107	2.5 Years

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments in foreign securities. Certain Direct Plan investment options allocate assets to underlying mutual funds that are exposed to foreign currency risk. At June 30, 2012, the value of investments in underlying mutual funds that primarily invest in foreign securities are as follows:

<u>Investment</u>	<u>Market Value</u>
TIAA-CREF Funds (Institutional Class):	
International Equity Index Fund	\$267,494,677
Non-Proprietary Funds:	
Artio International Equity Fund II	1,077,078
DFA Emerging Markets Core Equity Portfolio	55,118,685
Templeton Global Bond Fund	80,443,107
Thornburg International Value Fund	1,718,317

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- Direct Plan ("Direct Plan"). It shows financial information relating to the investment options, which are included in the Direct Plan during the period ended June 30, 2012.

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM- DIRECT PLAN
STATEMENTS OF ASSETS AND LIABILITIES
JUNE 30, 2012**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Inflation-Linked Bond Fund	\$ 158,292	\$ 157,514	\$ 246,502	\$ 299,483	\$ 377,690	\$ 234,989	\$ 1,474,470
Equity Index Fund	536,826	298,646	244,097	223,212	168,988	–	1,471,769
International Equity Index Fund	388,929	213,892	173,108	157,140	123,171	–	1,056,240
Money Market Fund	–	–	–	275,231	850,242	1,016,193	2,141,666
Real Estate Securities Fund	129,225	71,855	58,674	54,207	40,732	–	354,693
Short-Term Bond Fund	–	–	–	188,132	578,640	687,245	1,454,017
Bond Index Fund	502,707	499,225	780,301	944,201	1,201,630	755,245	4,683,309
SUBTOTAL	<u>1,715,979</u>	<u>1,241,132</u>	<u>1,502,682</u>	<u>2,141,606</u>	<u>3,341,093</u>	<u>2,693,672</u>	<u>12,636,164</u>
Non-Proprietary Funds:							
DFA Emerging Markets Core Equity Portfolio	94,352	52,121	42,004	38,245	30,066	–	256,788
Templeton Global Bond Fund	114,011	113,504	176,073	210,688	271,632	173,684	1,059,592
SUBTOTAL	<u>208,363</u>	<u>165,625</u>	<u>218,077</u>	<u>248,933</u>	<u>301,698</u>	<u>173,684</u>	<u>1,316,380</u>
TOTAL INVESTMENTS	<u>1,924,342</u>	<u>1,406,757</u>	<u>1,720,759</u>	<u>2,390,539</u>	<u>3,642,791</u>	<u>2,867,356</u>	<u>13,952,544</u>
Cash	–	–	–	–	–	–	–
Dividends and interest receivable	3,531	3,312	4,990	6,403	8,345	5,242	31,823
Receivable from securities transactions	–	–	–	–	–	9,877	9,877
Receivable from Plan units sold	1,633	2,590	6,565	3,590	3,693	1,675	19,746
TOTAL ASSETS	<u>1,929,506</u>	<u>1,412,659</u>	<u>1,732,314</u>	<u>2,400,532</u>	<u>3,654,829</u>	<u>2,884,150</u>	<u>14,013,990</u>
LIABILITIES							
Accrued Plan management fee	273	203	252	373	530	346	1,977
Accrued state trustee fee	15	11	14	21	29	19	109
Payable for securities transactions	4,814	5,717	11,045	9,878	11,735	5,242	48,431
Payable for Plan units redeemed	–	–	–	–	–	11,102	11,102
TOTAL LIABILITIES	<u>5,102</u>	<u>5,931</u>	<u>11,311</u>	<u>10,272</u>	<u>12,294</u>	<u>16,709</u>	<u>61,619</u>
NET ASSETS	<u>\$ 1,924,404</u>	<u>\$ 1,406,728</u>	<u>\$ 1,721,003</u>	<u>\$ 2,390,260</u>	<u>\$ 3,642,535</u>	<u>\$ 2,867,441</u>	<u>\$ 13,952,371</u>
UNITS OUTSTANDING	<u>178,949</u>	<u>130,005</u>	<u>157,757</u>	<u>222,919</u>	<u>342,740</u>	<u>274,050</u>	
NET ASSET VALUE PER UNIT	<u>\$ 10.75</u>	<u>\$ 10.82</u>	<u>\$ 10.91</u>	<u>\$ 10.72</u>	<u>\$ 10.63</u>	<u>\$ 10.46</u>	
INVESTMENTS AT COST	<u>\$ 1,865,393</u>	<u>\$ 1,350,561</u>	<u>\$ 1,650,655</u>	<u>\$ 2,323,034</u>	<u>\$ 3,581,810</u>	<u>\$ 2,847,318</u>	<u>\$ 13,618,771</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
STATEMENTS OF ASSETS AND LIABILITIES
JUNE 30, 2012**

**Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Inflation-Linked Bond Fund	\$ 1,021,421	\$ 9,295,538	\$ 21,604,681	\$ 26,822,853	\$ 22,966,469	\$ 13,185,039	\$ 94,896,001
Equity Index Fund	10,861,529	29,979,586	50,389,942	40,291,109	32,012,322	16,158,397	179,692,885
International Equity Index Fund	7,504,213	23,218,314	31,394,225	26,081,302	20,574,703	10,716,943	119,489,700
Money Market Fund	-	-	-	-	24,318,222	43,009,158	67,327,380
Real Estate Securities Fund	2,722,961	6,448,976	10,607,464	9,060,361	7,126,642	4,015,441	39,981,845
Short-Term Bond Fund	-	-	-	-	16,526,702	29,590,647	46,117,349
Bond Index Fund	3,572,648	23,192,489	65,151,339	80,510,472	69,993,431	38,920,046	281,340,425
SUBTOTAL	<u>25,682,772</u>	<u>92,134,903</u>	<u>179,147,651</u>	<u>182,766,097</u>	<u>193,518,491</u>	<u>155,595,671</u>	<u>828,845,585</u>
Non-Proprietary Funds:							
DFA Emerging Markets Core Equity Portfolio	1,541,715	4,558,177	7,077,578	5,890,101	4,563,563	2,487,346	26,118,480
Templeton Global Bond Fund	552,315	5,218,002	14,471,942	17,913,143	15,369,380	8,700,586	62,225,368
SUBTOTAL	<u>2,094,030</u>	<u>9,776,179</u>	<u>21,549,520</u>	<u>23,803,244</u>	<u>19,932,943</u>	<u>11,187,932</u>	<u>88,343,848</u>
TOTAL INVESTMENTS	<u>27,776,802</u>	<u>101,911,082</u>	<u>200,697,171</u>	<u>206,569,341</u>	<u>213,451,434</u>	<u>166,783,603</u>	<u>917,189,433</u>
Cash	-	35	1,165	8	15	14	1,237
Dividends and interest receivable	30,797	194,410	454,911	545,575	492,138	303,322	2,021,153
Receivable from securities transactions	-	-	-	-	-	32,344	32,344
Receivable from Plan units sold	26,746	37,924	90,676	112,760	67,107	240,670	575,883
TOTAL ASSETS	<u>27,834,345</u>	<u>102,143,451</u>	<u>201,243,923</u>	<u>207,227,684</u>	<u>214,010,694</u>	<u>167,359,953</u>	<u>919,820,050</u>
LIABILITIES							
Accrued Plan management fee	4,303	15,206	29,834	30,019	31,128	22,663	133,153
Accrued state trustee fee	239	845	1,657	1,668	1,729	1,259	7,397
Payable for securities transactions	54,572	221,558	520,553	633,868	512,119	303,322	2,245,992
Payable for Plan units redeemed	-	900	8,154	5,499	21,900	252,819	289,272
TOTAL LIABILITIES	<u>59,114</u>	<u>238,509</u>	<u>560,198</u>	<u>671,054</u>	<u>566,876</u>	<u>580,063</u>	<u>2,675,814</u>
NET ASSETS	<u>\$ 27,775,231</u>	<u>\$ 101,904,942</u>	<u>\$ 200,683,725</u>	<u>\$ 206,556,630</u>	<u>\$ 213,443,818</u>	<u>\$ 166,779,890</u>	<u>\$ 917,144,236</u>
UNITS OUTSTANDING	<u>1,832,246</u>	<u>7,336,224</u>	<u>13,386,067</u>	<u>13,207,185</u>	<u>14,053,302</u>	<u>11,164,446</u>	
NET ASSET VALUE PER UNIT	<u>\$ 15.16</u>	<u>\$ 13.89</u>	<u>\$ 14.99</u>	<u>\$ 15.64</u>	<u>\$ 15.19</u>	<u>\$ 14.94</u>	
INVESTMENTS AT COST	<u>\$ 21,515,346</u>	<u>\$ 89,725,630</u>	<u>\$ 181,931,220</u>	<u>\$ 192,456,229</u>	<u>\$ 201,425,391</u>	<u>\$ 157,397,305</u>	<u>\$ 844,451,121</u>

Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option

	Ages 0-3	Ages 4-7	Ages 8-11	Ages 12-14	Ages 15-17	Ages 18 & Over	Total
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Inflation-Linked Bond Fund	\$ -	\$ 1,218,109	\$ 2,115,816	\$ 1,879,979	\$ 2,120,233	\$ 964,244	\$ 8,298,381
Equity Index Fund	8,938,723	13,118,806	9,946,722	6,395,233	4,211,757	1,283,634	43,894,875
International Equity Index Fund	7,063,206	10,329,337	7,587,766	4,247,163	2,839,603	869,477	32,936,552
Money Market Fund	-	-	-	-	-	1,293,585	1,293,585
Real Estate Securities Fund	2,106,031	3,653,954	2,700,785	1,628,327	1,084,088	337,048	11,510,233
Short-Term Bond Fund	-	-	-	-	-	876,687	876,687
Bond Index Fund	-	3,387,157	6,166,851	5,769,733	5,824,082	2,648,346	23,796,169
SUBTOTAL	<u>18,107,960</u>	<u>31,707,363</u>	<u>28,517,940</u>	<u>19,920,435</u>	<u>16,079,763</u>	<u>8,273,021</u>	<u>122,606,482</u>
Non-Proprietary Funds:							
DFA Emerging Markets Core Equity Portfolio	1,287,107	2,165,101	1,577,666	869,797	611,517	208,514	6,719,702
Templeton Global Bond Fund	-	498,894	1,375,140	1,289,752	1,241,289	592,979	4,998,054
SUBTOTAL	<u>1,287,107</u>	<u>2,663,995</u>	<u>2,952,806</u>	<u>2,159,549</u>	<u>1,852,806</u>	<u>801,493</u>	<u>11,717,756</u>
TOTAL INVESTMENTS	<u>19,395,067</u>	<u>34,371,358</u>	<u>31,470,746</u>	<u>22,079,984</u>	<u>17,932,569</u>	<u>9,074,514</u>	<u>134,324,238</u>
Cash	-	25	-	70	-	-	95
Dividends and interest receivable	7,673	35,931	49,983	41,926	43,280	20,052	198,845
Receivable from Plan units sold	16,875	25,912	14,709	9,161	5,303	21,544	93,504
TOTAL ASSETS	<u>19,419,615</u>	<u>34,433,226</u>	<u>31,535,438</u>	<u>22,131,141</u>	<u>17,981,152</u>	<u>9,116,110</u>	<u>134,616,682</u>
LIABILITIES							
Accrued Plan management fee	2,982	4,738	4,533	3,133	2,526	1,201	19,113
Accrued state trustee fee	166	263	252	174	140	67	1,062
Payable for securities transactions	22,100	58,325	62,015	49,731	45,629	20,854	258,654
Payable for Plan units redeemed	-	-	-	-	1,001	19,815	20,816
TOTAL LIABILITIES	<u>25,248</u>	<u>63,326</u>	<u>66,800</u>	<u>53,038</u>	<u>49,296</u>	<u>41,937</u>	<u>299,645</u>
NET ASSETS	<u>\$ 19,394,367</u>	<u>\$ 34,369,900</u>	<u>\$ 31,468,638</u>	<u>\$ 22,078,103</u>	<u>\$ 17,931,856</u>	<u>\$ 9,074,173</u>	<u>\$ 134,317,037</u>
UNITS OUTSTANDING	<u>2,008,207</u>	<u>3,442,375</u>	<u>2,956,378</u>	<u>1,993,200</u>	<u>1,581,885</u>	<u>797,792</u>	
NET ASSET VALUE PER UNIT	<u>\$ 9.66</u>	<u>\$ 9.98</u>	<u>\$ 10.64</u>	<u>\$ 11.08</u>	<u>\$ 11.34</u>	<u>\$ 11.37</u>	
INVESTMENTS AT COST	<u>\$ 15,506,689</u>	<u>\$ 31,625,353</u>	<u>\$ 28,834,748</u>	<u>\$ 20,252,147</u>	<u>\$ 16,711,336</u>	<u>\$ 8,601,555</u>	<u>\$ 121,531,828</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
STATEMENTS OF ASSETS AND LIABILITIES
JUNE 30, 2012**

	High Equity Option	Equity Index Option	Active Equity Option	Index Fixed- Income Option	Active Fixed- Income Option	Social Choice Option	Money Market Option
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Inflation-Linked Bond Fund	\$ 11,320,488	\$ -	\$ -	\$ -	\$ 9,552,396	\$ -	\$ -
Equity Index Fund	-	49,890,111	-	-	-	-	-
International Equity Index Fund	74,615,519	39,396,666	-	-	-	-	-
Bond Fund	32,618,075	-	-	-	24,265,237	-	-
Money Market Fund	-	-	-	-	-	-	16,179,646
S&P 500 Index Fund	78,021,178	-	-	-	-	-	-
Mid-Cap Growth Fund	8,060,476	-	96,132	-	-	-	-
Growth and Income Fund	-	-	1,477,736	-	-	-	-
Mid-Cap Value Fund	8,428,248	-	96,409	-	-	-	-
Bond Index Fund	-	-	-	4,592,170	-	-	-
Large-Cap Value Fund	-	-	673,766	-	-	-	-
High-Yield Fund	-	-	-	-	4,284,625	-	-
Social Choice Equity Fund	-	-	-	-	-	7,081,444	-
SUBTOTAL	<u>213,063,984</u>	<u>89,286,777</u>	<u>2,344,043</u>	<u>4,592,170</u>	<u>38,102,258</u>	<u>7,081,444</u>	<u>16,179,646</u>
TIAA-CREF Mutual Funds (Retail Class):							
Money Market Fund	-	-	-	-	-	-	-
Non-Proprietary Funds:							
Artio International Equity Fund II	-	-	1,077,078	-	-	-	-
DFA Emerging Markets Core Equity Portfolio	13,861,020	8,162,695	-	-	-	-	-
GE Institutional Small-Cap Equity Fund	9,449,221	-	263,013	-	-	-	-
T. Rowe Price Inst. Large-Cap Growth Fund	-	-	693,338	-	-	-	-
Templeton Global Bond Fund	5,820,150	-	-	-	6,339,943	-	-
Thornburg International Value fund	-	-	1,718,317	-	-	-	-
SUBTOTAL	<u>29,130,391</u>	<u>8,162,695</u>	<u>3,751,746</u>	<u>-</u>	<u>6,339,943</u>	<u>-</u>	<u>-</u>
TIAA-CREF Life Insurance Company:							
Funding Agreement	-	-	-	-	-	-	-
TOTAL INVESTMENTS	<u>242,194,375</u>	<u>97,449,472</u>	<u>6,095,789</u>	<u>4,592,170</u>	<u>44,442,201</u>	<u>7,081,444</u>	<u>16,179,646</u>
Cash	-	-	6	-	-	30	-
Dividends and interest receivable	230,650	-	4,973	7,719	209,134	-	578
Receivable from securities transactions	186,733	14,518	-	-	-	-	-
Receivable from Plan units sold	87,426	30,101	4,269	73,602	84,890	7,906	14,764
TOTAL ASSETS	<u>242,699,184</u>	<u>97,494,091</u>	<u>6,105,037</u>	<u>4,673,491</u>	<u>44,736,225</u>	<u>7,089,380</u>	<u>16,194,988</u>
LIABILITIES							
Accrued Plan management fee	34,679	13,788	864	660	6,494	1,010	578
Accrued state trustee fee	1,927	766	48	37	361	56	-
Payable for securities transactions	230,650	-	8,693	20,582	259,371	6,449	13,329
Payable for Plan units redeemed	263,662	37,818	-	60,593	29,504	-	-
TOTAL LIABILITIES	<u>530,918</u>	<u>52,372</u>	<u>9,605</u>	<u>81,872</u>	<u>295,730</u>	<u>7,515</u>	<u>13,907</u>
NET ASSETS	<u>\$ 242,168,266</u>	<u>\$ 97,441,719</u>	<u>\$ 6,095,432</u>	<u>\$ 4,591,619</u>	<u>\$ 44,440,495</u>	<u>\$ 7,081,865</u>	<u>\$ 16,181,081</u>
UNITS OUTSTANDING	<u>17,564,695</u>	<u>8,936,806</u>	<u>600,864</u>	<u>423,447</u>	<u>3,107,059</u>	<u>664,033</u>	<u>1,597,562</u>
NET ASSET VALUE PER UNIT	<u>\$ 13.79</u>	<u>\$ 10.90</u>	<u>\$ 10.14</u>	<u>\$ 10.84</u>	<u>\$ 14.30</u>	<u>\$ 10.66</u>	<u>\$ 10.13</u>
INVESTMENTS AT COST	<u>\$ 231,462,268</u>	<u>\$ 91,278,076</u>	<u>\$ 6,155,521</u>	<u>\$ 4,475,141</u>	<u>\$ 41,813,944</u>	<u>\$ 6,239,102</u>	<u>\$ 16,179,646</u>

Principal Plus Interest Option	Administrative Account	Total
\$ -	\$ -	20,872,884
-	-	49,890,111
-	-	114,012,185
-	-	56,883,312
-	-	16,179,646
-	-	78,021,178
-	-	8,156,608
-	-	1,477,736
-	-	8,524,657
-	-	4,592,170
-	-	673,766
-	-	4,284,625
-	-	7,081,444
<u>-</u>	<u>-</u>	<u>370,650,322</u>
-	635,494	635,494
-	-	1,077,078
-	-	22,023,715
-	-	9,712,234
-	-	693,338
-	-	12,160,093
-	-	1,718,317
<u>-</u>	<u>-</u>	<u>47,384,775</u>
<u>211,245,848</u>	<u>-</u>	<u>211,245,848</u>
211,245,848	635,494	629,916,439
-	-	36
-	-	453,054
-	-	201,251
251,951	-	554,909
<u>211,497,799</u>	<u>635,494</u>	<u>631,125,689</u>
-	-	58,073
-	-	3,195
58,365	-	597,439
193,586	-	585,163
<u>251,951</u>	<u>-</u>	<u>1,243,870</u>
<u>\$ 211,245,848</u>	<u>\$ 635,494</u>	<u>\$ 629,881,819</u>
<u>14,467,080</u>	<u>-</u>	
<u>14.60</u>	<u>-</u>	
<u>\$ 211,245,848</u>	<u>\$ 635,494</u>	<u>\$ 609,485,040</u>

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**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	Ages 0-3	Ages 4-7	Ages 8-11	Ages 12-14	Ages 15-17	Ages 18 & Over	Total
INVESTMENT INCOME							
Dividends from underlying funds	\$ 26,640	\$ 24,223	\$ 37,899	\$ 42,855	\$ 42,954	\$ 23,007	\$ 197,578
TOTAL INCOME	<u>26,640</u>	<u>24,223</u>	<u>37,899</u>	<u>42,855</u>	<u>42,954</u>	<u>23,007</u>	<u>197,578</u>
EXPENSES							
Plan management fee	2,152	1,732	2,436	3,238	3,777	2,332	15,667
Administrative fee	120	96	135	180	210	130	871
TOTAL EXPENSES	<u>2,272</u>	<u>1,828</u>	<u>2,571</u>	<u>3,418</u>	<u>3,987</u>	<u>2,462</u>	<u>16,538</u>
NET INVESTMENT INCOME (LOSS)	<u>24,368</u>	<u>22,395</u>	<u>35,328</u>	<u>39,437</u>	<u>38,967</u>	<u>20,545</u>	<u>181,040</u>
REALIZED AND UNREALIZED							
GAIN (LOSS) ON INVESTMENTS							
Net realized gain (loss) on investments in underlying fund shares	(13,516)	(10,536)	(19,933)	(20,127)	(13,440)	(2,783)	(80,335)
Realized gain distributions from underlying mutual funds	484	562	1,214	2,005	2,608	2,279	9,152
Net realized gain (loss) on total investments	<u>(13,032)</u>	<u>(9,974)</u>	<u>(18,719)</u>	<u>(18,122)</u>	<u>(10,832)</u>	<u>(504)</u>	<u>(71,183)</u>
Net change in unrealized appreciation (depreciation) on investments in underlying fund shares	<u>44,916</u>	<u>48,180</u>	<u>65,202</u>	<u>57,734</u>	<u>51,230</u>	<u>18,012</u>	<u>285,274</u>
NET REALIZED AND UNREALIZED	<u>31,884</u>	<u>38,206</u>	<u>46,483</u>	<u>39,612</u>	<u>40,398</u>	<u>17,508</u>	<u>214,091</u>
GAIN (LOSS) ON INVESTMENTS	<u>31,884</u>	<u>38,206</u>	<u>46,483</u>	<u>39,612</u>	<u>40,398</u>	<u>17,508</u>	<u>214,091</u>
NET INCREASE (DECREASE)							
IN NET ASSETS							
FROM OPERATIONS	<u>\$ 56,252</u>	<u>\$ 60,601</u>	<u>\$ 81,811</u>	<u>\$ 79,049</u>	<u>\$ 79,365</u>	<u>\$ 38,053</u>	<u>\$ 395,131</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

**Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
INVESTMENT INCOME							
Dividends from underlying funds	\$ 639,776	\$ 2,434,507	\$ 5,011,579	\$ 4,935,220	\$ 4,437,465	\$ 2,540,651	\$ 19,999,198
TOTAL INCOME	<u>639,776</u>	<u>2,434,507</u>	<u>5,011,579</u>	<u>4,935,220</u>	<u>4,437,465</u>	<u>2,540,651</u>	<u>19,999,198</u>
EXPENSES							
Plan management fee	53,339	187,525	365,859	347,300	359,203	253,405	1,566,631
Administrative fee	2,963	10,418	20,326	19,294	19,956	14,078	87,035
TOTAL EXPENSES	<u>56,302</u>	<u>197,943</u>	<u>386,185</u>	<u>366,594</u>	<u>379,159</u>	<u>267,483</u>	<u>1,653,666</u>
NET INVESTMENT INCOME (LOSS)	<u>583,474</u>	<u>2,236,564</u>	<u>4,625,394</u>	<u>4,568,626</u>	<u>4,058,306</u>	<u>2,273,168</u>	<u>18,345,532</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS							
Net realized gain (loss) on investments in underlying fund shares	(189,748)	(266,556)	(1,726,296)	(707,127)	(444,063)	(498,336)	(3,832,126)
Realized gain distributions from underlying mutual funds	5,168	44,052	115,738	128,235	188,630	178,371	660,194
Net realized gain (loss) on total investments	<u>(184,580)</u>	<u>(222,504)</u>	<u>(1,610,558)</u>	<u>(578,892)</u>	<u>(255,433)</u>	<u>(319,965)</u>	<u>(3,171,932)</u>
Net change in unrealized appreciation (depreciation) on investments in underlying fund shares	<u>(855,205)</u>	<u>(2,068,739)</u>	<u>(173,662)</u>	<u>934,227</u>	<u>1,333,721</u>	<u>967,933</u>	<u>138,275</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	<u>(1,039,785)</u>	<u>(2,291,243)</u>	<u>(1,784,220)</u>	<u>355,335</u>	<u>1,078,288</u>	<u>647,968</u>	<u>(3,033,657)</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ (456,311)</u>	<u>\$ (54,679)</u>	<u>\$ 2,841,174</u>	<u>\$ 4,923,961</u>	<u>\$ 5,136,594</u>	<u>\$ 2,921,136</u>	<u>\$ 15,311,875</u>

Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option

	Ages 0-3	Ages 4-7	Ages 8-11	Ages 12-14	Ages 15-17	Ages 18 & Over	Total
INVESTMENT INCOME							
Dividends from underlying funds	\$ 411,581	\$ 526,770	\$ 606,896	\$ 438,966	\$ 357,528	\$ 144,340	\$ 2,486,081
TOTAL INCOME	<u>411,581</u>	<u>526,770</u>	<u>606,896</u>	<u>438,966</u>	<u>357,528</u>	<u>144,340</u>	<u>2,486,081</u>
EXPENSES							
Plan management fee	36,744	48,051	48,736	34,394	26,504	12,269	206,698
Administrative fee	2,041	2,669	2,708	1,911	1,472	682	11,483
TOTAL EXPENSES	<u>38,785</u>	<u>50,720</u>	<u>51,444</u>	<u>36,305</u>	<u>27,976</u>	<u>12,951</u>	<u>218,181</u>
NET INVESTMENT INCOME (LOSS)	<u>372,796</u>	<u>476,050</u>	<u>555,452</u>	<u>402,661</u>	<u>329,552</u>	<u>131,389</u>	<u>2,267,900</u>
REALIZED AND UNREALIZED							
GAIN (LOSS) ON INVESTMENTS							
Net realized gain (loss) on investments in underlying fund shares	(343,263)	(122,369)	(201,287)	(125,599)	(53,307)	(36,274)	(882,099)
Realized gain distributions from underlying mutual funds	—	2,862	9,180	8,118	7,749	6,391	34,300
Net realized gain (loss) on total investments	<u>(343,263)</u>	<u>(119,507)</u>	<u>(192,107)</u>	<u>(117,481)</u>	<u>(45,558)</u>	<u>(29,883)</u>	<u>(847,799)</u>
Net change in unrealized appreciation (depreciation) on investments in underlying fund shares	<u>(630,642)</u>	<u>(431,694)</u>	<u>(140,726)</u>	<u>(20,334)</u>	<u>97,508</u>	<u>86,399</u>	<u>(1,039,489)</u>
NET REALIZED AND UNREALIZED							
GAIN (LOSS) ON INVESTMENTS	<u>(973,905)</u>	<u>(551,201)</u>	<u>(332,833)</u>	<u>(137,815)</u>	<u>51,950</u>	<u>56,516</u>	<u>(1,887,288)</u>
NET INCREASE (DECREASE)							
IN NET ASSETS							
FROM OPERATIONS	<u>\$ (601,109)</u>	<u>\$ (75,151)</u>	<u>\$ 222,619</u>	<u>\$ 264,846</u>	<u>\$ 381,502</u>	<u>\$ 187,905</u>	<u>\$ 380,612</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

	High Equity Option	Equity Index Option	Active Equity Option	Index Fixed- Income Option	Active Fixed- Income Option	Social Choice Option
INVESTMENT INCOME						
Interest	\$ 3	\$ —	\$ —	\$ —	\$ —	\$ —
Dividends from underlying funds	5,798,794	1,793,631	66,637	60,534	1,737,215	93,500
TOTAL INCOME	<u>5,798,797</u>	<u>1,793,631</u>	<u>66,637</u>	<u>60,534</u>	<u>1,737,215</u>	<u>93,500</u>
EXPENSES						
Plan management fee	422,042	162,262	8,645	4,870	71,732	10,583
Administrative fee	23,447	9,015	480	271	3,985	588
TOTAL EXPENSES	<u>445,489</u>	<u>171,277</u>	<u>9,125</u>	<u>5,141</u>	<u>75,717</u>	<u>11,171</u>
Less: Fee waived by Plan Manager	—	—	—	—	—	—
Less: Administrative fee waiver	—	—	—	—	—	—
NET EXPENSES	<u>445,489</u>	<u>171,277</u>	<u>9,125</u>	<u>5,141</u>	<u>75,717</u>	<u>11,171</u>
NET INVESTMENT INCOME (LOSS)	<u>5,353,308</u>	<u>1,622,354</u>	<u>57,512</u>	<u>55,393</u>	<u>1,661,498</u>	<u>82,329</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS						
Net realized gain (loss) on investments in underlying fund shares	(1,928,916)	(712,760)	(40,573)	(853)	(52,864)	(13,542)
Realized gain distributions from underlying mutual funds	1,040,688	—	12,584	—	276,579	—
Net realized gain (loss) on total investments	<u>(888,228)</u>	<u>(712,760)</u>	<u>(27,989)</u>	<u>(853)</u>	<u>223,715</u>	<u>(13,542)</u>
Net change in unrealized appreciation (depreciation) on investments in underlying fund shares	(11,728,214)	(5,351,700)	(182,202)	102,407	801,818	28,176
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	<u>(12,616,442)</u>	<u>(6,064,460)</u>	<u>(210,191)</u>	<u>101,554</u>	<u>1,025,533</u>	<u>14,634</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ (7,263,134)</u>	<u>\$ (4,442,106)</u>	<u>\$ (152,679)</u>	<u>\$ 156,947</u>	<u>\$ 2,687,031</u>	<u>\$ 96,963</u>

Money Market Option	Principal Plus Interest Option	Administrative Account	Total
\$ —	\$ 4,684,210	\$ —	\$ 4,684,213
3,418	—	—	9,553,729
<u>3,418</u>	<u>4,684,210</u>	<u>—</u>	<u>14,237,942</u>
24,936	—	—	705,070
1,385	—	—	39,171
<u>26,321</u>	<u>—</u>	<u>—</u>	<u>744,241</u>
(19,798)	—	—	(19,798)
(1,276)	—	—	(1,276)
<u>5,247</u>	<u>—</u>	<u>—</u>	<u>723,167</u>
<u>(1,829)</u>	<u>4,684,210</u>	<u>—</u>	<u>13,514,775</u>
—	—	—	(2,749,508)
—	—	—	1,329,851
<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,419,657)</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>(16,329,715)</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>(17,749,372)</u>
<u>\$ (1,829)</u>	<u>\$ 4,684,210</u>	<u>\$ —</u>	<u>\$ (4,234,597)</u>

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**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
STATEMENTS OF CHANGES IN NET ASSETS
JUNE 30, 2012**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
FROM OPERATIONS							
Net investment income (loss)	\$ 24,368	\$ 22,395	\$ 35,328	\$ 39,437	\$ 38,967	\$ 20,545	\$ 181,040
Net realized gain (loss) on investments	(13,032)	(9,974)	(18,719)	(18,122)	(10,832)	(504)	(71,183)
Net change in unrealized							
appreciation (depreciation) on total investments	<u>44,916</u>	<u>48,180</u>	<u>65,202</u>	<u>57,734</u>	<u>51,230</u>	<u>18,012</u>	<u>285,274</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>56,252</u>	<u>60,601</u>	<u>81,811</u>	<u>79,049</u>	<u>79,365</u>	<u>38,053</u>	<u>395,131</u>
ACCOUNT OWNER TRANSACTIONS							
Subscriptions	1,638,696	1,493,415	2,423,566	2,570,500	4,285,164	3,276,436	15,687,777
Redemptions	<u>(250,153)</u>	<u>(548,959)</u>	<u>(1,142,738)</u>	<u>(1,007,311)</u>	<u>(1,713,798)</u>	<u>(785,882)</u>	<u>(5,448,841)</u>
NET INCREASE (DECREASE) FROM TRANSACTIONS	<u>1,388,543</u>	<u>944,456</u>	<u>1,280,828</u>	<u>1,563,189</u>	<u>2,571,366</u>	<u>2,490,554</u>	<u>10,238,936</u>
NET INCREASE (DECREASE) IN NET ASSETS	1,444,795	1,005,057	1,362,639	1,642,238	2,650,731	2,528,607	10,634,067
NET ASSETS							
Beginning of year	<u>479,609</u>	<u>401,671</u>	<u>358,364</u>	<u>748,022</u>	<u>991,804</u>	<u>338,834</u>	<u>3,318,304</u>
End of year	<u>\$ 1,924,404</u>	<u>\$ 1,406,728</u>	<u>\$ 1,721,003</u>	<u>\$ 2,390,260</u>	<u>\$ 3,642,535</u>	<u>\$ 2,867,441</u>	<u>\$ 13,952,371</u>
UNITS							
Sold	157,899	143,634	230,082	245,943	409,359	316,792	1,503,709
Redeemed	<u>(23,808)</u>	<u>(51,593)</u>	<u>(106,406)</u>	<u>(95,276)</u>	<u>(163,148)</u>	<u>(76,184)</u>	<u>(516,415)</u>
NET INCREASE (DECREASE)	<u>134,091</u>	<u>92,041</u>	<u>123,676</u>	<u>150,667</u>	<u>246,211</u>	<u>240,608</u>	<u>987,294</u>

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
STATEMENTS OF CHANGES IN NET ASSETS
JUNE 30, 2012

Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
FROM OPERATIONS							
Net investment income (loss)	\$ 583,474	\$ 2,236,564	\$ 4,625,394	\$ 4,568,626	\$ 4,058,306	\$ 2,273,168	\$ 18,345,532
Net realized gain (loss) on investments	(184,580)	(222,504)	(1,610,558)	(578,892)	(255,433)	(319,965)	(3,171,932)
Net change in unrealized appreciation (depreciation) on total investments	<u>(855,205)</u>	<u>(2,068,739)</u>	<u>(173,662)</u>	<u>934,227</u>	<u>1,333,721</u>	<u>967,933</u>	<u>138,275</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>(456,311)</u>	<u>(54,679)</u>	<u>2,841,174</u>	<u>4,923,961</u>	<u>5,136,594</u>	<u>2,921,136</u>	<u>15,311,875</u>
ACCOUNT OWNER TRANSACTIONS							
Subscriptions	12,579,164	32,712,259	60,852,489	86,775,112	90,784,451	77,420,024	361,123,499
Redemptions	<u>(15,861,474)</u>	<u>(39,288,517)</u>	<u>(71,161,616)</u>	<u>(74,186,220)</u>	<u>(74,452,202)</u>	<u>(62,891,549)</u>	<u>(337,841,578)</u>
NET INCREASE (DECREASE) FROM TRANSACTIONS	<u>(3,282,310)</u>	<u>(6,576,258)</u>	<u>(10,309,127)</u>	<u>12,588,892</u>	<u>16,332,249</u>	<u>14,528,475</u>	<u>23,281,921</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>(3,738,621)</u>	<u>(6,630,937)</u>	<u>(7,467,953)</u>	<u>17,512,853</u>	<u>21,468,843</u>	<u>17,449,611</u>	<u>38,593,796</u>
NET ASSETS							
Beginning of year	<u>31,513,852</u>	<u>108,535,879</u>	<u>208,151,678</u>	<u>189,043,777</u>	<u>191,974,975</u>	<u>149,330,279</u>	<u>878,550,440</u>
End of year	<u>\$ 27,775,231</u>	<u>\$ 101,904,942</u>	<u>\$ 200,683,725</u>	<u>\$ 206,556,630</u>	<u>\$ 213,443,818</u>	<u>\$ 166,779,890</u>	<u>\$ 917,144,236</u>
UNITS							
Sold	861,377	2,436,547	4,183,697	5,701,492	6,119,837	5,268,065	24,571,015
Redeemed	<u>(1,086,377)</u>	<u>(2,918,572)</u>	<u>(4,881,297)</u>	<u>(4,883,924)</u>	<u>(5,010,164)</u>	<u>(4,309,412)</u>	<u>(23,089,746)</u>
NET INCREASE (DECREASE)	<u>(225,000)</u>	<u>(482,025)</u>	<u>(697,600)</u>	<u>817,568</u>	<u>1,109,673</u>	<u>958,653</u>	<u>1,481,269</u>

Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
FROM OPERATIONS							
Net investment income (loss)	\$ 372,796	\$ 476,050	\$ 555,452	\$ 402,661	\$ 329,552	\$ 131,389	\$ 2,267,900
Net realized gain (loss) on investments	(343,263)	(119,507)	(192,107)	(117,481)	(45,558)	(29,883)	(847,799)
Net change in unrealized							
appreciation (depreciation) on total investments	<u>(630,642)</u>	<u>(431,694)</u>	<u>(140,726)</u>	<u>(20,334)</u>	<u>97,508</u>	<u>86,399</u>	<u>(1,039,489)</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>(601,109)</u>	<u>(75,151)</u>	<u>222,619</u>	<u>264,846</u>	<u>381,502</u>	<u>187,905</u>	<u>380,612</u>
ACCOUNT OWNER TRANSACTIONS							
Subscriptions	9,383,557	17,766,210	14,637,194	11,908,611	9,870,183	5,211,805	68,777,560
Redemptions	<u>(10,515,132)</u>	<u>(6,797,068)</u>	<u>(7,456,926)</u>	<u>(7,943,022)</u>	<u>(5,125,376)</u>	<u>(2,639,222)</u>	<u>(40,476,746)</u>
NET INCREASE (DECREASE) FROM TRANSACTIONS	<u>(1,131,575)</u>	<u>10,969,142</u>	<u>7,180,268</u>	<u>3,965,589</u>	<u>4,744,807</u>	<u>2,572,583</u>	<u>28,300,814</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>(1,732,684)</u>	<u>10,893,991</u>	<u>7,402,887</u>	<u>4,230,435</u>	<u>5,126,309</u>	<u>2,760,488</u>	<u>28,681,426</u>
NET ASSETS							
Beginning of year	<u>21,127,051</u>	<u>23,475,909</u>	<u>24,065,751</u>	<u>17,847,668</u>	<u>12,805,547</u>	<u>6,313,685</u>	<u>105,635,611</u>
End of year	<u>\$ 19,394,367</u>	<u>\$ 34,369,900</u>	<u>\$ 31,468,638</u>	<u>\$ 22,078,103</u>	<u>\$ 17,931,856</u>	<u>\$ 9,074,173</u>	<u>\$ 134,317,037</u>
UNITS							
Sold	1,015,800	1,839,231	1,424,846	1,106,823	896,138	467,581	6,750,419
Redeemed	<u>(1,124,969)</u>	<u>(707,941)</u>	<u>(723,596)</u>	<u>(736,804)</u>	<u>(465,014)</u>	<u>(237,971)</u>	<u>(3,996,295)</u>
NET INCREASE (DECREASE)	<u>(109,169)</u>	<u>1,131,290</u>	<u>701,250</u>	<u>370,019</u>	<u>431,124</u>	<u>229,610</u>	<u>2,754,124</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM - DIRECT PLAN
STATEMENTS OF CHANGES IN NET ASSETS
JUNE 30, 2012**

	High Equity Option	Equity Index Option	Active Equity Option	Index Fixed- Income Option	Active Fixed- Income Option	Social Choice Option
FROM OPERATIONS						
Net investment income (loss)	\$ 5,353,308	\$ 1,622,354	\$ 57,512	\$ 55,393	\$ 1,661,498	\$ 82,329
Net realized gain (loss) on investments	(888,228)	(712,760)	(27,989)	(853)	223,715	(13,542)
Net change in unrealized appreciation (depreciation) on total investments	<u>(11,728,214)</u>	<u>(5,351,700)</u>	<u>(182,202)</u>	<u>102,407</u>	<u>801,818</u>	<u>28,176</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>(7,263,134)</u>	<u>(4,442,106)</u>	<u>(152,679)</u>	<u>156,947</u>	<u>2,687,031</u>	<u>96,963</u>
ACCOUNT OWNER TRANSACTIONS						
Subscriptions	27,794,927	19,622,308	3,387,526	3,673,676	13,581,941	2,092,359
Redemptions	<u>(28,970,860)</u>	<u>(9,700,233)</u>	<u>(829,503)</u>	<u>(446,348)</u>	<u>(8,928,971)</u>	<u>(392,141)</u>
NET INCREASE (DECREASE) FROM TRANSACTIONS	<u>(1,175,933)</u>	<u>9,922,075</u>	<u>2,558,023</u>	<u>3,227,328</u>	<u>4,652,970</u>	<u>1,700,218</u>
NET INCREASE (DECREASE) IN NET ASSETS	(8,439,067)	5,479,969	2,405,344	3,384,275	7,340,001	1,797,181
NET ASSETS						
Beginning of year	<u>250,607,333</u>	<u>91,961,750</u>	<u>3,690,088</u>	<u>1,207,344</u>	<u>37,100,494</u>	<u>5,284,684</u>
End of year	<u>\$ 242,168,266</u>	<u>\$ 97,441,719</u>	<u>\$ 6,095,432</u>	<u>\$ 4,591,619</u>	<u>\$ 44,440,495</u>	<u>\$ 7,081,865</u>
UNITS						
Sold	2,075,714	1,860,681	345,479	346,005	981,820	203,301
Redeemed	<u>(2,163,988)</u>	<u>(910,592)</u>	<u>(82,098)</u>	<u>(41,864)</u>	<u>(648,777)</u>	<u>(38,520)</u>
NET INCREASE (DECREASE)	<u>(88,274)</u>	<u>950,089</u>	<u>263,381</u>	<u>304,141</u>	<u>333,043</u>	<u>164,781</u>

Money Market Option	Principal Plus Interest Option	Administrative Account	Total
\$ (1,829)	\$ 4,684,210	\$ —	\$ 13,514,775
—	—	—	(1,419,657)
—	—	—	(16,329,715)
(1,829)	4,684,210	—	(4,234,597)
9,457,465	61,797,815	159,475	141,567,492
(6,163,498)	(48,790,708)	(52,157)	(104,274,419)
3,293,967	13,007,107	107,318	37,293,073
3,292,138	17,691,317	107,318	33,058,476
12,888,943	193,554,531	528,176	596,823,343
<u>\$ 16,181,081</u>	<u>\$ 211,245,848</u>	<u>\$ 635,494</u>	<u>\$ 629,881,819</u>
933,610	4,283,773	159,475	11,189,858
(608,440)	(3,390,759)	(52,157)	(7,937,195)
<u>325,170</u>	<u>893,014</u>	<u>107,318</u>	<u>3,252,663</u>

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM- DIRECT PLAN
FINANCIAL HIGHLIGHTS
JUNE 30, 2012**

**Conservative Managed Allocation Option
Age Bands Within the Conservative Managed Allocation Option**

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net asset value, beginning of year	\$ 10.69	\$ 10.58	\$ 10.52	\$ 10.35	\$ 10.27	\$ 10.13
Gain (loss) from investment operations:						
Net investment income(a)	0.21	0.25	0.28	0.23	0.19	0.16
Net realized and unrealized gain (loss) on investments	<u>(0.15)</u>	<u>(0.01)</u>	<u>0.11</u>	<u>0.14</u>	<u>0.17</u>	<u>0.17</u>
Total gain from investment operations	<u>0.06</u>	<u>0.24</u>	<u>0.39</u>	<u>0.37</u>	<u>0.36</u>	<u>0.33</u>
Net asset value, end of year	<u>\$ 10.75</u>	<u>\$ 10.82</u>	<u>\$ 10.91</u>	<u>\$ 10.72</u>	<u>\$ 10.63</u>	<u>\$ 10.46</u>
 TOTAL RETURN	 <u>0.56%</u>	 <u>2.27%</u>	 <u>3.71%</u>	 <u>3.57%</u>	 <u>3.51%</u>	 <u>3.26%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net assets at end of period (in thousands)	\$ 1,924	\$ 1,407	\$ 1,721	\$ 2,390	\$ 3,643	\$ 2,867
Ratio of expenses to average net assets(b)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
Ratio of net investment income to average net assets	2.04%	2.33%	2.61%	2.19%	1.86%	1.59%

(a) Based on average units outstanding.

(b) Does not include expenses on Plan investments in the TIAA-CREF Funds and the Non-Proprietary Funds.

Moderate Managed Allocation Option
Age Bands Within the Moderate Managed Allocation Option

	<u>Ages 0-3</u>	<u>Ages 4-7</u>	<u>Ages 8-11</u>	<u>Ages 12-14</u>	<u>Ages 15-17</u>	<u>Ages 18 & Over</u>
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net asset value, beginning of year	\$ 15.32	\$ 13.88	\$ 14.78	\$ 15.26	\$ 14.83	\$ 14.63
Gain (loss) from investment operations:						
Net investment income(a)	0.29	0.29	0.33	0.36	0.30	0.24
Net realized and unrealized gain (loss) on investments	<u>(0.45)</u>	<u>(0.28)</u>	<u>(0.12)</u>	<u>0.02</u>	<u>0.06</u>	<u>0.07</u>
Total gain (loss) from investment operations	<u>(0.16)</u>	<u>0.01</u>	<u>0.21</u>	<u>0.38</u>	<u>0.36</u>	<u>0.31</u>
Net asset value, end of year	<u>\$ 15.16</u>	<u>\$ 13.89</u>	<u>\$ 14.99</u>	<u>\$ 15.64</u>	<u>\$ 15.19</u>	<u>\$ 14.94</u>
 TOTAL RETURN	 <u>(1.04)%</u>	 <u>0.07%</u>	 <u>1.42%</u>	 <u>2.49%</u>	 <u>2.43%</u>	 <u>2.12%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net assets at end of period (in thousands)	\$ 27,775	\$ 101,905	\$ 200,684	\$ 206,557	\$ 213,444	\$ 166,780
Ratio of expenses to average net assets(b)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
Ratio of net investment income to average net assets	1.97%	2.15%	2.28%	2.37%	2.03%	1.61%

(a) Based on average units outstanding.

(b) Does not include expenses on Plan investments in the TIAA-CREF Funds and the Non-Proprietary Funds.

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM- DIRECT PLAN
FINANCIAL HIGHLIGHTS
JUNE 30, 2012**

**Aggressive Managed Allocation Option
Age Bands Within the Aggressive Managed Allocation Option**

	Ages 0-3	Ages 4-7	Ages 8-11	Ages 12-14	Ages 15-17	Ages 18 & Over
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net asset value, beginning of year	\$ 9.98	\$ 10.16	\$ 10.67	\$ 11.00	\$ 11.13	\$ 11.11
Gain (loss) from investment operations:						
Net investment income(a)	0.17	0.17	0.21	0.23	0.25	0.21
Net realized and unrealized gain (loss) on investments	<u>(0.49)</u>	<u>(0.35)</u>	<u>(0.24)</u>	<u>(0.15)</u>	<u>(0.04)</u>	<u>0.05</u>
Total gain (loss) from investment operations	<u>(0.32)</u>	<u>(0.18)</u>	<u>(0.03)</u>	<u>0.08</u>	<u>0.21</u>	<u>0.26</u>
Net asset value, end of year	<u>\$ 9.66</u>	<u>\$ 9.98</u>	<u>\$ 10.64</u>	<u>\$ 11.08</u>	<u>\$ 11.34</u>	<u>\$ 11.37</u>
 TOTAL RETURN	 <u>(3.21)%</u>	 <u>(1.77)%</u>	 <u>(0.28)%</u>	 <u>0.73%</u>	 <u>1.89%</u>	 <u>2.34%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net assets at end of period (in thousands)	\$ 19,394	\$ 34,370	\$ 31,469	\$ 22,078	\$ 17,932	\$ 9,074
Ratio of expenses to average net assets(b)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
Ratio of net investment income to average net assets	1.83%	1.78%	2.05%	2.11%	2.24%	1.93%

(a) Based on average units outstanding.

(b) Does not include expenses on Plan investments in the TIAA-CREF Funds and the Non-Proprietary Funds.

	High Equity Option	Equity Index Option	Active Equity Option	Index Fixed- Income Option	Active Fixed- Income Option	Social Choice Option	Money Market Option	Principal Plus Interest Option
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR								
Net asset value, beginning of year	\$ 14.20	\$ 11.51	\$ 10.93	\$ 10.12	\$ 13.37	\$ 10.59	\$ 10.13	\$ 14.26
Gain (loss) from investment operations:								
Net investment income(a)	0.31	0.19	0.12	0.22	0.58	0.14	—	0.34
Net realized and unrealized gain (loss) on investments	(0.72)	(0.80)	(0.91)	0.50	0.35	(0.07)	—	—
Total gain (loss) from investment operations	(0.41)	(0.61)	(0.79)	0.72	0.93	0.07	—	0.34
Net asset value, end of year	<u>\$ 13.79</u>	<u>\$ 10.90</u>	<u>\$ 10.14</u>	<u>\$ 10.84</u>	<u>\$ 14.30</u>	<u>\$ 10.66</u>	<u>\$ 10.13</u>	<u>\$ 14.60</u>
 TOTAL RETURN	 <u>(2.89)%</u>	 <u>(5.30)%</u>	 <u>(7.23)%</u>	 <u>7.11%</u>	 <u>6.96%</u>	 <u>0.66%</u>	 <u>—%</u>	 <u>2.38%</u>
RATIOS AND SUPPLEMENTAL DATA								
Net assets at end of period (in thousands)	\$ 242,168	\$ 97,442	\$ 6,095	\$ 4,592	\$ 44,440	\$ 7,082	\$ 16,181	\$ 211,246
Ratio of expenses to average net assets before expense waiver(b)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	—%
Ratio of expenses to average net assets after expense waiver(b)	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.04%	—%
Ratio of net investment income to average net assets	2.28%	1.80%	1.20%	2.05%	4.17%	1.40%	-0.01%	2.38%

(a) Based on average units outstanding.

(b) Does not include expenses on Plan investments in the TIAA-CREF Funds and the Non-Proprietary Funds.



**Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Trustee of the Connecticut Higher Education Trust Program-Direct Plan:

We have audited the financial statements of the Connecticut Higher Education Trust Program-The Direct Plan (the "Direct Plan") as of and for the year ended June 30, 2012, and have issued our report thereon dated August 23, 2012. Our report included a reference to a change in accounting principles for the year ended June 30, 2012. 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 the Direct Plan's 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 Direct Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Direct Plan's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Direct Plan'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 Direct Plan's management and TIAA-CREF Tuition Financing, Inc. (the "Plan Manager") and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

August 23, 2012

