

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

Financial Statements
Including
Supplemental Information

June 30, 2002



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, 2002 and 2001, 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, 2002, by correspondence with the custodian and others. 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, 2002 and 2001, and the results of its operations and its changes in 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

New York, New York
August 13, 2002

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
STATEMENTS OF FINANCIAL CONDITION

	<u>June 30,</u> <u>2002</u>	<u>June 30,</u> <u>2001</u>
ASSETS		
Investments, at value (cost: \$223,529,360 and \$99,718,757)	\$207,945,735	\$93,827,210
Cash	275,402	497,952
Due from transfer agent	353,345	143,280
Dividends and interest receivable	421,839	218,074
TOTAL ASSETS	<u>\$208,996,321</u>	<u>\$94,686,516</u>
LIABILITIES		
Due to custodian	\$ 49,719	\$ —
Accrued management fee	81,920	231,296
Payable for securities transactions	895,498	523,518
TOTAL LIABILITIES	1,027,137	754,814
PROGRAM EQUITY	<u>207,969,184</u>	<u>93,931,702</u>
TOTAL LIABILITIES AND PROGRAM EQUITY	<u>\$208,996,321</u>	<u>\$94,686,516</u>

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
STATEMENTS OF OPERATIONS

	For the Years Ended	
	June 30,	
	<u>2002</u>	<u>2001</u>
INVESTMENT INCOME		
Income:		
Interest	\$ 491,495	\$ 8,575
Dividends	<u>4,579,109</u>	<u>3,544,747</u>
TOTAL INCOME	<u>5,070,604</u>	<u>3,553,322</u>
Expenses—Note 3:		
Management fee	759,907	411,860
Other expenses of the Trust	<u>50,951</u>	<u>77,750</u>
TOTAL EXPENSES	<u>810,858</u>	<u>489,610</u>
INVESTMENT INCOME—NET	<u>4,259,746</u>	<u>3,063,712</u>
REALIZED AND UNREALIZED LOSS ON INVESTMENTS—Note 4		
Net realized loss on investments	(2,281,120)	(83,852)
Net change in unrealized depreciation on investments	<u>(9,755,078)</u>	<u>(5,960,475)</u>
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS	<u>(12,036,198)</u>	<u>(6,044,327)</u>
OTHER INCOME		
Penalty fees on non-qualified withdrawals	<u>1,214</u>	<u>2,993</u>
NET DECREASE IN PROGRAM EQUITY RESULTING FROM OPERATIONS	<u>\$ (7,775,238)</u>	<u>\$ (2,977,622)</u>

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
STATEMENTS OF CHANGES IN PROGRAM EQUITY

	For the Years Ended June 30,	
	2002	2001
FROM OPERATIONS		
Investment income—net	\$ 4,259,746	\$ 3,063,712
Net realized loss on investments	(2,281,120)	(83,852)
Net change in unrealized depreciation on investments	(9,755,078)	(5,960,475)
Penalty fees on non-qualified withdrawals	1,214	2,993
NET DECREASE IN PROGRAM EQUITY RESULTING FROM OPERATIONS	(7,775,238)	(2,977,622)
FROM ACCOUNT OWNER TRANSACTIONS		
Subscriptions	126,810,454	42,053,586
Redemptions	(4,997,734)	(2,043,408)
NET INCREASE IN PROGRAM EQUITY RESULTING FROM ACCOUNT OWNER TRANSACTIONS	121,812,720	40,010,178
NET INCREASE IN PROGRAM EQUITY	114,037,482	37,032,556
PROGRAM EQUITY:		
Beginning of year	93,931,702	56,899,146
End of year	\$207,969,184	\$93,931,702

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"), 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 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.

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 eleven age bands, based on the age of the beneficiary. Each age band invests in varying percentages in the International Equity, Equity Index, 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 a 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: Through December 31, 2001, penalty fees on non-qualified withdrawals were retained by the Trust and were available for the payment or reimbursement of the direct and indirect expenses of the Trust. Effective January 1, 2002, the Trust no longer retains penalty fees on non-qualified withdrawals; however, the Account Owner may be subject to additional federal income taxes relating to any earnings on non-qualified withdrawals.

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 with respect to the Managed Allocation Option and the High Equity Option, TFI, and related entities, are paid an annual fee of 0.57% of the average daily net assets of the Program, so invested, excluding the assets in the administrative account, plus the specific investment management fees for the underlying investments in the TIAA-CREF Institutional Mutual Funds, the total of which shall not exceed 0.79% of the average daily net assets. No fee is charged on assets in the Principal Plus Interest Option, however, an expense fee is paid to TFI by TIAA-CREF Life Insurance Company for distribution, administrative and other reasonable expenses. Total fees earned by TFI, and related entities, for the year ended June 30, 2002 were \$1,014,656, which includes \$759,907 due directly from the Program and \$254,749 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.

During the year ended June 30, 2002, \$50,951 was withdrawn from the administrative account for reimbursement of expenses of the Trust.

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

NOTES TO FINANCIAL STATEMENTS (concluded)

NOTE 4 — INVESTMENTS

At June 30, 2002, net unrealized depreciation of portfolio investments was \$15,646,625, consisting of gross unrealized appreciation of \$1,494,842 and gross unrealized depreciation of \$17,141,467.

Purchases and sales of portfolio securities, for the year ended June 30, 2002 were \$112,866,078 and \$10,218,345, respectively.

At June 30, 2002, the Program's investments consist of the following:

	<u>COST</u>	<u>VALUE</u>
TIAA-CREF Institutional Mutual Funds:		
International Equity Fund	\$ 18,565,951	\$ 15,996,810
Growth & Income Fund	21,682,478	18,924,051
Equity Index Fund	70,701,035	58,887,136
Bond Fund	72,903,522	74,398,364
Money Market Fund	15,315,357	15,315,357
TIAA-CREF Life Insurance Company:		
Funding Agreement	24,260,808	24,260,808
TIAA-CREF Mutual Funds:		
Money Market Fund*	163,209	163,209
	<u>\$223,592,360</u>	<u>\$207,945,735</u>

*Represents the assets of the administrative account.

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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, 2002

	<u>2003-2002</u>	<u>2001-2000</u>	<u>1999-1998</u>	<u>1997-1996</u>	<u>1995-1994</u>
ASSETS					
Investments, at value:					
TIAA-CREF Institutional Mutual Funds:					
International Equity Fund	\$ 48,641	\$ 1,145,915	\$ 1,525,626	\$ 1,691,078	\$ 1,780,497
Growth & Income Fund	—	—	—	—	—
Equity Index Fund	332,030	6,802,507	8,062,823	8,456,972	7,712,285
Bond Fund	93,565	3,472,713	5,232,335	6,892,894	7,846,641
Money Market Fund	—	—	—	—	—
TIAA-CREF Life Insurance Company:					
Funding Agreement	—	—	—	—	—
TOTAL INVESTMENTS	<u>474,236</u>	<u>11,421,135</u>	<u>14,820,784</u>	<u>17,040,944</u>	<u>17,339,423</u>
Cash	314	1,427	12,462	—	44,606
Receivable for Program shares sold	111,275	19,614	10,814	9,135	33,349
Dividends and interest receivable	442	16,458	24,797	32,667	37,187
TOTAL ASSETS	<u>586,267</u>	<u>11,458,634</u>	<u>14,868,857</u>	<u>17,082,746</u>	<u>17,454,565</u>
LIABILITIES					
Due to bank	—	—	—	21,785	—
Accrued management fee	182	5,085	6,675	7,698	7,766
Payable for securities transactions	828	32,036	59,083	32,667	91,611
Payable for Program shares redeemed	—	2,390	6,746	—	—
TOTAL LIABILITIES	<u>1,010</u>	<u>39,511</u>	<u>72,504</u>	<u>62,150</u>	<u>99,377</u>
NET ASSETS	<u>\$585,257</u>	<u>\$ 11,419,123</u>	<u>\$14,796,353</u>	<u>\$17,020,596</u>	<u>\$17,355,188</u>
SHARES OF BENEFICIAL INTEREST OUTSTANDING	<u>62,664</u>	<u>1,453,730</u>	<u>1,759,460</u>	<u>1,970,205</u>	<u>1,954,093</u>
NET ASSET VALUE PER SHARE	<u>\$9.34</u>	<u>\$7.86</u>	<u>\$8.41</u>	<u>\$8.64</u>	<u>\$8.88</u>

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

1993-1992	1991-1990	1989-1988	1987-1986	1985-1984	Pre-1984	High Equity Option	Principal Plus Interest Option	Total
\$ 1,943,524	\$ 2,364,745	\$ 1,124,216	\$ 882,839	\$ 500,536	\$ 216,855	\$ 2,772,338	\$ —	\$ 15,996,810
—	—	—	—	—	—	18,924,051	—	18,924,051
7,589,888	7,895,943	6,497,305	3,444,106	1,450,120	643,157	—	—	58,887,136
9,529,191	12,532,679	12,090,614	7,012,463	2,953,706	1,308,361	5,433,202	—	74,398,364
—	—	2,199,389	6,058,664	4,905,828	2,151,476	—	—	15,315,357
—	—	—	—	—	—	—	24,260,808	24,260,808
19,062,603	22,793,367	21,911,524	17,398,072	9,810,190	4,319,849	27,129,591	24,260,808	207,782,526
—	—	—	—	—	8,923	207,670	—	275,402
30,933	16,603	4,484	13,430	683	599	85,863	35,559	372,341
45,161	59,395	60,384	41,763	20,918	9,301	73,366	—	421,839
19,138,697	22,869,365	21,976,392	17,453,265	9,831,791	4,338,672	27,496,490	24,296,367	208,852,108
1,161	9,795	14,259	241	2,478	—	—	—	49,719
8,500	10,130	9,773	7,767	4,397	1,978	11,969	—	81,920
68,879	88,246	60,384	68,251	20,918	11,712	325,324	35,559	895,498
—	—	—	—	3,249	6,611	—	—	18,996
78,540	108,171	84,416	76,259	31,042	20,301	337,293	35,559	1,046,133
\$19,060,157	\$22,761,194	\$21,891,976	\$17,377,006	\$9,800,749	\$4,318,371	\$27,159,197	\$24,260,808	\$207,805,975
2,091,851	2,433,957	2,287,559	1,686,491	951,479	417,770	3,048,887	2,278,544	
\$9.11	\$9.35	\$9.57	\$10.30	\$10.30	\$10.34	\$8.91	\$10.64	

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
COMBINING STATEMENT OF OPERATIONS

For the Period
January 2, 2002
(commencement
of operations) to
June 30, 2002

	<u>2003-2002</u>	<u>2001-2000</u>	<u>1999-1998</u>	<u>1997-1996</u>	<u>1995-1994</u>
INVESTMENT INCOME					
Income:					
Interest	\$ 27	\$ 524	\$ 445	\$ 433	\$ 399
Dividends	951	159,799	314,535	418,060	456,519
TOTAL INCOME	978	160,323	314,980	418,493	456,918
Expenses:					
Management fee	400	39,096	64,719	76,876	76,904
INVESTMENT INCOME—NET	578	121,227	250,261	341,617	380,014
REALIZED AND UNREALIZED LOSS ON INVESTMENTS					
Net realized loss on investments	—	(14,685)	(53,901)	(162,543)	(169,593)
Net change in unrealized appreciation (depreciation) on investments	(25,561)	(876,192)	(1,236,678)	(1,219,596)	(1,078,740)
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS	(25,561)	(890,877)	(1,290,579)	(1,382,139)	(1,248,333)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$(24,983)</u>	<u>\$(769,650)</u>	<u>\$(1,040,318)</u>	<u>\$(1,040,522)</u>	<u>\$ (868,319)</u>

For the Year Ended June 30, 2002

Year of Birth of Beneficiaries, as Provided by the Account Owners						High Equity Option	Principal Plus Interest Option	Total
1993-1992	1991-1990	1989-1988	1987-1986	1985-1984	Pre-1984			
\$ 676	\$ 491	\$ 578	\$ 376	\$ 221	\$ 375	\$ 1,929	\$ 485,021	\$ 491,495
<u>540,153</u>	<u>683,304</u>	<u>699,449</u>	<u>562,792</u>	<u>287,378</u>	<u>146,750</u>	<u>305,182</u>	<u>177</u>	<u>4,575,049</u>
540,829	683,795	700,027	563,168	287,599	147,125	307,111	485,198	5,066,544
<u>83,428</u>	<u>97,265</u>	<u>94,577</u>	<u>78,709</u>	<u>45,966</u>	<u>24,607</u>	<u>77,321</u>	<u>39</u>	<u>759,907</u>
<u>457,401</u>	<u>586,530</u>	<u>605,450</u>	<u>484,459</u>	<u>241,633</u>	<u>122,518</u>	<u>229,790</u>	<u>485,159</u>	<u>4,306,637</u>
(183,922)	(161,886)	(675,783)	(519,276)	(251,362)	(86,357)	(1,812)	—	(2,281,120)
<u>(1,020,059)</u>	<u>(1,096,041)</u>	<u>(395,700)</u>	<u>(51,812)</u>	<u>13,526</u>	<u>(32,226)</u>	<u>(2,735,999)</u>	<u>—</u>	<u>(9,755,078)</u>
<u>(1,203,981)</u>	<u>(1,257,927)</u>	<u>(1,071,483)</u>	<u>(571,088)</u>	<u>(237,836)</u>	<u>(118,583)</u>	<u>(2,737,811)</u>	<u>—</u>	<u>(12,036,198)</u>
<u>\$ (746,580)</u>	<u>\$ (671,397)</u>	<u>\$ (466,033)</u>	<u>\$ (86,629)</u>	<u>\$ 3,797</u>	<u>\$ 3,935</u>	<u>\$(2,508,021)</u>	<u>\$ 485,159</u>	<u>\$ (7,729,561)</u>

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

For the Period
January 2, 2002
(commencement
of Operations) to
June 30, 2002

	<u>2003-2002</u>	<u>2001-2000</u>	<u>1999-1998</u>	<u>1997-1996</u>	<u>1995-1994</u>
FROM OPERATIONS					
Investment income—net	\$ 578	\$ 121,227	\$ 250,261	\$ 341,617	\$ 380,014
Net realized loss on investments	—	(14,685)	(53,901)	(162,543)	(169,593)
Net change in unrealized appreciation (depreciation) on investments	<u>(25,561)</u>	<u>(876,192)</u>	<u>(1,236,678)</u>	<u>(1,219,596)</u>	<u>(1,078,740)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u>(24,983)</u>	<u>(769,650)</u>	<u>(1,040,318)</u>	<u>(1,040,522)</u>	<u>(868,319)</u>
FROM ACCOUNT OWNER TRANSACTIONS					
Subscriptions	610,264	9,312,716	8,387,510	8,379,401	8,359,675
Exchanges	(24)	(57,254)	(195,709)	(65,913)	(93,631)
Redemptions	<u>—</u>	<u>(138,840)</u>	<u>(426,771)</u>	<u>(277,192)</u>	<u>(317,872)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM ACCOUNT OWNER TRANSACTIONS	<u>610,240</u>	<u>9,116,622</u>	<u>7,765,030</u>	<u>8,036,296</u>	<u>7,948,172</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>585,257</u>	<u>8,346,972</u>	<u>6,724,712</u>	<u>6,995,774</u>	<u>7,079,853</u>
NET ASSETS:					
Beginning of period	—	3,072,151	8,071,641	10,024,822	10,275,335
End of period	<u>\$585,257</u>	<u>\$11,419,123</u>	<u>\$14,796,353</u>	<u>\$17,020,596</u>	<u>\$17,355,188</u>

For the Year Ended June 30, 2002

Year of Birth of Beneficiaries, as Provided by the Account Owners						High Equity	Principal Plus	
1993-1992	1991-1990	1989-1988	1987-1986	1985-1984	Pre-1984	Option	Interest Option	Total
\$ 457,401 (183,922)	\$ 586,530 (161,886)	\$ 605,450 (675,783)	\$ 484,459 (519,276)	\$ 241,633 (251,362)	\$ 122,518 (86,357)	\$ 229,790 (1,812)	\$ 485,159 —	\$ 4,306,637 (2,281,120)
(1,020,059)	(1,096,041)	(395,700)	(51,812)	13,526	(32,226)	(2,735,999)	—	(9,755,078)
(746,580)	(671,397)	(466,033)	(86,629)	3,797	3,935	(2,508,021)	485,159	(7,729,561)
9,271,824 (81,955) (514,300)	10,603,296 (45,716) (223,319)	9,655,084 (67,274) (270,760)	6,767,061 (43,693) (191,292)	3,717,622 (97,008) (401,044)	1,586,223 (29,684) (1,735,518)	27,568,321 8,214 (121,404)	22,591,457 769,647 (379,422)	126,810,454 — (4,997,734)
8,675,569 7,928,989	10,334,261 9,662,864	9,317,050 8,851,017	6,532,076 6,445,447	3,219,570 3,223,367	(178,979) (175,044)	27,455,131 24,947,110	22,981,682 23,466,841	121,812,720 114,083,159
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
<u>\$19,060,157</u>	<u>\$22,761,194</u>	<u>\$21,891,976</u>	<u>\$17,377,006</u>	<u>\$9,800,749</u>	<u>\$ 4,318,371</u>	<u>\$27,159,197</u>	<u>\$24,260,808</u>	<u>\$207,805,975</u>

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

FINANCIAL HIGHLIGHTS

	2003-2002		2001-2000		1999-1998		
	January 2, 2002 (commencement of operations) to June 30, 2002 (a)	Year Ended June 30, 2002	Year Ended June 30, 2001	March 21, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2002	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	\$10.00	\$8.72	\$9.80	\$10.00	\$9.19	\$10.08	\$10.00
Gain (loss) from investment operations:							
Net investment income	0.04 (b)	0.15 (b)	0.21 (b)	0.01	0.19 (b)	0.30 (b)	0.04
Net realized and unrealized gain (loss) on investments	<u>(0.70)</u>	<u>(1.01)</u>	<u>(1.29)</u>	<u>(0.21)</u>	<u>(0.97)</u>	<u>(1.19)</u>	<u>0.04</u>
Net asset value, end of period	<u>\$ 9.34</u>	<u>\$7.86</u>	<u>\$8.72</u>	<u>\$ 9.80</u>	<u>\$8.41</u>	<u>\$ 9.19</u>	<u>\$10.08</u>
 TOTAL RETURN	 <u>(6.60)%</u>	 <u>(9.86)%</u>	 <u>(11.02)%</u>	 <u>(2.00)%</u>	 <u>(8.49)%</u>	 <u>(8.83)%</u>	 <u>0.80%</u>
 RATIOS AND SUPPLEMENTAL DATA							
Net assets at end of period (in thousands)	\$585	\$11,419	\$3,072	\$217	\$14,796	\$8,072	\$4,352
Ratio of expenses to average net assets (c)	0.28%	0.57%	0.57%	0.19%	0.57%	0.57%	0.17%
Ratio of net investment income to average net assets	0.41%	1.77%	2.47%	0.34%	2.20%	3.27%	0.47%

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

(b) Based on average shares outstanding.

(c) Does not include expenses 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

1997-1996			1995-1994			1993-1992		
Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)
\$9.31	\$10.07	\$10.00	\$9.44	\$10.08	\$10.00	\$9.55	\$10.08	\$10.00
0.23 (b)	0.33 (b)	0.05	0.26 (b)	0.36 (b)	0.06	0.29 (b)	0.39 (b)	0.07
<u>(0.90)</u>	<u>(1.09)</u>	<u>0.02</u>	<u>(0.82)</u>	<u>(1.00)</u>	<u>0.02</u>	<u>(0.73)</u>	<u>(0.92)</u>	<u>0.01</u>
<u>\$8.64</u>	<u>\$ 9.31</u>	<u>\$10.07</u>	<u>\$8.88</u>	<u>\$ 9.44</u>	<u>\$10.08</u>	<u>\$9.11</u>	<u>\$ 9.55</u>	<u>\$10.08</u>
<u>(7.20)%</u>	<u>(7.55)%</u>	<u>0.70%</u>	<u>(5.93)%</u>	<u>(6.35)%</u>	<u>0.80%</u>	<u>(4.61)%</u>	<u>(5.26)%</u>	<u>0.80%</u>
\$17,021	\$10,025	\$6,367	\$17,355	\$10,275	\$6,382	\$19,060	\$11,131	\$6,996
0.57%	0.57%	0.17%	0.57%	0.57%	0.17%	0.57%	0.57%	0.17%
2.53%	3.56%	0.56%	2.82%	3.89%	0.67%	3.13%	4.12%	0.76%

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

FINANCIAL HIGHLIGHTS (concluded)

	1991-1990			1989-1988			1987-1986		
	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2002	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	\$9.69	\$10.08	\$10.00	\$9.81	\$10.09	\$10.00	\$10.35	\$10.18	\$10.00
Gain (loss) from investment operations:									
Net investment income	0.33 (b)	0.42 (b)	0.08	0.35 (b)	0.45 (b)	0.09	0.36 (b)	0.50 (b)	0.12
Net realized and unrealized gain (loss) on investments	(0.67)	(0.81)	—	(0.59)	(0.73)	—	(0.41)	(0.33)	0.06
Net asset value, end of period	<u>\$9.35</u>	<u>\$ 9.69</u>	<u>\$10.08</u>	<u>\$9.57</u>	<u>\$ 9.81</u>	<u>\$10.09</u>	<u>\$10.30</u>	<u>\$10.35</u>	<u>\$10.18</u>
TOTAL RETURN	<u>(3.51)%</u>	<u>(3.87)%</u>	<u>0.80%</u>	<u>(2.45)%</u>	<u>(2.78)%</u>	<u>0.90%</u>	<u>(0.48)%</u>	<u>1.67%</u>	<u>1.80%</u>
RATIOS AND SUPPLEMENTAL DATA									
Net assets at end of period (in thousands)	\$22,761	\$13,098	\$8,162	\$21,892	\$13,041	\$8,423	\$17,377	\$10,932	\$6,996
Ratio of expenses to average net assets (c)	0.57%	0.57%	0.17%	0.57%	0.57%	0.17%	0.57%	0.57%	0.18%
Ratio of net investment income to average net assets	3.44%	4.42%	0.87%	3.65%	4.70%	0.97%	3.51%	5.10%	1.27%

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

(b) Based on average shares outstanding.

(c) Does not include expenses 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

1985-1984			Pre-1984			High Equity Option		Principal Plus Interest Option	
Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2002	March 19, 2001 (commencement of operations) to June 30, 2001 (a)	Year Ended June 30, 2002	March 19, 2001 (commencement of operations) to June 30, 2001 (a)
\$10.28	\$10.14	\$10.00	\$10.32	\$10.13	\$10.00	\$10.30	\$10.00	\$10.11	\$10.00
0.31 (b)	0.50 (b)	0.12	0.29 (b)	0.52 (b)	0.13	0.16 (b)	0.07 (b)	0.53	0.11
(0.29)	(0.36)	0.02	(0.27)	(0.33)	—	(1.55)	0.23 (d)	—	—
<u>\$10.30</u>	<u>\$10.28</u>	<u>\$10.14</u>	<u>\$10.34</u>	<u>\$10.32</u>	<u>\$10.13</u>	<u>\$ 8.91</u>	<u>\$10.30</u>	<u>\$10.64</u>	<u>\$10.11</u>
<u>0.19%</u>	<u>1.38%</u>	<u>1.40%</u>	<u>0.19%</u>	<u>1.88%</u>	<u>1.30%</u>	<u>(13.50)%</u>	<u>3.00%</u>	<u>5.24%</u>	<u>1.10%</u>
\$9,801	\$6,577	\$4,539	\$4,318	\$4,493	\$4,196	\$27,159	\$2,212	\$24,261	\$794
0.57%	0.57%	0.19%	0.57%	0.57%	0.19%	0.57%	0.16%	0.00%	0.16%
3.00%	5.04%	1.30%	2.84%	5.08%	1.36%	1.69%	0.67%	5.04%	1.09%

Dear Account Owners:

Enclosed is summary financial information for the Connecticut Higher Education Trust Program (the "Program") for the fiscal year ended June 30, 2002. 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 2002, please call us at 1-888-799-CHET (2438).

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
Summary Financial Information

	For the Fiscal Year Ended June 30, 2002											High Equity Option	Principal Plus Interest Option	Total
	Year of Birth of Beneficiaries, as Provided by the Account Owners													
	2003 - 2002	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	\$ 578	\$ 121,227	\$ 250,261	\$ 341,617	\$ 380,014	\$ 457,401	\$ 586,530	\$ 605,450	\$ 484,459	\$ 241,633	\$ 122,518	\$ 229,790	\$ 485,159	\$ 4,306,637
Net realized loss on investments	—	(14,685)	(53,901)	(162,543)	(169,593)	(183,922)	(161,886)	(675,783)	(519,276)	(251,362)	(86,357)	(1,812)	—	(2,281,120)
Net change in unrealized appreciation (depreciation) on investments	(25,561)	(876,192)	(1,236,678)	(1,219,596)	(1,078,740)	(1,020,059)	(1,096,041)	(395,700)	(51,812)	13,526	(32,226)	(2,735,999)	—	(9,755,078)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(24,983)	(769,650)	(1,040,318)	(1,040,522)	(868,319)	(746,580)	(671,397)	(466,033)	(86,629)	3,797	3,935	(2,508,021)	485,159	(7,729,561)
NET INCREASE (DECREASE) IN NET RESULTING FROM ACCOUNT OWNER TRANSACTIONS	610,240	9,116,622	7,765,030	8,036,296	7,948,172	8,675,569	10,334,261	9,317,050	6,532,076	3,219,570	(178,979)	27,455,131	22,981,682	121,812,720
NET INCREASE (DECREASE) IN NET ASSETS	585,257	8,346,972	6,724,712	6,995,774	7,079,853	7,928,989	9,662,864	8,851,017	6,445,447	3,223,367	(175,044)	24,947,110	23,466,841	114,083,159
NET ASSETS,														
Beginning 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
End of period	<u>\$585,257</u>	<u>\$11,419,123</u>	<u>\$14,796,353</u>	<u>\$17,020,596</u>	<u>\$17,355,188</u>	<u>\$19,060,157</u>	<u>\$22,761,194</u>	<u>\$21,891,976</u>	<u>\$17,377,006</u>	<u>\$9,800,749</u>	<u>\$4,318,371</u>	<u>\$27,159,197</u>	<u>\$24,260,808</u>	<u>\$207,805,975</u>
TOTAL RETURN	(6.60)%^(a)	(9.86)%	(8.49)%	(7.20)%	(5.93)%	(4.61)%	(3.51)%	(2.45)%	(0.48)%	0.19%	0.19%	(13.50)%	5.24%	
2002 TARGET ALLOCATION GUIDELINES:														
TIAA-CREF Institutional Mutual Funds:														
Equity Index Fund	70%	60%	55%	50%	45%	40%	35%	30%	20%	15%	15%	0%		
Growth & Income Fund	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	70%		
International Equity Fund	10%	10%	10%	10%	10%	10%	10%	5%	5%	5%	5%	10%		
Bond Fund	20%	30%	35%	40%	45%	50%	55%	55%	40%	30%	30%	20%		
Money Market Fund	0%	0%	0%	0%	0%	0%	0%	10%	35%	50%	50%	0%		
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		

(a) 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 and any Supplement to the 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. If you are not a Connecticut resident or have taxable income in another state, consider whether that other state offers a 529 plan with favorable state income tax or other benefits not available if you invest in the Program.