Proxy Voting and Corporate Governance

During 1999 and 2000, the Treasurer's Office developed comprehensive domestic and international proxy voting policies. These policies, which are part of the Investment Policy Statement as mandated by state law, guide proxy voting at Connecticut Retirement Plans and Trust Funds ("CRPTF") portfolio companies. Under these policies, the Treasurer not only votes proxies, but also engages with companies through letters, dialogues, and filing shareholder resolutions either alone or in concert with other institutional investors to protect and enhance the value of the CRPTF. The Office also advocates for the protection and enhancement of shareholder rights with the Securities and Exchange Commission (SEC), the U.S. Congress and the stock exchanges. In spring of 2007, the Investment Advisory Counsel approved changes to the domestic policies to reflect recent developments in the laws and regulations affecting proxy voting.

Connecticut law requires the Treasurer to consider the economic, social, and environmental impact of investment decisions. State law also prohibits investment in companies doing business in Northern Ireland that have not implemented the MacBride Principles of fair employment. Similar statutory prohibitions allow the Treasurer to engage with, and divest of holdings in, companies conducting business with Sudan and with Iran counter to U.S. foreign policy.

The Treasurer's activities in 2010 were against a backdrop of the continuing international financial crisis that severely impacted the global economy and all companies in which the CRPTF invests, as well as government initiatives to address the crisis. During the 2010 fiscal year, Treasurer Nappier provided formal policy comments to regulatory agencies on issues that have a significant impact on institutional investors. She also provided input to the U.S. Congress on its regulatory reform legislation, which was signed into law by the President in July 2010. In letters to the U.S. congressional leadership the Treasurer joined with other investors providing input and making recommendations on how the then pending legislation would impact the Treasury. These issues included corporate governance, executive compensation, regulation of banks, financial advisors and hedge funds, use and transparency of financial derivatives, securities lending, credit rating agencies, and financial literacy, and other related issues. The legislative process will be followed by an intense period of adoption of regulations by administrative agencies (particularly the SEC), and implementation. The Treasurer has and will continue to provide the SEC and other oversight agencies with comments on proposed rules affecting these issues.

The issues surrounding the fiscal crisis were evidenced on the CRPTF shareholder front as well. In fiscal year 2010, the CRPTF filed shareholder resolutions at 16 companies. The CRPTF engaged with companies through activities ranging from writing letters and attending annual shareholder meetings, to holding face-to-face dialogues with corporate management and board members. In support of its efforts, the Treasurer's Office worked with a wide cross-section of investors representing public pension funds, labor funds, and faith-based investors. Executive compensation is one of the key issues for the CRPTF, and the fund was active in this area throughout the reporting period. In 2010, the Treasurer addressed executive compensation on a number of fronts including advocating for an annual advisory vote on executive compensation at all companies (say on pay), calling for independence of compensation consultants, working with several portfolio companies to adopt policies related to severance payments, addressing internal pay equity, and requesting policies requiring equity compensation be held until retirement.

In the area of climate change and related energy issues, the Office continued to take a leading role in the Investor Network on Climate Risk (INCR) and the Global Warming Shareholder Campaign (GWSC). The Treasurer engaged with a number of companies on these issues, including asking companies to set greenhouse gas emission goals, to set targets for energy use reductions and report to shareholders on progress in achieving those targets, to issue sustainability reports to shareholders that directly address climate and energy issues, calling on auto companies to produce more energy efficient vehicles, and engaging with investors and electric utility companies on new business models that will be needed in that industry.

As part of its corporate governance practices, the Treasurer's office is charged with enforcing the state law relating to religious non-discrimination practices in the workplace in Northern Ireland. During the fiscal year, two companies agreed to implement the MacBride Principles, which are a corporate code of conduct for companies doing business in Northern Ireland and consist of nine fair employment and affirmative action principles. The list of adopting companies in fiscal year 2010 includes Art Technologies and The PublicCard Inc.

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9:54 am, Aug 11, 2010

In addition to the MacBride Principles, the Treasurer's Office proposed, and the General Assembly adopted a law, requiring the CRPTF to review pension fund investments in companies doing business in the Republic of Sudan. The 2006 law grants the Treasurer authority to engage and potentially divest holdings from companies shown to contribute to the Sudanese government-backed genocide. In May 2007, the Treasurer announced the first divestment of CRPTF holdings companies doing business in Sudan. Through the end of FY 2010, the Treasurer has directed CRPTF's investment managers to divest from and refrain from further investment in 13 companies: Bharat Heavy Electricals Ltd. (BHEL), China Petroleum and Chemical Corp., CNPC (Hong Kong), Dongfeng Motor Corporation, MISC Bhd, Nam Fatt Corp., Oil and Natural Gas Corp. (ONGC), PECD Group, PetroChina Co. Ltd., Petronas Capital Ltd., Sinopec Shanghai Petrochemical Corp., Sudan Telecom (Sudatel), and Wartsila Oyj.

Copies of the Connecticut pension fund's proxy voting policies and a report of proxy votes cast are available for review and download at the State Treasurer's web site: http://www.state.ct.us/ott/proxyvoting.htm

Asset Recovery and Loss Prevention

While market risk will always be a component of any investment program, Treasurer Nappier's Legal and Compliance Units work to manage such risk by limiting opportunities for loss due to the malfeasance of others. Extensive pre-contracting due diligence helps the Office of the Treasurer select the best vendors and products to meet the needs of the Office. Careful contract negotiation, coupled with implementation of best practice contract language, … f the Treasurer and of the vendors of the Office. The Office ma… al offices and shares ideas for enhancement of contract langua… s in other states.

Not Updated

The Office of the Treasurer de… ssive pursuit of all opportunities to recover assets lost due to the misfeasance or malfeasance of others.

The US Treasury and the Securities and Exchange Commission have proposed a number of structural regulatory and rule changes that are designed to rebuild and enhance financial supervision of our nation's financial industry. The Office of the Treasurer has carefully reviewed the proposals and, where appropriate, supported or offered comment on the proposed language. As an institutional investor, the Office believes stronger federal regulation of financial institutions is likely to result in increased compliance and reduced risk.

The Office of the Treasurer takes a measured approach to litigation, but is prepared, when necessary, to pursue judicial solutions where negotiations are unsuccessful. The Office of the Treasurer continues to consider making application to serve as lead plaintiff in class action litigation and encourages other institutional investor lead plaintiffs to aggressively negotiate reasonable legal fees. From time to time, the Office of the Treasurer has used litigation to encourage corporate governance enhancements. Although rare, the Office of the Treasurer has filed individual and group actions to pursue specific rights where disputing parties are unwilling or unable to reach an extra-judicial conclusion.

Class Action Securities Litigation

The CRPTF recovered $8,543,047.63 million from class action settlements in this fiscal year, including substantial recovery from the infamous Enron ($4,755,103.48), Tyco ($998,032.12) and AIG ($498,921.15) frauds. We continue to closely monitor opportunities to recover lost assets through participation in class action litigation.

The Office of the Treasur… Lead Plaintiff in two national class action lawsuits, which all… of certain corporate insiders by Redback Networks and Amge…

Not Updated

The 9th Circuit Court of Appeals has considered and dismissed the appeal in Redback Networks. The basis of the dismissal is largely grounded in a recent Supreme Court decision in Stoneridge, which significantly raised the plaintiffs' burden of proof in class action litigation.

The court in Amgen is considering the class certification motion. We entered the discovery phase of the case in the fall of 2009.

Division Overview

The primary mission of the Division is to locate rightful owners or heirs of unclaimed property in accordance with state law and return those assets. Another core responsibility is to receive and record all property received from holders of unclaimed property. All Division goals support the principal mission of unclaimed property as a consumer protection service, safeguarding the financial assets of Connecticut citizens until such time as they may claim their property.

The division receives and maintains a permanent record of reports of unclaimed property filed annually by holders of such property. Holders include banks, insurance companies, brokerage firms, utility companies and businesses that are required to relinquish this property to the State Treasurer following a loss of contact with the owner of record, generally three years. The division prescribes the form of holder reports, and is responsible for monitoring holder reporting. To determine whether a holder is complying with its duties under the law unclaimed property is permitted to conducted examinations of company records. If the Treasurer, in his or her discretion, determines that securities or mutual funds transferred to the Treasurer as unclaimed property should be sold, the division is responsible for carrying out the sale, in accordance with the requirements of law, and retaining the proceeds of the sale for the benefit of the owner of the property. The division is also responsible for preparing monthly, quarterly and annual financial statements.

The division processes claims of persons asserting ownership of property that has been abandoned and delivered to the Treasurer's Office. The division provides claim forms and provides instruction on the documentation required to prove ownership of the various types of property that have been transferred to the Treasurer. Claims are reviewed and if ownership is proven, the division is responsible for issuing checks to the rightful owner. In order to attempt to locate the owners of abandoned property transferred to the Treasurer, at least biennially, the Treasurer publishes a list of abandoned property reported and transferred to the Treasurer in the previous calendar year [since the last publication].

The Year in Review

During fiscal year 2010, the Unclaimed Property Division returned $33.4 million to rightful owners, an accomplishment representing the largest dollar amount returned by the Division. During the same time period the Division received $71 million in unclaimed property receipts voluntarily reported by holders.

2010 Division Performance

- The Division returned $33.4 million to rightful owners who filed just under 17,360 claims.
- The Division returned 346,728.23 shares to rightful owners at an estimated value of $2.7 million.
- The Division received $71 million in unclaimed property receipts voluntarily reported by holders.
- The Division sold 17.2 million shares that brought $151.2 million into the general fund until rightful owners come forward to claim the property.
- The Division maintains a website with $532.8 million in escheated property for 922,917 rightful owners
- Connecticut General Statute section 3-69a (a) (2), requires the Unclaimed Property Division to deposit a portion of its receipts into the Citizen's Election Fund and the balance into the General Fund. For fiscal year 2010, the division deposited $18,191,261 million into the Citizens' Election Fund.

UNCLAIMED PROPERTY DIVISION

Figure 16-1

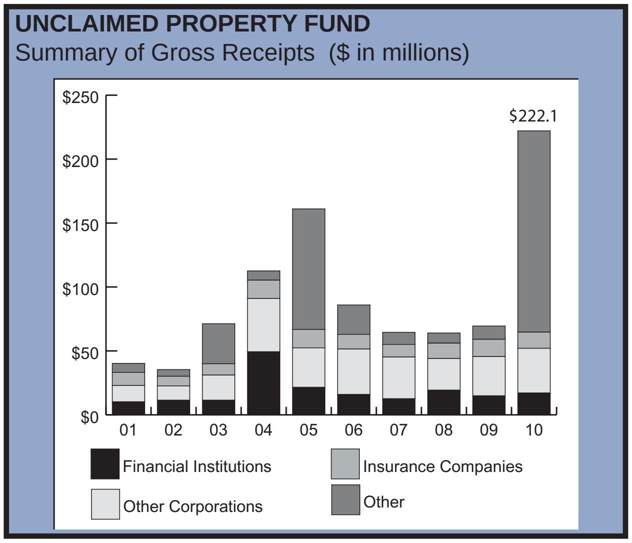


Figure 16-2

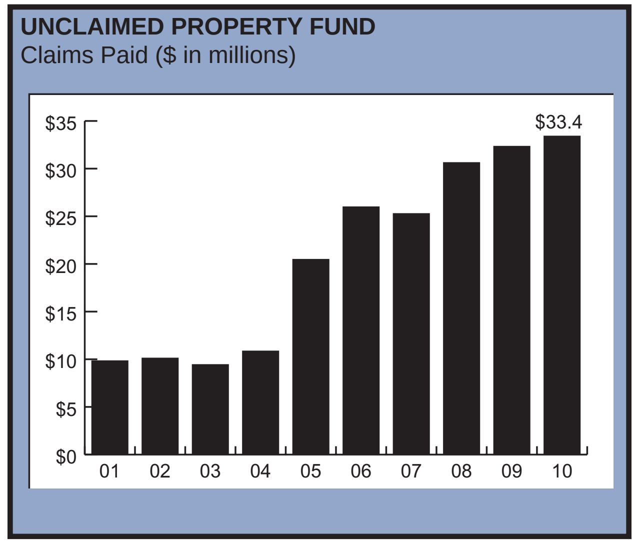


Figure 16-3

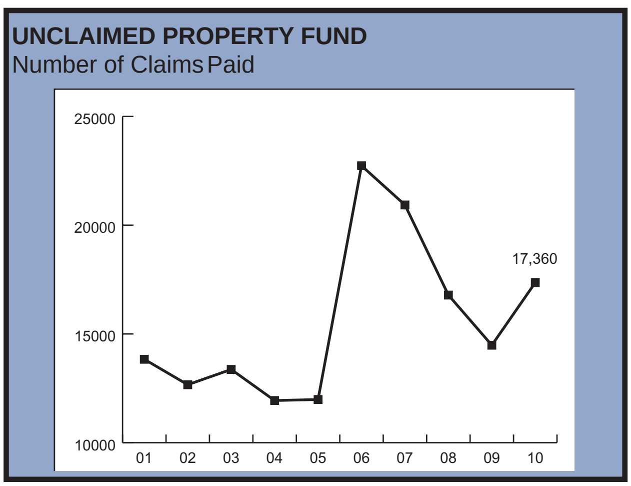
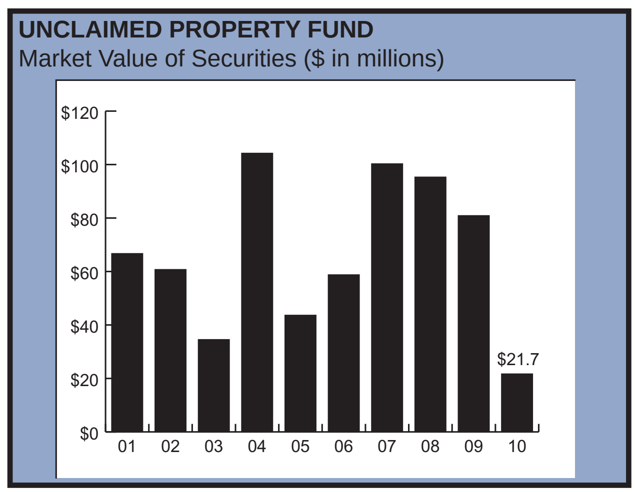


Figure 16-4



DIVISION OVERVIEW

The State Treasurer is the Custodian of the Second Injury Fund ("SIF" or "the Fund"), a state operated workers' compensation insurance fund established in 1945 to discourage discrimination against veterans and encourage the assimilation of workers with a pre-existing injury into the workforce. Prior to July 1, 1995, the Fund provided relief to employers where a worker, who already had a pre-existing injury or condition, was hurt on the job and that second injury was made "materially and substantially" worse by the first injury. Such employers transferred liability for these workers' compensation claims to the Fund after 104 weeks, if certain criteria were met under the Connecticut Workers' Compensation Act (thus the term "Second Injury Fund").

The Fund continues to be liable for claims involving uninsured employers, for reimbursement of cost of living adjustments for certain injuries involving payment of total disability or dependent widow's benefits and, on a pro rata basis, reimbursement claims to employers of any worker who had more than one employer at the time of the injury. In addition the Fund is still responsible for "second injury claims" which were transferred to the Fund prior to July 1, 1999.

The mission of the Second Injury Fund is to provide quality service both to the injured workers and employers of Connecticut, whom we jointly serve. The Fund accomplishes this by adjudicating qualifying workers' compensation claims fairly and in accordance with applicable law, industry standards and best practices. Where possible, the Second Injury Fund seeks to return injured workers to gainful employment or seeks settlement of claims, which will ultimately reduce the burden of Second Injury Fund liabilities on Connecticut taxpayers and businesses.

The Assistant Deputy Treasurer maintains general oversight over the division which includes a management team, a claims unit, an accounting and collections unit, an investigations unit, and other administrative support functions. The Second Injury Fund works closely with the Office of the Attorney General who represents the Fund before the Workers' Compensation Commission, the Chief State's Attorney's office and other state agencies in the fulfillment of its mission.

History

The Fund's responsibilities were expanded over the years through judicial and legislative reform. In addition to payments for "second injury" claims, the Fund assumed other statutory obligations such as: Group health insurance reimbursements; Benefit payments pending appeals; Cost of Living reimbursements for death benefits; Cost of Living reimbursements for total disabilities; Acknowledgment of Physical Defects claims; Concurrent employment claims; and Uninsured employer claims.

The Fund experienced minimal growth during its first 30 years. However in the two decades preceding the 1995 Reform Act, the Fund experienced annual claim growth in excess of 20% for the period 1970 to 1995. While there were many explanations for the rapid acceleration of the Fund's liabilities during this period, (i.e., higher benefit levels, medical inflation, etc.) the primary reasons for its exponential growth can be attributed to the impact of a 1974 Connecticut Supreme Court decision in the Jacques case. In summary, cases could be transferred to the Fund based on a pre-existing "condition" as well as a prior injury, regardless of whether the condition was manifest or not. Thus the Jacques case opened the door for a myriad of latent conditions such as arthritis, disc disease and compromised cardiac function.

After 50 years, the Fund had become the largest disburser of workers' compensation benefits in the State and over time, its annual benefit payout increased seven fold, peaking at $120 million in fiscal year 1994. An actuarial analysis projected the Fund's future liability at $6.2 billion as of June 30, 1994. Its operations, which are financed by assessments on Connecticut employers, reached a dollar value high of $146.5 million in 1995. In response the Connecticut General Assembly closed the Fund to new "second injury" claims sustained on or after July 1, 1995.

Legislative Reforms

The Workers' Compensation Reform Act of 1993 was responsible for significantly reducing Connecticut employers' cost of business. However, legislation that had the greatest impact on the Fund was enacted in 1995, 1996 and 2005. Highlights are listed below:

Public Act 95-277

- Closed the Fund to new "second injury" claims for injuries sustained on or after 7/1/95 and expanded enforcement, fines and penalties against employers who fail to provide workers' compensation coverage.

Public Act 96-242

- Imposed a July 1, 1999 deadline for transfer of all eligible "second injury" claims to the Fund and authorized the issuance of up to $750 million in bonds to finance settlement of claims against the Fund.

Public Act 05-199 (Effective 07/01/06)

- • This bill, drafted with the assistance of a task force convened by Treasurer Nappier clarified the language of the SIF statutes regarding assessments and eased the process by which the Fund can reach settlements with injured workers of uninsured employers.

Assessments

The Second Injury Fund operations are financed by assessments on all Connecticut employers. The Treasurer as Custodian of the Fund, establishes the assessment rate on or before May 1st of each year. Treasurer Nappier is the first Connecticut State Treasurer to formalize an assessment audit program to ensure uniform methods of reporting.

Insured employers pay a surcharge on their workers' compensation insurance policies based on "standard premiums" calculated and issued by insurance companies who also collect and remit this assessment to the Fund. Effective 7/1/06, insured employers paid based on a Second Injury Fund Surcharge. The assessment for self-insured employers is based on "paid losses" for medical and indemnity benefits incurred in the prior calendar year.

There were 4 assessments made in FY10 on insured employers of $23.3 million. Self insured employers were assessed 4 times during FY10 at $6.2 million, bringing the total assessment on all Connecticut employers to $29.5 million for FY10.

Assessment rates, which are used to determine how much Connecticut businesses will pay to the Fund, have either been reduced or maintained over the last eleven years. The implementation of management reforms and stricter oversight allowed Treasurer Nappier to reduce rates charged to Connecticut businesses for assessments paid to the Treasury's Second Injury Fund. For FY10, rates for insured employers is 2.75% and for self-insured employers, the assessment rate is 3.84%.

The Year in Review

Fiscal Year 2010 Highlights

The Second Injury Funds' major achievements during the past year have continued the implementation of Treasurer Nappier's management reforms. Highlights for fiscal year 2010 include:

- Provided $38.1 million in indemnity, medical and settlement payments to injured workers. The number of injured workers receiving bi-weekly benefits is now 326 compared to 349 a year ago.

- Achieved a total of 202 settlements at a cost of $10.3 million. Through June 30, 2010, the Fund has paid 15 injured workers receiving bi-weekly benefits settlements at a cost of $2.8 million with an estimated future net savings of $7.8 million.

SECOND INJURY FUND

- A total savings of $1.8 million in medical costs was realized using the services and Preferred Provider Organization Networks offered by our contracted medical vendors. The Fund worked in conjunction with the nurse consultant to review all bills for causal relation, contract compliance and duplicate payments.
- Continued to implement the General Assembly's 1996 mandate to reduce the financial impact of the Fund on Connecticut's businesses:
  - ♦ As of June 30, 2010 the Fund's open claim inventory was 2,534. (See figure 13-1)
  - ♦ Reserves (estimated unfunded liability) for all open claims were $426.8 million, a reduction of $10.8 million (2.5%) from a year ago. (See figure 13-2)
- Worked with the Second Injury Fund Advisory Board to help the Fund carry out its mission.

Figure 17-1

SECOND INJURY FUND
Open Claims by Statute as of 06/30/2010

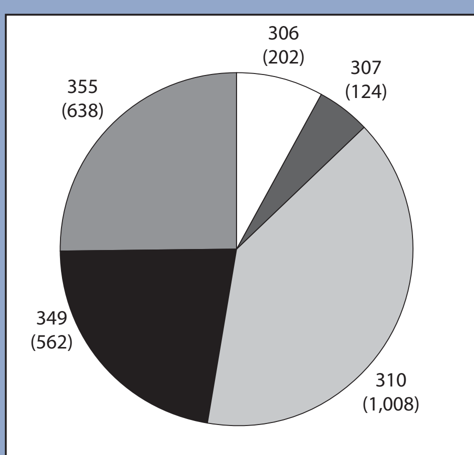
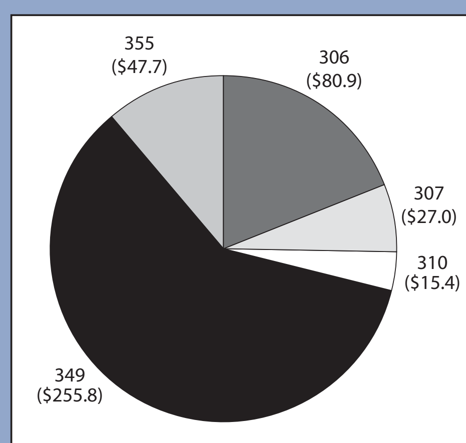


Figure 17-2

SECOND INJURY FUND
Value of Reserves by Statute as of 6/30/2010
($ in millions)



Description of the Trust

The Connecticut Higher Education Trust ("CHET" or "Trust") is a Qualified State Tuition Program pursuant to Section 529 of the Internal Revenue Code, which was unanimously approved by the Connecticut General Assembly in Public Act No. 97-224 (the "Act") and signed into law by the Governor in July 1997. The program began operating on January 1, 1998. While the Trust is considered an instrumentality of the State, the assets of the Trust do not constitute property of the State, and the Trust shall not be construed to be a department, institution or agency of the State.

CHET is a trust, available for families to save and invest for higher education expenses, that is privately managed under the supervision of the State Treasurer. Current Internal Revenue Service regulations provide that total contributions to an individual account may not exceed the amount determined by actuarial estimates as is necessary to pay tuition, required fees, and room and board expenses of the designated beneficiary for five years of undergraduate enrollment at the highest cost institution allowed by the program. While money is invested in CHET, there are no federal or state taxes on earnings. Amounts may be withdrawn to pay for tuition, room and board, fees, books, supplies and equipment required by the beneficiary for enrollment or attendance at any eligible public or private educational institution. Earnings withdrawn for qualified education expenses are exempt from Federal and Connecticut State Income Taxes. Earnings withdrawn for non-qualified expenses are taxable income to the account owner, and incur an additional federal tax penalty of 10 percent.

The state income tax deduction for CHET, which became effective on July 1, 2006, provides Connecticut taxpayers with the ability to deduct program contributions of up to $5,000 for single filers or $10,000 for joint filers per year from their Connecticut adjusted gross income. CHET contributions made after January 1, 2006 were eligible for this deduction. In addition, the passage of the federal 2006 Pension Protection Act made federal tax benefits permanent and settled the uncertainty regarding long term 529 plan federal tax benefits which had been set to expire on December 31, 2010.

TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Treasurer of the State of Connecticut have entered into a Management Agreement under which TFI serves as Program Manager. In 2009, the Treasurer issued an RFP for management of the CHET program soliciting proposals for both the current Direct Sold program, as well as for an Advisor Sold Plan. In 2010, the Treasurer entered into a Management Agreement again with TFI for a contract period ending in March 2015. As of June 30, 2010, the Treasurer was in negotiations with another bidder to award the development and operation of an Advisor Sold Plan. 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.

Under the Direct Sold Plan, an individual participating in the Program establishes an Account in the name of a Beneficiary. Contributions may be allocated among eight investment options: the Managed Allocation Option, the Aggressive Managed Allocation Option, the High Equity Option, the 100% Equity Index Option, the Social Choice Option, the 100% Fixed Income Option, the Money Market Option and the Principal Plus Interest Option. These options provide Connecticut families the opportunity to save for future college expenses, with the flexibility to choose investment vehicles which meet their particular risk tolerance and financial need. Under the new Management Agreement with TFI, additional investment options will be offered, beginning in the fall of 2010.

The program's core Managed Allocation Option offers an age based investment approach, utilizing a total of six individual age bands, structured as groups of beneficiaries born within the same three-year period. As the age band group approaches college age, each Fund's assets are moved from more aggressive to more conservative investments in accordance with the Trust's investment policy. The Managed Allocation Age Band Funds are comprised of underlying investments in up to six TIAA-CREF institutional mutual funds, which as of June 30, 2010 consisted of an institutional domestic equity index fund, an international equity index fund, a bond fund, an inflation linked bond fund, a real estate securities fund and a money market fund.

The Aggressive Managed Allocation Option introduced in November 2007 also invests in the same underlying Funds as the Managed Allocation Option; however, the contributions to this investment option are more heavily invested in equities and real estate than in the Managed Allocation Option in all age bands.

The High Equity Option invests in a combination of TIAA-CREF institutional equity mutual funds, and bond funds. As of June 30, 2010, the High Equity Option was comprised of the following underlying equity and fixed income funds: Institutional S&P 500 Index, Small Cap Equity, Mid Cap Value, Mid Cap Growth, International Equity Index, Inflation Linked Bond and Bond Funds.

The 100% Equity Index Option invests among a combination of equity index mutual funds to provide the opportunity for long-term capital growth while avoiding the uncertainty associated with actively managed portfolios. As of June 30, 2010, the 100% Equity Index Option was comprised of two underlying TIAA-CREF institutional mutual funds, the Institutional Equity Index and the Institutional International Equity Index.

The Social Choice Option introduced in November 2007 invests in the TIAA-CREF Institutional Social Choice Equity Fund, which invests primarily in equity securities of companies that meet certain social criteria, such as product safety, corporate citizenship, human rights and environmental performance.

The 100% Fixed-Income option seeks to provide preservation of capital along with a moderate rate of return through a diversified mix of fixed income investments. As of June 30, 2010, the 100% Fixed-Income Option was comprised of two underlying TIAA-CREF institutional mutual funds, the Institutional Bond Fund and the Institutional Inflation Linked Bond Fund.

The Money Market Option introduced in February 2008 seeks to provide high current income consistent with preserving capital. This investment option invests in the TIAA-CREF Institutional Money Market Fund.

The Principal Plus Interest Option provides a more conservative and stable offering designed for investors who for a variety of reasons and investment timelines tolerate very limited risk. The assets in the Principal Plus Interest Option are allocated to a funding agreement issued by TIAA-CREF Life Insurance Company, a subsidiary of TIAA, which offers a guarantee to the Trust of principal and an annual rate of return. The rate of return was set to 2.75% from July 1, 2009 to June 30, 2010.

In June 2006, the Treasurer approved an increase in CHET's account balance limit for contributions from its previous level of $235,000, which had remained level since program inception, to $300,000. This increased contribution limit was made to keep pace with increasing college tuition costs and has more closely aligned CHET with maximum levels in other state plans.

Program features include a low minimum account opening balance of $25 ($15 if using payroll deduction), and the convenience of automated payroll and bank Electronic Funds Transfers (EFT) for contributions. Account funds can be used at thousands of eligible (accredited) college and higher education institutions nationwide and abroad. The program allows for transferability of account funds to other eligible members of the original beneficiary's family without penalty. In addition, over 500 employers currently offer payroll deduction in the state.

The Year in Review

CHET continued its aggressive push to educate, build awareness and grow new accounts by promoting CHET as the official state-sponsored 529 college plan for Connecticut families of all demographic and socio-economic groups. During fiscal year 2010, the number of new accounts grew from 86,559 (June 2009) to 94, 886 (June 2010), with 89.4% of those accounts coming from state residents. At the end of June 2010, program equity of account holders was $1.265 billion. That compares with just over 4,000 accounts and $18 million in assets when the Treasurer took office in 1999.

As a low-cost, direct-sold 529 college saving plan, CHET's annual fees are among the lowest in the country. These annualized fees consist of underlying mutual fund expenses and program manager fees, plus a 0.01% state oversight fee. As of June 30, 2010, total fees were 0.60% of average daily net assets for all investment options, except for the Principal Plus Interest option which has a total 0.01% fee. There are no additional charges or penalties imposed by or payable to the Program in connection with opening or maintaining accounts under any of the Investment Options.

CHET offers customers eight different investment options. At the end of the 2010 fiscal year, the Managed Allocation Option remained the most actively utilized investment option in the CHET program capturing 57.8% of total program assets, while 15.6% of assets were invested in the High Equity, 13.7% in the Principal Plus Interest Option, 4.6% in the 100% Equity Index Option, 4.7% in the Aggressive Managed Allocation Option and 3.6% combined in the 100% Fixed-Income, Money Market and Social Choice Equity Options.

The American Recovery and Reinvestment Act of 2009, or “Stimulus Bill” expanded the definition of qualified higher education expenses to include computer technology and equipment for section 529 college savings accounts in 2009 and in 2010. This includes internet access and software, but excludes non-educational software for sports, games or hobbies.

The State Treasurer’s Office works closely with TFI to strengthen public awareness and increase understanding of CHET. Each year an annual marketing plan is developed outlining strategies and tactics that build awareness of and educates all Connecticut families about the benefits and affordability of saving for college early via CHET. In 2009/2010, CHET utilized a series of integrated direct marketing campaigns (direct mail, e-mail and online advertising), community events, promotions, radio, television, print ads as well as public and media relations. CHET spreads this important message to prospective account owners across the state, to all socio-economic groups. Existing account owners are reminded of the importance of making regular contributions in order to meet their college saving’s objectives. CHET also schedules educational seminars and webinars; and, distributes CHET information to schools, libraries, financial influencers and top employers.

Major marketing milestones in fiscal year 2010 include the launch of outdoor advertising (billboards and bus ads) in an effort to enhance brand awareness of the program, executing an award winning essay and drawing promotion (CHET Dream Big! Competition), launching a Summer Reading Promotion in libraries throughout the state, expanding educational activities and promotions targeting low-to-moderate income families and developing new events and activities targeting Hispanic/Latino families.

The current contract with TIAA-CREF Tuition Financing, Inc. (TFI) expires March 12, 2015 having selected TFI to continue as program manager after a competitive bid evaluation.

CHET Advisory Committee

There is a statutorily established CHET Advisory Committee, which meets annually. The Committee met on December 3, 2009.

The Connecticut Higher Education Trust Advisory Committee consists of the State Treasurer, the Commissioner of Higher Education, the Secretary of the Office of Policy and Management and the co-chairpersons and ranking members of the joint standing committees of the General Assembly having cognizance of matters relating to education and finance, revenue and bonding, or their designees, and one student financial aid officer and one finance officer at a public institution of higher education in the state, each appointed by the Board of Governors of Higher Education, and one student financial aid officer and one finance officer at an independent institution of higher education in the state, each appointed by the Connecticut Conference of Independent Colleges.

The statutory members of the CHET Advisory Committee as of the December 3, 2009 annual meeting were:

DENISE L. NAPPIER, State Treasurer

ROBERT L. GENUARIO, Secretary Office of Policy and Management, Designee: John Mengacci

MICHAEL MEOTTI, Commissioner, Department of Higher Education, Designee: Nancy Brady

SEN. THOMAS GAFFEY, Senate Chair, Education Committee, Designee: Robert Lockert

REP ANDREW M. FLEISCHMANN, House Chair, Education Committee

SEN. KEVIN WITKOS, Senate Ranking Member, Education Committee, Designee: Gregg Cogswell

REP. DEBRALEE HOVEY, House Ranking Member, Education Committee

SEN. EILEEN M. DAILY, Senate Chair, Finance, Revenue and Bonding Committee, Designee: Chatam Pordner

REP. CAMERON STAPLES, House Chair, Finance, Revenue and Bonding Committee, Designee: Rep. Andres Ayala

REP. CHRIS PERONE, House Ranking Member, Finance, Revenue and Bonding Committee

SEN. ANDREW RORABACK, Senate Ranking Member, Finance, Revenue and Bonding Committee, Designee: Jamie Makus

REP. VINCENT CANDELORA, House Ranking Member, Finance, Revenue and Bonding Committee, Designee: Dave Williams

MARGARET WOLF, Director of Financial Aid, Capitol Community College

JAMES BLAKE, Executive Vice President of Finance & Administration, Southern Connecticut State University

WILLIAM LUCAS, Vice President Finance, Fairfield University, Designee: Ray Bordeau

JULIE SAVINO, Dean of Student Financial Assistance, Sacred Heart University, Designee: Silvie Hangan

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REVISED
10:35 am, Jul 13, 2010

STATEMENT OF NET ASSETS
JUNE 30, 2010 and 2009

	June 30, 2010	June 30, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 45,621,575	$ 57,251,127
Receivables, net of allowance for uncollectible accounts - $10,791,669 and $10,536,266 respectively	5,906,527	8,149,741
Other Assets	39,449	16,748
TOTAL CURRENT ASSETS	51,567,551	65,417,616
NONCURRENT ASSETS:		
Capital assets:		
Computers	33,093	33,093
Office equipment	18,982	18,982
Less accumulated depreciation	(49,144)	(46,829)
TOTAL NONCURRENT ASSETS	2,931	5,246
TOTAL ASSETS	51,570,482	65,422,862
LIABILITIES		
CURRENT LIABILITIES:		
Claims and benefits payable	7,615,767	7,623,847
Settlement payable	3,112,332	2,599,426
Accounts payable and other accrued liabilities	1,238,213	1,352,591
Compensated absences	365,000	359,387
TOTAL CURRENT LIABILITIES	12,331,312	11,935,251
NONCURRENT LIABILITIES:		
Accounts payable and accrued liabilities	1,155,000	1,030,500
Compensated absences	115,500	128,659
TOTAL NONCURRENT LIABILITIES	1,270,500	1,159,159
TOTAL LIABILITIES	13,601,812	13,094,410
NET ASSETS		
Unrestricted Net Assets	37,968,670	52,328,452
TOTAL NET ASSETS	$ 37,968,670	$ 52,328,452

See accompanying Notes to the Financial Statements.

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12:40 pm, Aug 16, 2010

SHORT-TERM INVESTMENT FUND

STATEMENT OF NET ASSETS
JUNE 30, 2010

	June 30, 2010
ASSETS	
Investment in Securities, at Amortized Cost (Note 7)	$ 4,579,765,770
Accrued Interest and Other Receivables	2,610,060
Prepaid Assets	249,359
Total Assets	4,582,625,189
LIABILITIES	
Distribution Payable	1,036,174
Interest Payable	-
Total Liabilities	1,036,174
NET ASSETS HELD IN TRUST FOR PARTICIPANTS	$ 4,581,589,015

See accompanying Notes to the Financial Statements.

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REVISED
10:34 am, Aug 16, 2010

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

	2010	2009
ADDITIONS		
Operations		
Interest Income	$ 21,244,054	$ 74,939,173
Net Investment Income	21,244,054	74,939,173
Net Realized Gains	284,196	606,703
Net Decrease in Fair Value of Investments	-	-
Net Increase Resulting from Operations	21,528,251	75,545,876
Share Transactions at Net Asset Value of $1.00 per Share		
Purchase of Units	14,459,690,761	15,586,406,101
TOTAL ADDITIONS	14,571,219,011	15,661,951,977
DEDUCTIONS		
Distribution to Participants (Notes 2 & 6)		
Distributions to Participants*	(15,572,194)	(69,698,998)
Total Distributions Paid and Payable	(15,572,194)	(69,698,998)
Share Transactions at Net Asset Value of $1.00 per Share		
Redemption of Units	(14,521,369,298)	(16,096,987,314)
Operations		
Operating Expenses	(1,213,495)	(1,262,329)
TOTAL DEDUCTIONS	**(14,538,154,987)**	(16,167,948,641)
CHANGE IN NET ASSETS	33,064,024	(505,996,664)
Net Assets Held in Trust for Participants		
Beginning of Year	4,548,524,991	5,054,521,655
End of Year	$ 4,581,589,015	$ 4,548,524,991

See accompanying Notes to the Financial Statements.

* Net of designated reserve transfer contributions and expenses.

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12:40 pm, Aug 16, 2010

SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2010

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
FEDERAL AGENCY SECURITIES (24.41% OF TOTAL INVESTMENTS)						
$ 10,000,000	FFC 0.39, 12/1/10	0.22	$ 9,999,581	$ 10,000,290	31331G4T3	AAA
5,000,000	FFC-FLT 0.67, 1/24/11	0.43	5,014,224	5,012,535	31331GFV6	AAA
25,000,000	FFC-FLT 0.43, 4/25/11	0.29	25,000,000	25,025,675	31331GL56	AAA
25,000,000	FFC-FLT 0.18, 5/6/11	0.43	24,982,715	24,946,850	31331G2Z1	AAA
25,000,000	FFC-FLT 0.50, 7/27/11	0.46	25,000,000	25,010,125	31331GC80	AAA
25,000,000	FFC-FLT 0.44, 8/3/11	0.31	24,997,219	25,032,975	31331GF79	AAA
25,000,000	FFC-FLT 0.35, 8/17/11	0.47	24,998,573	24,966,350	31331GH93	AAA
25,000,000	FFC-FLT 0.30, 9/16/11	0.48	24,995,485	24,945,100	31331JHR7	AAA
50,000,000	FFC-FLT 0.33, 11/2/11	0.33	50,000,000	49,995,150	31331G2M0	AAA
23,000,000	FFC-FLT 0.23, 11/4/11	0.51	22,987,452	22,916,050	31331G2V0	AAA
25,000,000	FFC-FLT 0.23, 11/23/11	0.51	24,992,925	24,902,250	31331G4C0	AAA
25,000,000	FFC-FLT 0.26, 1/25/12	0.54	24,988,114	24,893,300	31331JCF8	AAA
25,000,000	FFC-FLT 0.35, 2/6/12	0.54	24,985,854	24,925,675	31331JND1	AAA
25,000,000	FFC-FLT 0.50, 5/2/12	0.56	24,981,466	24,974,050	31331JQL0	AAA
25,000,000	FHLB 0.28, 11/10/10	0.22	24,993,038	25,005,375	3133XYGZ2	AAA
10,000,000	FHLB 0.40, 12/28/10	0.27	9,994,760	10,003,040	3133XVZC8	AAA
10,000,000	FHLB 0.50, 3/14/11	0.36	10,000,000	10,002,150	3133XX4G9	AAA
3,333,333	FHLB 0.50, 3/7/11	0.36	3,333,333	3,333,543	3133XWXX2	AAA
10,000,000	FHLB 0.50, 4/6/11	0.36	9,992,599	10,003,120	3133XXKZ9	AAA
10,000,000	FHLB 0.57, 12/29/10	0.28	10,008,682	10,014,380	3133XV5G2	AAA
10,000,000	FHLB 0.65, 5/25/11	0.35	10,000,000	10,002,630	3133XYCQ6	AAA
10,000,000	FHLB 0.70, 4/18/11	0.42	10,013,297	10,022,100	3133XVDM0	AAA
10,000,000	FHLB 0.70, 5/27/11	0.48	10,000,000	10,003,470	3133XYEQ4	AAA
10,000,000	FHLB 0.75, 6/21/11	0.66	10,000,000	10,001,720	3133XYNY7	AAA
10,000,000	FHLB 0.75, 6/7/11	0.48	10,000,000	10,004,030	3133XYHQ1	AAA
10,000,000	FHLB 0.80, 6/24/11	0.81	10,000,000	9,999,310	3133XYQP3	AAA
5,000,000	FHLB 1.00, 8/5/10	0.22	5,003,692	5,003,680	3133XTK47	AAA
7,590,000	FHLB 2.75, 4/11/11	0.42	7,723,569	7,727,318	3137EABK4	AAA
10,000,000	FHLB 3.25, 3/11/11	0.40	10,192,944	10,197,160	3133XPWW0	AAA
29,043,000	FHLB 4.75, 1/18/11	0.34	29,746,159	29,741,978	3134A4VJ0	AAA
25,000,000	FHLB 4.75, 12/10/10	0.24	25,485,640	25,497,225	3133XDTA9	AAA
10,000,000	FHLB - DISCOUNT NOTE, 7/29/10	0.03	9,998,444	9,999,770	313397ZY0	AAA
3,000,000	FHLB-FLT 0.25, 1/14/11	0.42	3,001,623	3,000,900	3133XSVP0	AAA
25,000,000	FHLB-FLT 0.25, 5/25/11	0.44	25,000,000	24,957,875	3133XVVN8	AAA
25,000,000	FHLB-FLT 0.25, 6/21/11	0.45	24,995,083	24,952,675	3133XWCS6	AAA
25,000,000	FHLB-FLT 0.27, 10/13/11	0.46	24,990,368	25,012,450	3133XY2Y0	AAA
25,000,000	FHLB-FLT 0.30, 8/19/11	0.47	25,000,000	24,951,950	3133XX3D7	AAA
25,000,000	FHLB-FLT 0.37, 11/28/11	0.36	25,000,000	25,007,650	3133XYM51	AAA
1,400,000	FHLB-FLT 0.39, 1/28/11	0.43	1,401,741	1,401,190	3128X8HJ4	AAA
25,000,000	FHLB-FLT 0.61, 3/9/11	0.43	25,009,616	25,018,850	3128X8RC8	AAA
25,000,000	FANNIE MAE - DISCOUNT NOTE, 9/22/10	0.10	24,984,438	24,994,225	313589G72	AAA
25,000,000	FANNIE MAE 6.63, 11/15/10	0.13	25,586,573	25,604,000	31359MGJ6	AAA
20,000,000	FANNIE MAE 1.75, 3/23/11	0.41	20,184,271	20,194,900	31398AVQ2	AAA
10,000,000	FANNIE MAE 5.13, 4/15/11	0.33	10,362,327	10,377,430	31359MM26	AAA
25,000,000	FREDDIE MAC - DISCOUNT NOTE, 10/12/10	0.15	24,980,688	24,989,275	313397K34	AAA
60,100,000	FREDDIE MAC-FLT 0.35, 4/1/11	0.43	60,198,512	60,170,858	3128X8UJ9	AAA
25,000,000	FREDDIE MAC-FLT 0.34, 4/7/11	0.43	24,996,164	25,027,775	3128X8VE9	AAA
8,680,000	FREDDIE MAC 1.63, 4/26/11	0.42	8,756,160	8,765,663	3137EABZ1	AAA
29,091,000	FREDDIE MAC-FLT 0.25, 5/4/11	0.44	29,107,535	29,112,760	3128X8B92	AAA
25,000,000	FREDDIE MAC-FLT 0.28, 8/5/11	0.45	25,010,542	25,002,500	3128X8E24	AAA
25,000,000	FREDDIE MAC-FLT 0.32, 9/26/11	0.32	24,981,243	24,995,750	3128X93D0	AAA
25,000,000	FREDDIE MAC-FLT 0.35, 10/26/11	0.38	24,986,653	24,989,025	3134G1BL7	AAA
25,000,000	FREDDIE MAC-FLT 0.29, 11/7/11	0.36	24,989,652	24,983,850	3134G1DL5	AAA
25,000,000	FREDDIE MAC-FLT 0.15, 1/25/12	0.38	24,912,954	24,918,600	3128X9WA4	AAA
25,000,000	FREDDIE MAC-FLT 0.27, 2/2/12	0.35	24,975,924	24,966,400	3128X9XN5	AAA
5,000,000	FREDDIE MAC-FLT 0.31, 2/10/12	0.35	4,993,451	4,996,185	3128X9YV6	AAA
25,000,000	FREDDIE MAC-FLT 0.31, 2/16/12	0.35	24,979,470	24,979,850	3128X9ZJ2	AAA
$1,115,237,333			$ 1,117,794,753	$ 1,117,480,960		
DEPOSIT INSTRUMENTS (40.50% OF TOTAL INVESTMENTS)[1]						
$ 480,000,000	JP MORGAN CHASE 0.43, 12/31/10	0.43	$ 480,000,000	$ 480,000,000	43499K004	A-1+
450,000,000	SOVEREIGN BANK 0.63, 1/14/11	0.63	450,000,000	450,000,000	846995009	A-1

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12:40 pm, Aug 16, 2010

SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2010 (Continued)

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
100,000,000	TD BANK 0.60, 6/14/11	0.60	100,000,000	100,000,000	87899F958	A-1+
225,000,000	TD BANK 0.60, 6/24/11	0.60	225,000,000	225,000,000	87899F958	A-1+
40,000,000	TD BANK 0.52, 6/24/2011	0.52	40,000,000	40,000,000	87899F958	A-1+
50,000,000	TD BANK 0.55, 6/28/2011	0.55	50,000,000	50,000,000	87899F958	A-1+
35,000,000	TD BANK 0.52, 6/30/2011	0.52	35,000,000	35,000,000	87899F958	A-1+
475,000,000	WELLS FARGO BANK 0.25, 10/1/2010	0.25	475,000,000	475,000,000	92799C006	A-1+
$1,855,000,000		40.50%	$ 1,855,000,000	$ 1,855,000,000		
STRUCTURED INVESTMENT VEHICLES (0.77% OF TOTAL INVESTMENTS)						
$ 84,099,830	GRYPHON 0.00,	0.00	$ 35,323,023	$ 36,928,307	40099A9R8	N/R (2) (4)
$ 84,099,830			$ 35,323,023	$ 36,928,307		
CORPORATE NOTES (10.37% OF TOTAL INVESTMENTS)						
$ 475,000,000	US BANK 0.25, 10/15/10	0.25	$ 475,000,000	$ 475,000,000	90299S000	A-1+
$ 475,000,000			$ 475,000,000	$ 475,000,000		
MONEY MARKET FUNDS (9.83% OF TOTAL INVESTMENTS)						
$ 225,000,000	FFI GOVERNMENT FUND 0.02, 12/31/10	0.02	$ 225,000,000	$ 225,000,000	929EAQ000	AAAM
225,000,000	GOLDMAN SACHS GOV'T FUND 0.03, 12/31/10	0.03	225,000,000	225,000,000	03799N9J9	AAAM
738	LMCS 0.01, 07/01/2010	0.01	738	738	536991003	A-1
$ 450,000,738			$ 450,000,738	$ 450,000,738		
REPURCHASE AGREEMENTS (10.03% OF TOTAL INVESTMENTS)						
$ 100,000,000	BANK OF AMERICA 0.01, 7/1/2010	0.01	$ 100,000,000	$ 100,000,000	07399S003	A-1
359,126,000	RBS CITIZENS BANK 0.05, 7/1/2010	0.05	359,126,000	359,126,000	75299Y008	A-1
$ 459,126,000			$ 459,126,000	$ 459,126,000		
U. S. GOVERNMENT (FDIC) GUARANTEED OR INSURED BANK SECURITIES (4.09% OF TOTAL INVESTMENTS)						
$ 10,000,000	CITIGROUP FDIC 1.38, 5/5/11	0.45	$ 10,062,441	$ 10,076,530	17313YAB7	AAA
25,000,000	CITIGROUP FDIC 0.49, 6/3/11	0.40	25,000,000	25,010,000	17313YAD3	AAA
10,000,000	CITIGROUP FDIC 1.25, 6/3/11	0.47	10,057,930	10,070,850	17313YAC5	AAA
10,000,000	CITIGROUP FDIC 1.5, 7/12/11	0.60	10,098,896	10,091,530	17314JAK9	AAA
50,000,000	CITIGROUP FDIC 0.41, 11/15/11	0.66	50,000,000	49,878,350	17314JAM5	AAA
30,000,000	FARMINGTON SAVINGS BANK (NOW) 0.25, 12/29/10	0.25	30,000,000	30,000,000	310992003	AAA (3)
4,000,000	GE CAPITAL FDIC 0.62, 3/11/11	0.22	4,003,749	4,008,992	36967HAM9	AAA
3,000,000	GOLDMAN SACHS FDIC 0.62, 11/9/11	0.42	3,011,531	3,014,268	38146FAG6	AAA
25,000,000	GOLDMAN SACHS FDIC 1.15, 12/5/11	0.33	25,286,709	25,286,150	38146FAB7	AAA
20,000,000	HUDSON VALLEY BANK (NOW) 0.25, 12/29/10	0.25	20,000,000	20,000,000	44499J005	AAA (3)
$ 187,000,000		4.09%	$ 187,521,256	$ 187,436,670		
$4,625,463,902	**TOTAL INVESTMENT IN SECURITIES**		**$ 4,579,765,770**	**$ 4,580,972,675**		

(1) Deposit instruments have daily put option.

(2) The Gryphon note was received as a result of the Cheyne Finance restructuring in July 2008. Cash distributions through June 2009 have totaled $31.6 million. $24 million of the reserves were transferred to cover a reduction in value effective June 30, 2008. As discussed in the fiscal year 2008 annual report, the realization of the value reduction and the transfer of reserves occurred on December 5, 2008. The estimated fair value was provided by the Gryphon custodian, and understates the ultimate total recovery value. As of October 30, 2009, Gryphon portfolio fair value was $40.7 million compared to $35.5 million at 6/30/2009.

(3) Negotiable Order of Withdrawal (NOW) deposits are fully insured by FDIC under the Transaction Account Guarantee Program and have a daily put option.

(4) The securities credit rating, while in compliance with investment guidelings at time of purchase, fell below quidleines as of June 30, 2010

(5) The security has matured on schedule with full payment of principal and interest.

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12:41 pm, Aug 16, 2010

SHORT-TERM INVESTMENT FUND

SCHEDULE OF ANNUAL RATES OF RETURN

	Year Ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
STIF Total Rate of Return (%)	0.34	1.49	4.13	5.54	4.38	2.32	1.16	1.64	2.61	6.11
First Tier Institutional-only Rated Money Fund Report Averages™ (MFR) Index (%)[1]	0.09	1.30	4.07	5.14	4.01	1.91	0.75	1.20	2.22	5.74
Total Assets in STIF, End of Period ($ - Millions)	4,582	4,548	5,054	5,004	5,430	4,314	3,829	3,280	3,546	4,565
Percent of State Assets in Fund	**84**	81	**83**	80	84	84	81	69	67	71
Number of Participant Accounts in Composite, End of Year[2]										
State Treasury	51	47	39	47	58	84	124	115	112	55
Municipal and Local Entities	656	608	637	578	542	548	556	551	544	496
State Agencies and Authorities	416	367	418	406	406	446	474	440	428	346
Total	1,123	1,022	1,094	1,031	1,066	1,078	1,154	1,106	1,084	897

(1) Represents iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages™- (MFR) Index. These Index rates have been taken from published sources and have not been examined by UHY LLP (formerly Scillia Dowling & Natarelli LLC) or Deloitte & Touche LLP.

(2) As of 2006 and going forward, inactive accounts were closed and only active accounts were included in the total number of participant accounts.

See Notes to Schedules of Rates of Return.

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12:41 pm, Aug 16, 2010

SHORT-TERM INVESTMENT FUND

SCHEDULE OF QUARTERLY RATES OF RETURN

FISCAL YEAR	Rate of Return(%)	Institutional-only Rated Money Fund Report Avereages ™ (MFR) Index(%)[1]
2010		
Sep-09	0.11	0.04
Dec-09	0.09	0.02
Mar-10	0.06	0.01
Jun-10	0.06	0.02
YEAR	**0.34**	**0.09**
2009		
Sep-08	0.58	0.58
Dec-08	0.47	0.45
Mar-09	0.26	0.17
Jun-09	0.16	0.09
YEAR	**1.49**	**1.30**
2008		
Sep-07	1.34	1.27
Dec-07	1.24	1.19
Mar-08	0.90	0.92
Jun-08	0.59	0.62
YEAR	**4.13**	**4.07**
2007		
Sep-06	1.36	1.26
Dec-06	1.38	1.26
Mar-07	1.33	1.26
Jun-07	1.36	1.26
YEAR	**5.54**	**5.14**
2006		
Sep-05	0.89	0.80
Dec-05	1.05	0.93
Mar-06	1.12	1.05
Jun-06	1.25	1.17
YEAR	**4.38**	**4.01**

FISCAL YEAR	Rate of Return(%)	Institutional-only Rated Money Fund Report Avereages ™ (MFR) Index(%)[1]
2005		
Sep-04	0.38	0.29
Dec-04	0.53	0.41
Mar-05	0.64	0.54
Jun-05	0.77	0.67
YEAR	**2.32**	**1.91**
2004		
Sep-03	0.28	0.19
Dec-03	0.30	0.19
Mar-04	0.29	0.19
Jun-04	0.29	0.18
YEAR	**1.16**	**0.75**
2003		
Sep-02	0.48	0.38
Dec-02	0.45	0.32
Mar-03	0.36	0.26
Jun-03	0.35	0.24
YEAR	**1.64**	**1.20**
2002		
Sep-01	0.95	0.85
Dec-01	0.66	0.55
Mar-02	0.48	0.41
Jun-02	0.49	0.39
YEAR	**2.61**	**2.22**
2001		
Sep-00	1.69	1.58
Dec-00	1.70	1.58
Mar-01	1.45	1.39
Jun-01	1.14	1.06
YEAR	**6.11**	**5.74**

(1) Represents iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages™- (MFR) Index. These Index rates have been taken from published sources and have not been examined by UHY LLP (formerly Scillia Dowling & Natarelli LLC) or Deloitte & Touche LLP.

See the accompanying Notes to the Schedules of Rates of Return.

SHORT-TERM PLUS INVESTMENT FUND

STATEMENT OF NET ASSETS
JUNE 30, 2010

		June 30, 2010
ASSETS		
Investment in Securities, at Fair Value (Note 7)	$	52,542,927
Accrued Interest and Other Receivables		56,213
Prepaid Assets		-
Total Assets	$	52,599,140
LIABILITIES		
Distribution Payable		32,274
Interest Payable		-
Total Liabilities	$	32,274
NET ASSETS HELD IN TRUST FOR PARTICIPANTS	$	52,566,866

See accompanying Notes to the Financial Statements.

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1:07 pm, Aug 16, 2010

SHORT-TERM PLUS INVESTMENT FUND

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

	2010	2009
ADDITIONS		
Operations		
Interest Income	$ 618,864	$ 6,914,932
Net Investment Income	618,864,	6,914,932
Net Realized Gains (Losses)	40,014	(5,426)
Net Increase Resulting from Operations	658,878	6,909,506
Share Transactions at Net Asset Value		
Purchase of Units	755,456	7,466,913
TOTAL ADDITIONS	1,414,355	14,376,419
DEDUCTIONS		
Distribution to Participants (Notes 2 & 6)		
Distributions to Participants	(636,452)	(6,833,302))
Total Distributions Paid and Payable	(636,452)	(6,833,302)
Share Transactions at Net Asset Value		
Redemption of Units	(41,324,707)	(226,300,000)
Operations		
Operating Expenses	(22,427)	(76,204)
Net Change in Unrealized Gain/(Loss) on Investments	4,249,332	(2,594,163)
TOTAL DEDUCTIONS	(37,734,253)	(235,803,669)
CHANGE IN NET ASSETS	(36,319,918)	(221,427,250)
Net Assets held in Trust for Participants		
Beginning of Year	88,886,784	310,314,034
End of Year	52,566,866	$ 88,886,784

See accompanying Notes to the Financial Statements.

SHORT-TERM PLUS INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2010

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
ASSET-BACKED SECURITIES (15.35% of total investments)						
$ 1,201,311	ARSI 2004-W10 A2 0.74, 10/25/34	0.74	$ 1,201,310	$ 1,061,771	040104LM1	AAA
1,059,734	BAYV 2006-C 1A1 6.035, 11/28/36	5.62	1,059,734	1,082,254	07325DAB0	AAA
1,464,039	CITI MORT LOAN TR - 2007 AMC2 0.43, 1/25/37	0.43	1,464,038	1,104,580	17311XAA3	B- (1)
1,848,803	GRANM 2007 - 12A1 0.42, 12/20/54	0.42	1,848,803	1,714,765	38741YDF3	AAA
511,997	GSAA 05-15 2A1 0.44, 1/25/36	0.44	511,997	480,371	362341D63	B- (1)
1,277,235	INDB 2006-1 A1 0.42, 7/25/36	0.42	1,277,235	1,039,380	45661JAA1	CCC(1)
418,494	NAA 2006-AF2 1A1 0.45, 8/25/36	0.45	418,493	173,388	65536VAA5	CCC(1)
1,468,395	RAMC 2005-2 AF3 4.49, 8/25/35	5.61	1,468,394	1,408,069	75970NAK3	AAA
$ 9,250,008			$ 49,250,003	$ 8,064,579		
CORPORATE NOTES (84.65% of total investments)						
$ 7,000,000	CITIGROUP 0.54, 5/18/11	0.54	$ 7,001,662	$ 6,942,432	172967DL2	A (1)
5,000,000	GE CAPITAL CORP 0.36, 10/18/10	0.36	5,000,201	4,999,650	36962GY32	AA+
5,000,000	GE CAPITAL CORP 0.35, 10/6/10	0.35	5,000,058	5,000,470	36962GY24	AA+
5,000,000	GOLDMAN SACHS 0.53, 2/6/12	0.43	5,001,426	4,874,715	38141GEW0	A (1)
5,000,000	GOLDMAN SACHS 0.69, 10/7/11	0.40	5,013,855	4,955,905	38141EJV2	A (1)
10,000,000	MERRILL LYNCH 0.77, 6/5/12	0.40	10,000,841	9,712,100	59018YE72	A (1)
5,000,000	WELLS FARGO 0.39, 1/12/11	0.35	4,996,636	4,997,679	949746NC1	AA-
3,000,000	WELLS FARGO 0.39, 1/12/11	0.35	2,994,201	2,994,825	949746NC1	AA-
$ 45,000,000			$ 45,008,880	$ 44,477,776		
MONEY MARKET FUNDS (0.00% of total investments)						
$ 579	GS GOVT FUND 0.03, 07/01/10	0.03	$ 579	$ 579	03799N9J9	A1+
$ 0			$ 579	$ 579		
$ 54,250,008	**TOTAL INVESTMENT IN SECURITIES**		**$ 54,259,462**	**$ 52,542,933**		

(1) The security's credit rating, while in compliance with investment guidelines at time of purchase, was below guidelines as of June 30, 2010.

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REVISED
10:35 am, Jul 13, 2010

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

OPERATING REVENUES	2010	2009
Assessment Revenues	$29,490,370	$36,465,941
Fund Recoveries	602,702	485,263
Other Income	37,767	35,191
TOTAL OPERATING REVENUES	30,130,839	36,986,395
OPERATING EXPENSES		
Injured Worker Benefits:		
Settlements	10,782,487	10,117,350
Indemnity Claims Benefits	22,102,856	21,269,642
Medical Claims Benefits	5,258,789	6,964,852
Total Injured Worker Benefits	38,144,132	38,351,844
Administrative Expenses	6,515,211	7,391,435
TOTAL OPERATING EXPENSES	44,659,343	45,743,279
OPERATING INCOME (LOSS)	(14,528,504)	(8,756,884)
NON-OPERATING INCOME		
Interest Income	168,721	876,695
Change in Net Assets	(14,359,783)	(7,880,189)
NET ASSETS - Beginning of Year	52,328,453	60,208,642
NET ASSETS - End of Year	$37,968,670	$52,328,453

See accompanying Notes to the Financial Statements.

SECOND INJURY FUND

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
SOURCE:		
Assessment revenues	$ 31,618,485	$ 38,950,161
Fund recoveries	602,702	501,985
Other income	37,767	35,191
Other assets	(28,411)	9,437
Depreciation	2,316	2,316
	32,232,859	39,499,090
USE:		
Injured worker benefits	(37,514,807)	(37,455,772)
Administrative expenses	(6,522,035)	(7,254,881)
	(44,036,842)	(44,710,653)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(11,803,983)	(5,211,563)
CASH FLOWS FROM INVESTING ACTIVITIES		
SOURCE:		
Interest Income	174,431	896,646
NET CASH PROVIDED BY INVESTING ACTIVITIES	174,431	896,646
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,629,552)	(4,314,917)
Cash and cash equivalents, Beginning of Year	57,251,127	61,566,044
CASH AND CASH EQUIVALENTS, End of Year	$ 45,621,575	$ 57,251,127
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ (14,528,504)	$ (8,756,884)
Adjustments to reconcile operating income to net cash:		
Provided by operating activities:-		
Depreciation expense	2,316	2,316
Decrease (increase) in assets:		
Decrease in receivables, net	2,243,214	2,190,052
Decrease (increase) in other assets	(28,411)	9,437
Increase (decrease) in liabilities		
Increase (decrease) in accounts payable & accrued expenses	514,948	1,303,183
Increase (decrease) in compensated absences	(7,546)	40,334
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (11,803,983)	$ (5,211,562)

See accompanying Notes to the Financial Statements.

SECOND INJURY FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1: INTRODUCTION AND BASIS OF PRESENTATION

The Second Injury Fund ("SIF" or the "Fund") is an extension of the Workers' Compensation Act managed by the Treasurer of the State of Connecticut and operates under Chapter 568, of the Connecticut General Statutes (C.G.S.). Prior to July 1, 1995, the Fund provided relief to employers where a worker, who already had a preexisting injury or medical condition, was hurt on the job and that second injury was made "materially and substantially" worse by the preexisting injury or medical condition.

In 1995 the Connecticut General Assembly closed the Fund to new "second injury" claims sustained on or after July 1, 1995. However, the Fund will continue to be liable for payment of claims which involve an uninsured or bankrupt employer and, on a pro rata basis, be liable for reimbursement claims to employers of any worker who had more than one employer at the time of the injury.

In addition, the Fund will continue to be liable for and make payments with respect to:

- Widow and dependent death benefits
- Reimbursement for cost of living adjustments on certain claims
- Second injury claims transferred to the Fund prior to July 1999 with a date of injury prior to July 1, 1995.

For State of Connecticut financial reporting purposes, SIF is reported as an Enterprise Fund. (See Note 2)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The accompanying financial statements of SIF have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB).

The Fund utilizes the enterprise fund form of reporting. The reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. The full accrual form of accounting is employed, and revenues are recognized when earned, and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. GASB No. 34 has defined an enterprise fund as a governmental unit in which the pricing policies of the activity establish fees and charges designed to recover its costs.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the Fund are the monies assessed to Connecticut employers for their share of the Fund's expenses for managing workers' compensation claims assigned to the Fund by statute.

Cash and Cash Equivalents

Cash consists of funds in bank checking accounts and deposits held by the State General Fund in the Treasury Business Office account. Cash equivalents include investments in the State of Connecticut Short-Term Investment Fund (STIF). Custodial Credit Risk for Cash and Cash Equivalents is the risk that in the event of a bank failure, the SIF deposits may not be returned to them. STIF Investment Policy ensures strong asset diversification by security type and issuer, comprised of high quality, very liquid securities with a relatively short average maturity. SIF has 99.5% of its cash invested in STIF which is rated AAAm by Standard & Poor's Corporation ("S&P"). Deposits are presented in the basic financial statements at cost plus accrued interest which is also the market or fair value.Receivables, Net of Allowance for Uncollectible Accounts

Receivables, Net of Allowance for Uncollectible Accounts

The receivables balance is composed of assessment receivables and other receivables.

Assessment receivables are recorded inclusive of interest due and result from amounts billed in accordance with C.G.S. 31-354 Assessments: SIF's primary source of revenue is from the levying of assessments against self-insured and insured Connecticut employers. Insurance carriers who insure Connecticut employers are responsible to collect the assessments from employers and submit the revenue to SIF. (See Note 3)

Other receivables are recorded inclusive of interest due and result from amounts billed in accordance with either statute C.G.S. 31-301 or C.G.S.355.

C.G.S. 31-301, Appeal Cases, provides for the payment of indemnity (lost wages) and medical benefits to an injured worker while their claims are under appeal. Upon a decision in the appeal, the injured worker (in cases of denial of compensation), or insurer (in cases of award of compensation), must reimburse the SIF for monies expended during the appeal process. This statute was repealed with passage of P.A. 95-277 for appeals filed on injuries occurring after July 1, 1995. During fiscal years 2010 and 2009, there were no benefits paid for appeals cases.

C.G.S. 31-355, Non Compliance, mandates that SIF pay indemnity and medical benefits for injured workers whose employers fail to or are unable to pay the compensation. The most common examples of these cases involve employers who did not carry worker's compensation insurance or are bankrupt.

Appeal Cases and Non Compliance transactions are recorded as injured worker benefits when paid by the Fund. Concurrently, the Fund seeks recovery of the amounts paid from the party statutorily responsible and a receivable is established. The receivable is offset by a credit to Allowance for Uncollectible Accounts. Recoveries are recorded as revenue when cash is received.

The Fund records other receivables for penalties and citations and certain other payments made under other statutes where the Fund has a right to seek reimbursement. The receivable is offset by a credit to Allowance for Uncollectible Accounts. Recoveries are recorded as revenue when cash is received. Revenue is recorded for these receivables when cash is received.

The allowance for uncollectible account represents those amounts estimated to be uncollectible as of the balance sheet date. The Fund fully reserves for the other receivable balances. (See Note 4)

Capital Assets

The category of capital assets consists of computers and office equipment. The Fund is recording these capital assets at cost with a useful life of 5 years on a straight-line method. In the year of acquisition of the capital asset, the Fund has elected to take a half a year depreciation expense.

Claims Benefits Payable

This category of liability includes indemnity and medical benefits to injured workers as claims and widow and depeThis category of liability includes indemnity and medical benefits to injured workers as claims and widow and dependent death benefits that will not be submitted to the Fund well as reimbursements to insurance companies and self-insured employers for widow claims and dependent death benefits in addition to concurrent employment cases incurred as at the balance sheet date. The long-term portion of claims benefits payable represents an estimate of the amount of liability of as June 30, 2010 and June 30, 2009 of the concurrent employment until a year or more for reimbursement. (See Note 5)

Settlements Payable

Settlements are negotiated agreements for resolving the Fund's future exposure on injured worker claims. An accrual is made for all settlements committed as of the balance sheet date. (See Note 5)

Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities represent administrative expenses of the Fund outstanding as of June 30, 2010 and June 30, 2009 as well as assessments owed to Connecticut Workers' Compensation and other Connecticut employers. (See Note 5)

Compensated Absences

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977 can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent of sixty days. (See Note 5)

NOTE 3: ASSESSMENTS

The assessment method for carriers paying on behalf of insured employers is on an actual premium basis. The premium surcharge, which is paid by insured employers through their worker's compensation insurance carrier within 45 days of the close of a quarter, is the premium surcharge rate multiplied by the employer's "SIF's surcharge base" premium on all policies with an effective date for that quarter. "SIF's surcharge base" means direct written premium on policies prior to application of any deductible policy premium credits. The premium surcharge is set yearly based on the Fund's budgetary needs prior to the start of the fiscal year. The annual insured employers' assessment rate for the fiscal year ending June 30, 2010 was 2.75% and for the fiscal year ending June 30, 2009 was 3.00%.

The method of assessment for self-insured employers is a quarterly billing based on the previous calendar year's paid losses. The annual assessment rate for self-insured employers for the fiscal year ending June 30, 2010 was 3.84% and for the fiscal year ending June 30, 2009 was 4.7%.

NOTE 4: RECEIVABLES

The following is an analysis of the changes in the Fund receivable balances:

As of June 30, 2010:

	Beginning Balance	Additions	Cash Receipts	Write-Offs	Ending Balance	Amount Due Within One Year	Allowance for Uncollectible
Assessments	$9,713,402	$61,177,185	$63,699,005	$0	$7,191,582	$5,906,527	$1,285,055
Non-Compliance 355	9,418,067	2,935,536	313,537	3,031,918	9,008,148	0	9,008,148
Other Receivables	577,095	410,202	326,931	161,900	498,466	0	498,466
Total Receivables	$19,708,564	$64,522,923	$64,339,473	$3,193,818	$16,698,196	$5,906,527	$10,791,669

As of June 30, 2009:

	Beginning Balance	Additions	Cash Receipts	Write-Offs	Ending Balance	Amount Due Within One Year	Allowance for Uncollectible
Assessments	$11,875,202	$58,553,463	$60,715,263	$0	$9,713,402	$8,149,741	$1,563,661
Non-Compliance 355	8,282,425	3,746,239	220,581	2,390,016	9,418,067	0	9,418,067
Other Receivables	718,432	320,596	313,780	148,153	577,095	0	577,095
Total Receivables	$20,876,059	$62,620,298	$61,249,624	$2,538,169	$19,708,564	$8,149,741	$11,558,823

NOTE 5: LIABILITES AND COMPENSATED ABSENCES

The following is an analysis of the changes in the Fund liabilities and compensated absence balances:

As of June 30, 2010:

	Beginning Balance	Additions	Cash Disbursements	Ending Balance	Amount Due Within One Year
Claims and Benefits Payable	$8,654,347	$27,486,146	$27,369,726	$8,770,767	$7,615,767
Settlements Payable	2,599,426	10,782,487	10,269,581	3,112,332	3,112,332
Accounts Payable & Accrued Expenses	1,352,591	6,925,283	7,039,661	1,238,213	1,238,213
Compensated Absences	488,046	0	7,546	480,500	365,000
Total Liabilities & Compensated Absences	$13,094,410	$45,193,916	$44,686,514	$13,601,812	$12,331,312

As of June 30, 2009:

	Beginning Balance	Additions	Cash Disbursements	Ending Balance	Amount Due Within One Year
Claims and Benefits Payable	$7,985,465	$28,298,493	$27,629,612	$8,654,346	$7,623,846
Settlements Payable	2,372,237	10,117,350	9,890,161	2,599,426	2,599,426
Accounts Payable & Accrued Expenses	945,480	8,077,376	7,670,265	1,352,591	1,352,591
Compensated Absences	447,711	40,335	0	488,046	359,387
Total Liabilities & Compensated Absences	$11,750,893	$46,533,554	$45,190,038	$13,094,409	$11,935,250

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6: SETTLEMENTS

Negotiations were at various stages of completion for settlements valued and accrued at June 30, 2010 were $3.1 million and at June 30, 2009 were $2.6 million.

NOTE 7: SUBSEQUENT EVENTS

Effective July 1, 2010, the assessment rates for insured employers remains the same of 2.75% on voluntary policies and on assigned risk policies, the assessment rates have remained the same of 2.2%. The assessment rate for self-insured employers decreased from 3.84% to 2.75% effective January 1, 2011.

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2010

ASSETS		
Investments in securities, at amortized cost (Note 2)	$	127,123,196
Receivable for securities sold		3,520,000
Receivable for shares sold		57,519
Accrued interest receivable		91,684
Total assets		130,792,399
LIABILITIES		
Payable for securities purchased		1,530,566
Due to custodian		4,075,488
Payable to affiliate (Note 3)		27,374
Total liabilities		5,633,428
Net assets	$	125,158,971
SOURCES OF NET ASSETS		
Net capital paid in on shares of capital stock (Note 5)	$	125,158,971
Accumulated net realized gain (losses)		—
Net assets	$	125,158,971
Net Asset Value, per share (applicable to 125,160,974 shares outstanding) (Note 5)	$	1.00

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

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REVISED
12:44 pm, Aug 11, 2010

TAX EXEMPT PROCEEDS FUND, INC.

SCHEDULE OF INVESTMENTS
JUNE 30, 2010

Face Amount		Maturity Date	Interest Rate	Value (Note 1)	Ratings (a) Moody's	Standard & Poor's
Tax Exempt Commercial Paper (6.39%)						
$ 4,000,000	Harris County, TX – Series C	08/12/10	0.35%	$ 4,000,000	P-1	A-1+
4,000,000	Long Island Power Authority, NY LOC State Street Bank & Trust Company	08/04/10	0.32	4,000,000	P-1	A-1+
8,000,000	**Total Tax Exempt Commercial Paper**			**8,000,000**		
Tax Exempt General Obligation Notes and Bonds (10.23%)						
$ 4,000,000	Concord School District, NH BAN	01/21/11	0.75%	$ 4,003,303	MIG1	
1,670,000	Manitowoc County, WI Note Anticipation Notes	10/01/10	0.80	1,675,028	MIG1	
2,000,000	Oconomowoc Area School District, Dodge, Jefferson and Waukesha Counties, WI Tax and Revenue Anticipation Promissory Notes	08/23/10	0.75	2,002,880	MIG1	
1,695,000	Reedsville School District, Manitowic and Brown Counties, WI BAN	07/01/10	0.55	1,695,000		SP-1+
1,900,000	School District of New Berlin, Waukesha County, WI Tax and Revenue Anticipation Promissory Notes	08/25/10	0.75	1,901,419	MIG1	
1,525,000	Waunakee Community School District, Dane County, WI BAN	11/01/10	0.65	1,530,566	MIG1	
12,790,000	**Total Tax Exempt General Obligation Notes and Bonds**			**12,808,196**		
Tax Exempt Variable Rate Demand Instruments (b) (84.95%)						
$ 3,000,000	City of Cohasset, MN RB (Minnesota Power & Light Company Project) – Series 1997A LOC LaSalle National Bank N.A.	06/01/20	0.30%	$ 3,000,000		A-1+
1,400,000	City of Newport, KY Kentucky League of Cities Funding Trust Lease Program RB – Series 2002 LOC US Bank, N. A.	04/01/32	0.29	1,400,000	VMIG1	
7,000,000	City of Santa Clara, CA Subordinated Electric Revenue Bonds – Series 2008B LOC Dexia CLF	07/01/27	0.28	7,000,000		A-1
2,900,000	Colorado Health Facilities Authority HRB (Boulder Community Hospital Project) – Series 2000 LOC JPMorgan Chase Bank, N.A.	10/01/30	0.26	2,900,000	VMIG1	A-1+

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

TAX EXEMPT PROCEEDS FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2010

Face Amount		Maturity Date	Interest Rate	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Tax Exempt Variable Rate Demand Instruments (b) (Continued)						
$ 5,000,000	Columbus, OH Regional Airport Authority Capital Funding RB (Oasbo Expanded Asset Pooled Financing Program) – Series 2006 LOC U.S. Bank N.A.	12/01/36	0.30%	$5,000,000	VMIG1	
1,100,000	Commonwealth of Puerto Rico Public Improvement Refunding Bonds – Series 2007A-8 LOC Wachovia Bank, N.A.	07/01/34	0.25	1,100,000	VMIG1	A-1+
1,835,000	Connecticut State Development Authority RB (Pierce Memorial Baptist Home, Inc. Project 1999 Refunding Series) LOC LaSalle National Bank N.A.	10/01/28	0.20	1,835,000		A-1+
4,500,000	Dormitory Authority of the State of New York Blythedale Childrens HRB Series 2009 LOC TD Bank, N.A.	12/01/36	0.27	4,500,000	VMIG1	
3,600,000	East Baton Rouge Parish, LA PCRB (Exxon Mobile Project)	11/01/19	0.10	3,600,000	P-1	A-1+
2,000,000	Florida Housing Finance Corporation Multifamily Housing Revenue Refunding Bonds (Charleston Landing Apartments) 2001 Series I-A Guaranteed by Federal Home Loan Mortgage Corporation	07/01/31	0.30	2,000,000		A-1+
2,250,000	Florida Housing Finance Corporation Multifamily Housing Revenue Refunding Bonds (Island Club Apartments) 2001 Series J-A Guaranteed by Federal Home Loan Mortgage Corporation	07/01/31	0.30%	2,250,000		A-1+
1,525,000	HEFA of the State of Missouri RB Educational Facilities RB (Ranken Technical College) – Series 2007 LOC Northern Trust Company	11/15/31	0.16	1,525,000		A-1+
3,400,000	Illinois Development Finance Authority RB (Glenwood School For Boys) – Series 1998 LOC Harris Trust & Savings Bank	02/01/33	0.32	3,400,000		A-1+
2,225,000	Illinois Finance Authority RB (Riverside Health System) - Series 2004 LOC JPMorgan Chase Bank, N.A.	11/15/29	0.23	2,225,000	VMIG1	A-1+
2,800,000	Iowa Higher Education Loan Authority Private College Facility RB (University of Dubuque Project) – Series 2007 LOC Northern Trust Company	04/01/35	0.16	2,800,000		A-1+

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

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REVISED
12:44 pm, Aug 11, 2010

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2010

Face Amount		Maturity Date	Interest Rate	Value (Note 1)	Ratings (a) Moody's	Standard & Poor's
Variable Rate Demand Instruments (b) (Continued)						
$ 900,000	Irvine Ranch Water District, Orange County, CA Waterworks Bonds Election 1988 Series A for Improvement District No. 182 LOC Landesbank Hessen Thuringen Girozentrale	11/15/13	0.15%	$ 900,000		A-1+
3,000,000	Irvine, CA Assessment District # 89-10 (Orange County) Updates Improvement Bond LOC Bayerische HypoVereins Bank AG	09/02/15	0.16	3,000,000	VMIG1	A-1+
2,100,000	Irvine, CA Assessment District # 97-16 Limited Obligation Improvement Bond LOC State Street Bank & Trust Company	09/02/22	0.16	2,100,000	VMIG1	A-1+
5,950,000	Jackson County, MS Port Facility Refunding RB (Chevron U.S.A. Inc. Project) – Series 1993	06/01/23	0.13	5,950,000	P-1	
800,000	Lincoln County, WY PCRB (Exxon Corporation) – Series 1985	08/01/15	0.10	800,000		A-1+
2,000,000	Marion County, FL IDA Multifamily Housing Revenue Refunding Bonds (Chambrel at Pinecastle Project) – Series 2002 Guaranteed by Federal National Mortgage Association	11/15/32	0.31	2,000,000		A-1+
6,000,000	Maryland Health and Higher Educational Facilities Authority RB (University of Maryland Medical System Issue) – Series 2007A LOC Wachovia Bank, N.A.	07/01/34	0.26	6,000,000	VMIG1	A-1+
1,000,000	M-S-R Public Power Agency, CA San Juan Project Subordinate Lien RB Series 2008M LOC Dexia CLF	07/01/22	0.16	1,000,000		A-1
735,000	New Canaan, CT Housing Authority RB (The Village at Waveny Care Center Project) – Series 2002 LOC Bank of America, N.A.	01/01/22	0.23	735,000		A-1+
7,700,000	New Jersey EDA School Facilities Construction Bonds – Series 2006 R-1 LOC Lloyds Bank PLC/ Bank of Nova Scotia	09/01/31	0.12	7,700,000	VMIG1	A-1+
900,000	New Jersey EDA School Facilities Construction Bonds – Series 2006R-3 LOC Lloyds Bank PLC/ Bank of Nova Scotia	09/01/31	0.14	900,000	VMIG1	A-1+

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

TAX EXEMPT PROCEEDS FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2010

Face Amount		Maturity Date	Interest Rate	Value (Note 1)	Ratings (a) Moody's	Standard & Poor's
Variable Rate Demand Instruments (b) (Continued)						
$ 2,000,000	New Jersey Health Care Facilities Financing Authority RB (Saint Barnabas Health Care System Issue) – Series 2001A LOC JP Morgan Chase Bank, N.A.	07/01/31	0.21%	$ 2,000,000	VMIG1	A-1+
1,000,000	New Ulm, MN Hospital Refunding RB (Health Central Systems Project) – Series 1985 LOC Wells Fargo Bank, N.A.	08/01/14	0.35	1,000,000		A-1+
3,500,000	New York City, NY GO Bonds Fiscal 2004 Sub-Series H-2 LOC Bank of New York Mellon	03/01/34	0.15	3,500,000	VMIG1	A-1+
1,700,000	New York City, NY GO Bonds Fiscal 2004 Sub-Series H-7 LOC KBC Bank, N.A.	03/01/34	0.15	1,700,000	VMIG1	A-1
5,000,000	New York, NY GO Bonds Fiscal 1994 Sub-Series A-4 LOC Bayerische Landesbank	08/01/22	0.13	5,000,000	VMIG1	A-1+
1,945,000	North Carolina Capital Facilities Finance Agency Capital Facilities RB (The Mental Health Association in North Carolina, Inc. Project) – Series 2007 LOC Branch Banking & Trust Company	02/01/27	0.34	1,945,000	P-1	A-1+
3,400,000	Palm Beach County, FL Educational Facilities Authority RB (Lynn University Project) – Series 2001 LOC Bank of America, N.A.	11/01/21	0.30	3,400,000	P-1	A-1+
1,600,000	Redevelopment Agency of the City of Pittsburg, CA Los Medanos Community Development Project Subordinate Tax Allocation Bonds – Series 2004A LOC State Street Bank & Trust Company/ California State Teachers Retirement System	09/01/35	0.14	1,600,000		A-1+
5,100,000	State of Connecticut HEFA RB (Yale University Issue) – Series V-2	07/01/36	0.08	5,100,000	VMIG1	A-1+
150,000	State of Connecticut HEFA RB (Charlotte Hungerford Hospital Issue) – Series 1998C LOC Bank of America, N.A.	07/01/13	0.45	150,000	VMIG-1	
1,000,000	State of Connecticut HEFA RB (Yale-New Haven Hospital Issue) – Series K-2 LOC JPMorgan Chase Bank, N.A.	07/01/25	0.22	1,000,000	VMIG1	A-1+

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

TAX EXEMPT PROCEEDS FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)
JUNE 30, 2010

Face Amount		Maturity Date	Interest Rate	Value (Note 1)	Ratings (a) Moody's	Ratings (a) Standard & Poor's
Variable Rate Demand Instruments (b) (Continued)						
$ 300,000	State of Connecticut HEFA RB Mulberry Gardens Issue, Series E LOC Bank of America, N.A.	07/01/36	0.45%	$ 300,000		A-1+
4,000,000	Turlock Irrigation District, CA COP (Capital Improvements and Refunding Project) 2001 Series A LOC Societe Generale	01/01/31	0.12	4,000,000		A-1+
106,315,000	**Total Tax Exempt Variable Rate Demand Instruments**			**106,315,000**		
	Total Investments (101.57%) (Cost $127,123,196†)			**127,123,196**		
	Liabilities in Excess of Cash and Other Assets (-1.57%)			**(1,964,225)**		
	Net Assets (100.00%)			**$125,158,971**		

† Aggregate cost for federal income tax purposes is identical. All securities are valued at amortized cost and as a result, there is no unrealized appreciation and depreciation.

FOOTNOTES:

(a) Unless the securities are assigned their own ratings, the ratings are those of the bank whose letter of credit guarantees the issue. All letters of credit are irrevocable and direct pay covering both principal and interest. In addition, certain issuers may have either a line of credit, a liquidity facility, a standby purchase agreement or some other financing mechanism to ensure the remarketing of the securities. This is not a guarantee and does not serve to insure or collateralize the issue. Ratings have not been audited by Sanville & Company.

(b) Securities payable on demand at par including accrued interest (usually with one or seven days notice) and where indicated are unconditionally secured as to principal and interest by a bank letter of credit. The interest rates are adjustable and are based on bank prime rates or other interest rate adjustment indices. The rate shown is the rate in effect at the date of this statement.

KEY:

BAN	=	Bond Anticipation Note	HRB	=	Hospital Revenue Bond
GO	=	General Obligation	IDA	=	Industrial Development Authority
COP	=	Certificate of Participation	LOC	=	Letter of Credit
EDA	=	Economic Development Authority	PCRB	=	Pollution Control Revenue Bond
HEFA	=	Health and Educational Facilities Authority	RB	=	Revenue Bond

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

TAX EXEMPT PROCEEDS FUND, INC.

BREAKDOWN OF PORTFOLIO HOLDINGS BY MATURITY
JUNE 30, 2010

Securities Maturing in	Value	% of Portfolio
Less than 31 Days	$108,010,000	84.97%
31 through 60 Days	11,904,299	9.36
61 through 90 Days	—	—
91 through 120 Days	1,675,028	1.32
121 through 180 Days	1,530,566	1.20
Over 180 Days	4,003,303	3.15
Total	**$127,123,196**	**100.00%**

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

TAX EXEMPT PROCEEDS FUND, INC.

BREAKDOWN OF PORTFOLIO HOLDINGS BY STATE
JUNE 30, 2010

States	Value	% of Portfolio
California	$ 19,600,000	15.42%
Colorado	2,900,000	2.28
Connecticut	9,120,000	7.17
Florida	9,650,000	7.59
Illinois	5,625,000	4.42
Iowa	2,800,000	2.20
Kentucky	1,400,000	1.10
Louisiana	3,600,000	2.83
Maryland	6,000,000	4.72
Minnesota	4,000,000	3.15
Mississippi	5,950,000	4.68
Missouri	1,525,000	1.20
New Hampshire	4,003,303	3.15
New Jersey	10,600,000	8.34
New York	18,700,000	14.71
North Carolina	1,945,000	1.53
Ohio	5,000,000	3.93
Puerto Rico	1,100,000	0.87
Texas	4,000,000	3.15
Wisconsin	8,804,893	6.93
Wyoming	800,000	0.63
Total	**$127,123,196**	**100.00%**

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

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED
JUNE 30, 2010

INVESTMENT INCOME	
Income:	
Interest	$ 296,267
Expenses (Note 3)	
Investment management fee	428,524
Less: Fees waived (Note 3)	(135,034)
	293,490
Net investment income	2,777
REALIZED GAIN (LOSS) ON INVESTMENTS	
Net realized gain (loss) on investments	-0-
Increase in net assets resulting from operations	$ 2,777

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

TAX EXEMPT PROCEEDS FUND, INC.

STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 and 2009

	2010	2009
INCREASE (DECREASE) IN NET ASSETS FROM		
Operations:		
Net investment income	$ 2,777	$ 1,418,408
Net realized gain on investments	-0-	-0-
Increase in net assets resulting from operations	2,777	1,418,408
Dividends to shareholders from net investment income*	(2,777)	(1,418,408)
Capital share transactions (Note 5):	(7,018,649)	(42,253,118)
Total increase/(decrease)	(7,018,649)	(42,253,118)
Net Assets:		
Beginning of year	132,177,620	174,430,738
End of year	$ 125,158,971	$ 132,177,620
Undistributed net investment income	$ -0-	$ -0-

* Designated as exempt-interest dividends for federal income tax purposes.

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

TAX EXEMPT PROCEEDS FUND, INC.

FINANCIAL HIGHLIGHTS

	Years Ended June 30,				
	2010	2009	2008	2007	2006
Per Share Operating Performance:					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$1.00	$1.00	$1.00	$1.00	$1.00
Income from investment operations:					
Net investment income	0.000	0.011	0.026	0.032	0.025
Less distributions from:					
Dividends from net investment income	(0.000)	(0.011)	(0.026)	(0.032)	(0.025)
Net asset value, end of year	$1.00	$1.00	$1.00	$1.00	$1.00
Total Return	0.00%	1.10%	2.68%	3.27%	2.57%
Ratios/Supplemental Data					
Net assets, end of year (000's)	$125,159	$132,178	$174,431	$189,080	$155,258
Ratios to average net assets:					
Expenses	0.00%	0.40%	0.40%	0.40%	0.40%
Net investment income	0.27%	1.14%	2.67%	3.23%	2.55%
Management fees waived	0.13%	0.00%	0.00%	0.00%	0.00%

NOTES TO FINANCIAL STATEMENTS

1. Organization

Tax Exempt Proceeds Fund, Inc. ("Fund") is a no-load, diversified, open-end management investment company registered under the Investment Company Act of 1940 (the "1940 Act"). The Fund is a short term, tax exempt money market fund whose objective is to seek as high a level of current interest income exempt from federal income taxes as is believed to be consistent with the preservation of capital, maintenance of liquidity and stability of principal.

2. Summary of Significant Accounting Policies

CODIFICATION

The Financial Accounting Standards Board has issued FASB ASC 105 (formerly FASB Statement No. 168), The "FASB Accounting Standards Codification™" and the Hierarchy of Generally Accepted Accounting Principles ("GAAP") ("ASC 105"). ASC 105 established the FASB Accounting Standards Codification ("Codification" or "ASC") as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative.

Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification. GAAP is not intended to be changed as a result of the FASB's Codification project, but it will change the way the guidance is organized and presented. As a result, these changes will have a significant impact on how companies reference GAAP in their financial statements and in their accounting policies for financial statements issued for interim and annual periods ending after September 15, 2009. The Fund has implemented the Codification as of June 30, 2010.

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America.

VALUATION OF SECURITIES

Investments are recorded on the basis of amortized cost, which approximates value, as permitted by Rule 2a-7 under the 1940 Act. Under this method, a portfolio instrument is valued at cost and any discount or premium is amortized on a constant basis to the maturity of the instrument. The maturity of variable rate demand instruments is deemed to be the longer of the period required before the Fund is entitled to receive payment of the principal amount or the period remaining until the next interest rate adjustment. See Note 7 for additional disclosure on valuation of securities.

SECURITIES TRANSACTIONS AND INVESTMENT INCOME

Securities transactions are recorded on a trade date basis. Interest income, adjusted for accretion of discount and amortization of premium, is recorded on the accrual basis from settlement date. Realized gains and losses on sales are computed on the basis of specific identification of the securities sold.

FEDERAL INCOME TAXES

It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its tax exempt and taxable (if any) income to its shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income tax is required in the financial statements. The Fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations.

In addition, GAAP requires management of the Fund to analyze all open tax years, fiscal years 2008-2010, as defined by IRS statute of limitations for all major jurisdictions, including federal tax authorities and certain state tax authorities. As of and during the period ended June 30, 2010, the Fund did not have a liability for any unrecognized tax benefits. The Fund has no examination in progress and is not aware of any tax positions for which it is reasonably possible that the total tax amounts of unrecognized tax benefits will significantly change in the next twelve months.

2. Summary of Significant Accounting Policies (continued)

DIVIDENDS AND DISTRIBUTIONS

Dividends from net investment income (excluding capital gains and losses, if any, and amortization of market discount) are declared daily and paid monthly. Net realized capital gains, if any, are distributed at least annually and in no event later than 60 days after the end of the Fund's fiscal year.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. Management has evaluated the impact of all subsequent events through July 29, 2010, the date the financial statements were issued and has determined that there were no subsequent events requiring recognition of disclosure in these financial statements.

REPRESENTATIONS AND INDEMNIFICATIONS

In the normal course of business the Fund enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

RISKS

The effect on performance from investing in securities issued or guaranteed by companies in the banking and financial services industries will depend to a greater extent on the overall condition of those industries. Financial services companies are highly dependent on the supply of short-term financing. The value of securities of issuers in the banking and financial services industry can be sensitive to changes in government regulation and interest rates and to economic downturns in the United States and abroad.

The value of, payment of interest on, repayment of principal for and the ability to sell a municipal security may be affected by constitutional amendments, legislative enactments, executive orders, administrative regulations, voter initiatives and the economics of the regions in which the issuers are located.

Since many municipal securities are issued to finance similar projects, especially those relating to education, housing, health care, transportation and utilities, conditions in those sectors can affect the overall municipal securities market and a Portfolio's investment in municipal securities.

There is some risk that a portion or all of the interest received from certain tax-free municipal securities could become taxable as a result of determinations by the Internal Revenue Service.

3. Investment Management Fees and Other Transactions with Affiliates

Under the Investment Management Contract, the Fund pays an investment management fee to the Manager at the annual rate of 0.40 of 1% per annum of the Fund's average daily net assets up to $250 million; 0.35 of 1% per annum of the average daily net assets between $250 million and $500 million; and 0.30 of 1% per annum of the average daily net assets over $500 million. The Management Contract also provides that the Manager will bear the cost of all other expenses of the Fund.

Therefore, the fee payable under the Management Contract will be the only expense of the Fund. At June 30, 2010, the Fund owed $27,374 to the Manager for these services, which is included in Payable to Affiliates on the Statement of Assets and Liabilities. For the year ended June 30, 2010, the Manager waived $135,034 of management fee.

In a low interest rate environment, such as the environment that existed at June 30, 2010, Reich & Tang Asset Management LLC ("the "Manager") has historically waived their fees to maintain a minimum non-negative yield for the Fund. The Manager is under no contractual obligation to continue such waiver in the future.

Pursuant to a Distribution Plan adopted under Securities and Exchange Commission Rule 12b-1, the Fund and the Manager have entered into a Distribution Agreement. The Fund's Board of Directors has adopted the plan in case certain expenses of the Fund are deemed to constitute indirect payments by the Fund for distribution expenses.

Directors of the Fund not affiliated with the Manager receive from the Fund (fee is paid by the Manager from its management fee) an annual retainer of $1,250 and a fee of $450 for each Board of Directors meeting attended and are reimbursed for all out-of-pocket expenses relating to attendance at such meeting.

As of June 30, 2010, no Directors, Officers or affiliated entities had investments in the Fund.

4. Security Transactions with Affiliated Funds

The Fund is permitted to purchase or sell securities from or to certain other Reich & Tang Funds under specified conditions outlined in procedures adopted by the Board of Directors of the Fund. The procedures have been designed to ensure that any purchase or sale of securities of the Fund from or to another fund or portfolio that is or could be considered an affiliate by virtue of having a common investment advisor (or affiliated investment advisors), common Directors and/or common Officers complies with Rule 17a-7 of the 1940 Act. Further, as defined under the procedures, each transaction is effected at the current market price. For the year ended June 30, 2010, the Fund engaged in purchases and sales with affiliates, none of which resulted in any gains or losses, which amounted to:

Purchases	$119,410,000
Sales	182,375,000
Gains/(Losses)	-0-

5. Capital Stock

At June 30, 2010, 20,000,000,000 shares of $.001 par value stock were authorized. Transactions in capital stock, all at $1.00 per share, were as follows:

	Year Ended June 30, 2010		Year Ended June 30, 2009	
	Net Assets	Shares	Net Assets	Shares
Sold	$ 767,955,845	767,955,845	$ 881,690,681	881,690,681
Issued on reinvestment of dividends	3,012	3,012	1,419,718	1,419,718
Redeemed	(774,977,506)	(774,977,506)	(925,366,589)	(925,366,589)
Additional paid-in-capital*	-0-	-0-	3,072	-0-
Net increase (decrease)	$ (7,018,649)	(7,018,649)	$ (42,253,118)	(42,256,190)

* During the year ended June 30, 2009, Reich & Tang Services, Inc. ("TA"), allocated amounts to the Fund related to aged items below $50 or for which shareholder data was unavailable.

6. Tax Information

The tax character of distributions paid during the years ended June 30, 2010 and 2009 was as follows:

	2010	2009
Tax-exempt income	$ 2,777	$ 1,418,408

7. Additional Valuation Information

Under the provisions of GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quotes prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 – prices are determined using quoted prices in an active market for identical assets.

Level 2 – prices are determined using other significant observable inputs. Observable inputs are inputs that the other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3 – prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of the end of the reporting period, June 30, 2010. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Money market securities may be valued using amortized cost, in accordance with the 1940 Act.

NOTES TO FINANCIAL STATEMENTS (Continued)

Generally, amortized cost approximates the current fair value of a security, but as the value is not obtained from a quoted price in an active market, such securities are reflected as a Level 2.

The following table summarizes the inputs used to value the Fund's investments as of June 30, 2010:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities issued by states of the United States and political subdivisions of the states	$-0-	$127,123,196	$-0-
Total	$-0-	$127,123,196	$-0-

For the year ended June 30, 2010, there were no Level 1 or 3 investments.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Tax Exempt Proceeds Fund, Inc.

We have audited the accompanying statement of assets and liabilities of Tax Exempt Proceeds Fund, Inc. (the "Fund") including the schedule of investments, as of June 30, 2010 and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights 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, 2010 by correspondence with the Fund's custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Tax Exempt Proceeds Fund, Inc. as of June 30, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Sanville & Company

Sanville & Company
New York, New York
July 29, 2010

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REVISED
10:51 am, Aug 24, 2010

UNCLAIMED PROPERTY DIVISION

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 (1)
FISCAL YEAR ENDED JUNE 30, 2010

Name of Firm	Description of Services	Contract Date	Aggregate Compensation Paid in FY 2010	Status As of 6/30/10
A & A Office Systems, Inc.	Photocopier Lease	N/A	$ 6,706	Active
ACS Unclaimed Property Clearinghouse	Securities Services & Claims Processing	July-06	808,035	Active
ACS Unclaimed Property Clearinghouse	Identification & Collection of Property	August-94	1,541,504	Active
Audit Services US LLC	Identification & Collection of Property	May-06	144,933	Active
BlackRock Investment Management LLC	Security Commission Expense	May-09	144,994	Active
Bloomberg Financial LP	Subscription	N/A	14,310	Active
Connecticut Post LP	Advertising	N/A	13,924	Active
Iron Mountain Off-Site Data Protection	Storage & Retrieval of Files	N/A	5,216	Active
New Haven Register	Advertising	N/A	7,059	Active
Republican American	Advertising	N/A	5,885	Active
Suburban Stationers Inc.	Office Supplies	N/A	10,165	Active
The Hartford Courant	Advertising	N/A	136,422	Terminated
TOTAL			**$ 2,839,154**	

(1) Expenses are presented on a cash basis.

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10:56 am, Aug 24, 2010

UNCLAIMED PROPERTY DIVISION

FIVE YEAR SELECTED FINANCIAL INFORMATION

	Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
Receipts (Net of fees) [(1) (4)]	$222,107,523	$ 69,496,494	$ 64,037,656	$ 64,567,697	$ 84,735,321
Fees netted from proceeds	0	0	0	0	1,225,874
Gross Receipts	222,107,523	69,496,494	64,037,656	64,567,697	85,961,195
Claims Paid	33,408,124	32,341,525	30,626,832	25,280,243	25,990,877
Transfer to Citizens Election Fund [(4)]	18,191,261	17,940,100	17,300,000	16,000,000	17,000,000
Administrative Expenses:					
Salaries & Fringe benefits	3,771,592	3,646,721	3,396,050	3,896,514	3,154,315
Data processing & hardware	2,514,603	2,170,581	3,018,137	2,826,339	3,237,913
All Other	431,564	119,645	449,575	220,355	266,173
Fees netted from proceeds [(1)]	0	0	0	0	1,225,874
Total Disbursements	58,317,144	56,218,572	54,790,595	48,223,450	50,875,152
Excess of Receipts over Disbursements [(2)]	$163,790,379	$ 13,277,922	$ 9,247,061	$ 16,344,247	$ 35,086,043
Approximate Market Value of Securities at Fiscal Year End:					
Total Securities Inventory	$ 22,097,989	$ 80,928,474	$ 95,399,474	$ 99,761,769	$ 59,295,118
Securities liquidated	$151,153,493	$ 786,277	$ 0	$ 0	$ 13,617,580
Number of claims paid	17,360	14,481	16,787	20,930	22,732

(1) Fees include amounts for liquidation of securities, property recovered in out-of-state audits and appraisal and auction of safe deposit box contents. As of July 1, 2006, there is no netting of fees and amounts are now included in data processing and hardware costs under Administrative Expenses.

(2) Excess of receipts over disbursements is remitted to the General Fund, however, amounts collected remain liabilities of the State until returned to rightful owners.

(3) The amounts disclosed above as "receipts" and "claims paid" represent actual cash flows and do not include the value of the marketable securities received by the Unclaimed Property Division , nor the value of the securities returned to owners. However, the amounts disclosed above as fiscal year end market values of securities help provide a general indication of the relative net activity in such assets over time. Receipts net of fees, include the proceeds from securities liquidated in a given year.

(4) Per P.A. 05-5, October 25, 2005 special session, required Unclaimed Property Division to deposit certain funds into the Citizens' Election Fund and the balance is deposited into the General Fund.

Summary of Gross Receipts
Fiscal Year Ended June 30, 2010

Financial institutions	$17,155,456
Other corporations	34,870,582
Insurance companies	12,643,672
Govern agency/ public authorities	3,752,850
Dividends on securities held	1,031,952
Estates	131,667
Securities tendered	477,588
Securities sold	151,153,493
Sale of property lists, copying and other charges	39,505
Reciprocal exchange program with other states	850,758
Refunds	0
Total Gross Receipts	$222,107,523

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SECOND INJURY FUND

SCHEDULE OF EXPENSES IN EXCESS OF $5,000 [1]
FISCAL YEAR ENDED JUNE 30, 2010

Name of Firm	Description of Services	Contract Date	Aggregate Compensation Paid in FY 2010	Status As of 6/30/10
A & A Office Systems Inc.	Photocopier Lease	N/A	$ 8,944	Active
Aegis International Inc.	Surveillance Services	January-06	35,176	Active
Automatic Data Processing Inc.	Check Processing	June-06	17,576	Active
Coventry Healthcare Workers Compensation Inc.	Provider Bill Audit Services	February-06	217,718	Active
Iron Mountain Off-Site Data Protection	Records Management Services	N/A	8,815	Active
MCMC, LLC	IME/Case Mgmt./Job Placement	January-06	41,745	Active
Security Services of Connecticut Inc.	Surveillance Services	January-06	39,817	Active
Suburban Stationers Inc.	Office Supplies	N/A	10,039	Active
TOTAL			**$ 379,830**	

(1) Expenses are presented on a cash basis. This schedule only includes services that were retained directly by the Fund and does not include medical services ordered by Workers Compensation Commissioners, claimants or their treating physicians.