

TEXAS TRANSPORTATION COMMISSION

VARIOUS Counties

MINUTE ORDER

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VARIOUS Districts

Government Code, Chapter 2256 (Public Funds Investment Act) authorizes the Texas Transportation Commission (commission) to purchase, sell, and invest its funds and funds under its control in investments authorized under the Public Funds Investment Act, in accordance with investment policies approved by the commission.

Government Code, §2256.005 requires the commission to adopt a written investment policy regarding the investment of its funds and funds under its control, including a separate written investment strategy for each of the funds or group of funds under its control, and to designate one or more officers or employees of the Texas Department of Transportation (department) as investment officer to be responsible for the investment of funds consistent with the investment policy.

Government Code, §2256.023 requires the designated investment officer to prepare and submit to the commission and the executive director, not less than quarterly, a written report of investment transactions for all funds covered by the Public Funds Investment Act for the preceding reporting period. The report must describe in detail the investment position of the department on the date of the report, and must be prepared jointly and signed by each investment officer.

Pursuant to this legislation, in Minute Order 108970, dated July 25, 2002, the commission approved and adopted a written investment policy and written investment strategy applicable to funds of the commission held under the Indenture of Trust dated July 15, 2002 securing the outstanding bonds, notes or other obligations issued by the commission to finance a portion of the cost of the initial phase of the Central Texas Turnpike System, also known as the 2002 Project. The investment policy and investment strategy have been amended pursuant to Minute Order 109066, dated October 31, 2002, Minute Order 109339, dated July 31, 2003, Minute Order 109462, dated October 30, 2003, Minute Order 109732, dated July 29, 2004, Minute Order 109963, dated February 24, 2005, Minute Order 110087, dated May 26, 2005, Minute Order 110145, dated July 28, 2005, Minute Order 110617, dated July 27, 2006, Minute Order 111003, dated July 26, 2007, Minute Order 111490, dated August 28, 2008, and Minute Order 111931, dated August 27, 2009. The commission has designated the department's Chief Financial Officer, Director of Finance and Deputy Director of Finance as investment officers. The Debt Management Director is authorized to act as investment officer in the absence of the Chief Financial Officer, Director of Finance and the Deputy Director of Finance.

Section 9.0 of the investment policy requires the investment officer to prepare and submit to each member of the commission and the executive director of the department an investment report on no less than a quarterly basis. The report must be prepared in accordance with the requirements of that section, including containing sufficient information to provide for a comprehensive review of investment activity and current investment instruments and performance for the reporting period.

TEXAS TRANSPORTATION COMMISSION

VARIOUS Counties

MINUTE ORDER

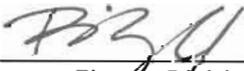
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VARIOUS Districts

Quarterly investment reports will be prepared for each quarter of the department's fiscal year. A quarterly investment report for the 2002 Project for the period ending February 28, 2010, attached as Exhibit A, has been prepared in accordance with Government Code, §2256.023 and Section 9.0 of the investment policy.

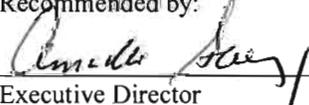
IT IS THEREFORE ORDERED by the commission that the quarterly investment report attached as Exhibit A is accepted.

Submitted and reviewed by:



Director, Finance Division

Recommended by:



Executive Director

112247 APR 29 10

Minute Number Date Passed

TEXAS TRANSPORTATION COMMISSION

QUARTERLY INVESTMENT REPORT

**AS OF
February 28, 2010**

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INVESTMENT DISCUSSION – 2002 Central Texas Turnpike Project

INTRODUCTION

The investments of the Texas Transportation Commission (Commission) are held by The Bank of New York Mellon, acting as trustee. The investments include bond proceeds, capital contributions for the purpose of financing the 2002 Project of the Central Texas Turnpike System (the System), revenues derived from operation of the System and related investment earnings.

The Commission's investment strategy identifies four fund types in association with its Trust Indenture dated July 15, 2002.

Type I Funds include the Revenue Fund, General Reserve Fund and Debt Service Funds. Type I Funds consist primarily of toll revenues and fees.

Type II Funds include only the Rate Stabilization Fund, which consists of money transferred from the Revenue Fund.

Type III Funds include the Construction and Capitalized Interest Funds and consist primarily of bond proceeds and capital contributions from the Department and local governments for project-related costs.

Type IV Funds include only the Debt Service Reserve Fund, which consists of bond proceeds from the 2002 bond issuance.

The investments suitable for each fund type have been determined using the following criteria and priorities pursuant to the Commission's Investment Policy and the Investment Strategy relating to the Central Texas Turnpike System:

- 1) suitability of the investment to the financial requirements of the entity;
- 2) preservation and safety of principal;
- 3) liquidity;
- 4) marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) diversification of the investment portfolio; and,
- 6) yield.

MANAGEMENT DISCUSSION

Type I Funds provide for semi-annual debt service payments to bondholders, fund the Rate Stabilization Fund, and can pay operating and maintenance expenses of the System. These funds have a very short investment horizon as operating and maintenance expenses are paid frequently and Debt Service payments are made semi-annually. (The Commission, however, is permitted a reasonable carryover in the Debt Service Fund, which may be up to 1/12 of the prior year's debt service.)

Type II Funds include the Rate Stabilization Fund. In accordance with the Bond Indenture, the required balance for this fund is \$67.8 million, the accumulated total revenue of the System through August 31, 2008. The Rate Stabilization Fund may be used to cure deficiencies for debt service payments or to supplement payments for operating and maintenance costs.

Currently, Type III Funds include only capital contributions from local governments and the Department and related earnings. These funds may be used for 2002 Project-related expenses.

All Type I, II and III funds are invested in money market funds that are in compliance with the Commission's investment policy. These funds have the highest degree of liquidity and preservation of capital.

The Debt Service Reserve Fund (DSRF), a Type IV Fund, is generally invested for a longer time period but may be called upon at any time to make a debt service payment. Therefore, this fund type requires a high degree of market value protection in the event it is drawn upon. Protection against market value declines can be provided either by rolling short-term securities or purchasing an investment agreement product. A portion of the DSRF (\$15 million) was invested in a Forward Purchase Agreement (FPA) consisting of U.S. Treasury and Agency securities. The balance was invested in a repurchase agreement collateralized by U.S. Treasury and Agency securities. Diversity in maturities was achieved with a 10-year term for the FPA and a 20-year term for the repurchase agreement.

REPORTING QUARTERLY INVESTMENT ACTIVITY

Attached as Schedule 1 is a statement of quarterly investment activity and balances for the period ending February 28, 2010.

Per GASB Statement 31, governmental entities should report investments at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The trustee provides the fair value for all department investments. The change in the fair value of investments is calculated by the difference between the fair value of investments at the beginning of the period and at the end of the period, taking into consideration investment purchases, sales, and redemptions. The fair value of investments at the end of the reporting period translates to the beginning book value for the subsequent reporting period.

All investment income, including changes in the fair value of investments, is reported as revenue in the operating statement. Recognizing changes in value when they occur, rather than when they are realized, provides a measure of current performance.

The investment instruments described in Schedule 1 are in compliance with the investment strategy of the Commission.

CURRENT MARKET CONDITIONS

Various Interest Rates as of February 28, 2010:

| | |
|------------------|----------|
| Discount Rate | – .59% |
| 3-Month Treasury | – .11% |
| 90-Day LIBOR | – .2505% |
| 5-Year Treasury | – 2.36% |
| 10-Year Treasury | – 3.69% |
| 20-Year Treasury | – 4.48% |

See attached Schedule 2 – History of Interest Rates Graph.

RECOMMENDED STRATEGY AMENDMENTS

There are no recommended changes to the investment strategy.

**TEXAS DEPARTMENT OF TRANSPORTATION
CENTRAL TEXAS TURNPIKE SYSTEM
SCHEDULE 1
Public Funds Investment Act
Quarterly Investment Activity
For the Period Ending February 28, 2010**

| Security Type | Description | Current Maturity Date | Book Value/Fair Value @ 11/30/09* | Purchases | Sales/Maturities | Book Value @ 2/28/10 | Change in Fair Value | Fair Value @ 2/28/10 | Yield to Market (ST) | Yield to Maturity (LT)** | Interest Income |
|---|--------------------------------------|-----------------------|-----------------------------------|-------------------|-------------------|----------------------|----------------------|----------------------|----------------------|--------------------------|-----------------|
| Money Market Funds (Short Term) | | | | | | | | | | | |
| | JPM US GOVT MMTK FD 3164 CAPITAL | | 322,169,947 | 16,653,709 | 5,341,098 | 333,482,558 | | 333,482,558 | | | 42,601 |
| | Dreyfus Inst'l Cash Adv 99 Inst'l | | 31,782,601 | 25,074,447 | 53,511,818 | 3,345,230 | | 3,345,230 | | | 9,132 |
| U.S. Government Agencies (Short Term) | | | | | | | | | | | |
| | FHLB Discount Note (CUSIP 313385SZ0) | 2/12/2010 | 15,329,467 | | 15,331,000 | (1,533) | 1,533 | (0) | 4.280% | | |
| | FHLM Discount Note (CUSIP 313397YE5) | 6/17/2010 | | 14,999,385 | | 14,999,385 | 221,047 | 15,220,432 | 4.260% | | |
| Flexible Repurchase Agreement (Long Term) | | | | | | | | | | | |
| | SALOMON MASTER REPO | 8/15/2022 | 114,999,378 | | | 114,999,378 | | 114,999,378 | | 5.200% | |
| | | | <u>484,281,393</u> | <u>56,727,541</u> | <u>74,183,916</u> | <u>466,825,018</u> | <u>222,580</u> | <u>467,047,598</u> | | | <u>51,733</u> |

* Per GASB 31, Investments are to be reported at their fair value and any premiums or discounts should not be amortized. The resulting beginning book value of the investments is adjusted to fair value at the end of the previous reporting period.

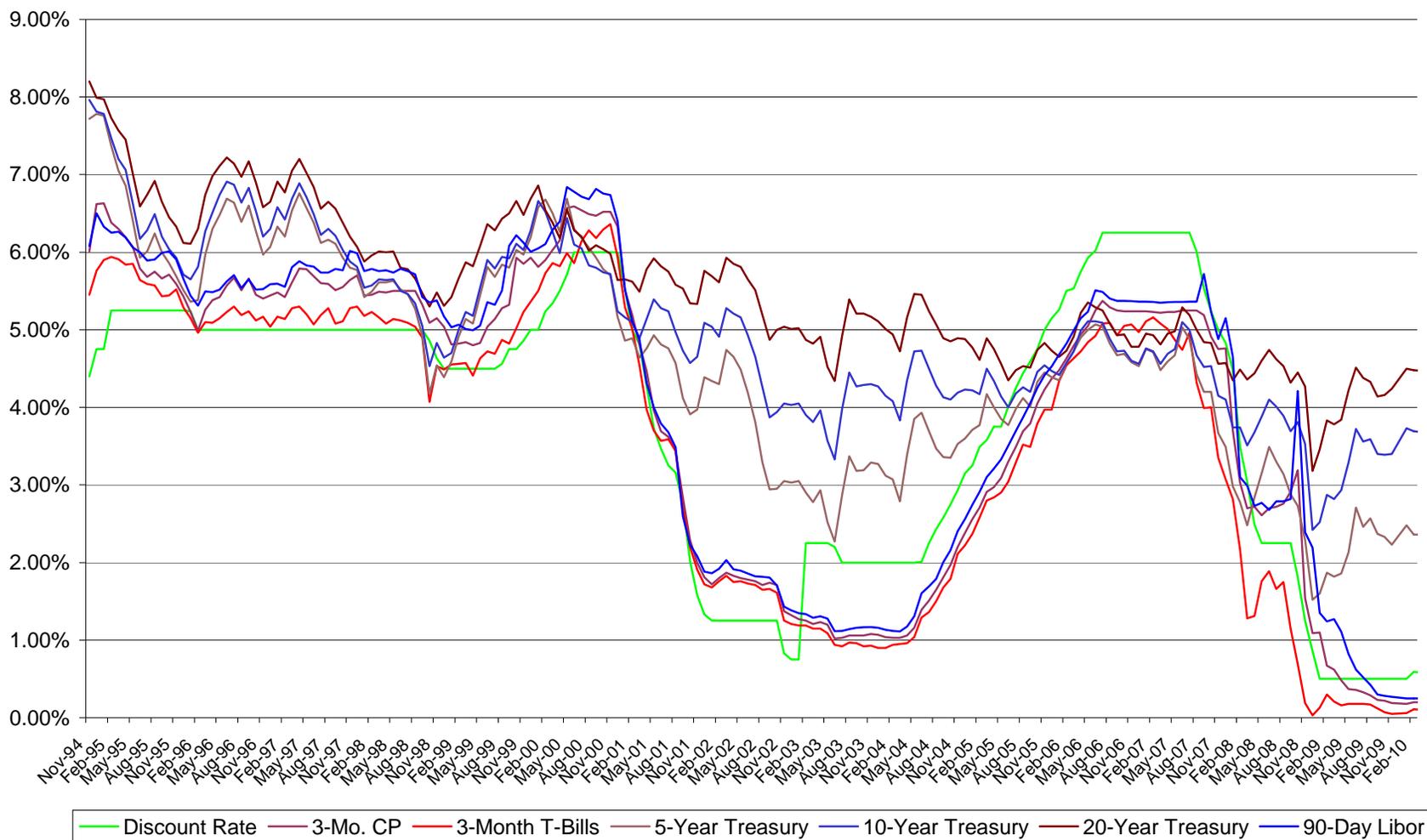
**Yield to Maturity for each security is shown as reported by Bloomberg, a generally accepted source for such information in the municipal marketplace. RBC has not undertaken to confirm or verify that yield to maturity values have been determined correctly.

Key:

FHLB = Federal Home Loan Bank

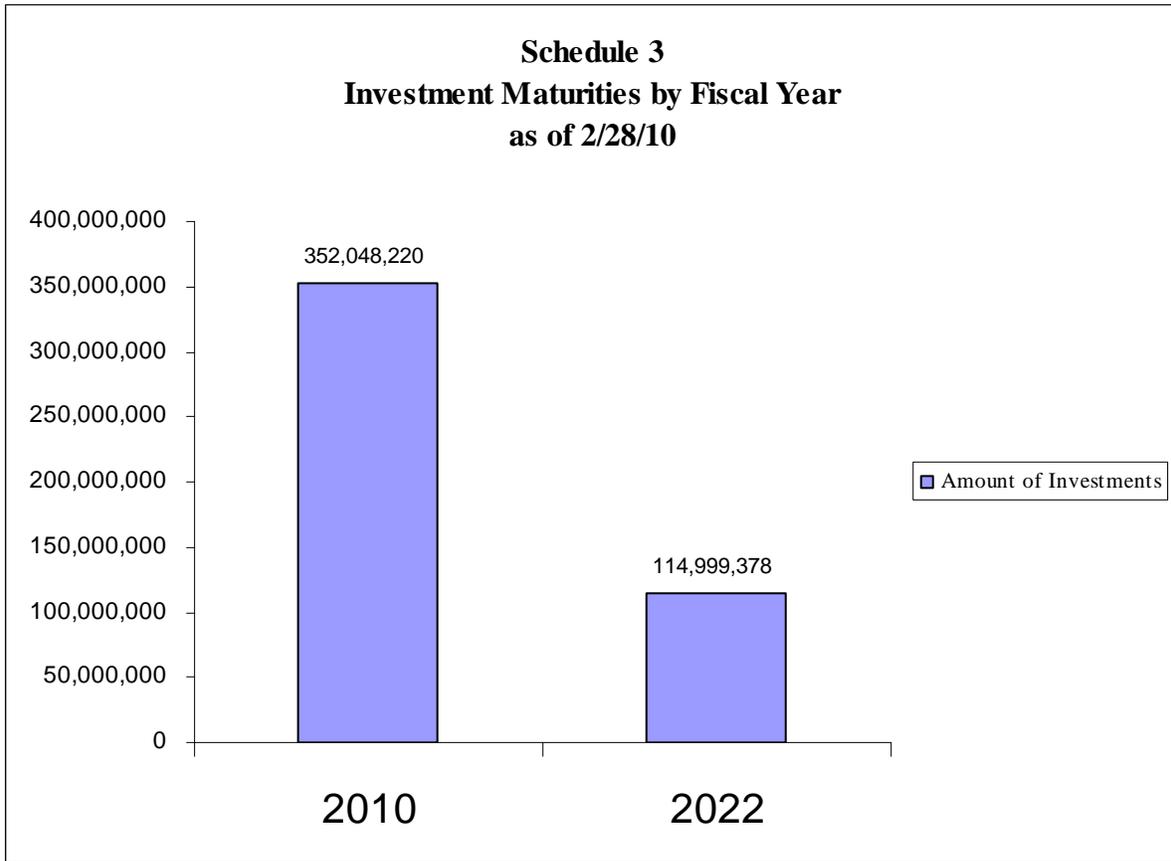
FHLM = Federal Home Loan Mortgage

Schedule 2: History of Interest Rates



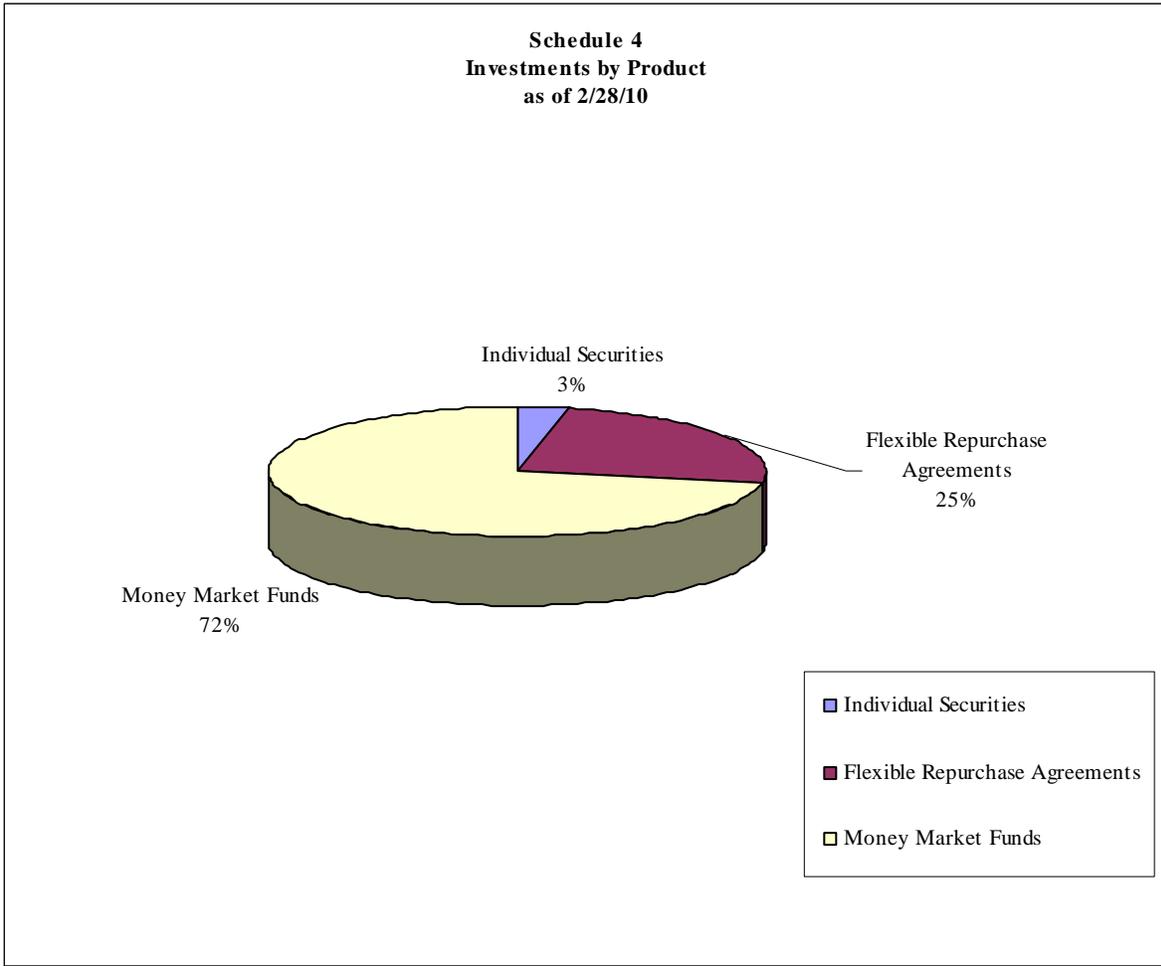
Schedule 3
Texas Department of Transportation
Central Texas Turnpike System
Investment Maturities by Fiscal Year

| Total Investments at Fair Value - Maturity by Fiscal Year | | 2/28/2010 |
|--|------|---------------------------|
| | | Fair Value |
| | 2010 | 352,048,220 |
| | 2022 | 114,999,378 |
| TOTAL INVESTMENTS - ALL FUNDS | | <u><u>467,047,598</u></u> |



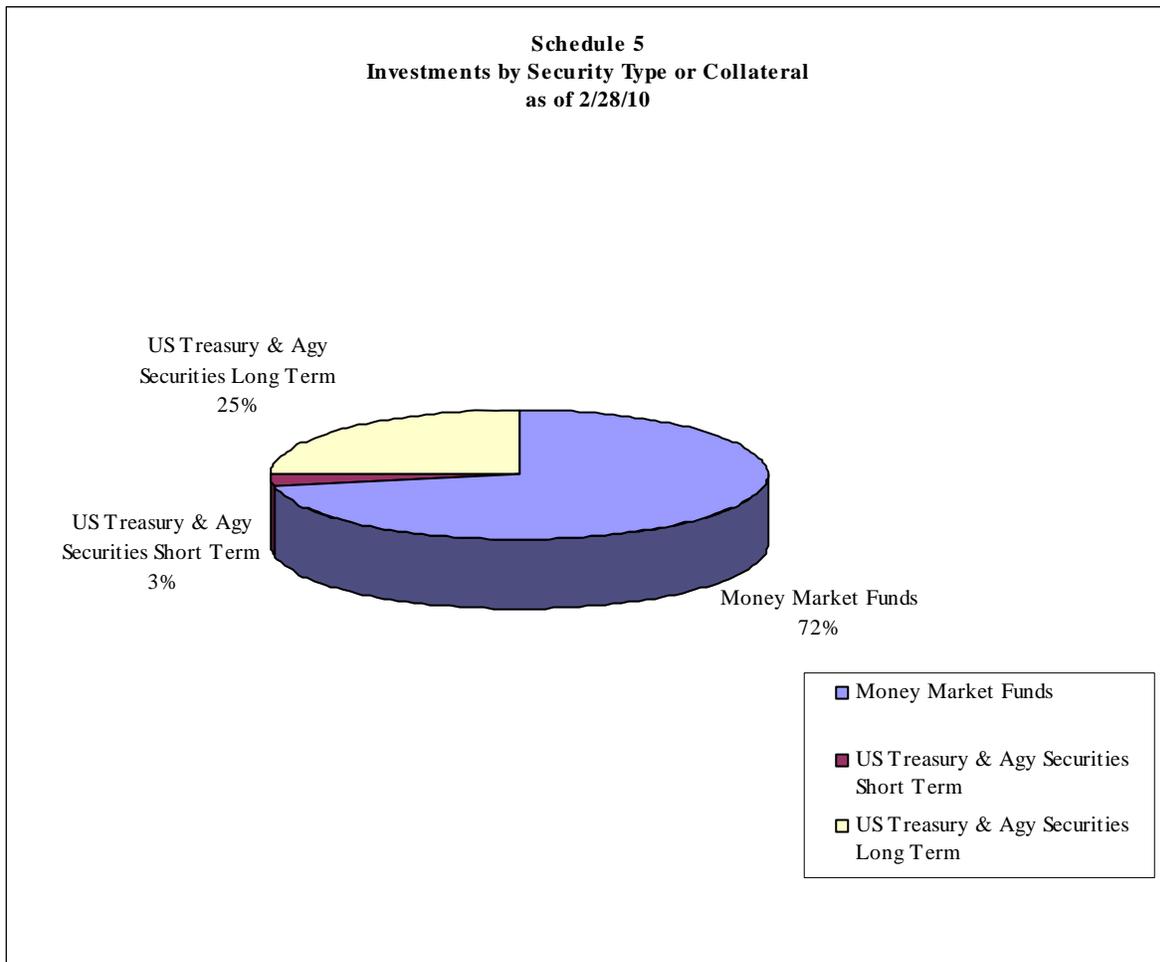
Schedule 4
Texas Department of Transportation
Central Texas Turnpike System
Investments by Product

| Investment Product | 2/28/2010 |
|--------------------------------|--------------------|
| | Fair Value |
| Individual Securities | 15,220,432 |
| Flexible Repurchase Agreements | 114,999,378 |
| Money Market Funds | 336,827,788 |
| | <hr/> |
| | 467,047,598 |



Schedule 5
Texas Department of Transportation
Central Texas Turnpike System
Investments by Security Type or Collateral

| Security Type/Collateral | 2/28/2010 |
|---|--------------------|
| | Fair Value |
| Money Market Funds | 336,827,788 |
| US Treasury & Agy Securities Short Term | 15,220,432 |
| US Treasury & Agy Securities Long Term | 114,999,378 |
| | <hr/> |
| | 467,047,598 |
| | <hr/> <hr/> |



Schedule 6
Texas Department of Transportation
Central Texas Turnpike System
Investments by Long Term/Short Term

| Maturity | 2/28/2010 |
|--------------------------------------|-------------------|
| | Fair Value |
| Short Term Investments (Term < 1 yr) | 352,048,220 |
| Long Term Investments (Term > 1 yr) | 114,999,378 |
| | 467,047,598 |

