

TEXAS TRANSPORTATION COMMISSION

VARIOUS Counties

MINUTE ORDER

Page 1 of 1

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.

Pursuant to this legislation, in Minute Order 108970, dated July 25, 2002, the commission approved and adopted a written investment policy and investment strategy applicable to funds of the commission held under the Indenture of Trust dated July 15, 2002 securing the outstanding bonds, notes and 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 commission has designated the department's Chief Financial Officer as investment officer. In the absence of the Chief Financial Officer, the Director of Finance, Deputy Director of Finance or the Debt Management Director is authorized to act as investment officer.

Pursuant to Government Code §2256.005(e) and Section 20 of the investment policy, the investment policy and investment strategies of the commission have been reviewed and revised annually by minute order since 2003, most recently by Minute Order 112401, dated August 26, 2010.

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.

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. A quarterly investment report for the department for the period ending February 28, 2011, attached as Exhibit A, has been prepared in accordance with Government Code, §2256.023 and Section 9.0 of the investment policy.

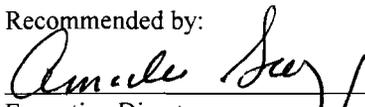
IT IS THEREFORE ORDERED by the commission that the quarterly investment report attached as Exhibit A is accepted.

Submitted and reviewed by:



Director, Finance Division

Recommended by:



Executive Director
112675 APR 28 11

Minute Number Date Passed

TEXAS TRANSPORTATION COMMISSION

QUARTERLY INVESTMENT REPORT

**AS OF
February 28, 2011**

Table of Contents

MANAGEMENT’S CERTIFICATION OF THE QUARTERLY INVESTMENT REPORT3

2002 PROJECT OF THE CENTRAL TEXAS TURNPIKE SYSTEM

INVESTMENT DISCUSSION4

MANAGEMENT DISCUSSION4

REPORTING QUARTERLY INVESTMENT ACTIVITY.....5

SCHEDULE 1 – INVESTMENTS OUTSTANDING6

SCHEDULE 2 – GRAPH – U.S. TREASURY HISTORICAL YIELDS7

SCHEDULE 3 – ALLOCATION BY ACCOUNT8

SCHEDULE 4 – BAR CHART – MATURITY DISTRIBUTION9

SCHEDULE 5 – BAR CHART – INVESTMENT PORTFOLIO QUARTER END VALUES10

SCHEDULE 6 – PIE CHART – INVESTMENTS BY SECURITY TYPE.....11

MANAGEMENT'S CERTIFICATION OF THE QUARTERLY INVESTMENT REPORT

I certify that I have reviewed the Quarterly Investment Report as of and for the period ended February 28, 2011 that is being submitted for acceptance by the Texas Transportation Commission. To the best of my knowledge and belief:

1. In all material respects the Investment Report was prepared in accordance with the guidelines presented in Government Code, Chapter 2256 (Public Funds Investment Act) and Section 9.0 of the investment policy. The investments have been accorded consistent treatment in accordance with generally accepted accounting principles.
2. There have been no material misrepresentations in the report by the inclusion or exclusion of information.
3. An effective system of internal controls has been established to ensure that material financial information is recorded in the accounting system and properly reported in the report and there were no material weaknesses in internal control during the period covered by the report or thereafter.

Amadeo Saenz, Jr., P.E. Executive Director	Date
James M. Bass Chief Financial Officer Investment Officer	Date
Brian D. Ragland, CPA Director, Finance Division Investment Officer	Date
John Munoz, CPA Deputy Director, Finance Division Investment Officer	Date
John Munoz, CPA (Interim) Director, Debt Management, Finance Division Investment Officer	Date
Glen Knipstein, CPA Director, Accounting Management, Finance Division	Date

2002 PROJECT OF THE CENTRAL TEXAS TURNPIKE SYSTEM

INVESTMENT DISCUSSION

During the reporting period, all investment funds of the Texas Transportation Commission (Commission) were associated with the Central Texas Turnpike System (the System) obligations. The investments are held by The Bank of New York Mellon, acting as trustee. The funding of investments include bond proceeds, capital contributions for the purpose of financing the 2002 Project of the System, revenues derived from operation of the System's toll roads, 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 State Highway Fund 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 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 State Highway Fund 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 Guaranteed Investment Contract 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 Guaranteed Investment Contract.

REPORTING QUARTERLY INVESTMENT ACTIVITY

Attached as Schedule 1 are the investments outstanding for the quarter ending February 28, 2011. Investment activity for the quarter consisted of the purchase and redemption of U.S. Government Agency Securities (“discount notes”) and U.S. Treasury Notes, and the purchase and sale of money market investments.

Schedule 1 was prepared in compliance with generally accepted accounting principles as it relates to fair value reporting of investments as required by GASB Statement 31. 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 the System investments.

Money market investments do not have a maturity date and can be redeemed by the Commission on demand. The System experienced a \$21 million net decrease in investments during the second quarter. Toll revenues and investment income accounted for an increase in money market investments of \$21 million. Debt service payments on the System’s Series 2002-A and Series 2009 bonds and the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan accounted for a decrease of \$42 million in money market investments.

Discount notes are intended to be held to maturity. Discount notes are obligations that are issued at a discount and mature at par. Maturities range from overnight through one year. The discount note purchased during the quarter has a maturity of approximately six months. Discount notes do not make interest payments; rather the note is matured at a par value above the purchase price. As such, the book value of a discount note is the purchase price, fair value is the market value determined by the trustee and par value is the redemption value at maturity.

The Guaranteed Investment Contract is intended to be held to its maturity date of August 15, 2022.

Investment income includes interest and dividends earned during the quarter. Changes in fair value are recognized as part of investment income only at the end of the financial reporting period.

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

CURRENT MARKET CONDITIONS

Various U.S. Treasury yields as of February 28, 2011 are as follow:

- 3-Month Treasury – .13%
- 2-Year Treasury – .77%
- 10-Year Treasury – 3.58%
- Discount Rate – .75%

Schedule 2 presents the U.S. Treasury Historical Yields.

RECOMMENDED STRATEGY AMENDMENTS

There are no recommended changes to the investment strategy.

**TEXAS DEPARTMENT OF TRANSPORTATION
CENTRAL TEXAS TURNPIKE SYSTEM
SCHEDULE 1
Investments Outstanding
Book Value to Fair Value Comparison
February 28, 2011**

Description	Yield	Purchase (Settlement) Date	Maturity Date	Par Value	November 30, 2010		Purchases	Sales / Redemptions	February 28, 2011		Life (days)
					Book Value	Fair Value			Book Value	Fair Value	
<i>Money Market Investments</i>											
JPM US Govt MMKT FD 3164 Capital	0.03%				\$ 277,965,243	\$ 277,965,243	\$ 38,569,379	\$ (25,030,768)	\$ 291,503,854	\$ 291,503,854	1
Dreyfus Inst'l Cash Adv 99 Inst'l	0.15%				37,695,482	37,695,482	3,391,028	(37,699,456)	3,387,054	3,387,054	1
<i>U.S. Government Agency Securities and</i>											
<i>U.S. Treasury Notes*</i>											
FHLMC Discount Note (CUSIP 313396BW2)	4.30%	9/2/2010	2/14/2011	15,303,000	14,999,073	15,298,409		(15,303,000)	Matured	Matured	
US Treasury Note (CUSIP 912820GC5)		2/14/2011	2/15/2011	15,001,000	-	-	14,999,135	(15,001,000)	Matured	Matured	
US Treasury Note (CUSIP 912828KE9)	0.875%	2/15/2011	2/28/2011	14,958,000	-	-	14,999,202	(15,023,441)	Matured	Matured	
FHLB Discount Note (CUSIP 313384EY1)	4.16%	2/28/2011	4/29/2011	15,110,000	-	-	14,999,990		14,999,990	15,108,036	60
<i>Guaranteed Investment Contract</i>											
Salomon Master GIC (CUSIP S86538450)	5.20%	8/29/2002	8/15/2022	114,999,378	114,999,378	114,999,378			114,999,378	114,999,378	4,186
					\$ 445,659,176	\$ 445,958,512	\$ 86,958,733	\$ (108,057,665)	\$ 424,890,276	\$ 424,998,322	

Investment Income	1st Qtr	2nd Qtr	Portfolio Yield	1.62%
	Interest	\$1,511,603		
	Dividends	92,312	37,452	
Total Investment Income	<u>\$1,603,915</u>	<u>\$1,847,248</u>		

Notes:

* This security was purchased under the terms of a forward purchase agreement that was executed in August 2002 at rates that were currently available at that time. Yields and Fair Values as reported on Bank of New York Mellon February 2011 bank statements.

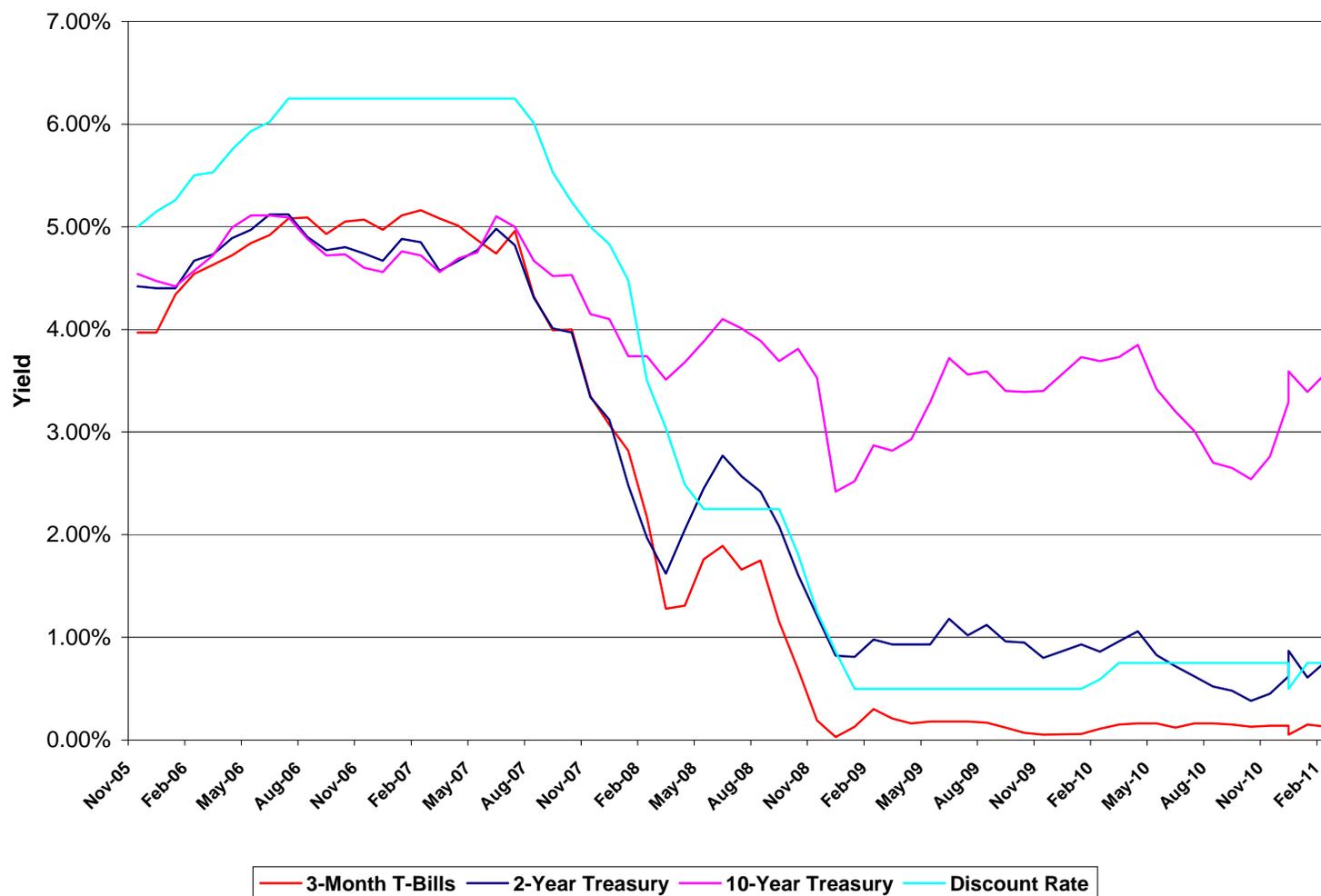
U.S. Government Agency Obligations:

FHLB = Federal Home Loan Bank

FHLMC = Federal Home Loan Mortgage Corporation

Money market investments are assumed to mature the next business day for purposes of determining the remaining life.

Schedule 2 U.S. Treasury Historical Yields



Source:
<http://www.federalreserve.gov/releases/h15/data.htm>
http://www.wsjprimerate.us/libor/libor_rates_history.htm

SCHEDULE 3
Allocation by Account
February 28, 2011

Allocation - Book Value*November 30, 2010*

Description	Portfolio Total	Rate Stabilization Fund	Capital Contributions Account	Revenue Fund	1st Tier Interest Account	1st Tier Debt Service Reserve	Sub Lien Interest Account
Money Market Investments	\$ 315,660,725	\$ 67,858,149	\$ 192,841,069	\$ 17,266,026	\$ 22,353,431		\$ 15,342,050
U.S. Government Agency Securities	14,999,073					14,999,073	
Guaranteed Investment Contract	114,999,378					114,999,378	
Totals	\$ 445,659,176	\$ 67,858,149	\$ 192,841,069	\$ 17,266,026	\$ 22,353,431	\$ 129,998,451	\$ 15,342,050

February 28, 2011

Description	Portfolio Total	Rate Stabilization Fund	Capital Contributions Account	Revenue Fund	1st Tier Interest Account	1st Tier Debt Service Reserve	Sub Lien Interest Account
Money Market Investments	\$ 294,890,908	\$ 67,867,327	\$ 192,796,808	\$ 30,839,193	\$ 51,345	\$ 3,335,710	\$ 525
U.S. Government Agency Securities	14,999,990					14,999,990	
Guaranteed Investment Contract	114,999,378					114,999,378	
Totals	\$ 424,890,276	\$ 67,867,327	\$ 192,796,808	\$ 30,839,193	\$ 51,345	\$ 133,335,078	\$ 525

Allocation - Fair Value*November 30, 2010*

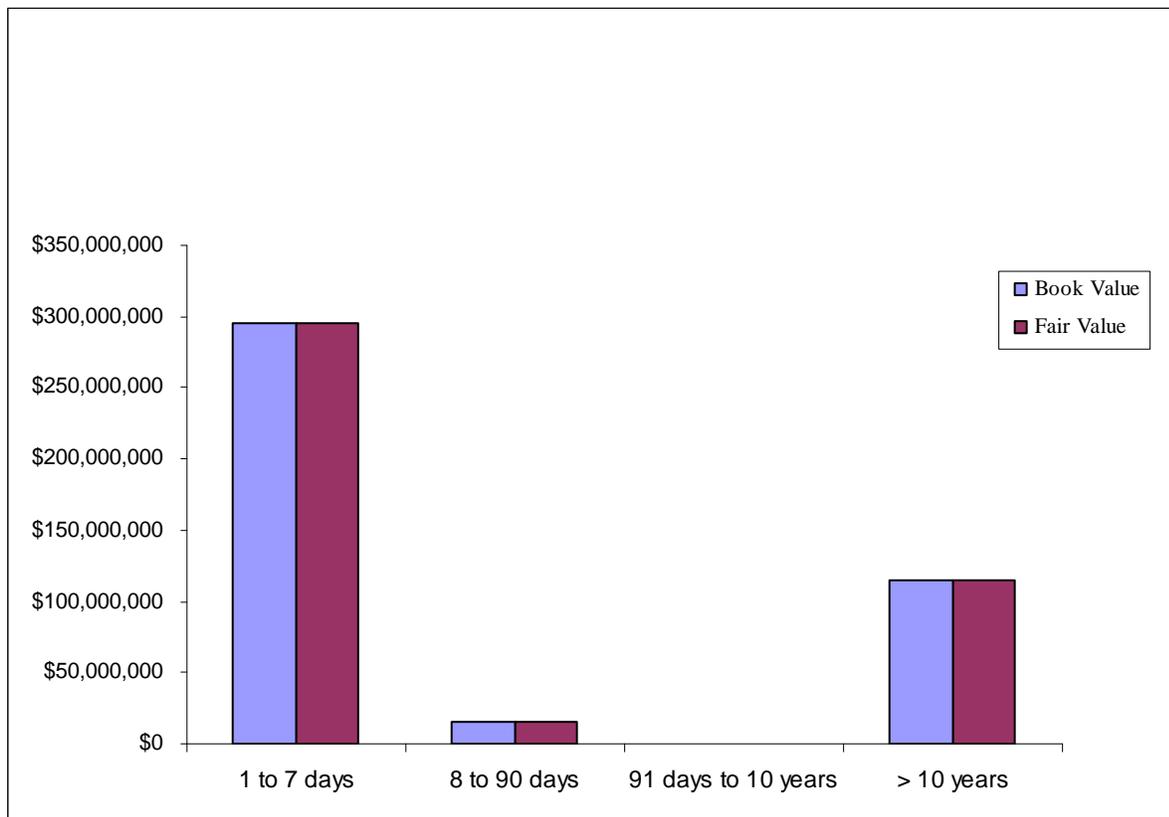
Description	Portfolio Total	Rate Stabilization Fund	Capital Contributions Account	Revenue Fund	1st Tier Interest Account	1st Tier Debt Service Reserve	Sub Lien Interest Account
Money Market Investments	\$ 315,660,725	\$ 67,858,149	\$ 192,841,069	\$ 17,266,026	\$ 22,353,431		\$ 15,342,050
U.S. Government Agency Securities	15,298,409					15,298,409	
Guaranteed Investment Contract	114,999,378					114,999,378	
Totals	\$ 445,958,512	\$ 67,858,149	\$ 192,841,069	\$ 17,266,026	\$ 22,353,431	\$ 130,297,787	\$ 15,342,050

February 28, 2011

Description	Portfolio Total	Rate Stabilization Fund	Capital Contributions Account	Revenue Fund	1st Tier Interest Account	1st Tier Debt Service Reserve	Sub Lien Interest Account
Money Market Investments	\$ 294,890,908	\$ 67,867,327	\$ 192,796,808	\$ 30,839,193	\$ 51,345	\$ 3,335,710	\$ 525
U.S. Government Agency Securities	15,108,036					15,108,036	
Guaranteed Investment Contract	114,999,378					114,999,378	
Totals	\$ 424,998,322	\$ 67,867,327	\$ 192,796,808	\$ 30,839,193	\$ 51,345	\$ 133,443,124	\$ 525

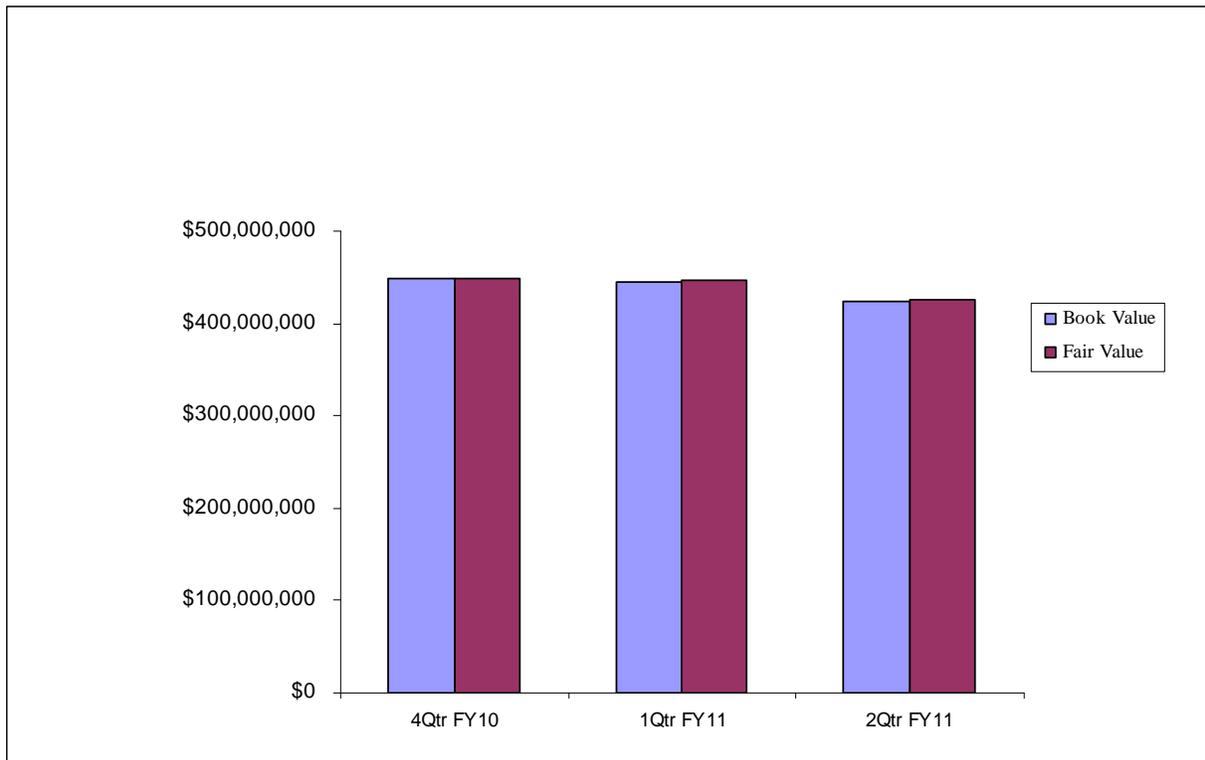
SCHEDULE 4
Maturity Distribution
February 28, 2011

Maturity Date	Book Value	Fair Value
1 to 7 days	\$294,890,908	\$294,890,908
8 to 90 days	14,999,990	15,108,036
91 days to 10 years	-	-
> 10 years	114,999,378	114,999,378
Total Investments	\$424,890,276	\$424,998,322



SCHEDULE 5
Investment Portfolio Quarter End Values
February 28, 2011

Quarter End Values	Book Value	Fair Value	Decreased by
4Qtr FY10	448,411,093	448,411,093	
1Qtr FY11	445,659,176	445,958,512	1%
2Qtr FY11	424,890,276	424,998,322	5%



SCHEDULE 6
Investments by Security Type
February 28, 2011

Security Type	Book Value
Money Market Investments	\$294,890,908
U.S. Government Agency Securities	14,999,990
Guaranteed Investment Contract	114,999,378
Total Investments	<u><u>\$424,890,276</u></u>

