

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.

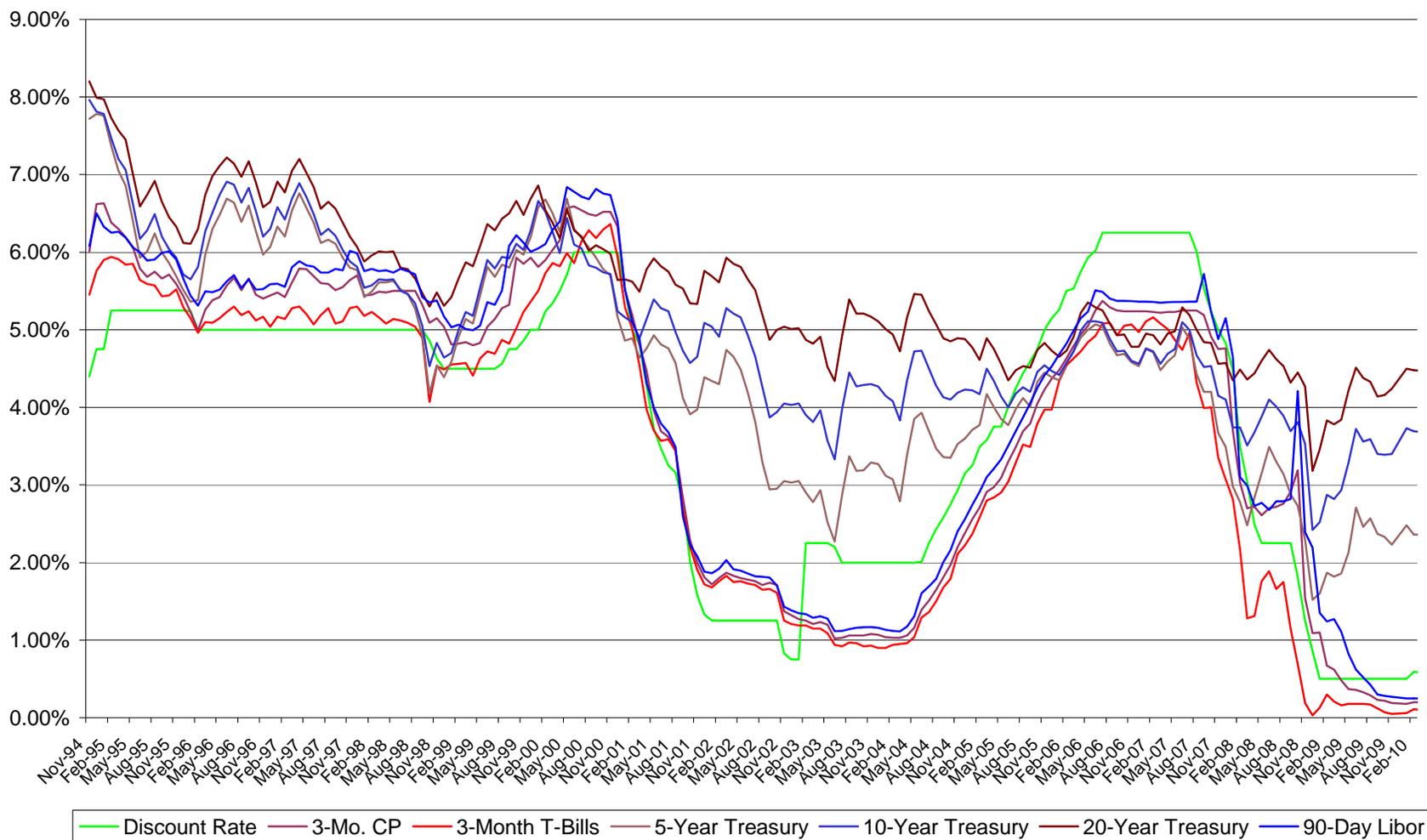
**Yield to Maturity for each security is shown as reported by Bloomberg, a generally accepted source for such information in the municipal marketplace. RBC has not undertaken to confirm or verify that yield to maturity values have been determined correctly.

Key:

FHLB = Federal Home Loan Bank

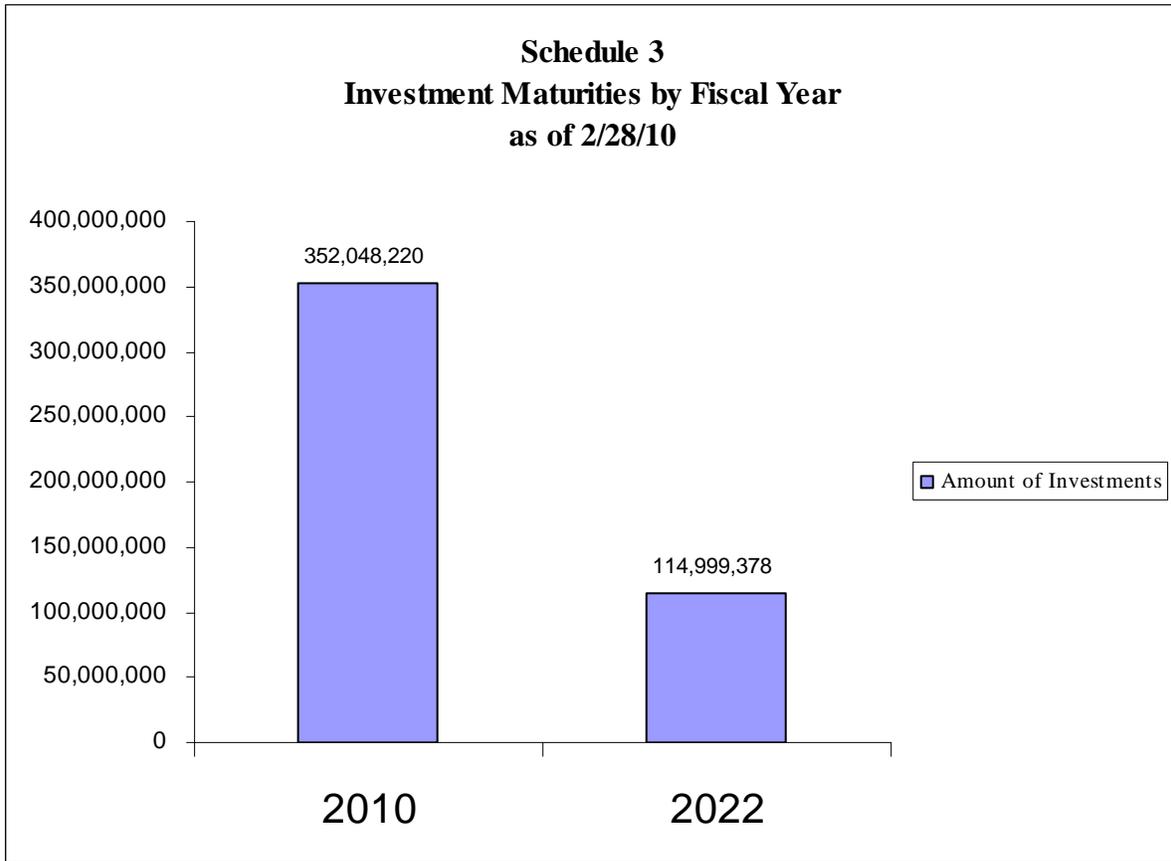
FHLM = Federal Home Loan Mortgage

Schedule 2: History of Interest Rates



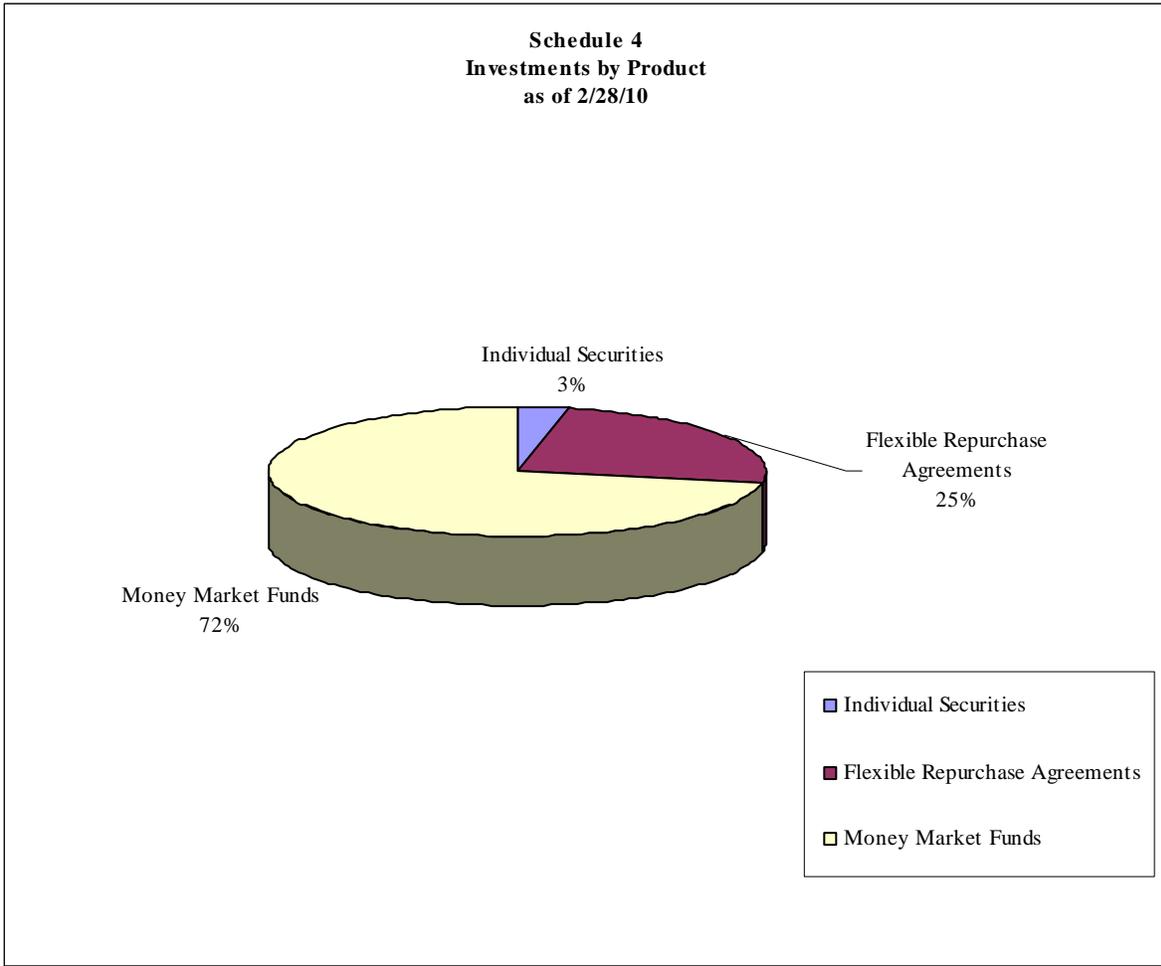
Schedule 3
Texas Department of Transportation
Central Texas Turnpike System
Investment Maturities by Fiscal Year

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	467,047,598



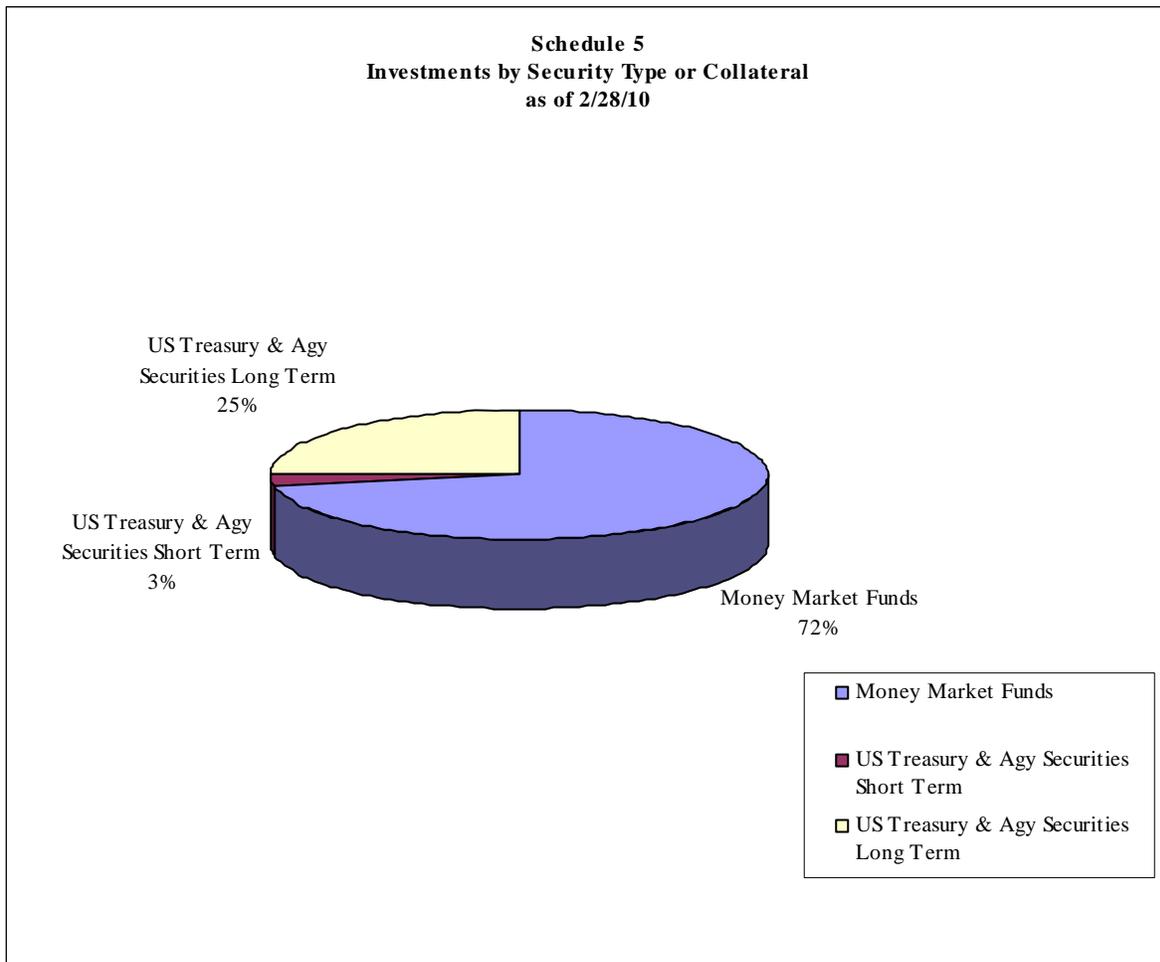
Schedule 4
Texas Department of Transportation
Central Texas Turnpike System
Investments by Product

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
	467,047,598



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

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

