TEXAS TRANSPORTATION COMMISSION

QUARTERLY INVESTMENT REPORT

AS OF
November 30, 2012
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MANAGEMENT'S CERTIFICATION OF THE QUARTERLY INVESTMENT REPORT

I certify that I have reviewed the Quarterly Investment Report as of and for the period ending November 30, 2012, 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.

4. The Investment Report is formally reviewed in conjunction with the annual audit of the Central Texas Turnpike System financial statements. An independent accountant’s report on agreed-upon procedures to review management’s compliance with the Public Funds Investment Act is conducted annually. The report is presented to the Commission.

Phil Wilson  
Executive Director  
1/17/13  
Date

James M. Bass  
Chief Financial Officer  
Investment Officer  
1/10/13  
Date

Brian D. Bagland, CPA  
Director, Finance Division  
1-7-13  
Date

Benjamin Asher  
Innovative Financing/Debt Management Officer  
Investment Officer  
1-9-13  
Date

John Munoz, CPA  
Deputy Director, Innovative Financing/Debt Management Office  
Investment Officer  
1/9/13  
Date

Glen Knipstein, CPA  
Director, Accounting Management, Finance Division  
1/7/2013  
Date
2002 PROJECT OF THE CENTRAL TEXAS TURNPIKE SYSTEM

MANAGEMENT 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 includes 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.

Suitable investments 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.

The investment instruments described in Schedule 1 are in compliance with the Public Funds Investment Act, investment policy and strategy of the Commission. This report reflects the changes as approved per House Bill 2226, RS 82.

The invested funds are accounted for in a number of specific accounts, as prescribed in the System’s Indenture of Trust and shown in Schedule 3 of this report.

1. The Revenue Fund includes proceeds from all revenues and income derived from the operation of the System, including tolls, fees, lease income, certain investment earnings and any excess funds from the Rate Stabilization Fund. Disbursements from the Revenue Fund include funding of amounts necessary for an Arbitrage Rebate Fund (if needed), Debt Service funds, including both interest and principal, the Rate Stabilization Fund, the Operating Account and the General Reserve Fund.

2. The Capital Contributions account was initially funded by amounts received from various local government entities and from the commission for the purpose of paying the costs of the Project. Disbursements from the fund are made to pay costs of the Project, to reimburse entities for excess funds, and to repay related obligations or for other lawful purposes. The current balance in the account consists primarily of commission contributions and account earnings.

3. The First Tier Interest and Principal Accounts and the Subordinate Lien Interest and Principal Accounts are funded primarily from the Revenue Account and used to make periodic debt service payments on first tier and subordinate obligations, respectively. If adequate funds are not available in these accounts or the Revenue Fund, transfers may be made from the General Reserve Fund, the Rate Stabilization Fund and the First Tier Debt Service Reserve Fund, in that order.

4. The Rate Stabilization Fund was initially funded from the Revenue Fund and is required to be maintained at a certain level. If the balance falls below the requirement, the deficiency would be cured by deposits from the Revenue Fund over a period of time. The Rate Stabilization Fund is used to cure deficiencies in the first tier debt service funds, the second tier debt service funds, the subordinate debt service funds, the Operating Account or may be used to pay operating or maintenance expenses or other legal expenses. Excess funds in the Rate Stabilization Fund may be transferred to the Revenue Fund.
5. The Debt Service Reserve Fund (DSRF) is generally invested for a longer time period but may be called upon 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 ($9.9 million) is invested in Money Market Investments. The balance is invested in a Guaranteed Investment Contract collateralized by U.S. Treasury and Agency securities. Diversity in maturities was achieved with short-term instruments and a 20-year term for the Guaranteed Investment Contract.

INVESTMENT ACTIVITY

Attached as Schedule 1 are the investments outstanding for the quarter ending November 30, 2012. Investment activity for the quarter consisted of the purchase and sale of money market investments and government pool investments.

In December 2011, funds in the Rate Stabilization Fund and the Capital Contributions Account were transferred from the JP Morgan US Government Money Market Fund to the Lone Star Government Overnight Investment Pool, the TexPool Texas Local Government Investment Pool and TexPool Prime. In March 2012, a portion of the funds in the 1st Tier Interest Account were transferred to the TexPool Texas Local Government Investment Pool. The Lone Star and TexPool government investment pool accounts provide greater diversification of the investment portfolio while maintaining the primary investment objectives of suitability, safety of principal, liquidity and marketability. Additionally, the government investment pools are currently providing a higher return than the money market mutual funds in which these accounts were previously invested.

The System experienced a $9 million net increase in investments during the first quarter. The System recognized toll and fee revenues of $23.9 million during the first quarter. The increase in investments is primarily due to toll revenue collections. Interest and investment income of $1.6 million was earned during the period.

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 and changes in fair value of investments.

CURRENT MARKET CONDITIONS

Various U.S. Treasury yields as of November 30, 2012 are as follow:
- 3-Month Treasury – 0.09%
- 2-Year Treasury – 0.27%
- 10-Year Treasury – 1.65%
- Discount Rate – 0.75%


RECOMMENDED STRATEGY AMENDMENTS

There are no recommended changes to the investment strategy.
### Portfolio Fair Value

<table>
<thead>
<tr>
<th>Description</th>
<th>Yield</th>
<th>Maturity Date</th>
<th>Book Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Money Market Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPM US Govt MMKT FD 3164 Capital</td>
<td>0.010%</td>
<td></td>
<td>$31,826,244</td>
<td>$31,826,244</td>
</tr>
<tr>
<td><strong>Lone Star Investment Pool</strong>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Overnight Fund</td>
<td>0.150%</td>
<td></td>
<td>87,085,443</td>
<td>87,085,443</td>
</tr>
<tr>
<td><strong>TexPool</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Government Investment Pool</td>
<td>0.164%</td>
<td></td>
<td>116,870,540</td>
<td>116,870,540</td>
</tr>
<tr>
<td>Prime</td>
<td>0.182%</td>
<td></td>
<td>107,126,666</td>
<td>107,126,666</td>
</tr>
<tr>
<td><strong>Guaranteed Investment Contract</strong>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salomon Master GIC (CUSIP S86538450)</td>
<td>5.20%</td>
<td>08/15/2022</td>
<td>114,999,378</td>
<td>114,999,378</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$457,908,271</td>
<td>$457,908,271</td>
</tr>
</tbody>
</table>

### Notes:
- * This fund seeks to maintain a net asset value of one dollar, and its dollar-weighted average maturity is 60 days or fewer.
- ** These pools seek to maintain a one dollar per share as required by the Texas Public Funds Investment Act.
- *** 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.

"Weighted average yield to maturity" is the portfolio performance measurement standard.

Yields and fair values as reported on monthly account statements.
## SCHEDULE 3
Allocation by Account
November 30, 2013

### Allocation - Fair Value

**August 31, 2012**

<table>
<thead>
<tr>
<th>Description</th>
<th>Portfolio Total</th>
<th>Rate Stabilization Fund</th>
<th>Capital Contributions Account</th>
<th>Revenue Fund</th>
<th>1st Tier Interest Account</th>
<th>1st Tier Debt Service Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market Investments</td>
<td>$ 27,310,005</td>
<td>$ 2,884,304</td>
<td>$ 5,122,742</td>
<td>$ 2,989,984</td>
<td>$ 16,312,975</td>
<td></td>
</tr>
<tr>
<td>Lonestar Gov't Overnight Fund</td>
<td>87,052,429</td>
<td>22,631,980</td>
<td>64,420,449</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TexPool Fund</td>
<td>112,449,238</td>
<td>22,630,831</td>
<td>64,482,217</td>
<td>19,010,106</td>
<td>6,326,084</td>
<td></td>
</tr>
<tr>
<td>TexPool Prime Fund</td>
<td>107,078,132</td>
<td>22,635,673</td>
<td>64,430,272</td>
<td>20,012,187</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed Investment Contract</td>
<td>114,999,378</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$ 448,889,182</strong></td>
<td><strong>$ 67,898,484</strong></td>
<td><strong>$ 196,217,242</strong></td>
<td><strong>$ 44,145,035</strong></td>
<td><strong>$ 131,312,353</strong></td>
<td></td>
</tr>
</tbody>
</table>

**November 30, 2012**

<table>
<thead>
<tr>
<th>Description</th>
<th>Portfolio Total</th>
<th>Rate Stabilization Fund</th>
<th>Capital Contributions Account</th>
<th>Revenue Fund</th>
<th>1st Tier Interest Account</th>
<th>1st Tier Debt Service Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market Investments</td>
<td>$ 31,826,244</td>
<td>$ 3,023,206</td>
<td>$ 18,847,571</td>
<td>$</td>
<td>$ 9,955,467</td>
<td></td>
</tr>
<tr>
<td>Lonestar Gov't Overnight Fund</td>
<td>87,085,443</td>
<td>22,640,563</td>
<td>64,444,880</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TexPool Fund</td>
<td>116,870,540</td>
<td>22,579,853</td>
<td>64,507,913</td>
<td>19,077,678</td>
<td>10,705,096</td>
<td></td>
</tr>
<tr>
<td>TexPool Prime Fund</td>
<td>107,126,666</td>
<td>22,645,933</td>
<td>64,459,476</td>
<td>20,021,257</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed Investment Contract</td>
<td>114,999,378</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$ 457,908,271</strong></td>
<td><strong>$ 67,866,349</strong></td>
<td><strong>$ 196,435,475</strong></td>
<td><strong>$ 57,946,506</strong></td>
<td><strong>$ 10,705,096</strong></td>
<td><strong>$ 124,954,845</strong></td>
</tr>
</tbody>
</table>

Fair Values as reported on monthly account statements.
### SCHEDULE 4

#### Maturity Distribution

**November 30, 2012**

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Book Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 7 days</td>
<td>$342,908,893</td>
<td>$342,908,893</td>
</tr>
<tr>
<td>8 - 10 years</td>
<td>114,999,378</td>
<td>114,999,378</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td><strong>$457,908,271</strong></td>
<td><strong>$457,908,271</strong></td>
</tr>
</tbody>
</table>

---

**Diagram:**********

- **Book Value**
- **Fair Value**

**Y-axis:** $0 - $350,000,000

**X-axis:**
- **1 to 7 days**
- **8 - 10 years**

**Legend:**
- Green: Book Value
- Light Green: Fair Value
### SCHEDULE 5

**Investment Portfolio Quarter End Values**

**November 30, 2012**

<table>
<thead>
<tr>
<th>Quarter End Values</th>
<th>Book Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Qtr FY12</td>
<td>452,018,516</td>
<td>451,947,478</td>
</tr>
<tr>
<td>3Qtr FY12</td>
<td>433,377,985</td>
<td>433,313,358</td>
</tr>
<tr>
<td>4Qtr FY12</td>
<td>448,889,182</td>
<td>448,889,182</td>
</tr>
<tr>
<td>1Qtr FY13</td>
<td>457,908,271</td>
<td>457,908,271</td>
</tr>
</tbody>
</table>

**Graph**

- **Legend:**
  - Green: Book Value
  - Yellow: Fair Value

- **Axes:**
  - Y-axis: $0 to $500,000,000
  - X-axis: 2Qtr FY12, 3Qtr FY12, 4Qtr FY12, 1Qtr FY13

- **Bars:**
  - Each bar represents the book value and fair value for the corresponding quarter.
### SCHEDULE 6
Investments by Security Type
November 30, 2012

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market Investments</td>
<td>$31,826,244</td>
</tr>
<tr>
<td>Lone Star Government Overnight Fund</td>
<td>87,085,443</td>
</tr>
<tr>
<td>TexPool Local Government Investment Pool</td>
<td>116,870,540</td>
</tr>
<tr>
<td>TexPool Prime</td>
<td>107,126,666</td>
</tr>
<tr>
<td>Guaranteed Investment Contract</td>
<td>114,999,378</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td><strong>$457,908,271</strong></td>
</tr>
</tbody>
</table>

![Pie chart showing the distribution of investments by type.]

- Guaranteed Investment Contract: 25%
- Lone Star Government Overnight Fund: 19%
- Money Market Investments: 7%
- TexPool Prime: 23%
- TexPool Local Government Investment Pool: 26%