

TEXAS TRANSPORTATION COMMISSION

VARIOUS County

MINUTE ORDER

Page 1 of 2

District VARIOUS

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. Under Government Code, §2256.005, authority granted to a person to act as investment officer and to be responsible for the investment of funds is effective until rescinded by the commission.

Government Code, §2256.023 requires the designated investment officer to prepare and submit to the commission, 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 by Bank One, National Association (Bank One), as Trustee under the Indenture of Trust dated July 15, 2002 between the commission and Bank One, and designated the department's Director of Finance and the Director of Finance and Administration of the department's Texas Turnpike Authority Division as investment officers. The investment policy and investment strategy have been amended pursuant to Minute Order 109066, dated October 31, 2002, and Minute Order 109339, dated July 31, 2003.

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.

Quarterly investment reports will be prepared for each quarter of the department's fiscal year. A quarterly investment report for the period ending August 31, 2003, 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.

TEXAS TRANSPORTATION COMMISSION

VARIOUS County

MINUTE ORDER

Page 2 of 2

District VARIOUS

IT IS FURTHER ORDERED by the commission that Section 5.0 of the investment policy is amended to rescind the designation of the Director of Finance and Administration of the department's Texas Turnpike Authority Division as investment officer. In the absence of the director of the department's Finance Division, the deputy director of the department's Finance Division is authorized and directed to perform the duties of investment officer. Section 5.0, as amended, is attached as Exhibit B to this order.

Submitted and reviewed by:

JAMES M. BASS

Director, Finance Division

Recommended by:

M. W. Behrens

Executive Director

109462 OCT 30 03

Minute Date
Number Passed

TEXAS TRANSPORTATION COMMISSION

QUARTERLY INVESTMENT REPORT

**AS OF
AUGUST 31, 2003**

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CERTIFICATION STATEMENT

This is to certify that I have reviewed the Quarterly Investment Report as of August 31, 2003 that is being submitted for acceptance by the Texas Transportation Commission. To the best of my knowledge and belief:

1. The information contained in this 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.
2. The investment portfolio is in compliance with the investment policy and relevant provisions of Government Code, Chapter 2256.
3. The investments have been accorded consistent treatment in accordance with generally accepted accounting principles.
4. The information presented in the Quarterly Investment Report is accurate.

I declare that the foregoing is true and correct.

Governmental Unit: Texas Department of Transportation

Signature: James M. Bass

Name of Official: James M. Bass

Title: Director, Finance Division

Date of Execution: October 16, 2003

I declare that the foregoing is true and correct.

Governmental Unit: Texas Department of Transportation

Signature: Teresa Lemons

Name of Official: Teresa Lemons

Title: Director of Finance and Administration, Texas Turnpike Authority Division

Date of Execution: October 16, 2003

INVESTMENT DISCUSSION

INTRODUCTION

This report relates to investments made by the Texas Transportation Commission (commission) and held by BankOne acting as Trustee. The investments include bond proceeds and other contributions for the purpose of financing the initial phase ("2002 Project") of the Central Texas Turnpike System.

The Texas Transportation Commission's Investment Strategy identifies four fund types in association with its Trust Indenture dated July 15, 2002.

Type I Funds: Funds in the Revenue Fund, General Reserve Fund and Debt Service Funds, other than Capitalized Interest Funds

Type II Funds: Funds in the Rate Stabilization Fund

Type III Funds: Funds in the Construction Fund and Capitalized Interest Funds

Type IV Funds: Funds in Debt Service Reserve Fund

Bond proceeds have been deposited to Type III and Type IV Funds. Type I and Type II Funds consist of toll revenues and will therefore not be funded until after the opening of the 2002 Project of the Central Texas Turnpike System. The commission has entered into agreements with local governments whereby the local governments transfer funds to the Texas Department of Transportation to fund purchases of right of way land and other project-related costs. The commission has executed separate Contribution Agreements with the City of Austin, the City of Round Rock, Williamson County and Travis County. The contributing subdivisions contribute to the ROW costs of portions of the 2002 Project located within their respective boundaries. The monies collected from the contributing subdivisions are held by the Trustee and are included in the investment amounts included in this report.

The investments suitable for each Fund Type have been determined using the following criteria that are detailed in the Commission's Investment Strategy:

- 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 initial investment of bond proceeds was made in accordance with the criteria specified in the Commission's Investment Policy and Strategy as described above. Investments were made based primarily on preservation and safety of principal. After preservation of principal, consideration was given to liquidity and marketability needs for each fund. Diversification criteria were met by staggering the maturity dates of the investments and the use of different security types. Lastly, yield was considered to maximize return. The table on the following page summarizes the initial investments.

A. SUMMARY OF INITIAL INVESTMENTS

SUMMARY OF INITIAL INVESTMENTS

Fund Type	Fund Invested	Product	Security Type or Collateral	Initial Deposit/ Contract Amount	Yield/ Rate	Provider ⁽¹⁾
III	CapI (First Tier)	Individual Securities	Treasuries/Agencies	210,970,478.81	3.0600%	BofA ⁽⁴⁾
III	CapI (First Tier)	Money Market Fund	Treasuries/Agencies	1,656,374.55	1.3000%	BO
III	CapI (Second Tier)	Individual Securities	Treasuries/Agencies	227,876,048.02	3.0600%	BofA ⁽⁴⁾
III	CapI (Second Tier)	Money Market Fund	Treasuries/Agencies	1,568,258.67	1.3000%	BO
III	Construction	Forward Purchase Agmt	CP/Treasuries/Agencies	274,999,846.83	2.5000%	SSB
III	Construction	Individual Securities	Treasuries/Agencies	548,743,393.62	3.0600%	BofA ⁽⁴⁾
III	Construction	Forward Purchase Agmt	Treasuries/Agencies	199,985,907.80	1.8350%	ML
III	Construction	Forward Purchase Agmt	Treasuries/Agencies	339,560,337.87	1.8475%	SSB
III	Construction	Forward Purchase Agmt	Treasuries/Agencies	99,999,941.50	1.7960%	BofA
III	Construction	Money Market Fund	Treasuries/Agencies	250,073,838.43	1.3000%	BO
III	Construction	Money Market Fund	Treasuries/Agencies	30,000,000.00	1.4500%	BO
IV	DSRF ⁽³⁾	Flexible Repurchase Agmt	104% UST/105% Agencies ⁽²⁾	114,999,378.18	5.2000%	SSB
IV	DSRF ⁽³⁾	Forward Purchase Agmt	Treasuries/Agencies	14,999,950.32	4.4750%	WB
Total				\$2,315,433,754.60		

(1) Key:

SSB = Salomon Smith Barney

BofA = Bank of America

ML = Merrill Lynch

WB = Wachovia Bank

BO = Bank One

(2) Collateralized Repurchase Agreement

(3) Debt Service Reserve Fund

(4) Individual Securities were competitively bid and purchased from BofA and delivered to the Commission. There is no ongoing relationship with BofA for these securities.

Management Discussion of Investments

Type I and Type II Funds are funded from daily toll revenues and are used for operating and maintaining the system, funding the rate stabilization fund and making semi-annual debt service payments to bondholders. These funds have a very short investment horizon as operating and maintenance expenses are paid frequently and debt service funds must be depleted every thirteen (13) months.

The capitalized interest account is used to make payments to bondholders during the construction period and through a portion of the ramp up period after the project is completed and toll revenues are being collected. Draws from the capitalized interest accounts are certain as to amount and timing because they are tied to the debt service schedules.

Based on the General Engineering Consultant's (GEC) initial report, construction fund (Type III Fund) draws are expected to be relatively certain, however the exact timing and amount of draws will vary from initial estimates for several reasons. First, it is not uncommon for a construction project of this magnitude to experience delays or accelerations in payments to contractors and the GEC updates project schedules and cash flows monthly. Additionally, the dates for purchasing ROW with proceeds from this fund are uncertain. As a result, the construction fund was invested in investment vehicles with differing liquidity characteristics.

A portfolio of U.S. Treasury and Agency securities was purchased to fund cash flow requirements for the capitalized interest fund and for a portion of the construction fund. This fund is referred to as the Structured Portfolio Fund. The Structured Portfolio Fund consists of securities with a high degree of safety. The Structured Portfolio Fund also has a high degree of marketability and the securities may be sold at any time prior to maturity, although it is anticipated that the securities will be held to maturity.

Additionally, approximately 39% of the total investments as of August 31, 2003 are invested in Forward Purchase Agreements (FPAs). FPAs provide a high degree of liquidity and have a yield that is certain at the time the agreement is signed based upon anticipated draw schedules. Monthly draws are permitted under FPAs thereby providing the appropriate level of liquidity for a less certain draw schedule. Three of the agreements consist of direct holdings of US Treasury and Agency securities and the fourth consists of direct holdings of Commercial Paper. Individual securities are delivered to the Trustee on a monthly basis and the Commission may sell them at any time or may reinvest them at maturity as needed. U.S. Treasury and Agency securities provide safety of principal and are highly marketable. The commercial paper exposure of 12% is within the Commission's guideline of a maximum of 15%. Additionally, the use of three different providers minimizes credit risk.

A portion of the capitalized interest and construction funds is 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 principal.

The Debt Service Reserve Fund (DSRF) 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 (\$15,000,000) was invested in a 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.

B. INVESTMENT ACTIVITY FOR PERIOD ENDING AUGUST 31, 2003

Investment activity for the period consisted primarily of securities initially delivered by the Forward Purchase Agreement Providers maturing and being replaced with new securities. Attached as Schedule 1 is a summary statement that presents the beginning and ending market value, additions and changes to the market value, and accrued interest for the period ending August 31, 2003.

C. INVESTMENT PORTFOLIO VALUE

See Schedule 2 for a schedule of investments including maturity dates, book value and market value at the beginning and end of this reporting period.

D. INVESTMENT STRATEGY

The investment instruments described in Section A are in compliance with the investment strategy of the commission.

E. CURRENT MARKET CONDITIONS AND RECOMMENDED POLICY AMENDMENTS

Section 5.0 of the investment policy is amended to rescind the designation of the Director of Finance and Administration of the department's Texas Turnpike Authority Division as investment officer. In the absence of the director of the department's Finance Division, the deputy director of the department's Finance Division is authorized and directed to perform the duties of investment officer. See Exhibit B.

Various Interest Rates as of August 31, 2003:

Discount Rate – 2.000%
3-Month Commercial Paper – 1.080%
3-Month Treasury – .987%
90-Day LIBOR – 1.127%
5-Year Treasury – 3.631%
10-Year Treasury – 4.729%
20-Year Treasury – 5.405%

See attached Schedule 3 – History of Interest Rates Graph.

F. DIVERSIFICATION

The Commission's Investment Policy sets out certain diversification requirements in order to reduce risk. The following is a statement of compliance with such diversity requirements:

- (a) Portfolio maturities have been matched versus liabilities to avoid undue market risk as discussed above.
- (b) As described above, all investments provide for stability of income and liquidity.
- (c) The majority of the portfolio has been invested in securities and investment agreements with maturities ranging from one month to twenty years. FPAs allow for monthly draws to coincide with payments to construction contractors, the Structured Portfolio Fund has maturities and investment income that match estimated draws from the capitalized interest and construction funds. Additionally, a portion of the portfolio has been invested in cash equivalent instruments (money market mutual funds) to provide daily liquidity.
- (d) No investments have maturities in excess of the maximum maturity permitted by the Trust Indenture or the limits specified in the Commission's Investment Strategy.
- (e) All securities meet the rating restrictions defined in Sections 13 and 14 of the Commission's Investment Policy.

**TEXAS DEPARTMENT OF TRANSPORTATION
TEXAS TURNPIKE AUTHORITY DIVISION
SCHEDULE I
Public Funds Investment Act
Quarterly Investment Activity
For the Period Ending August 31, 2003**

Book/Market Value, Unrealized Gain(Loss), & Accrued Interest

Asset	Type	Asset Name	Fair Value	Book	Change in Carrying Value			Book	Fair Value	Unrealized	Realized	FY 03
			(Market)	Value	Accretion/ Purchases	Amortization/ Sales	Maturities	Value	(Market)	Gain/(Loss)	Gain/(Loss)	4th Quarter
			@ 05/31/03	@ 05/31/03				@ 08/31/03	@ 08/31/03	@ 08/31/03	@ 08/31/03	Interest
Commercial Paper (Short Term)												
		OVAL FDG CORP CP	26,999,000.00	26,940,999.94		(26,999,000.00)	0.00	0.00	0.00	0.00	0.00	58,000.06
		CC USA INC CP	24,000,000.00	23,948,442.48		(24,000,000.00)	0.00	0.00	0.00	0.00	0.00	51,557.52
		GIRO BALANCED FDG CORP CP	5,123,000.00	5,111,994.62		(5,123,000.00)	0.00	0.00	0.00	0.00	0.00	11,005.38
		INDEPENDENCE FDG LLC CP	20,107,000.00	20,063,805.54		(20,107,000.00)	0.00	0.00	0.00	0.00	0.00	43,194.46
		BAVARIA UNVL FDG CORP CP	50,000,000.00	49,892,588.51		(50,000,000.00)	0.00	0.00	0.00	0.00	0.00	107,411.49
		NEW YORK LIFE CAP CORP CP	4,638,000.00	4,628,036.51		(4,638,000.00)	0.00	0.00	0.00	0.00	0.00	9,963.49
		EXELSIOR INC CP	37,000,000.00	36,920,515.50		(37,000,000.00)	0.00	0.00	0.00	0.00	0.00	79,484.50
		MICA FDG LLC CP	50,000,000.00	49,892,588.51		(50,000,000.00)	0.00	0.00	0.00	0.00	0.00	107,411.49
		BAVARIA TRR CORP CP	50,000,000.00	49,892,588.51		(50,000,000.00)	0.00	0.00	0.00	0.00	0.00	107,411.49
		EAGLEFUNDING CAP CORP CP			49,899,511.31	(50,000,000.00)	0.00	0.00	0.00	0.00	0.00	100,488.69
		OLD SLIP FDG CORP CP			37,464,553.09	(37,540,000.00)	0.00	0.00	0.00	0.00	0.00	75,446.91
		EXELSIOR INC CP			36,925,638.37	(37,000,000.00)	0.00	0.00	0.00	0.00	0.00	74,361.63
		MICA FDG LLC CP			49,899,511.31	(50,000,000.00)	0.00	0.00	0.00	0.00	0.00	100,488.69
		TULIP FDG CORP CP			49,899,511.31	(50,000,000.00)	0.00	0.00	0.00	0.00	0.00	100,488.69
		BLACK FOREST FDG CORP CP			41,302,823.50	(41,386,000.00)	0.00	0.00	0.00	0.00	0.00	83,176.50
		BAVARIA TRR CORP CP			26,549,687.94	(26,605,000.00)	0.00	0.00	0.00	0.00	0.00	55,312.06
		BAVARIA UNVL FDG CORP CP			49,896,049.51	(50,000,000.00)	0.00	0.00	0.00	0.00	0.00	103,950.49
		TRANSAMERICA FIN CORP CP			49,896,049.51	(50,000,000.00)	0.00	0.00	0.00	0.00	0.00	103,950.49
		ATLANTIC ASSET SECURIT CP			49,896,049.51	(50,000,000.00)	0.00	0.00	0.00	0.00	0.00	103,950.49
		TULIP FDG CORP CP			49,896,049.51	(50,000,000.00)	0.00	0.00	0.00	0.00	0.00	103,950.49
		OLD SLIP FDG CORP CP			37,456,964.37	(37,535,000.00)	0.00	0.00	0.00	0.00	0.00	78,035.63

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Exhibit A

Asset	Type	Asset Name	Fair Value	Book	Change in Carrying Value			Book	Fair Value	Unrealized	Realized	FY 03
			(Market)	Value	Accretion/ Purchases	Amortization/ Sales	Maturities	Value	(Market)	Gain/(Loss)	Gain/(Loss)	4th Quarter
			@ 05/31/03	@ 05/31/03			@ 08/31/03	@ 08/31/03	@ 08/31/03	@ 08/31/03		Interest
Commercial Paper (Short Term - Continued)												
		SCHERING PLOUGH CORP CP			49,892,588.44		49,892,588.44	50,000,000.00	107,411.56			
		CITIGROUP GLOBAL MKTS CP			46,792,262.99		46,792,262.99	46,893,000.00	100,737.01			
		TULIP FDG CORP CP			49,892,588.44		49,892,588.44	50,000,000.00	107,411.56			
		OLD SLIP FDG CORP CP			18,728,679.85		18,728,679.85	18,769,000.00	40,320.15			
		THREE PILLARS FDG CORP CP			49,892,588.44		49,892,588.44	50,000,000.00	107,411.56			
		CIT GROUP INC NEW CP			25,637,805.50		25,637,805.50	25,693,000.00	55,194.50			
		CC USA INC CP			20,954,887.14		20,954,887.14	21,000,000.00	45,112.86			
		TOTAL COMMERCIAL PAPER	267,867,000.00	267,291,560.12	790,773,800.04	0.00	(797,933,000.00)	261,791,400.80	262,355,000.00	563,599.20	0.00	1,659,040.64
US Gov't Agency Mortgage Obligations (Short Term)												
		ONE GROUP INSTITUTIONAL PRIME MMKT FD I	2,212,261.36	2,212,261.36	9,100,795.30	(6,073,648.07)	5,239,408.59	5,239,408.59	0.00			9,680.94
		ONE GROUP INSTITUTIONAL PRIME MMKT FD I	624.88	624.88	14,999,375.12	(14,999,629.49)	370.51	370.51	0.00			1.74
		ONE GROUP INSTITUTIONAL PRIME MMKT FD I	7,519,736.38	7,519,736.38	7,894.26	(7,487,778.12)	39,852.52	39,852.52	0.00			7,960.83
		ONE GROUP INSTITUTIONAL PRIME MMKT FD I	52,147,139.83	52,147,139.83	36,289,553.72	(44,103,361.91)	44,333,331.64	44,333,331.64	0.00			148,168.72
		ONE GROUP INSTITUTIONAL PRIME MMKT FD I	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.26
		ONE GROUP US GOV'T SECS MMKT FD I	200,085,518.43	200,085,518.43	8,908,829.68	(39,753,064.45)	169,241,283.66	169,241,283.66	0.00			518,432.53
		FNMA DISC NT	15,299,729.50	14,999,375.12		(14,999,375.12)	0.00	0.00	0.00			335,624.88
		FNMA DISC NT	594,423,000.00	593,587,137.50		(593,587,137.50)	0.00	0.00	0.00			835,862.50
		FNMA DISC NT	0.00	0.00	402,174,770.08	(402,769,000.00)	0.00	0.00	0.00			594,229.92
		FNMA DISC NT	0.00	0.00	577,312,314.95	(578,068,000.00)	0.00	0.00	0.00			755,685.05
		FNMA DISC NT			568,240,175.84		568,240,175.84	569,018,000.00	777,824.16			
		FHLB DISC NT			183,313,502.42	(183,482,000.00)	0.00	0.00	0.00			168,497.58
		U S TREAS NT STRIP	5,743,662.58	5,676,236.40		(5,676,236.40)	0.00	0.00	0.00			81,763.60
		FHLMC			14,999,629.49		14,999,629.49	15,218,548.92	218,919.43			
		FHLMC	12,877,945.52	13,275,065.00			13,275,065.00	12,716,757.29	(558,307.71)			
		FHLMC	5,920,729.08	6,029,306.10			6,029,306.10	5,863,159.08	(166,147.02)			151,121.25
		FHLMC	13,450,644.96	13,609,828.80			13,609,828.80	13,324,830.00	(284,998.80)			
		FHLMC	25,473,825.30	25,624,445.00			25,624,445.00	24,899,513.10	(724,931.90)			745,937.50
		FNMA	45,757,115.20	46,504,720.00			46,504,720.00	45,111,515.20	(1,393,204.80)			1,398,800.00
		TOTAL GOV'T AGY SHORT TERM INVESTMENTS	980,911,933.02	981,271,394.80	1,815,346,840.86	(133,093,093.56)	(1,757,906,137.50)	907,137,417.15	905,006,570.51	(2,130,846.64)	0.00	5,751,767.30

- Continued -

Exhibit A

Asset Type	Asset Name	Fair Value	Book	Change in Carrying Value			Book	Fair Value	Unrealized	Realized	FY 03
		(Market)	Value	Accretion/ Purchases	Amortization/ Sales	Maturities	Value	(Market)	Gain/(Loss)	Gain/(Loss)	4th Quarter Interest
		@ 05/31/03	@ 05/31/03				@ 08/31/03	@ 08/31/03	@ 08/31/03	@ 08/31/03	
US Gov't Agency Mortgage Obligations (Long Term)											
	FHLB	121,883,511.75	119,142,952.50				119,142,952.50	120,629,437.50	1,486,485.00		1,917,093.75
	FHLB	28,484,899.80	28,308,112.00				28,308,112.00	28,243,574.80	(64,537.20)		
	FHLB	30,306,963.50	30,071,140.00				30,071,140.00	29,997,099.00	(74,041.00)		564,781.25
	FHLB	84,077,649.45	83,041,510.50				83,041,510.50	82,766,842.65	(274,667.85)		
	FHLB	45,488,029.60	44,572,152.00				44,572,152.00	44,481,359.20	(90,792.80)		
	FHLB	19,304,350.00	18,748,804.00				18,748,804.00	18,714,737.50	(34,066.50)		469,506.25
	FHLB	21,566,653.90	21,123,432.00				21,123,432.00	21,074,403.90	(49,028.10)		
	FHLB	23,374,647.30	22,824,651.00				22,824,651.00	22,592,847.30	(231,803.70)		
	FHLMC	51,308,906.25	50,782,725.00				50,782,725.00	50,919,382.50	136,657.50		
	FHLMC	32,070,822.24	31,525,664.40				31,525,664.40	31,520,807.76	(4,856.64)		645,022.50
	FHLMC	22,285,446.66	21,811,253.40				21,811,253.40	21,780,363.33	(30,890.07)		536,996.25
	FHLMC	18,766,811.88	18,337,442.40				18,337,442.40	18,272,850.00	(64,592.40)		467,445.00
	FHLMC	30,134,323.35	30,219,739.50				30,219,739.50	29,387,550.00	(832,189.50)		944,109.38
	FHLMC	33,545,120.00	33,347,443.40				33,347,443.40	32,618,436.06	(729,007.34)		1,048,285.00
	FNMA	29,691,468.18	29,551,242.60				29,551,242.60	29,493,248.07	(57,994.53)		
	FNMA	30,686,120.36	30,292,456.40				30,292,456.40	30,291,869.28	(587.12)		
	FNMA	19,066,811.40	18,356,208.00				18,356,208.00	18,511,927.20	155,719.20		381,225.00
	FNMA	20,421,866.25	19,815,412.50				19,815,412.50	19,955,790.00	140,377.50		
	FNMA	6,566,643.48	6,252,424.20				6,252,424.20	6,299,073.48	46,649.28		156,082.50
	FNMA	42,697,853.28	41,850,562.40				41,850,562.40	41,712,332.50	(138,229.90)		1,070,795.00
	FNMA	20,669,597.86	19,934,336.00				19,934,336.00	19,913,815.36	(20,520.64)		526,757.50
	FNMA	45,457,100.92	43,680,425.25				43,680,425.25	43,702,718.29	22,293.04		
	FNMA	23,675,169.96	23,311,212.60				23,311,212.60	23,121,117.50	(190,095.10)		640,770.00
	FNMA	46,106,600.00	46,504,720.00				22,900,194.30	22,717,390.41	(182,803.89)		
	FNMA	49,121,081.71	49,240,628.00				49,240,628.00	47,871,400.79	(1,369,227.21)		1,583,210.63
	SALOMON MASTER REPO	114,999,378.18	114,999,378.18				114,999,378.18	114,999,378.18	0.00		
	TOTAL LONG TERM INVESTMENTS	1,011,757,827.26	997,646,028.23	0.00	0.00	0.00	974,041,502.53	971,589,752.56	(2,451,749.97)	0.00	10,952,080.01
	TOTAL INVESTMENTS - ALL FUNDS	2,260,536,760.28	2,246,208,983.15	2,606,120,640.90	(133,093,093.56)	(2,555,839,137.50)	2,142,970,320.48	2,138,951,323.07	(4,018,997.41)	0.00	18,362,887.95

Key: FHLB = Federal Home Loan Bank

FHLMC = Federal Home Loan Mortgage Company

FNMA = Federal National Mortgage Association

*** Note: Maturity Values were obtained from Bank One monthly statements

TEXAS DEPARTMENT OF TRANSPORTATION
TEXAS TURNPIKE AUTHORITY DIVISION
SCHEDULE 2
Public Funds Investment Act
Quarterly Investment Activity
For the Period Ending August 31, 2003

Cost, Interest Rate, Maturity, and Performance of Investments

Asset Type	Asset Name	Stated Interest Rate	Current Purchase Date	Current Maturity Date	Book Value @ 08/31/03	Fair Value (Market) @ 08/31/03	Unrealized Gain/(Loss) @ 08/31/03
Commercial Paper (Short Term)							
	SCHERING PLOUGH CORP CP	0.000%	08/01/03	09/02/03	49,892,588.44	50,000,000.00	107,411.56
	CITIGROUP GLOBAL MKTS CP	0.000%	08/01/03	09/02/03	46,792,262.99	46,893,000.00	100,737.01
	TULIP FDG CORP CP	0.000%	08/01/03	09/02/03	49,892,588.44	50,000,000.00	107,411.56
	OLD SLIP FDG CORP CP	0.000%	08/01/03	09/02/03	18,728,679.85	18,769,000.00	40,320.15
	THREE PILLARS FDG CORP CP	0.000%	08/01/03	09/02/03	49,892,588.44	50,000,000.00	107,411.56
	CIT GROUP INC NEW CP	0.000%	08/01/03	09/02/03	25,637,805.50	25,693,000.00	55,194.50
	CC USA INC CP	0.000%	08/01/03	09/02/03	20,954,887.14	21,000,000.00	45,112.86
					261,791,400.80	262,355,000.00	563,599.20
US Gov't Agency Mortgage Obligations (Short Term)							
	ONE GROUP INSTITUTIONAL PRIME MMKT FD I		08/29/03	N/A	5,239,408.59	5,239,408.59	0.00
	ONE GROUP INSTITUTIONAL PRIME MMKT FD I		08/13/03	N/A	370.51	370.51	0.00
	ONE GROUP INSTITUTIONAL PRIME MMKT FD I		08/04/03	N/A	39,852.52	39,852.52	0.00
	ONE GROUP INSTITUTIONAL PRIME MMKT FD I		08/29/03	N/A	44,333,331.64	44,333,331.64	0.00
	ONE GROUP US GOV'T SECS MMKT FD I		08/29/03	N/A	169,241,283.66	169,241,283.66	0.00
	FNMA DISC NT		08/01/03	09/02/03	568,240,175.84	569,018,000.00	777,824.16
	FHLMC	6.250%	08/29/02	07/15/04	25,624,445.00	24,899,513.10	(724,931.90)
	FHLMC	6.375%	08/29/02	11/15/03	13,275,065.00	12,716,757.29	(558,307.71)
	FHLMC	5.250%	08/15/03	02/15/04	14,999,629.49	15,218,548.92	218,919.43
	FHLMC	5.250%	08/29/02	02/15/04	6,029,306.10	5,863,159.08	(166,147.02)
	FHLMC	5.000%	08/29/02	05/15/04	13,609,828.80	13,324,830.00	(284,998.80)
	FNMA	6.500%	08/29/02	08/15/04	46,504,720.00	45,111,515.20	(1,393,204.80)
					907,137,417.15	905,006,570.51	(2,130,846.64)
US Gov't Agency Mortgage Obligations (Long Term)							
	FHLB	3.250%	08/29/02	08/15/05	119,142,952.50	120,629,437.50	1,486,485.00
	FHLB	3.625%	08/29/02	10/15/04	28,308,112.00	28,243,574.80	(64,537.20)
	FHLB	3.875%	08/29/02	12/15/04	30,071,140.00	29,997,099.00	(74,041.00)
	FHLB	4.625%	08/29/02	04/15/05	83,041,510.50	82,766,842.65	(274,667.85)
	FHLB	5.125%	08/29/02	03/06/06	44,572,152.00	44,481,359.20	(90,792.80)
	FHLB	5.375%	08/29/02	02/15/07	18,748,804.00	18,714,737.50	(34,066.50)
	FHLB	5.375%	08/29/02	05/15/06	21,123,432.00	21,074,403.90	(49,028.10)
	FHLB	7.625%	08/29/02	05/15/07	22,824,651.00	22,592,847.30	(231,803.70)
	FHLMC	3.250%	08/29/02	11/15/04	50,782,725.00	50,919,382.50	136,657.50

- Continued -

Exhibit A

Asset	Stated Interest	Current Purchase	Current Maturity	Book Value	Fair Value	Unrealized
Type	Rate	Date	Date	@ 08/31/03	@ 08/31/03	@ 08/31/03
FHLMC	4.250%	08/29/02	06/15/05	31,525,664.40	31,520,807.76	(4,856.64)
FHLMC	5.250%	08/29/02	01/15/06	21,811,253.40	21,780,363.33	(30,890.07)
FHLMC	5.500%	08/29/02	07/15/06	18,337,442.40	18,272,850.00	(64,592.40)
FHLMC	6.875%	08/29/02	01/15/05	30,219,739.50	29,387,550.00	(832,189.50)
FHLMC	7.000%	08/29/02	07/15/05	33,347,443.40	32,618,436.06	(729,007.34)
FNMA	3.500%	08/29/02	09/15/04	29,551,242.60	29,493,248.07	(57,994.53)
FNMA	3.875%	08/29/02	03/15/05	30,292,456.40	30,291,869.28	(587.12)
FNMA	4.250%	08/29/02	07/15/07	18,356,208.00	18,511,927.20	155,719.20
FNMA	4.375%	08/29/02	10/15/06	19,815,412.50	19,955,790.00	140,377.50
FNMA	5.250%	08/29/02	01/15/09	6,252,424.20	6,299,073.48	46,649.28
FNMA	5.500%	08/29/02	02/15/06	41,850,562.40	41,712,332.50	(138,229.90)
FNMA	5.750%	08/29/02	02/15/08	19,934,336.00	19,913,815.36	(20,520.64)
FNMA	6.000%	08/29/02	05/15/08	43,680,425.25	43,702,718.29	22,293.04
FNMA	6.000%	08/29/02	12/15/05	23,311,212.60	23,121,117.50	(190,095.10)
FNMA	6.625%	08/29/02	10/15/07	22,900,194.30	22,717,390.41	(182,803.89)
FNMA	7.125%	08/29/02	02/15/05	49,240,628.00	47,871,400.79	(1,369,227.21)
SALOMON MASTER REPO	5.200%	08/29/02	08/15/22	114,999,378.18	114,999,378.18	0.00
				<u>974,041,502.53</u>	<u>971,589,752.56</u>	<u>(2,451,749.97)</u>
TOTAL INVESTMENTS - ALL FUNDS				<u>2,142,970,320.48</u>	<u>2,138,951,323.07</u>	<u>(4,018,997.41)</u>

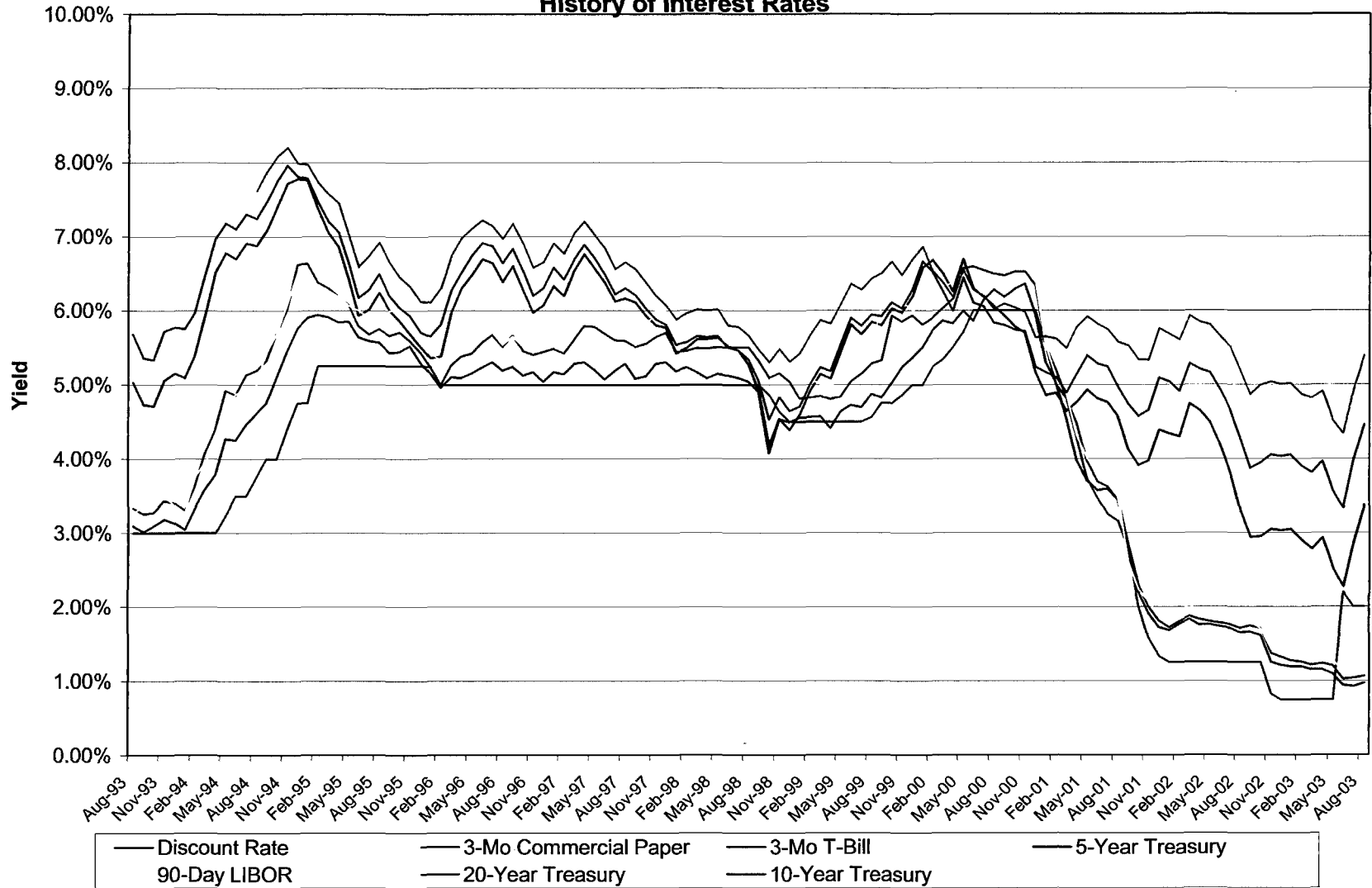
Key:

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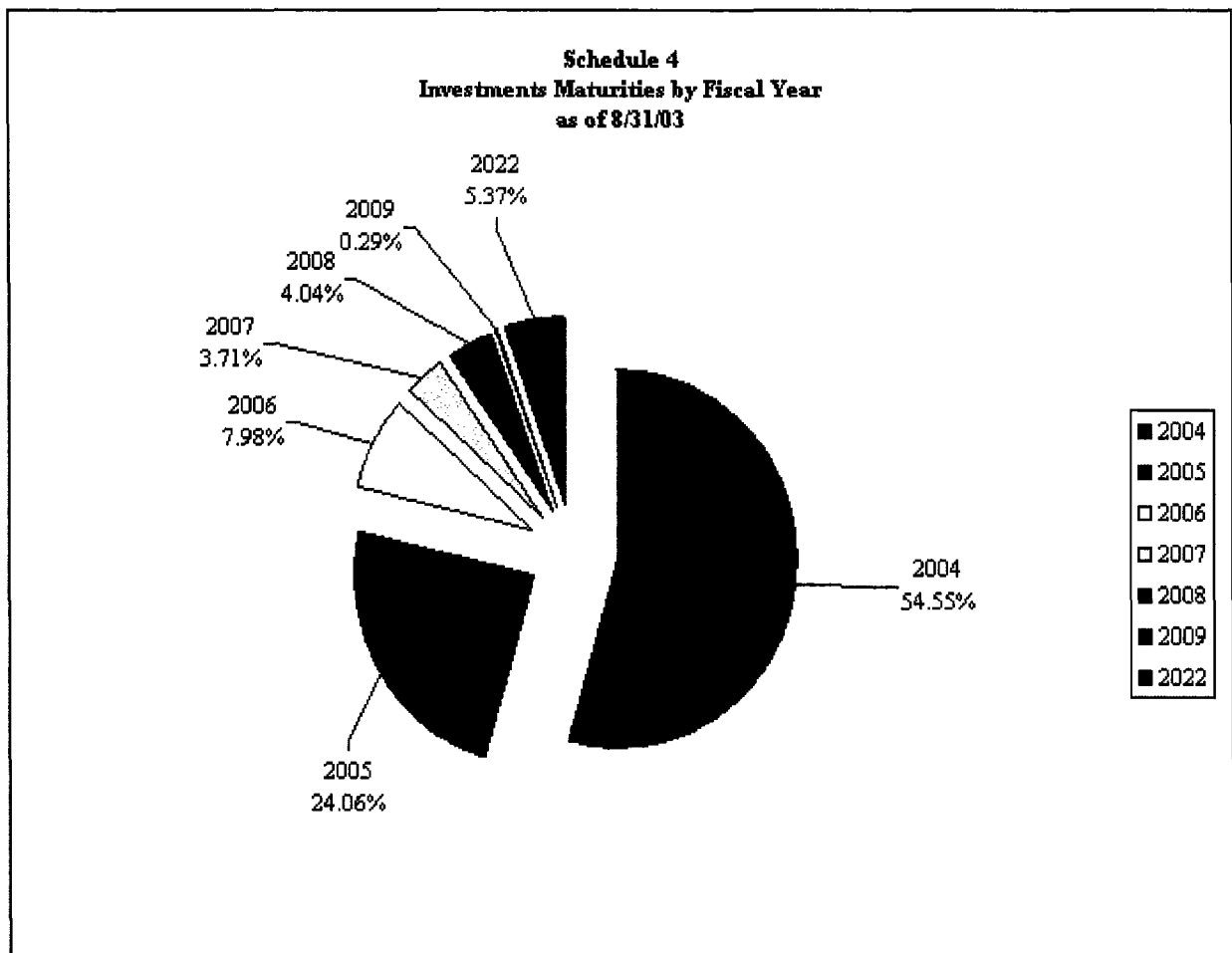
**Schedule 3
History of Interest Rates**



Schedule 4
Texas Department of Transportation
Texas Turnpike Authority Division
Investment Maturities by Fiscal Year

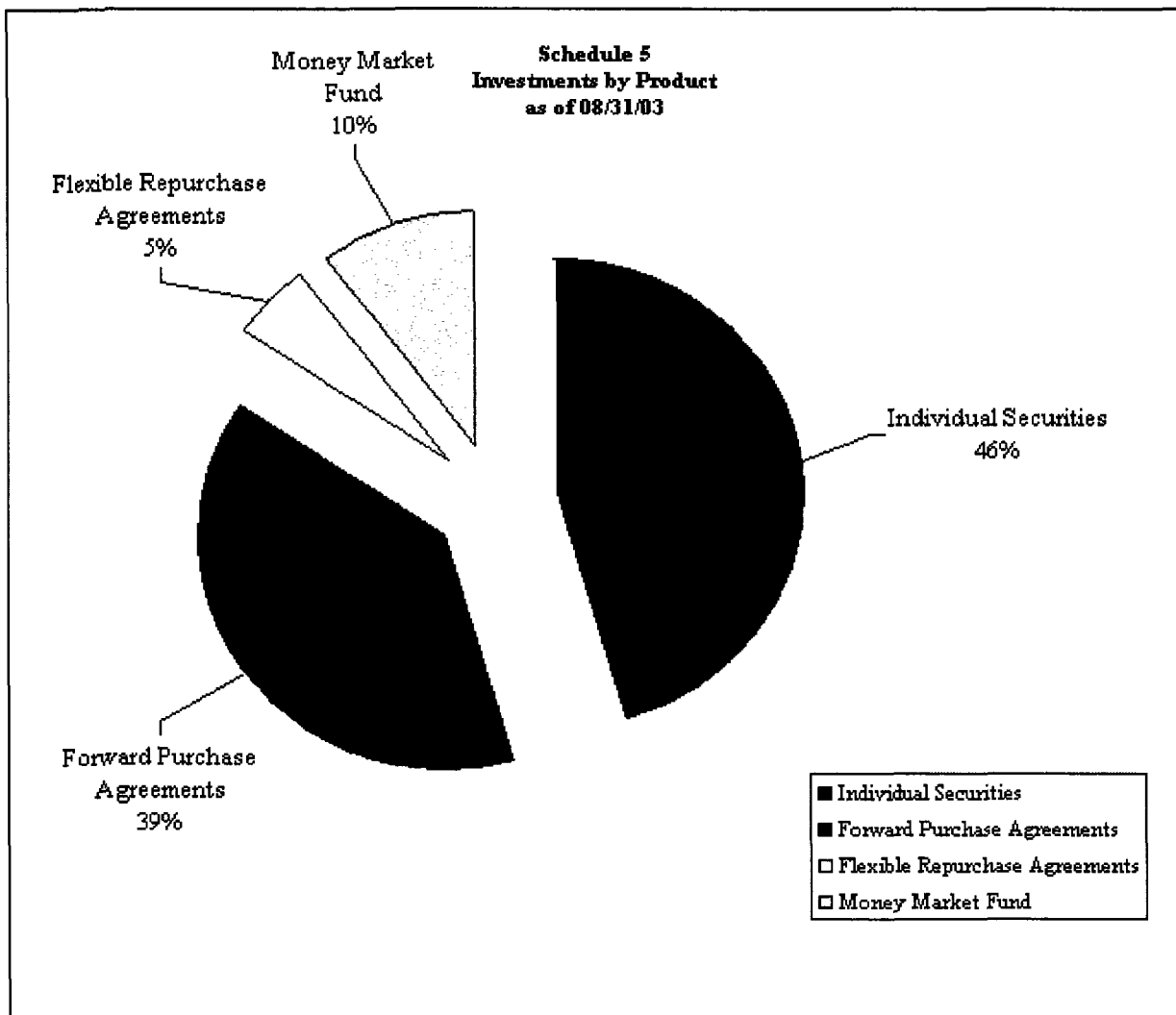
Total Investments at Cost - Maturity by Fiscal Year

	8/31/2003
	Book Value
2004	1,168,928,817.95
2005	515,523,614.30
2006	171,006,054.80
2007	79,745,075.50
2008	86,514,955.55
2009	6,252,424.20
2022	114,999,378.18
TOTAL INVESTMENTS - ALL FUNDS	2,142,970,320.48



Schedule 5
Texas Department of Transportation
Texas Turnpike Authority Division
Investments by Product

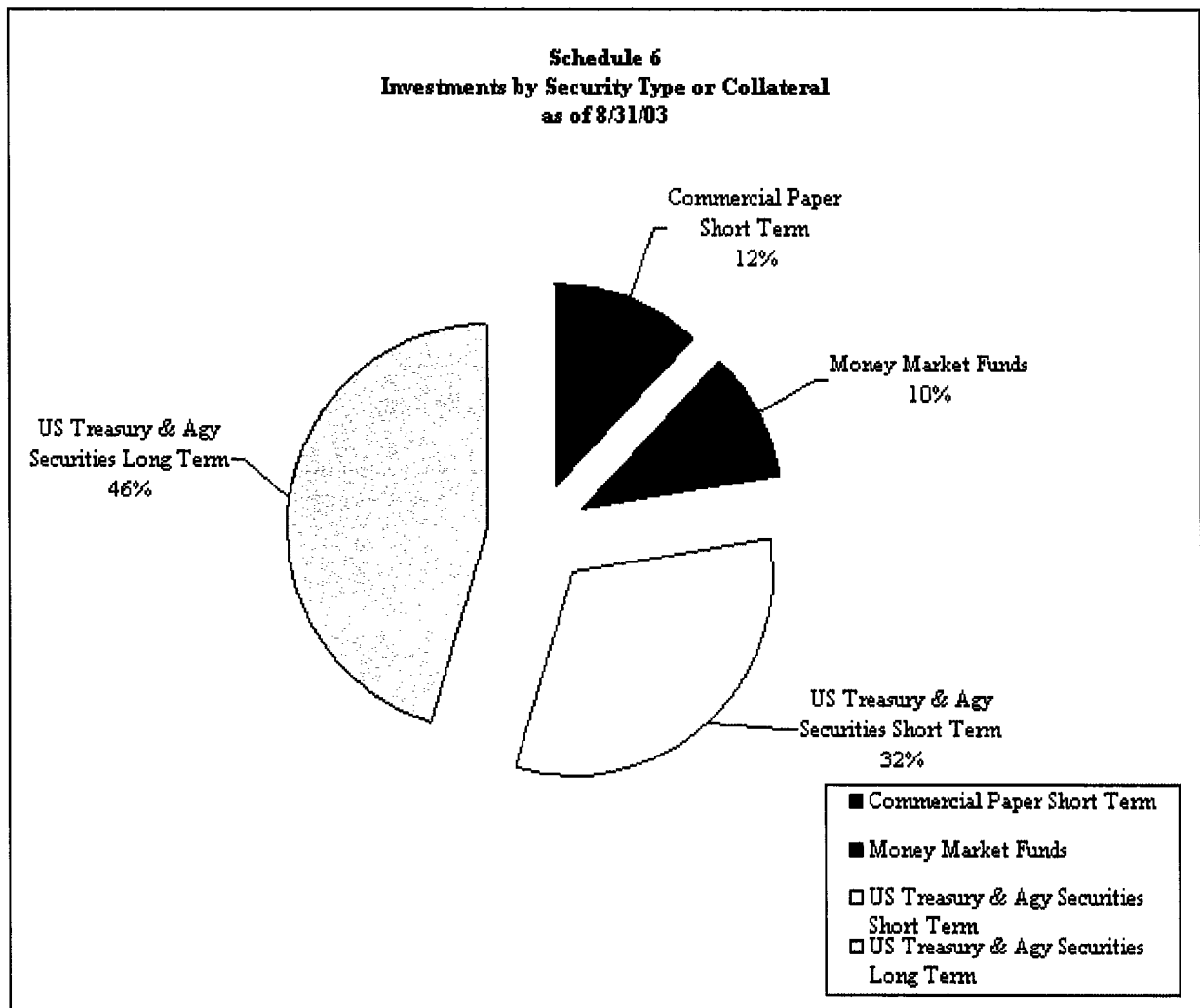
Investment Product	8/31/2003 Book Value
Individual Securities	\$979,085,118.74
Forward Purchase Agreements	\$830,031,576.64
Flexible Repurchase Agreements	\$114,999,378.18
Money Market Fund	\$218,854,246.92
	<hr/>
	\$2,142,970,320.48
	<hr/>



Schedule 6

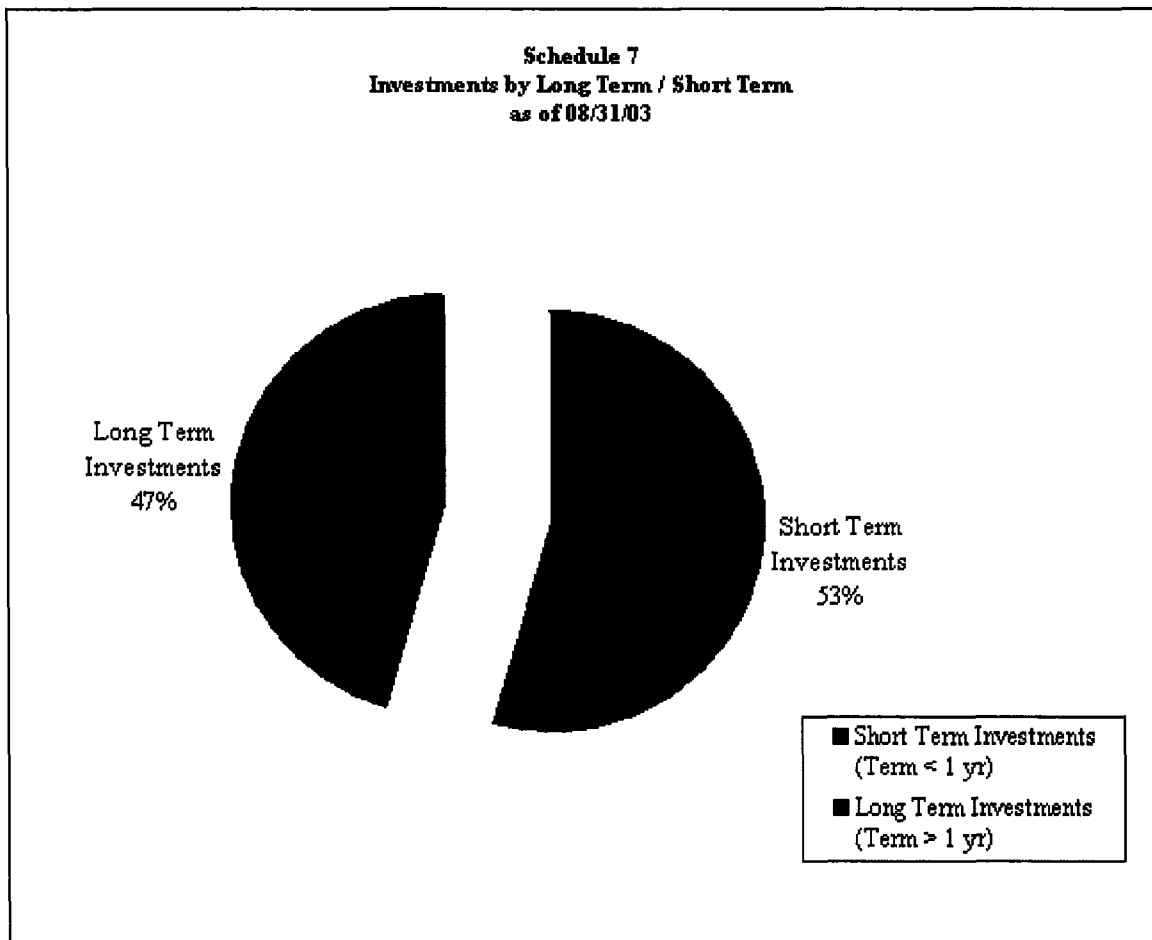
**Texas Department of Transportation
Texas Turnpike Authority Division
Investments by Security Type or Collateral**

	8/31/2003
Security Type/Collateral	Book Value
Commercial Paper Short Term	261,791,400.80
Money Market Funds	218,854,246.92
US Treasury & Agy Securities Short Term	688,283,170.23
US Treasury & Agy Securities Long Term	974,041,502.53
	2,142,970,320.48



Schedule 7
Texas Department of Transportation
Texas Turnpike Authority Division
Investments by Long Term/Short Term

	8/31/2003
Maturity	Book Value
Short Term Investments (Term < 1 yr)	1,168,928,817.95
Long Term Investments (Term > 1 yr)	974,041,502.53
	<hr/>
	2,142,970,320.48
	<hr/>



5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from the *Act*, specifically, Section 2256.005(f)-(h). Management responsibility for the investment program is hereby delegated to the Commission's Texas Department of Transportation, Director of Finance, who for purposes of this Investment Policy, shall be referred to herein as the Investment Officer. The Investment Officer shall establish written procedures for the operations of the investment program consistent with this Investment Policy and the provisions of the Trust Indenture. Procedures should include references to: safekeeping, Public Securities Association repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy, the procedures established by the Investment Officer and the provisions of the Trust Indenture. Other than pursuant to the Trust Indenture, which requires that certain funds be invested by the Trustee upon direction of the Commission, or pursuant to a contract with an Investment Advisor, the Investment Officer will be responsible for all transactions undertaken under this Investment Policy. The Investment Officer shall establish a system of controls to regulate the activities of the Trustee, Investment Advisors and subordinate officials. In the absence of the Investment Officer, the Deputy Director of Finance [~~Administration of TTA~~] shall perform the duties and responsibilities of the Investment Officer, and such person shall also be considered as an investment officer as described in the *Act*.