

Texas
CLASS[®]



Information Statement

May 1, 2010



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The date of this Information Statement is May 1, 2010.

No person or entity has been authorized to give any information or to make any representations other than those contained in this Information Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by Texas CLASS, its Board of Trustees, the Investment Advisor or any agent of Texas CLASS or the Board of Trustees.

Each potential Participant is given a copy of the Trust Agreement and this Information Statement before becoming a Participant in Texas CLASS. This Information Statement contains a summary of the Trust

Agreement which summary is qualified in its entirety by reference to the full text of the Trust Agreement. All potential Participants are encouraged to read the Trust Agreement in its entirety for more complete information regarding the Trust.

Additional information that is a required part of this Information Statement is included in the Monthly Program Statements furnished to each Participant. The Information Statement will be updated through supplemental material and may be used only if it is accompanied by such information.

PART 1

Overview of Trust Agreement and Program

Part I of this Information Statement contains certain information about the operation and policies of Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS). The parties to the Trust Agreement are Texas local government entities that choose to participate (the "*Participants*"), Cutwater Investor Services Corp. as Program Administrator (the "*Program Administrator*"), and Wells Fargo Bank, NA as Custodian (the "*Custodian*").

A. Participant Investments

The purpose of the Trust is to establish an investment pool for the Participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, through which a Participant may pool any of its funds or funds under its control in order to preserve principal, to maintain the liquidity of the Participant and to maximize yield in accordance with Public Funds Investment Act (the "*Act*"), Section 2256.01, *et seq.*, Texas Government Code, or other laws of the State of Texas, from time to time in effect, governing the investment of funds of a Participant or funds under its control. The Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment and withdrawal of local government funds.

Under the Trust Agreement, there are four general objectives of the Trust: (i) Legality- investing only in investments legally permitted under Texas law; (ii) Safety- minimizing risk by managing portfolio investments so as to preserve principal and maintain a stable asset value and to maintain the highest rating for the Trust from a nationally recognized statistical rating organization for so long as such rating is required by Texas law; (iii) Liquidity- managing portfolio investments to ensure that cash will be available as required to finance Participants' operations; and (iv) Yield-maximizing current income to the degree consistent with legality, safety and liquidity.

Eligible Participants are any municipality, county, school district or authority created under Section 52(b)(1) or (2), Article III or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district and any

political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, any office, department, commission, board, or other agency that is part of any branch of State government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities that has taken the actions required by Section 2256.016 of the Act and that has executed either the Trust Agreement or a counterpart of the Trust Agreement or a participation certificate. Any local government entity that becomes a Participant has the same rights and obligations under the Trust Agreement as other Participants. Each such Participant shall have the right to invest funds for credit to such Participant's account. There is no minimum amount that must be invested pursuant to the Trust Agreement nor is there any limitation on the aggregate amount of funds that any Participant may invest at one time. Similarly, each Participant has the right from time to time to request payment of an amount equal to or less than the amount of funds in the Participant's account. Subject to meeting the daily times for giving notice, which times may be adjusted by the Program Administrator, there is no limitation on the period of time that funds may be invested through the Trust prior to such payment. Upon receipt of any payment request, the Program Administrator notifies the Custodian of the payment request from a Participant and the requested amount is paid by the Custodian to, or on behalf of, such Participant not later than the next business day, subject only to certain calamities or crises that may affect the financial markets of the United States, as specified in the Trust Agreement.

Any Participant may withdraw from the Trust Agreement at any time without penalty upon written notice to the Program Administrator, who will notify the Custodian and the Board of Trustees upon receipt of such notice. The withdrawal becomes effective when the Participant's account is equal to zero. If any Participant breaches any material covenants contained in the Trust Agreement or if any of its representations cease to be true, it shall be deemed to have given notice of withdrawal.

Each Participant must designate a representative to act for the Participant under the Trust Agreement for all purposes, including the giving of consent on behalf of the Participant and receiving notice on behalf of the Participant. Pursuant to Section 2256.005 of the Act, such representative must be the investment officer that is empowered by the charter, ordinances and any local regulation to direct the investments for such Participant.

Such representative is not required to devote the representative's entire time to duties under the Trust Agreement. Such representative shall be the official responsible for the investment of funds into the Trust and all payments made from the Trust for the Participant represented by such representative. In making investment and payment requests, each representative should use judgment and care to achieve the following objectives in the indicated order: (i) preservation and safety of principal, (ii) liquidity, and (iii) yield.

B. Trustees and Board of Trustees; Advisory Board

Pursuant to the Trust Agreement, Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf to the Trust in order to effectuate the terms of the Trust Agreement. It also selects the consultants for Texas CLASS, including the Program Administrator and the Custodian, subject to the terms of the Trust Agreement.

The Board of Trustees is selected at the annual meeting of the Participants. Any representative may be nominated as Trustee. The number of Trustees to be selected shall be determined by the Participants at such meeting and shall be an odd number of three (3) or more. The current list of Trustees is available at www.texasclass.com/board.

The expenses of each Participant to attend the annual meeting are borne by each Participant. The reasonable out-of-pocket expenses of the Trustees incurred in performing their duties and attending meetings of the Board of Trustees are expenses of the Trust.

Pursuant to Section 2256.016(g)(2), the Board of Trustees has appointed an Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust and are qualified to advise the Trust. The Advisory Board provides advice to the Board of Trustees and the Program Administrator about the Investment Policy and Investment Strategy of the Trust and about other matters as requested by the Board of Trustees and the Program Administrator. The current list of Advisory Board members is available at www.texasclass.com/advisory.

C. Duties of the Program Administrator and the Custodian

In order to facilitate the business of Texas CLASS, and in conformance with the Act, the services of a Program Administrator and a Custodian are employed by the Trust. The duties of the Program Administrator and the Custodian are specifically set forth in the Trust Agreement.

Subject to the supervision of the Board of Trustees, the Program Administrator is responsible for advising the Board of Trustees concerning investments which appear to the Program Administrator to be advantageous to the Participants within the investment criteria set forth in the Trust Agreement.

The Program Administrator shall also implement or cause to be implemented securities transactions of Texas CLASS on behalf of the Board of Trustees and the Participants, and shall provide other investment advisory services as called for by the Trust Agreement. Some of these services include the execution of agreements and other documents on behalf of and as agent for the Trust containing representations, warranties and covenants common for such agreements and documents within the investment industry. The Program Administrator also provides portfolio valuation services.

The Program Administrator from time to time may propose to the Participants that the Participants establish specially designated subaccounts with investment payment procedures, fees or other characteristics different from those set forth in the Trust Agreement. Such characteristics may include, without limitation, certain restrictions on amounts to be invested, holding period prior to payments or certain other conditions to be met for payments, such as possible payment penalties, or additional fees for administering such specially designated subaccounts. A Participant in its sole discretion may create any such special subaccount using the same procedure for establishing other subaccounts. The establishment of such special subaccounts is not deemed to be an amendment of the Trust Agreement. Any subaccount that is created is subject to the terms set forth in the proposal of the Program Administrator until the terms governing such special subaccount are amended pursuant to the Trust Agreement.

The Program Administrator performs certain administrative functions on behalf of the Board of

Trustees. These functions include maintaining records, assisting in the organization of the annual meeting of the Participants and the meetings of the Board of Trustees, responding to inquiries and other communications with Participants, paying expenses of the Trust, and engaging in marketing activities to promote participation of Texas governmental entities in the Trust.

The Program Administrator charges a maximum fee of 50 basis points which is deducted from portfolio earnings prior to the recording of daily Participant investment results. The fee accrues daily and is paid monthly. The fee may be waived or abated at any time, in the sole discretion of the Program Administrator. The current management fee is specified in the program monthly newsletter available at www.texasclass.com. From its fee, the Program Administrator pays the Custodian's fee. The Program Administrator has employed a subinvestment advisor, Cutwater Asset Management Corp., to assist the Program Administrator with the investments of the Trust. The fee of the subinvestment advisor is paid from the Program Administrator's fee. In addition, the Program Administrator's fee covers the following costs of program operation: The costs of third parties retained by the Program Administrator to render investment advice, all custodial and securities clearance transaction charges, the cost of valuing investments, all investment record-keeping expenses, the costs of preparing monthly and annual reports, the expenses of the Trust's outside auditors (but only if the Program Administrator selects such auditors), the fees of the Program Administrator's legal counsel, the cost of meetings of the Participants or the Board of Trustees (but not including the attendance costs of the Representatives or the Trustees, respectively), outgoing wire charges of the Custodian and the costs of Participant surveys and mailings. No Participant shall be required to make an appropriation to finance the initial establishment of the Trust. The fees and expenses of any letter of credit or other credit or liquidity enhancement obtained for the benefit of the Trust or the Participants and the cost of obtaining a rating, if any, on the Trust from a nationally recognized statistical rating organization shall be borne by the Trust.

Wells Fargo Bank, NA serves as Custodian of Texas CLASS. The Custodian is, among other things, responsible for the receipt and safekeeping of all cash, securities or other assets comprising the cooperatively invested assets. Such assets are held for the benefit of the Trust in the name of the Custodian or its nominee.

The Custodian also collects the income on investments and allocates it in accordance with the instructions from the Program Administrator and the provisions of the Trust Agreement. The Custodian is required to hold the investments of the Trust separate and apart from other property of the Custodian and assure that such property is never deemed an asset or liability of the Custodian.

D. Investment, Payment, Valuation Procedures

Specific investment, payment and valuation procedures are described in Exhibits A through C of the Trust Agreement. Such Exhibits may be amended by the Program Administrator.

Exhibit A describes the time by which funds must be received by the Custodian in order to make investments on the same business day. Exhibit B provides the timetable for receipt of notice in order to make payments on the same business day.

As provided in Exhibit C, on a daily basis, normally at 5:00 pm Eastern time, the Investment Property Value is determined by using the amortized cost valuation method. This involves initially valuing a security at its costs and thereafter accreting to maturity any discount or amortizing to maturity any premium, regardless of the impact of fluctuating interest rates on the market value of the instrument.

At least daily, the Investment Property Value is determined on a mark to market basis as described in Exhibit C. As an alternative, the market value of all or a portion of the account securities may be determined using the matrix method. Matrix pricing involves grouping securities into a matrix by type, maturity and short-term credit rating. A primary dealer who makes markets in those securities will provide the bid side prices for the matrix.

E. Letter of Credit

The Program Administrator is required pursuant to the Trust Agreement to provide a letter of credit for the benefit of the Trust. The letter of credit currently outstanding is issued by Deutsche Bank. The amount of the letter of credit is \$5,000,000 as of the date of this Information Statement. Thereafter, the amount of the letter of credit is required to be equal to the lesser of:

(i) the difference between the value of the Trust assets determined by the amortized cost method of valuation and the mark to market or matrix valuation method, but only if the value, based upon the amortized cost method is higher than the value based upon the other methods, or (ii) one percent of the value of the Trust assets. The Program Administrator is required to cause the letter of credit to be drawn in the event that the proceeds of the sale of the assets of the Trust are insufficient to fund the payment of a Participant's Balance as requested pursuant to the Trust Agreement or in the event that the Trust would otherwise fail to meet the valuation deviation standards for money market funds employing the amortized cost method of valuation set forth in Rule 2a-7 ("Rule 2a-7"), as amended from time to time, promulgated by the United States Securities and Exchange Commission pursuant to the Investment Company Act of 1940, as amended, as if such Rule were applicable to the Trust.

F. Permitted Investments

Texas CLASS has been specifically designed for the use of Texas local government entities. Accordingly, the portfolio of Texas CLASS consists solely of securities in which such entities are permitted to invest funds pursuant to the Act. In addition, such securities must also be permitted by Rule 2a-7, even though Rule 2a-7 is not applicable to the Trust. All investment securities purchased for Texas CLASS, including those with repurchase agreements, are delivered to the Custodian and held for the benefit of the Trust and its Participants. Home rule city and county charters may have provision more restrictive than the Act regarding investments of its money and such restrictions may not be complied with by Texas CLASS. Any such restrictions are the sole responsibility of each Participant. The Trust may invest in any or all of the legal investments specified in Sections 2256.009 through 2256.016, of the Act (referred to herein as "*Permitted Investments*"). Such investments may include, without limitation, the following:

- U.S. Treasury Bills, Notes and Bonds
- Obligations of or guaranteed by U.S. Government Agencies and Instrumentalities
- State and local government Obligations (subject to limitation)
- Certificates of Deposits of a State or Nations Bank Domiciled in the State of Texas Guaranteed or Insured by the FDIC

- Bankers' Acceptances
- Mutual Funds
- Repurchase Agreements
- Highly Rated Commercial Paper
- Guaranteed Investment Contracts (Bond Proceeds Only)

The Board of Trustees has adopted an Investment Policy and Investment Strategy that further provides what investment instruments the monies of Texas CLASS may be invested and reinvested in Texas CLASS may only invest in those instruments authorized by the act. The current Texas CLASS investment policy is available at www.texasclass.com.

No funds of Texas CLASS may be invested in the following or in any other type of investment prohibited by the Act or other applicable law:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO's);
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO's);
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
4. Collateralized mortgage obligations the interest rate of which are determined by an index that adjusts opposite to the changes in the market index (inverse floaters).

No more than 5% of the total portfolio of Texas CLASS may be invested in securities issued by one issuer. The maximum portfolio exposure to United States dollar denominated securities issued in the United States by United States branches and/or subsidiaries of foreign entities is 25% of assets.

All investments made on behalf of the Trust shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation but for investment, considering the probable safety of capital

and the probable income to be derived. Investment of funds shall be governed by the following investment objectives in order of priority: (1) preservation of safety of principal; (2) liquidity; and (3) yield.

G. General Information Regarding the Trust

The intent of the Trust is to maintain a net asset value of \$1.00, however, due to the risk of market price fluctuation there is no guarantee that a net asset value of \$1.00 can be maintained. The Investment Criteria as described on Exhibit E of the Trust Agreement and the Investment Policy and Investment Strategy may be amended by a majority of the Board of Trustees.

Texas CLASS will seek to attain its investment objectives. However, no guarantees or assurances can be given that Texas CLASS will achieve its investment objective or that any benefit described in this Information Statement will result from the placement of moneys in Texas CLASS.

H. Portfolio Transactions

Pursuant to the Act, the Board of Trustees has appointed the Program Administrator to invest and manage the funds of the Trust. Texas CLASS's portfolio transactions occur primarily with major dealers in money market instruments acting as principals. Such transactions are normally on a net basis which do not involve payment of brokerage commissions. Transactions with dealers normally reflect the spread between bid and asked prices.

I. Program Information

For the most current information, please visit www.texasclass.com.

PART 2 Investing Through Texas CLASS

A. How to Open an Account with Texas CLASS

Any municipality, county, school district, or authority created under Section 52(b)(1) or (2) Article III or Section 59, Article XVI, Texas Constitution, a fresh

water supply district, a hospital district and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, any office, department, commission, board, or other agency that is part of any branch of state government, institution of higher education, and any nonprofit corporation acting on behalf of any of those entities that has taken actions required by Section 2256.016 of the Act ("Public Entity") may join Texas CLASS's investment program. In order to join Texas CLASS an eligible Public Entity must adopt the Trust Agreement through a majority vote of its governing body. To obtain information on how to become a Participant please contact the Client Service Desk at (800) 707-6242. Upon Texas CLASS's receipt and acceptance of such forms and any other necessary documents, the Public Entity will be a Participant of Texas CLASS and may make its initial investment of funds.

B. Investments and Payments

Investments in and payments from the Trust can be made by Participants on any business day by notifying the Program Administrator by telephone, written notice, or over the secure internet program, Client Connection. It is the responsibility of Participants to provide instructions to their respective banks to wire or electronically transfer funds to the account at the Custodian when contributions are made. While Participants are responsible for any wire charges billed by their own banks, Custodian wire charges are covered in the fee paid to the Program Administrator.

For security purposes, only previously designated Participant officials may conduct transactions, and funds will only be wired to payees listed on the list of approved payees provided by the Participant to the Program Administrator in advance of the payment. For telephone transactions, all conversations are recorded for accuracy and verification.

A Participant may withdraw from Texas CLASS at any time at its discretion by sending an appropriate written notice to Texas CLASS.

C. Reports to Participants

Each Participant receives an annual report containing the audited financial statements of Texas CLASS, including a Statement of asset and liabilities, a Statement of operations and changes in net assets of the Trust.

Texas CLASS's fiscal year ends on June 30 of each calendar year. Each Participant receives a monthly report of its own account. Potential Participants are advised to review the financial reports Texas CLASS that are made available to them.

D. Identity of Advisors

The Program Administrator. Cutwater Investor Services Corp. is the Program Administrator under the Trust Agreement. Cutwater Investor Services Corp. is an SEC-registered investment advisory subsidiary of Cutwater Asset Management, located at 113 King Street, Armonk, New York 10504. Cutwater Investor Services Corp. is a wholly owned subsidiary of Cutwater Asset Management, one of the nation's largest providers of administrative and portfolio management services for local government investment pools. Cutwater Asset Management has extensive experience in all aspects of fixed-income investing and has been managing short-term government investment pools for nearly 20 years.

The Custodian. The Custodian is Wells Fargo Bank, NA, with offices in Dallas, Houston and multiple locations throughout the state.

Auditors. PricewaterhouseCoopers, a national accounting firm, serves as the independent auditor of Texas CLASS and provides an opinion on the financial statements of Texas CLASS in accordance with generally accepted accounting principles. The address of PricewaterhouseCoopers is PricewaterhouseCoopers, 1670 Broadway, Suite 1000, Denver, CO 80202, 720-931-7405.

Attorneys. Vinson & Elkins L.L.P. serves as Texas counsel to Cutwater Investor Services Corp. in connection with the Trust. The address of Vinson & Elkins is Vinson & Elkins L.L.P., 2001 Ross Avenue, Dallas, Texas 75201, (214) 220-7700.

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TX-INFO
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Managed by: **CUTWATER** ASSET MANAGEMENT