

Texas
CLASS®



Annual Report

June 30, 2011

(With report of independent auditors within)

Chairman's Letter

To the Participants of Texas CLASS

On behalf of the Texas CLASS Advisory Board and Board of Trustees, I am pleased to present the annual financial statements for the Texas Cooperative Liquid Assets Securities System Trust (CLASS) for the period ending June 30, 2011.

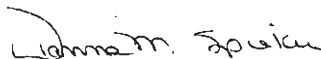
Although the economic slowdown that is now being called the Great Recession is over, and the past 18 months have offered slow but steady economic growth, there still remain a great many challenges facing the United States economy. Perhaps nowhere is this truer than in the local government investment pool (LGIP) space. The Federal Reserve has kept rates at close to zero for nearly two and a half years now and it is unlikely that we will see rates rise until 2012 at the earliest. In the meantime, Texas CLASS remains focused on our primary principles of safety and liquidity. Despite the economic turmoil of the last few years, Texas CLASS has incurred no losses in its portfolio and Participants have had and continue to have daily access to their funds. Texas CLASS has maintained both its value of \$1.00 per share and its AAAM rating from Standard and Poor's Ratings Agency.

We continue to believe that Texas CLASS offers a high quality, short-term investment product for local governments in the State of Texas. Safety and liquidity are our paramount values, and it is our opinion that the services offered by Texas CLASS are unparalleled. For over 15 years CLASS has preserved the principle and interest of the public's funds without incident. Amidst an era of sustained economic turmoil, high unemployment, and unchartered market conditions, the Board's primary concern is maintaining the safety of our Participants principle while continuing to garner a competitive yield.

- Safety: For over 15 years your program's assets have been managed conservatively and have remained in compliance with very specific investment guidelines and policies established by the Texas CLASS Board of Trustees. These permitted investments are considered to be appropriate for public funds because they have a high degree of safety and liquidity while adhering to Texas State Laws and PFIA guidelines.
- Asset Quality: Texas CLASS only invests in short-term, high quality fixed income securities. These securities are always rated in the highest short-term rating category by one or more of the Nationally Recognized Statistical Rating Organizations ("NRSROs"). These securities are the property of Texas CLASS Participants and held in safekeeping with the custodian, Wells Fargo Bank, N.A. These securities are tradable on an active secondary market.
- Shareholder Governance: Texas CLASS is governed by a shareholder elected Board of Trustees and is structured to serve the needs of local governments without aligning itself to any one association. The Board sets the direction of the program, maintains maximum transparency and works closely with the program administrator in order to provide the best possible guidance for the program.
- Credit Research: Cutwater Investor Services Corp. (CISC), the CLASS administrator, provides an experienced and deep management team. All credit exposure is vetted by Cutwater's dedicated credit and risk management team. The purchase list is then approved by the Board of Trustees. Purchases can only be made from the most recently approved list.

Both the Advisory Board and the Board of Trustees appreciate the continued confidence in the Texas CLASS program by all the shareholders. As we begin another fiscal year, we believe that the program is well positioned for continued success. On behalf of both Boards we wish to thank you for your business and look forward to working with you all in the coming year.

Respectfully,



Dianna Spieker
Board of Trustees Chair
Texas CLASS



Report of Independent Auditors

To the Advisory Board and Participants of Cooperative Liquid Assets Securities System - Texas

In our opinion, the accompanying statement of net assets, and the related statement of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Cooperative Liquid Assets Securities System - Texas (hereafter referred to as "Texas CLASS") at June 30, 2011, the results of operations for the year then ended and the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of Texas CLASS' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, which included confirmation of securities at June 30, 2011 by correspondence with the custodian and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Denver, CO
September 30, 2011



Statement of Net Assets – June 30, 2011

Investments, at value	Principal Amount	Coupon Rate	Maturity	Effective Yield	Market Value
Repurchase Agreements (24%)*					
Wells Fargo Bank, N.A. (Collateralized by Fannie Mae Mortgage Backed Securities with coupon rate of 4.50%, and maturing 05/01/2040.) Market Value: \$480,710,714.52.	\$471,285,014	0.25%	07/01/11	0.19%	\$ 471,285,014
(Cost of \$471,285,014)					471,285,014
Certificate of Deposits (19%)*					
JPMorgan Chase & Co (6%)*	125,000,000	0.35	07/01/11	0.35	125,000,000
Compass Bank (13%)*	250,000,000	0.40	07/01/11	0.40	250,000,000
(Cost of \$375,000,000)					375,000,000
U.S. Government Agency Securities (14%)*					
Freddie Mac Notes (1%)*	20,000,000	Disc. **	11/09/11	0.18	19,994,181
Federal Home Loan Bank Notes (11%)*					
	25,000,000	0.21 - Var.	07/20/11	0.21	25,001,025
	25,000,000	0.18 - Var.	08/12/11	0.18	25,001,675
	30,000,000	0.17 - Var.	12/01/11	0.17	30,000,000
	50,000,000	0.11 - Var.	06/01/12	0.10	49,979,500
	12,000,000	0.33	07/16/12	0.33	11,985,384
	12,000,000	0.35	07/17/12	0.35	11,984,052
	15,000,000	0.35	07/20/12	0.35	14,983,020
	30,000,000	0.13 - Var.	07/02/12	0.13	29,987,310
	25,000,000	0.40	07/27/12	0.40	24,966,025
Federal Farm Credit Bank (2%)*					
	30,000,000	0.21 - Var.	07/01/11	0.21	30,000,000
(Cost of \$273,994,181)					273,882,172

* Denotes percentage of net assets

** Denotes securities purchased at a discount from par.

The accompanying notes are an integral part of the financial statements.

Statement of Net Assets – June 30, 2011 continued

Investments, at value (cont.)	Principal Amount	Coupon Rate	Maturity	Effective Yield	Market Value
Commercial Paper (43%)*					
UBS Finance (DE) LLC	\$45,000,000	Disc. **	07/01/11	0.49%	\$44,999,865
Societe Generale North America	50,000,000	Disc. **	07/06/11	0.28	49,999,000
Rabobank USA Financial Corp.	50,000,000	Disc. **	07/08/11	0.37	49,999,350
University of Houston System	19,797,000	Disc. **	07/08/11	0.23	19,797,000
Windmill Funding Corp.	25,000,000	Disc. **	07/08/11	0.33	24,999,250
Atlantic Asset Securitization	40,000,000	Disc. **	07/11/11	0.17	39,998,280
Surrey Funding Corp.	50,000,000	Disc. **	07/11/11	0.23	49,997,850
University of Texas	21,500,000	Disc. **	08/01/11	0.19	21,501,720
Rabobank USA Financial Corp.	25,000,000	Disc. **	08/15/11	0.36	24,997,450
Amsterdam Funding Corp.	25,000,000	Disc. **	09/06/11	0.23	24,989,850
Scaldis Capital LLC	50,000,000	Disc. **	09/12/11	0.23	49,979,550
Toyota Motor Credit Corp.	50,000,000	Disc. **	09/19/11	0.38	49,982,700
Surrey Funding Corp.	22,400,000	Disc. **	10/11/11	0.20	22,385,709
Scaldis Capital LLC	30,000,000	Disc. **	11/02/11	0.42	29,974,260
National Australia Funding (DE)	50,000,000	Disc. **	11/07/11	0.21	49,975,250
Credit Suisse NY	40,000,000	Disc. **	11/18/11	0.25	39,954,400
Credit Suisse NY	50,000,000	Disc. **	11/21/11	0.25	49,941,200
General Electric Capital Services	40,000,000	Disc. **	11/21/11	0.32	39,976,640
ING Funding	50,000,000	Disc. **	11/22/11	0.25	49,940,600
National Australia Funding (DE)	40,000,000	Disc. **	11/29/11	0.23	39,974,480
General Electric Capital Services	45,000,000	Disc. **	12/07/11	0.24	44,969,400
UBS Finance (DE) LLC	50,000,000	Disc. **	12/22/11	0.48	49,919,850
					868,253,654
(Cost of \$868,117,275)					
Total Investments in Securities					
(Cost of \$1,988,396,470)					1,988,420,840
Other Assets					
Accrued Interest Receivable					107,316
Total Assets					1,988,528,156
Less Liabilities					
Administration and Investment Advisory Fees					222,923
Payable of Investment Purchased					70,000,000
Net Assets					\$1,918,305,233
Components of Capital					
Capital (Par Value)					1,918,280,863
Unrealized Appreciation on Investments					24,370
Net Assets					\$1,918,305,233
Outstanding Participant Share					
					1,918,280,863
Net Asset Value per Share					
					\$1.000

* Denotes percentage of net assets

** Denotes securities purchased at a discount from par.

The accompanying notes are an integral part of the financial statements.



Statement of Operations

(Year Ended June 30, 2011)

Investment Income	\$ 7,110,620
Expenses:	
Administration and Investment Advisory Fees Gross	9,996,836
Administration and Investment Advisory Fees Waived	(7,268,420)
Administration and Investment Advisory Fees Net	<u>2,728,416</u>
Net Investment Income	4,382,204
Change in Net Unrealized Appreciation on Investments	<u>75,780</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 4,457,984</u>

The accompanying notes are an integral part of the financial statements.






Statements of Changes in Net Assets (Year Ended June 30, 2011)

	<u>2011</u>
From Investment Activities:	
Net Investment Income and Dividends	\$ 4,382,204
Net Change in Unrealized Appreciation (Depreciation) on Investments	<u>75,780</u>
Net Increase in Net Assets Resulting from Operations	4,457,984
Distributions to Participants from Net Investment Income	(4,382,204)
Net Increase (Decrease) in Net Assets from Share Transactions	<u>(111,857,566)</u>
Net Increase (Decrease) in Net Assets	(111,781,786)
Net Assets:	
Beginning of Period	<u>2,030,087,019</u>
End of Period	<u>\$1,918,305,233</u>

The accompanying notes are an integral part of the financial statements.





Notes to Financial Statements

June 30, 2011

Note 1. Description of CLASS

The Cooperative Liquid Assets Securities System - Texas ("CLASS") is a Participant controlled trust created in accordance with the Texas Public Funds Investment Act, Section 2256.0017 and was established for participating Texas municipalities on January 1, 1996 under the trust agreement (the "Trust Agreement") and commenced operations on April 12, 1996. CLASS is available for investment by Texas municipalities, school districts and public agencies. The purpose of CLASS is to enable such entities to cooperate in the investment of their available funds.

Note 2. Significant Accounting Policies

The following significant accounting policies are consistently followed by CLASS in the preparation of the financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Valuation of investments

Securities, other than repurchase agreements, are valued at the most recent market bid price as obtained from one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates market value. Securities and the financial statements are valued in United States dollar only. Any shortfall is covered up to amounts recoverable under a letter of credit arrangement (see Note 4).

Fair value measurements

The CLASS adopted the FASB issued "Fair Value Measurements and Disclosures" (the "Fair Value Statement"), effective January 1, 2008. In accordance with the Fair Value Statement, fair value is defined as the price that the CLASS would receive upon selling an instrument in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. The Fair Value Statement established a three-tier hierarchy to maximize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Various inputs are used in determining the value of the CLASS's investments. These inputs are summarized in the three broad levels listed below.

- Level 1 - quoted prices in active markets for identical investments
- Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 - significant unobservable inputs (including the CLASS's own assumptions in determining the fair value of investments)

The valuation techniques used by the CLASS to measure fair value during the year ended June 30, 2011 maximized the use of observable inputs and minimized the use of unobservable inputs. The inputs or methodology used for valuing securities are not an indication of risks associated with investing in those securities. The following is a summary of the inputs used as of June 30, 2011 in valuing the CLASS's investments carried at value:

Notes to Financial Statements continued

June 30, 2011

Investments in Securities at Value*	Valuation Inputs			Total
	Level 1	Level 2	Level 3	
Repurchase Agreements	\$ 0	\$ 471,285,014	\$ 0	\$ 471,285,014
Certificate of Deposits	0	375,000,000	0	375,000,000
U.S. Government Agency Securities	0	273,882,172	0	273,882,172
Commercial Paper	0	868,253,654	0	868,253,654
Total	<u>\$ 0</u>	<u>\$1,988,420,840</u>	<u>\$ 0</u>	<u>\$ 1,988,420,840</u>

* For the year ended June 30, 2011, the CLASS did not have significant unobservable inputs (Level 3) used in determining fair value. Therefore, a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value is not applicable.

Investment in securities

Investments may be categorized as follows: (1) insured or registered or for which the securities are held by the Trust or the custodian bank in the CLASS's name (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the CLASS's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer or by its trust department or agent but not in the CLASS's name.

Investment securities are categorized to give an indication of the level of risk, including credit risk. All investments of the CLASS, including the repurchase agreements described in note 2, are classified in Category 1 or 2.

Accounting for investments

Security transactions are accounted for on the trade date. Realized gains and losses on sales of investments are calculated on an identified cost basis. Interest income, including any amortization of discount or premium, is recorded on an accrual basis.

Credit risk of investments

CLASS limits its investments in any issuer to the top two ratings issued by nationally recognized statistical organizations.

Concentration risk

CLASS' policy is to limit its exposure to any one non-government issuer to 5%.

Income taxes

CLASS is not subject to federal, state or local income taxes, and accordingly, no tax provision has been made. CLASS files tax returns annually.

Beginning with the June 30, 2010 audited financial statements, the CLASS adopted the authoritative guidance for uncertainty in income taxes included in accounting guidance. This guidance requires the CLASS to recognize a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and precedents. If this threshold is met, the CLASS should measure the tax benefit as the largest amount of benefit that is greater than fifty percent is likely of being realized upon ultimate settlement. Management has determined that there is no cumulative effect to the CLASS's financial statements as a result of adopting this guidance.

Distributions to participants

Net investment income, adjusted for net realized gains or losses, is declared and distributed to participants daily. Such amounts are automatically reinvested the following business day.



Notes to Financial Statements continued

June 30, 2011

Repurchase agreements

CLASS enters into repurchase agreements whereby the seller of the security agrees to repurchase that security at a later date at a fixed price. Generally, the effect of such a transaction is that CLASS can invest its excess cash balances at competitive interest rates. CLASS places no limit on the amount that it may invest in any one repurchase agreement.

The custodian of CLASS, for the benefit of the participants, takes possession of the purchased securities in repurchase agreements as collateral. It is the policy of CLASS to value the collateral daily on a mark-to-market basis to determine that the value, including accrued interest, is at least equal to 102% of the repurchase price as required by the Trust Agreement. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by CLASS may be delayed or limited.

Note 3. Management

CLASS has an agreement with Cutwater Investor Services Corp. ("CISC") to act as investment adviser and administrator. As investment adviser, subject to the supervision of the participants, CISC advises on permitted investments, executes securities transactions, provides advice to the participants on matters related to investments as may be requested by such participants and prepares such information as may be required in the implementation of the valuation procedures and the computation of the joint value and the participants' balances in CLASS, and prepares records and reports required by the Trust Agreement or applicable laws. As administrator, subject to the supervision of the participants, CISC provides administrative services including, but not limited to, accounting and related services, net asset value calculation and participant account reporting.


CISC is entitled to a fee payable up to 0.50% with CLASS incurring fees between 0.13% and 0.14% of average daily net asset value. For the year ended June 30, 2011, CISC was entitled to fees equal to \$9,996,836 and waived fees totaling \$7,268,420. All other expenses related to the operations of CLASS are paid by CISC.

Note 4. Letter of Credit

MBIA Inc., the parent company of CISC, has an established letter of credit for the benefit of CLASS with Deutsche Bank. The letter of credit provides funds for drawdowns to the extent of net realized losses on the sale of investments or when the market value of the portfolio is less than amortized cost as described in the Trust Agreement. The letter of credit, which is in effect so long as CISC is a party to the Trust Agreement, amounted to \$5,000,000 at June 30, 2011. Any changes in the amount of the letter of credit are subject to review by the custodian. At June 30, 2011, amortized cost approximated market value and the letter of credit was not used during the year.

Note 5. Contingencies and Commitments

In the course of business, CLASS enters into contracts that contain representations and warranties and which provide general indemnifications. CLASS' exposure, if any, under these arrangements is unknown, as this would involve future claims that may be made against CLASS that have not yet occurred. To date, no claims have been brought against CLASS for any of these provisions. Based on experience, CLASS expects the risk of liability to be remote.



Notes to Financial Statements continued

June 30, 2011

Note 6. Share Transactions

Transactions in shares during the twelve months ended June 30, 2011 for the Texas CLASS portfolio were as follows:

	2011
Shares sold	6,173,608,655
Shares issued on reinvestment of distributions	4,377,894
Shares redeemed	(6,289,844,115)
Net increase / decrease	<u>(11,857,566)</u>

Note 7. Financial Highlights

for a Share Outstanding Throughout Each Period

	Years Ended				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Per Share Data					
Net Asset Value - Beginning of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Net Investment Income Earned and Distributed to Shareholders	\$0.002	\$0.003	\$0.014	\$0.042	\$0.053
Net Asset Value - End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
TOTAL RETURN	0.223%	0.275%	1.372%	4.249%	5.280%
RATIOS					
Net Assets-End of period (\$000 Omitted)	\$1,918,305	\$2,030,087	\$1,961,231	\$2,392,275	\$2,902,111
Ratio of Expenses to Average Net Assets Gross	0.500%	0.500%	0.500%	0.500%	0.500%
Ratio of Expenses to Average Net Assets Waived	0.364%	0.394%	0.404%	0.412%	0.440%
Ratio of Expenses to Average Net Assets Net	0.136%	0.106%	0.096%	0.088%	0.060%
Ratio of Net Investment Income to Average Net Assets	0.219%	0.268%	1.379%	4.249%	5.280%

Note 8. Subsequent Events

In accordance with the provisions set forth in ASC 855-10, Subsequent Events, management has evaluated the possibility of subsequent events existing in the Trust's financial statements. Management has determined that there were no material events that would require disclosure in the Funds' financial statements as of October 5, 2011.



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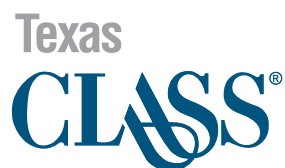
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