

*Corpus Christi Regional Transportation Authority
Employee Defined Benefit Plan*

STATEMENT OF INVESTMENT POLICY

July 2011

Corpus Christi Regional Transportation Authority

STATEMENT OF INVESTMENT POLICY RTA Employee Defined Benefit Plan

Purpose of the Statement of Investment Policy

The Corpus Christi Regional Transportation Authority (“RTA”) offers to its employees the *RTA Employee Defined Benefit Plan* (“Plan”). The Board of Directors of RTA has the ultimate responsibility for establishing, terminating, modifying, and administering the Plan. It has delegated the responsibility for administering and managing the Plan’s assets to the RTA Pension Investment Committee (“Committee”). The Committee has developed this Statement of Investment Policy in order to establish investment objectives and guidelines for the management and monitoring of investments utilized within the Plan.

This Investment Policy is intended to be a guide. If a conflict arises between the Plan Trust Documents and this Investment Policy, the Plan Trust Documents will supersede all matters herein.

Background

The funds are tax-exempt retirement funds fully qualified as such pursuant to the provisions of the Internal Revenue Code and Operated in compliance with the Employee Retirement Income Security Act of 1974 (ERISA).

Discretionary Authority

In accordance with Section 402© of ERISA, the Trustees may grant the investment manager full discretion to buy, sell, invest and reinvest the funds consistent with the policy and guidelines set forth in this document. Investments will be limited to marketable securities including common and preferred stocks, convertible securities, government, municipal and corporate bonds, collective investment funds and short-term money market instruments. No other categories of investments are contemplated for inclusion in the portfolios at this time.

Fund Objectives

The objective is to provide long-term total return through a combination of income and capital appreciation, in a manner consistent with the fiduciary standards of ERISA and with sound investment practices for these funds. Accordingly, the manager will be required to exercise a high degree of professional care, skill, prudence and diligence in the management of the funds’ assets.

We expect that there will be some periods within which our absolute objectives set forth below cannot be met because of general securities market conditions, hyperinflation or other factors unrelated to good, long-term investment judgment. Since we do not wish the manager to change investments simply to meet our rate of return objective each year, we have stated below our performance goal to be achieved over a market cycle (typically 3-5 years).

Investment Objectives

The primary investment objective is to earn a rate of return sufficient to match or exceed the long-term growth of the Plan’s liabilities. Investment performance will be measured quarterly but it is not anticipated that the performance goals identified below will be satisfied in every single quarter or year. It is, however, expected that these totals be satisfied over a full market cycle. A full

market cycle is considered to be three to five years. In addition, the performance of the various asset categories utilized within the overall investment array should be competitive on a long-term basis with their appropriate benchmarks based on investment objective, investment style and market capitalization. The performance goal will be as follows:

Absolute Return

The portfolios are expected to produce a compounded annual absolute return over a market cycle of at least 7.5 percent.

Risk Parameters

The assets will be invested so there is no significant chance of suffering market value losses in any period, which creates a negative rate of nominal return exceeding 20 percent for the period. The assets will be well diversified into different styles with a prudent number of individual issues within each style to mitigate concentration risk.

Asset Classes

Money Market

Money Market Funds invest in short-term, high quality debt securities that are low in risk and highly marketable, such as commercial paper, certificates of deposit and repurchase agreements.

Fixed Income

Funds in this asset class invest in various types of fixed income securities. They are comprised primarily of bonds (e.g., corporate, government, asset-backed, mortgage-backed) but may also include commercial paper and Government/Agency issues.

Large Cap Value Equity

Funds in this asset class invest their equity assets primarily in companies with large market capitalizations. Large market capitalization is generally defined as being in excess of \$5 billion. Large cap value funds tend to focus on companies that are less expensive than the market as a whole. These firms may be out of favor with investors due to recent business problems or may simply be growing slower than other companies. These slow growers, which usually fall in the utilities, energy, financial and cyclical sectors tend to pay relatively high dividends and have more stable stock prices. Funds in this asset class will normally have a below-average price-to-earnings ratio, price-to-book ratio and earnings growth ratio when compared to the diversified large cap funds average.

Large Cap Growth Equity

Funds in this asset class invest their equity assets primarily in companies with market capitalizations. Large market capitalization is generally defined as being in excess of \$5 billion. Large cap growth funds tend to focus on companies that are projected to grow faster than the overall stock market. Many of these funds focus on rapidly expanding industries such as technology, health care and services. These funds will normally have an above-average price-to-earnings ratio, price-to-book ratio and earnings growth ratio when compared to the diversified large cap funds average.

Small Cap Blend Equity

Funds in this asset class invest their equity assets in companies with small market capitalizations. Small market capitalization is generally defined as being approximately \$1.5 billion or less. Small cap core funds have wide latitude in the companies in which they invest. Investments can vary

from undervalued, out-of-favor companies to expensive, rapidly growing companies. Therefore, they provide exposure to value sectors such as financials and cyclicals, as well as growth sectors such as health care and technology. These funds will normally have an average price-to-earnings ratio, price-to-book ratio and earnings growth ratio when compared to the diversified small cap funds average.

International Equity

International Equity funds invest in any country outside the U.S. Most of these funds divide their assets among a dozen or more developed markets including Japan, Britain, France and Germany. They tend to invest the rest in emerging markets such as Hong Kong, Brazil, Mexico and Thailand. Some funds are more aggressive in their country selection, which can cause them to carry additional risk.

Asset Mix

The fund manager has the discretion to vary the ratio of stocks, bonds or cash in any proportion that they deem advisable to maximize total return commensurate with potential risk. If asset allocations fall outside the parameters expressed below, the investment manager is expected to re-balance the portfolio to bring it within the allocation limits expressed below within one (1) calendar quarter. Allocations may not fall outside the expressed maximums and minimums without written approval from the Committee. It is the intent of the Committee to have an overall allocation of 60% Equities and 40% Fixed Income. Deviations must fall within the Maximum/Minimums stated below:

	Target	Maximum %	Minimum %	Benchmark
Cash	2	3	0	Treasury Bill Equivalent
Equities	60	75	45	S&P 500
Fixed Income	38	52	25	Barclays Capital Aggregate

Current Income

The investment manager must maintain sufficient liquidity to meet benefit payment obligations.

Other Characteristics of Rate of Return

In complying with our objectives, the manager is to avoid becoming wedded to a narrow investment style. We encourage the manager to be dynamic and flexible and we expect that the manager's strategies and tactics will shift as may be called for by the economic and securities environments. Fundamental industry and company analysis should be the primary basis for the investment decisions, coupled with sensitivity to both market factors and price.

Diversification and Investment Quality

The manager shall maintain a diversified portfolio within the meaning of ERISA at all times. Even though it may have adequately diversified the portfolio geographically and by industry, in our view, the portfolio is not diversified if it contains a large portion of interest sensitive stocks or other groups subject to a single significant economic, social or political event.

General Provisions

Common Stocks

- Investments should emphasize common stocks with market capitalization exceeding \$100 million.
- No private placements may be held in the portfolios
- No common stock commitment at the time of purchase should represent more than 5 percent of the total equity portfolio. No single equity position should exceed 10 percent of the total market value of the equity portfolio.
- All purchases and sales should be conducted with a view toward obtaining the best execution.
- There are no restrictions on portfolio turnover
- There are no restrictions on realized gains or losses.
- No equity holding may exceed 5 percent of the outstanding voting shares of the issuing corporation.
- The portfolio may not deal in short sales or margin transactions.
- Securities of unusually high risk or which are speculative in nature should be avoided without prior approval of the Committee.

Convertible Securities

- Convertible bonds and stocks will be considered relative to the underlying common stock and will be viewed as equity commitments.

Fixed Income Investments

- Fixed income investments should stress high quality and reasonable diversification, with portfolio holdings concentrated in securities rated A or better. A limit of 10% of the fixed income holding may be invested in issues rated below BBB if, in the manager's judgment, the higher investment risk is compensated for by the prospect of an adequate incremental investment return.
- Portfolio holdings will be limited to issues aggregating at least \$50 million principal amount outstanding.
- There are no restrictions on portfolio turnover.
- No more than 5 percent of the market value of the total portfolio may be invested in the debt securities of any one company.
- There are no restrictions on fixed income maturities

Cash and Cash Equivalents

- All cash and cash equivalent investments should be made with concern for quality. To that end, investments will be limited to investment grade commercial paper, certificate of deposit of the 50 largest banks, and securities issued or guaranteed by the US Government.

Investment Limitations

The Committee may specify investments, which shall not be invested in, on grounds other than economic risk and reward. Examples include political instability, social undesirability or moral principal. Should the Committee restrict security investments, a list of prohibited companies will be given to the investment manager. This list may be updated from time to time.

The manager shall not make any investment jeopardizing the tax-exempt purposes of the plans within the meaning of the Internal Revenue Code, or engage in any prohibited transaction within the meaning of ERISA.

Plan Reviews

Reviews with the Committee will be held at least annually and sufficiently after the close of the plan year to have performance measurement results available for review. The materials for this meeting should include, but not be limited to:

- Forward look at the economic and market situation and the Fund's posture given alternative futures.
- Investment environment and strategy employed for the most recent plan year, especially departures from prior outlook report.
- Performance of our portfolios relative to benchmarks.
- Administrative, procedural or other matters.
- Other items of importance which may occur, such as changes in our working relationship if necessary to comply with pertinent legislation: material changes in the manager's organization, investment philosophy or outlook; recommendations concerning any change in policy which the manager believes should be considered by the Committee.

In addition to a monthly statement, a written quarterly report is required and should include, but not be limited to, the following information:

- Statement of assets in the manager's current format.
- Statement of the current asset mix or allocation.
- Quarterly performance measures and benchmark comparisons.
- Statement of transactions in the manager's current format.
- A listing of the equity securities holdings showing cost and market value and a percent of total fund market value.
- A listing of new securities acquired and those disposed of during the period including book and market value for each.

Miscellaneous

For making calculations of percentages in one kind of security or another, market value will be used as the basis unless otherwise indicated. Gains and losses shall not be realized simply for accounting or actuarial appearances, but the manager will be required to notify the Committee of the intent to realize particularly large losses before the fact.

The manager shall use its own judgment, subject to the periodic directions of the Committee, in placing securities transactions with brokerage firms. In general, they shall deal with financially strong firms capable of giving the Plan a good combination of price, commission and service. This statement is immutable, but any changes or exceptions to it will be in writing and delivered to the manager.

External Fund Management

The Committee will employ competent, external, professional investment managers to invest all of the Plan's assets. The Committee will make changes from time to time as they deem in the best interest of the Plan. To be considered for appointment, an investment management firm must have a competitive record of performance generally over at least five years, relevant experience and

expertise, low turnover of personnel and capacity to undertake the management of a portion of the Plan's assets.

A specific mandate for each manager, including degree of discretion, "normal" portfolio structure, maximum cash reserve level, quality and diversification guidelines, and performance standards, will be agreed to in writing between the Committee and the investment manager at the time of appointment.

Subject always to the Plan's text and this investment policy statement, the Committee will grant full discretion of investment to the external investment managers within their mandates regarding the selection of securities and the timing of transactions.

The Committee may retain a consultant to monitor and interpret investment performance of each manager. The Committee may also meet periodically with the managers, at which time performance will be reviewed relative to standards incorporated in each manager's mandate.

AGREED:

REGIONAL TRANSPORTATION AUTHORITY

By: _____ Date: _____
Crystal Lyons, Board Chair

WELLS FARGO BANK, N.A., as Trustee

By: _____ Date: _____
Name: _____
Title: _____

Adopted July 6, 2011