

**TOBACCO SETTLEMENT
PERMANENT TRUST FUND**

Investment Policy Compliance
Attestation Report

Year Ended December 31, 2010



Padgett Stratemann & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Accountants' Report

The Honorable Susan Combs
Texas Comptroller of Public Accounts:

We have examined management's assertion that the Tobacco Settlement Permanent Trust Fund (the "Fund") complied with its Investment Policy during the year ended December 31, 2010. Management of the Texas Treasury Safekeeping Trust Company is responsible for the Fund's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Fund's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Fund's compliance with the specified requirements.

In our opinion, management's assertion that the Tobacco Settlement Permanent Trust Fund complied with the aforementioned requirements during the year ended December 31, 2010 is fairly stated, in all material respects.

This report is intended solely for the information and use of the management of the Fund, Texas Comptroller of Public Accounts, Tobacco Settlement Permanent Trust Account Investment Advisory Committee, and State Auditor of Texas and is not to be used by anyone other than these specified parties.

Padgett, Stratemann + Co., LLP

Certified Public Accountants
March 10, 2011
Austin, Texas