

THE TURNPIKE AUTHORITY OF KENTUCKY  
JUNE 23, 2008  
1:30 P.M.  
ROOM 386 CAPITOL ANNEX

The Turnpike Authority of Kentucky met Monday, June 23, 2008 at 1:30 p.m. in room 386 of the Capitol Annex.

Members present were Larry Hayes, Governor's Office, in the Chair presiding, proxy for the Honorable Stephen L. Beshear, Governor of the Commonwealth; Jeff DeRouen, proxy for Daniel Mongiardo, Lt. Governor of the Commonwealth; Bonnie Howell, proxy for Jack Conway, Attorney General; Stuart Weatherford, proxy for Jonathan Miller, Secretary, Finance and Administration Cabinet; Taylor Manley, proxy for Joseph W. Prather, Secretary, Transportation Cabinet; Ron Rigney, proxy for O. Gilbert Newman, State Highway Engineer; George Burgess, proxy for John E. Hindman, Secretary, Economic Development Cabinet.

Others present at the meeting were; John Merchant of Peck, Shaffer & Williams; Stacy Sonnenberg of Goldman Sachs; Tom Rousakis of Goldman Sachs; Mike Harrington of Stites & Harbinson; Edgar C. Ross, Executive Director, Office of the Controller and Executive Director of the Authority; F. Thomas Howard, Executive Director, Office of Financial Management and Secretary of the Authority; Terri K. Fugate, Deputy Executive Director, Office of Financial Management and Treasurer of the Authority; Brett Antle, Office of Financial Management; Sara Brooks, Office of Financial Management, Marcia Collins, Authority staff.

Chairman Hayes having verified that a quorum was present and that notice of the meeting was properly posted in accordance with KRS 61.800-61.850, called the meeting to order.

First item on the agenda was approval of the minutes of the December 6, 2007 meeting. Chairman Hayes called for a motion and suggested that the motion be made by a member that was present at the December 6, 2007 meeting. Bonnie Howell made a motion to approve and Stuart Weatherford seconded. The motion carried unanimously.

The next nine items on the agenda were surplus property disposal resolutions. Chairman Hayes turned this item of business over to Ed Ross.

Mr. Ross noted for the board that the Transportation Cabinet was requesting that the Turnpike Authority dispose of nine tracts of land. Mr. Ross further stated that each of the nine properties listed on the agenda included the following; a resolution authorizing the sale of land, an official order from Transportation, a property appraisal, and a deed of conveyance. Mr. Ross reviewed each property and called for a motion after each review. There were no questions or discussion from the members relative to the property disposals. The voting was as follows:

Johnson County Parcel No. 437, 440 and 440X (parts)  
Motion to approve: Bonnie Howell  
Seconded by: Stuart Weatherford  
Vote: Unanimous

Martin County Parcel No. 99 (part)  
Motion to approve: George Burgess  
Seconded by: Taylor Manley  
Vote: Unanimous

Martin County Parcel No. 98 (part)  
Motion to approve: Bonnie Howell  
Seconded by: Taylor Manley  
Vote: Unanimous

Knott County Parcel No. 400 (part)  
Motion to approve: Ron Rigney  
Seconded by: Stuart Weatherford  
Vote: Unanimous

Knott County Parcel No. 400 (part) Areas 2, 3 and 4  
Motion to approve: Taylor Manley  
Seconded by: George Burgess  
Vote: Unanimous

Carter County Parcel No. 323BX  
Motion to approve: Ron Rigney  
Seconded by: Bonnie Howell  
Vote: Unanimous

Lewis County Parcel No. 366 & 369 (parts)  
Motion to approve: Bonnie Howell  
Seconded by: Taylor Manley  
Vote: Unanimous

Franklin County Parcel No. 90 (part)  
Motion to approve: Bonnie Howell  
Seconded by: Ron Rigney  
Vote: Unanimous

Floyd County Parcel No. 762A, 767A, 768A, 768B and 763A (parts)  
Motion to approve: Ron Rigney  
Seconded by: George Burgess  
Vote: Unanimous

The next item of business was the semi-annual transfer of funds. Terri Fugate stated that the Turnpike Authority is requesting \$125,000 to be moved from the Transportation Cabinet Road Fund to the Authority to meet administrative expenses. Ms. Fugate also pointed out to the board this amount represents half of the budgeted amount and would be requesting the other \$125,000 at the semi-annual meeting of the Authority in December. Ms. Fugate reviewed for the board the projected amount the Authority was expecting to expend in Fiscal Year 2009 and noted that the Authority could operate well within the budget requested if not lower due to fewer staff and operating more efficiently. Ms. Fugate also reviewed the expenditures for the current fiscal year through June 15, 2008 and went on to explain how trustee fees can vary from year to year. Ms. Fugate also presented an informational chart to demonstrate the decrease in spending cost over the years. Taylor Manley made a motion to approve and George Burgess seconded. The motion carried unanimously.

The next item on the agenda was approval of the resolution for the Economic Development Road Revenue (Revitalization Projects) 2008 Series A. Tom Howard reviewed for the board a

resolution authorizing the first permanent financing for the bonds that were authorized in House Bill 380 for \$350 million. Mr. Howard stated that currently the monies are under an interim plan of finance (ALCo note program) and will be converting a portion of these notes to permanent financing and issue some additional new money to provide funding for anticipated expenditures on a portion of that authorization. Mr. Howard then stated that the amount is not to exceed \$250 million and expected the transaction to be between \$200 million and \$250 million, based upon the final estimates from Transportation of the amount of funds they will need. Mr. Howard further stated that this is the eleventh supplement of the trust estate which sets up the payment mechanism from the cabinet to the Authority for the improvements that are to be funded with the proceeds of the bonds. Mr. Howard then introduced the financing team; John Merchant of Peck, Shaffer and Williams, Bond Counsel; Tom Rousakis and Stacy Sonnenberg of Goldman Sachs which were selected pursuant to a statutory RFP process under KRS 45A for the selection of the underwriters as well as bond counsel. He then opened the floor to answer any questions board members may have about the proposed financing. There were no questions or discussion. Mr. Howard noted to the board that the deal is a traditional transaction but indicated there would be modifications made within the amortization schedule. Mr. Howard proceeded with giving the members an update of the current ratings for the Authority; Moody's Aa3, S&P AA+ and Fitch AA-. Tom Rousakis noted that the ratings for the Authority will be very welcome in the market. Bonnie Howell made a motion to approve and George Burgess seconded. The motion carried unanimously.

The next item on the agenda was to approve a resolution to appoint a new treasurer due to Terri Fugate retiring her position with the Office of Financial Management and as Treasurer of the Authority effective August 1, 2008. Mr. Ross extended his thanks to Ms. Fugate for all her hard work and dedication and stated she would be missed. Chairman Hayes then asked for a motion to approve the resolution appointing Doris A. Howe as Treasurer of the Authority. Taylor Manley made a motion to approve and the motion carried unanimously. George Burgess then asked if he could make a comment in regards to Terri Fugate's retirement complimenting her on an excellent job and thanked her for all her hard work and noted that Doris A. Howe would do a nice job as her successor. Chairman Hayes also complimented the Office of Financial Management as a whole.

The next item on the agenda was an informational item relating to the Governor's reorganization from the June 6, 2008 Executive Order. Mr. Howard noted to the board the important item in this reorganization was to appoint the Office of Financial Management (OFM) as staff to the Authority and the Board. Mr. Howard further stated that OFM has played that role over time and noted that the by-laws were amended December 18, 2006 to make that permanent once the Authority lost the Executive Director and later other staff due to retirement. Mr. Howard also stated that the Office of Financial Management (OFM) was in the best position to be able to support the efforts of the Authority. Mr. Howard further stated that the reduction of expenses through the increased efforts of the Office of Financial Management (OFM) to assume more responsibility and to lower the cost of the administration of the program to the Transportation Cabinet. In the absence of any discussion, Chairman Hayes noted that no action was needed.

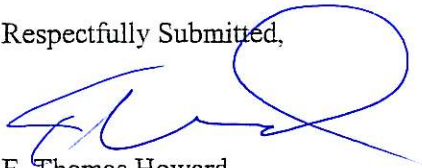
The next item on the agenda was an informational update on the Kentucky Asset / Liability Commission (ALCo). Terri Fugate informed the board that the ALCo 2007 Road Fund first series of notes are outstanding and are in commercial paper mode. She further noted that there is \$200 million outstanding. Ms. Fugate also included a chart to inform the board that for each outstanding tranche of the \$200 million the current rates are below two percent (2%). Ms. Fugate further stated that the intentions were to take a portion of this and redeem it with the Economic Development Bonds that the Board just approved and leave a portion outstanding to maintain a

variable rate. Tom Howard further noted that this interim financing saves a substantial amount of money for the Transportation Cabinet and the plan in place was to maximize the value to the Road Fund through a combination of fixed and variable rate financing and to take advantage of the tax code within the limits of the law. Mr. Howard also noted that the interim financing program helps manage the arbitrage issues more effectively than issuing all the bonds at once.

The last item on the agenda was the extension of the personal service contracts. Terri Fugate noted for the Board, in 2006 the Authority engaged firms for each of the following services; arbitrage (Arbitrage Compliance Specialists, Inc.), legal (Peck, Shaffer and Williams, LLP), and audit (McElroy, Mitchell and Associates, LLP). Ms. Fugate stated that the language for renewal of these contracts was so noted in the Request for Proposal (RFP) process. Ms. Fugate further stated that the Authority was moving to extend each of these contracts for one (1) year leaving the option to extend one (1) additional year if so desired. Chairman Hayes questioned as to how many times the contracts could be extended and Ms. Fugate stated that in the RFP language the contracts could be extended another biennium or through 2010. In the absence of discussion or objection, Chairman Hayes noted that no action was needed.

Chairman Hayes asked if there was further business to be addressed; none was presented. Chairman Hayes called for adjournment and without objection the meeting was adjourned.

Respectfully Submitted,



F. Thomas Howard  
Secretary of the Authority