

THE TURNPIKE AUTHORITY OF KENTUCKY  
MARCH 12, 2010  
10:00 A.M.  
ROOM 386, CAPITOL ANNEX

The Turnpike Authority of Kentucky (Authority or TAK) met on Friday, March 12, 2010 at 10:00 a.m. in Room 386 of the Capitol Annex.

Members present were Shannon Morgan, Deputy Secretary, Finance and Administration Cabinet, in the Chair presiding, proxy for Jonathan Miller, Secretary, Finance and Administration Cabinet; Ellen Heslen, proxy for the Honorable Stephen L. Beshear, Governor of the Commonwealth; Bill Burger, proxy for Daniel Mongiardo, Lt. Governor of the Commonwealth; George Burgess, proxy for Larry M. Hayes, Secretary, Economic Development Cabinet; Corey Bellamy, proxy for Jack Conway, Attorney General of the Commonwealth; Tammy Branham, proxy for Michael W. Hancock, Acting Secretary, Kentucky Transportation Cabinet; and Steve Waddle, State Highway Engineer.

Others present at the meeting were; Tom Howard, Executive Director, Office of Financial Management and Secretary of the Authority; Edgar C. Ross, Executive Director, Office of the Controller and Executive Director of the Authority; Doris A. Howe, Office of Financial Management and Treasurer of the Authority; Robin Brewer, Office of Financial Management; Tom Midkiff, Office of Financial Management; Marcia Hutcherson, Office of Financial Management and Authority staff; Taylor Manley, Kentucky Transportation Cabinet; John Merchant, Peck, Shaffer & Williams; Kristi Culpepper, Legislative Research Committee; Ryan Green, Office of State Budget Director; and Carla Wright, Office of State Budget Director.

Chairman Morgan 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.

The first item of the agenda was approval of the minutes of the June 18, 2009 meeting as written. George Burgess made a motion to approve and Bill Burger seconded. The motion was carried unanimously.

The next item on the agenda was approval of the Authorizing Resolution for the 2010 Series A and B Bonds and amendment to the 2009 B Authorizing Resolution. Tom Howard stated for the board that the resolution attached authorizes the issuance of up to \$360 million of Economic Development Road Revenue and Revenue Refunding Bonds. Mr. Howard noted that this resolution is the 11<sup>th</sup> Supplemental Lease and Supplemental Agreement with the Authority under the General Resolution which was adopted on August 28, 1990. Mr. Howard further noted that this particular resolution repeals the

June 18, 2009 resolution which authorized an amount not to exceed \$250 million, which has not yet been issued, and will be replaced with the authority for this issuance brought before the board today. This transaction will provide financing for \$250 million of new money out of the \$450 million authorized by the 2008 and 2009 Sessions of the General Assembly; \$200 million of which is for general state road construction and \$50 million related to the Base Realignment and Closure (BRAC) Bonds in Fort Knox. Mr. Howard further stated that this resolution also provides for the refunding of approximately \$80 million of debt that will be maturing on July 1, 2010 for Fiscal Year 2010 budgetary relief.

The passage of this resolution will enable the transaction to move forward with staff from both the Transportation Cabinet and the Office of Financial Management (OFM) to structure, prepare offering documents, and to sell the bonds within certain timing constraints. Mr. Howard went on to mention that the maximum interest rate in the resolution is 8%, given that a portion of the bonds will be sold as taxable Build America Bonds (BABS) and the aggregate underwriting discount cannot exceed \$10. Mr. Howard further stated that the expected maximum interest rate will be under 6% and that the underwriter's discount will be less than \$7 under current market conditions. Mr. Howard stated that the bonds are expected to be sold in one more series on or about April 21, 2010, and the Series A Bonds are expected to consist of tax-exempt bonds through approximately 2022 with the Series B Bonds consisting of taxable Build America Bonds (BABs) through 2023 – 2030. Mr. Howard also added that the bonds carry a thirty-five percent (35%) interest subsidy for new money construction projects and are currently not eligible for refundings or debt restructurings. The True Interest Cost (TIC) is expected to be less than 3.5% which is really outstanding in the current market. This will be a negotiated sale; the members of the team have been selected pursuant to KRS 45A.850 with Goldman Sachs as the Underwriter; Peck, Shaffer & Williams, LLP, Bond Counsel; Stites & Harbison, Underwriter's Counsel; and the Bank of New York Mellon, Trustee. It is expected that the bonds will be rated AA+ by Standard & Poor's (S&P) which is the highest credit rating the state appropriation credit has. In addition, the bonds are expected to receive an Aa3 with a negative outlook from Moody's and AA- from Fitch Ratings although a lot of state credits are under review in the current market. Mr. Howard noted that passage of a budget may impact the appropriation ratings of the Commonwealth and OFM will keep the board apprised of what may transpire.

Mr. Howard stated that the amounts requested here today are above what is planned to do. It is estimated that the transaction will be approximately \$335 to \$340 million with no capitalized interest built in to pay current interest on the bonds during the next biennium which was previously discussed as the original resolution was developed. However, the authority is there if the Cabinet deems necessary. Mr. Howard then opened the meeting to any questions that the members may have for John Merchant or himself; none were presented. Chairman Morgan called for a motion to approve. Bill Burger made a motion and Tammy Branham seconded. The motion carried unanimously.

Doris Howe stated to the board that the Authority is seeking approval for the transfer of funds in the amount of \$125,000. Ms. Howe noted to the board that the Authority had expected expenditures to be much less than the requested amount; however, the Transportation Cabinet indicated that they wanted to go ahead and transfer the \$125,000 and not make any transfers in the next year.

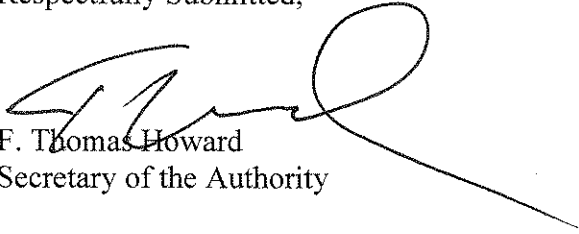
Ms. Howe also reviewed for the board the expenditure report for the period of July, 2009 through February, 2010, noting that expenditures have decreased due to certain indentures retiring as well as reduction in staff. Ms. Howe went on to review the balance sheet which presently shows a balance of \$116,080.80. Ms. Howe stated that the balance is usually higher, but due to the December, 2009 meeting being postponed, this caused the transfer of funds to be delayed. Ms. Howe asked if anyone had any questions or comments. Mr. Howard stated to the board that it is the intention of the Authority to move the accounting system into the EMARS System in the next fiscal year which would further reduce expenditures by eliminating the need for an external auditor, and staff would update the board as this transpires. Chairman Morgan asked if there were any further questions or comments; none were presented. Chairman Morgan asked for a motion of approval. Tammy Branham made a motion to approve and George Burgess seconded. The motion carried unanimously.

Next item on the agenda was the approval for the property transfer of Greenup County, Parcel No. 17X. Ed Ross stated that the Transportation Cabinet deemed this property as surplus property and requested that it be sold. Mr. Ross also noted for the board that the property documents included an Authorizing Resolution, an Official Order, and a Deed of Conveyance, along with a Property Appraisal. Mr. Ross further noted for the board that this property will be deeded to Yetta Stevens for the appraised value of \$3,000 and the proceeds of the sale shall be deposited by the Treasurer of the Authority in accordance with the Trust Indenture. Chairman Morgan asked if there were any questions or comments; none were presented. Chairman Morgan asked for a motion of approval. Bill Burger made a motion to approve and Tammy Branham seconded; the motion was carried unanimously.

Next item of business is the approval to engage in the Request for Proposal (RFP) process for Audit, Arbitrage, and Legal Personal Service Contracts (PSCs). Mr. Ross noted to the board that the Authority's current contracts are due to expire this current fiscal year ending June 30, 2010. Mr. Ross said the Authority is seeking approval to proceed with the RFP process. Chairman Morgan asked if anyone had any questions; Ellen Heslen asked if the contracts will be done by competitive bid, and Mr. Ross replied that an RFP will be issued and would be going through the standard procurement process. Chairman Morgan asked if there were any further questions or comments; none were presented. Chairman Morgan asked for a motion of approval. Ellen Heslen made a motion to approve and Tammy Branham seconded; the motion was carried unanimously.

Chairman Morgan asked if there was any other business to be brought before the board; none was presented. Chairman Morgan called for a motion to adjourn; Tammy Branham made a motion and Bill Burger seconded. The motion carried unanimously, and the meeting adjourned at 10:15 a.m.

Respectfully Submitted,



F. Thomas Howard  
Secretary of the Authority