

THE TURNPIKE AUTHORITY OF KENTUCKY  
JUNE 18, 2009  
3:00 P.M  
ROOM 386, CAPITOL ANNEX

The Turnpike Authority of Kentucky (Authority or TAK) met on Thursday, June 18, 2009 at 3:00 p.m. in Room 386 of the Capitol Annex.

Members present were Lori Flanery, Finance and Administration Cabinet, in the Chair presiding, proxy for the Honorable Stephen L. Beshear, Governor of the Commonwealth; Bill Burger, proxy for Daniel Mongiardo, Lt. Governor of the Commonwealth; Taylor Manley, proxy for Joseph W. Prather, Secretary, Transportation Cabinet; James Ralph Divine, proxy for Michael W. Hancock, State Highway Engineer; George Burgess, proxy for Larry M. Hayes, Secretary, Economic Development Cabinet; and Bonnie Howell, proxy for Jack Conway, Attorney General of the Commonwealth.

Others present at the meeting were; Edgar C. Ross, Executive Director, Office of the Controller and Executive Director of the Authority; Brett Antle, Office of Financial Management; Robin Brewer, Office of Financial Management; Doris A. Howe, Office of Financial Management and Treasurer of the Authority; Tom Midkiff, Office of Financial Management; Marcia Collins, Office of Financial Management and Authority staff; Carla Wright, Office of State Budget Director; Kristi Culpepper, Legislature Research Committee; Jodi Mitchell, McCarthy Strategic Solutions; and John Merchant, Peck, Shaffer and Williams.

Chairperson Flanery 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 March 9, 2009 meeting as written. Bonnie Howell made a motion to approve and George Burgess seconded. The motion was carried unanimously.

The next item on the agenda was approval of the Amended and Supplemented Base Realignment and Closure (BRAC) Bond Reimbursement Resolution. Robin Brewer stated for the board that this amended and supplemented reimbursement resolution was initially approved at the December 17, 2008 meeting. Ms. Brewer further stated that the only change in this resolution is allowing the flexibility for the Authority to be reimbursed for Capital Expenditures through the proceeds of a bond transaction issued either on a tax-exempt basis, a taxable basis as Build America Bonds (BABs), or a combination of both. Since the structure of the Authority's next bond issue is uncertain at this time, this amendment and supplement would allow more flexibility in the structure once bonds are ready to be issued for reimbursement of expenditures to the Authority. Ms. Brewer asked if anyone had any questions about this resolution. In the absence of

questions, Chairperson Flanery asked for a motion of approval. Bill Burger made a motion to approve and Taylor Manley seconded. The motion was carried unanimously.

The next item on the agenda was approval of the Bond Reimbursement Resolution for Road Fund Bond Authorization. Ms. Brewer stated that this is a reimbursement resolution for the \$400 million in Road Fund Bonds authorized in the 2009 Session of the General Assembly under H.B. 536. Ms. Brewer further stated that once again this resolution will basically allow the Authority to be reimbursed through bond proceeds of either a tax-exempt bond issue, a taxable issue bond issue through the use of BABs, or a combination of both. Taylor Manley made a motion to approve and Bonnie Howell seconded; the motion was carried unanimously.

The next item on the agenda was approval of the Authorizing Resolution for the TAK 2009 Series B Bonds. Ms. Brewer explained to the board that the Authorizing Resolution for the TAK 2009 Series B transaction, although preliminary, could result in one or more series of bonds. Ms. Brewer stated that this resolution for approval is not to exceed \$250 million, and currently, the TAK 2009 Series B Bonds will permanently finance approximately \$225 million for Capital Construction Projects. Ms. Brewer went on to explain that this financing will provide \$25 million of the \$50 million in bonds for the Base Realignment and Closure (BRAC) program that were authorized in 2008 Session of the General Assembly under H.B. 406 as well as \$200 million of the \$400 million in Road Fund bonds that were authorized in the 2009 Session of the General Assembly under H.B. 536. Ms. Brewer also stated that currently all or a portion of the TAK 2009 Series B Bonds could be issued as taxable BABs. Ms. Brewer went on to inform the board that the tentative sale date is August 5, 2009; however, that may move to later in the year, depending on the need for funding. Ms. Brewer also noted that the estimated True Interest Cost (TIC) is about 4.24%. Bond Counsel will be Peck, Shaffer and Williams, LLP; the Underwriters will be Goldman Sachs; and the Trustee will be The Bank of New York Mellon. Ms. Brewer went on to introduce John Merchant with Peck, Shaffer and Williams and opened the floor for questions. Taylor Manley asked whether the True Interest Cost (TIC) was based on just a tax-exempt bond issuance. Ms. Brewer responded that the True Interest Cost (TIC) was actually based on a bond issuance with a combination of both tax-exempt bonds and taxable BABs. In the absence of any further questions, Chairperson Flanery asked for a motion of approval. George Burgess made a motion to approve and Bill Burger seconded; the motion was carried unanimously.

The next item on the agenda for consideration was the approval of the semi-annual transfer of funds. Doris Howe requested that \$75,000 be transferred to meet the projected operating expenses for the period of July 1, 2009 to December 31, 2009. Ms. Howe noted for the board that actually \$125,000 was budgeted, but due to the reduction of expenditures within the Authority, \$75,000 would be sufficient to cover operations. Ms. Howe further reviewed for the board the expenditure report for the last year as well as the last six (6) months. Ms. Howe also included a balance sheet which showed a balance of \$127,732.26 in the Authority's Administrative Account at PNC Bank as of June 15, 2009. Ms. Howe further noted that, with the current balance, we were comfortable with reducing the actual budgeted amount of \$125,000 to \$75,000 for operating expenses.

Chairperson Flanery asked Ms. Howe what the Authority attributed most of the savings to. Ms. Howe responded that a reduction in staff was the largest attribution along with the Toll Road Bond Indenture being paid off. Ms. Howe also stated that the Authority anticipated expenditures being further reduced in the future with Resource Recovery being paid off July 1, 2009. Chairperson Flanery asked if everything was operating well within the Authority with the reduction in staff, and Ms. Howe responded that all was going well. Chairperson Flanery asked for a motion of approval. Taylor Manley made a motion to approve and Bonnie Howell seconded; the motion was carried unanimously.

The next item on the agenda was approval for the property transfer of Floyd County, Parcel Numbers 9, 13, 16, 23, and 24 (parts). Edgar C. Ross stated that the Transportation Cabinet has deemed this property as surplus property and request that it be sold. Mr. Ross noted for the board that the Floyd County property documents also included an Authorizing Resolution, an Official Order, and a Deed of Conveyance and the said property is appraised at \$24,000. Mr. Ross stated that the applicant, Floyd Skeans, has agreed to pay the appraised price for the property.

Chairperson Flanery asked if this item of business has gone through the proper process for it to be approved by the Authority. Mr. Ross explained that the Transportation Cabinet essentially does all the ground work to accomplish this task. Chairperson Flanery asked if anyone had any questions regarding the mentioned property. Bill Burger questioned the approval process of all property transfers as to whether they were only approved at the Authority's meetings. Mr. Ross replied yes and further explained that the right to sell is given to the Authority. Mr. Ross further explained that the Transportation Cabinet acquires the Right of Way, and once it is no longer needed, an adjacent land owner will have the first opportunity to buy the surplus land. Mr. Burger further questioned the property transfer process. Taylor Manley explained that because this property was purchased as part of the Resource Recovery Bonds project, the property is technically owned by the bondholders, and therefore the sale of that type of asset goes back to the Authority. Mr. Manley further explained that the Resource Recovery Bonds will be paid off as of July 1, 2009 meaning any future sales, at that time, will revert back to the Commonwealth, and the Transportation Cabinet will once again have to come back to the Authority to approve these sales.

Chairperson Flanery asked if there were any other questions regarding the surplus property process, and with there being none, Chairperson Flanery asked for a motion of approval. Bonnie Howell made a motion to approve and Bill Burger seconded; the motion was carried unanimously.

The next item on the agenda was approval for the property transfer of Martin County, Parcel Number 339. Mr. Ross stated that Transportation Cabinet deemed this property as surplus property and requested that it be sold. Mr. Ross stated that the property documents included an Authorizing Resolution, an Official Order, and a Deed of Conveyance and the said property is appraised at \$6,300. Mr. Ross stated that the applicant, Billy Adkins, has agreed to pay the appraised price for the property.

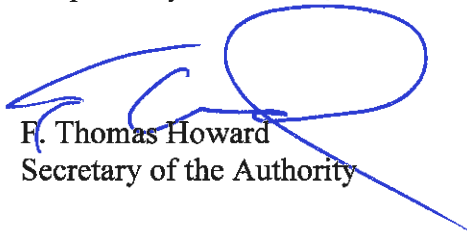
Chairperson Flanery asked for a motion of approval. George Burgess made a motion to approve and Taylor Manley seconded; the motion was carried unanimously.

The next item on the agenda was to inform the board about the extension of the Personal Service Contracts (PSCs) for arbitration, audit, and legal services. Mr. Ross reviewed for the board the documents attached with each contract and stated to the board that the Authority has extended the arbitration contract with Arbitrage Compliance Specialists, Inc.; McElroy, Mitchell & Associates for audit services; and Peck, Shaffer & Williams, LLP for legal services for the period of July 1, 2009 through June 30, 2010. Mr. Ross went on to inform the board that this was the last extension allowed with each contract, and the Authority would then resort back to the Request for Proposal (RFP) process to engage firms for PSCs. Chairperson Flanery asked if anyone had questions regarding the contracts. Mr. Manley asked what the number of approvals for each contract was and the date of the initial contract. Marcia Collins stated that the initial RFP was for the 2006-2008 biennium with language that allowed each contract to be extended through June 30, 2010. Ms. Collins further stated that, at the June 23, 2008 meeting, each of the PSCs were extended for one (1) year leaving the option to extend one (1) additional year, if so desired. In the absence of any further questions, Chairperson Flanery noted that no action was needed for this item of business.

The last item of business was to update the board about the Internal Revenue Service (IRS) audit of the Economic Development Road Revenue Bonds (Revitalization Projects) Series 2000. Ms. Howe informed the board that this audit began in 2007, and the Internal Revenue Service (IRS) has concluded the audit and issued the Authority a no change letter. Chairperson Flanery asked if anyone had any comments or questions; none were presented.

Chairperson Flanery asked if there was any further business to be addressed; none was presented. Chairperson Flanery called for a motion to adjourn. Bill Burger made a motion to adjourn and Taylor Manley seconded, and without objection, the meeting was adjourned.

Respectfully Submitted,



F. Thomas Howard  
Secretary of the Authority