

*In the opinion of Dinsmore & Shohl, LLP, Bond Counsel, under existing law, (i) interest on the 2021 Series A Bonds and the 2022 Series A Bonds will be excludable from gross income of the holders thereof for purposes of federal income taxation and interest on the 2021 Series A Bonds and the 2022 Series A Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax, (ii) interest on the 2021 Series B Bonds, is not excludable from the gross income of the holders thereof for purposes of federal income taxation, and (iii) interest on the Bonds is exempt from income taxation by the Commonwealth of Kentucky and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions, all subject to the qualifications described herein under the heading "TAX MATTERS."*

**\$156,350,000**  
**THE TURNPIKE AUTHORITY OF KENTUCKY**  
**Economic Development Road Revenue Refunding Bonds**  
**(Revitalization Projects)**

<b>Economic Development Road Revenue Refunding Bonds (Revitalization Projects)</b> <b>\$13,580,000</b> <b>2021 Series A</b>	<b>Economic Development Road Revenue Refunding Bonds (Revitalization Projects)</b> <b>\$85,895,000</b> <b>2021 Series B</b> <b>(Federally Taxable)</b>	<b>Economic Development Road Revenue Refunding Bonds (Revitalization Projects)</b> <b>\$56,875,000</b> <b>2022 Series A</b> <b>(Forward Delivery)</b>
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**Dated: Date of delivery**

**Due: July 1, as shown on inside cover**

The Turnpike Authority of Kentucky (the "Authority") is issuing its Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2021 Series A (the "2021 Series A Bonds"), Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2021 Series B (Federally Taxable) (the "2021 Series B Bonds", which together with the 2021 Series A Bonds, the "2021 Series Bonds") and Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2022 Series A (Forward Delivery) (the "2022 Series A Bonds", and together with the 2021 Series Bonds, the "Bonds") pursuant to a Trust Indenture dated as of October 1, 1990, as supplemented by a First Supplemental Trust Indenture dated as of November 15, 2000 (collectively, the "Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, National Association, Louisville, Kentucky, as Trustee and Paying Agent (the "Trustee"). The 2021 Series A Bonds are being issued pursuant to a resolution adopted by the Authority on January 14, 2021 (the "Bond Resolution") to (i) currently refund serial maturities of the Outstanding Economic Development Road Revenue and Revenue Refunding Bonds (Revitalization Projects), 2011 Series A, and (ii) pay certain costs of issuance of the 2021 Series A Bonds. The 2021 Series B Bonds are being issued pursuant to the Bond Resolution to (i) advance refund certain serial maturities of the Outstanding Economic Development Road Revenue and Revenue Refunding Bonds (Revitalization Projects), 2013 Series A, and (ii) pay certain costs of issuance of the 2021 Series B Bonds. The 2022 Series A Bonds are being issued pursuant to the Bond Resolution to (i) currently refund on a forward basis a portion of certain serial maturities of the Outstanding Economic Development Road Revenue Bonds (Revitalization Projects), 2012 Series A, and (ii) pay certain costs of issuance of the 2022 Series A Bonds.

The Bonds will be issued only as fully registered bonds without coupons in denominations of \$5,000 or any integral multiples thereof, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Interest on the 2021 Series Bonds will be payable on each January 1 and July 1, beginning January 1, 2022. Interest on the 2022 Series A Bonds will be payable on each January 1 and July 1 beginning July 1, 2022. Purchases will be made in book-entry-only form, except as permitted by the Indenture. Purchasers of the Bonds will not receive physical delivery of bond certificates. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, interest together with the principal of the Bonds will be paid directly to DTC by the Trustee. See "DESCRIPTION OF BONDS — Book-Entry-Only System."

The Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds are subject to redemption, as further described herein. See "DESCRIPTION OF THE BONDS – Redemption Provisions."

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, A DE JURE MUNICIPAL CORPORATION AND POLITICAL SUBDIVISION OF THE COMMONWEALTH OF KENTUCKY. THE BONDS WILL BE SECURED UNDER THE INDENTURE AND BY A PLEDGE OF LEASE RENTAL PAYMENTS TO BE MADE BY THE TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY TO THE AUTHORITY PURSUANT TO A RENEWABLE BIENNIAL LEASE. THE BONDS DO NOT CONSTITUTE A DEBT OF THE COMMONWEALTH OF KENTUCKY AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

The Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of legality by Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Stites & Harbison, PLLC, Louisville, Kentucky. It is expected that the 2021 Series Bonds will be available for delivery through DTC in New York, New York on or about October 12, 2021. It is expected that the 2022 Series A Bonds will be available for delivery through DTC in New York, New York on or about April 5, 2022. See "INVESTMENT CONSIDERATIONS – Certain Forward Delivery Considerations For The 2022 Series A Bonds" for certain conditions regarding the obligations of the Underwriters to purchase the 2022 Series A Bonds and certain risks to the purchasers of the 2022 Series A Bonds resulting from the forward delivery thereof.

**J.P. MORGAN**

**Baird**

**Raymond James**

**PNC Capital Markets**

**FHN Financial Capital Markets**

**First Kentucky Securities Corp.**

**\$156,350,000**

**THE TURNPIKE AUTHORITY OF KENTUCKY**  
**Economic Development Road Revenue Refunding Bonds**  
**(Revitalization Projects)**

**\$13,580,000 Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2021 Series A**

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u>
2029	\$4,310,000	5.000%	0.970%	129.901	491552 R31
2030	4,500,000	5.000%	1.100%	132.339	491552 R49
2031	4,770,000	5.000%	1.180%	134.979	491552 R56

**\$85,895,000 Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2021 Series B**  
**(Federally Taxable)**

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u>
2022	\$ 1,825,000	0.166%	0.166%	100.000	491552 S22
2023	1,035,000	0.266%	0.266%	100.000	491552 S30
2024	1,040,000	0.552%	0.552%	100.000	491552 S48
2025	1,045,000	0.876%	0.876%	100.000	491552 S55
2026	1,055,000	1.176%	1.176%	100.000	491552 S63
2027	1,065,000	1.418%	1.418%	100.000	491552 S71
2028	12,560,000	1.668%	1.668%	100.000	491552 S89
2029	12,765,000	1.768%	1.768%	100.000	491552 S97
2030	12,990,000	1.868%	1.868%	100.000	491552 T21
2031	13,235,000	1.968%	1.968%	100.000	491552 T39
2032	13,495,000	2.118%	2.118%	100.000	491552 T47
2033	13,785,000	2.268%	2.268%	100.000	491552 T54

**\$56,875,000 Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2022 Series A**  
**(Forward Delivery)**

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u>
2029	\$13,195,000	5.000%	1.280%	125.638	491552 R64
2030	13,855,000	5.000%	1.390%	128.008	491552 R72
2031	14,550,000	5.000%	1.460%	130.489	491552 R80
2032	15,275,000	5.000%	1.530%	129.787 *	491552 R98

\*Priced to the July 1, 2031 call date.

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This Official Statement does not constitute an offer to sell the Bonds to any person, or the solicitation of an offer from any person to buy the Bonds, in any jurisdiction where such offer or such solicitation of an offer to buy would be unlawful. The information set forth herein is provided by the Commonwealth of Kentucky from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Underwriters. No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the Commonwealth of Kentucky or the Underwriters. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor the sale of any Bonds shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. The Official Statement is submitted in connection with the issuance of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION OR AUTHORITY, NOR HAS SUCH FEDERAL OR ANY STATE COMMISSION OR AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH TEND TO STABILIZE OR MAINTAIN THE MARKET PRICE FOR THE BONDS ABOVE THE LEVELS WHICH WOULD OTHERWISE PREVAIL. SUCH ACTIVITIES, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, AS AMENDED, AND IN EFFECT ON THE DATE HEREOF, THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTES AN OFFICIAL STATEMENT OF THE AUTHORITY THAT HAS BEEN DEEMED FINAL BY THE AUTHORITY AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15C2-12.

### **CIRCULAR 230**

THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT IS NOT INTENDED TO BE USED, AND CANNOT BE USED, BY A PURCHASER OF THE BONDS FOR THE PURPOSE OF AVOIDING FEDERAL TAX PENALTIES. EACH PURCHASER OF THE BONDS IS URGED TO CONTACT AN INDEPENDENT TAX ADVISOR CONCERNING AN INVESTMENT IN THE BONDS.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

### **INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

ANY REFERENCES IN THE FOLLOWING SEVEN SUBSECTIONS OF THIS OFFICIAL STATEMENT TO THE "ISSUER" MEAN "AUTHORITY". AND REFERENCES TO "BONDS" OR "SECURITIES" MEAN THE 2021 SERIES B BONDS OFFERED HEREBY. **NEITHER THE AUTHORITY NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE CONTENTS OF THIS SECTION.**

#### Minimum Unit Sales

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE

MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

Notice to Prospective Investors in the European Economic Area (“Eea”) or the United Kingdom

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A “RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM. FOR THESE PURPOSES, A “RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (“EUWA”); (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE “FSMA”) AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “UK PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) OF THE PROSPECTUS REGULATION OR SECTION 86 OF THE FSMA (IN EACH CASE AS APPLICABLE) FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE BONDS. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OR THE UNITED KINGDOM OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE BONDS IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT

INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS OR SUBSCRIBE FOR THE BONDS.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION AND IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

#### Additional Notice to Prospective Investors in the United Kingdom

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

#### Notice to Prospective Investors in Switzerland

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR A SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (“**FINSA**”) AND NO APPLICATION HAS OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS PURSUANT TO (I) THE FINSA OR (II) THE LISTING RULES OF THE SIX SWISS EXCHANGE AG OR ANY OTHER REGULATED TRADING VENUE IN SWITZERLAND AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND. THIS OFFICIAL STATEMENT WILL NOT BE REVIEWED NOR APPROVED BY A REVIEWING BODY FOR PROSPECTUSES (*PRÜFSTELLE*).

NONE OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, THE ISSUER OR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. IN PARTICULAR, THIS OFFICIAL STATEMENT WILL NOT BE FILED WITH, AND THE OFFER OF THE BONDS WILL NOT BE SUPERVISED BY, THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY (“**FINMA**”), AND THE OFFER OF BONDS HAS NOT BEEN AND WILL NOT BE AUTHORIZED UNDER THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES (“**CISA**”). ACCORDINGLY, INVESTORS DO NOT HAVE THE BENEFIT OF THE SPECIFIC INVESTOR PROTECTION PROVIDED UNDER THE CISA.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE INVESTMENT ADVICE. IT MAY ONLY BE USED BY THOSE PERSONS TO WHOM IT HAS BEEN HANDED OUT IN CONNECTION WITH THE BONDS AND MAY NEITHER BE COPIED NOR DIRECTLY OR INDIRECTLY DISTRIBUTED OR MADE AVAILABLE TO OTHER PERSONS.

#### Notice to Prospective Investors in Hong Kong

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFICIAL STATEMENT HAS NOT BEEN OR WILL NOT BE REGISTERED AS A PROSPECTUS (AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32) OF THE LAWS OF HONG KONG (“C(WUMP)O”)) IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG (“SFO”).

ACCORDINGLY: (I) THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT, ANY BONDS OTHER THAN (A) TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO, OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE C(WUMP)O OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE C(WUMP)O; AND (II) NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO.

#### Notice to Prospective Investors in Japan

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO. 25 OF 1948, AS AMENDED, THE “FIEA”). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE 6 OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA (“QIIS”) IN RELIANCE ON THE QIIS-ONLY PRIVATE PLACEMENT EXEMPTION AS SET FORTH IN ITEM 2(I), PARAGRAPH 3, ARTICLE 2 OF THE FIEA. A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

Notice to Prospective Investors in Taiwan

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY, TO THE EXTENT PERMITTED UNDER APPLICABLE LAWS AND REGULATIONS. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

**THE TURNPIKE AUTHORITY OF KENTUCKY**

702 Capital Avenue, Suite 76  
Frankfort, Kentucky 40601  
Telephone (502) 564-2924

**MEMBERS OF THE AUTHORITY**

ANDREW G. BESHEAR

Governor  
(Chairman of the Authority)

JACQUELINE COLEMAN

Lieutenant Governor  
(Vice Chairman of the Authority)

DANIEL CAMERON

Attorney General

HOLLY M. JOHNSON

Secretary  
Finance and Administration Cabinet

JIM GRAY

Secretary  
Transportation Cabinet

JAMES E. BALLINGER

State Highway Engineer

LARRY HAYES

Interim Secretary  
Cabinet for Economic Development

**EXECUTIVE DIRECTOR OF THE AUTHORITY**

EDGAR C. ROSS

**TREASURER OF THE AUTHORITY**

STEVEN A. STARKWEATHER

**SECRETARY OF THE AUTHORITY**

RYAN BARROW

**BOND COUNSEL**

Dinsmore & Shohl LLP  
Covington, Kentucky

**TRUSTEE**

The Bank of New York Mellon Trust Company, N.A.  
Louisville, Kentucky

**UNDERWRITERS' COUNSEL**

Stites & Harbison, PLLC  
Louisville, Kentucky



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## OFFICIAL STATEMENT

**\$156,350,000**

### **THE TURNPIKE AUTHORITY OF KENTUCKY Economic Development Road Revenue Refunding Bonds (Revitalization Projects)**

**Economic Development Road  
Revenue Refunding Bonds  
(Revitalization Projects)  
\$13,580,000  
2021 Series A**

**Economic Development Road  
Revenue Refunding Bonds  
(Revitalization Projects)  
\$85,895,000  
2021 Series B  
(Federally Taxable)**

**Economic Development Road  
Revenue Refunding Bonds  
(Revitalization Projects)  
\$56,875,000  
2022 Series A  
(Forward Delivery)**

## INTRODUCTION

This Official Statement of The Turnpike Authority of Kentucky (the “Authority”) and the Transportation Cabinet of the Commonwealth of Kentucky (the “Transportation Cabinet”) is provided to furnish certain information with respect to the Authority’s (i) \$13,580,000 aggregate principal amount of Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2021 Series A (the “2021 Series A Bonds”); (ii) \$85,895,000 aggregate principal amount of Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2021 Series B (Federally Taxable) (the “2021 Series B Bonds” which together with the 2021 Series A Bonds, the “2021 Series Bonds”); and \$56,875,000 aggregate principal amount of Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2022 Series A (Forward Delivery) (the “2022 Series A Bonds”, which together with the 2021 Series Bonds, the “Bonds”).

The Bonds are being issued pursuant to Chapter 175 of the Kentucky Revised Statutes, as amended (the “Act”) and a Trust Indenture dated as of October 1, 1990, as supplemented by a First Supplemental Trust Indenture dated as of November 15, 2000 (collectively, the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor to J.P. Morgan Trust Company, National Association, Louisville, Kentucky, as trustee (the “Trustee”). The Bonds are being issued pursuant to a resolution of the Authority adopted on January 14, 2021 (the “Bond Resolution”).

The 2021 Series A Bonds are being issued to (i) currently refund serial maturities of the Outstanding Economic Development Road Revenue and Revenue Refunding Bonds (Revitalization Projects), 2011 Series A (the “2011 Series A Bonds”), and (ii) pay certain costs of issuance of the 2021 Series A Bonds.

The 2021 Series B Bonds are being issued to (i) advance refund certain serial maturities of the Outstanding Economic Development Road Revenue and Revenue Refunding Bonds (Revitalization Projects), 2013 Series A (the “2013 Series A Bonds”), and (ii) pay certain costs of issuance of the 2021 Series B Bonds.

The 2022 Series A Bonds are being issued to (i) currently refund on a forward basis certain Outstanding Economic Development Road Revenue Bonds (Revitalization Projects), 2012 Series A (the “2012 Series A Bonds”, which together with the 2011 Series A Bonds and the 2013 Series A Bonds, the “Prior Bonds”), and (ii) pay certain costs of issuance of the 2022 Series A Bonds.

Pursuant to an Economic Development Road Revenue (Revitalization Projects) Agreement dated as of October 1, 1990, between the Authority and the Transportation Cabinet, which has been supplemented by a First Supplemental Agreement, dated as of October 1, 1992; a Second Supplemental Agreement, dated as of April 1, 1993; a Third Supplemental Agreement, dated as of April 1, 1995; a Fourth Supplemental Agreement, dated as of April 1, 1999; a Fifth Supplemental Agreement, dated as of February 1, 2001; a Sixth Supplemental Agreement dated as of March 1, 2001; a Seventh Supplemental Agreement dated as of May 1, 2004; an Eighth Supplemental Agreement dated as of April 1, 2005; a Ninth Supplemental Agreement dated as of March 1, 2006; a Tenth Supplemental Agreement dated as of September 1, 2007; an Eleventh Supplemental Agreement dated as of June 1, 2010; a Twelfth

Supplemental Agreement dated as of April 1, 2011; a Thirteenth Supplemental Agreement, dated as of March 1, 2012; a Fourteenth Supplemental Agreement, dated as of September 1, 2013; a Fifteenth Supplemental Agreement dated as of June 1, 2014; a Sixteenth Supplemental Agreement, dated as of July 1, 2015; a Seventeenth Supplemental Agreement, dated as of April 1, 2016; an Eighteenth Supplement Agreement, dated as of November 1, 2016; a Nineteenth Supplemental Agreement, dated as of July 1, 2017; and a Twentieth Supplemental Agreement, dated as of September 1, 2021 (collectively, the “Agreement”), the Authority has agreed to lease the System to the Transportation Cabinet under an Economic Revenue (Revitalization Projects) Lease, dated as of October 1, 1990, which has been supplemented by a First Supplemental Lease, dated as of October 1, 1992; a Second Supplemental Lease, dated as of April 1, 1993; a Third Supplemental Lease, dated as of April 1, 1995; a Financing/Fourth Supplemental Lease Agreement dated as of October 1, 1999, which has been amended by a First Amendment to Financing/Fourth Supplemental Lease Agreement, dated as of November 15, 2000; a Fifth Supplemental Lease, dated as of February 1, 2001; a Sixth Supplemental Lease, dated as of March 1, 2001; a Financing/Seventh Supplemental Lease Agreement dated as of May 1, 2004; an Eighth Supplemental Lease dated as of April 1, 2005; a Ninth Supplemental Lease Agreement dated as of March 1, 2006; a Financing/Tenth Supplemental Lease Agreement dated as of September 1, 2007, which has been amended by a First Amendment to Financing/Tenth Supplemental Lease Agreement, dated as of August 1, 2008 and by a Second Amendment to Financing/Tenth Supplemental Lease Agreement, dated as of April 1, 2009; an Eleventh Supplemental Lease, dated as of June 1, 2010; a Twelfth Supplemental Lease, dated as of April 1, 2011; a Thirteenth Supplemental Lease, dated as of March 1, 2012; a Fourteenth Supplemental Lease, dated as of September 1, 2013; a Fifteenth Supplemental Lease, dated as of June 1, 2014; a Sixteenth Supplemental Lease, dated as of July 1, 2015; a Seventeenth Supplemental Lease, dated as of April 1, 2016; an Eighteenth Supplemental Lease, dated as of November 1, 2016; a Nineteenth Supplemental Lease, dated as of July 1, 2017; and a Twentieth Supplemental Lease, dated as of September 1, 2021 (collectively, the “Lease”) for a period ending June 30, 2022, with biennial renewal options.

The Lease requires the Transportation Cabinet to make rental payments to the Authority at the times and in the amounts required by the Indenture to pay principal of and interest on the Economic Development Road Revenue Bonds to become due during the biennial period. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — Lease Payments” and APPENDIX B — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE LEASE.” Although the Lease has been renewed for the period ending June 30, 2022, the Transportation Cabinet is under no obligation to renew the Lease for any subsequent biennial period. The Lease provides for automatic renewals for each ensuing biennial term unless the Authority receives written notice, as provided in the Lease, of the Transportation Cabinet’s election not to renew the Lease. If the Lease is not renewed and the rentals thereunder are not received, the Authority does not expect that it will have revenues sufficient to pay the principal of, and interest on, the Economic Development Road Revenue Bonds (Revitalization Projects), including the Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — Payments if Lease is Not in Effect.”

Additional Bonds may be issued on parity with the Bonds and other Bonds issued on parity with the Bonds upon compliance with restrictions contained in the Indenture and the Lease. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — Restrictions on Future Financings.”

Descriptions of the Bonds, the security therefor, the Indenture, the Lease and the Agreement are included in this Official Statement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to such agreements and documents are qualified in their entirety by reference thereto. Terms not defined herein shall have the meanings given them in APPENDIX B — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — CERTAIN DEFINITIONS.”

## **PLAN OF FINANCE**

The proceeds of the 2021 Series A Bonds will be used by the Authority to (a) currently refund all or a portion of the Prior Bonds (identified in APPENDIX C), and (b) pay certain costs of issuance of the 2021 Series A Bonds. The proceeds of the 2021 Series B Bonds will be used by the Authority to (a) advance refund on a taxable basis all or a portion of the Prior Bonds (identified in APPENDIX C), and (b) pay certain costs of issuance of the 2021 Series B Bonds. The proceeds of the 2022 Series A Bonds will be used by the Authority to (a) currently refund all or a portion of the Prior Bonds (identified in APPENDIX C), and (b) pay certain costs of issuance of the 2022 Series A Bonds. See “SOURCES AND USES OF FUNDS” and “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein.

In order to refund the 2011 Series A Bonds and the 2013 Series A Bonds, the proceeds of the 2021 Series Bonds will be used to purchase Governmental Obligations (as defined in the Indenture) (the “2011/2013 Escrow

Securities”). The Authority will cause the 2011/2013 Escrow Securities to be deposited in separate escrow funds created under an Escrow Trust Agreement, dated as of October 12, 2021 (the “2021 Series Bonds Escrow Trust Agreement”), by and among the Authority, the Transportation Cabinet and The Bank of New York Mellon Trust Company, N.A., as escrow trustee (the “Escrow Trustee”), identified as the “Escrow Fund – Revitalization Bonds” (the “2021 Series Bonds Escrow Fund”). The principal of and interest on the 2011/2013 Escrow Securities, when due, will be sufficient to redeem the remaining maturities of the 2011 Series A Bonds and Series 2013 Series A Bonds identified in APPENDIX C.

In order to refund certain Outstanding 2012 Series A Bonds, the proceeds of the 2022 Series A Bonds will be used to purchase Governmental Obligations (as defined in the Indenture) (the “2022 Escrow Securities”, which together with the 2011/2013 Escrow Securities, the “Escrow Securities”). The Authority will cause the Escrow Securities to be deposited in an escrow fund created under an Escrow Trust Agreement, dated as of April 5, 2022 (the “2022 Escrow Trust Agreement”), by and among the Authority, the Transportation Cabinet and the Escrow Trustee, identified as the “Escrow Fund – Revitalization Bonds” (the “2022 Escrow Fund, which together with the 2021 Series Bonds Escrow Fund, the “Escrow Funds”). The principal of and interest on the 2012 Escrow Securities, when due, will be sufficient to redeem the maturities of the 2012 Series A Bonds identified in APPENDIX C.

By depositing the Escrow Securities in the Escrow Funds, the Authority will cause the Prior Bonds to be deemed no longer outstanding under the terms of the Indenture and the Prior Bonds will therefore be payable only from amounts on deposit in the Escrow Funds. (The Trustee will give notice of the dates on which the Prior Bonds are to be redeemed shortly after the date of issuance of the Bonds.) Amounts on deposit in the Escrow Funds will not serve as security or be available for the payment of principal of or interest on the Bonds. For additional information, see “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

#### **Forward Delivery Bond Purchase Agreement for 2022 Series A Bonds**

The 2022 Series A Bonds are being sold pursuant to a Forward Delivery Bond Purchase Agreement dated September 21, 2021 (the “Forward Delivery Agreement”), between the Authority and J.P. Morgan Securities LLC , acting on its own behalf, and as representative (the “Representative”) of the underwriters named therein (collectively, the “Underwriters”) and will be delivered on or about April 5, 2022, subject to the approval of validity and certain other matters by Bond Counsel and the satisfaction of certain other conditions set forth in the Forward Delivery Agreement. See “INVESTMENT CONSIDERATIONS - Certain Forward Delivery Considerations For The 2022 Series A Bonds” herein.

An investment in the 2022 Series A Bonds involves certain additional risks due to the forward delivery of the 2022 Series A Bonds. The delivery of the 2022 Series A Bonds is subject to satisfaction of certain conditions precedent. For a discussion of certain factors that should be considered by prospective investors in evaluating an investment in the 2022 Series A Bonds, see “INVESTMENT CONSIDERATIONS - Certain Forward Delivery Considerations For The 2022 Series A Bonds” herein. 2022 Series A Bonds will be sold only to purchasers who execute a Delayed Delivery Contract, a form of which is set forth in APPENDIX G. Each prospective purchaser of the 2022 Series A Bonds should make an independent evaluation of all of the information presented in this Official Statement, including the information under the caption “INVESTMENT CONSIDERATIONS - Certain Forward Delivery Considerations For The 2022 Series A Bonds”.

#### **SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Bonds.

Sources:	2021 Series <u>A Bonds</u>	2021 Series <u>B Bonds</u>	2022 Series <u>A Bonds</u>	<u>Total</u>
Par Amount	\$13,580,000.00	\$85,895,000.00	\$56,875,000.00	\$156,350,000.00
Net Original Issuance Premium	<u>4,412,486.40</u>		<u>16,249,556.25</u>	<u>20,662,042.65</u>
TOTAL SOURCES	\$17,992,486.40	\$85,895,000.00	\$73,124,556.25	\$ 177,012,042.65
Uses:				
Deposit to Escrow Fund	\$17,915,000.05	85,418,051.08	72,800,950.05	176,134,001.18
Costs of Issuance (including Underwriters’ Discount)	<u>77,486.35</u>	<u>476,948.92</u>	<u>323,606.20</u>	<u>878,041.47</u>
TOTAL USES	\$17,992,486.40	\$85,895,000.00	\$73,124,556.25	\$177,012,042.65

## DESCRIPTION OF BONDS

### General

The Bonds will be dated their date of delivery, will be fully registered, without coupons, and will be issued in the denominations of \$5,000 or any integral multiple thereof. The Bonds will bear interest at the rates, payable semiannually on January 1 and July 1 of each year (each an “Interest Payment Date”), commencing January 1, 2022 with respect to the 2021 Series Bonds, and July 1, 2022 with respect to the 2022 Series A Bonds, will mature on the dates and in the amounts set forth on the inside cover of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be initially registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests from DTC in the Bonds will be made in book-entry-only form (without certificates). So long as DTC or its nominees is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made directly by the Trustee by wire transfer of funds to Cede & Co., as nominee for DTC. Disbursement of such payments to the participants of DTC (the “DTC Participants”) will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners, as defined herein, of the Bonds will be the responsibility of the DTC Participants and the Indirect Participants, as defined herein. See “Book-Entry-Only System” under this caption and “APPENDIX D – CLEARING SYSTEMS.”

If the book-entry-only system through DTC is discontinued, principal of the Bonds will be payable at such office within the United States as shall be designated from time to time by the Trustee (the “Payment Office”) upon the presentation and surrender thereof. Except as described below, payment of interest on the Bonds will be made on each Interest Payment Date to the person appearing on the registration books of the Trustee as the registered owner thereof at the close of business on the fifteenth day of the month preceding the Interest Payment Date by check or draft mailed to such registered owner at the owner’s address as it appears on such registration books. Upon request to the Trustee by a registered owner of not less than \$1,000,000 in aggregate principal amount of Bonds, interest on such Bonds will be paid to such registered owner by wire transfer to the account within the United States specified by such registered owner.

### Redemption Provisions

**Optional Redemption.** The 2021 Series A Bonds are not subject to optional redemption.

The 2021 Series B Bonds maturing on or after July 1, 2032 are subject to optional redemption prior to maturity in whole or in part, in the amount of \$5,000 or integral multiples thereof on any date on or after July 1, 2031, at the redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date.

The 2022 Series A Bonds maturing on July 1, 2032 are subject to optional redemption prior to maturity in whole or in part, in the amount of \$5,000 or integral multiples thereof on any date on or after July 1, 2031, at the redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date. The 2021 Series B Bonds and the 2022 Series A Bonds that are subject to optional redemption are collectively referred to herein as the “Optionally Redeemable Bonds”.

**Selection of Optionally Redeemable Bonds.** If less than all of the 2021 Series B Bonds are to be redeemed, the particular maturities of 2021 Series B Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

If the 2021 Series B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such 2021 Series B Bonds if less than all of the 2021 Series B Bonds of a maturity are called for prior redemption, the particular 2021 Series B Bonds or portions thereof to be redeemed shall be allocated on a *pro rata pass-through distribution of principal* basis in accordance with DTC procedures, provided that, so long as the 2021 Series B Bonds are held in book-entry form, the selection for redemption of such 2021 Series B Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a *pro rata pass-through distribution of principal* basis, the 2021 Series B Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

The Authority intends that redemption allocations made by DTC be made on a *pro rata pass-through distribution of principal* basis as described above. However, neither the Authority nor the Underwriters can provide



any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of 2021 Series B Bonds on such basis.

If the 2021 Series B Bonds are no longer registered in book-entry-only form, each owner will receive an amount of 2021 Series B Bonds equal to the original face amount then beneficially held by that owner, registered in such investor's name. Thereafter, any redemption of less than all of the 2021 Series B Bonds of any maturity will continue to be paid to the registered owners of such 2021 Series B Bonds on a pro-rata basis, based on the portion of the original face amount of any such 2021 Series B Bonds to be redeemed.

If less than all of the 2022 Series A Bonds are called for redemption, the particular 2022 Series A Bonds, or portions thereof to be redeemed will be selected by the Trustee in such manner as the Authority in its discretion may deem proper; provided that the portion of any registered 2022 Series A Bonds to be redeemed must be in the principal amount of \$5,000 or an integral multiple thereof, and that, in selecting 2022 Series A Bonds for redemption, the Trustee will treat each 2022 Series A Bond as representing that number of 2022 Series A Bonds which is obtained by dividing the principal amount of such 2022 Series A Bonds by \$5,000.

**Notice of Redemption.** Any such redemption, either in whole or in part, will be made upon at least 30 days prior notice as provided in the Trust Indenture, and will be made in the manner and under the terms and conditions provided in the Trust Indenture and the Bond Resolution. On the date designated for redemption, notice having been given and moneys for payment of the redemption price being held by the Trustee, all as provided in the Trust Indenture, the Optionally Redeemable Bonds of a series, or portions thereof so called for redemption will become and be due and payable at the redemption price provided for in the Trust Indenture and the Bond Resolution for redemption of such Optionally Redeemable Bonds of a series, or such portions thereof on such date, and interest on such Optionally Redeemable Bonds of a series or such portions thereof so called for redemption will cease to accrue, such Optionally Redeemable Bonds of a series or such portions thereof so called for redemption will cease to be entitled to any benefit or security under the Trust Indenture, and the registered owners thereof will have no rights in respect of such Optionally Redeemable Bonds of a series or such portions thereof so called for redemption except to receive payment of the redemption price thereof so held by the Trustee.

### **Transfer and Exchange**

The Bonds may be transferred only upon the registration books of the Trustee upon surrender thereof to the Trustee together with an assignment duly executed by the registered owner or the owner's attorney or legal representative in form satisfactory to the Trustee. Upon any such registration of transfer, new Bonds will be delivered, registered in the name of the transferee, of any denomination authorized by the respective Indenture, in an aggregate principal amount equal to the principal amount (or maturity amount) of the Bonds being transferred, of the same maturity and bearing interest at the same rate.

The Bonds, upon surrender thereof at the Payment Office, together with an assignment duly executed by the registered owner or the owner's attorney or legal representative in form satisfactory to the Trustee, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same maturity, bearing interest at the same rate, of any denomination authorized by the Indenture, and in the same form as the Bonds surrendered for exchange.

### **Book-Entry-Only System**

The Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry-only system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders of beneficial ownership interests by Beneficial Owners, as defined in APPENDIX D, will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Indenture and the Bond Resolution. For additional information about DTC and the book-entry-only system see "APPENDIX D – CLEARING SYSTEMS." DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

## SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

### General

Subject only to the provisions of the Indenture permitting the application of such money for the purposes and on the terms and conditions set forth therein, pursuant to the Indenture, the Authority pledges for the payment of principal of and interest on the Bonds, the Revenues of the System and all funds and accounts established pursuant to the Indenture. “Revenues” means all rental monies and other revenues derived from the Lease and, during such times as the Lease is not in effect, motor fuel taxes and surtaxes derived from motor fuels consumed on the System not directed by law or previous binding contract to be applied to uses other than payment of the principal of and interest on the Bonds, and any other revenues derived from time to time by the Authority from its ownership or operation of the System which can legally be applied to payment of the Bonds. The Authority does not expect the collections of such motor fuel taxes will be sufficient to pay debt service on the Bonds during any period that the Lease is not renewed. Further, the General Assembly of Kentucky is free to alter or repeal any or all of such motor fuel taxes. The Transportation Cabinet has also entered into leases with the State Property and Buildings Commission (the “SPBC”) requiring payments from the Commonwealth’s Road Fund, having terms that are similar to the Lease, but without any pledge of revenues derived from the System.

### Lease Payments

The Transportation Cabinet is required under the Lease to make rental payments to the Authority at the times and in the amounts required by the Indenture for deposit in the Bond Service Account of the Bond Fund created under the Indenture (other than by reason of a declaration of acceleration of the Economic Development Road Revenue Bonds (Revitalization Projects)). Pursuant to the Indenture, monies in the Bond Service Account are to be applied solely to pay principal of and interest on the Economic Development Road Revenue Bonds (Revitalization Projects), including the Bonds. The rental payments under the Lease may be increased at the discretion of the Transportation Cabinet for certain administrative and other expenses of the Authority with respect to the System, for maintenance, operation, repair, renewal or replacement of the System or any portion thereof, or to redeem Economic Development Road Revenue Bonds (Revitalization Projects). See APPENDIX B — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE LEASE.”

The current term of the Lease ends June 30, 2022. The Lease provides for automatic renewals for each ensuing biennial term unless the Authority receives written notice on or before the last working day in April prior to the beginning of each biennial term of the Transportation Cabinet’s election not to renew the Lease. The Transportation Cabinet is under no obligation to renew the Lease for successive biennial periods. Pursuant to the Act, the Lease provides that any renewal of the Lease is a general obligation of the Transportation Cabinet, payable not only from revenues of the System, but also from any other funds of the Transportation Cabinet not required by law or previous binding contract to be devoted to other purposes. See “THE TRANSPORTATION CABINET — Revenue Sources of the Transportation Cabinet” and “THE TRANSPORTATION CABINET — Claims on Certain Transportation Cabinet Revenues.” Such other funds of the Transportation Cabinet are derived primarily from funds deposited in the Road Fund which are required by the Constitution of the Commonwealth to be devoted only to highway purposes, and are described in the Constitution as “excise or license taxation relating to gasoline and other motor fuels” and “fees, excise or license taxation relating to registration, operation or use of vehicles on public highways.” See “THE TRANSPORTATION CABINET — Revenue Sources of the Transportation Cabinet.”

*The Transportation Cabinet is under no obligation to renew the Lease for future biennial periods after the biennial period ending June 30, 2022. If the Lease is not renewed, the Authority does not expect that Revenues will be sufficient to pay the debt service on the Economic Development Road Revenue Bonds (Revitalization Projects), including the Bonds. The Economic Development Road Revenue Bonds (Revitalization Projects), including the Bonds, are payable solely from and secured by a pledge of rental payments under the Lease and are not secured by any lien on, or interest in, the projects constituting the System. See “Payments if Lease is Not in Effect” below. Further, in order to balance the budget of the Commonwealth, the Governor may limit spending by Commonwealth departments, including the Transportation Cabinet, and reduce appropriations previously made by the Kentucky General Assembly, including appropriations for rental payments under the Lease. Failure of the Transportation Cabinet to receive such appropriations could have an adverse effect on or preclude the Authority’s ability to pay the principal of and interest on the Bonds.*

## **Payments if Lease is Not in Effect**

In the event that the Lease is not renewed, the Transportation Cabinet will immediately be liable for the balance (if any) of rentals due in the current term of the Lease; and, during any period when the Lease is not in effect, the Transportation Cabinet must collect from the Commonwealth and pay over to the Authority motor fuel taxes and surtaxes collected by the Commonwealth on gasoline and other motor fuels consumed on the System not directed by law or previous binding contract to be applied to uses other than payment of the principal of and interest on the Bonds.

The Authority has covenanted in the Indenture that, during any period that the Lease is not in effect, it will take all such actions as may be reasonably necessary, giving due consideration to the anticipated expenses in taking such action, to collect such motor fuel taxes and surtaxes from the Commonwealth, to facilitate the reasonable determination of the amount of gasoline and other motor fuels so consumed, and to deposit any such amounts collected in the Revenue Fund created under the Indenture.

## **Flow of Funds**

Pursuant to the Indenture, a Construction Fund, a Revenue Fund and a Bond Fund are created. Four accounts are created in the Bond Fund: a Capitalized Interest Account, a Bond Service Account, a Redemption Account and a Rebate Account. The Authority has covenanted in the Indenture that, so long as the Lease is in effect, it will cause all rentals paid by the Transportation Cabinet to the Authority under the Lease to be deposited in the Revenue Fund. The Trustee will withdraw from the Revenue Fund, to the extent monies are available therein, and, not later than each Interest Payment Date, will deposit to the credit of the following accounts in the following order and amounts:

(a) To the Bond Service Account of the Bond Fund, first, an amount, if any, which, when added to any amount on deposit therein and available for such purpose, will equal the amount required for interest on the Outstanding Bonds, including the Bonds, payable on the next Interest Payment Date, and, second, the amount, if any, necessary to make the amount in the Bond Service Account equal to the principal of all Bonds, including the Bonds, maturing on the next Interest Payment Date and the Amortization Requirement, less certain credits described in the Indenture; and

(b) To the Redemption Account, to the extent available after making the deposits required under clause (a) above, an amount equal to the amount included in the most recent rental payment for deposit into the Redemption Account; and

(c) To the Authority, to the extent available after making the deposits required under clauses (a) and (b) above, an amount equal to the amount determined by the Authority and concurred with by the Transportation Cabinet required in the next six-month period for administrative and other expenses of the Authority with respect to the System, including repairs and maintenance of the System to the extent not directly paid by the Transportation Cabinet; and

(d) To the Authority, the balance of the sum remaining in the Revenue Fund after making the deposits required by clauses (a) through (c) above, to be used for any lawful purposes.

During any period when the Lease is not in effect, on a monthly basis, the Trustee will withdraw from the Revenue Fund an amount equal to the amount of all monies held to the credit of the Revenue Fund on the last day of the preceding month, less an amount determined by resolution of the Authority (concurred with by the Trustee) required in the current month and the next month for administrative and other expenses of the Authority with respect to the System, and deposit the same first to the credit of the Bond Service Account of the Bond Fund in the amounts described above, and then the balance, if any, to the Redemption Fund.

Amounts on deposit in the Bond Service Account of the Bond Fund will be applied solely to pay principal of (including the Amortization Requirement, if any) and interest on the Bonds; amounts on deposit in the Redemption Account will be used to optionally redeem or purchase Bonds; and amounts on deposit in the Rebate Fund will be used to pay any required rebate to the United States Government with respect to the Bonds, all as further described in the Indenture. See APPENDIX B — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE TRUST INDENTURE.”

## **Restrictions on Future Financings**

**Restrictions in the Lease.** The Lease imposes a restriction on any future financings by the Transportation Cabinet of road projects under the Act, including toll road, resource recovery road and economic development road projects, including Revitalization Projects. The Transportation Cabinet covenants in the Lease not to enter into leases with respect to such future financings unless there is filed with the Trustee a certificate of the chief accounting officer of the Transportation Cabinet stating that “Adjusted Revenues” (as defined below) are at least 2.0 times “Maximum Annual Debt Service” (as defined below). Similar covenants are contained in agreements and leases relating to the Authority’s other Economic Development Road Bonds as well as bonds issued by SPBC supported by Road Fund Revenues, as described in this Official Statement. See “THE AUTHORITY — Outstanding Obligations of the Authority and the Transportation Cabinet.”

“Adjusted Revenues” means the aggregate of all amounts credited to the Road Fund for any 12 consecutive of the preceding 18 months, excluding (a) proceeds of obligations for borrowed money and (b) amounts required by law (excluding appropriations law) to be used for purposes other than for debt service on obligations for borrowed money payable from the Road Fund or for rentals on leases entered into by the Transportation Cabinet pursuant to the Act. In calculating Adjusted Revenues, if there is in effect at the date of such calculation any change in the rate or charge at which any tax or fee included in Adjusted Revenues is levied or any new tax or fee which is to be credited to the Road Fund, it is to be assumed that such new rate, charge, tax or fee was in effect at all times and the amounts credited to the Road Fund are to be adjusted to reflect the amounts which would have been credited had such rate, charge, tax or fee been in effect at all times.

“Maximum Annual Debt Service” means the sum of all amounts required to be paid from the Road Fund during any single Fiscal Year commencing after the date of such calculation, or set aside during such Fiscal Year for payment of debt service on each outstanding obligation for borrowed moneys, and that portion of rentals required to pay debt service under each lease in effect on such date entered into by the Transportation Cabinet pursuant to the Act. In calculating Maximum Annual Debt Service it is to be assumed that (i) the new lease into which the Transportation Cabinet proposes to enter is in effect, (ii) the obligations for borrowed money proposed to be issued at the time of execution of such lease are outstanding, (iii) the proceeds of such obligations if issued to refund other obligations have been applied as provided in the proceedings in connection with the issuance of such proposed obligations, (iv) Bonds bearing or to bear interest at a Short Term Rate will be deemed to bear interest at the “Maximum Rate” such Bonds may bear as defined in the Series Resolution authorizing the issuance of such Series of Bonds and (v) Bonds scheduled to be Outstanding during such period which are subject to Puts payable from a Credit Facility will not be deemed to be payable on Put dates.

Further, in calculating Maximum Annual Debt Service, there is to be subtracted from such calculation with respect to any Fiscal Year (a) an amount equal to the reasonably projected interest earnings on investments held for the credit of a debt service fund which are to be deposited in a bond service account pursuant to the provisions of a trust indenture and (b) an amount equal to the principal amount of any money and investments in a debt service reserve fund that are to be deposited in a bond service account pursuant to a trust indenture and applied to the payment and discharge of bonds during such Fiscal Year and on the immediately succeeding July 1.

**Restrictions in the Indenture.** The Indenture permits the issuance of additional Bonds on parity with the Bonds and other Bonds previously issued on parity with the Bonds. Additional Bonds (including refunding Bonds other than as described below) may be issued only if the certificate of the chief accounting officer of the Transportation Cabinet described above is filed with the Trustee on the date of issuance of such additional Bonds.

Bonds of any Series to refund Bonds may be authenticated and delivered by the Trustee without compliance with the requirement described above if there is filed with the Trustee a certificate of the Chairman of the Authority stating that the aggregate principal and interest requirements, assuming the issuance of such refunding Bonds, in Fiscal Years after the Fiscal Year in which such series of Bonds is to be issued through the last stated maturity date of any Bonds, other than the Bonds to be refunded, Outstanding immediately prior to the issuance of such Series of Bonds will not be greater than the aggregate of the principal and interest requirements in such future Fiscal Years calculated immediately prior to the proposed issuance of such Series of Bonds. The Chairman of the Authority intends to deliver a certificate satisfying the requirements of this paragraph, indicating that the aggregate principal and interest of (i) the 2021 Series Bonds and the 2022 Series A Bonds and (ii) all other Bonds Outstanding (other than the Prior Bonds) equaling \$1,151,292,920 is less than the aggregate principal and interest of the Bonds Outstanding equaling \$1,193,637,809 immediately prior to the issuance of the 2021 Series Bonds and the refunding of the Prior Bonds. The

calculations in the preceding sentence are based on payments owing from the Transportation Cabinet to the Authority and SPBC under leases.

Based upon amounts credited to the Road Fund for the twelve-month period ended June 30, 2021 and assuming issuance of the 2021 Series AB Bonds at the interest rates and with the maturities set forth on the inside cover page of this Official Statement (and the refunding of the Prior Bonds), the ratio of Adjusted Revenues to Maximum Annual Debt Service is estimated to be 9.34. Between December 2010 and March 2015, the prevailing rates for motor fuel taxes exceeded the statutory floor. Upon passage of HB 299, enacted by the 2015 Regular Session of the General Assembly, the prevailing rates for the motor fuel taxes were at the new statutory floor from April 1, 2015 through June 30, 2017, and will remain at the statutory floor through June 30, 2022. See “THE TRANSPORTATION CABINET – Revenue Sources of the Transportation Cabinet” and “THE TRANSPORTATION CABINET – Recent Changes to Road Fund Receipts – Kentucky Gasoline Motor Fuel Tax Rate History”. The ratio is based on an estimated Maximum Annual Debt Service of \$139,347,250, which includes payments by the Transportation Cabinet to the Authority and SPBC under leases.

### **IMPACT OF COVID-19 ON THE AUTHORITY**

The outbreak of a novel strain of coronavirus that can result in a severe respiratory disease, referred to as COVID-19, was first detected in 2019. COVID-19 has since spread across the world. In March 2020, the outbreak of COVID-19 was declared a pandemic (the “COVID-19 Pandemic”) by the World Health Organization, as well as a U.S. national emergency and a statewide emergency in the Commonwealth. The responses of governments, business, and individuals to the COVID-19 Pandemic have caused widespread and significant changes in economic activity. Certain sectors of the global, national, and local economies have experienced negative effects due to reduced consumer spending and affected unemployment, as well as government mandated and voluntary responses to mitigate the COVID-19 Pandemic, including school and business closures, event cancellations, and reduced travel. Kentucky has seen steadily declining COVID-19 positivity rates and an increase in business activity from a relaxation of mandated closures. In July of 2021 there was an increase in positivity rates and there can be no assurances as to the materiality, severity, or duration of the negative economic conditions caused by the COVID-19 Pandemic.

In the early months of the COVID-19 pandemic, the Transportation Cabinet was unsure what the full impact of COVID-19 and the economic shutdown were going to have on the Road Fund, so the Transportation Cabinet took action early in trying to curb Road Fund expenditures. First, the Transportation Cabinet identified and temporarily suspended resurfacing contracts that had already been awarded but not begun work, and the Transportation Cabinet continued to award some resurfacing contracts but with delayed payment dates. Also, the Transportation Cabinet cut back on targeted routine maintenance across the State that did not compromise public safety. In addition, there were no construction lettings in the months of May and June 2020. Lastly, the Transportation Cabinet reduced the amount of upfront distributions and adjusted the timing of those upfront distributions to the cities and counties for the Revenue Sharing program throughout the Fiscal Year 2020. For Fiscal Year 2020, Road Fund revenues came in \$60.3 million less than the enacted budget, but \$101.5 million more than the revised estimate by the Consensus Forecasting Group (“CFG”). Fortunately, due to the Transportation Cabinet’s action and a more favorable revenue forecast than originally anticipated, the Transportation Cabinet was able to resume activities in Fiscal Year 2021 that were suspended or reduced, and no work on active construction projects had to be halted.

### **THE AUTHORITY**

#### **General**

The Authority was created by the Act and constitutes a de jure municipal corporation and political subdivision of the Commonwealth. The Authority is authorized under the Act, subject to the limitations contained in the Biennial Appropriations Act and terms of written agreements with the Transportation Cabinet, to construct, reconstruct, maintain, repair and operate turnpike projects, resource recovery road projects, and economic development road projects, to lease such projects to the Transportation Cabinet and to issue its revenue bonds, revenue refunding bonds, revenue notes and revenue bond anticipation notes to finance such projects. The Authority members are the Governor (serving as Chairman), the Lieutenant Governor (serving as Vice Chairman), the Attorney General, the Secretary of the Finance and Administration Cabinet, the Secretary of the Transportation Cabinet, the State Highway Engineer and the Secretary of the Cabinet for Economic Development. The current members of the Authority are as follows:

Governor	Andrew G. Beshear
Lieutenant Governor	Jacqueline Coleman
Attorney General	Daniel Cameron
Secretary, Finance and Administration Cabinet	Holly M. Johnson
Secretary, Transportation Cabinet	Jim Gray
State Highway Engineer	James E. Ballinger
Interim Secretary, Cabinet for Economic Development	Larry Hayes

The Executive Director of the Authority is Edgar Ross, the Treasurer of the Authority is Steven A. Starkweather and the Secretary of the Authority is Ryan Barrow.

The Act establishes and governs the operations of the Authority and authorizes and empowers the Authority under the terms of written agreements with the Transportation Cabinet to construct, reconstruct, maintain, repair and operate projects, resource recovery road projects and economic development road projects, to lease such projects to the Transportation Cabinet, to issue revenue bonds to finance such projects and to refund such revenue bonds. The Authority is also empowered to issue revenue notes and revenue bond anticipation notes.

### **Transportation Cabinet Projects Financed by the Authority**

Pursuant to the Act, the Transportation Cabinet and the Authority are empowered to enter into agreements and leases for various types of highway projects. The following briefly describes each of the types of projects which have been or are currently planned to be financed under the Act.

**Economic Development Road Projects; Revitalization Projects.** In 1980, the Kentucky General Assembly amended the Act to empower the Authority to issue obligations to finance economic development road projects which are currently defined in the Act to mean the construction, reconstruction or relocation of any highway, road or thoroughfare, or such part or parts thereof, as designated by the Transportation Cabinet as a part of the economic development road system of the Commonwealth. The Kentucky General Assembly found that “in many cases, highways, roads and thoroughfares which are vital economic links between various sections of the Commonwealth have become, by reason of age and continued usage, obsolete and are no longer capable of affording the services required in a modern industrial society,” and authorized the Authority to issue economic development road revenue bonds to correct such conditions. The Authority financed economic development road projects through the issuance of bonds in 1984 and 1987. The Act was amended in 1990 and Revitalization Projects were financed through the issuance of bonds in 1990, 1992, 1993, 1995, 2000, 2001, 2004, 2005, 2006, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017.

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## Outstanding Obligations of the Authority and the Transportation Cabinet

The outstanding bond obligations of the Authority and the SPBC that constitute obligations of the Transportation Cabinet as of July 1, 2021 assuming the July 1 payment was made on June 30 are as follows:

<u>Name of Revenue Bond Issue</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Original Principal Amount Issued</u>	<u>Par Amount Outstanding</u>
<b><u>Bonds Issued by the Authority</u></b>				
Economic Development Road Revenue Bonds and Road Revenue Refunding Bonds (Revitalization Projects)				
Series 2010B	6/25/2010	7/1/2030	\$ 187,640,000	\$162,470,000
Series 2011A*	4/19/2011	7/1/2031	115,175,000	-
Series 2012A*	3/13/2012	7/1/2032	218,200,000	11,330,000
Series 2013A*	10/2/2013	7/1/2033	187,625,000	17,780,000
Series 2014A	6/25/2014	7/1/2025	121,325,000	55,095,000
Series 2015A	7/22/2015	7/1/2035	68,880,000	55,450,000
Series 2015B	7/22/2015	7/1/2026	122,005,000	68,055,000
Series 2016A	4/7/2016	7/1/2029	222,670,000	171,955,000
Series 2016B	12/7/16	7/1/2036	41,980,000	33,085,000
Series 2017A	8/23/17	7/1/2037	27,415,000	27,415,000
Series 2017B	8/23/17	7/1/2028	<u>146,920,000</u>	<u>146,350,000</u>
Total Outstanding Bonds of the Authority			<u>\$1,459,835,000</u>	<u>\$748,985,000</u>
<b><u>Bonds Issued by the SPBC</u></b>				
Road Fund Revenue and Revenue Refunding Bonds				
Project No. 73 (Taxable Fourth Series)	11/15/2011	11/1/2021	\$ 43,700,000	\$ 6,635,000
Project No. 107 (Series A)	5/21/2014	5/1/2030	6,085,000	6,085,000
Project No. 107 (Series B – Taxable)	5/21/2014	5/1/2022	4,400,000	370,000
Project No. 111	12/3/2015	11/1/2035	4,960,000	4,005,000
Total Outstanding Bonds of the SPBC			<u>\$ 59,145,000</u>	<u>\$ 17,095,000</u>
<b>TOTAL TRANSPORTATION CABINET BOND OBLIGATIONS</b>			<b><u>\$1,518,980,000</u></b>	<b><u>\$766,080,000</u></b>

Source: Turnpike Authority of Kentucky and Transportation Cabinet

\*Amounts outstanding for Series 2011A, 2012A and 2013A reflect the issuance of the 2021 Series Bonds and the 2022 Series A Bonds for the purpose of refunding the bonds shown in Appendix C.

## Outstanding Debt Service Requirements

The following table sets forth the outstanding debt service requirements of the Authority and the SPBC that constitute obligations of the Transportation Cabinet as of the end of each June 30:

### Annual Transportation Cabinet Debt Service Requirements

Fiscal Year	Outstanding Debt Service		2021 Series Bonds			2022 Series A Bonds			Total
	Authority <sup>1,2,3</sup>	SPBC	Principal	Interest	Total	Principal	Interest	Total	
2022	\$127,270,918	\$ 7,943,200	\$ 1,825,000	\$ 1,628,792	\$ 3,453,792		\$ 679,340	\$ 679,340	\$ 139,347,250
2023	126,760,872	1,179,844	1,035,000	2,260,929	3,295,929		2,843,750	2,843,750	134,080,395
2024	126,860,085	1,180,244	1,040,000	2,258,175	3,298,175		2,843,750	2,843,750	134,182,254
2025	126,862,062	1,179,344	1,045,000	2,252,435	3,297,435		2,843,750	2,843,750	134,182,591
2026	108,336,163	1,178,944	1,055,000	2,243,280	3,298,280		2,843,750	2,843,750	115,657,137
2027	91,932,537	1,178,794	1,065,000	2,230,874	3,295,874		2,843,750	2,843,750	99,250,954
2028	82,990,650	1,174,019	12,560,000	2,215,772	14,775,772		2,843,750	2,843,750	101,784,191
2029	41,512,898	1,178,253	17,075,000	2,006,271	19,081,271	\$13,195,000	2,843,750	16,038,750	77,811,172
2030	30,683,795	1,180,113	17,490,000	1,565,086	19,055,086	13,855,000	2,184,000	16,039,000	66,957,993
2031	11,420,005	344,688	18,005,000	1,097,433	19,102,433	14,550,000	1,491,250	16,041,250	46,908,375
2032	10,063,205	340,163	13,495,000	598,468	14,093,468	15,275,000	763,750	16,038,750	40,535,585
2033	11,418,205	340,019	13,785,000	312,644	14,097,644				25,855,868
2034	11,415,705	344,256							11,759,961
2035	11,414,930	342,853							11,757,783
2036	8,491,430	335,981							8,827,411
2037	2,394,000								2,394,000
<b>Total*</b>	<b>\$929,827,459</b>	<b>\$19,420,712</b>	<b>\$99,475,000</b>	<b>\$20,670,158</b>	<b>\$120,145,158</b>	<b>\$56,875,000</b>	<b>\$25,024,590</b>	<b>\$81,899,590</b>	<b>\$1,151,292,920</b>

- Notes: 1. July principal and interest payments are paid and included in the prior fiscal year.  
 2. Outstanding debt service does not take into account receipt of direct payments from the United States Treasury under the Build America Bond program for the 2010 Series B Bonds.  
 3. Outstanding debt service shown does not include debt service for the portions of the Prior Bonds that are being refunded.  
 \* Totals may not add due to rounding.

## FUTURE FINANCINGS

The 2010 Extraordinary Session of the General Assembly adopted House Bill 3 (The Kentucky Transportation Cabinet Budget), which included authorization for \$400 million of Economic Development Road Revenue Bonds to support projects in the Biennial Highway Construction Plan, of which \$200 million was permanently funded by the Economic Development Road Revenue Bonds (Revitalization Projects), 2013 Series A Bonds, \$75 million permanently funded by the Economic Development Road Revenue Bonds (Revitalization Projects), 2015 Series A Bonds, \$45 million permanently funded by the Economic Development Road Revenue Bonds (Revitalization Projects), 2016 Series B Bonds, and \$30 million permanently funded by the Economic Development Road Revenue Bonds (Revitalization Projects), 2017 Series A Bonds. The balance of the authorization equal to \$50 million remains unissued at this time.

House Bill 2 of the 2012 Extraordinary Session of the General Assembly authorized \$12.5 million for the replacement of the Driver Licensing System expected to be issued through SPBC during calendar year 2022.

The Kentucky General Assembly may authorize additional debt financing to support various capital initiatives of the Commonwealth in future budgets, including projects supported by the Road Fund. Bonds may also be issued to refund outstanding appropriation-supported bonds.

## THE TRANSPORTATION CABINET

### General

The Department of Highways was established as an agency of the Commonwealth by the 1912 General Assembly. Pursuant to Executive Orders 72-288 and 73-543, confirmed by the Kentucky General Assembly by legislation enacted in 1974, the Department of Transportation (the "Department"), predecessor to the Transportation



Cabinet, was created as the successor to, and represented a reorganization and consolidation of, the Departments of Highways, Motor Transportation and Aeronautics. The Department also succeeded to certain specific functions and responsibilities of the Department of Public Safety and the Department of Revenue as such functions and responsibilities related to transportation. Pursuant to legislation enacted in 1982, the Transportation Cabinet was created as a successor to and succeeded to all duties of the Department.

The Transportation Cabinet is responsible for the construction, reconstruction and maintenance of the Commonwealth's primary road system, which carries an estimated 85% of the Commonwealth's motor vehicle traffic. This represents nearly 40.1 billion vehicle miles of travel. The system consists of some approximately 28,000 miles of parkways, interstate highways, the economic development road system, primary roads, secondary roads, rural secondary roads and supplemental roads, and includes approximately 9,080 bridges. Additionally, the Transportation Cabinet provides direction for licensed airports and heliports throughout the Commonwealth.

The Transportation Cabinet also regulates the operation of motor vehicles upon Kentucky's public highways and registers approximately 4.0 million vehicles and licenses 3.0 million drivers. The Commonwealth's Justice Cabinet is responsible for administratively enforcing Kentucky and federal laws and regulations pertaining to commercial vehicles in regard to weight and size limits, operating authority, safety, and tax compliance.

### **Organization and Management**

The Transportation Cabinet is organized into four major operating departments: Highways, Rural and Municipal Aid, Vehicle Regulation, and Aviation. Eleven offices perform staff functions: Office of the Secretary, Budget and Fiscal Management, Legal Services, Inspector General, Information Technology, Support Services, Audits, Human Resources Management, Transportation Delivery, Civil Rights and Small Business Development and Public Affairs. The Transportation Cabinet employs on average approximately 4,500 people on a full-time basis.

The Transportation Cabinet is headed by a Secretary of Transportation, who is appointed by the Governor. Each Department is organized under an appointed Commissioner, and each Office is supervised by an Executive Director. The engineering functions of the organization are under the supervision of a Commissioner of Highways, a State Highway Engineer and four Executive Directors, who also serve at the pleasure of the Governor. Middle management of the Transportation Cabinet is composed primarily of career employees, most of whom are members of the classified service, which is the Commonwealth's merit system for employees. Virtually all engineering personnel are protected under the classified service, assuring stability and continuity in the programs of the Transportation Cabinet.

### **Operations and Maintenance**

The Transportation Cabinet provides transportation services to the traveling public through a network of highly developed programs and operating units. To assure prompt and efficient delivery of services across the Commonwealth, the Transportation Cabinet operates 12 regional district offices, and highway maintenance facilities in each of the 120 counties.

The Transportation Cabinet relies on automated systems for tracking and assessing the activities in virtually all functional areas. The Transportation Cabinet uses a sophisticated automated maintenance management system that provides managers with performance data on all aspects of roadway maintenance work. The Transportation Cabinet also maintains an extensive and detailed database of the Commonwealth's highway infrastructure.

### **Capital Planning For Highways**

**General.** The Commonwealth's road planning process is structured to ensure the development of a continuous and credible highway improvement program that complements the Commonwealth's overall transportation system. The process and its products have evolved considerably in recent years as the Transportation Cabinet has lengthened its planning horizon and the General Assembly has assumed a more participatory role.

Prior to 1982, the Transportation Cabinet had internally identified, planned, and designed potential projects. Those projects which were approved by the Secretary were made a part of the Transportation Cabinet's five-year program and moved to construction as funds became available. In the 1982 Regular Session of the Kentucky General Assembly, legislation was enacted calling upon the Transportation Cabinet to present each regular session of the

General Assembly with a proposed highway construction program for the next three biennial periods. This proposed program for the three biennial periods is referred to as the “Six-Year Plan.”

The Six-Year Plan consists of a biennial construction program and a four-year preconstruction planning document. It is through this plan that legislative involvement in the project development process has been assured. In recent years, the Six-Year Plan has formed the foundation for development by the Transportation Cabinet of a more forward-looking transportation planning tool, which is formally known as the “Statewide Transportation Plan.” This plan, required first by the Federal Authorization Act, Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991, continued by the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) in 1998, the Safe, Accountable, Flexible, Efficient Transportation Equity Act for Users (SAFETEA-LU) in 2005, the Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21) in 2012, and the Fixing America’s Surface Transportation Act (FAST Act) in 2015 integrates all modes of transportation and expands the horizon of project needs identification beyond the six-year period prescribed by Kentucky statutes and allows a more far-sighted approach to transportation planning.

**Implementation of the Six-Year Plan.** Kentucky’s Six-Year Highway Plan is funded through the use of Commonwealth and federal highway dollars. Commonwealth funds are generally derived from fuel and motor vehicle excise taxes and other revenues to the Road Fund, plus the proceeds from road bonds issued by the Authority. Commonwealth funds are allocated to the Transportation Cabinet on a biennial basis and are used to finance state-funded projects or to match federal aid funds at various participation ratios dictated by the federal government. The majority of Kentucky’s federal-aid highway funds are appropriated annually from the Federal Highway Trust Fund operated by the U.S. Department of Transportation. All federal dollars must be spent within the appropriate funding category and cannot be transferred for use in other federal-aid categories except as specifically permitted by federal legislation. The annual federal-aid highway fund appropriation is governed by a multi-year federal authorization act. The most recent authorization act, the FAST Act, was enacted on December 4, 2015, and extended the Federal surface transportation programs for highways, highway safety, and transit until September 30, 2020. On September 30, 2020, Congress enacted its Continuing Appropriations Act, 2021 and Other Extensions Act (HR 8337) (the “Continuing Resolution”), which extended the FAST Act for an additional year, to September 30, 2021, but to date has not been further extended.

Congress is currently considering legislation as an alternative to reauthorizing the FAST Act.

In periods between such multiyear authorizations or consideration of alternative legislation, Congress and/or the Federal Highway Administration (the “FHWA”) have found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states in each instance, including with multiple interim authorizations.

Although measures have been enacted by Congress and/or the FHWA in the past, no assurance can be given that such measures would or could be enacted in the future to maintain the flow of federal aid funding upon termination of either an interim or multi-year authorization period.

If Congress fails to act to further increase Federal Highway Trust Fund (“FHTF”) revenues, the FHTF account balances are anticipated to be exhausted in federal fiscal year 2022. If FHTF balances dip below the threshold of \$1 billion, FHWA will need to implement cash management procedures to limit timely reimbursements under the Federal-Aid Highway Program. If reimbursements are limited, there may be impacts on the Road Fund’s cash balance. Depending on the length of time limited reimbursements could continue, the Transportation Cabinet may have to take action to reduce Road Fund expenditures. To reduce expenditures, the Transportation Cabinet may consider some or all of the following options: putting contracts on hold that have already been awarded but not begun work, cut back on targeted routine maintenance that would not compromise public safety, and/or reduce or stop construction lettings for new projects. Lastly, the Transportation Cabinet could reduce or halt work on active construction projects. There can be no assurance that the measures the Transportation Cabinet may implement will be sufficient to cover the delayed reimbursements described herein.

These federal-aid monies are generated by federal excise taxes and are made available in specific dollar amounts for specific types of improvements (i.e., national highway system, surface transportation program, bridge replacement projects, etc.). In general, all federal dollars must be spent within the appropriate funding category; however, states have some flexibility to transfer funds between program categories.

## Revenue Sources of the Transportation Cabinet

**General.** The Transportation Cabinet is funded through appropriations from a diversified revenue base, including the Road Fund, federal funds, restricted agency funds, and the Commonwealth's General Fund. In addition, the Transportation Cabinet expends funds on behalf of various government agencies and other organizations, including the Turnpike Authority, that participate in the construction and maintenance of highway projects. In the case of the Turnpike Authority, these funds are generated through the issuance of revenue bonds.

*Chapter 48 of the Kentucky Revised Statutes provides that "money derived from the excise or license taxation relating to gasoline and other motor fuels, and moneys derived from fees, excise or license taxation relating to registration, operation or use of vehicles for use on public highways" must be deposited in the Road Fund. The Kentucky Constitution mandates that such revenues be applied solely for highway-related uses. Section 230 of the Kentucky Constitution states in part as follows:*

No money derived from the excise or license taxation relating to gasoline and other motor fuels, and no monies derived from fees, excise or license taxation relating to registration, operation, or use of vehicles on public highways shall be expended for other than the cost of administration, statutory refunds and adjustments, payment of highway obligations, costs for construction, reconstruction, rights-of-way, maintenance and repair of public highways and bridges, and expense of enforcing state traffic and motor vehicle laws.

Following is a brief description of the various sources of revenue deposited in the Road Fund. The table under "THE TRANSPORTATION CABINET - Historical Available Road Fund Revenues, Expenses and Lease Rentals" herein provides an accounting of the portion of these revenue sources over each of the past five Fiscal Years that were available to pay debt service. These amounts are shown exclusive of any taxes, fees and miscellaneous revenues that are dedicated for other uses.

**Motor Vehicle Usage Tax.** Motor vehicle usage taxes are currently imposed on the sale or transfer of new or used motor vehicles at the rate of 6% of the vehicle's value. The value on which the tax is assessed on new cars is a percentage of the manufacturer's suggested retail price and for used cars and trucks is based on a notarized affidavit, prepared by both the buyer and seller, attesting to the actual cash consideration paid for the vehicle. See "Recent Changes to Road Fund Receipts" for a description of a new usage tax allowance credit.

During Fiscal Years 2018-2020, the motor vehicle usage taxes made up approximately 42-43% of the total monies deposited to the Road Fund and available to pay lease rentals though motor vehicle usage taxes comprised a higher percentage of approximately 48% of Road Fund revenue available to pay lease rentals in Fiscal Year 2021. See "THE TRANSPORTATION CABINET — Historical Available Road Fund Revenues, Expenses and Lease Rentals" herein.

**Motor Fuel Taxes.** Motor fuel taxes are levied on gasoline, liquefied petroleum gas and special fuels (predominantly diesel fuel) sold for use in motor vehicles operated on public highways and set by statute. The law provides for a variable tax rate equal to 9% of the average wholesale price (awp) of gasoline, which shall be rounded to the third decimal. For Fiscal Year 2021, the motor fuel tax is calculated on an awp of \$2.177 per gallon which is the statutory floor. The awp is calculated by the Department of Revenue for each calendar quarter using the awp from the first month of the previous quarter. The law further limits the awp increase to 10% from one fiscal year to the next, effectively capping the annual growth. In addition to the variable tax, the law provides for a supplemental highway-user motor fuel tax that is a fixed rate of 5 cents per gallon for gasoline and 2 cents per gallon for special fuels. See "THE TRANSPORTATION CABINET - Recent Changes to Road Fund Receipts" herein.

In addition to the above, firms operating commercial trucks in Kentucky are assessed a surtax of 2% of the awp on gasoline and 4.7% of the awp on special fuels on the amount of fuel used in operation on the public highways of the Commonwealth. By statute, this rate cannot be less than 3.6 cents per gallon on gasoline and 8.4 cents per gallon on special fuels. The current surtax rate effective July 1, 2020 was 4.35 cents for gasoline and 10.23 cents for special fuels which shall remain in effect through June 30, 2022.

These taxes made up approximately 35-36% of deposits in Fiscal Years 2018-2020 that were available for lease rentals, and approximately 32% of available Road Fund revenues for lease rentals in Fiscal Year 2021. See

“THE TRANSPORTATION CABINET — Historical Available Road Fund Revenues, Expenses and Lease Rentals” herein.

Further, a substantial portion of these motor fuels taxes is statutorily dedicated to a revenue sharing program and not available to pay lease rentals. See “THE TRANSPORTATION CABINET - Claims on Certain Transportation Cabinet Revenues” herein.

**Weight Distance Tax.** The weight distance tax is assessed on trucks operating on Kentucky roads at declared weights of 60,000 pounds or more at a rate of 2.85 cents per mile.

**Truck Licenses and Fees.** This category consists primarily of truck proportional registration fees, regular truck license fees, and highway special permits. Commercial trucks are assessed a per vehicle registration fee from \$24 to \$1,410 annually, based on the gross weight of the vehicle. Proportional registration fees are imposed on motor carriers and collected in their home state, then distributed to states in which the carrier operates, based on mileage driven. Kentucky’s share of these funds represents collections on Kentucky-based carriers in excess of what is distributed to other states for those carriers, as well as distributions from other states based on mileage driven in Kentucky by out-of-state carriers. Highway special permits are derived from the issuance of permits to operate a truck that exceeds state regulations for weight and/or dimensional limitations.

**Passenger Vehicle Licenses and Fees.** Regular passenger vehicle licenses and specialty passenger vehicle licenses are the two main components of this category. The annual registration fee for cars and light trucks is \$21. Of the \$21 fee, \$11.50 is deposited in the Road Fund.

**Motor Vehicle Operator Licenses.** Effective July 1, 2005 the cost for a four-year license is \$20. House Bill 410 of the 2017 Regular Session was passed and brings Kentucky into compliance with the federal REAL ID Act of 2005. Kentucky has federally compliant driver licenses and personal ID cards, or Voluntary Travel IDs, available for issuance. The new federally-compliant driver license and ID card is either a 4-year credential at a cost of \$24 or an 8-year credential at a cost of \$48. For those individuals who choose not to receive a federally compliant license or ID, they can instead receive a 4-year Standard Driver License or ID at the price of \$21.50 or an 8-year Standard Driver License or ID at the price of \$43. Those citizens choosing the Standard credential will need a passport or other acceptable identification documents to fly domestically or enter restricted federal governmental facilities.

House Bill 453 of the 2020 Regular Session was passed and establishes the Transportation Cabinet as the entity responsible for the issuance of driver licenses through the creation of regional offices across the Commonwealth. The issuance of driver licenses is currently transitioning from the Circuit Clerks to the Transportation Cabinet, and the transition is anticipated to be complete by the end of June 2022.

### **Recent Changes to Road Fund Receipts**

In recent years, the statutory changes enacted by the Kentucky General Assembly and various court cases have resulted in a number of changes that affect Road Fund receipts. A brief outline of some of the most notable tax modifications follows.

**Motor Vehicle Usage Tax.** The usage tax statutes generally provide for a usage tax of 6% levied on every motor vehicle used in Kentucky, subject to exemptions for certain kinds of transfers. The motor vehicle usage tax is collected when a motor vehicle is offered for registration for the first time in Kentucky or upon a transfer of ownership.

The 2013 General Assembly enacted legislation to make permanent a trade-in allowance for new vehicles in the Commonwealth for buyers who trade a used vehicle towards the purchase of a new vehicle. The purchaser pays the Motor Vehicle Usage Tax based on the value of the new vehicle in excess of the value of the trade-in vehicle. The trade-in allowance was effective July 1, 2014, and it has reduced Road Fund receipts available to pay lease rentals by at least approximately \$45-\$46 million a year.

The 2015 General Assembly enacted legislation, with the passage of H.B. 378, that exempted from taxation purchases made from Kentucky auto dealers by military service members assigned to duty in Kentucky. It reduced annual Road Fund receipts available to pay lease rentals by \$500,000 beginning in Fiscal Year 2016.

**Motor Fuel Taxes.** The motor fuel tax statutes provide for a variable tax rate equal to 9% of the average wholesale price (awp) of gasoline, which was, until July 1, 2005, subject to a statutory floor of \$1.11 per gallon for both gasoline and special fuels (primarily diesel). The awp was calculated by the Department of Revenue for each calendar quarter using the awp from the first month of the previous quarter. Until March 31, 2015, the law limited the annual fiscal year increase of the awp to 10%, but did not place an annual limit on the decrease (other than the statutory floor).

Since 2004 there have been several changes to the awp, both from legislative actions and through the automatic adjustment provisions. A complete history of those changes is displayed in the table titled KENTUCKY GASOLINE MOTOR FUEL TAX RATE HISTORY that follows this section.

The 2015 General Assembly enacted legislation, with the passage of H.B. 299, which established a new statutory awp floor of \$2.177 per gallon effective April 1, 2015. This legislation increased the motor fuel tax from 21.1 cents per gallon to 24.6 cents per gallon, and fundamentally changed the manner in which motor fuel tax rates are calculated. While motor fuel taxes have a fixed and variable rate component; prior to H.B. 299, the variable component of the tax was calculated and imposed on a quarterly basis. This legislation calculates the awp on an annual basis and limits the decline to either 90% of the awp in effect at the close of the previous fiscal year or the statutory floor, whichever is higher. Some specific provisions of this legislation are: (1) On or before June 1, 2016, and on or before each June 1 thereafter, an “annual survey value” will be calculated for the current fiscal year. This annual value will be determined by averaging the awp quarterly survey values for a fiscal year, as determined through continued regular surveys conducted by the Kentucky Department of Revenue; (2) Effective July 1, 2016, and each July 1 thereafter, the awp used to calculate the tax rate will be the annual survey value described above; and (3) Changes in the annual survey value from one fiscal year to the next are subject to +/-10% change in the awp in effect at the close of the previous fiscal year. However, the effective awp can at no point and time be lower than the \$2.177 per gallon statutory awp floor.

The following table displays the history of changes to the gasoline motor fuel tax rate in Kentucky. This table does not reflect the motor fuel tax for special fuels, which is 3 cents per gallon less than the gasoline motor fuel tax.

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**KENTUCKY GASOLINE MOTOR FUEL TAX RATE HISTORY**  
**(rates below reflect cents per gallon)**

Begin	Effective End	Gasoline Tax Rate KRS 138.220(1)	Motor Fuel User Tax KRS 138.220(2)	Total Motor Fuel Tax	Comments
7/1/1986	6/30/2004	\$1.11 X 9% = 10 Cents	5 Cents	15 Cents	\$1.11 was the awp floor from 1986-2004
7/1/2004	6/30/2005	\$1.22 X 9% = 11 Cents	5 Cents	16 Cents	Effective 7/1/2005 awp floor made permanent by HB267 2005 General Assembly
7/1/2005	6/30/2006	\$1.34 X 9% = 12.1 Cents	5 Cents	17.1 Cents	Effective 7/1/2006 awp floor made permanent by HB280 2006 General Assembly
7/1/2006	6/30/2007	\$1.47 X 9% = 13.3 Cents	5 Cents	18.3 Cents	
7/1/2007	6/30/2008	\$1.62 X 9% = 14.6 Cents	5 Cents	19.6 Cents	
7/1/2008	9/30/2009	\$1.79 X 9% = 16.1 Cents	5 Cents	21.1 Cents	Effective April 1, 2009 the awp floor made permanent by HB374 2009 General Assembly
10/1/2009	12/31/2009	\$1.86 X 9% = 16.8 Cents	5 Cents	21.8 Cents	
1/1/2010	6/30/2010	\$1.97 X 9% = 17.7 Cents	5 Cents	22.7 Cents	
7/1/2010	9/30/2010	\$2.17 X 9% = 19.5 Cents	5 Cents	24.5 Cents	
10/1/2010	12/31/2010	\$2.13 X 9% = 19.2 Cents	5 Cents	24.2 Cents	
1/1/2011	6/30/2011	\$2.162 X 9% = 19.5 Cents	5 Cents	24.5 Cents	
7/1/2011	6/30/2012	\$2.378 X 9% = 21.4 Cents	5 Cents	26.4 Cents	
7/1/2012	6/30/2013	\$2.616 X 9% = 23.5 Cents	5 Cents	28.5 Cents	
7/1/2013	12/31/2013	\$2.878 X 9% = 25.9 Cents	5 Cents	30.9 Cents	
1/1/2014	3/31/2014	\$2.708 X 9% = 24.4 Cents	5 Cents	29.4 Cents	
4/1/2014	6/30/2014	\$2.634 X 9% = 23.7 Cents	5 Cents	28.7 Cents	
7/1/2014	9/30/2014	\$2.897 X 9% = 26.1 Cents	5 Cents	31.1 Cents	
10/1/2014	12/31/2014	\$2.837 X 9% = 25.5 Cents	5 Cents	30.5 Cents	
1/1/2015	3/31/2015	\$2.354 X 9% = 21.2 Cents	5 Cents	26.2 Cents	
4/1/2015	6/30/2015	<b>STATUTORY FLOOR</b> \$2.177 X 9% = 19.6 Cents	5 Cents	24.6 Cents	Effective April 1, 2015 the awp floor made permanent by HB299 2015 General Assembly
7/1/2015	6/30/2016	\$2.177 X 9% = 19.6 Cents	5 Cents	24.6 Cents	Per provisions of HB299 enacted by 2015 General Assembly
7/1/2016	6/30/2017	\$2.177 X 9% = 19.6 Cents	5 Cents	24.6 Cents	
7/1/2017	6/30/2018	\$2.177 X 9% = 19.6 Cents	5 Cents	24.6 Cents	
7/1/2018	6/30/2019	\$2.177 X 9% = 19.6 Cents	5 Cents	24.6 Cents	

Begin	Effective End	Gasoline Tax Rate KRS 138.220(1)	Motor Fuel User Tax KRS 138.220(2)	Total Motor Fuel Tax	Comments
7/1/2019	6/30/2020	\$2.177 X 9% = 19.6 Cents	5 Cents	24.6 Cents	
7/1/2020	6/30/2021	\$2.177 X 9% = 19.6 Cents	5 Cents	24.6 Cents	
7/1/2021	6/30/2022	\$2.177 X 9% = 19.6 Cents	5 Cents	24.6 Cents	

In addition to the above motor fuel tax rates, Kentucky imposes a 1.4 cents per gallon underground storage tank fee on the sale of motor fuels. These funds are dedicated to the environmental clean-up of leaking underground fuel storage tanks and are not deposited to the Road Fund.

### Road Fund Actual Revenue for Fiscal Year 2021

Actual Road Fund Revenues for Fiscal Year 2021 were \$1,642.3 million, which exceeded the official Fiscal Year 2021 estimate of \$1,577.7 million by \$64.6 million. According to the July 30, 2021 Office of the State Budget Director's *Quarterly Economic & Revenue Report Fourth Quarter Fiscal Year 2021 (Annual Edition)*, Road Fund revenues are forecasted to increase 4.6 percent in the first nine months of Fiscal Year 2022.

### Claims on Certain Transportation Cabinet Revenues

There are a number of statutory requirements affecting certain Road Fund revenues. A total of 48.2% of the collections of motor fuels, normal, normal use and surtaxes are restricted and reserved for use on county, municipal, and state rural secondary roads. Effective July 1, 2005, one cent of the motor fuels normal tax was excluded from the above restriction. Effective July 1, 2006, the General Assembly excluded an additional 1.1 cents of the motor fuels normal tax from the revenue sharing provision above. See "THE TRANSPORTATION CABINET – Recent Changes to Road Fund Receipts" herein. Chapter 177 of the Kentucky Revised Statutes requires that 22.2% of these motor fuels tax receipts be expended by the Transportation Cabinet on the rural secondary road system. Chapter 177 also directs that 7.7% and 18.3% of the motor fuels tax be distributed, based on statutory formula, to municipal and county governments, respectively, for use on urban roads and streets and county roads and bridges. Finally, the statutes require that 0.1% of the motor fuels tax collections, up to a maximum of \$190,000, be set aside for the Kentucky Transportation Center. See "THE TRANSPORTATION CABINET – Revenue Sources of the Transportation Cabinet -Motor Fuel Taxes" herein.

Kentucky law establishes an account within the Road Fund, the Energy Recovery Road Fund, into which all fees relating to the extended weight coal haul system are to be credited. 60% of these funds are to be used by the Transportation Cabinet in maintaining the Commonwealth's portion of this road system, and 40% of which are to be distributed to the counties for the purpose of maintaining county roads on this system.

A portion of the receipts to the Road Fund resulting from the issuance or renewal of operator's licenses are also statutorily restricted. See "THE TRANSPORTATION CABINET – Revenue Sources of the Transportation Cabinet – Motor Vehicle Operator Licenses" herein. Chapter 186 of the Kentucky Revised Statutes requires that 50 cents for each four-year original or renewal operator's license be dedicated to expansion of the Kentucky driver education program. For each original or renewal motorcycle operator's license and each instruction permit, \$4 must be dedicated for the purpose of a motorcycle safety education program.

### Historical Available Road Fund Revenues, Expenses and Lease Rentals

The table on the following page illustrates the Transportation Cabinet's historical total available Road Fund revenues, expenses and lease rental obligations for the past five Fiscal Years. The figures are derived from the Transportation Cabinet's Financial Report to Management. Motor fuel revenues are shown net of the required allocations for urban roads and streets, for rural and secondary roads, for county roads and bridges, and for the Kentucky Transportation Center. Truck licenses and fees revenues are shown net of required allocations for the Energy Recovery Road Fund. Operating and maintenance expenses reflect only those related to Commonwealth highway and highway-related projects payable from the Road Fund. The figures for Fiscal Year 2021 are unaudited.

**Transportation Cabinet's  
Historical Available Road Fund Revenues,  
Expenses and Lease Rentals<sup>(1)</sup>**  
(AMOUNTS IN THOUSANDS)  
FOR THE FISCAL YEAR ENDED JUNE 30

	2017	2018	2019	2020	2021 (Unaudited)
AVAILABLE ROAD FUND REVENUES					
TAXES:					
Motor Fuels <sup>(2)</sup>	\$422,594	\$425,568	\$430,684	\$413,204	\$417,067
Vehicle Usage <sup>(3)</sup>	499,727	493,131	514,526	499,315	620,978
Weight Distance Tax	84,391	83,782	87,126	86,926	87,903
TRUCK LICENSES AND FEES	75,454	77,592	89,015	75,144	85,211
PASSENGER VEHICLE LICENSES AND FEES	49,220	49,011	50,347	46,780	51,566
MOTOR VEHICLE OPERATORS					
LIC	15,689	16,264	16,155	12,546	14,017
INTEREST INCOME	1,582	2,837	11,884	6,688	(118)
OTHER <sup>(4)</sup>	19,643	21,845	22,100	24,975	24,975
<b>TOTAL AVAILABLE ROAD FUND REVENUES</b>	<b>\$1,168,300</b>	<b>\$1,170,030</b>	<b>\$1,221,837</b>	<b>\$1,161,934</b>	<b>\$1,301,599</b>
OPERATING & MAINTENANCE EXPENSES					
Personnel Costs	\$237,606	\$255,570	\$293,275	\$293,678	\$301,756
Personal Service	11,517	11,693	6,041	7,370	6,718
Operating Expenses	149,561	169,285	166,525	167,029	170,511
Grants		10	3	6	6
Capital Outlay	32	44	819	662	312
Capital Construction	1,321	1,447	2,113	14,913	8,647
Highway Materials	29,834	33,597	38,169	37,638	42,713
Other Agency Cost <sup>(5)</sup>	92,119	93,095	110,428	88,667	83,591
<b>TOTAL OPERATING &amp; MAINTENANCE EXPENSES</b>	<b>\$521,990</b>	<b>\$564,741</b>	<b>\$617,373</b>	<b>\$609,960</b>	<b>\$614,254</b>
<b>NET AVAILABLE ROAD FUND REVENUES</b>	<b>\$646,310</b>	<b>\$605,289</b>	<b>\$604,464</b>	<b>\$551,974</b>	<b>\$687,345</b>
LEASE RENTALS <sup>(6)</sup>					
Turnpike Authority of KY					
Economic Development Road Project	153,287	154,821	154,413	142,392	142,480
State Property and Buildings Commission					
Project 73 (4th)	6,769	6,765	6,765	6,770	6,768
AVIS & AVIATION	4,975	4,973	4,975	1,830	1,831
C1 Garage	342	342	342	343	342
<b>TOTAL LEASE RENTALS</b>	<b>\$165,373</b>	<b>\$166,901</b>	<b>\$166,495</b>	<b>\$151,335</b>	<b>\$151,421</b>
<b>GROSS COVERAGE <sup>(7)</sup> (x)</b>	<b>7.06</b>	<b>7.01</b>	<b>7.34</b>	<b>7.68</b>	<b>8.60</b>
<b>NET COVERAGE <sup>(7)</sup> (x)</b>	<b>3.91</b>	<b>3.63</b>	<b>3.63</b>	<b>3.65</b>	<b>4.54</b>



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NOTES:

1. This schedule displays detailed information relating to the Commonwealth of Kentucky's Road Fund that can be used to calculate the coverage of available revenues compared to lease rental payments. For this table display, the Transportation Cabinet has revised and updated the categories into which revenues are subdivided to better reflect the significant sources of revenue available to make lease rental payments. These revisions and updates do not affect the total revenue available, only the way in which the revenue is categorized. Total Available Road Fund Revenues represent total revenues available to the Road Fund exclusive of taxes, fees, and miscellaneous revenues that are dedicated for other uses and not available to make lease rental payments to the Turnpike Authority or the SPBC. Operating and Maintenance Expenses include certain non-construction maintenance, operating, regulatory and administrative expenses related to the public highways. Net Available Road Fund Revenues represent Total Available Revenues less Operating and Maintenance Expenses.
2. The Kentucky motor fuel tax rates are set by statute and are subject to annual adjustments based on changes in the awp of fuel. See "THE TRANSPORTATION CABINET — Revenue Sources of the Transportation Cabinet and Recent Changes to Road Fund Receipts" herein.
3. The Kentucky motor vehicle usage tax is imposed on the sale or transfer of new or used motor vehicles at the rate of 6% of the vehicle's value. See "THE TRANSPORTATION CABINET — Revenue Sources of the Transportation Cabinet and Recent Changes to Road Fund Receipts" for more details.
4. Other Receipts consists primarily of general fees to the public, which includes the sale of maps, road plans, driver history records, and various other miscellaneous sales to the general public. Motor vehicle titling fees and proceeds from one-time sales of Cabinet assets also significantly contribute to this category.
5. The Kentucky General Assembly routinely appropriates Road Fund revenues to agencies outside of the Transportation Cabinet to fund the costs of traffic law enforcement, the collection of Road Fund tax revenues, and other administrative support functions related to the Cabinet.
6. Lease Rentals paid by the Transportation Cabinet to the Turnpike Authority of Kentucky include amounts representing the following: principal and interest requirements on Turnpike Authority Bonds and amounts required by the Turnpike Authority for administrative and other expenses; and any amounts to be transferred into the Redemption Account from the Debt Service Reserve Fund. Amounts paid to the SPBC include principal and interest requirements on SPBC bonds supported by Road Fund revenues issued from time to time to finance construction of various projects for the Transportation Cabinet.
7. Gross Coverage equals Total Available Road Fund Revenues divided by Total Lease Rentals. Net Coverage equals Net Available Road Fund Revenues divided by Total Lease Rentals.

### **Basis of Accounting**

The Transportation Cabinet's financial statements are maintained and reported on two bases of accounting. The interim financial statements are prepared on a modified cash basis of accounting and are prepared primarily for budgetary and cash management purposes. Under this basis of accounting, revenue is recorded when received in cash and expenditures are recorded when disbursements are made. Expenditures for liabilities incurred before year-end may be processed for a period of 30 days after the close of the Fiscal Year.

The (annual, as of June 30) audited financial statements are prepared on an accrual basis of accounting in compliance with Generally Accepted Accounting Principles as outlined by the Governmental Accounting Standards Board. A copy of the Transportation Cabinet's audited financial statements is included as a supplement to *The Kentucky Comprehensive Annual Financial Report*, published annually by the Commonwealth. Such report beginning with the Fiscal Year of the Commonwealth ending June 30, 2021 shall be known as the *Annual Comprehensive Financial Report*. See "THE COMMONWEALTH — Financial Information Regarding the Commonwealth, the Transportation Cabinet and the Authority" and "— Certain Financial Information Incorporated by Reference; Availability from NRMSIR and the Commonwealth."

The interim financial statements reconcile directly with the audited financial statements. Under the interim financial statements, the Transportation Cabinet maintains six operating funds: the Road Fund, the Federal Fund, the General Fund, the Agency Fund, Capital Projects Fund and the Other Expendable Trust Fund. General operating revenues such as motor fuel receipts, license and privilege taxes, departmental fees, and toll revenues are recorded in the Road Fund. Federal grants are recorded in the Federal Fund, and transfers from the Commonwealth's General Fund are recorded in the General Fund. Receipts dedicated to specific programs or purposes and related expenditures

are recorded in the Agency Fund. Transactions relating to the acquisition, construction or renovation of the Transportation Cabinet's major capital facilities and the acquisition of major equipment are accounted for in the Capital Projects Fund. The Other Expendable Trust Fund includes expenditures for the Human Service Transportation Delivery system. This pays the contract service providers for transportation of claimants to and from medical and rehabilitation appointments.

### **Cash Management**

Beginning with the enactment of the 2000-2002 Biennial Budget, the General Assembly established the Prefinancing Road Projects Program (the "Program") authorizing the Transportation Cabinet to develop and implement a program to accelerate projects contained in the Biennial Highway Construction Plan. The Program permitted the Transportation Cabinet to initiate work on highway projects in excess of available budget authority by employing a cash flow financing program. In accordance with the General Assembly's on-going authorization for the Program, the Transportation Cabinet has used the Road Fund cash balance to accelerate highway projects.

The 2002-2004 Biennial Budget added the requirement of the Transportation Cabinet to maintain a minimum Road Fund cash management target of \$100 million. Prior to Fiscal Year 2000, the Transportation Cabinet managed the highway program on an obligation basis by setting aside the entire cost of a highway project phase at the time work was approved to begin. Since the establishment of the Program, the Transportation Cabinet has developed a number of cash management practices and tools to forecast and monitor cash activity on an on-going basis. The goal is to maximize available resources for the delivery of services while ensuring that funds are sufficient to meet current obligations. The authorizing legislation requires that the Transportation Cabinet continuously ensure that funds are available to meet expenditures. The most critical cash management practice in terms of controlling future cash outlays is determining which Six-Year Highway Plan projects are authorized for funding and when work is to begin. Oversight of this process is a responsibility of the Authorization Review Team (ART) and consists of members from various areas of the Transportation Cabinet, including the Secretary's office, the State Highway Engineer's office, Program Management and Budget and Fiscal Management. Additionally, the Transportation Cabinet provides periodic updates regarding Program status to the Office of the State Budget Director, the Finance and Administration Cabinet and the General Assembly.

Using the cash flow financing approach, the Transportation Cabinet has used the Road Fund cash balance to expedite the start and completion of highway projects. The Road Fund net cash balance as of August 31, 2021 was approximately \$410,500,000.

### **Budget Process of the Transportation Cabinet**

The General Assembly is required by the Kentucky Constitution to adopt measures providing for the Commonwealth's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

The Transportation Cabinet budget for the biennium is prepared in accordance with Chapter 48 of the Kentucky Revised Statutes and based on two-year projections made in light of long-range program requirements and revenue estimates. The biennial budget request is prepared by the Transportation Cabinet and presented to the Governor for submission to the Kentucky General Assembly at its biennial session. The estimates of revenues are made by the consensus forecasting process as prescribed by Chapter 48.115 of the Kentucky Revised Statutes.

The 2009 General Assembly enacted legislation, H.B. 423, which significantly amended Chapter 48 of the Kentucky Revised Statutes regarding the way in which the Governor and the General Assembly must develop and enact the biennial budget for the Transportation Cabinet. Beginning with the Fiscal Year 2011-2012 biennial budget period, the Governor is now required to submit to the General Assembly a branch budget recommendation for the Cabinet, apart from the recommendation of other executive agencies. The Cabinet's branch budget recommendation must include a branch budget bill and a separate bill that lists projects for the biennial highway construction plan. The General Assembly is required to enact the biennial budget in the fashion described.

Transportation Cabinet budget development is initially dependent upon determining (1) available funds both dedicated and undedicated, (2) lease rental obligations, (3) operating requirements and (4) construction program requirements. The budget is developed from the analysis of the above factors, prior year expenditures and new demands on the transportation program for the fiscal period in question.

The construction program requirements consist of the estimated cost of new construction by project within each system of highways, by phase and by quarter. Cost estimates are based upon the estimated contractual and non-contractual costs of preliminary engineering, acquiring rights-of-way, construction, relocating utilities, design and other factors.

The operating requirements for the Transportation Cabinet are formulated by the Transportation Cabinet Budget Office from requests from each budget unit, with subsequent analysis, discussions and adjustments. Final approval of the agency biennial budget request is given by the Secretary of the Transportation Cabinet prior to submission to the Office of the State Budget Director.

In order to provide efficient budget control during the budget execution process, close liaison is maintained between the budget units, the Transportation Cabinet's Budget Office and the Office of the State Budget Director. Proposed changes in policy and programs are studied with a view to their effect on the budget. Routine financial reconciliations are conducted monthly between the Budget Office and various units of the Transportation Cabinet as well as with the Finance and Administration Cabinet.

Due to the impacts of COVID-19, the Kentucky General Assembly during its 2020 Regular Session enacted a one-year Transportation Cabinet budget, which was adopted with the intent to address the Fiscal Year 2022 Transportation Cabinet budget during the 2021 Regular Session of the General Assembly. This non-traditional approach was a direct effect of the uncertainty resulting from the temporary economic slow-down caused by the actions taken to combat COVID-19. An additional one-year Transportation Cabinet budget bill for the second year of the biennium was delivered to the Governor on March 30, 2021 and, vetoed in part.

The one-year budget does not adversely impact rent payments under the Lease. However, there can be no assurance (i) that the Transportation Cabinet will include rent payments in future budgets submitted to the General Assembly, (ii) that the General Assembly will approve appropriations in amounts sufficient to enable the Transportation Cabinet to make rent payments under the Lease or (iii) that the Governor, in the performance of his or her obligation to balance the Commonwealth's annual budget, will not reduce or eliminate any such appropriations. Historically, appropriations for the benefit of the Transportation Cabinet have been funded from the Road Fund.

In the absence of a legislatively enacted budget, the Supreme Court has ruled that the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of and interest, when due, on obligations that are subject to appropriation.

## **THE COMMONWEALTH**

The Commonwealth of Kentucky, nicknamed the Bluegrass State, was the fifteenth state. Kentucky is bounded by the Ohio River to the north and the Mississippi River to the west, and is bordered by the States of Illinois, Indiana, Ohio, West Virginia, Tennessee, Missouri and the Commonwealth of Virginia.

Material amounts of federal stimulus continue to flow into Kentucky to combat the economic effects of COVID-19. The \$1.9 trillion federal package passed in March of 2021 included nearly \$5 billion in direct payments to Kentucky individuals, \$2.4 billion to state government, \$1.6 billion to local governments and hundreds of millions of dollars to schools. Vaccines are widely available, but positivity rates have fluctuated. The unofficial interim estimate projects a 3.3 percent increase in Commonwealth General Fund revenues over the first three quarters of Fiscal Year 2022. None of the models used by the state in December of 2020 to predict revenues for Fiscal Year 2022 contemplated the amount of federal stimulus and the impact it would have in the Commonwealth. The budget for Fiscal Year 2022 passed by the Kentucky General Assembly and sent to the Governor in March of 2021 was a continuation budget from the one year budget passed in the early stages of the pandemic during March of 2020.

The March 2021 IHS Markit Outlook used in the 4<sup>th</sup> Quarter Economic & Revenue Report, which is summarized below, incorporates all pandemic relief measures enacted in 2020, in addition to the \$1.9 trillion American Rescue Plan Act federal stimulus enacted March 11, 2021.

As indicated in the Commonwealth of Kentucky Quarterly Economic & Revenue Report Third Quarter Fiscal Year 2021, Kentucky personal income grew by 7.4 percent in the third quarter of FY 2021, which is below the national growth rate of 8.7 percent. The adjacent-quarter growth rates for the last five quarters were 0.9, 10.6, -6.8, -2.3, and 6.7 percent, respectively. The previous peak for Kentucky personal income was \$220.7 billion, which occurred in the fourth quarter of FY20. Personal income is currently 2.9 percent below the previous peak. Transfer receipts income remains the fastest growing personal income component while dividends, interest and rents was the slowest growing component. Kentucky transfer receipts adjacent-quarter growth rates for the last five quarters were 2.6, 63.6, -27.8, -12.7, and 24.8 percent, respectively. Transfer receipts income remains 36 percent higher than immediately before the 2020 recession. Dividends, interest and rents income, which made up 15.3 percent of total personal income, decreased 1.8 percent in the third quarter of Fiscal Year 2021.

As all supersectors lost jobs during the past year, Kentucky non-farm employment decreased a net 4.8 percent in the third quarter of FY 2021. Most of the job losses occurred during the recession. The last five adjacent-quarter growth rates for Kentucky non-farm employment were 0.2, -12.3, 6.8, 1.2, and 0.4, respectively. Kentucky non-farm employment fell 12.3 percent from the third quarter of FY20 to the fourth quarter of FY20, a loss of 240,700 jobs. However, non-farm employment grew during the next three quarters on an adjacent-quarter basis. Kentucky non-farm employment in the third quarter of FY 2021 was 1,859,400, which is still 93,500 jobs below the previous peak during the third quarter of FY 2020. The Quarterly Economic Revenue Report for the Third Quarter of Fiscal Year 2021 may be found together with the previous quarterly report at [www.osbd.ky.gov](http://www.osbd.ky.gov).

While Kentucky's economy has recovered much of its initial economic losses, total non-farm employment has not yet returned to pre-pandemic levels. Total non-farm employment is forecasted to edge up by 24,100 jobs by June 2021, and by an additional 31,600 jobs by December 2021, ending the second quarter of FY22. A subtle uptick in non-farm employment growth is expected over the next three fiscal quarters. Personal income is expected to grow 3.6 percent by the final quarter of FY 2021, and by 1.7 percent for the first half of FY 2022. Gains in personal income are expected to support consumer spending and disposable income in the short term, improving the overall economic climate over the forecast horizon.

### **Financial Information Regarding the Commonwealth, the Transportation Cabinet and the Authority**

Information regarding debt issuing authorities of the Commonwealth is included in APPENDIX A.

The Commonwealth annually publishes *The Kentucky Comprehensive Annual Financial Report* (the "CAFR") with respect to the Fiscal Year of the Commonwealth most recently ended. The CAFR includes certain financial statements of the Commonwealth, as well as general financial information pertaining to the Accounting System and Budgetary Controls, Debt Administration, Cash Management, Risk Management, General Fund Budgetary Basis and Governmental Funds GAAP Basis. In addition, the Notes to Financial Statements as set forth in the CAFR contain information regarding the basis of preparation of the Commonwealth's financial statements, Funds and Pension Plans. The "Statistical Section" of the CAFR includes information on Commonwealth revenue sources, Commonwealth expenditures by function, taxes and tax sources, taxable property, assessed and estimated values, property tax, levies and collections, demographic statistics (population, per capita income and unemployment rate), construction and bank deposits, sources of personal income and largest Commonwealth manufacturers. Commencing with the Fiscal Year of the Commonwealth ending June 30, 2021, the CAFR will be known as the *Annual Comprehensive Financial Report* and is anticipated to be referred to as the "ACFR".

### **Certain Financial Information Incorporated by Reference; Availability from NRMSIR and the Commonwealth**

The CAFR for the Fiscal Year ended June 30, 2020 is incorporated herein by reference. The Commonwealth has filed the CAFR for the Fiscal Year ended June 30, 2020 with the following Nationally Recognized Municipal Securities Information Repository ("NRMSIR") in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"):

Municipal Securities Rulemaking Board  
Electronic Municipal Market Access System (“EMMA”)  
Internet: <http://emma.msrb.org>

A copy of the CAFR for the Fiscal Year ended June 30, 2020 may be obtained from EMMA. Additionally, the CAFR for the Fiscal Year ended June 30, 2020 and certain other fiscal years may be found on the Internet:

<http://finance.ky.gov/services/statewideacct/Pages/ReportsandPublications.aspx>

Only information contained on the Internet web page identified above is incorporated herein and no additional information that may be reached from such page by linking to any other page should be considered to be incorporated herein.

The Authority will enter into a Continuing Disclosure Agreement (as hereinafter defined) in order to enable the Underwriter to comply with the provisions of Rule 15c2-12. See “CONTINUING DISCLOSURE” and “APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein. In addition, ongoing financial disclosure regarding the Commonwealth will be available through the filing by the Commonwealth of two documents entitled *The Kentucky Comprehensive Annual Financial Report* and *Supplementary Information to the Kentucky Comprehensive Annual Financial Report* (or successor reports) with EMMA as required under Rule 15c2-12.

### INVESTMENT POLICY

The Commonwealth’s investments are governed by KRS 42.500 et seq. and KAR Title 200 Chapter 14. The State Investment Commission (“SIC”), is currently comprised of the Governor, the Treasurer, Secretary of the Finance and Administration Cabinet and two gubernatorial appointees from the Kentucky Banker’s Association and Bluegrass Community Bankers Association, is charged with the oversight of the Commonwealth’s investment activities. Effective June 29, 2021, KRS 42.500 will be amended to replace the Governor with the State Controller as a member of the SIC. The SIC is required to meet at least quarterly, and delegates day-to-day investment management to the Office of Financial Management.

On July 31, 2021, the Commonwealth’s operating portfolio was approximately \$7.625 billion in cash and securities. The composition of investments was as follows: U.S. Treasury securities (31.6%); securities issued by agencies and instrumentalities of the United States Government (13.3%); mortgage-backed securities and collateralized mortgage obligations (0.9%); repurchase agreements collateralized by the aforementioned (5.2%); municipal securities (0.0%); and corporate and asset-backed securities, including money market securities (49%). The portfolio had a current yield of 0.08% and an effective duration of 0.53 years.

The Commonwealth’s investments are currently categorized into three investment pools; the Short Term, Limited Term, and the Intermediate Term Pools. The purpose of these pools is to provide economies of scale that enhance yield, ease administration and increase accountability and control. The Short Term Pool consists primarily of the General Fund and related accounts. The Limited Term Pool is a money market like pool which focuses on principal protection for certain agency funds. The Intermediate Term Pool represents a combination of Agency Fund investments, state held component unit funds, fiduciary funds held for the benefit of others, and also bond proceeds for capital construction projects, held until spent for their intended purpose. Bond proceeds were previously invested separately until July 2010 when they were added into the Intermediate Term Pool to provide additional economies of scale.

KAR Title 200 Chapter 14 provides, among other things that: corporate securities, inclusive of Commercial Paper, Banker’s Acceptances and Certificates of Deposit, are limited to \$25 million per issuer and a stated final maturity of five years or less. Money market securities rated A1, P1 or higher are limited to 20 percent of the investment pools. Asset-Backed Securities (“ABS”) are limited to 20 percent of the investment pools. Mortgage-Backed Securities (“MBS”) and Collateralized Mortgage Obligations (“CMO”) are also limited to a maximum of 25 percent of the investment pools. ABS, MBS and CMO must have a weighted average life of four years or less at time of purchase. Changes have been proposed for these regulations which generally would tighten the securities eligible for purchase while allowing a larger position in certain of those security types.

The Commonwealth engages in selective derivative transactions. These transactions are entered into only with an abundance of caution and for specific hedge applications to minimize yield volatility in the portfolio. The

SIC expressly prohibits the use of margin or other leveraging techniques. The Commonwealth executes a variety of transactions which may be considered derivative transactions, which include: over the counter treasury options, MBS, CMO and ABS.

## State Retirement Systems

Following is information about the Commonwealth's retirement system, including pension plans and other post-employment benefits. Capitalized terms used under this heading and not otherwise defined shall have the respective meanings given by the CAFRs, as herein defined.

*Pension Plans.* Effective April 1, 2021, eligible state and local government employees may participate in one of two provided multi-employer benefit plans: (i) the Kentucky Public Pensions Authority ("KPPA"), or (ii) the Teachers' Retirement System of Kentucky ("TRS"). The Kentucky Retirement Systems, through its board, oversees three of the five plans supported by the KPPA: (i) Kentucky Employees Retirement System ("KERS") Non-Hazardous, (ii) KERS Hazardous and (iii) the State Police Retirement System ("SPRS"). The County Employees Retirement System has its own governance board, separate from the Kentucky Retirement Systems, and oversees the County Employees Retirement System ("CERS") Non-Hazardous, and CERS Hazardous, which are the fourth and fifth of five systems that the KPPA supports. The KPPA is an administrative entity that performs daily system activities, which include administrative support, investment management, benefits counseling, accounting and payroll functions and legal services for all five plans. The KPPA is governed by a third board, which is composed of members of the boards of each of the Kentucky Retirement Systems and CERS. Each retirement plan is state supported, except for the CERS plans, which have been excluded from the Kentucky Retirement Systems information provided herein. The Kentucky Retirement Systems and TRS (collectively, the "Retirement Plans") provide both retirement and Other Post-Employment Benefits ("OPEB") to state employees and teachers based upon their age, hire date, years of service and retirement date. Most retirement benefits are subject to a statutory inviolable contract under which the benefits shall not, with limited exceptions, be reduced or impaired by alteration, amendment or repeal. KERS Non-Hazardous eligible employees hired January 1, 2014 and thereafter, are no longer party to the inviolable contract and the General Assembly can amend, suspend or reduce benefits with future legislation. The Kentucky Public Employees' Deferred Compensation Authority (the "KDC") additionally provides administration of tax-deferred supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate. The available deferred compensation plans include a 457(b) Plan and a 401(k) Plan. The Retirement Plans and KDC are component units of the Commonwealth for financial reporting purposes and are included in The Kentucky Comprehensive Annual Financial Report. For a brief description of the Retirement Plans and of the Retirement Plans' assets and liabilities, see The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2020 Note 8 beginning on page 97. Additional information regarding the Kentucky Retirement Systems and TRS can be found on their respective web sites at <https://kyret.ky.gov> and <https://trs.ky.gov>, including their respective Comprehensive Annual Financial Reports (collectively, the "CAFRs") and the accompanying actuarial studies, described under Other Post-Employment Benefits. Only information contained on the Internet web page identified above is incorporated herein and no additional information that may be reached from such page by linking to any other page should be considered to be incorporated herein.

*Pension Funding.* The Commonwealth's enacted budget for fiscal years 2019 through 2021 included the full Actuarially Determined Employer Contribution ("ADEC") for the assumed rates of return found on the following pages for the Kentucky Retirement Systems executive branch participants and TRS. Certain "Quasi" government agencies which participate in the KERS non-hazardous system were permitted to retain the FY 2018 contribution rate of 49.47% for fiscal years 2019 through 2021. Based upon the assumptions employed in the Retirement Plans' June 30, 2020 actuarial valuation reports used in preparing the associated Retirement Plans' 2020 CAFRs, the Kentucky Retirement Systems had a state supported pension Unfunded Actuarial Accrued Liability (the "UAAL") of \$15,357 million. TRS, assuming a 7.5 percent investment return, had a pension UAAL of \$14,788 million. Unlike Fiscal Year 2017, TRS was not required to report the pension liability in accordance with GASB 67. The state supported portion of the Retirement Plans for the Fiscal Year ended June 30, 2020 had funding percentages of 17.82 percent for the Kentucky Retirement Systems and 58.45 percent for TRS. These funding percentages compare to 16.86, and 58.12 percent respectively for the Fiscal Year ended June 30, 2019. In FY2000 funding ratios were greater than 100% and decreased over a number of years due to a variety of factors including, changes to the discount rate, lower than projected investment returns and other variances from actuarial assumptions. The Kentucky Retirement Systems' state supported ADEC for pension benefits for the Fiscal Year ended June 30, 2020 was \$1,170 million; \$1,166 million was contributed. The TRS state supported pension ADEC for the Fiscal Year ended June 30, 2020 was \$1,134 million; \$1,134 million was contributed.

*Other Post Employment Benefits (“OPEB”).* The Governmental Accounting Standards Board has promulgated Statement 45 (“Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions”), which the Commonwealth has adopted.

The Commonwealth is obligated to provide healthcare benefits to certain retired state employees and teachers. The Pension Plans administer two multi-employer defined benefit healthcare plans (collectively, the “Health Plans”) for which the Commonwealth pays a portion of the cost of the benefits of the retired employees. As of January 1, 2006, the Commonwealth commenced self-funding of healthcare benefits for state employees. The Kentucky Retirement Systems also adopted, on January 1, 2006, a self-funding health care plan for Medicare Eligible Retirees. TRS became self-insured for post- retirement healthcare costs for Medicare Eligible Retirees on July 1, 1991. Beginning January 1, 1997, TRS offered non-Medicare Eligible Retirees insurance through the state health insurance program, which has since become self-insured. Beginning January 1, 2007, TRS offered its Medicare Eligible Retirees an insured Medicare Advantage Plan and, beginning July 1, 2010, offered this group an insured Employer Group Waiver Drug Plan. The TRS Board requires retirees not eligible for Medicare to pay the equivalent for the Medicare Part B program towards their cost of health coverage.

The Pension Plans commission actuarial studies, which provide results for consideration, under certain actuarial funding methods and sets of assumptions. A five-year experience study covering the period from July 1, 2008 to June 30, 2013 for the Kentucky Retirement Systems, was dated April of 2014. Similarly, a five-year experience study (the “Experience Study”) covering the period from July 1, 2015 to June 30, 2020 for the TRS Board was dated June 21, 2021. In addition to the experience studies, annual actuarial reports are performed on both retirement systems. Pursuant to their respective actuarial studies, the OPEB UAAL as of June 30, 2020 was estimated at \$1,426.7 million for the Kentucky Retirement Systems and \$1,086.7 million for TRS. These estimates represent the present value of the amount of healthcare benefits under the respective Health Plans, payable over future periods and allocated by the actuarial cost method, as of June 30, 2020. The actuarial estimates for the Kentucky Retirement Systems’ OPEB liabilities decreased from the \$1,722.4 million reported in the Kentucky Retirement Systems’ 2019 CAFR. The actuarial estimates for TRS decreased from the \$1,715.7 million reported in their 2019 CAFR.

The Kentucky Retirement Systems’ state supported OPEB Actuarially Determined Employer Contribution for Fiscal Year ended June 30, 2020 was \$201.4 million; \$193.9 million was contributed. The TRS state supported OPEB Actuarially Determined Employer Contribution for the Fiscal Year ended June 30, 2020 was \$45.8 million; \$186.4 million was contributed. The state supported portion of the OPEB for the Fiscal Year ended June 30, 2020 had funding percentages of 56.4 percent for the Kentucky Retirement Systems and 62.3 percent for TRS.

*Recent Changes to State Retirement Systems.* The following link to the Kentucky Legislative Research Commission Legislative Record provides bill language, fiscal impact and actuarial analysis related to the bills in this section: <https://legislature.ky.gov/Legislation/Pages/default.aspx>.

House Bill 8 of the 2021 Regular Session of the Kentucky General Assembly was delivered to the Governor for signature or veto on March 21, 2021, and was signed by the Governor on March 23, 2021. House Bill 8 amends KRS 61.565 to change the Kentucky Employees Retirement System's (KERS) nonhazardous actuarially accrued liability contribution (unfunded liability payment) that is payable by employers on or after July 1, 2021, from a value that is paid as a percent of pay on each employee to a set dollar amount; and provide that the set dollar amount shall be allocated to each individual employer based upon the employer's percent share of the liability as of the June 30, 2019 actuarial valuation.

House Bill 258 of the 2021 Regular Session of the General Assembly was delivered to the Governor on March 16, 2021, vetoed by the Governor on March 23, 2021, and the veto was overridden by the legislature on March 29, 2021. House Bill 258 provides a new tier of benefits for teachers hired on or after January 1, 2022. The new plan includes a defined benefit foundational component and a defined contribution supplemental component. It does not change any benefits for existing TRS members active or retired.

Senate Bill 249 of the 2020 Regular Session of the Kentucky General Assembly was signed by the Governor on April 8, 2020. The bill had several provisions that affected KERS, SPRS and CERS. The amortization of the UAAL was again reset for this system to a closed 30-year amortization beginning with the June 30, 2019 valuation, and using a level percent of payroll instead of the current level dollar amortization. Additionally, any future increases or decreases in the UAAL will be amortized over a 20-year closed period utilizing a layered amortization method. Among other administrative changes, the bill also extended to June 30, 2021 the voluntary cessation of participation

date for the 118 quasi-governmental agencies identified in House Bill 1 of the 2019 Regular Session. The University determination of voluntary cessation of participation date was previously set to January 1, 2021. Finally, the bill delayed an increase of the phase-in of higher contribution rates for CERS employers.

House Bill 352 of the 2020 Regular Session vetoed in part and vetoes overridden on April 15, 2020 set the KERS employer contribution rate at 84.43 percent for FY2021 and set the 118 quasi-governmental employer contribution rate below the current ADEC rate at 49.47 percent.

House Bill 484 of the 2020 Regular Session was signed by the Governor on April 7, 2020. This bill in-effect made no administrative changes, but separated the CERS and KRS into two governing boards. Oversight of CERS was transferred from the Kentucky Retirement Systems board of trustees to the County Employees Retirement System board of trustees.

House Bill 1 of the 2019 Special Session of the Kentucky General Assembly was signed by the Governor on July 24, 2019. Its purpose was to address pension related changes for 118 quasi-governmental agencies including regional mental health programs, local and district health departments, domestic violence shelters, rape crisis centers, child advocacy centers, state-supported universities and community colleges. The bill froze the employer contribution rate at 49.47% for Fiscal Year 2020 and provided four avenues for voluntary cessation of participation in the Kentucky Retirement System or the option to remain in the System for those agencies. An actuarial analysis by GRS Retirement Consulting, dated July 18, 2019, projected an actuarial cost relief to those agencies of \$827 million. The FY 2020 employer contribution rate freeze at 49.47% instead of the actuarial determined rate of 83.43%, was projected to have an actuarial cost of \$121 million for FY 2020 to the Retirement System.

Senate Bill 151 from the 2018 Regular Session of the General Assembly was signed into law by the Governor on April 10, 2018. The bill modified the funding structure of the Retirement Plans from a percent-of-payroll method to a level-dollar method, provided reform to the TRS plan, further modified benefits under the Kentucky Retirement System plans, and replaced prior legislation for opt-out provisions for quasi-governmental agencies wishing to exit the Kentucky Retirement System plans. On December 13, 2018, the Kentucky Supreme Court ruled Senate Bill 151 unconstitutional based on procedural reasons, not on merits of the bill.

Some of the 2018 pension reforms were based on a PFM Group Consulting, LLC three-part report dated August 2017, May 2017 and December 2016, respectively. The report developed a range of analyses that illustrated the current and projected financial condition of the retirement systems, and provided options and recommendations for improvement and reform. The report and other selected pension reform related information may be viewed at [www.osbd.ky.gov](http://www.osbd.ky.gov).

In May and July of 2017, the Kentucky Retirement Systems Board voted to make the following assumption changes which were used for the Fiscal Year 2017 Actuarial Report as well as used in determining the Fiscal Year 2019 and 2020 employer contributions:

		Assumed Rate of Return		Inflation		Payroll Growth	
		To	From	To	From	To	From
KERS-N <sup>(1)</sup>	Pension	5.25%	6.75%	2.30%	3.25%	0.00%	4.00%
KERS-N <sup>(1)</sup>	OPEB	6.25%	6.75%	2.30%	3.25%	0.00%	4.00%
KERS-H <sup>(2)</sup>	Pension	6.25%	7.50%	2.30%	3.25%	0.00%	4.00%
KERS-H <sup>(2)</sup>	OPEB	6.25%	7.50%	2.30%	3.25%	0.00%	4.00%
SPRS	Pension	5.25%	6.75%	2.30%	3.25%	0.00%	4.00%
SPRS	OPEB	6.25%	6.75%	2.30%	3.25%	0.00%	4.00%
CERS	Pension	6.25%	7.50%	2.30%	3.25%	2.00%	4.00%
CERS	OPEB	6.25%	7.50%	2.30%	3.25%	2.00%	4.00%
CERS-H <sup>(2)</sup>	Pension	6.25%	7.50%	2.30%	3.25%	2.00%	4.00%
CERS-H <sup>(2)</sup>	OPEB	6.25%	7.50%	2.30%	3.25%	2.00%	4.00%

<sup>(1)</sup> Non-Hazardous

<sup>(2)</sup> Hazardous



As of July 2017, the TRS assumptions are as follows:

		Assumed Rate of Return	Inflation	Payroll Growth
TRS	Pension	7.50%	3.50%	4.00%
TRS	OPEB	8.00	3.50	4.00

In June 2021 the TRS Board, based on the Experience Study, voted to adopt a 7.10% assumed rate of return, price inflation of 2.50% and wage inflation of 2.75%.

In December 2016 the Kentucky Retirement Systems and TRS publicly presented the annual actuarial valuation reports of the systems as prepared by Cavanaugh Macdonald as of June 30, 2016. The assumed investment rate of return for KERS Non-Hazardous and SPRS was 6.75 percent based on the annual valuation conducted as of June 30, 2016. The KERS Hazardous, CERS and TRS plans continue to use a 7.5 percent discount rate. There was a reduction in the assumed rate of return from 7.75 percent to 7.5 percent for the valuation as of June 30, 2015.

Senate Bill 2 from the 2013 Regular Session of the General Assembly was signed into law by the Governor on April 4, 2013. The bill created a new section in KRS Chapter 7A establishing a 13 member Public Pension Oversight Board to oversee the Kentucky Retirement Systems and report to the General Assembly on benefits, administration, investments, funding, laws, administration regulations and legislation pertaining to Kentucky Retirement Systems. The bill also stated that new employees hired after January 1, 2014 will be placed in a Hybrid Cash Balance Plan. This plan has a guaranteed rate of return of 4.0 percent for both hazardous and non-hazardous employees, plus 75 percent of the investment return in the plan in excess of 4.0 percent to the employee. Hazardous employees' employer contribution is set at 7.5 percent of salary and non-hazardous employees have an employer contribution of 4.0 percent. The bill further provides for a 1.5 percent COLA only if it is prefunded and appropriated by the General Assembly or if the pension plan is 100 percent funded. New employees as of January 1, 2014 are no longer party to the inviolable contract, and the General Assembly has the right to amend, suspend or reduce benefits with future legislation. The bill additionally made provisions for a Health Savings Account as an insurance option for retirees, required the General Assembly to start fully funding the ADEC beginning in Fiscal Year 2015, and reset the amortization to 30-years beginning in 2015.

*Litigation Potentially Impacting KERS.* In April 2013, Seven Counties Services, Inc. ("Seven Counties"), filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the Western District of Kentucky (the "Bankruptcy Court"). Seven Counties provides mental health services for the Cabinet for Health and Family Services for the greater Louisville, Kentucky area and surrounding counties. For approximately the past twenty-five years, Seven Counties has been a participating employer in KERS. Seven Counties identified KERS as a creditor with a primary objective of discharging its continuing obligation to remit retirement contributions for approximately 1,300 employees and terminate its membership in KERS. The estimated impact of Seven Counties' objective on KERS would result in an unfunded liability of approximately \$90 million at that time.

KERS opposed Seven Counties' attempt to discharge its obligations and terminate its membership. KERS asserted that Seven Counties is a Governmental Unit properly participating in KERS by Executive Order issued in 1978 and thus ineligible for Chapter 11 relief. Consequently, Seven Counties would remain statutorily obligated to continue participation and remit contributions.

On May 30, 2014, the Bankruptcy Court held that Seven Counties was not a Governmental Unit and could move forward with its Chapter 11 bankruptcy case. Moreover, the Court held that Seven Counties' statutory obligation to continue to participate and remit contributions to KERS was a "contract" eligible for rejection. Seven Counties rejected its participation in KERS.

In June 2014, KERS appealed the Bankruptcy Court's ruling. On October 6, 2014, Seven Counties filed a formal reorganization plan with the Bankruptcy Court. On January 6, 2015, the Bankruptcy Court confirmed Seven Counties' plan of reorganization (the "Confirmation Order"). On January 19, 2015, KERS appealed the Confirmation Order. At a hearing on January 20, 2015, the Bankruptcy Court denied a motion by KERS seeking a stay of the Confirmation Order, which would have delayed implementation of the reorganization plan pending the determination of the issues on appeal. After the Bankruptcy Court's denial of the stay, KERS filed an emergency motion for a stay with the U.S. District Court for the Western District of Kentucky (the "District"), which the District Court denied on February 4, 2015. On May 12, 2015, KERS filed a motion with the District Court to certify a question to the Kentucky

Supreme Court in connection with whether the relationship between KERS and Seven Counties (i) constituted a “contract” subject to rejection in bankruptcy by Seven Counties or (ii) was a statutory obligation of Seven Counties not constituting a contract. On March 31, 2016, the United States District Court issued a Memorandum of Opinion and Order that (i) denied KERS’ motion to certify a question of law to the Kentucky Supreme Court, (ii) reversed the Bankruptcy Court’s determination regarding classifying KERS as a multi-employer plan and determined KERS as a multiple employer plan, (iii) affirmed the Bankruptcy Court’s decision in all other aspects; and (iv) denied Seven Counties’ cross-appeal.

On April 21, 2016, the Kentucky Retirement Systems’ Board of Trustees voted to appeal the decision to the United States Court of Appeals for the Sixth Circuit (“Sixth Circuit”). KERS filed a brief with the Sixth Circuit Court of Appeals on January 3, 2017. Seven Counties then filed a brief at the end of July 2017, and oral arguments were held on November 30, 2017. On August 24, 2018, the Sixth Circuit issued an Opinion ruling that Seven Counties was not a state instrumentality within the meaning of the Bankruptcy Code and was therefore eligible to file under Chapter 11. However, the Court of Appeals also certified a question of law to the Kentucky Supreme Court regarding whether the relationship between Seven Counties and Kentucky Retirement Systems was contractual or statutory. Kentucky Retirement Systems filed a Petition for Rehearing and Rehearing En Banc, which was held in abeyance until the Kentucky Supreme Court issues a decision on the certified question of law. Oral arguments were held at the Kentucky Supreme Court on March 6, 2019, and on August 29, 2019 the Supreme Court ruled that Seven Counties participation in and its contributions to the KERS are based on a statutory obligation. The Supreme Court opinion and case information can be found at <https://appellate.kycourts.net/SC/SCDockets/CaseDetails.aspx?cn=2018SC000461>. The Supreme Court of Kentucky Opinion was forwarded to the Sixth Circuit for further action resolving the outstanding issues.

On July 20, 2020, the Sixth Circuit issued an Opinion stating that they affirmed their previous determination that Seven Counties was eligible to file a Chapter 11 bankruptcy case. The Sixth Circuit also reversed the conclusion that Seven Counties can reject its obligation to participate as an executory contract and that Seven Counties need not maintain its statutory contribution obligation during the pendency of the bankruptcy. The Sixth Circuit dismissed Seven Counties’ cross appeal and remanded the case for further proceedings consistent with the opinion. KERS again filed a petition to have the Opinion regarding Seven Counties’ ability to file a Chapter 11 bankruptcy Reheard En Banc by the entire Sixth Circuit. This petition was denied in an Order dated September 11, 2020. The case was remanded back to the Bankruptcy Court. The adversary proceeding is currently being litigation on remand, with a discovery dispute to be heard on September 28, 2021, and a continued status conference to be held on November 4, 2021.

Other entities within the Commonwealth, including some entities with pending litigation, are attempting to terminate their participation in KERS. For example, Kentucky Retirement Systems filed an action against Kentucky River Community Care (“KRCC”) to compel it to comply with its statutory duties and require retirement plan participation. Similarly, Bluegrass Oakwood, Inc., a subsidiary of Bluegrass MHMR, attempted to terminate its participation in KERS through an action before the Kentucky Court of Appeals that was dismissed on February 24, 2015, resulting in Bluegrass Oakwood remaining as a participant in KERS. No assurance can be provided with respect to the impact of such actions, if any, on the future contribution rates.

In June 2014, the City of Fort Wright, a participating employer in CERS, filed a lawsuit against the Kentucky Retirement Systems’ Board of Trustees alleging that the Board invested CERS funds in investments that were prohibited by statute and common law. In addition, the City alleged that the Board of Trustees paid substantial asset management fees, which the suit alleges were improper. Kentucky Retirement Systems filed a motion to dismiss this action based on a number of legal issues, including the argument that the action was barred by the doctrine of sovereign immunity. Franklin Circuit Court denied the motion to dismiss. An interlocutory appeal of the sovereign immunity issue was filed at the Kentucky Court of Appeals. On September 23, 2016, the Court of Appeals upheld the Franklin Circuit Court’s ruling that sovereign immunity did not prohibit this action from proceeding. After a motion to the Kentucky Supreme Court for discretionary review of the Court of Appeals’ ruling was denied, the case returned to the Franklin Circuit Court on the merits of the claims made. Both parties filed Motions for Declaratory Judgment on the legal issue of whether or not Kentucky Retirement Systems is authorized under Kentucky law to invest CERS plan assets according to the standards established in KRS 61.650 or if some other standard applies. On September 20, 2018, Franklin Circuit Court issued an Opinion and Order denying the City of Fort Wright’s Motion for Declaratory Judgment and granting Kentucky Retirement Systems Cross-Motion for Declaratory Judgment. The City of Fort Wright appealed this decision to the Kentucky Court of Appeals, which issued an Opinion on January 10, 2020, affirming the decision of the Franklin Circuit Court in favor of the Kentucky Retirement Systems. The City of Fort

Wright then filed a Motion for Discretionary Review at the Kentucky Supreme Court. On September 16, 2020, the Supreme Court of Kentucky granted this Motion. On September 28, 2020, the Kentucky Retirement Systems filed a Cross Motion for Discretionary Review, which was granted December 9, 2020. The case is currently being litigated.

In what is essentially a companion case to the City of Fort Wright matter outlined above, Damian Stanton filed a Complaint on September 4, 2015, alleging that he is a member of CERS and that the Board invested CERS funds in investments that were prohibited by both statutory and the common law, as well as alleging that substantial management fees were paid as a result of the investments. This case was held in abeyance pending the outcome of the Kentucky Retirement Systems' motion for discretionary review in the Fort Wright matter. No substantive action has been taken in this matter to date. However, Mr. Stanton passed away in 2018 and a representative of his estate was substituted for Mr. Stanton in this action.

On November 17, 2016, Western Kentucky University ("WKU") filed a motion in Franklin Circuit Court seeking a judgment against the Kentucky Retirement Systems after the Kentucky Retirement Systems asserted WKU should continue to make retirement contributions for employees who were purportedly fired as WKU employees and then rehired as contract laborers. On March 3, 2017, Kentucky Retirement Systems filed a Motion to Dismiss this action based on WKU's failure to name necessary parties. Franklin Circuit Court denied this motion. WKU has filed a motion for Summary Judgment in this action which was denied on October 18, 2018. Additional discovery was then allowed. WKU has not filed a renewed motion for summary judgement. Kentucky Retirement Systems has filed a response. On March 11, 2020, Franklin Circuit Court issued an Order granting Summary Judgment in favor of WKU. Kentucky Retirement Systems filed an appeal of this Opinion and Order with the Court of Appeals on June 17, 2020. Litigation is ongoing.

On June 12, 2017, the River City Fraternal Order of Police and several other individuals filed a Complaint and Motion for a Restraining Order challenging the Kentucky Retirement Systems' implementation of the Medicare Secondary Payer Act as it relates to KRS 61.702, asserting that Kentucky Retirement Systems violated both the federal law and the inviolable contract rights of its members. The court granted a Temporary Restraining Order (the "TRO"); however, a hearing was held at the end of July 2017 to determine whether to dissolve the TRO or grant an injunction during the pendency of this action. On September 25, 2017, Franklin Circuit Court issued an Order in the River City FOP litigation denying the Plaintiffs' Motion for Temporary Injunction and dissolved the Court's previous Restraining Order effective November 1, 2017. Plaintiffs thereafter filed a Motion to amend their Complaint to explicitly allege a violation of the Federal Medicare Secondary Payer Act. This motion was granted. Kentucky Retirement Systems filed a notice that it was removing the case to Federal District Court, where both counsels for River City and Kentucky Retirement Systems filed motions for summary judgment. On March 21, 2019, United States District Judge William Bertelsmann issued a Memorandum Opinion and Order denying the Kentucky Retirement Systems motion for summary judgement and granting River City Fraternal Order of Police's motion for summary judgement in part. Kentucky Retirement Systems filed a motion for reconsideration, which was denied by an Order dated July 17, 2019. On June 3, 2020, Judge Bertelsmann issued a Judgment and Memorandum Opinion and Order that Plaintiff Arnold be awarded damages totaling \$9,594.48, Plaintiff Simkins be awarded \$83,168.98, Plaintiff Larkin be awarded damages of \$6,181.92, and Plaintiff Wood be awarded damages totaling \$4,033.61. Kentucky Retirement Systems filed a Notice of Appeal on July 8, 2020. The matter has been briefed and oral arguments have been heard in the Sixth Circuit.

In December 2017, certain members and beneficiaries of the Kentucky Retirement Systems filed litigation (Mayberry et al v. KKR et al) against certain Hedge Fund Sellers, Investment, Actuarial and Fiduciary Advisors, Annual Report Certifiers, and certain (past and present) Kentucky Retirement Systems' Trustees and Officers in Franklin Circuit Court. The litigation alleges (in summary) that actuarial assumptions, fees, statements and disclosures harmed the financial status of the Retirement Systems. While Kentucky Retirement Systems is designated a "Defendant," that designation is a technical formality in so much as Kentucky Retirement Systems is a "nominal defendant." On April 20, 2018, the Kentucky Retirement Systems and the plaintiffs filed a joint notice with the Court advising that Kentucky Retirement Systems does not intend to challenge its status as a "nominal defendant." Since then, the Franklin Circuit Court has ruled on various Defendants' Motions to Dismiss, denying nearly all of them. On January 10, 2019, KKR, Henry Kravis and George Roberts (collectively, "KKR Parties") amended their Answer to assert cross claims against Kentucky Retirement Systems. Certain officer and Trustee Defendants appealed the denial of their Motion to Dismiss on immunity grounds to the Court of Appeals, and that appeal was transferred to the Kentucky Supreme Court. The hedge fund defendants filed a Petition for Writ of Prohibition in the Court of Appeals, arguing the Plaintiffs lacked standing to bring the action. That Petition was granted on April 23, 2019. Plaintiffs promptly appealed the Court of Appeals' decision to the Supreme Court of Kentucky. On July 9, 2020, the Supreme

Court of Kentucky issued an Opinion stating that the plaintiffs, as beneficiaries of a defined-benefit plan who have received all of their vested benefits so far and are legally entitled to receive their benefits for the rest of their lives, do not have a concrete stake in this case and therefore lack standing to bring this claim. The case was remanded to the circuit court with directions to dismiss the complaint. Thereafter, plaintiffs filed a motion seeking to amend their complaint to add parties (Tier 3 members of the Retirement Systems) and claims that would purportedly correct the standing defect identified by the Supreme Court of Kentucky. Furthermore, the Attorney General of the Commonwealth of Kentucky sought leave to intervene in this action through a motion filed July 20, 2020, and an Intervening Complaint on July 22, 2020. The Defendants filed motions seeking to have the case dismissed. On December 28, 2020, Franklin Circuit Court issued an Order dismissing the Complaint filed by the Plaintiffs, denied Plaintiffs' Motion to file a Second Amended Complaint, and granted the Office of the Attorney General's Motion to Intervene. A variety of additional motions and pleadings were filed, including an original action by the Tier 3 Group. On January 12, 2021, Franklin Circuit Court issued a scheduling Order granting the Attorney General until February 1, 2021 to file an Amended Intervening Complaint, granting the Tier 3 Group until February 11, 2021 to file a Motion to Intervene in this action. Additional extension orders were granted for the Attorney General intervention. This case is currently in litigation.

A number of related cases have also developed based on issues raised in the above referenced Mayberry action. There has been an action filed by a number of the Trustees and Officers named in Mayberry seeking reimbursement by Kentucky Retirement Systems of legal fees. Kentucky Retirement Systems has also filed an action against Hallmark Specialty Insurance seeking a declaratory judgement that Hallmark has a duty to defend and indemnify Kentucky Retirement Systems in the Mayberry action. Two of the hedge fund Defendants in the Mayberry action have also filed an action in the United States District Court for the Eastern District of Kentucky naming individual members of the current KRS Board of Trustees as Defendants. This action is seeking a judgment declaring that the Trustees violated Plaintiffs' right to due process as well as an award of costs and attorneys' fees. Three actions have also been filed in Delaware regarding the Mayberry action. One filed by Prisma Capital Partners and one filed by Blackstone Alternative Asset Management allege breaches of warranties, representations and more relating to the Subscription Agreements signed by the Kentucky Retirement Systems. The third was filed by Prisma Capital Partners against the Daniel Boone Fund, LLC. Finally, an action has been filed by PAAMCO against Kentucky Retirement Systems in California also allege breaches of warranties, representations and more relating to the Subscription Agreements signed by the Kentucky Retirement Systems.

There are currently three cases pending before the Supreme Court of Kentucky regarding the validity and implementation of KRS 61.598. The portion of KRS 61.598 currently under challenge establishes the procedure for allocating to employers additional actuarial costs resulting from annual increases in an employee's creditable compensation greater than ten percent over the employee's last five fiscal years of employment. The cases allege a variety of constitutional challenges. These cases have been briefed and are under consideration.

## **INVESTMENT CONSIDERATIONS**

### **Certain Forward Delivery Considerations For The 2022 Series A Bonds**

The Authority entered into a Forward Delivery Agreement for the 2022 Series A Bonds with the Representative acting on behalf of itself and on behalf of the Underwriters. Subject to the terms of the Forward Delivery Agreement, the Authority expects to issue and deliver the 2022 Series A Bonds on April 5, 2022, or such later date as may be mutually agreed by the Authority and the Underwriters (the "Settlement Date").

The obligation of the Underwriters to purchase the 2022 Series A Bonds from the Authority is subject to the satisfaction of certain conditions, as outlined in the Forward Delivery Agreement, on the date of the closing (October 12, 2021) (the "Closing Date") and on the Settlement Date. The conditions to be satisfied during the period from and including the date of the Forward Delivery Agreement to the Preliminary Closing Date are, in general, comparable to those required in connection with bond closings that use a customary period of up to six weeks between sale dates and settlement dates. Because of the longer period between the sale and settlement of the 2022 Series A Bonds, there are certain additional termination rights and settlement conditions that are not generally present in bond sales that do not involve a forward delivery, and certain of those additional rights and conditions are summarized below. All the conditions and termination rights with respect to the sale and settlement of the 2022 Series A Bonds are set forth in the Forward Delivery Agreement. The following is a description of certain provisions of the Forward

Delivery Agreement. The following description is not to be considered a full statement of the terms of the Forward Delivery Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof.

BY PLACING AN ORDER WITH THE UNDERWRITERS FOR THE PURCHASE OF THE 2022 SERIES A BONDS, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT THE 2022 SERIES A BONDS ARE BEING SOLD ON A “DELAYED DELIVERY” BASIS, THAT THE PURCHASER IS OBLIGATED TO ACCEPT DELIVERY OF AND PAY FOR THE 2022 SERIES A BONDS ON THE SETTLEMENT DATE SUBJECT TO THE CONDITIONS IN THE DELAYED DELIVERY AGREEMENT, AND THAT EACH PURCHASER WILL BE REQUIRED TO SIGN, AND DELIVER TO THE UNDERWRITERS, A DELAYED DELIVERY CONTRACT SUBSTANTIALLY IN THE FORM ATTACHED AS APPENDIX G (A “DELAYED DELIVERY CONTRACT”) AS A CONDITION TO ANY 2022 SERIES A BONDS BEING ALLOCATED TO SUCH PURCHASER. ADDITIONALLY, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT IT WILL REMAIN OBLIGATED TO PURCHASE SUCH 2022 SERIES A BONDS IN ACCORDANCE WITH THE TERMS OF THE DELAYED DELIVERY CONTRACT, EVEN IF THE PURCHASER DECIDES TO SELL SUCH 2022 SERIES A BONDS FOLLOWING THE DATE OF PURCHASE, UNLESS THE PURCHASER SELLS SUCH 2022 SERIES A BONDS TO ANOTHER INSTITUTION WITH THE PRIOR WRITTEN CONSENT OF THE REPRESENTATIVE OF THE UNDERWRITERS AND SUCH INSTITUTION PROVIDES A WRITTEN ACKNOWLEDGEMENT OF CONFIRMATION OF PURCHASE ORDER AND A DELAYED DELIVERY CONTRACT IN THE SAME RESPECTIVE FORM AS THAT EXECUTED BY THE PURCHASER.

### **Settlement Date**

The issuance of the 2022 Series A Bonds and the Underwriters’ obligations under the Forward Delivery Agreement to purchase, accept delivery of and pay for the 2022 Series A Bonds on the Settlement Date are conditioned upon the performance by the Authority of its obligations thereunder, the delivery of certain certificates and legal opinions, including, without limitation, the delivery of an opinion of Bond Counsel dated the Settlement Date, substantially in the form and to the effect as set forth in Appendix E-2 to this Official Statement (the “Bond Counsel Opinion”), and the satisfaction of other conditions as of the Settlement Date. At any time subsequent to the Closing Date and on or prior to the Settlement Date (hereinafter referred to as the “Closing Period”), the Underwriters have the ability, without liability, to terminate their obligations under the Forward Delivery Agreement, by notifying the Authority and the Transportation Cabinet of any of the following:

- (i) legislation shall have been enacted, or actively considered for enactment with an effective date prior to the Settlement Date, or a decision by a court of the United States shall have been rendered, the effect of which is that the 2022 Series A Bonds or the Indenture, as the case may be, is not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect;
- (ii) any Change in Law shall have occurred;
- (iii) a stop order, cease-and-desist order, injunction, no-action letter, ruling, regulation or official statement by the Securities and Exchange Commission, its staff or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering, or sale of the 2022 Series A Bonds or the adoption/enactment/execution and delivery of the Bond Resolution as contemplated in the Forward Delivery Agreement or in the Preliminary Official Statement, the Official Statement and the Updated Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect;
- (iv) an event of default has occurred and is continuing, technical or otherwise, under the Bond Resolution, the Indenture or under any document authorizing parity obligations of the Authority;
- (v) any rating of the 2022 Series A Bonds by a national rating agency then rating the 2022 Series A Bonds has been withdrawn or suspended; or

- (vi) the Official Statement, as amended, if applicable, within the Closing Period (the period from the date of the Forward Delivery Agreement to and including 60 days after the Closing Date), or the Updated Official Statement (an updated Official Statement or Official Statement, as supplemented or amended during the period described in the paragraph below), as amended, if applicable, within the Settlement Period (the period from the date of the Updated Official Statement to and including 25 days after the Settlement Date, except as noted in the Forward Delivery Agreement), contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, requiring the preparation and publication of a supplement or amendment to the Official Statement or Updated Official Statement (whether or not the Official Statement or Updated Official Statement is actually prepared and delivered).

During the period from and after the Closing Date to the Settlement Date, certain information contained in this Official Statement could change in a material respect. The Authority has agreed in the Forward Delivery Agreement to deliver the Updated Official Statement not more than twenty-five (25) days nor less than ten (10) days prior to the Settlement Date.

If, after the Closing Date, the Authority is unable, after using its best efforts, to satisfy the conditions under the Forward Delivery Agreement required to be completed by the Settlement Date, or is otherwise unable, after using its best efforts, to satisfy the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the 2022 Series A Bonds as set forth in the Forward Delivery Agreement or if the obligations of the Underwriters to purchase, accept delivery of and to pay for the 2022 Series A Bonds are terminated for any reason permitted by items (i) through (vi) above, the Forward Delivery Agreement will terminate and neither the Underwriters, the Authority nor the Transportation Cabinet will be under any further obligation under the Forward Delivery Agreement.

***Change in Law*** shall mean (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date that is on or before the Settlement Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date that is on or before the Settlement Date) or (iv) any judgment, ruling or order issued by any court or administrative body, which in the case of any of (i), (ii), (iii) or (iv), would, as to the Underwriters, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from purchasing the 2022 Series A Bonds as provided in the Forward Delivery Agreement or selling the 2022 Series A Bonds or beneficial ownership interests therein to the public or, as to the Authority, would make the issuance, sale or delivery of the 2022 Series A Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); provided, however, that such change in or addition to law, legislation, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or enacted or been issued, as the case may be, after the date of the Forward Delivery Agreement.

The Underwriters have advised the Authority that the 2022 Series A Bonds will be sold only to purchasers who execute a Delayed Delivery Contract, a form of which is set forth in Appendix G. The Authority will not be a party to the Delayed Delivery Contracts, and the Authority is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations under the Forward Delivery Agreement are not conditioned or dependent upon the performance of any Delayed Delivery Contract.

#### **Additional Risks Related to the Forward Delivery Period**

During the Forward Delivery Period, certain information contained in this Official Statement could change in a material respect. Changes in such information will not permit the Underwriters to terminate the Forward Delivery Agreement unless the change reflects an event described above in items (i) through (vi) under “Settlement Date,” or

release the purchasers of their obligation to purchase the 2022 Series A Bonds except as expressly described in the Delayed Delivery Contract.

In addition to the risks set forth above, purchasers of the 2022 Series A Bonds are subject to certain additional risks, some of which are described below, and which will not constitute grounds for purchasers to refuse to accept delivery of and pay for the 2022 Series A Bonds.

Prospective purchasers should consult their investment advisors before making any decision as to the purchase of the 2022 Series A Bonds. The following discussion, while not setting forth all of the factors that should be considered, contains some of the factors which should be considered, in addition to the other information in this Official Statement, prior to purchasing the 2022 Series A Bonds. This section is not meant to be comprehensive or definitive, and there may be other risk factors which will become material in the future.

*Opinion of Bond Counsel: Tax Law Risk.* Subject to the additional conditions of settlement described under “Settlement Date” above, the Forward Delivery Agreement obligates the Authority to deliver and the Underwriters to acquire the 2022 Series A Bonds if the Authority delivers the Bond Counsel Opinion. During the Forward Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, promulgated or interpreted that might prevent Bond Counsel from rendering its opinion or otherwise affect the substance of such opinion. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion of interest on the 2022 Series A Bonds for purposes of federal income taxation payable on “state or local bonds,” the Authority might be able to satisfy the requirements for the delivery of the 2022 Series A Bonds. In such event, the Underwriters would be required to accept delivery of the 2022 Series A Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers.

*Ratings Risk.* Ratings have been assigned to the 2022 Series A Bonds as described under “RATINGS.” No assurances can be given that the ratings assigned to the 2022 Series A Bonds on the Settlement Date will not be different from those currently assigned to the 2022 Series A Bonds. Issuance of the 2022 Series A Bonds and the Underwriters’ obligations under the Forward Delivery Agreement are not conditioned upon the assignment of any particular ratings for the 2022 Series A Bonds or the maintenance of the initial ratings of the 2022 Series A Bonds; however as described under item (v) above under “Settlement Date”, any rating of the 2022 Series A Bonds by a national rating agency then rating the 2022 Series A Bonds that has been withdrawn or suspended may result in the termination of the Forward Delivery Agreement by the Underwriters.

*Market Value Risk.* The market value of the 2022 Series A Bonds as of the Settlement Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the 2022 Series A Bonds, the financial condition and operations of the Authority or the Commonwealth, and federal and state income tax and other laws. The market value of the 2022 Series A Bonds as of the Settlement Date could therefore be higher or lower than the price to be paid by the initial purchasers of the 2022 Series A Bonds and that difference could be substantial. The Underwriters will nevertheless be obligated to take delivery of and pay for the 2022 Series A Bonds if the conditions in the Forward Delivery Agreement are satisfied on the Settlement Date. NEITHER THE AUTHORITY, THE TRANSPORTATION CABINET, THE COMMONWEALTH NOR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE EXPECTED MARKET PRICE OF THE 2022 SERIES A BONDS AS OF THE SETTLEMENT DATE. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the 2022 Series A Bonds as of the Settlement Date or thereafter or not have a materially adverse impact on any secondary market for the 2022 Series A Bonds.

*Termination of Forward Delivery Agreement.* The Underwriters may terminate the Forward Delivery Agreement by notification to the Authority on or prior to the Settlement Date if any of the events described above in items (i) through (vi) under “Settlement Date” occurs. Although the Authority is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Forward Delivery Agreement on the Settlement Date, no assurances can be made that, as of the Settlement Date: (i) there will have been no Change in Law; (ii) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of the Closing Date; or (iii) that all necessary certifications and representations can or will be delivered and made in connection with the proposed issuance and delivery of the 2022 Series A Bonds. As a consequence of any of the foregoing, one or more of the foregoing legal opinions may not be rendered or one or more of the Settlement Date conditions in the Forward Delivery Agreement may not be met, with the possible result that the delivery of the 2022 Series A Bonds will not occur.

*Secondary Market Risk.* The Underwriters are not obligated to make a secondary market in the 2022 Series A Bonds, and no assurances can be given that a secondary market will exist for the 2022 Series A Bonds during the Forward Delivery Period. Purchasers of the 2022 Series A Bonds should assume that the 2022 Series A Bonds will be illiquid throughout the period from and after the Closing Date to the Settlement Date.

## **COVID-19**

The outbreak of a novel strain of coronavirus that can result in a severe respiratory disease, referred to as COVID-19, was first detected in 2019. COVID-19 has since spread across the world. In March 2020, the outbreak of COVID-19 was declared a pandemic by the World Health Organization, as well as a U.S. national emergency and a statewide emergency in the Commonwealth. The responses of governments, business, and individuals to the COVID-19 Pandemic caused widespread and significant changes in economic activity. Certain sectors of the global, national, and local economies experienced negative effects due to reduced consumer spending and affected unemployment, as well as government mandated and voluntary responses to mitigate the COVID-19 Pandemic, including school and business closures, event cancellations, and reduced travel. Unemployment in the United States and in the Commonwealth increased as a result of the COVID-19 Pandemic. There can be no assurances as to the materiality, severity, or duration of the negative economic conditions caused by the COVID-19 Pandemic. See “IMPACT OF COVID-19 ON THE AUTHORITY”.

## **Cyber Security**

Computer hacking, cyber-attacks or other malicious activities could disrupt the Authority’s, the Transportation Cabinet’s and the Commonwealth’s services. Further, security breaches such as leakage or loss of confidential or proprietary data and failure or disruption of information technology systems could materially and adversely affect the Authority’s, the Transportation Cabinet’s and the Commonwealth’s reputation, which could lead to significant costs that insurance may not cover and adversely affect the ability of the Transportation Cabinet to make its lease payments and therefore the debt service payments due on the Bonds.

## **Legislative Changes**

State and Federal legislation is introduced and enacted from time to time that could have a direct impact on the Authority’s, the Transportation Cabinet’s or the Commonwealth’s financial condition or their operations. The likelihood of any such legislation being introduced or enacted cannot be predicted.

Tax legislation, administrative actions taken by tax authorities or court decisions may adversely affect the tax-exempt status of interest on the 2021 Series A Bonds or the 2022 Series A Bonds under Federal or state law, or the tax-exempt status of the 2021 Series B Bonds under state law, and could affect the market price or marketability of such bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **Changes in Road Funding Resources**

Events outside the control of the Authority, the Transportation Cabinet or the Commonwealth may result in a reduction in the volume of sale, use and/or consumption of the gasoline, motor fuels and special fuels and thereby a reduction in revenues generated from the levy of such taxes. Examples of such events include, without limitation, (i) shortages of gasoline, motor fuels and special fuels due to reduced production, depletion of resources, oil embargoes, wartime rationing of fuels, cost of production and other events which result in reduced availability, (ii) change in driving habits, (iii) increased fuel efficiency of motor vehicles, (iv) development and improvement of alternative power sources such as solar power, wind and electricity, and (v) increased usage of electrically sourced vehicles and related Federal and Commonwealth support for such usage.

The Authority, the Transportation Cabinet and the Commonwealth cannot accurately predict the future of the use of gasoline and/or motor fuels and are not responsible for any deficiency in tax revenues collected as the result of the occurrence of any events resulting in a reduction in the use of gasoline and/or motor fuels.



## TAX MATTERS

### 2021 Series A Bonds and 2022 Series A Bonds

#### *General*

In the opinion of Bond Counsel for the 2021 Series A Bonds and the 2022 Series A Bonds (collectively, the “Federally Tax-Exempt Bonds”), based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Federally Tax-Exempt Bonds is excludible from gross income for Federal income tax purposes. Bond Counsel for the Federally Tax-Exempt Bonds is also of the opinion that interest on the Federally Tax-Exempt Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. Furthermore, Bond Counsel for the Federally Tax-Exempt Bonds is of the opinion that interest on the Federally Tax-Exempt Bonds is exempt from Kentucky income taxation and the Federally Tax-Exempt Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The form of the opinion of Bond Counsel regarding the 2021 Series A Bonds is attached hereto as *Appendix E-1*.

The form of the opinion of Bond Counsel regarding the 2022 Series A Bonds is attached hereto as *Appendix E-2*.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Federally Tax-Exempt Bonds. The Authority has covenanted to comply with certain restrictions designed to ensure that interest on Federally Tax-Exempt Bonds will not be includible in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Federally Tax-Exempt Bonds being includible in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Federally Tax-Exempt Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Federally Tax-Exempt Bonds may adversely affect the tax status of the interest on the Federally Tax-Exempt Bonds.

Certain requirements and procedures contained or referred to in the Federally Tax-Exempt Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Federally Tax-Exempt Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Federally Tax-Exempt Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel for the Federally Tax-Exempt Bonds is of the opinion that interest on the Federally Tax-Exempt Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Federally Tax-Exempt Bonds is excludible from gross income for Kentucky income tax purposes, and the Federally Tax-Exempt Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions, the ownership or disposition of, or the accrual or receipt of interest on, the Federally Tax-Exempt Bonds may otherwise affect a Holder’s Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Holder or the Holder’s other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Holder or potential Holder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Federally Tax-Exempt Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the Federally Tax-Exempt Bonds may result in other collateral federal, state or local tax consequence for certain taxpayers. Such effects include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits, under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any Federally Tax-Exempt Bonds may also result in

the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Federally Tax-Exempt Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Federally Tax-Exempt Bonds.

The Authority has not designated the Federally Tax-Exempt Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code.

Prospective purchasers of the Federally Tax-Exempt Bonds are advised to consult their own tax advisors prior to any purchase of the Federally Tax-Exempt Bonds as to the impact of the Code upon their acquisition, holding or disposition of the Federally Tax-Exempt Bonds, as well as pending or proposed federal and state legislation and court proceedings.

### ***Original Issue Premium***

“Acquisition Premium” is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Federally Tax-Exempt Bonds that mature on July 1, 2029 through and including July 1, 2032 (the “Premium Bonds”) are being initially offered and sold to the public with Acquisition Premium. A portion of the Premium Bonds are callable prior to their maturity date. For federal income tax purposes, the amount of Acquisition Premium on the Premium Bonds must be amortized and will reduce the bondholder’s adjusted basis in that bond. The amount of any Acquisition Premium paid on the Premium Bonds that must be amortized during any period will be based on the “constant yield” method, using the original bondholder’s basis in such Premium Bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis. However, no amount of amortized Acquisition Premium on the Premium Bonds may be deducted in determining bondholder’s taxable income for federal income tax purposes.

Please note that because the Premium Bonds that mature on July 1, 2031 through and including July 1, 2032 are callable prior to their stated maturity, the required amortization period for the Acquisition Premium of each such Premium Bond will depend on which call date produces the greatest diminution in the yield to the holder. With respect to the Premium Bonds that mature on July 1, 2029 through and including July 1, 2030, which are not callable prior to their stated maturity date, the respective final maturity dates will determine the amortization period of the Acquisition Premium of each such Premium Bond. Holders of any Premium Bonds, both original purchasers and any subsequent purchasers, should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of the Acquisition Premium for state tax purposes.

## **2021 Series B Bonds**

### ***General***

The following is a summary of the principal federal income tax consequences relating to the acquisition, ownership and disposition of the 2021 Series B Bonds (the “2021 Series B Taxable Refunding Bonds”) for certain U.S. Holders (as defined below). It does not provide a complete analysis of all potential tax considerations relating to the acquisition, ownership and disposition of the 2021 Series B Taxable Refunding Bonds. This summary is based on the tax laws of the United States, including the current provisions of the Code, its legislative history, current final, temporary and proposed Treasury regulations thereunder, published rulings and pronouncements of the IRS and court decisions, all as currently in effect and all of which are subject to change at any time, possibly with retroactive effect, so as to result in federal income tax consequences different from those described below. There can be no assurance that the IRS will not take a contrary view or that a court would not sustain a contrary view, and no ruling from the IRS has been, or is expected to be, sought on the issues discussed herein. Legislative, judicial or administrative changes or interpretations may occur that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences discussed below.

The form of the opinion of Bond Counsel regarding the 2021 Series B Taxable Refunding Bonds is attached hereto as ***Appendix E-1***.

EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE PURCHASER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR. THIS SUMMARY DOES NOT ADDRESS FEDERAL GIFT, GENERATION SKIPPING OR ESTATE TAX CONSEQUENCES OR ALTERNATIVE MINIMUM, FOREIGN, STATE, LOCAL OR OTHER TAX CONSEQUENCES, NOR DOES THIS SUMMARY ADDRESS FEDERAL INCOME TAX CONSEQUENCES FOR BONDHOLDERS OTHER THAN U.S. HOLDERS (AS DEFINED BELOW). EACH PROSPECTIVE PURCHASER CONSIDERING THE PURCHASE OF 2021 SERIES B TAXABLE REFUNDING BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING THESE MATTERS AND CONCERNING THE TAX TREATMENT OF 2021 SERIES B TAXABLE REFUNDING BONDS UNDER STATE AND LOCAL TAX LAWS AND REGULATIONS.

The following summary deals only with 2021 Series B Taxable Refunding Bonds held as capital assets within the meaning of Section 1221 of the Code (generally assets that are held for investment rather than as inventory or as property used in a trade or business) and not with special classes of holders, such as dealers in securities or currencies, financial institutions, insurance companies, S corporations, grantor trusts, certain former citizens or residents of the United States, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, dealers, persons holding 2021 Series B Taxable Refunding Bonds as part of a hedging transaction, straddle, conversion transaction, synthetic security transaction or other risk reduction or integrated transaction, persons whose functional currency is not the U.S. dollar, persons who acquire the 2021 Series B Taxable Refunding Bonds in connection with their employment or other performance of services, tax-exempt persons, mutual funds, small business investment companies, real estate mortgage investment conduits or real estate investment trusts.

If a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) acquires 2021 Series B Taxable Refunding Bonds, the federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. A partnership holding 2021 Series B Taxable Refunding Bonds, and partners in such a partnership, should consult its and their own tax advisors with regard to the federal income tax consequences of the acquisition, ownership, and disposition of the 2021 Series B Taxable Refunding Bonds by the partnership.

The federal income tax discussion that appears below is included in this Official Statement for the general information of a prospective purchaser. Some or all of the discussion may not apply to a particular purchaser depending upon the particular situation of that purchaser. Each prospective purchaser should consult its own tax advisor concerning the tax consequences to such purchaser of owning and disposing of the 2021 Series B Taxable Refunding Bonds, including the tax consequences under state, local and other tax laws and the possible effects of changes in federal or other tax laws.

As used in this Official Statement, the term "U.S. Holder" means a beneficial owner of a 2021 Series B Taxable Refunding Bond that is, for federal income tax purposes (a) a citizen or resident of the United States for federal income tax purposes; (b) a corporation (or other entity treated as a corporation for federal income tax purposes) created or organized in or under the laws of the United States, any of the states thereof or the District of Columbia; (c) an estate, the income of which is includible in gross income for federal income tax purposes regardless of its source; (d) a trust that is subject to the supervision of a court within the United States and one or more United States persons as described in Section 7701(a)(30) of the Code has the authority to control all of the substantial decisions with respect to such trust; or (e) certain trusts with a valid election in effect under applicable Treasury regulations to be treated as a United States person within the meaning of the Code.

BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, PROSPECTIVE PURCHASERS AND BENEFICIAL OWNERS OF THE 2021 SERIES B TAXABLE REFUNDING BONDS ARE STRONGLY URGED TO CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THEIR PARTICULAR TAX SITUATIONS AND AS TO ANY FEDERAL, FOREIGN, STATE, LOCAL OR OTHER TAX CONSIDERATIONS (INCLUDING ANY POSSIBLE CHANGES IN TAX LAW) AFFECTING THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE 2021 SERIES B TAXABLE REFUNDING BONDS.

#### ***Tax Status of the 2021 Series B Taxable Refunding Bonds***

The 2021 Series B Taxable Refunding Bonds are taxable debt instruments for federal income tax purposes. As such, interest on the 2021 Series B Taxable Refunding Bonds is not excludible from the gross income of Bondholders under Section 103 of the Code and will be fully subject to federal income taxation.

## ***Interest***

Interest on the 2021 Series B Taxable Refunding Bonds will be taxable to a Bondholder as ordinary interest income. A Bondholder using the accrual method of accounting for federal income tax purposes generally must include such interest in income as the interest accrues, while a Bondholder using the cash receipts and disbursements method of accounting generally must include such interest in income when payments are actually or constructively received. There is an exception if the Bondholder makes a constant yield election (“–Constant Yield Election”) and for OID.

## ***Original Issue Discount Income***

A 2021 Series B Taxable Refunding Bond will have OID if it is acquired by a Bondholder at its original issuance at a discount, other than a specific de minimis discount. For purposes of this subsection of the Tax Matters section, a 2021 Series B Taxable Refunding Bond having OID is referred to as an “OID Bond.” A 2021 Series B Taxable Refunding Bond is purchased at a discount if the “stated redemption price at maturity” (“SRPM”) of such Bond exceeds the 2021 Series B Taxable Refunding Bond’s “issue price.” Such excess is also the amount of OID. The SRPM of a 2021 Series B Taxable Refunding Bond generally will be equal to the sum of all payments, whether principal or interest, to be made on the 2021 Series B Taxable Refunding Bond other than “Qualified Stated Interest” payments. Under applicable regulations, “Qualified Stated Interest” payments are stated interest payments based on a single fixed rate of interest or, under certain circumstances, a variable rate tied to an objective index, that are actually and unconditionally payable in cash or property (other than a debt instrument of the issuer) at fixed periodic intervals of one year or less during the entire term of the 2021 Series B Taxable Refunding Bond. In general, the “issue price” of a 2021 Series B Taxable Refunding Bond is the initial offering price to the public at which a substantial amount of 2021 Series B Taxable Refunding Bond of the same maturity and interest rate are sold, ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The discount is de minimis if it is less than 0.25% of the 2021 Series B Taxable Refunding Bond’s SRPM multiplied by the number of complete years to the 2021 Series B Taxable Refunding Bond’s maturity. For the treatment of 2021 Series B Taxable Refunding Bonds with de minimis OID, see “–*De Minimis OID.*”

Bondholders will include OID in ordinary income in accordance with special tax accounting rules for OID obligations provided by the Code and U.S. Treasury Regulations (the “OID Regulations”). In general, and regardless of whether a Bondholder uses the cash or accrual method of tax accounting, the OID Regulations require that Bondholders of OID Bonds with a maturity greater than one year include in ordinary gross income the sum of the “daily portions” of OID on that 2021 Series B Taxable Refunding Bond for all days during the taxable year that such Bondholder owns the 2021 Series B Taxable Refunding Bond. The daily portions are computed using the constant yield method (except in certain circumstances explained in the OID Regulations). The constant yield method provides that the daily portions of OID on OID Bonds are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that period. Accrual periods may be of any length and may vary in length over the term of the OID Bonds, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID on OID Bonds allocable to each accrual period is generally determined by (a) calculating the product of (1) the “adjusted issue price” of the OID Bond at the beginning of the accrual period multiplied by a (2) a fraction, the numerator of which is the “yield to maturity” of the OID Bond and the denominator of which is the number of accrual periods in a year and (b) subtracting from that product, the amount, if any, payable as Qualified Stated Interest allocable to that accrual period. The “adjusted issue price” of an OID Bond at the beginning of any accrual period will generally be the sum of the issue price of the OID Bond and the amount of OID allocable to all prior accrual periods (determined without regard to the amortization of any acquisition or bond premium, as described below), reduced by the amount of all prior payments made on the OID Bond, other than Qualified Stated Interest, on or before the first day of the accrual period. The yield to maturity of an OID Bond is the discount rate (appropriately adjusted to reflect the length of accrual periods) that causes the sum of the present values on the OID Bond to equal the issue price.

All payments on an OID Bond (other than Qualified Stated Interest) will generally be viewed first as payments of previously accrued OID, with payments considered made from the earliest accrual periods first, and then as a payment of principal.

As described in “–*Constant Yield Election,*” a Bondholder may make an irrevocable election to include in income its entire return on a 2021 Series B Taxable Refunding Bond, including payments of Qualified Stated Interest and OID.

### ***De Minimis OID***

If a 2021 Series B Taxable Refunding Bond has de minimis OID, Bondholders generally must include the de minimis OID in ordinary income as stated principal payments on the 2021 Series B Taxable Refunding Bond are made. The amount of de minimis OID includible in income with respect to each principal payment on the 2021 Series B Taxable Refunding Bonds equals the product of the total amount of de minimis OID on the 2021 Series B Taxable Refunding Bond and a fraction, the numerator of which is the amount of principal payment made and the denominator of which is the stated principal amount of the 2021 Series B Taxable Refunding Bond. Any amount of de minimis OID included in income upon sale, exchange, retirement or other taxable disposition of a bond will be treated as capital gain if the 2021 Series B Taxable Refunding Bond is a capital asset in the Bondholder's hands.

### ***Constant Yield Election***

Under applicable regulations, a Bondholder may elect to include in gross income all income that accrues on a 2021 Series B Taxable Refunding Bond (including stated interest, acquisition discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) in accordance with the constant yield method. Bondholders should consult their own tax advisors about how this election would apply to them.

### ***Market Discount***

A 2021 Series B Taxable Refunding Bond purchased by a Bondholder after its original issue at a price lower than the 2021 Series B Taxable Refunding Bond's SRPM (or its "revised issue price" in the case of an OID Bond, i.e., its issue price increased for the aggregate OID included in income by all holders prior to its acquisition by the Bondholder) will be considered to bear "market discount" in an amount equal to such difference except if the difference is less than a specific de minimis amount. The market discount is de minimis if it is less than the product of 0.25% of the 2021 Series B Taxable Refunding Bond's stated principal amount, multiplied by the remaining number of complete years to maturity for such 2021 Series B Taxable Refunding Bond at the time of purchase.

In general, any partial payment of principal or any gain recognized on the maturity or disposition of a 2021 Series B Taxable Refunding Bond having market discount will be treated as ordinary income to the extent that the gain does not exceed the "accrued market discount" on such 2021 Series B Taxable Refunding Bond. Generally, the accrued market discount will be the total market discount on a 2021 Series B Taxable Refunding Bond multiplied by a fraction, the numerator of which is the number of days the Bondholder held the 2021 Series B Taxable Refunding Bond and the denominator of which is the number of days from the date the Bondholder acquired the 2021 Series B Taxable Refunding Bond until its maturity date. A Bondholder may elect, however, to determine accrued market discount under the constant-yield method.

Bondholders who acquire 2021 Series B Taxable Refunding Bonds at a market discount may be required to defer, until the maturity date of such 2021 Series B Taxable Refunding Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the Bondholder paid or accrued during the taxable year on indebtedness incurred or continued to purchase or carry a 2021 Series B Taxable Refunding Bond in excess of the aggregate amount of interest (including OID) includible in such Bondholder's gross income for the taxable year with respect to such 2021 Series B Taxable Refunding Bond. The amount of such net direct interest expense deferred in a taxable year will not exceed the amount of market discount accrued on the 2021 Series B Taxable Refunding Bond for the days during the taxable year on which the Bondholder held the 2021 Series B Taxable Refunding Bond and, in general, would be deductible when such market discount is includible in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the 2021 Series B Taxable Refunding Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the Bondholder elects to include such market discount in income currently as described above.

If a 2021 Series B Taxable Refunding Bond is disposed of in a nontaxable transaction (other than as provided in Code Section 1276(c) and (d)), accrued market discount will be includible as ordinary income to the Bondholder as if the holder had sold the 2021 Series B Taxable Refunding Bond at its then fair market value. Alternatively, a Bondholder may elect to recognize market discount as ordinary income currently as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of the 2021 Series B Taxable Refunding

Bond as ordinary income. The adjusted basis of a 2021 Series B Taxable Refunding Bond subject to this election will be increased to reflect market discount included in income, thereby reducing any gain or increasing any loss on a sale or taxable disposition. Also, if a Bondholder elects to include market discount on a current basis, the interest deduction deferral rule described above do not apply. If a Bondholder does make such election, it will apply to all market discount debt instruments that a Bondholder acquires on or after the first day of the first taxable year to which the election applies. The election may not be revoked without the consent of the IRS.

### ***Acquisition Premium; Amortizable Bond Premium***

A Bondholder that purchases a 2021 Series B Taxable Refunding Bond for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on the 2021 Series B Taxable Refunding Bond after the purchase date other than payments of payments of Qualified Stated Interest will be considered to have purchased the 2021 Series B Taxable Refunding Bond at an acquisition premium. Under the acquisition premium rules, the amount of OID that the Bondholder must include in its gross income for the 2021 Series B Taxable Refunding Bond for any taxable year will be reduced (but not below zero) by the portion of acquisition premium properly allocable to that year.

If a Bondholder purchases a 2021 Series B Taxable Refunding Bond for an amount in excess of the sum of all amounts payable on the 2021 Series B Taxable Refunding Bond after the acquisition date (other than payments of Qualified Stated Interest), the Bondholder will be considered to have purchased the 2021 Series B Taxable Refunding Bond with amortizable bond premium equal in amount to that excess and may elect to amortize this premium over the remaining term of the 2021 Series B Taxable Refunding Bond, based on the Bondholder's yield to maturity for the 2021 Series B Taxable Refunding Bond as determined under the bond premium rules. If the 2021 Series B Taxable Refunding Bond is redeemable prior to maturity, the amount of amortizable premium is determined with reference either to the amount payable on maturity or, if it results in a smaller premium attributable to the earlier redemption period, with reference to the amount payable on the earlier redemption date. A Bondholder may generally use the amortizable bond premium allocable to an accrual period to offset Qualified Stated Interest required to be included in the Bondholder's income for the 2021 Series B Taxable Refunding Bond in that accrual period. Under applicable regulations, if the amortizable bond premium allocable to an accrual period exceeds the amount of Qualified Stated Interest allocable to the accrual period, the excess would be allowed as a deduction for the accrual period, but only to the extent of the Bondholder's prior interest inclusions on the 2021 Series B Taxable Refunding Bond. Any excess is generally carried forward and allocable to the next accrual period. A Bondholder who elects to amortize bond premium must reduce his, her or its tax basis in the 2021 Series B Taxable Refunding Bond by the amount of the bond premium amortized during the holding period of the Bondholder, as further described below under "*–Sale, Exchange, Retirement or Other Taxable Disposition of 2021 Series B Taxable Refunding Bonds.*" An election to amortize bond premium applies to all taxable debt obligations held by the Bondholder on or after the beginning of the first taxable year to which the election applies and may be revoked only with the consent of the IRS. Applicable regulations provide limited automatic consent for a Bondholder to change its method of accounting for bond premium to the constant yield method if the change is made for the first taxable year (by a statement on the relevant return) for which the Bondholder must account for a 2021 Series B Taxable Refunding Bond under those regulations. If a Bondholder does not elect to amortize bond premium, the amount of premium will be included in its tax basis in the 2021 Series B Taxable Refunding Bond; therefore, such bond premium generally would produce a capital loss, which capital loss may be subject to limitations on deductibility.

### ***Sale, Exchange, Retirement, or Other Taxable Disposition of 2021 Series B Taxable Refunding Bonds***

Upon the sale, exchange, redemption, retirement or other taxable disposition of a 2021 Series B Taxable Refunding Bond, a Bondholder generally will recognize gain or loss equal to the difference between (i) the amount of cash proceeds and the fair market value of any property received for the 2021 Series B Taxable Refunding Bond (which excludes payments for accrued interest not previously reported in income), and (ii) the Bondholder's adjusted basis in the 2021 Series B Taxable Refunding Bond or applicable portion of the adjusted basis. The Bondholder's adjusted basis generally will equal the cost of the 2021 Series B Taxable Refunding Bond to the Bondholder, increased by any OID and market discount previously included in the Bondholder's ordinary income for the 2021 Series B Taxable Refunding Bond and reduced by any principal payments on the 2021 Series B Taxable Refunding Bond previously received by the holder and by any amortizable bond premium used to offset Qualified Stated Interest and certain other amortizable bond premium allowed as a deduction under the regulations described above under the section entitled "*–Acquisition Premium; Amortizable Bond Premium.*" Except as discussed above under the section entitled "*–Market Discount*" for 2021 Series B Taxable Refunding Bonds with market discount, or to the extent cash

received is attributable to accrued Qualified Stated Interest, any gain or loss recognized upon a sale, exchange, redemption, retirement, or other disposition of a 2021 Series B Taxable Refunding Bond will be capital gain or loss and will be long-term capital gain or loss if the Bondholder's holding period for the 2021 Series B Taxable Refunding Bond exceeds one year on the date of the disposition. The deductibility of capital losses is subject to limitations. Prospective investors should consult their tax advisors regarding the treatment of capital gains and losses as it applies to them.

### ***Defeasance or Material Modification***

The legal defeasance or other significant modification of 2021 Series B Taxable Refunding Bonds may result in a deemed disposition of such 2021 Series B Taxable Refunding Bonds and a deemed reissuance of a "new" 2021 Series B Taxable Refunding Bond to the Bondholder for federal income tax purposes, in which event a Bondholder will recognize taxable gain or loss equal to the difference between the amount realized from the deemed exchange and the Bondholder's adjusted tax basis in the 2021 Series B Taxable Refunding Bond. The "new" 2021 Series B Taxable Refunding Bond deemed reissued in such a defeasance or significant modification may be treated as issued with OID in an amount equal to the excess, if any, of the stated principal amount of the "new" 2021 Series B Taxable Refunding Bond over its deemed issue price. Prospective investors should consult their tax advisors regarding the tax consequences of a defeasance or material modification of the 2021 Series B Taxable Refunding Bonds.

### ***Medicare Tax***

The income of a Bondholder that is an individual, certain trusts or an estate from a 2021 Series B Taxable Refunding Bond is potentially subject to the 3.8% Medicare tax under Code Section 1411. Bondholders are urged to consult with their tax advisors regarding the applicability of the Medicare tax to income and gains in respect of their investment in the 2021 Series B Taxable Refunding Bonds.

### ***Backup Withholding and Information Reporting***

A backup withholding tax, currently at a 24% rate, and information reporting requirements generally apply to specified payments of principal, premium and interest (including OID in some instances) made to, and to the proceeds of sale before maturity by, Bondholders (other than certain exempt recipients, such as organizations exempt from taxation under Section 501(a) of the Code) who fail to provide and certify certain identifying information (e.g., the holder's taxpayer identification number) in the required manner. Under current Treasury regulations, backup withholding will not apply to payments made on a 2021 Series B Taxable Refunding Bond or proceeds from the sale of a 2021 Series B Taxable Refunding Bond if the Bondholder:

- (a) provides its U.S. taxpayer identification number (typically on IRS Form W-9 or a successor form), certifies that it is a U.S. person, and certifies that (1) it is exempt from backup withholding, (2) it has not been notified by the IRS that it is subject to backup withholding or (3) it has been notified by the IRS that it is no longer subject to backup withholding; or
- (b) establishes an exemption from backup withholding.

Any amounts withheld from a payment to a Bondholder under the backup withholding rules will be refunded or credited against that Bondholder's federal income tax liability. The amount of any "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to those payments will be reported to the holders of the 2021 Series B Taxable Refunding Bonds and to the IRS.

### ***Non-U.S. Holders***

***Interest.*** Subject to the discussion below under the headings "Information Reporting and Backup Withholding" and "FATCA," payments of principal of, and interest on, any Bond to a non-U.S. holder, other than

- (1) a controlled foreign corporation (as such term is defined in the Code),
- (2) a "10-percent shareholder" (within the meaning of Section 871(h) of the Code), or

(3) a bank which acquires such Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business,

will not be subject to any United States federal withholding tax provided the non-U.S. holder of the Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

**Disposition of Bonds.** Subject to the discussion below under the headings “Information Reporting and Backup Withholding” and “FATCA,” any gain realized by a non-U.S. holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by Novant) or other disposition of a Bond generally will not be subject to United States federal income tax, unless (1) such gain is effectively connected with the conduct by such non-U.S. holder of a trade or business within the United States or (2) in the case of any gain realized by an individual non-U.S. holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by us) or other disposition and certain other conditions are met.

**United States Federal Estate Tax.** A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to United States federal estate tax as a result of such individual’s death, provided, at the time of such individual’s death, payments of interest with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

**Information Reporting and Backup Withholding.** Subject to the discussion below under the heading “FATCA,” under current United States Treasury Department regulations, payments of principal and interest on any Bonds to a non-U.S. holder will not be subject to any backup withholding tax requirements if the non-U.S. holder or a financial institution holding the Bond on behalf of the non-U.S. holder in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a non-U.S. holder provides the certification, the certification must give the name and address of such holder, state such holder is not a United States person, or, in the case of an individual, state such holder is neither a citizen nor a resident of the United States, and the holder must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

**Foreign Account Tax Compliance Act (“FATCA”).** Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions unless the foreign financial institution enters into an agreement with the United States Treasury Department to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of principal of and interest on the Bonds and sales proceeds of Bonds held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee and the owners of the Bonds upon occurrence of an event of default under the Lease, the Agreement, or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for under the Lease, the Agreement, and the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and such documents will be qualified to the extent that the enforceability of certain legal rights related to the Bonds are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.



## LITIGATION

There is no litigation pending or, to the knowledge of the Authority or the Transportation Cabinet, threatened to restrain or enjoin the authorization, sale or delivery of the Bonds or which would adversely affect the application of the revenues of the Transportation Cabinet to the payment of the Bonds. There is no litigation pending or, to the knowledge of the Authority, threatened against the Authority or any of its assets or revenues that would materially adversely affect the Authority or its operations.

## CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. The proposed form of approving opinion for the Bonds is attached hereto as APPENDIX E. Such approving legal opinion will be delivered as of the date of issuance of the Bonds.

Certain legal matters concerning the Transportation Cabinet will be passed upon by its counsel, Office of Legal Services, Transportation Cabinet; certain legal matters concerning the Authority will be passed upon by its counsel, Office of General Counsel, Finance and Administration Cabinet; and certain legal matters will be passed upon for the Underwriters by their counsel, Stites & Harbison, PLLC, Louisville, Kentucky.

Under Kentucky law, issuance of Bonds by the Authority requires the approval of the Office of Financial Management in the Finance and Administration Cabinet, which approval will be obtained prior to issuance of the Bonds.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

American Municipal Tax-Exempt Compliance Corp. d/b/a AMTEC, of Avon, Connecticut, and Michael Torsiello, C.P.A. (an independent Certified Public Accountant) (collectively, the "Verification Agent"), are verifying, from the information provided to them, the mathematical accuracy, as of the date of the closing of the 2021 Series Bonds (for both the 2021 Series Bonds and the 2022 Series A Bonds), of (i) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the underwriters' schedules, to be held in escrow, will be sufficient to pay the principal of, premium, if any, and interest on the Prior Bonds, when due, and (ii) the computations of yield on both the securities and the applicable Federally Tax-Exempt Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the applicable Federally Tax-Exempt Bonds is excludible from gross income of the owners thereof for federal income tax purposes. The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

## RATINGS

Moody's Investors Service, Inc. ("Moody's") and Kroll Bond Rating Agency, Inc. ("Kroll") have each assigned their municipal bond ratings of "Aa3," and "AA-," respectively, to the Bonds.

The ratings of each respective rating agency only reflect the views of such rating agency. An explanation of the significance of the ratings given by Moody's may be obtained from Moody's Investors Service, Inc. at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, (212) 553-0300. An explanation of the significance of the ratings given by Kroll may be obtained from Kroll Bond Rating Agency, Inc. at 805 Third Avenue, New York, New York 10022, (212) 702-0707. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any downward revision or withdrawal could have an adverse effect on the market price of the Bonds.

## UNDERWRITING

The Bonds are to be purchased by J.P. Morgan Securities LLC ("JPMS") as representative of the managing underwriters identified on the cover hereof and on behalf of itself (the "Managers") (the Managers and any other syndicate members collectively, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the 2021 Series A Bonds at an aggregate purchase price of \$17,934,432.05 (which is equal to the principal

amount of the 2021 Series A Bonds plus net original issuance premium of \$4,412,486.40 less underwriting discount of \$58,054.35). The Underwriters have agreed, subject to certain conditions, to purchase the 2021 Series B Bonds at an aggregate purchase price of \$85,540,735.45 (which is equal to the principal amount of the 2021 Series B Bonds less underwriting discount of \$354,264.55). The Underwriters have agreed, subject to certain conditions, to purchase the 2022 Series A Bonds at an aggregate purchase price of \$72,884,806.89 (which is equal to the principal amount of the 2022 Series A Bonds plus net original issuance premium of \$16,249,556.25 less underwriting discount of \$239,749.36). The Underwriters will be obligated to purchase all Bonds if any are purchased. The Underwriters have advised the Authority that they intend to make a public offering of the Bonds at the initial public offering prices set forth on the inside cover page hereof, provided, however, that the Underwriters have reserved the right to make concessions to dealers and to change such initial public offering prices as the Underwriters shall deem necessary in connection with the marketing of the Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

JPMS, one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase the 2021 Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to 2021 Series Bonds that such firm sells.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

PNC Capital Markets LLC (“PNCCM”), an underwriter for the Bonds, may offer to sell to its affiliate, PNC Investments, LLC (“PNCI”), securities in PNCCM’s inventory for resale to PNCI’s customers, including securities such as those to be offered by the Authority. PNCCM may share with PNCI a portion of the fee or commission paid to PNCCM if any of the Bonds are sold to customers of PNCI.

FHN Financial Capital Markets is a division of First Horizon Bank and First Horizon Advisors, Inc., is a wholly owned subsidiary of First Horizon Bank. FHN Financial Capital Markets has entered into a distribution agreement with First Horizon Advisors, Inc., for the distribution of the Bonds, at the original issue prices. Such arrangement generally provides that FHN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Horizon Advisors, Inc.

## **CONTINUING DISCLOSURE**

The Authority will comply with the requirements of the Securities and Exchange Commission regarding secondary market disclosure as set forth in Rule 15c2-12 (the “Rule”), as amended, under the Securities Exchange Act of 1934. Specifically, the Authority will enter into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”), a form of which is attached at APPENDIX F, in which it will covenant to provide notice in a timely manner, not later than ten business days after the event, to each nationally recognized municipal securities information repository (“NRMSIR”) or the Municipal Securities Rulemaking Board (the “MSRB”), and the appropriate state information depository, if any, of any of the following types of events with respect to the Bonds set forth in the form attached hereto. Effective on July 1, 2009, the MSRB became the sole NRMSIR and the Authority’s filings with the MSRB will be in accordance with the MSRB’s Electronic Municipal Market Access (EMMA) system, as applicable to the Continuing Disclosure Agreement. The Commonwealth is providing ongoing market disclosure as required by the Rule pursuant to agreements entered into in connection with other outstanding securities, including timely notices of changes in the Authority’s underlying ratings affecting its outstanding securities.

In addition, ongoing financial disclosure regarding the Commonwealth will be available through the filing by the Commonwealth of two documents currently entitled The Kentucky Comprehensive Annual Financial Report and Supplementary Information to the Kentucky Comprehensive Annual Financial Report (or successor reports) (the “CAFR”) with EMMA as required under the Rule. Commencing with the Fiscal Year of the Commonwealth ended June 30, 2021, the CAFR will be known as The Kentucky Annual Comprehensive Financial Report. The Commonwealth is required to make such filing no later than nine months after the end of each fiscal year. The Commonwealth and the Authority have learned that in some instances prior rating changes on certain securities issued by the Commonwealth and its agencies, including the Authority, resulting from rating downgrades on certain bond insurers, were not the subject of material event notices, due, in part, to the lack of any direct notification to the Commonwealth of the specific rating impact on such particular securities of the Commonwealth and its agencies. The Commonwealth and the Authority have taken necessary actions to assure compliance with the Rule with respect to such events. Additionally, the Commonwealth and the Authority have put procedures in place to assure that future material event notices will be timely filed with respect to such events. With respect to certain insured bonds of the Commonwealth (not involving any bonds of the Authority), the Commonwealth recently made a late filing in connection with a downgrade of a bond insurer, which upon discovery of the error, resulted in updated external notification procedures to avoid future untimely insurance related filings.

The Authority failed to timely file the audited financial statements and supplementary information of the Authority within the nine month period specified by continuing disclosure statements of the Authority for the fiscal year ended June 30, 2020. The Authority posted on August 23, 2021 such audited financial statements and supplementary information on EMMA together with a Notice of Material Event (Late Filing) regarding this matter.

#### MISCELLANEOUS

All quotations from, and summaries and explanations of, the Act, the Indenture, the Lease, the Agreement and the Bonds contained in this Official Statement do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement. Copies in reasonable quantity of the Act, the Indenture, the Agreement and the Lease may be obtained during the offering period of the Bonds upon request directed to the Authority, 702 Capital Avenue, Suite 76, Frankfort, Kentucky 40601, or the Underwriters, JPMS, 383 Madison Avenue, 3<sup>rd</sup> Floor, New York, New York 10179.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract among the Authority, the Transportation Cabinet and the purchasers or holders of any of the Bonds.

#### THE TURNPIKE AUTHORITY OF KENTUCKY

By: /s/ Steven A. Starkweather  
Treasurer, The Turnpike Authority of Kentucky

#### THE TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY

By: /s/ Jim Gray  
Secretary, Transportation Cabinet

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## APPENDIX A

### DEBT INFORMATION PERTAINING TO THE COMMONWEALTH OF KENTUCKY

#### COMMONWEALTH DEBT MANAGEMENT

##### Management

The Office of Financial Management (“OFM”), Finance and Administration Cabinet has central responsibility for the issuance, management, review and approval of all debt issued by the Commonwealth and its agencies. Table I lists state agencies which are active issuing entities. OFM is also responsible for the coordination and monitoring of cash needs relative to debt activity, debt service payments and the development of a comprehensive long-term debt plan. OFM serves as primary staff to the State Property and Buildings Commission, ALCo, the Authority, the Kentucky Local Correctional Facilities Construction Authority and the State Investment Commission.

##### Structure

The Commonwealth’s indebtedness is classified as either appropriation-supported debt or non-appropriation-supported debt.

**Appropriation-supported debt** carries the name of the Commonwealth and is either (i) a general obligation of the Commonwealth, or (ii) a project revenue obligation of one of its debt issuing agencies created by the Kentucky General Assembly to finance various projects which is subject to state appropriation for all or a portion of the debt service on the bonds.

General obligation bonds pledge the full faith, credit and taxing power of the Commonwealth for the repayment of the debt. The Kentucky Constitution requires voter approval by general referendum prior to the issuance of general obligation bonds in amounts exceeding \$500,000. Kentucky has not issued general obligation bonds since 1966. The Commonwealth has no general obligation bonds outstanding.

Project revenue notes and bonds are issued by various debt issuing authorities of the Commonwealth. The revenues produced by the projects funded by the debt are pledged as security for repayment of the debt. Project revenue debt is not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases, the direct revenues generated from the project funded constitute the entire source of payment.

The payment of debt service by the state universities is enhanced by a state intercept provision that provides that in the event of a default, the Secretary of the Finance Cabinet is required to intercept any funds appropriated to the University but not yet disbursed and to remit those funds to the Trustee to remedy the default.

**Non-appropriation or moral obligation debt** carries the name of the Commonwealth for the benefit and convenience of other entities within the Commonwealth. This type of indebtedness is a special obligation of the issuer, secured and payable solely from the sources pledged for the payment thereof and does not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth. The General Assembly does not intend to appropriate any funds to fulfill the financial obligations represented by these types of indebtedness. Some issuers covenant that in the event of a shortfall the issuer will request from the Governor and the General Assembly sufficient amounts to pay debt service. Certain Kentucky Higher Education Student Loan Corporation bonds, Kentucky Housing Corporation Multi-Family conduit bonds, Kentucky Infrastructure Authority Governmental Agencies Program bonds, Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund Revenue bonds and Kentucky Public Transportation Infrastructure Authority Toll Revenue bonds and bond anticipation notes are not moral obligation debt.

##### Default Record

The Commonwealth has never defaulted in the payment of principal or interest on its general obligation indebtedness or its project revenue obligations.

**TABLE I  
ACTIVE DEBT ISSUING ENTITIES**

<u>ENTITY</u>	<u>STATUTORY AUTHORITY/PURPOSE</u>	<u>DEBT LIMITATIONS</u>	<u>RATINGS*</u>
State Property and Buildings Commission	<b>KRS 56.450</b> Provide financing for capital construction projects and financing programs approved by the General Assembly.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	A1/A-/A+/A+
Kentucky Asset/Liability Commission	<b>KRS 56.860</b> Provide financing of capital projects and cash flow borrowings to meet working capital needs of the state.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies
Turnpike Authority of Kentucky	<b>KRS 175.410-175.990</b> Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly	Aa3/A-/A+/AA-
The State Universities (consisting of nine)	<b>KRS 56.495</b> Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Kentucky Housing Corporation	<b>KRS 198A</b> Make low interest mortgage loans and construction loans to increase the supply of housing for low to moderate income residents of the State.	Limited to \$ 5.0 billion of debt outstanding.	Aaa/AAA/NR/NR
Kentucky Infrastructure Authority	<b>KRS 224A</b> Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of \$500 million.	Aaa/AAA/AAA/NR
Kentucky Higher Education Student Loan Corporation	<b>KRS 164A</b> Finances, makes and administers loans to fund and refinance costs to attend education institutions as permitted by the State.	Limited to \$5.0 billion of debt outstanding.	Varies
School Facilities Construction Commission	<b>KRS 157.611-157.665</b> Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	A1/NR/NR/NR
Kentucky Economic Development Finance Authority	<b>KRS 154</b> Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the State.	None.	Varies
Kentucky Public Transportation Infrastructure Authority	<b>KRS 175B.005-175B.115</b> Facilitate construction, financing, operation, and oversight of significant transportation projects within the Commonwealth by entering into bi-state agreements and by creating bi-state authorities and project authorities.	Cannot incur debt without prior approval of projects by General Assembly.	Baa2/NR/BBB/NR

\* Ratings, where applicable, include Moody's, Standard & Poor's, Fitch and Kroll. Certain State Property and Buildings Commission Agency and Road Fund Revenue Bonds may have ratings different from those identified above.

## Notes

Following are recent ratings for the referenced issuer or obligations; this is not a comprehensive history of all rating changes:

### **State Property and Buildings Commission**

- On July 20, 2017, Moody's downgraded the Commonwealth's issuer credit rating to "A1" from "Aa3" and its rating on the Commonwealth's appropriation debt to "A2" from "A1". At the same time, Moody's lowered its rating on debt backed by the Commonwealth state intercept programs for schools and universities to "A1" from "Aa3". The outlook on all is stable.
- On May 18, 2018, Standard & Poor's downgraded the Commonwealth's issuer credit rating to "A" from "A+" and its rating on the Commonwealth's appropriation debt to "A-" from "A". At the same time, Standard & Poor's lowered its rating on debt backed by the Commonwealth state intercept programs for schools and universities to "A-" from "A" and on lease debt issued by various Kentucky county public properties corporations backed by appropriations from Administrative Office of the Courts to "BBB+" from "A-". The outlook on all ratings is stable.

### **Turnpike Authority of Kentucky**

- On July 20, 2017, Moody's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "Aa3" from "Aa2".
- On August 29, 2018, Standard & Poor's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "A-" from "AA-". The outlook is stable.
- On August 23, 2021, Kroll assigned a rating of "AA-" to the Turnpike Authority of Kentucky. The outlook is stable.

### **Kentucky Asset/Liability Commission – GARVEEs**

- On February 18, 2014, Moody's downgraded certain stand-alone GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund to "A1" from "Aa3" with a negative outlook. On June 16, 2014, Moody's downgraded certain GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund to "A2" from "A1" and changed the outlook from negative to stable.

### **Kentucky Infrastructure Authority**

- The Kentucky Infrastructure Authority's Governmental Agencies Program Revenue Bonds are rated "AA+" by Standard & Poor's and are backed by the loans of the borrowers. The Kentucky Infrastructure Authority's Wastewater and Drinking Water Revolving Fund Revenue Bonds are rated "Aaa/AAA/AAA" by Moody's, Standard & Poor's and Fitch, respectively.

### **Kentucky Public Transportation Infrastructure Authority**

- On March 26, 2021, Fitch upgraded the rating on the Kentucky Public Transportation Infrastructure Authority's First Tier Revenue Bonds and Transportation Infrastructure Finance and Innovation Act loan to "BBB" from "BBB-".
- On March 30, 2021, Moody's upgraded the rating on the Kentucky Public Transportation Infrastructure Authority's First Tier Revenue Bonds and Transportation Infrastructure Finance and Innovation Act loan to "Baa2" from "Baa3".

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## APPENDIX B

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following statements are brief summaries of certain provisions of the Indenture, the Lease and the Agreement relating to the Bonds, not summarized elsewhere in this Official Statement. Such statements do not purport to be complete and reference is made to the Indenture, the Lease and the Agreement for the full text thereof.

### CERTAIN DEFINITIONS

Certain capitalized terms used in this Official Statement will have the following meanings. Capitalized terms used and not otherwise defined in this Official Statement will have the meanings given them in the Indenture, the Lease and the Agreement.

“2021 Series Bonds” means all economic development road revenue bonds, and all economic development road revenue refunding bonds at any time issued under the Indenture, including the 2021 Series A Bonds and the 2021 Series B Bonds.

“Act” means Chapter 175 of the *Kentucky Revised Statutes*, as amended from time to time.

“Adjusted Revenue” has the meaning given it under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — Restrictions on Future Financings” in this Official Statement.

“Agreement” means the Economic Development Road Revenue Revitalization Project Agreement dated as of October 1, 1990, made and entered into by the Authority and the Transportation Cabinet, as supplemented.

“ALCo” means the Kentucky Asset/Liability Commission.

“Amortization Requirement” for any Fiscal Year means the amount required for such Fiscal Year for the payment of the principal of specified Outstanding Term Bonds, plus the premium, if any, on such principal amount of Outstanding Term Bonds, which would be payable during such Fiscal Year for the redemption or payment at maturity of such principal amount of Outstanding Term Bonds.

“Appreciated Value” will have the meaning given it in the Indenture.

“Authority” means The Turnpike Authority of Kentucky, a de jure municipal corporation and political subdivision of the Commonwealth, and any successor or successors to the Authority.

“Biennial Term” means the two-year fiscal period of the Commonwealth, commencing on the first day of July in an even-numbered calendar year and ending on the last day of June of the next ensuing even-numbered calendar year.

“Bond Fund” means the Kentucky Economic Development Road Bond Fund (Revitalization Projects) established by the Indenture, including the four accounts therein, namely, “Capitalized Interest Account,” “Bond Service Account,” “Redemption Account” and “Rebate Account”, described under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — Flow of Funds” in this Official Statement.

“Bonds” means all economic development road revenue bonds, and all economic development road revenue refunding bonds at any time issued under the Indenture, including the 2021 Series A Bonds, the 2021 Series B Bonds and the 2022 Series A Bonds.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the Treasury Regulations promulgated thereunder.

“Construction Fund” means the Kentucky Economic Development Road Construction Fund (Revitalization Projects), established by the Indenture.

“Cost” or “Costs,” as applied to the System or any Revitalization Project, includes without limitation, the costs of construction of Revitalization Projects and all obligations and expenses and all items of cost set forth in the Indenture.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of Bonds, as further described in the Indenture.

“Current Interest Bonds” means any Bonds the interest on which is paid currently on Interest Payment Dates.

“Defeased Municipal Obligations” means obligations of state or local governments or obligations of public authorities or agencies which are rated in the highest rating category by Standard & Poor’s or Moody’s and provisions for payment of which have been made by deposit of monies or Government Obligations with a trustee or escrow agent for the benefit of holders of such Defeased Municipal Obligations.

“Depository” means one or more banks or trust companies, which may include the Trustee, designated by the Authority as a depository of monies under the provisions of the Indenture and which, for the Construction Fund, includes the Treasury of the Commonwealth.

“Economic Development Road Account” means the account of that name in the Road Fund of the Commonwealth established pursuant to Section 175.810 of the *Kentucky Revised Statutes*, or any successor account thereto.

“Eighteenth Supplemental Agreement” means the agreement dated as of November 1, 2016, by and between the Transportation Cabinet and the Authority, amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to coverage of the Lease.

“Eighteenth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental payments under the Lease.

“Eighth Supplemental Agreement” means the agreement amending the Agreement to provide for the coverage of the Lease.

“Eighth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental payments under the Lease.

“Eleventh Supplemental Agreement” means the agreement amending the Agreement to provide for the coverage of the Lease.

“Eleventh Supplemental Lease” means the lease amending the Lease to provide for the modification of rental projects under the Lease.

“Fifteenth Supplemental Agreement” means the agreement amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to the coverage of the Lease.

“Fifteenth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental projects under the Lease.

“Fifth Supplemental Agreement” means the agreement amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to the coverage of the Lease.

“Fifth Supplemental Lease” means the lease amending the Lease to provide for, inter alia, the transfer of certain economic development road projects to the Lease and the modification of rental payments under the Lease.

“Financing/Fourth Supplemental Lease Agreement” means the lease amending the Lease to provide for, inter alia, the transfer of certain economic development road projects to the Lease and the modification of rental payments under the Lease.

“Financing/Seventh Supplemental Lease Agreement” means the lease amending the Lease to provide for the modification of rental payments under the Lease.

“First Amendment to Financing/Fourth Supplemental Lease Agreement” means the amendment to the Financing/Fourth Supplemental Lease Agreement modifying the rental payments under the Lease.

“First Amendment to Financing/Tenth Supplemental Lease Agreement” means the amendment to the Financing/Tenth Supplemental Lease Agreement modifying the rental payments under the Lease.

“First Supplemental Agreement” means the agreement amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to the coverage of the Lease.

“First Supplemental Lease” means the lease amending the Lease to provide for, inter alia, the transfer of certain economic development road projects to the Lease and the modification of rental payments under the Lease.

“Fiscal Year” means the period commencing on the first day of July of any calendar year and ending on the last day of June of the following calendar year.

“Fourteenth Supplemental Agreement” means the agreement amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to the coverage of the Lease.

“Fourteenth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental projects under the Lease.

“Fourth Supplemental Agreement” means the agreement amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to the coverage of the Lease.

“Government Obligations” means (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal portions must be a Qualified Financial Institution; and (c) Defeased Municipal Obligations.

“Interest Payment Date” means January 1 and July 1 of each year, commencing January 1, 2022, with respect to the 2021 Series Bonds, and July 1, 2022 with respect to the 2022 Series A Bonds.

“Lease” means the Economic Development Road Revenue Revitalization Project Lease dated as of October 1, 1990 between the Authority and the Transportation Cabinet, as supplemented.

“Maximum Annual Debt Service” has the meaning given it under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — Restrictions on Future Financings” in this Official Statement.

“Nineteenth Supplemental Agreement” means the agreement dated as of July 1, 2017, by and between the Transportation Cabinet and the Authority, amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to coverage of the Lease.

“Nineteenth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental payments under the Lease.

“Ninth Supplemental Agreement” means the agreement amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to the coverage of the Lease.

“Ninth Supplemental Lease” means the lease amending the Lease to provide for, inter alia, the transfer of certain economic development road projects to the Lease and the modification of rental payments under the Lease.

“Outstanding” when used in reference to the Bonds, means, as of any particular date, the aggregate of all Bonds authenticated and delivered hereunder except:

(a) those cancelled at or prior to such date or delivered to or acquired by the Trustee at or prior to such date for cancellation;

(b) those deemed to be paid under the Indenture;

(c) those deemed to be purchased in accordance with any agreement with a Tender Agent or Remarketing Agent; and

(d) those in lieu of or in exchange or substitution for which other Bonds have been authenticated and delivered under the Indenture.

“Permitted Investments” means (a) obligations, and contracts for future delivery of obligations, backed by the full faith and credit of the United States or a United States government agency, or any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (a); (b) obligations of any corporation of the United States Government; (c) collateralized or uncollateralized certificates of deposit, issued by banks rated in one of the three highest categories by a nationally-recognized rating agency or other interest-bearing accounts in depository institutions chartered by the Commonwealth or by the United States, except for shares in mutual savings banks; (d) bankers acceptances for banks rated in one of the three highest categories by a nationally-recognized rating agency; (e) commercial paper rated in the highest category by a nationally-recognized rating agency; (f) securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally-recognized rating agency; (g) repurchase agreements for obligations described in (a) through (f) above, provided that the entity which agrees to repurchase such obligations from the Authority must be a Qualified Financial Institution or a government bond dealer reporting to, trading with and recognized as a primary dealer by a Federal Reserve Bank, in any case with a capital and surplus aggregating at least \$100,000,000, and provided that the agreement provides for the Authority to be secured by such obligations with a market value at least equal to the repurchase amount; and (h) any other investment permitted by Kentucky Revised Statute 42.500, as amended from time to time.

“Revenue Fund” means the Kentucky Economic Development Road Revenue Fund (Revitalization Projects) established by the Indenture, described under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS -- Flow of Funds” in this Official Statement.

“Revenues” means all rental, moneys and any other revenues, and, during such times as the Lease is not in effect, motor fuel taxes and surtaxes derived from motor fuels consumed on the System not directed by law or previous binding contract to be applied to uses other than payment on the Bonds, and any other revenues, all as derived from time to time by the Authority from its ownership or operation of the System which can be legally applied to the payment of the Bonds.

“Second Amendment to Financing/Tenth Supplemental Lease Agreement” means the second amendment to the Financing/Tenth Supplemental Lease Agreement modifying the rental payments under the Lease.

“Second Supplemental Agreement” means the agreement amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to the coverage of the Lease.

“Second Supplemental Lease” means the lease amending the Lease to provide for, inter alia, the transfer of certain economic development road projects to the Lease and the modification of rental payments under the Lease.

“Serial Bonds” means the Bonds so designated in a Series Resolution.

“Series” means all Bonds authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided, regardless of variations in maturity, interest rates or other provisions.

“Series Resolution” means the resolution of the Authority authorizing the issuance of a particular series of Bonds, including any resolution supplemental thereto.

“Seventeenth Supplemental Agreement” means the Agreement dated as of April 1, 2016, by and between the Transportation Cabinet and the Authority, amended the Agreement to provide for, inter alia, the transfer of certain economic development road projects to coverage of the Lease.

“Seventeenth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental payments under the Lease.

“Seventh Supplemental Agreement” means the agreement amending the Agreement to provide for the coverage of the Lease.

“Short Term Rate” means an interest rate on a Bond that varies from period to period during the term of the Bonds, which Bond may or may not be subject to a Put, and which may include an interest rate fixed for a period of time less than the term of the Bond, all as designated in the resolution pursuant to which such Bonds are issued.

“Sixteenth Supplemental Agreement” means the Agreement dated as of July 1, 2015, by and between the Transportation Cabinet and the Authority, amended the Agreement to provide for, inter alia, the transfer of certain economic development road projects to coverage of the Lease.

“Sixteenth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental payments under the Lease.

“Sixth Supplemental Agreement” means the agreement amending the Agreement to provide for the coverage of the Lease.

“Sixth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental payments under the Lease.

“SPBC” means the State Property and Buildings Commission.

“State Investment Commission” or “SIC” means the Investment Commission of the Commonwealth or, if the Investment Commission shall be abolished, the department, board, body or commission succeeding to the principal functions thereto or to whom the powers given by *Kentucky Revised Statutes* Section 42.500, as amended from time to time, to the Investment Commission shall be transferred by law.

“System” means that portion of the Kentucky Economic Development Road System within the meaning of the Act consisting of all the Revitalization Projects funded under the Indenture.

“Tenth Supplemental Agreement” means the Financing/Tenth Supplemental Lease Agreement, dated as of September 1, 2007, by and among ALCo, the Finance and Administration Cabinet of the Commonwealth and the Authority.

“Tenth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental payments under the Lease.

“Term Bonds” means the Bonds so designated in a Series Resolution.

“Third Supplemental Agreement” means the agreement amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to the coverage of the Lease.

“Third Supplemental Lease” means the lease amending the Lease to provide for, inter alia, the transfer of certain economic development road projects to the Lease and the modification of rental payments under the Lease.

“Thirteenth Supplemental Agreement” means the Agreement dated as of March 1, 2012, by and among The Transportation Cabinet and the Authority, amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to the coverage of the Lease.

“Thirteenth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental projects under the Lease.

“Transportation Cabinet” means the Transportation Cabinet of the Commonwealth or if the Transportation Cabinet is abolished, the department, board, body or commission succeeding principal functions thereof or to whom the powers given by the Act to the Transportation Cabinet are transferred by law.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as successor to J.P. Morgan Trust Company, National Association, as trustee under the Indenture, and any successor Trustee appointed pursuant to the Indenture.

“Twelfth Supplemental Agreement” means the Agreement dated as of April 1, 2011, by and among The Transportation Cabinet and the Authority, amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to the coverage of the Lease.

“Twelfth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental projects under the Lease.

“Twentieth Supplemental Agreement” means the agreement dated as of September 1, 2021, by and between the Transportation Cabinet and the Authority, amending the Agreement to provide for, inter alia, the transfer of certain economic development road projects to coverage of the Lease.

“Twentieth Supplemental Lease” means the lease amending the Lease to provide for the modification of rental payments under the Lease.

## **THE TRUST INDENTURE**

### **Ownership of Bonds**

Any registered owner of any Bond is granted power to transfer absolute title thereto, by assignment thereof before maturity of such Bond, to a bona fide purchaser, for value (present or antecedent) without notice of prior defeasances or equities or claims of ownership enforceable against his assignor or any person in the chain of title. Every prior holder or owner of any Bond will be deemed to have waived and renounced all its right therein in favor of every such bona fide purchaser, and every such bona fide purchaser will acquire absolute title thereto and to all rights represented thereby. Registration of transfer of ownership of Bonds is accomplished as described under the caption “DESCRIPTION OF BONDS — Transfer and Exchange” in this Official Statement.

### **Mutilated, Destroyed or Lost Bonds**

In case any Bond secured under the Indenture becomes mutilated or is destroyed or lost, the Authority or any designated officer of the Authority will cause to be executed, and the Trustee will authenticate and deliver, a new Bond of the date and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond destroyed or lost, upon the holder’s paying the reasonable expenses and

charges of the Authority and the Trustee in connection therewith and, in the case of a Bond destroyed or lost, his filing with the Trustee evidence satisfactory to it and to the Authority that such Bond was destroyed or lost, and of his ownership thereof, and furnishing the Authority and the Trustee indemnity satisfactory to them.

### **Credits Against Amortization Requirements**

At its option, to be exercised by written notice to the Trustee on or before the 60th day preceding any Interest Payment Date on which an Amortization Requirement is due, the Authority may (i) deliver to the Trustee for cancellation, Bonds of the maturity which is subject to such Amortization Requirement, in any aggregate principal amount desired, or (ii) receive credit for any Bonds of the maturity which is subject to such Amortization Requirement which prior to said date have been redeemed (otherwise than through an Amortization Requirement) or purchased and cancelled by the Trustee and not theretofore applied as a credit against the Amortization Requirements for such maturity of Bonds. Each Bond delivered or previously redeemed or purchased as described above will be credited by the Trustee at the principal amount thereof against any Amortization Requirement for such maturity of Bonds as the Authority in its discretion may deem proper, and on the date such Amortization Requirement for such maturity of Bonds is payable, such Amortization Requirement shall be correspondingly reduced.

### **Construction Fund**

All payment of costs of the Revitalization Projects are to be made from the Construction Fund established under the Indenture. When any payment of the cost of Revitalization Projects is made from the Construction Fund, the Authority is required to file with the State Treasurer, with a copy to the Trustee, a warrant in the form required by the Indenture. The Indenture provides for the creation of a fund to be used by the Authority for the payment of items of cost and expenses in connection with the construction of the Revitalization Projects which cannot conveniently be paid upon requisition. The fund is deemed a part of the Construction Fund and will be reimbursed from other monies in the Construction Fund upon requisition of the Authority. No amounts are to be paid from the Construction Fund during the time the Lease is not in effect.

Upon certification of completion of construction of the Revitalization projects in respect to which the Bonds have been issued and the payment of all costs or the making of provision therefor, any balance in the Construction Fund, including any revolving fund, will be transferred to the Bond Service Account.

### **Revenue Fund**

The Authority covenants that it will cause all rentals paid by the Transportation Cabinet to the Authority under the Lease to be deposited in the Revenue Fund.

If and so long as the Lease shall be in effect, the Trustee shall make withdrawals from the Revenue Fund to the extent monies are available therein and, not later than the Interest Payment Date, shall make deposits to the credit of the accounts described under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — Flow of Funds" in this Official Statement.

### **Bond Fund**

**Capitalized Interest Account.** On or prior to each Interest Payment Date for Bonds of which any interest has been capitalized, the Trustee will transfer from the Capitalized Interest Account to the Bond Service Account the amounts which, when added to the amount, if any, which has otherwise been deposited from the proceeds of the Series of Bonds, will equal the amount required to pay the interest to become due and payable on such Bonds on such Interest Payment Date.

**Bond Service Account.** On each Interest Payment Date, the Trustee will apply amounts on deposit in the Bond Service Account to pay principal and interest on the Bonds, including any Amortization Requirement, or to reimburse the obligor under any Credit Facility for amounts paid under the Credit Facility to pay such principal and interest.

**Redemption Account.** Monies held for the credit of the Redemption Account will be applied to the retirement of Bonds as follows:

(a) The Trustee, pursuant to the direction of the Authority, will endeavor to purchase Bonds or portions of Bonds Outstanding, whether or not such Bonds or portions thereof are then subject to redemption, at the most advantageous price obtainable with reasonable diligence, such price not to exceed the principal of such Bonds plus the amount of the premium, if any, which would be payable on the next redemption date to the holder of such Bonds under the provisions of the Series Resolutions pursuant to which such Bonds were issued, if such Bonds or portions of Bonds were called for redemption on such date. No such purchase will, be made by the Trustee within the period of 60 days preceding any Interest Payment Date on which such Bonds are subject to redemption.

(b) The Trustee will call for redemption on each date on which Bonds are subject to redemption from monies in the Redemption Account such amount of Bonds or portions of Bonds then subject to redemption; provided that not less than \$100,000 principal amount of Bonds may be called for redemption at any one time unless the Authority otherwise directs; and provided further that any monies in the Redemption Account 15 days prior to any redemption date which are not to be used to redeem Bonds on the following redemption date will be transferred to the Bond Service Account to be applied to the payment of principal of and interest on Bonds on the next Interest Payment Date. Any monies in the Redemption Account on the second Interest Payment Date following the deposit of such monies thereto which are not to be used to redeem Bonds on such date will be transferred to the Bond Service Account and applied to pay principal and interest on Bonds payable on such date.

**Rebate Account.** For all Bonds other than taxable Bonds; the Trustee will make deposits into and payments from the Rebate Account at such times and in such manner as provided in the rebate agreement to be entered into between the Trustee and the Authority applicable to each Series of Bonds.

### **Depository**

Except as otherwise provided in the Indenture, all monies received by the Authority under the provisions of the Indenture and all obligations purchased as an investment of such monies required by the Indenture to be held or maintained by the Trustee may be deposited by the Trustee in one or more Depositories and at the direction of the Authority must be deposited in one or more Depositories in such amounts as the Authority, with the concurrence of the State Investment Commission, directs consistent with the Indenture. All monies and investments deposited under the provisions of the Indenture with the Trustee or any other Depository will be held in trust and applied only in accordance with the provisions of the Indenture and will not be subject to lien or attachment by any creditor of the Authority.

### **Investments**

Monies held in the Revenue Fund, Bond Service Account, the Capitalized Interest Account, the Redemption Account and the Rebate Account of the Bond Fund are to be invested and reinvested, in accordance with the direction of the State Investment Commission, in Permitted Investments which mature, or which are subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the money held for the credit of said accounts will be required for the purposes intended.

To the extent permitted by law, monies held for the credit of the Construction Fund, excluding the money set aside as provided in the Indenture, are also to be invested and reinvested, in accordance with the direction of the State Investment Commission, in Permitted Investments.

Obligations so purchased as an investment of monies in any such Fund or Account will be deemed at all times to be a part of such Fund or Account, and the interest accruing thereon and any profit realized from such investment will be credited to such Fund or Account, and any loss resulting from such investment will be charged to such Fund or Account. The Trustee is to sell at the best price reasonably obtainable or present for redemption any obligation so purchased whenever it is necessary in order to provide money to meet any payment or transfer from such Fund or Account. Neither the Trustee nor the Authority will be liable or responsible for any loss resulting from any such investment.



## **Arbitrage Covenant**

The Authority has covenanted not to permit the proceeds of the Bonds or any other fund of the Authority to be used in such manner as to constitute any such bond an “arbitrage bond” as that term is defined in Section 148 of the Code.

## **Other Covenants of the Authority**

The Authority covenants in the Indenture that at all times while any Bonds are Outstanding, it will require the Transportation Cabinet to bear, except to the extent that such cost is paid by the Transportation Cabinet to the Authority pursuant to the Lease, all costs of maintenance, repair and operation of the System as public highways provided for the use of the Commonwealth, pursuant to the provisions of the Act and as provided in the Agreement.

The Authority covenants and agrees that it will not take any action or do anything which may result in the termination or cancellation of the Lease or in a failure of renewal of the Lease other than as may be provided therein; and that it will not enter into any supplement to the Lease or the Agreement except as may be provided therein.

The Authority covenants that it will not create or suffer to be created any lien or charge upon the rentals payable under the Lease or, if the Lease is not in effect for any period, upon the motor fuels taxes or surtaxes derived from motor fuel consumed on the System during such period, superior or equal to the lien and charge of and in favor of the Bonds; and that it will cause to be paid or otherwise discharged certain claims against the Revitalization Projects unless such claims are being contested in good faith.

The Authority has covenanted not to expend proceeds of the Bonds on any express highway or superhighway or part of parts thereof originally constructed as a “turnpike project” or a “resource recovery road project,” as defined in the Act, unless the authority to do so has been established by amendment of the Act or other legislation or by a final decision (including a decision not to review a lower decision) of the highest court of the Commonwealth.

The Authority has covenanted to keep or cause to be kept records of the total cost and the total length, in miles, of the Revitalization Projects constructed with all or a portion of the proceeds of a Series of Bonds and that, if the Lease is not in effect for any period, to keep or cause to be kept accurate records and accounts of the motor fuel taxes and surtaxes derived from motor fuel consumed on the System and received from the Commonwealth and the application of such motor fuel taxes and surtaxes. Such records will be open at all reasonable times to the inspection of the Trustee and the bondholders and their agents and representatives. The Authority also covenants to cause certain audits to be made of the funds and accounts under the Indenture pledged to the payment of the Bonds.

The Authority has covenanted that it will not sell, lease or otherwise dispose of or encumber the System or any part thereof, except as otherwise provided in the Indenture and the Lease.

## **Arrearages**

In case the time for payments of interest on any Bond is extended, whether or not such extension is with the consent of the Authority, such interest so extended will not be entitled in case of default under the Indenture to the benefit or security of the Indenture except subject to the prior payment in full of the principal of all Outstanding Bonds and interest the time for the payment of which has not been extended.

## **Events of Default**

Each of the following events is an event of default under the Indenture:

(a) if payment of the principal of, redemption premium, if any, on, and Amortization Requirement for, any of the Bonds is not made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

- (b) if payment of any installment of interest on any of the Bonds shall not be made when the same becomes due and payable; or
- (c) if the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or
- (d) failure to pay an amount due in respect of a put of any Bond when such amount has become due and payable; or
- (e) certain events required by an obligor of a Credit Facility described in a Series Resolution pursuant to which the Series of Bonds secured by said Credit Facility were issued, including, without limitation, the occurrence of an event of default under any reimbursement agreement pursuant to which the Credit Facility is issued or failure to reinstate the Credit Facility following a drawing thereon to pay such Series of Bonds; or
- (f) if final judgment for the payment of money is rendered against the Authority as a result of the ownership, control or operation of the System and any such judgment shall not be discharged within 60 days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment has been granted or entered, in such manner as to stay the execution of a levy under such judgment, order, decree or process or the enforcement thereof; or
- (g) if any proceeding is instituted by the Authority pursuant to the federal bankruptcy code or any federal or state statute for the purpose of adjusting the claims of creditors of the Authority or of entities such as the Authority, if claims of the Authority's creditors are under any circumstances payable from the revenues of the System; or
- (h) if the Authority defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or the Indenture on the part of the Authority to be performed; provided that no such default will constitute an event of default until written notice thereof has been given to the Authority by the Trustee (which may give such notice in its discretion and shall give notice at the written request of the holders of not less than 10% in principal amount of the Outstanding Bonds) and the Authority shall have had 60 days after receipt of such notice to correct such default or cause the same to be corrected and shall not have corrected such default or caused the same to be corrected within such period; and provided further that if the default is such that it cannot be corrected within such period, it shall not constitute an event of default if action to correct the same is instituted within such period and diligently pursued until default is corrected.

### **Acceleration**

Upon any event of default, except as described in subparagraph (e) above, the Trustee may, and upon the written request of the registered owners of not less than 20% in aggregate principal amount of the Bonds Outstanding must, declare the principal of all of the Bonds Outstanding (if not then due and payable) to be immediately due and payable, anything contained in the Bonds or in the Indenture to the contrary notwithstanding. Upon an event of default described in subparagraph (e) above and the receipt by the Trustee of notice thereof from the obligor under the Credit Facility, the Trustee will make such declaration on the first day on or after its receipt of such notice on which the Trustee may draw on such Credit Facility.

If, at any time after such declaration, but before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedy under the Indenture, sufficient moneys have accumulated in the Bond Fund to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds Outstanding (except the principal of any Bonds not then due by their terms and the interest accrued on such Bonds since the last Interest Payment Date) and provision for payment of amounts due the Trustee and the Authority under the Indenture has been made, and every other default known to the Trustee has been remedied to the satisfaction of the Trustee, the Trustee, with the consent of the obligor under any Credit Facility, may, and upon written request of the registered owners of not less than 20% in aggregate principal amount of the Bonds Outstanding and not then due by their terms and with the consent of the obligor under any Credit Facility, or at the direction of the obligor under any Credit Facility, must, rescind and annul such declaration of

acceleration and its consequences. If an event of default described in subparagraph (e) above has occurred and the Trustee thereafter receives notice from the obligor under a Credit Facility that the notice which caused such event of default has been withdrawn and that the amounts available to be drawn on that Credit Facility have been reinstated as provided in the Indenture, such event of default will be deemed waived and its consequences rescinded and annulled and the Trustee will give notice thereof as provided in the Indenture. No such waiver, rescission or annulment will, however, extend to or affect any subsequent default or impair any right consequent thereon.

### **Enforcement of Remedies**

Upon an event of default, the Trustee may proceed, and upon the written request of the registered owners of not less than 10% in aggregate principal amount of the Bonds Outstanding or the written request of the obligor under any Credit Facility must proceed, subject to the provisions of the Indenture, to protect and enforce its rights and the rights of the bondholders under the laws of the Commonwealth and under the Indenture by any such action as the Trustee, being advised by counsel, may deem most effectual to protect and enforce such rights.

### **Majority of Bondholders May Control Proceedings**

Anything in the Indenture to the contrary notwithstanding, the registered owners of not less than a majority in principal amount of the Bonds Outstanding have the right, subject and pursuant to the provisions of the Indenture, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee, provided that such direction may not be otherwise than in accordance with law and the provisions of the Indenture.

### **Restrictions Upon Actions by Individual Bondholders**

No holder of any of Bonds has any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the Indenture or for any other remedy thereunder unless such bondholder has given the Trustee written notice of the event of default giving rise to such action and the registered owners of not less than 10% in aggregate principal amount of the Bonds Outstanding have also made written request of the Trustee after the right to exercise such powers or rights of action has accrued, and have afforded the Trustee a reasonable opportunity to either proceed or exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its name, and unless also the Trustee has been offered reasonable security and indemnity as provided in the Indenture, and the Trustee has refused or neglected to comply with such request within a reasonable time; such notification, request and offer of indemnity being in every case, at the Trustee's option, conditions precedent to the execution of the powers and trusts of the Indenture or any other remedy thereunder. Notwithstanding the foregoing, however, the owners of not less than 20% in aggregate principal amount of the Bonds Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all owners of Bonds Outstanding.

The Indenture provides that except as described above, no one or more owners of Bonds has any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right thereunder, except as therein provided, all proceedings at law or in equity must be instituted, had and maintained as provided in the Indenture and for the benefit of all owners of Outstanding Bonds, and any individual right of action or other right given to one or more of such owners by law are restricted by the Indenture to the rights and remedies therein provided.

### **The Trustee**

The Trustee has accepted and agreed to execute the trusts imposed upon it by the Indenture, but only upon the terms and conditions set forth in such Indenture. Subject to the provisions of any contract between the Authority and the Trustee relating to the Trustee's fees and expenses and those of the Trustee's counsel, the Authority will pay, from the Revenues, the Trustee's reasonable fees and expenses and those of the Trustee's counsel for all services performed by it under the Indenture. If the Authority fails to make any payments so required by the Indenture, the Trustee may make such payment from any moneys in its possession under the Indenture, and is entitled to a preference therefor, over any of the Bonds Outstanding under the Indenture.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Authority and executed by the holders of not less than 20% of the aggregate principal amount of the Bonds Outstanding; provided that if, prior to the date on which such removal is stated to take effect an instrument or concurrent instruments in writing objecting to the removal of the Trustee are filed with the Authority and executed by the owners of a greater aggregate principal amount of the Bonds Outstanding than those executing the removal instrument, such removal instrument will be ineffective. The Trustee may resign and thereby become discharged from the trusts created pursuant to the Indenture by notice in writing given to the Authority and to all registered owners of Bonds as provided in the Indenture. No such removal or resignation of the Trustee pursuant to the Indenture will become effective, however, until the appointment and acceptance of a successor Trustee.

The Trustee is under no obligation to institute any suit, take any remedial proceeding, enter an appearance in or defend any suit or take steps in the execution of trusts or enforcement of rights and powers until indemnified to its satisfaction as provided in the Indenture, but the Trustee may so act without such indemnity and be reimbursed either by the Authority or from money under the Indenture.

### **Modification of the Indenture**

The Authority and the Trustee may enter into supplemental trust indentures:

- (a) to cure any ambiguity or formal defect or omission in the Indenture or in any supplemental trust indenture,
- (b) to grant to or confer upon the Trustee for the benefit of the bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders or the Trustee,
- (c) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements to be observed by the Authority that are not contrary to or inconsistent with the Indenture,
- (d) to add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Indenture,
- (e) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture of the Revenues or of any other money, securities or funds,
- (f) to modify any of the provisions of the Indenture, in any other respect whatever, provided that such modification is, and is expressed to be, effective only after all Bonds of each Series Outstanding at the date of such supplemental indenture cease to be Outstanding,
- (g) to make any changes or modifications of the Indenture or amendments, additions or deletions which may be required to permit the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, or laws analogous thereto applicable to bonds issued by governmental bodies, or
- (h) to make any other change which, in the opinion of the Authority and the Trustee, is not detrimental to the interests of the bondholders.

In addition, the Indenture may be modified, altered, amended, added to or rescinded in any particular from time to time with the consent of the holders of not less than two-thirds of the aggregate principal amount of the Bonds Outstanding (and if a Credit Facility is then in effect, the consent of the obligor thereunder is also required), provided that no modification, alteration, amendment, addition or recession may permit (a) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture, or (b) a reduction in the principal amount of any Bond, the rate of interest or redemption premium thereon, or (c) the creation of alien upon or pledge of Revenues superior to, or on a parity with the lien and pledge created by the Indenture, or a release of the lien and pledge created by the Indenture except as otherwise provided therein, or (d) the creation of a preference or priority of any Bond or Bonds over any other Bond or Bonds, except as may be provided in connection with the issuance of any Series of

subordinated Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

If the owners of not less than two-thirds in aggregate principal amount of the Bonds Outstanding at the time of execution of any supplemental indenture have consented to and approved the execution thereof as provided in the Indenture, no bondholder will have any right to object to the execution of such supplemental indenture or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

### **Defeasance**

Any Bonds will, prior to the maturity or redemption date therefor, be deemed to have been paid and to be no longer Outstanding under the provisions of the Indenture if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority has given to the Trustee irrevocable instructions to give notice of redemption on said date of such Bonds in accordance with the Indenture, (b) there has been deposited with the Trustee other money in an amount which will be sufficient, or Government Obligations the principal of and the interest on which, when due, will provide moneys which together with the money, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal and the interest and premium, if any, so due and payable on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the succeeding 60 days, the Authority has given the Trustee in form satisfactory to it irrevocable instructions to give, in accordance with the Indenture and as soon as practicable, notice to holders of such Bonds that the deposit described in (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which money is to be available for the payment of the principal and the interest and the premium, if any, so due and payable on said Bonds.

## **THE LEASE**

### **Initial Term; Renewal**

The initial term of the Lease was from October 1, 1990 to and including June 30, 1992 and it has been renewed for succeeding terms, currently ending June 30, 2022. The Lease is renewable for successive biennial terms at the option of the Transportation Cabinet. The option to renew will be deemed to have been automatically exercised for each succeeding biennial term, effective on the first day thereof, unless the Authority shall receive written notice of the Transportation Cabinet's election not to renew the Lease prior to the close of business on the last working day in April immediately preceding the beginning of such succeeding biennial term. The Lease is renewable for successive biennial terms, one at a time, until all Bonds have been paid or deemed to have been paid in accordance with the Indenture.

### **Rentals**

Rentals are payable at the times of and in such amounts as may be required to satisfy required deposits to the Bond Service Account of the Bond Fund under the Indenture. Upon the renewal of the Lease for any biennial term the Transportation Cabinet will be bound to pay Lease rentals for such biennial term as a general obligation of the Transportation Cabinet to be paid not only from revenues of the System but also from any other available funds of the Transportation Cabinet not required by law or by previous binding contract to be devoted to other purposes. No damage to or destruction of the System or any portion thereof will relieve the Transportation Cabinet from any of its obligations under the Lease.

The Transportation Cabinet has covenanted, in accordance with the Act, to certify to the Commissioner of the Department of Revenue prior to October 1 of each Fiscal Year the amount required for payment of amounts due under the Lease during such Fiscal Year. Upon deposit of the amounts certified, the Transportation Cabinet covenants and agrees that said amounts will be applied only to the payment of rentals and for no other purpose, except as otherwise provided in the Lease.

At all times the Lease shall be in effect, the Transportation Cabinet shall have authority to establish and enforce rules and regulations for the use of the System.

### **Maintenance and Operation of the Economic Development Road System**

From and after the date of issuance of the Bonds and for the entire period until all the Bonds issued under the Indenture are paid or deemed to have been paid, the Transportation Cabinet agrees to maintain and operate the System in an efficient and economical manner, maintain the same in good repair and sound operating condition, and make all necessary repairs, renewals and replacements, all at the expense of the Transportation Cabinet, except to the extent that funds for the payment thereof are included in the rentals paid by the Transportation Cabinet to the Authority pursuant to the Lease. The Transportation Cabinet shall have the right, subject to the approval of the Authority, to make additions, improvements and extensions to the System at the expense of the Transportation Cabinet, and any such additions, improvements and extensions to the System will be deemed a part of the System for all purposes of the Agreement and the Lease.

### **Amendments**

The Authority and the Transportation Cabinet may amend or modify the Lease to cure any ambiguity or formal defect or omission, or to modify the rentals payable thereunder by reason of the issuance of another Series of Bonds. The Lease may be modified, altered, amended, added to or rescinded in any particular from time to time with the consent of the holders of not less than two-thirds of the aggregate principal amount of the Bonds Outstanding.

### **Supplemental Leases**

The Lease has been amended by the First Supplemental Lease, the Second Supplemental Lease, the Third Supplemental Lease, the Financing/Fourth Supplemental Lease Agreement, the Fifth Supplemental Lease, the Sixth Supplemental Lease, the Financing/Seventh Supplemental Lease, the Eighth Supplemental Lease, the Ninth Supplemental Lease, the Financing/Tenth Supplemental Lease Agreement, which has been amended by a First Amendment to Financing/Tenth Supplemental Lease Agreement and by a Second Amendment to Financing/Tenth Supplemental Lease Agreement, the Eleventh Supplemental Lease, the Twelfth Supplemental Lease, the Thirteenth Supplemental Lease, the Fourteenth Supplemental Lease, the Fifteenth Supplemental Lease, the Sixteenth Supplemental Lease, the Seventeenth Supplemental Lease, the Eighteenth Supplemental Lease, the Nineteenth Supplemental Lease and the Twentieth Supplemental Lease as permitted by the Lease. The First Supplemental Lease, Second Supplemental Lease, Third Supplemental Lease, Financing/Fourth Supplemental Lease Agreement, including the First Amendment to Financing/Fourth Supplemental Lease Agreement, Fifth Supplemental Lease, Sixth Supplemental Lease, Financing/Seventh Supplemental Lease, Eighth Supplemental Lease, Ninth Supplemental Lease, Financing/Tenth Supplemental Lease Agreement, which has been amended by a First Amendment to Financing/Tenth Supplemental Lease Agreement and by a Second Amendment to Financing/Tenth Supplemental Lease Agreement, Eleventh Supplemental Lease, Twelfth Supplemental Lease, Thirteenth Supplemental Lease, Fourteenth Supplemental Lease, Fifteenth Supplemental Lease, Sixteenth Supplemental Lease, Seventeenth Supplemental Lease, Eighteenth Supplemental Lease, Nineteenth Supplemental Lease and Twentieth Supplemental Lease transfer certain economic development road projects to the Lease and modify the rental payments to provide for payments that are adequate to pay the interest on and principal of the Bonds Outstanding, including the 2021 Series A Bonds, the 2021 Series B Bonds and the 2022 Series A Bonds.

## **THE AGREEMENT**

### **Construction of the Revitalization Projects**

The Transportation Cabinet is to construct the Revitalization Projects on behalf of the Authority. Costs of the Revitalization Projects incurred by the Transportation Cabinet on behalf of the Authority will be paid from the Construction Fund in the manner provided in the Indenture. The Transportation Cabinet is to keep proper records and accounts of all such costs.

### **Revitalization Projects to be a Public Highway**

The Revitalization Projects are to continuously constitute a part of the highway system of the Commonwealth and, upon completion, are always to be open to public traffic.

### **Cost of Maintenance and Operation of the System**

As and from the date of issuance of the Bonds and whether the Lease is renewed or not, the Transportation Cabinet is required to continuously pay all the costs of repairing, maintaining and operating the System until the Bonds are paid or deemed to have been paid in accordance with the Indenture, except to the extent such costs are included in rentals.

### **Conveyance of the System to the Commonwealth**

When all Bonds have been paid or have been deemed paid pursuant to the Indenture, the System will become, without further act, the property of the Commonwealth and will thereafter be maintained by the Transportation Cabinet.

### **Amendments**

The Agreement may not be supplemented, modified or amended without the consent of bondholders then owning two-thirds of the aggregate principal amount of Bonds outstanding, provided that no such consent is required for any supplement, modification or amendment which (a) cures any ambiguity or formal defect or omission in the Agreement and any amendment thereto, or (b) increases the rentals payable under the Lease by reason of the issuance of additional Bonds in order to finance costs of Revitalization Projects.

### **Supplemental Agreements**

The Agreement has been amended by the First Supplemental Agreement, Second Supplemental Agreement, Third Supplemental Agreement, Fourth Supplemental Agreement, Fifth Supplemental Agreement, Sixth Supplemental Agreement, Seventh Supplemental Agreement, Eighth Supplemental Agreement, Ninth Supplemental Agreement, Tenth Supplemental Agreement, Eleventh Supplemental Agreement, Twelfth Supplemental Agreement, Thirteenth Supplemental Agreement, Fourteenth Supplemental Agreement, Fifteenth Supplemental Agreement, Sixteenth Supplemental Agreement, Seventeenth Supplemental Agreement, Eighteenth Supplemental Agreement, Nineteenth Supplemental Agreement and Twentieth Supplemental Agreement, as permitted by the Agreement. The First Supplemental Agreement, Second Supplemental Agreement, Third Supplemental Agreement, Fourth Supplemental Agreement, Fifth Supplemental Agreement, Sixth Supplemental Agreement, Seventh Supplemental Agreement, Eighth Supplemental Agreement, Ninth Supplemental Agreement, Tenth Supplemental Agreement, Eleventh Supplemental Agreement, Twelfth Supplemental Agreement, Thirteenth Supplemental Agreement, Fourteenth Supplemental Agreement, Fifteenth Supplemental Agreement, Sixteenth Supplemental Agreement, Seventeenth Supplemental Agreement, Eighteenth Supplemental Agreement, Nineteenth Supplemental Agreement and Twentieth Supplemental Agreement provide that certain economic development road projects will be transferred to be under the Lease as described under the heading “THE AUTHORITY — Transportation Cabinet Projects Financed by the Authority” in this Official Statement. The First Supplemental Agreement, Second Supplemental Agreement, Third Supplemental Agreement, Fourth Supplemental Agreement, Fifth Supplemental Agreement, Sixth Supplemental Agreement, Seventh Supplemental Agreement, Eighth Supplemental Agreement, Ninth Supplemental Agreement, Tenth Supplemental Agreement, Eleventh Supplemental Agreement, Twelfth Supplemental Agreement, Thirteenth Supplemental Agreement, Fourteenth Supplemental Agreement, Fifteenth Supplemental Agreement, Sixteenth Supplemental Agreement, Seventeenth Supplemental Agreement, Eighteenth Supplemental Agreement, Nineteenth Supplemental Agreement and Twentieth Supplemental Agreement also affirm all covenants made in the Agreement, including the covenant to complete Revitalization Projects.

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**APPENDIX C**

**SUMMARY OF PRIOR BONDS**

<b><u>The Turnpike Authority of Kentucky Bond Issue</u></b>	<b><u>Maturity Date</u></b>	<b><u>Interest Rate (%)</u></b>	<b><u>Par Amount (\$)</u></b>	<b><u>Redemption Date</u></b>	<b><u>Redemption Price</u></b>
2011 Series A	7/1/2029	4.750%	\$ 520,000	10/22/2021	100.00
	7/1/2029	5.000%	5,165,000	10/22/2021	100.00
	7/1/2030	4.875%	600,000	10/22/2021	100.00
	7/1/2030	5.000%	5,345,000	10/22/2021	100.00
	7/1/2031	4.875%	<u>6,285,000</u>	10/22/2021	100.00
			\$ 17,915,000		
2012 Series A	7/1/2023	2.500%	\$ 100,000	7/1/2022	100.00
	7/1/2027	3.125%	2,890,000	7/1/2022	100.00
	7/1/2029	4.000%	3,000,000	7/1/2022	100.00
	7/1/2029	5.000%	12,825,000	7/1/2022	100.00
	7/1/2030	5.000%	16,585,000	7/1/2022	100.00
	7/1/2031	5.000%	17,415,000	7/1/2022	100.00
	7/1/2032	3.625%	4,830,000	7/1/2022	100.00
	7/1/2032	5.000%	<u>13,455,000</u>	7/1/2022	100.00
			\$ 71,100,000		
2013 Series A	7/1/2028	4.250%	\$ 3,365,000	7/1/2023	100.00
	7/1/2028	5.000%	8,115,000	7/1/2023	100.00
	7/1/2029	5.000%	12,025,000	7/1/2023	100.00
	7/1/2030	5.000%	12,625,000	7/1/2023	100.00
	7/1/2031	5.000%	13,260,000	7/1/2023	100.00
	7/1/2032	5.000%	13,920,000	7/1/2023	100.00
	7/1/2033	4.625%	1,685,000	7/1/2023	100.00
	7/1/2033	5.000%	<u>12,935,000</u>	7/1/2023	100.00
			\$ 77,930,000		
TOTAL PRIOR BONDS REFUNDED			<u>\$166,945,000</u>		

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## APPENDIX D

### CLEARING SYSTEMS

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company (“DTC”) while the Bonds are registered in its nominee’s name.*

*The information in this section concerning DTC, Euroclear Bank SA/NV as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, S.A., Luxembourg (“Clearstream Banking”) (DTC, Euroclear and Clearstream Banking together, the “Clearing Systems”), and DTC’s book-entry-only system has been provided by DTC, Euroclear and Clearstream Banking for use in disclosure documents such as this Official Statement.*

*DTC will act as the initial securities depository for the Bonds. Euroclear and Clearstream Banking are participants of DTC and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.*

*The information set forth below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect and the Authority expressly disclaims any responsibility to update this Official Statement to reflect any such changes. The information herein concerning the Clearing Systems has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriters take any responsibility for the accuracy or completeness of the information set forth herein. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Authority and the Underwriters will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

*The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to participants of the Clearing Systems (“Participants”) (2) Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC or the other Clearing Systems will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants (hereinafter defined) are on file with DTC.*

#### **DTC Book-Entry-Only System**

##### ***Clearing Systems***

DTC will act initially as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest Securities Depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust &

Clearing Corporation (“DTCC”). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of beneficial ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, does not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed, unless other arrangements are made between the Authority and DTC.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an

authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor Securities Depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities Depository). In that event, Bonds will be printed and delivered in accordance with the Trust Indenture.

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Trust Indenture will be given only to DTC.

### **Euroclear and Clearstream Banking**

Euroclear and Clearstream Banking have advised as follows:

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

### **Clearing and Settlement Procedures**

Any Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream Banking. If the investors are participants in Clearstream Banking and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories. In all cases, the record holder of the Bonds will be DTC's nominee and not Euroclear or Clearstream Banking. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The Authority will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

### **Initial Settlement**

Interests in the Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable thereto and applicable to DTC. Book-entry interests in the Bonds will be credited by DTC to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the Authority on the date of delivery of the Bonds.

### **Secondary Market Trading**

Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream Banking and DTC shall be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

### **Special Timing Considerations**

Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Bonds through Euroclear or Clearstream Banking on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream Banking and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or make a payment or delivery of Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream Banking is used, or Brussels if Euroclear is used.

### **Clearing Information**

The Authority and the Underwriters expect that the Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream Banking. The international securities identification number, common code and CUSIP number for the Bonds are set out on the cover page of this Official Statement.

## General

None of Euroclear, Clearstream Banking or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Authority, the Underwriters nor any of their agents will have any responsibility for the performance by Euroclear, Clearstream Banking or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

## Limitations

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Authority and the Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Bonds, references in this Official Statement to registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Because DTC is treated as the owner of the Bonds for substantially all purposes, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Authority or DTC, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Bonds that may be transmitted by or through DTC.

The Authority will have no responsibility or obligation with respect to:

- the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any Beneficial Ownership interest in any Bonds;
- the delivery to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any notice with respect to any Bonds including, without limitation, any notice of redemption with respect to any Bonds;
- the payment to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any amount with respect to the principal of, premium, if any, or interest on, any Bonds; or
- any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book entry only system hereinabove described, the Authority and the Trustee may treat Cede & Co. (or such other nominee of DTC) as, and deem Cede & Co. (or such other nominee) to be, the absolute registered owner of the Bonds for all purposes whatsoever, including, without limitation:

- the payment of principal, premium, if any, and interest on the Bonds;
- giving notices of redemption and other matters with respect to the Bonds;
- registering transfers with respect to the Bonds; and
- the selection of Bonds for redemption.

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**APPENDIX E-1**

**FORM OF OPINION OF BOND COUNSEL  
FOR THE 2021 SERIES BONDS**

October 12, 2021

The Turnpike Authority of Kentucky  
Frankfort, Kentucky

Re: \$13,580,000 The Turnpike Authority of Kentucky Economic Development Road Revenue Refunding Bonds (Revitalization Projects) 2021 Series A (the “2021 Series A Tax-Exempt Bonds”)

\$85,895,000 The Turnpike Authority of Kentucky Economic Development Road Revenue Refunding Bonds (Revitalization Projects) 2021 Series B (Federally Taxable) (the “2021 Series B Taxable Bonds”)

Ladies and Gentlemen:

The Turnpike Authority of Kentucky (the “Authority”), a de jure municipal corporation and political subdivision of the Commonwealth of Kentucky (the “Commonwealth”), on the date hereof, has issued the above captioned bonds (collectively, the “2021 Series Bonds”). The 2021 Series Bonds are issued as fully registered bonds without coupons in denominations of \$5,000 or integral multiples thereof.

The 2021 Series Bonds are dated and mature, or are subject to mandatory or optional redemption prior to maturity, and will bear interest at the rates or approximate yields as set forth in (i) the Bond Resolution adopted by the Authority on January 14, 2021 (the “Bond Resolution”), pursuant to the Trust Indenture, dated as of October 1, 1990, by and between the Authority and Citizens Fidelity Bank and Trust Company, Louisville, Kentucky (as succeeded by Chase Manhattan Trust Company, National Association, as succeeded by J.P. Morgan Trust Company, National Association, and as further succeeded by The Bank of New York Mellon Trust Company, N.A.), as trustee (the “Trustee”) as amended and supplemented by a First Supplemental Trust Indenture, dated as of November 15, 2000, by and between the Authority and the Trustee (collectively, the “Indenture”); and (ii) the Bond Purchase Agreement, dated September 21, 2021 (the “Bond Purchase Agreement”), by and between the Authority and J.P. Morgan Securities LLC, as representative of the underwriters. Interest on the 2021 Series Bonds will be payable on each January 1 and July 1, beginning January 1, 2022.

The 2021 Series Bonds are issued under the authority of the Constitution and statutes of the Commonwealth of Kentucky, including particularly Chapter 175 of the Kentucky Revised Statutes, as amended, and under and pursuant to a resolution of the Authority duly adopted on August 28, 1990 and the Bond Resolution (together, the “Resolution”) and the Indenture. The Authority and the Transportation Cabinet of the Commonwealth of Kentucky (the “Cabinet”) have entered into an Agreement, dated as of October 1, 1990; a First Supplemental Agreement, dated as of October 1, 1992; a Second Supplemental Agreement, dated as of April 1, 1993; a Third Supplemental Agreement, dated as of April 1, 1995; a Fourth Supplemental Agreement, dated as of April 1, 1999; a Fifth Supplemental Agreement, dated as of February 1, 2001; a Sixth Supplemental Agreement, dated as of March 1, 2001; a Seventh Supplemental Agreement, dated as of May 1, 2004; an Eighth Supplemental Agreement, dated as of April 1, 2005; a Ninth Supplemental Agreement, dated as of March 1, 2006; a Tenth Supplemental Agreement, dated as of September 1, 2007; an Eleventh Supplemental Agreement, dated as of June 1, 2010, a Twelfth Supplemental Agreement, dated as of April 1, 2011, a Thirteenth Supplemental Agreement, dated as of March 1, 2012, a Fourteenth Supplemental Agreement, dated as of September 1, 2013, a Fifteenth Supplemental Agreement, dated as of June 1, 2014, a Sixteenth Supplemental Agreement, dated as of July 1, 2015, a Seventeenth Supplemental Agreement, dated as of April 1, 2016, an Eighteenth Supplemental Agreement, dated as of November 1, 2016, a Nineteenth Supplemental Agreement, dated as of July 1, 2017 and a Twentieth Supplemental Agreement, dated as of September 1, 2021 (collectively the “Agreement”) under which the Cabinet agrees to continuously bear, except to the extent such cost is included in rentals under the Lease (hereinafter defined), the cost of maintaining, repairing and operating the System (as defined in the

Indenture), for the entire period of years until all bonds issued under the Indenture have been retired. The Authority and the Cabinet have entered into a Lease, dated as of October 1, 1990; a First Supplemental Lease, dated as of October 1, 1992; a Second Supplemental Lease, dated as of April 1, 1993; a Third Supplemental Lease, dated as of April 1, 1995; a Financing/Fourth Supplemental Lease Agreement, dated as of October 1, 1999, which has been amended by a First Amendment to Financing/Fourth Supplemental Lease Agreement, dated as of November 15, 2000; a Fifth Supplemental Lease, dated as of February 1, 2001; a Sixth Supplemental Lease, dated as of March 1, 2001; a Financing/Seventh Supplemental Lease Agreement, dated as of May 1, 2004; an Eighth Supplemental Lease, dated as of April 1, 2005; a Ninth Supplemental Lease, dated as of March 1, 2006; a Financing/Tenth Supplemental Lease Agreement, dated as of September 1, 2007, which has been amended by a First Amendment to Financing/Tenth Supplemental Lease Agreement, dated as of August 1, 2008 and by a Second Amendment to Financing/Tenth Supplemental Lease Agreement, dated as of April 1, 2009; an Eleventh Supplemental Lease, dated as of June 1, 2010; a Twelfth Supplemental Lease, dated as of April 1, 2011; a Thirteenth Supplemental Lease, dated as of March 1, 2012; a Fourteenth Supplemental Lease, dated as of September 1, 2013; a Fifteenth Supplemental Lease, dated as of June 1, 2014; a Sixteenth Supplemental Lease, dated as of July 1, 2015; a Seventeenth Supplemental Lease, dated as of April 1, 2016; an Eighteenth Supplemental Lease, dated as of November 1, 2016; a Nineteenth Supplemental Lease, dated as of July 1, 2017; and a Twentieth Supplemental Lease, dated as of September 1, 2021 (collectively the “Lease”) whereby the Authority, as Lessor, leases the System to the Cabinet, as Lessee, for a term extending to and including June 30, 2022, and pursuant to which the Cabinet has the exclusive option to renew the Lease for the next biennial term and for successive biennial terms thereafter until all bonds issued under the Indenture have been retired.

We have examined (i) the Escrow Trust Agreement, dated as of October 12, 2021 (the “Escrow Trust Agreement”), between the Authority, the Transportation Cabinet and The Bank of New York Mellon Trust Company, N.A.; (ii) the Constitution and statutes of the Commonwealth of Kentucky; (iii) certified copies of the proceedings of the Authority authorizing the issuance, sale and delivery of the 2021 Series Bonds, including the Resolution; (iv) duplicate executed originals of the Indenture, the Agreement and the Lease; (v) certifications as to incumbency, conditions precedent, signature, litigation, reasonable expectations and other matters, upon which we have relied; and (vi) such other records, documents and proceedings as we have considered necessary or appropriate for the purposes of this opinion, including a specimen 2021 Series A Tax-Exempt Bond and a specimen 2021 Series B Taxable Bond.

We have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons and the conformity to the originals of all documents submitted to us as copies. We have assumed that parties other than the Authority and the Transportation Cabinet had the requisite power and authority to enter into and perform all obligations of all documents to which they are parties. We have assumed the due authorization by all requisite action, and the execution and delivery by such other parties of such documents, and the validity and binding effect thereof on such other parties. We have relied for purposes of the opinions set forth below on the representations and warranties made in such documents by all parties thereto.

Based on the foregoing, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion, under the law existing on the date of this opinion, that:

1. The 2021 Series Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Kentucky and constitute valid, special and limited obligations of the Authority.
2. The Resolution has been duly adopted by the Authority and the Resolution is in full force and effect.
3. The Indenture has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid obligation of the Authority, and the Indenture creates a valid pledge of the Revenues (as defined in the Indenture) and all funds and accounts held under the Indenture in favor of the Trustee for the payment of the Bonds in accordance with the terms thereof.
4. The Lease and the Agreement, including all supplements thereto, have been duly authorized, executed and delivered by the Authority and the Cabinet and constitute valid, binding and legal obligations of the Authority and the Cabinet.

5. The 2021 Series Bonds are special and limited obligations of the Authority payable solely and only from the Revenues and the funds and accounts held under the Indenture, and the 2021 Series Bonds do not pledge the general credit or taxing power, if any, of the Commonwealth, the Authority, the Cabinet or any other agency or political subdivision of the Commonwealth.

6. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the 2021 Series A Tax-Exempt Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the 2021 Series A Tax-Exempt Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the 2021 Series A Tax-Exempt Bonds.

7. The Authority has not designated the 2021 Series A Tax-Exempt Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

8. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the 2021 Series B Taxable Bonds is fully includible in gross income for federal income tax purposes, pursuant to the Code.

9. The interest on the 2021 Series Bonds is exempt from income taxation by the Commonwealth and the 2021 Series Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

Our opinion set forth above is subject to the qualification that the enforceability of the Resolution, the Indenture, the Lease, the Agreement, the 2021 Series Bonds, the Escrow Trust Agreement and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditor's rights, and to the exercise of judicial discretion in accordance with general equitable principles.

Very truly yours,

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**APPENDIX E-2**

**FORM OF OPINION OF BOND COUNSEL  
FOR THE 2022 SERIES A BONDS**

April 5, 2022

The Turnpike Authority of Kentucky  
Frankfort, Kentucky

Re: \$56,875,000 The Turnpike Authority of Kentucky Economic Development Road Revenue Refunding Bonds (Revitalization Projects) 2022 Series A (Forward Delivery) (the “2022 Series A Bonds”)

Ladies and Gentlemen:

The Turnpike Authority of Kentucky (the “Authority”), a de jure municipal corporation and political subdivision of the Commonwealth of Kentucky (the “Commonwealth”), on the date hereof, has issued the above captioned bonds (the “2022 Series A Bonds”). The 2022 Series A Bonds are issued as fully registered bonds without coupons in denominations of \$5,000 or integral multiples thereof.

The 2022 Series A Bonds are dated and mature, or are subject to mandatory or optional redemption prior to maturity, and will bear interest at the rates or approximate yields as set forth in (i) the Bond Resolution adopted by the Authority on January 14, 2021 (the “Bond Resolution”), pursuant to the Trust Indenture, dated as of October 1, 1990, by and between the Authority and Citizens Fidelity Bank and Trust Company, Louisville, Kentucky (as succeeded by Chase Manhattan Trust Company, National Association, as succeeded by J.P. Morgan Trust Company, National Association, and as further succeeded by The Bank of New York Mellon Trust Company, N.A.), as trustee (the “Trustee”) as amended and supplemented by a First Supplemental Trust Indenture, dated as of November 15, 2000, by and between the Authority and the Trustee (collectively, the “Indenture”); and (ii) the Forward Delivery Bond Purchase Agreement, dated September 21, 2021 (the “Forward Delivery Bond Purchase Agreement”), by and between the Authority and J.P. Morgan Securities LLC, as representative of the underwriters. Interest on the 2022 Series A Bonds will be payable on each January 1 and July 1, beginning July 1, 2022.

The 2022 Series A Bonds are issued under the authority of the Constitution and statutes of the Commonwealth of Kentucky, including particularly Chapter 175 of the Kentucky Revised Statutes, as amended, and under and pursuant to a resolution of the Authority duly adopted on August 28, 1990 and the Bond Resolution (together, the “Resolution”) and the Indenture. The Authority and the Transportation Cabinet of the Commonwealth of Kentucky (the “Cabinet”) have entered into an Agreement, dated as of October 1, 1990; a First Supplemental Agreement, dated as of October 1, 1992; a Second Supplemental Agreement, dated as of April 1, 1993; a Third Supplemental Agreement, dated as of April 1, 1995; a Fourth Supplemental Agreement, dated as of April 1, 1999; a Fifth Supplemental Agreement, dated as of February 1, 2001; a Sixth Supplemental Agreement, dated as of March 1, 2001; a Seventh Supplemental Agreement, dated as of May 1, 2004; an Eighth Supplemental Agreement, dated as of April 1, 2005; a Ninth Supplemental Agreement, dated as of March 1, 2006; a Tenth Supplemental Agreement, dated as of September 1, 2007; an Eleventh Supplemental Agreement, dated as of June 1, 2010, a Twelfth Supplemental Agreement, dated as of April 1, 2011, a Thirteenth Supplemental Agreement, dated as of March 1, 2012, a Fourteenth Supplemental Agreement, dated as of September 1, 2013, a Fifteenth Supplemental Agreement, dated as of June 1, 2014, a Sixteenth Supplemental Agreement, dated as of July 1, 2015, a Seventeenth Supplemental Agreement, dated as of April 1, 2016, an Eighteenth Supplemental Agreement, dated as of November 1, 2016, a Nineteenth Supplemental Agreement, dated as of July 1, 2017 and a Twentieth Supplemental Agreement, dated as of September 1, 2021 (collectively the “Agreement”) under which the Cabinet agrees to continuously bear, except to the extent such cost is included in rentals under the Lease (hereinafter defined), the cost of maintaining, repairing and operating the System (as defined in the Indenture), for the entire period of years until all bonds issued under the Indenture have been retired. The Authority and the Cabinet have entered into a Lease, dated as of October 1, 1990; a First Supplemental Lease, dated as of October 1, 1992; a Second Supplemental Lease, dated as of April 1, 1993; a Third Supplemental Lease, dated as of April 1, 1995; a Financing/Fourth Supplemental Lease Agreement, dated as of October 1, 1999, which has been amended by

a First Amendment to Financing/Fourth Supplemental Lease Agreement, dated as of November 15, 2000; a Fifth Supplemental Lease, dated as of February 1, 2001; a Sixth Supplemental Lease, dated as of March 1, 2001; a Financing/Seventh Supplemental Lease Agreement, dated as of May 1, 2004; an Eighth Supplemental Lease, dated as of April 1, 2005; a Ninth Supplemental Lease, dated as of March 1, 2006; a Financing/Tenth Supplemental Lease Agreement, dated as of September 1, 2007, which has been amended by a First Amendment to Financing/Tenth Supplemental Lease Agreement, dated as of August 1, 2008 and by a Second Amendment to Financing/Tenth Supplemental Lease Agreement, dated as of April 1, 2009; an Eleventh Supplemental Lease, dated as of June 1, 2010; a Twelfth Supplemental Lease, dated as of April 1, 2011; a Thirteenth Supplemental Lease, dated as of March 1, 2012; a Fourteenth Supplemental Lease, dated as of September 1, 2013; a Fifteenth Supplemental Lease, dated as of June 1, 2014; a Sixteenth Supplemental Lease, dated as of July 1, 2015; a Seventeenth Supplemental Lease, dated as of April 1, 2016; an Eighteenth Supplemental Lease, dated as of November 1, 2016; a Nineteenth Supplemental Lease, dated as of July 1, 2017; and a Twentieth Supplemental Lease, dated as of September 1, 2021 (collectively the “Lease”) whereby the Authority, as Lessor, leases the System to the Cabinet, as Lessee, for a term extending to and including June 30, 2022, and pursuant to which the Cabinet has the exclusive option to renew the Lease for the next biennial term and for successive biennial terms thereafter until all bonds issued under the Indenture have been retired.

We have examined (i) the Escrow Trust Agreement, dated as of April 1, 2022 (the “Escrow Trust Agreement”), between the Authority, the Transportation Cabinet and The Bank of New York Mellon Trust Company, N.A.; (ii) the Constitution and statutes of the Commonwealth of Kentucky; (iii) certified copies of the proceedings of the Authority authorizing the issuance, sale and delivery of the 2022 Series A Bonds, including the Resolution; (iv) duplicate executed originals of the Indenture, the Agreement and the Lease; (v) certifications as to incumbency, conditions precedent, signature, litigation, reasonable expectations and other matters, upon which we have relied; and (vi) such other records, documents and proceedings as we have considered necessary or appropriate for the purposes of this opinion, including a specimen 2022 Series A Bond.

We have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons and the conformity to the originals of all documents submitted to us as copies. We have assumed that parties other than the Authority and the Transportation Cabinet had the requisite power and authority to enter into and perform all obligations of all documents to which they are parties. We have assumed the due authorization by all requisite action, and the execution and delivery by such other parties of such documents, and the validity and binding effect thereof on such other parties. We have relied for purposes of the opinions set forth below on the representations and warranties made in such documents by all parties thereto.

Based on the foregoing, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion, under the law existing on the date of this opinion, that:

1. The 2022 Series A Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Kentucky and constitute valid, special and limited obligations of the Authority.
2. The Resolution has been duly adopted by the Authority and the Resolution is in full force and effect.
3. The Indenture has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid obligation of the Authority, and the Indenture creates a valid pledge of the Revenues (as defined in the Indenture) and all funds and accounts held under the Indenture in favor of the Trustee for the payment of the Bonds in accordance with the terms thereof.
4. The Lease and the Agreement, including all supplements thereto, have been duly authorized, executed and delivered by the Authority and the Cabinet and constitute valid, binding and legal obligations of the Authority and the Cabinet.
5. The 2022 Series A Bonds are special and limited obligations of the Authority payable solely and only from the Revenues and the funds and accounts held under the Indenture, and the 2022 Series A Bonds do not pledge the general credit or taxing power, if any, of the Commonwealth, the Authority, the Cabinet or any other agency or political subdivision of the Commonwealth.

6. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the 2022 Series A Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the 2022 Series A Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the 2022 Series A Bonds.

7. The Authority has not designated the 2022 Series A Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

8. The interest on the 2022 Series A Bonds is exempt from income taxation by the Commonwealth and the 2022 Series A Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

Our opinion set forth above is subject to the qualification that the enforceability of the Resolution, the Indenture, the Lease, the Agreement, the 2022 Series A Bonds, the Escrow Trust Agreement and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditor's rights, and to the exercise of judicial discretion in accordance with general equitable principles.

Very truly yours,

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## APPENDIX F

### FORM OF CONTINUING DISCLOSURE AGREEMENT AND ACKNOWLEDGEMENT BY TRUSTEE

This Continuing Disclosure Agreement (the “Agreement”) dated as of September 1, 2021, by THE TURNPIKE AUTHORITY OF KENTUCKY (the “Authority”) and acknowledged by THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as successor to J.P. Morgan Trust Company, National Association, Louisville, Kentucky, as trustee (the “Trustee”) under a Trust Indenture, dated as of October 1, 1990, (the “Indenture”), between the Authority and the Trustee, is executed and delivered in connection with the issuance of the Authority’s \$13,580,000 Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2021 Series A (the “2021 Series A Bonds”), the Authority’s \$85,895,000 Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2021 Series B (Federally Taxable) (the “2021 Series B Bonds”) and the \$56,875,000 Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2022 Series A (Forward Delivery), (the “2022 Series A Bonds”, which together with the 2021 Series A Bonds and the 2021 Series B Bonds, the “Bonds”), pursuant to the Indenture and a Bond Resolution adopted by the Authority on January 14, 2021 (the “Bond Resolution”). Capitalized terms used in this Agreement which are not otherwise defined in the Indenture or the Series Bond Resolution shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

#### ARTICLE 1

#### THE UNDERTAKING

##### SECTION 1.1 Purpose.

This Agreement shall constitute a written undertaking for the benefit of the Holders and beneficial owners of the Bonds, and is being executed and delivered solely to assist the Participating Underwriter in complying with subsection (b)(5) of the Rule.

##### SECTION 1.2 Annual Financial Information.

(a) The Authority shall provide, or cause to be provided, Annual Financial Information with respect to each fiscal year of the Commonwealth of Kentucky (the “Commonwealth”), commencing with fiscal year ending June 30, 2021, by no later than nine months after the end of the respective fiscal year, but in any event shall provide Audited Financial Statements of the Commonwealth as soon as practicable, and within 15 business days, if possible, after the final publication date of such Audited Financial Statements, to the MSRB.

(b) The Authority shall provide, in a timely manner, but in any event on a date not in excess of 10 business days after the occurrence of such failure, notice of any failure of the Authority to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

##### SECTION 1.3 Audited Financial Statements.

If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Authority shall provide the Audited Financial Statements, when and if available, to the MSRB.

**SECTION 1.4** Notices of Material Events.

(a) If a Material Event occurs, the Authority shall provide, or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the Material Event, a Material Event Notice to the MSRB and the Trustee.

(b) The Trustee shall promptly advise the Authority whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence which, if material, determined by the Authority, would require the Authority to provide a Material Event Notice hereunder; provided, however, that the failure of the Trustee so to advise the Authority shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Indenture and the Bond Resolution.

**SECTION 1.5** Additional Disclosure Obligations.

The Authority acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the Authority, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Authority under such laws.

**ARTICLE 2**

**OPERATING RULES**

**SECTION 2.1** References to Other Documents.

It shall be sufficient for purposes of Section 1.2 hereof if the Authority provides Annual Financial Information by specific reference to documents previously either (i) provided to the MSRB, or (ii) filed with the SEC. If such a document is the Official Statement, it also must be available from the MSRB.

**SECTION 2.2** Submission of Information.

Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

**SECTION 2.3** Material Event Notices.

Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Bonds.

**SECTION 2.4** Transmission of Information and Notices.

(a) Information required to be provided to the MSRB shall be transmitted to the MSRB, in an electronic format as prescribed by the MSRB, and accompanied by identifying information as prescribed by the MSRB. A description of such format and information as presently prescribed by the MSRB is included in Exhibit A hereto.

(b) Except as required by subsection (a) above, unless otherwise required by law and, in the Authority's sole determination, subject to technical and economic feasibility, the Authority shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the Authority's information and notices, subject to technical and economic feasibility in the Authority's sole discretion.

**SECTION 2.5** Fiscal Year.

Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Commonwealth's current fiscal year is July 1 - June 30, and the Authority shall promptly notify the MSRB and the Trustee, in writing, of each change in the Commonwealth's fiscal year.

**SECTION 2.6** Dissemination Agent.

The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to the terms of this Agreement.

**ARTICLE 3**

**TERMINATION, AMENDMENT AND ENFORCEMENT**

**SECTION 3.1** Termination.

(a) The Authority's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance pursuant to Section 1201 of the Indenture, prior redemption or payment in full of all of the Bonds.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Authority delivers to the Trustee and the MSRB an opinion of Dinsmore & Shohl LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority and Trustee, to the effect that those portions of the Rule which require the provisions of this Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion.

**SECTION 3.2** Amendment.

(a) This Agreement may be amended, by written agreement of the parties, without the consent of the Holders of the Bonds (except to the extent required under clause (4)(ii) below) if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Authority shall have delivered to the Trustee an opinion of Dinsmore & Shohl LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Authority shall have delivered to the Trustee an opinion of Dinsmore & Shohl LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority and the Trustee, to the effect that the amendment does not materially impair the interests of the beneficial owners of the Bonds, or (ii) the Holders of 100% of the principal amount of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of the Holders of the Bonds pursuant to Section 1102 of the Indenture as in effect on the date of this Agreement, and (5) the Authority shall have delivered copies of such opinion and amendment to the MSRB.

(b) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the

basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

**SECTION 3.3** Benefit; Third-Party Beneficiaries; Enforcement.

(a) The provisions of this Agreement shall inure solely to the benefit of the Holders and the Participating Underwriter from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement.

(b) Except as provided in this subsection (b), the provisions of this Agreement shall create no rights in any person or entity. The obligations of the Authority to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Bonds, provided, however, that the Trustee shall not be required to take any enforcement action under this subsection (b) except at the written direction of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The Holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Holders of Bonds for purposes of this subsection (b) unless and until the respective Holder exercises any rights pursuant to this subsection (b).

(c) Any failure by the Authority or the Trustee to perform in accordance with this Agreement shall not give rise to any cause of action against the Authority or the Trustee and shall not constitute a default or an Event of Default under the Indenture and the Bond Resolution, and the rights and remedies provided by the Indenture and the Bond Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the Rule and the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth.

**ARTICLE 4**

**DEFINITIONS**

**SECTION 4.1** Definitions.

The following terms used in this Agreement shall have the following respective meanings:

“Annual Financial Information” means the financial information or operating data with respect to the Commonwealth, for each fiscal year of the Commonwealth, as set forth in the documents entitled Comprehensive Annual Financial Report and Supplementary Information to the Comprehensive Annual Financial Report (or successor reports). Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

“Audited Financial Statements” means the annual financial statements, if any, of the Commonwealth, audited by such auditor as shall then be required or permitted by state law. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that the Commonwealth may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to the MSRB, and shall include a reference to the specific federal or state law or regulation describing such accounting basis.

“Commonwealth” means the Commonwealth of Kentucky.

“Dissemination Agent” means any entity designated by the Authority to act as the Dissemination Agent hereunder.

“Financial Obligation” means a (a) debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) guarantee of (a) or (b). However, “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“GAAP” means generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board.

“Holders” shall mean any holder of the Bonds and any beneficial owner thereof.

“Material Event” means any of the following events with respect to the Bonds, whether relating to the Authority or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax-exempt status of the securities;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls (except in the case of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms under which the redemption is to occur are set forth in detail in the Official Statement and the only open issue is which Bonds will be redeemed in the case of a partial redemption, provided notice of the redemption is given to the Bondholders and the public; see Exchange Act Release No. 23856, Dec. 3, 1986) and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities;
- (xi) rating changes
- (xii) bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by

a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a financial obligation of the Commonwealth or an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Commonwealth or an obligated person, any of which affect security Holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Commonwealth or an obligated person, any of which reflect financial difficulties.

A Material Event shall also include a failure (of which the Authority has knowledge) of the Authority to provide the Commonwealth's Annual Financial Information on or before the date specified herein.

"Material Event Notice" means written or electronic notice of a Material Event.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to §15B(b)(1) of the Securities Exchange Act of 1934, as amended. The MSRB as of the date of this Agreement is the sole nationally recognized municipal securities information repository.

"Official Statement" means the "final official statement", as defined in paragraph (f)(3) of the Rule, relating to the Bonds.

"Participating Underwriter" means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof.

"SEC" means the United States Securities and Exchange Commission.

"SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the Commonwealth for the purposes referred to in the Rule. As of the date of this Agreement, there is no SID in the State.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

## **ARTICLE 5**

### **MISCELLANEOUS**

#### **SECTION 5.1** Duties, Immunities and Liabilities of Trustee.

Article IX of the Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture.

**SECTION 5.2** Counterparts.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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[Signature page to Continuing Disclosure Agreement]

**IN WITNESS WHEREOF**, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

**THE TURNPIKE AUTHORITY OF KENTUCKY**

By: \_\_\_\_\_  
Name: Ryan Barrow  
Title: Secretary

Acknowledged by:

**THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



## EXHIBIT A

### MSRB PROCEDURES FOR SUBMISSION OF CONTINUING DISCLOSURE DOCUMENTS AND RELATED INFORMATION

Securities and Exchange Commission Release No. 34-59061 (the “Release”) approves an MSRB rule change establishing a continuing disclosure service of the MSRB’s Electronic Municipal Market Access system (“EMMA”). The rule change establishes, as a component of EMMA, the continuing disclosure service for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted by issuers, obligated persons and their agents pursuant to continuing disclosure undertakings entered into consistent with Rule 15c2-12 (“Rule 15c2-12”) under the Securities Exchange Act of 1934. The following discussion summarizes procedures for filing continuing disclosure documents and related information with the MSRB as described in the Release.

All continuing disclosure documents and related information are to be submitted to the MSRB, free of charge, through an Internet-based electronic submitter interface or electronic computer-to-computer data connection, at the election of the submitter. The submitter is to provide, at the time of submission, information necessary to accurately identify: (i) the category of information being provided; (ii) the period covered by any annual financial information, financial statements or other financial information or operating data; (iii) the issues or specific securities to which such document is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate); (iv) the name of any obligated person other than the issuer; (v) the name and date of the document; and (vi) contact information for the submitter.

Submissions to the MSRB are to be made as portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. If the submitted file is a reproduction of the original document, the submitted file must maintain the graphical and textual integrity of the original document. In addition, such PDF files must be word-searchable (that is, allowing the user to search for specific terms used within the document through a search or find function), provided that diagrams, images and other non- textual elements will not be required to be word-searchable.

All submissions to the MSRB’s continuing disclosure service are to be made through password protected accounts on EMMA by (i) issuers, which may submit any documents with respect to their municipal securities; (ii) obligated persons, which may submit any documents with respect to any municipal securities for which they are obligated; and (iii) agents, designated by issuers and obligated persons to submit documents and information on their behalf. Such designated agents are required to register to obtain password-protected accounts on EMMA in order to make submissions on behalf of the designating issuers or obligating persons. Any party identified in a continuing disclosure undertaking as a dissemination agent or other party responsible for disseminating continuing disclosure documents on behalf of an issuer or obligated person will be permitted to act as a designated agent for such issuer or obligated person, without a designation being made by the issuer or obligated person as described above, if such party certifies through the EMMA on-line account management utility that it is authorized to disseminate continuing disclosure documents on behalf of the issuer or obligated person under the continuing disclosure undertaking. The issuer or obligated person, through the EMMA on- line account management utility, is able to revoke the authority of such party to act as a designated agent.

The MSRB’s Internet-based electronic submitter interface (EMMA Dataport) is at [www.emma.msrb.org](http://www.emma.msrb.org).

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## APPENDIX G

### FORM OF DELAYED DELIVERY CONTRACT

J.P. Morgan Securities LLC  
September 21, 2021

Re: \$56,875,000 Turnpike Authority of Kentucky Economic Development Road Revenue Refunding Bonds (Revitalization Projects) 2022 Series A (Forward Delivery) (the “Bonds”)

Ladies and Gentlemen:

The undersigned (the “Purchaser”) hereby agrees to purchase from the above referenced underwriter (the “Representative”), as representative of itself and the underwriters set forth in the Forward Delivery Agreement (defined below) (the “Underwriters”) when, as, and if issued and delivered to the Underwriters by The Turnpike Authority of Kentucky (the “Authority”), and the Representative agrees to sell to the Purchaser:

<u>Par Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>	<u>Yield</u>	<u>Price</u>
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of the above-referenced Bonds (the “Purchased Bonds”) offered by the Authority under the Preliminary Official Statement dated September 8, 2021 (the “Preliminary Official Statement”) and the Official Statement relating to the Bonds dated September 21, 2021 (the “Official Statement”). The Purchased Bonds will be purchased at the purchase price and with the interest rates, principal amounts, and maturity dates shown above, and on the further terms and conditions set forth in this Delayed Delivery Contract. The Purchaser will review the Official Statement when delivered to it by the Representative. The Bonds are being purchased by the Underwriters pursuant to a Forward Delivery Bond Purchase Agreement between the Authority and the Underwriters (the “Forward Delivery Agreement”).

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement (including without limitation the section entitled “INVESTMENT CONSIDERATIONS – Certain Forward Delivery Considerations for the 2022 Series A Bonds” therein) and will review the Official Statement, has considered the risks associated with purchasing the Purchased Bonds and is duly authorized to purchase the Purchased Bonds. The Purchaser further acknowledges and agrees that the Purchased Bonds are being sold on a “forward” basis, and the Purchaser hereby purchases and agrees to accept delivery of such Purchased Bonds from the Underwriters on or about April 5, 2022 (the “Settlement Date”) as they may be issued and delivered as described in the Preliminary Official Statement.

Payment for the Purchased Bonds shall be made to the Representative or upon its order on the Settlement Date upon delivery to the Purchaser of the Purchased Bonds through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Underwriters be responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer in the event the Authority does not for any reason issue and deliver the Purchased Bonds.

Upon Settlement, the obligation of the Purchaser to take delivery of the Purchased Bonds hereunder shall be unconditional. Settlement for purposes of this Delayed Delivery Contract means the issuance and delivery by the Authority of the Bonds; the delivery by the Authority of the documents required by the Forward Delivery Agreement; the payment by the Authority of the Underwriters’ Compensation to be paid by the Authority in accordance with the Forward Delivery Agreement; and the acceptance by the Underwriters of such documents and the Bonds and payment by the Underwriters for the Bonds, in each case subject to the terms and conditions set forth in the Forward Delivery Agreement. The Purchaser may terminate its obligation to purchase the Purchased Bonds in the event that between October 12, 2021 (the “Closing Date”) and Settlement, one of the following events shall have occurred after the later of the Closing Date or the date hereof and the Purchaser has notified the Underwriters in writing as provided herein:

(1) legislation shall have been enacted, or actively considered for enactment with an effective date prior to Settlement, or a decision by a court of the United States shall have been rendered, the effect of which is that the Purchased Bonds or the Indenture, as the case may be, is not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect;

(2) any Change in Law shall have occurred (defined below);

(3) a stop order, cease-and-desist order, injunction, no-action letter, ruling, regulation or official statement by the Securities and Exchange Commission, its staff or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering, or sale of the Purchased Bonds or the adoption/enactment/execution and delivery of the Bond Resolution as contemplated in the Preliminary Official Statement, the Official Statement and the Updated Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect;

(4) an event of default has occurred and is continuing, technical or otherwise under the Bond Resolution, the Indenture or under any document authorizing parity obligations of the Authority;

(5) any rating of the Bonds by a national rating agency then rating the Bonds has been withdrawn or suspended; or

(6) the Official Statement, as amended, if applicable, within the Closing Period, or an updated Official Statement, as it may be amended (the "Updated Official Statement"), if applicable, within the Settlement Period, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, requiring the preparation and publication of a supplement or amendment to the Official Statement or Updated Official Statement (whether or not the Official Statement or Updated Official Statement is actually prepared and delivered).

A "Change in Law" means (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (ii) any legislation enacted by the Congress of the United States or introduced therein or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date that is on or before the date of the Settlement), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date that is on or before the date of the Settlement) or (iv) any judgment, ruling or order issued by any court or administrative body, which in the case of any of (i), (ii), (iii) or (iv) would, as to the Underwriters, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from purchasing the Bonds as provided in the Forward Delivery Agreement or selling the Bonds or beneficial ownership interests therein to the public or, as to the Authority, would make the issuance, sale or delivery of the Bonds illegal (or have the retroactive effect of making such issuance, sale or delivery illegal, if enacted, adopted, passed or finalized); provided, however, that such change in or addition to law, legislation, law, rule or regulation or judgment, ruling or order shall have become effective, been enacted, introduced or recommended, been proposed or enacted or been issued as the case may be, after the date of the Forward Delivery Agreement.

If the Change in Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of interest payable on "state or local bonds," the Authority may, nonetheless, be able to satisfy the requirements for the delivery of the Bonds. In such event, the Underwriters would be obligated to purchase the Bonds from the Authority and the Purchaser would be required to accept delivery of the Purchased Bonds from the Underwriters.

The Purchaser acknowledges and agrees that the Purchased Bonds are being sold on a "forward" or "delayed delivery" basis for delivery on the Settlement Date and that the Purchaser is obligated to take up and pay for the Purchased Bonds on the Settlement Date unless the Underwriters terminate the Forward Delivery Agreement or the Purchaser

terminates its obligation to purchase the Purchased Bonds as described herein. To effect a termination by the Purchaser, the Purchaser acknowledges and agrees that it must give written notice of termination of this Delayed Delivery Contract to the Representative before Settlement. The Purchaser understands and agrees that no termination of the obligation of the Purchaser may occur after Settlement. The Purchaser is not a third party beneficiary under the Forward Delivery Agreement and has no rights to enforce, or cause the Underwriters to enforce, any of the terms thereof. The Purchaser acknowledges that it will not be able to withdraw its order except as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Bonds on the Settlement Date because of market or credit changes, including specifically, but not limited to (a) changes in the ratings assigned to the Bonds between Closing and Settlement or changes in the credit associated with the Bonds generally, and (b) changes in the financial condition, operations, performance, properties or prospects of the Authority from Closing to Settlement. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Bonds in accordance with the terms hereof, even if the Purchaser decides to sell Purchased Bonds following the date hereof, unless the Purchaser sells Purchased Bonds to another institution with the prior written consent of the Representative and such institution provides a written acknowledgment of confirmation of purchase order and a delayed delivery contract in the same respective forms as that executed by the Purchaser.

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject.

This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party without the prior written consent of the other.

The Purchaser acknowledges that the Representative is entering into the Forward Delivery Agreement with the Authority to purchase the Bonds in reliance in part on the performance by the Purchaser of its obligations hereunder.

This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument under the laws of the State of New York.

It is understood that the acceptance by the Representative of any Delayed Delivery Contract (including this one) is in the Representative's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Delayed Delivery Contract is acceptable to the Representative, it is requested that the Representative sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Representative and the Purchaser when such counterpart is so mailed or delivered by the Representative. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Delayed Delivery Contract shall be construed and administered under the laws of the State of New York.

\_\_\_\_\_  
Purchaser

\_\_\_\_\_  
Address

\_\_\_\_\_  
Telephone

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Accepted: J.P. Morgan Securities LLC  
on behalf of itself and as  
Representative of the Underwriters

Name: \_\_\_\_\_  
Title: \_\_\_\_\_