

PRELIMINARY OFFICIAL STATEMENT DATED MAY 1, 2024

NEW ISSUE - Book-Entry Only

See "Rating" herein:
S&P: "AA"

In the opinion of Dinsmore & Shohl LLP, Bond Counsel, under existing laws, regulations, rulings, and judicial decisions, interest on the 2024A Notes (including original issue discount treated as interest) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel also is of the opinion that, under existing laws of the Commonwealth of Kentucky, interest on the 2024A Notes is exempt from Kentucky income tax and the 2024A Notes are exempt from ad valorem taxation by the Commonwealth of Kentucky and by all political subdivisions thereof. See "CERTAIN FEDERAL INCOME TAX CONSEQUENCES" herein for a more complete description of the opinion of Bond Counsel and additional federal tax law consequences.



\$107,440,000*

KENTUCKY ASSET/LIABILITY COMMISSION
PROJECT NOTES, 2024 FEDERAL HIGHWAY TRUST FUND FIRST REFUNDING SERIES A

Dated: Date of Delivery

Due: September 1, as shown below

The Project Notes, 2024 Federal Highway Trust Fund First Refunding Series A (the "2024A Notes") will bear interest, payable from their dated date, on each March 1 and September 1, commencing September 1, 2024, and mature on the dates, in the principal amounts, bear interest at the rates per annum, and have the prices and yields as follows:

Year (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP**
2024	25,545,000				49118N
2025	25,380,000				
2026	56,515,000				

The 2024A Notes will be issued only as fully registered notes, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2024A Notes. Purchasers will not receive certificates representing their ownership interest in the 2024A Notes purchased. So long as DTC or its nominee is the registered owner of the 2024A Notes, payments of the principal of and interest due on the 2024A Notes will be made directly to DTC. The 2024A Notes will be issued in denominations of \$5,000 or any integral multiple thereof. The principal of and interest on the 2024A Notes will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee").

The 2024A Notes are not subject to redemption before maturity.

The Kentucky Asset/Liability Commission (the "Commission") is issuing the 2024A Notes under a Resolution adopted by the Commission on March 14, 2024, to (i) currently refund the outstanding notes of the Commission identified in "EXHIBIT E – Summary of Prior Notes" (the "Prior Notes") and (ii) pay the costs of issuing the 2024A Notes. The 2024A Notes are being issued as Refunding Notes (as defined herein) under the Master Trust Indenture dated as of May 1, 2005, as previously supplemented by a Series Trust Indenture dated as of September 1, 2007, a Series Trust Indenture dated as of March 1, 2010, a Series Trust Indenture dated as of August 1, 2013, a Series Trust Indenture dated as of March 1, 2014, a Series Trust Indenture dated as of October 1, 2015, a Series Trust Indenture dated as of December 1, 2020, a Series Trust Indenture dated as of June 1, 2023, and as further supplemented by a Series Trust Indenture dated as of May 1, 2024 (as so supplemented, the "Indenture"), each by and between the Commission and the Trustee. See "THE 2024A NOTES" herein.

The 2024A Notes, together with the Commission's outstanding (i) Project Notes, 2015 Federal Highway Trust Fund First Series A, (ii) Project Notes, 2023 Federal Highway Trust Fund First Refunding Series A, and (iii) any Additional Notes issued under the Indenture (collectively, the "Notes"), and any interest due thereon are payable solely from a special fund created under the Indenture and defined therein as the Note Payment Fund, into which payments received from the Kentucky Transportation Cabinet (the "State Agency"), a department and agency of the Commonwealth of Kentucky (the "Commonwealth"), are deposited. The payments from the State Agency to the Commission arise under a Financing/Lease Agreement dated as of May 1, 2005, as amended and supplemented by a First Supplement to Financing/Lease Agreement dated as of September 1, 2007, a Second Supplement to Financing/Lease Agreement dated as of March 1, 2010, a Third Supplement to Financing/Lease Agreement dated as of August 1, 2013, a Fourth Supplement to Financing/Lease Agreement dated as of March 1, 2014, a Fifth Supplement to Financing/Lease Agreement dated as of October 1, 2015, a Sixth Supplement to Financing/Lease Agreement dated as of December 1, 2020, a Seventh Supplement to Financing/Lease Agreement dated as of June 1, 2023, and an Eighth Supplement to Financing/Lease Agreement dated as of May 1, 2024 (as so amended and supplemented, the "Financing Agreement"), each by and among the Commission, the State Agency, and the Commonwealth of Kentucky Finance and Administration Cabinet. The Kentucky General Assembly has appropriated to the State Agency, from the Federal Highway Administration (the "FHWA") funds described below, amounts projected to be sufficient to meet principal and interest requirements on the Notes through June 30, 2026. Such appropriations are subject to the discretion and approval of each successive regular or extraordinary session of the Kentucky General Assembly. There can be no assurance that (a) there will be FHWA funds available in an amount sufficient to meet the principal and interest requirements on the Notes, (b) the available FHWA funds will be appropriated in future sessions, or (c) the Governor, in the performance of his or her obligation to balance the Commonwealth's budget, will not reduce or eliminate such appropriations. See "SECURITY FOR THE 2024A NOTES" and "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE FINANCING AGREEMENT" herein.

The State Agency has entered into the Memorandum of Agreement (as defined herein) with the FHWA. The Memorandum of Agreement provides that the FHWA will reimburse the State Agency for debt service and costs incurred for the 2024A Notes, including principal, interest, and other bond related costs, as provided in Section 122 of Title 23 of the United States Code. Payments by the State Agency under the Financing Agreement are payable solely from FHWA Funds (as defined herein) that are paid to the State Agency under the Memorandum of Agreement and Title 23 (as defined herein).

Purchasers of the 2024A Notes, for themselves and all subsequent owners of the 2024A Notes, by and through their purchases of the 2024A Notes will have consented and agreed to the amendment of the Indenture as reflected in the First Amendment to Master Trust Indenture (the "First Amendment") between the Commission and the Trustee. The First Amendment reduces the Additional Notes Test (as defined herein) percentage from 400% to 300%, and becomes effective upon the satisfaction of certain requirements under the Indenture, including the written consent of holders of not less than a majority of the Notes Outstanding, which majority consent is expected to be received upon the closing of the sale of the 2024A Notes. See "SECURITY FOR THE 2024A NOTES – Additional Notes."

THE 2024A NOTES ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION AND DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE COMMISSION, THE COMMONWEALTH, OR ANY OTHER AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OR STATUTES OF THE COMMONWEALTH, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF ANY OF THE FOREGOING ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2024A NOTES.

The 2024A Notes are offered, subject to prior sale, when, as and if issued by the Commission and accepted by the Underwriters, subject to the approval of legality by Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Sites & Harbison, PLLC, Louisville, Kentucky. It is expected that the 2024A Notes will be available for delivery through DTC in New York, New York on or about June 4, 2024.

J.P. MORGAN

Baird
FHN Financial Capital Markets

PNC Capital Markets LLC
Huntington Capital Markets

Raymond James
Stifel

Dated: May [], 2024

* Preliminary, subject to change.
** See footnote on following page.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. These securities may not be sold nor may offers to buy be accepted before the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful before registration or qualification under the securities laws of any such jurisdiction.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell the 2024A Notes to any person, or the solicitation of an offer from any person to buy the 2024A Notes, in any jurisdiction where such offer or such solicitation of an offer to buy would be unlawful. The information set forth herein has been provided by the Commonwealth from sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Underwriters. No dealer, broker, 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 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 2024A Notes shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the issuance of the 2024A Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

If and when used in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” and “estimates” and analogous expressions are intended to identify forward-looking statements, as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to various risks and uncertainties that could cause actual results to materially differ from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social, and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation, and various other events, conditions, and circumstances, many of which are beyond the control of the Commission. The forward-looking statements contained herein speak only as of the date of this Official Statement. The Commission disclaims any obligation or undertaking to publicly release any updates or revisions to any of the forward-looking statements contained herein to reflect any change in the Commission’s expectations with respect thereto or any change in events, conditions, or circumstances on which any such statements are based.

THE 2024A NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS CONTAINED THEREIN. THE 2024A NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING COMMISSIONS OR AUTHORITIES PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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KENTUCKY ASSET/LIABILITY COMMISSION

COMMISSION MEMBERS

Holly M. Johnson, Secretary of the Finance and Administration Cabinet, Chair
Russell Coleman, Attorney General
Mark H. Metcalf, State Treasurer
Joe McDaniel, State Controller
John Hicks, Secretary of the Governor's Executive Cabinet & State Budget Director

SECRETARY TO THE COMMISSION

Ryan Barrow, Executive Director of the Office of Financial Management

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Pittsburgh, Pennsylvania

BOND COUNSEL

Dinsmore & Shohl LLP
Louisville, Kentucky

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SUMMARY

The following information is furnished solely to provide limited introductory information regarding the Kentucky Asset/Liability Commission (the “Commission”), the Kentucky Transportation Cabinet (the “State Agency”), and the 2024A Notes and does not purport to be comprehensive. The following information is qualified in its entirety by reference to the more detailed information and descriptions appearing elsewhere in this Official Statement and should be read together therewith. The terms used but not otherwise defined in this Summary shall have the respective meanings assigned to them elsewhere in this Official Statement. The offering of the 2024A Notes is made only by means of the entire Official Statement, including the Exhibits hereto. No person is authorized to make offers to sell or to solicit offers to buy the 2024A Notes unless the entire Official Statement is delivered in connection therewith.

The Commission	The Commission is an independent agency of the Commonwealth of Kentucky (the “Commonwealth”). See “THE COMMISSION” herein.
The State Agency	The State Agency is a Cabinet of the Commonwealth and is responsible for the management of the State Highway Program. See “THE STATE AGENCY AND MANAGEMENT OF THE STATE HIGHWAY PROGRAM” herein.
The Offering	The Commission is offering its Project Notes, 2024 Federal Highway Trust Fund First Refunding Series A in an aggregate principal amount of \$107,440,000* (the “2024A Notes”). See “THE 2024A NOTES” herein.
Issuance Authority	The 2024A Notes are being issued under and by virtue of (i) Sections 56.860 et seq. of the Kentucky Revised Statutes (the “Act”), (ii) a Resolution adopted by the Commission on March 14, 2024, and (iii) the Master Trust Indenture dated as of May 1, 2005, as previously supplemented by a Series Trust Indenture dated as of September 1, 2007, a Series Trust Indenture dated as of March 1, 2010, a Series Trust Indenture dated as of August 1, 2013, a Series Trust Indenture dated as of March 1, 2014, a Series Trust Indenture dated as of October 1, 2015, a Series Trust Indenture dated as of December 1, 2020, a Series Trust Indenture dated as of June 1, 2023, and a Series Trust Indenture dated as of May 1, 2024 (as so supplemented, the “Indenture”), all by and between the Commission and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The issuance of the 2024A Notes has also been approved by the Commonwealth of Kentucky State Property and Buildings Commission.
Use of Proceeds	The proceeds of the 2024A Notes, together with other available funds, will be used by the Commission to (i) currently refund the outstanding notes of the Commission identified in “EXHIBIT E – Summary of Prior Notes” (the “Prior Notes”) and (ii) pay the costs of issuing the 2024A Notes.
Payment Dates	The 2024A Notes will be dated as of the date of their initial delivery, and will bear interest payable semiannually on March 1 and September 1 of each year, commencing September 1, 2024, at the rates set forth on the cover page of this Official Statement and will mature on the dates and in the amounts set forth on the cover page hereof.

* Preliminary, subject to change.

Redemption

The 2024A Notes are not subject to redemption before maturity.

Book-Entry Only

The 2024A Notes are issuable only as fully registered notes, without coupons. The 2024A Notes are being offered in authorized denominations of \$5,000 or any integral multiple thereof, at the rates shown on the cover page hereof. The 2024A Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2024A Notes. Purchasers of the 2024A Notes will not receive certificates representing their ownership interest in the 2024A Notes. So long as DTC or its nominee is the registered owner of the 2024A Notes, payments of the principal and interest due on the 2024A Notes will be made directly to DTC by the Trustee.

It is expected that the delivery of the 2024A Notes will be made on or around June 4, 2024, through the facilities of DTC, against payment therefor.

Security

The 2024A Notes are being issued as Refunding Notes under the Indenture, secured by a pledge of the Pledged Receipts on a parity with the Commission’s outstanding (i) Project Notes, 2015 Federal Highway Trust Fund First Series A (the “2015 Notes”); (ii) Project Notes, 2023 Federal Highway Trust Fund First Refunding Series A (the “2023 Notes”); and (iii) any Additional Notes issued under the Indenture (the “Additional Notes” and, together with the 2015 Notes, the 2023 Notes, and the 2024A Notes, the “Notes”). See “SECURITY FOR THE 2024A NOTES – Additional Notes.” The Notes and any interest due thereon are payable solely from a special fund created under the Indenture and defined therein as the Note Payment Fund (the “Note Payment Fund”), into which payments received from the State Agency are deposited. Such payments arise under a Financing/Lease Agreement dated as of May 1, 2005, as amended and supplemented by a First Supplement to Financing/Lease Agreement dated as of September 1, 2007, a Second Supplement to Financing/Lease Agreement dated as of March 1, 2010, a Third Supplement to Financing/Lease Agreement dated as of August 1, 2013, a Fourth Supplement to Financing/Lease Agreement dated as of March 1, 2014, a Fifth Supplement to Financing/Lease Agreement dated as of October 1, 2015, a Sixth Supplement to Financing/Lease Agreement dated as of December 1, 2020, a Seventh Supplement to Financing/Lease Agreement dated as of June 1, 2023, and an Eighth Supplement to Financing/Lease Agreement dated as of May 1, 2024 (as so amended and supplemented, the “Financing Agreement”), all by and among the Commission, the State Agency, and the Commonwealth of Kentucky Finance and Administration Cabinet (the “Cabinet”).

Under the Constitution of the Commonwealth, the State Agency is prohibited from entering into financing obligations extending beyond the biennial budget. Notwithstanding the foregoing, the Financing Agreement will be automatically renewed unless written notice of the election by the State Agency not to renew the Financing Agreement is given to the Commission by the last business day of May before the beginning of the next succeeding renewal term.

The Kentucky General Assembly has appropriated to the State Agency, from Federal Highway Administration (“FHWA”) funds described below, amounts projected to be sufficient to meet the principal and interest requirements on the

Notes through June 30, 2026. The appropriations are subject to the discretion and approval of each successive regular or extraordinary session of the Kentucky General Assembly. THERE CAN BE NO ASSURANCE THAT (I) THERE WILL BE FHWA FUNDS AVAILABLE IN AN AMOUNT SUFFICIENT TO MEET PRINCIPAL AND INTEREST REQUIREMENTS ON THE NOTES, (II) THE AVAILABLE FHWA FUNDS WILL BE APPROPRIATED IN FUTURE SESSIONS, OR (III) THE GOVERNOR, IN THE PERFORMANCE OF HIS OR HER OBLIGATION TO BALANCE THE COMMONWEALTH'S BUDGET, WILL NOT REDUCE OR ELIMINATE THE APPROPRIATIONS.

Appropriations to the State Agency to pay amounts due under the Financing Agreement are to be made solely from the FHWA funds that are available to the State Agency for such purpose under the Memorandum of Agreement (as defined herein) and Section 122 of Title 23 of the United States Code. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS" herein for additional information regarding the FHWA funds. Under the Financing Agreement, the State Agency is not obligated to request an appropriation of funds (for the payment of the amounts due thereunder) from any other source. Further, as provided by the Memorandum of Agreement, the FHWA funds that are payable to the State Agency are only permitted to be used to pay the principal of and interest on obligations authorized to be issued under the Memorandum of Agreement, including the 2024A Notes.

The Notes are also further secured by certain other funds and accounts pledged therefore, as described herein. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE FINANCING AGREEMENT" herein.

Under certain circumstances, the Commission may issue Additional Notes on a parity basis with the 2024A Notes. See "SECURITY FOR THE 2024A NOTES – Additional Notes" herein.

THE 2024A NOTES ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION AND DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE COMMISSION, THE COMMONWEALTH, OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OR STATUTES OF THE COMMONWEALTH, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF ANY OF THE FOREGOING ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2024A NOTES.

Tax Status

Subject to compliance by the Commission, the State Agency, and others with certain covenants, in the opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel for the 2024A Notes, under present law, interest on the 2024A Notes (including original issue discount treated as interest) is excludible from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion that, under the laws of the Commonwealth, as presently enacted and construed, (i) interest on the 2024A Notes is exempt from Kentucky income

tax, and (ii) the 2024A Notes are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions. See “CERTAIN FEDERAL INCOME TAX CONSEQUENCES” herein and “EXHIBIT B – Form of Bond Counsel Opinion for the 2024A Notes” hereto for a more complete description of the opinions of Bond Counsel and any additional federal and state tax law consequences.

Continuing Disclosure

Securities and Exchange Commission Rule 15c2-12, promulgated under the Securities Exchange Act of 1934, as amended, generally prohibits an underwriter from purchasing or selling municipal securities in an initial offering unless the underwriter has determined that the issuer of such securities has committed to annually provide certain information, including audited financial information, and notice of various events. In order to enable the purchaser of the 2024A Notes to comply with the provisions of Rule 15c2-12, the Commission will enter into a Continuing Disclosure Agreement with the Trustee.

General

This Official Statement speaks only as of its date, and all of the information contained herein is subject to change. All of the summaries of documents and agreements in this Official Statement are qualified in their entirety by reference to such documents and agreements, copies of all of which are available from the Office of Financial Management.

Information

Information regarding the 2024A Notes is available by contacting the Office of Financial Management, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622, Attention: Executive Director, Telephone: (502) 564-2924, or the Underwriters for the 2024A Notes, J.P. Morgan Securities LLC, 383 Madison Avenue, 3rd Floor, New York, New York 10179, Telephone (212) 622-7000.

OFFICIAL STATEMENT

\$107,440,000*

KENTUCKY ASSET/LIABILITY COMMISSION PROJECT NOTES, 2024 FEDERAL HIGHWAY TRUST FUND FIRST REFUNDING SERIES A

INTRODUCTION

This Official Statement (“Official Statement”), is being distributed by the Kentucky Asset/Liability Commission (the “Commission”) to furnish pertinent information to the purchasers of \$107,440,000* aggregate principal amount of its Project Notes, 2024 Federal Highway Trust Fund First Refunding Series A (the “2024A Notes”). The 2024A Notes are being issued under and by virtue of Sections 56.860 et seq. of the Kentucky Revised Statutes (the “Act”), a Resolution adopted by the Commission on March 14, 2024 (the “Resolution”), the Master Trust Indenture dated as of May 1, 2005, as previously supplemented by a Series Trust Indenture dated as of September 1, 2007, a Series Trust Indenture dated as of March 1, 2010, a Series Trust Indenture dated as of August 1, 2013, a Series Trust Indenture dated as of March 1, 2014, a Series Trust Indenture dated as of October 1, 2015, a Series Trust Indenture dated as of December 1, 2020, a Series Trust Indenture dated as of June 1, 2023, and a Series Trust Indenture dated as of May 1, 2024 (collectively, the “Indenture”), all by and between the Commission and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The proceeds of the 2024A Notes, together with other funds, will be used to (i) currently refund the Prior Notes and (ii) pay the costs of issuing the 2024A Notes. See “EXHIBIT E – Summary of Prior Notes” hereto.

The currently outstanding notes of the Commission are its (i) Project Notes, 2015 Federal Highway Trust Fund First Series A dated October 15, 2015, in the original aggregate principal amount of \$106,850,000 (the “2015 Notes”), and (ii) Project Notes, 2023 Federal Highway Trust Fund First Refunding Series A dated June 22, 2023, in the original aggregate principal amount of \$54,840,000 (the “2023 Notes”), all under the Indenture. The 2024A Notes are being issued as Refunding Notes under the Indenture, secured by a pledge of the Pledged Receipts on a parity with the outstanding 2015 Notes and the 2023 Notes. The 2015 Notes, the 2023 Notes, the 2024A Notes, and any Series of Additional Notes issued under the Indenture are referred to collectively in this Official Statement as the “Notes.”

The 2024A Notes and the interest thereon are payable solely and only from Financing Payments (as defined herein) to be made by the Kentucky Transportation Cabinet (the “State Agency”) to the Commission under the Financing/Lease Agreement dated as of May 1, 2005, as amended and supplemented by the First Supplement to Financing/Lease Agreement dated as of September 1, 2007, the Second Supplement to Financing/Lease Agreement dated as of March 1, 2010, the Third Supplement to Financing/Lease Agreement dated as of August 1, 2013, the Fourth Supplement to Financing/Lease Agreement dated as of March 1, 2014, the Fifth Supplement to Financing/Lease Agreement dated as of October 1, 2015, the Sixth Supplement to Financing/Lease Agreement dated as of December 1, 2020, the Seventh Supplement to Financing/Lease Agreement dated as of June 1, 2023, and the Eighth Supplement to Financing/Lease Agreement dated as of May 1, 2024 (as amended and supplemented, the “Financing Agreement”), each by and among the Commission, the State Agency, and the Commonwealth of Kentucky Finance and Administration Cabinet (the “Cabinet”). The Financing Payments to be made under the Financing Agreement are payable solely from the FHWA Funds (as defined herein) that are paid to the State Agency under Title 23 (as defined herein) under a Memorandum of Agreement dated April 18, 2005, a Memorandum of Agreement dated January 11, 2013, and a Memorandum of Agreement dated November 13, 2013, each by and between the State Agency and the Federal Highway Administration (the “FHWA”), as amended and supplemented from time to time (collectively, the “Memorandum of Agreement”). The 2024A Notes are also further secured by

* Preliminary, subject to change.

certain other funds and accounts pledged therefor, as more fully described herein. See “SECURITY FOR THE 2024A NOTES” herein.

The summaries and references to the 2024A Notes, the Indenture, the Financing Agreement, and the Act included in this Official Statement do not purport to be comprehensive or definitive, and such summaries and references are qualified in their entirety by reference to each document, copies of all of which are available for inspection at the Office of Financial Management (“OFM”), 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622, Telephone: (502) 564-2924.

All capitalized terms used but not defined in this Official Statement will have the meanings given to such terms under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE FINANCING AGREEMENT – Definitions” herein, or the meanings given to such terms in the Indenture or the Financing Agreement.

THE 2024A NOTES

General

The 2024A Notes are issuable only as fully registered Notes in authorized denominations of \$5,000 or any integral multiple thereof. The 2024A Notes will be dated as of the date of their delivery, will bear interest, computed on the basis of a 360-day year consisting of twelve 30-day months, payable semiannually on each March 1 and September 1, commencing September 1, 2024, at the rates set forth on the cover page of this Official Statement, and will mature on the dates set forth on the cover page hereof. The principal of and interest on the 2024A Notes are payable in lawful money of the United States to the registered owner of the 2024A Notes, Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), under the global book-entry system operated by DTC. See “EXHIBIT C – Book-Entry Only System” hereto.

Redemption

The 2024A Notes are not subject to redemption before maturity.

Book-Entry Only System

The 2024A Notes will initially be issued solely in book-entry form to be held in the book-entry only system maintained by DTC. So long as the book-entry system is used, only DTC will receive or have the right to receive physical delivery of the 2024A Notes and, except as otherwise provided herein with respect to any tenders by Beneficial Owners of Beneficial Ownership Interests, each as hereinafter defined, the Beneficial Owners of the 2024A Notes will not be or be considered to be, and will not have any rights as, owners or holders of the 2024A Notes under the Indenture. For additional information about DTC and the book-entry only system see “EXHIBIT C – Book-Entry Only System” hereto.

Authorization

On March 14, 2024, the Commission adopted the Resolution, which, among other things (i) authorized the execution and delivery of a Series Trust Indenture to secure the 2024A Notes, (ii) authorized and approved the issuance, sale, and delivery of the 2024A Notes, subject to approval by a representative of OFM acting as an authorized officer of the Commission (the “Authorized Officer”), (iii) authorized the execution and delivery of the Eighth Supplement to the Financing Agreement, and (iv) directed the preparation and distribution of this Official Statement.

The issuance of the 2024A Notes by the Commission was also approved by the State Property and Buildings Commission of the Commonwealth at a meeting held on March 14, 2024.

SECURITY FOR THE 2024A NOTES

General

The Notes, including the 2015 Notes, the 2023 Notes, the 2024A Notes, and any Additional Notes issued under the Indenture, and any interest due thereon are payable solely and only from a special fund created under the Indenture defined therein as the Note Payment Fund (the “Note Payment Fund”). Under the terms of the Indenture, all payments received from the State Agency arising under the Financing Agreement are to be deposited into the Note Payment Fund.

Under the provisions of the Constitution of the Commonwealth, the State Agency is prohibited from entering into financing obligations extending beyond the biennial budget. Notwithstanding the foregoing, the Financing Agreement will be automatically renewed unless written notice of the election by the State Agency to not renew the Financing Agreement is given to the Commission no later than the last business day of May before the beginning of the next succeeding renewal term.

The Kentucky General Assembly has appropriated to the State Agency, from FHWA Funds defined below under the heading “Additional Notes,” amounts sufficient to meet the Financing Payments under the Financing Agreement, thereby permitting the Commission to meet the debt service requirements of the Notes through June 30, 2026. The availability of funds to pay the Financing Payments under the Financing Agreement are dependent on the availability of a sufficient amount of FHWA Funds and the appropriation of a sufficient amount of available FHWA Funds. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS” herein for additional information regarding the FHWA Funds. The appropriation of the FHWA Funds available to the State Agency is subject to the discretion and approval of each successive regular or extraordinary session of the Kentucky General Assembly. There can be no assurance that (i) there will be FHWA Funds available to the State Agency in an amount sufficient to meet principal and interest requirements on the Notes, (ii) the FHWA Funds available to the State Agency will be appropriated in future sessions, or (iii) the Governor, in the performance of his or her obligation to balance the Commonwealth’s budget, will not reduce or eliminate such appropriations. ANY FAILURE OF THE STATE AGENCY TO RECEIVE FHWA FUNDS OR TO HAVE AVAILABLE FHWA FUNDS APPROPRIATED FOR THE PAYMENT OF FINANCING PAYMENTS WILL HAVE A MATERIAL ADVERSE EFFECT ON THE COMMISSION’S ABILITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE 2024A NOTES.

The State Agency has entered into, and the Commission and the Cabinet have acknowledged, the Memorandum of Agreement with the FHWA. Under the Memorandum of Agreement, the FHWA has agreed to make payments to the State Agency and the State Agency has agreed, subject to appropriation, to remit to the Trustee, when due, an amount equal to the debt service on all outstanding grant anticipation revenue vehicle bonds (“GARVEE Bonds”), including the 2024A Notes. Further, under the Memorandum of Agreement, the State Agency has agreed to convert the amount of Advance Construction funds (as hereinafter described) necessary to pay such debt service as the first authorizations in that Federal Fiscal Year. If only a portion of the annual Obligation Authority (as hereinafter described) is provided, the State Agency will reserve the same pro-rata share of that portion of the Obligation Authority for debt service payments for that year until the full annual Obligation Authority is provided. Furthermore, the State Agency has adopted a Policy Statement to the effect that if the new Obligation Authority is insufficient to pay debt service on the GARVEE Bonds, it will evaluate the balances of its existing federally-funded projects and take action to de-obligate funds from those projects and re-program those funds to pay the debt service when due. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – The Federal-Aid Highway Program Generally” herein.

The 2024A Notes are also secured by certain other funds and accounts pledged therefore, as more fully described herein. See “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE FINANCING AGREEMENT” herein.

THE 2024A NOTES ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION AND DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE COMMISSION, THE

COMMONWEALTH, OR ANY OTHER AGENCY OR POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OR STATUTES OF THE COMMONWEALTH, AND NEITHER THE FULL FAITH AND CREDIT, NOR THE TAXING POWER OF ANY OF THE FOREGOING ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2024A NOTES.

Additional Notes

Under the Indenture, the Commission has reserved the right and authority to issue Additional Notes if it has received a certificate of an Authorized Representative of the State Agency stating that the amount of FHWA Funds received during the most recently completed Federal Fiscal Year was equal to at least 400% of the Maximum Annual Debt Service for all Notes Outstanding in the current and each future Federal Fiscal Year, including the Additional Notes proposed to be issued, but in the case of a Series of Additional Notes to be issued for refunding purposes, excluding the Note Payments on the Notes to be refunded (the “Additional Notes Test”). As used herein:

“Federal Fiscal Year” or “FFY” means the period commencing on October 1 of any year and ending on September 30 of the ensuing year, or any other fiscal year of the FHWA.

“FHWA Funds” means all amounts available to the State Agency to pay the amounts due with respect to an Eligible Debt Financing Instrument, as defined in Section 122 of Title 23 of the United States Code, or any amounts under any similar or successor provisions of law regarding the use of funds payable to the State Agency by the FHWA.

“Maximum Annual Debt Service” means the sum of all amounts required to be paid during the current or any future Federal Fiscal Year commencing after the date of such calculation, or to be set aside during such Federal Fiscal Year, for the payment of debt service on all Outstanding Notes.

For the purpose of determining the Maximum Annual Debt Service, variable rate Notes are deemed to bear interest at the maximum rate of interest applicable to such variable rate Notes; provided, however, that if such maximum rate of interest is less than the interest rate quoted in *The Bond Buyer 25 Revenue Bond Index* (the “Index Rate”) as published in *The Bond Buyer* for the last week of the month preceding the date of issuance of such variable rate Notes, then the interest rate on such variable rate Notes shall be deemed to be the Index Rate. If *The Bond Buyer 25 Revenue Bond Index* is no longer published, an index that is deemed to be substantially equivalent by nationally recognized bond counsel may be substituted therefore. In addition, for the purpose of determining the Maximum Annual Debt Service, any Note scheduled to be Outstanding during such period that is subject to tender at the option of the Holder will be assumed to mature on the stated maturity date or mandatory sinking fund payment date thereof.

Purchasers of the 2024A Notes, for themselves and all subsequent owners of the 2024A Notes, by and through their purchases of the 2024A Notes will have consented and agreed to the amendment of the Indenture as reflected in the First Amendment to the Master Trust Indenture (the “First Amendment”) between the Commission and the Trustee. The First Amendment reduces the Additional Notes Test percentage from 400% to 300%, and becomes effective upon satisfaction of certain requirements under the Indenture, including the written consent of holders of not less than a majority of the Notes Outstanding, which majority consent is expected to be received upon the closing of the sale of the 2024A Notes.

The Commission has also reserved the right to issue notes that are secured by a pledge of the Pledged Receipts that is subordinate to the pledge created by the Indenture and that do not rank on a basis of equality and parity with the Notes, but only if such subordinate notes are issued in express recognition of the priorities, liens, and rights created and existing for the security and source of payment and protection of the Notes. The Commission has no current plans to issue subordinate notes.

In addition, the Commission has reserved the right, in addition to issuing Notes as described in the first paragraph under this heading, to issue Refunding Notes on parity as to security with the Notes in order to refund any Notes then Outstanding, so long as the Maximum Annual Debt Service is not increased as a result of issuing such Refunding Notes.

Furthermore, whenever the Commission has authorized or made provision for the authorization of the issuance of a Series of Notes, the Commission also reserved the right in the Indenture to authorize the issuance of Construction Notes in anticipation of the sale of that Series of Notes in a principal amount not exceeding the principal amount of that Series of Notes. The principal of or any interest on such Construction Notes and renewals thereof may be payable from and secured by a pledge of Pledged Receipts that is (i) subordinate to the pledge of such Pledged Receipts as security for the Outstanding Notes or (ii) on a parity with the pledge of such Pledged Receipts securing the Outstanding Notes, but, as to any parity pledge, only if the requirements described under this heading for the issuance of Additional Notes would be satisfied, assuming the principal amount of the Construction Notes would be amortized over twenty years on a level payment basis at prevailing market interest rates existing at the time of the issuance of the Construction Notes.

PLAN OF FINANCE

The proceeds of the 2024A Notes will be used by the Commission to (i) currently refund the Commission’s Project Notes, 2014 Federal Highway Trust Fund First Series A dated March 19, 2014, maturing on and after September 1, 2024 (see “EXHIBIT E – Summary of Prior Notes” hereto), and (ii) pay the costs of issuing the 2024A Notes.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds are to be applied as follows:

Sources

Par Amount of 2024A Notes	\$ _____
Net Original Issue Premium	_____
Total Sources	\$ _____

Uses

Deposit to Prior Note Fund	\$ _____
Cost of Issuance*	_____
Total Uses	\$ _____

* Includes underwriters’ discount, legal, printing, rating agency fees, trustee fees, and other expenses incurred in the offering and issuance of the 2024A Notes.

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The revenues consist in part of the legally available portion of Federal Highway Reimbursements, generically described as federal aid revenues, which are received by the Commonwealth under Title 23 (as defined herein). The following information relates to the provisions of Title 23 and the mechanisms, rules, and practices that are relevant to the receipt of Federal Highway Reimbursements by the Commonwealth.

The Federal-Aid Highway Program Generally

The Federal Aid Highway Program (the “FAHP”) is an “umbrella” term that encompasses most of the federal programs providing highway funds to the states, including the National Highway Performance Program, the Highway Safety Improvement Program, and the Surface Transportation Block Grant Program.

The FHWA is the federal agency within the United States Department of Transportation responsible for administering the FAHP. The FAHP is primarily funded by transportation user-related revenues that are deposited in the Federal Highway Trust Fund (the “FHTF”). The primary source of revenues in the FHTF is derived from the federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks, and trailers, and truck use taxes. Since 2008, Congress has passed a number of laws that have transferred amounts from other sources to ensure that the FHTF could promptly pay its bills when due. The majority of these funds have come from the general fund of the United States Treasury. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – The Federal Highway Trust Fund” herein.

The FAHP is a reimbursement program. Once projects are approved by the FHWA and the funds are obligated, the federal government makes payments to the states for costs as they are incurred on the projects, which may include the debt service on any obligations issued to finance a project. With few exceptions, the federal government does not pay for the entire cost of a federal-aid project. Federal reimbursements are typically matched with state and/or local funds allocated for the project. The maximum federal share of funding is specified in the federal legislation authorizing the program. Most projects have an 80% base federal share, while interstate construction and highway safety and maintenance projects typically have been funded with a 90% base federal share. The act of obligation commits the federal government to reimburse expenditures on the project up to a predetermined matching share.

The present FAHP continues to reimburse a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that:

- The FAHP is based on dedicated revenues from a user-tax source deposited in a dedicated trust fund (the FHTF);
- The budget and contract authority of the FHWA is typically established by a multi-year authorization act rather than annually through appropriation acts; and
- Contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate obligations.

Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (i) a multiyear authorization by Congress of the funding for various highway programs; (ii) the apportionment and allocation of funds to the states each FFY according to statutory formulas or, for certain funding categories, through administrative action; (iii) the obligation of funds, which is the federal government’s legal commitment (or promise) to pay or reimburse states for the federal share of a project’s eligible costs; (iv) appropriations acts by Congress specifying the amount of funds available for that year to liquidate obligations; (v) program implementation, which covers the programming and authorization phases; and (vi) the reimbursement by the federal government of the eligible project costs. Each of these steps is described in more detail under the heading “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal Aid Funding Procedures” herein.

Title 23 of the United States Code, entitled “Highways,” includes many of the laws that govern the FAHP. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be central to the FAHP. These provisions may be considered for amendment by Congress when and if the FAHP is reauthorized. Reauthorization has tended to be evolutionary, with a moderate number of sections of Title 23 being amended or repealed during each reauthorization.

The terms and conditions of participation in the FAHP, as described herein, are subject to change at the discretion of Congress. Any changes in law, regulation, or policy or any decrease in revenues at the federal level may materially and adversely affect the availability of Federal Highway Reimbursements in the future. There can be no assurance that there will not be any such future changes in law, regulation, policy, or the

availability of revenues at the federal level which may materially and adversely affect the future availability of Federal Highway Reimbursements to pay debt service on the 2024A Notes and any other Notes.

Authorization

General. The FAHP is required to be periodically reauthorized by Congress and has historically been authorized under multiyear authorizing legislation. The most recent multiyear authorizing legislation, entitled the “Infrastructure Investment and Jobs Act” (the “IIJA”), enacted on November 15, 2021, provides for the funding of the FAHP with highway user fees through FFY 2026.

Lapsing of Authorization. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs, annual appropriations acts are necessary in order to create budget authority. For most federal domestic discretionary programs, a lapsed authorization may have little to no effect on the program, so long as the revenues are appropriated. However, for the FAHP, the consequences of lapsed authorization when Congress fails to enact reauthorizing legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide Obligation Authority (as more particularly defined below, “OA”) by administrative action.

In periods in which the previous authorizing legislation has expired and the future legislation has yet to be enacted, Congress and/or the FHWA have historically found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states. Examples of the two mechanisms in particular that have kept federal revenues flowing include:

(i) Access to Unobligated Balances: The Surface Transportation and Uniform Relocation Assistance Act of 1987 (“STURAA”) expired on September 30, 1991, and the Intermodal Surface Transportation Efficiency Act (“ISTEA”) was not enacted until December 18, 1991. For nearly three months between the expiration of STURAA and the enactment of ISTEA, the FHWA was able to act administratively to keep federal-aid funding flowing because states were able to use their unobligated balances to provide contract authority to use new OA.

(ii) Short-Term Authorization: The ISTEA expired on September 30, 1997, and until the passage of the Transportation Equity Act for the 21st Century (“TEA-21”) on June 9, 1998, no new long-term authorization legislation was enacted. Despite the lack of long-term authorizing legislation, states were provided an upper limit on OA through the passage of an appropriations act plus access to their unobligated balances. On November 13, 1997, Congress enacted the Surface Transportation Extension Act of 1997 (“STEA”), which provided a six-month authorization for highway funding and established a limit on the amount of new OA that states could use, at funding levels equal to about a quarter of authorization levels for FFY 1997. Since most states have unobligated balances of at least half of their normal annual OA levels and an authorization act is not required to be in place for the FHWA to give states new OA, states were able to spend down prior unfunded federal apportionments (contract authority) with newly allocated OA. The lack of an enacted authorization act during this time did not pose a threat to the continued flow of revenues because dedicated highway user fees continued to flow into the FHTF. Similarly, TEA-21 expired on September 30, 2003, and until the passage of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (“SAFETEA-LU”) on August 10, 2005, Congress passed several authorization extension acts that reauthorized the FAHP through May 31, 2005 and, through the passage of a combination of continuing resolutions and appropriations bills, states were provided OA to ensure the continuation of the FAHP. After the expiration of SAFETEA-LU on September 30, 2009, Congress enacted several authorization extension acts that reauthorized the FAHP through June 30, 2012. On July 6, 2012, Congress passed the Moving Ahead for Progress in the 21st Century Act (“MAP-21”), which provided funding for the FAHP through September 30, 2014, and following the expiration of MAP-21, Congress used a series of five short-term authorizations to provide funding for the FAHP until the enactment of the Fixing America’s Surface Transportation Act (the “FAST Act”) on December 4, 2015, which reauthorized the FAHP

through FFY 2022. On September 30, 2020, Congress enacted the Continuing Appropriations Act, 2021 and Other Extensions Act (HR 8337) (the “Continuing Resolution”), to provide appropriations for the FAHP through December 11, 2020 and to extend the FAST Act for an additional year, through September 30, 2021. The Continuing Resolution also provided an additional \$13.6 billion in funding to the FHTF in order to preserve its solvency and to maintain current funding levels. Between the end of the FAST Act and passage of the IJA (the current authorization), Congress passed several continuing resolutions.

ALTHOUGH MEASURES HAVE BEEN TAKEN BY CONGRESS AND/OR FHWA IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE TAKEN IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF THE CURRENT FUNDING AUTHORIZATION.

The Federal Highway Trust Fund

The FHTF provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the FHTF is a fund established by law to hold, in trust, dedicated highway-user revenues that are used for reimbursement of a state’s cost of eligible transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects.

The FHTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account. The FHTF is required under current federal law to maintain a positive balance to ensure that prior commitments for the distribution of federal revenues can be met.

Revenue Sources. Federal gasoline excise taxes are the largest revenue source for the FHTF. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon tax on gasoline and 21.44 cents per gallon out of the current 24.4 cents per gallon tax on diesel, go to the Highway Account, with the remainder deposited to the Mass Transit Account.

History of Highway Account Balances. At least since 2007, the Congressional Budget Office (“CBO”) has, from time to time, reported or testified that if Congress adhered to the highway and safety spending levels which it had authorized, absent other measures, then the Highway Account of the FHTF would go into deficit within a year or two after such report or testimony was presented. As part of the testimony provided on May 18, 2021 concerning the status of the FHTF and the options for financing highway spending, CBO stated that for more than a decade, the revenues credited to the Highway Account of the FHTF have fallen short of federal spending on highways, prompting transfers from the general fund of the United States Treasury to make up the difference.

The table below sets forth the balances in the Highway Account from FFY 2015 through FFY 2023 and as of March 31, 2024.

HIGHWAY ACCOUNT BALANCE¹

Federal Fiscal Year	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Highway Account Opening Balance	\$11.376	\$9.040	\$51.436	\$41.443	\$32.605	\$24.652	\$12.621	\$14.264	98.913	86.649
Receipts										
Net Tax Receipts	35.740	36.062	35.699	37.265	38.267	37.458	37.933	40.865	37.358	17.222
Interest Income	0.001	0.092	0.281	0.543	0.621	0.145	0.008	0.728	4.205	2.269
Other Receipts	6.092 ²	52.119	0.128 ³	0.120 ⁴	0.098	0.107	10.505	90.019 ⁵	0.313	0.008
Total Receipts	41.834	88.274	36.108	37.928	38.985	37.710	48.445	131.611	41.876	19.499
Transfers										
To Mass Transit Account	1.246	1.170	1.175	1.700	1.401	1.615	1.200	1.000	1.200	0.800
From Mass Transit Account	0.029	0.078	0.052	0.066	0.069	0.058	0.115	0.115	0.135	0.009
Outlays	42.952	44.786	44.977	45.132	45.607	48.265	45.717	46.350	50.157	22.914
Closing Balance	\$9.040	\$51.436	\$41.443	\$32.605	\$24.652	\$12.540	\$14.264	\$98.913	89.649	85.455

Sources: Federal Highway Administration Table FE-1 as of March 2024. Totals may not sum due to rounding.

The statutory authority (i) to impose the taxes that are dedicated to the FHTF, (ii) to place the revenues resulting from those taxes in the FHTF, and (iii) to expend moneys from the FHTF, all have expiration dates that must periodically be extended by Congress. The life of the FHTF has been extended several times since its inception, most recently by the IIJA, which (a) reauthorized imposing most taxes dedicated to the FHTF through September 30, 2028, (b) allocated the resulting revenues to the FHTF, and (c) extended authority to expend funds from the Highway Account of the FHTF for programs under the IIJA and previous authorization acts through September 30, 2028. The FHTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

Amounts in the FHTF can be affected by the rate of expenditure of money in the fund as well as a number of revenue-impacting factors. One significant factor is the decline in vehicle miles traveled since 2007, which impacts revenue from gasoline and diesel sales. In response to shortfalls predicted by the CBO as well as other governmental entities, Congress transferred from the federal General Fund to the FHTF in Federal Fiscal Years 2013-2016 and 2021, an aggregate total of approximately \$91.9 billion, of which approximately \$13 billion was provided to the Mass Transit Account within the FHTF. The IIJA provided an additional \$118 billion in federal General Fund transfers to the FHTF to support the programs over the five-year life of the IIJA. Intragovernmental transfers have also been authorized from the Leaking

¹ Each Federal Fiscal Year from 2015-2023 is October 1 through the following September 30, except that for 2024, the period is from October 1, 2023 through March 31, 2024.

² Includes a transfer of \$6.068 billion to the Highway Account from the General Fund under Section 2002 of P.L. 114-41.

³ Includes a transfer of \$100 million (reduced to \$93.1 million by a sequester) to the Highway Account from the Leaking Underground Storage Tank Trust Fund under Section 31203 of P.L. 114-94.

⁴ Includes a transfer of \$100 million (reduced to \$93.4 million by a sequester) to the Highway Account from the Leaking Underground Storage Tank Trust Fund under Section 31203 of P.L. 114-94.

⁵ Includes a transfer of \$118 billion to the Highway Account from the General Fund

Underground Storage Tank Trust Fund. The CBO assumes that spending from the FHTF will continue to be controlled by limitations on obligations set in appropriation acts.

FHTF Revenue Projections. Since 2008, Congress has authorized a series of transfers to the FHTF in order to avoid delaying payments to state and local governments. The IIJA authorized the latest transfer of \$118 billion, largely from the general fund of the United States Treasury, to the FHTF in November 2021 to maintain the fund’s solvency and cover estimated revenue shortfalls through at least FFY 2026. Including the transfer under the IIJA, transfers into the FHTF since 2008 have totaled over \$275 billion.

The IIJA extended the taxes that are credited to the FHTF through September 30, 2028. The primary source of funds in the FHTF is federal excise taxes on the consumption of motor fuels, the use of certain kinds of vehicles, and retail sales of trucks, trailers, and truck tires. Annual receipts from these taxes are projected to decrease slightly each year from 2024 to 2034, with receipts estimated to range between approximately \$43 billion in 2024 to \$35 billion in 2034. Gasoline consumption is expected to decline because improved fuel economy (spurred by increases in the federal government’s fuel-economy standards) and increasing use of electric vehicles are expected to more than offset the increase in the number of per capita miles driven due to population growth. Increased fuel economy is also expected to reduce the consumption of diesel fuel over the next ten years.

In the latest baseline projections prepared in February 2024, CBO predicts that, assuming that obligations paid from the FHTF increase at the rate of inflation, the balance in both the Highway Account and the Mass Transit account of the FHTF will be exhausted in FFY 2028. The CBO estimates that in 2029, the first year after the projected exhaustion of the FHTF, spending from the fund would be 44% below the amounts in the baseline projections and the gap between revenues and spending in the FHTF would continue to increase each year, resulting in a projected 51% spending reduction by 2034. Under current federal law, a positive balance is required to be maintained in the FHTF to ensure that the prior commitments for the distribution of federal revenues can be met. Unless Congress enacts a measure to address revenue generation for the FHTF, the FHTF is expected to face another revenue shortfall when the IIJA expires. The final maturity of the 2024A Notes is prior to the projected shortfall. Nonetheless, the availability of federal transportation funds may impact the Commission’s ability to pay debt service on its Notes. Various proposals are being considered to address the FHTF’s future funding, including an increase in fuel taxes, a variety of new taxes and other funding sources for the FHTF. There can be no assurance that Congress will enact any of these proposals or, if any of these proposals are enacted, that they will provide sufficient funding to eliminate projected FHTF deficits.

The FHWA operates under the contract authority authorized by the IIJA, and accordingly, any lapse in annual appropriations does not materially disrupt operations. Thus, the failure of Congress to enact an annual appropriation before the start of a FFY, which would result in a “government shutdown,” typically does not impact FHWA operations. Further, the FHWA has sufficient liquidated cash to continue operations upon a lapse in annual appropriations. However, any lapse in annual appropriations or a partial-year budget can reduce the amount of Obligation Authority that would otherwise be made available to the Commonwealth. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal Aid Funding Procedures – Obligation” and “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal Aid Funding Procedures – Obligation Ceiling” herein.

The FHTF was not among the discretionary funding sources affected by the federal government shutdown from December 22, 2018 through January 25, 2019. In the absence of an appropriations act or a continuing resolution, the overall limitation on obligations was based on the levels authorized in the FAST Act. As a result, FHWA did not shut down and there was no lapse in FAHP reimbursements to the states. The Commonwealth received all FAHP reimbursements requested during this period.

The United States Treasury Offset Program (the “TOP”) is administered under the Debt Collection Improvement Act of 1996 (the “DCIA”), which requires the Department of the Treasury and other disbursing agencies to collect delinquent debts owed to the federal government. As provided by the DCIA, if a “person”

is in debt to the federal government, the federal agency payments may be offset through the TOP by the amount of the debt owed, up to the amount of the scheduled payment. Under the DCIA, “person” is defined to include a state or local government. Administrative offset under the DCIA is precluded only when another law specifically prohibits such an offset.

Federal Aid Funding Procedures

The FAHP continues to enable the construction of an extensive national transportation system through the reimbursement of a large percentage of state expenditures for approved highway projects. The FAHP is unusual among federal programs in that:

- (i) the FAHP is funded by dedicated revenues derived from user-tax sources deposited in a special trust fund (the FHTF);
- (ii) the contract authority of the FHWA has historically been established by a multiyear authorization act rather than through annual appropriation acts; and
- (iii) the contract authority of the FHWA is not at risk during the annual appropriations process (as the budget authority is for most other federal programs), although an appropriations act is required in order to liquidate obligations.

The following summarizes the major steps in funding the FAHP:

(a) **Authorization.** The first and most important step in funding the FAHP is the development and enactment of authorizing legislation. Authorizing legislation for federal highways began with the Federal Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the FAHP as it exists today. Since that time, the FAHP, as then in existence, has been continued or renewed by Congress through the passage of multiyear authorization acts. Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multiyear (i.e., four or more years) surface transportation acts. There is no guarantee, however, that reauthorization of the FAHP will continue to occur on a multiyear basis. The current reauthorization under the IIJA ends on September 30, 2026. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Authorization” herein.

The authorization act not only shapes and defines programs, but also sets limits (authorizations) on the funding for programs and includes provisions related to the operation of the FHTF.

Once Congress has established authorizations, the next step involves how funds are made available to the states. Typically, federal programs operate using appropriated budget authority, which means that funds, although authorized, will not be available until the passage of an appropriations act. However, most programs within the FAHP do not require this two-step process. Through “contract authority” (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the FAHP, funds authorized for a FFY are available for distribution through apportionments or allocations. The use of contract authority gives states advance notice of the level of federal funding at the time an authorization act is enacted, eliminating much of the uncertainty associated with the authorization-appropriation sequence.

The existence of dedicated revenues in the FHTF and multiyear contract authorizations are designed to provide a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts has historically been limited, since sufficient unobligated balances generally exist that can be used by states, with the approval of Congress, to cover gaps in funding between multiyear reauthorization acts but there can be no assurance that federal authorizations of the FAHP will not lapse. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Authorization – Lapsing of Authorization” herein.

(b) ***Apportionment and Allocations.*** For most components of the FAHP, the authorization act sets the amount of contract authority to be distributed to the states. The authorized amount of contract authority for a given FFY is distributed to the states through apportionments and/or allocations.

(i) ***Apportionments.*** The distribution of funds using a formula provided by law is called an apportionment. Most federal aid highway funds are distributed to states through apportionments. Each FFY, the FHWA is responsible for apportioning the authorized funding for the various highway programs under the FAHP among the states according to formulas established in the authorizing act. Annual apportionments are generally made on the first day of the FFY (October 1).

(ii) ***Allocations.*** Some categories of funds do not have a statutorily mandated distribution formula. In most cases, allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law.

The availability of federal-aid highway apportionments does not terminate at the end of the FFY, as is the case with most other federal programs, and such apportionments may be used by states for more than one year. In general, federal-aid highway apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the new amounts are added to a state's carryover apportionments from the previous year. If a state fails to obligate a year's apportionments within the period of availability (usually a total of four years) specified for a given program, the funds will lapse.

(c) ***Obligation.*** Obligation is the legal commitment (or promise) of the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of the incurred costs. Once an obligation is made, the federal government is required to reimburse the states when bills or payments become due. However, Congress places a restriction, or "ceiling," on the amount of federal assistance that may be promised (obligated) during a specific time period. See "Obligation Ceiling" below.

Once Congress establishes an overall obligation limitation, the FHWA distributes Obligation Authority to states proportionately based on each state's share of apportioned and allocated revenues. The actual ratio of Obligation Authority to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the obligation limitation. During the FFY, states submit requests to the FHWA to obligate funds, representing the federal share of specific projects. As a state obligates these funds, its balance of Obligation Authority is reduced. A state's Obligation Authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available. If a state does not use all available Obligation Authority in a FFY, the unused balance will be redistributed to other states to ensure that the total limitation nationwide will be used. A state may receive additional Obligation Authority through a redistribution process each August which reallocates Obligation Authority from states or programs unable to fully obligate their share of Obligation Authority for the year to other states that are able to obligate more than their initial share of Obligation Authority (this process is known as "August Redistribution"). The Commonwealth typically uses all of its Obligation Authority in each FFY and typically receives additional Obligation Authority that has been redistributed by the FHWA. See "FEDERAL AID REVENUES" herein for the Obligation Authority, apportionments, and total federal aid revenues received by the Commonwealth in prior FFYs.

(d) ***Obligation Ceiling.*** Unlike most other federal programs, most of the FAHP does not receive budget authority through appropriations acts. Instead, congressional appropriations committees use Obligation Authority as a means of balancing the annual level of highway spending with other federal budget priorities. Thus, Congress may place a restriction or "ceiling" on the amount of federal assistance that may be obligated during a specified time period. The obligation ceiling is the amount of authorized funding that Congress allows states to obligate in any given year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used, and, in effect, can limit

the total amount of funds that can be used by a state. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – The Federal Highway Trust Fund” herein.

Although a ceiling on obligations restricts how much funding may be used in a FFY, a state generally has flexibility within the overall obligation limitation to transfer among certain apportioned highway programs. Certain amounts may be used only for special purposes once they are apportioned to the states. Generally, the unobligated balance of apportionments or allocations that a state has remaining at the end of any FFY will be carried forward into the subsequent FFY and available for use by the state, contingent upon the availability of Obligation Authority issued in such FFY. Typically, if a state does not obligate a particular year’s funding within the period of availability, the state’s authority to obligate any remaining amount of funding lapses. The Commonwealth has been successful in obligating its full amount of Obligation Authority and the additional Obligation Authority made available to it through the annual process of redistributing federal funds from the states and programs that are unable to utilize all of their Obligation Authority.

(e) ***Unobligated Balances.*** Because congressional authorization of federal-aid highway revenues represents a commitment to make all authorized revenues available to the states for highway purposes, any shortfall between the limit on Obligation Authority created through the annual appropriations process and the amount of contract authority apportioned and allocated to the states does not disappear. Instead, the difference between obligation limitations and authorization levels creates what are known as “unobligated balances.”

Although most federal-aid apportionments lapse after four years, this rarely happens with apportioned highway revenues because old apportionments are always spent before new apportionments. That is, when a state receives new apportionments and Obligation Authority at the beginning of a FFY, obligations are first made against remaining prior year apportionments and allocations until such amounts are depleted. The net effect of this process, in conjunction with the year-to-year establishment of obligation limitations, has been that states have amassed considerable unobligated balances.

As explained above, these unobligated balances permit the FAHP to continue to fund state highway projects during periods when Congress fails to enact reauthorization legislation before the expiration of the previous authorization period. During such periods, the unobligated balances allow states to continue to fund their programs for several months, or even longer, after an authorization act has expired.

(f) ***Rescission of Unobligated Balances.*** Between FFYs 2006 and 2011, Congress took multiple separate actions to reduce previously authorized spending levels by issuing rescissions of unobligated funds. In addition, on June 30, 2017, Congress took action to rescind \$857 million of unobligated balances of the federal-aid highway funds apportioned to the states under the Department of Transportation Appropriations Act, 2017, title I of division K, Public Law 115-31. Each of these actions rescinded the unobligated balances of apportionments among the states on a proportional basis based upon each state’s apportionment, exclusive of certain identified funds or programs. The aggregate amount for these rescissions for the Commonwealth was approximately \$321.236 million, which was applied to reduce any unobligated apportionment balances for prior years. As enacted, Section 1438 of the FAST Act mandated that \$7.569 billion in unobligated balances of certain federal highway funds apportioned to the states and the District of Columbia be rescinded on July 1, 2020. However, legislation enacted by Congress in November 2019 repealed the scheduled rescission. Future rescissions are possible and may have an adverse effect on the Commonwealth and its highway program, but the Commonwealth bases its budget for highway projects upon its expected Obligation Authority and Federal Highway Reimbursements, not upon expected apportionments. Although future rescissions could be large enough to impact the Commonwealth’s use of its Obligation Authority, to date they have not. If Congress continues to require rescissions, the balances of unobligated apportionment for those federal programs that would support the Project (as hereinafter defined) may be reduced. See “SECURITY FOR THE 2024A NOTES” herein.

(g) ***Program Implementation.*** The final step in the overall federal-aid highway funding process occurs after authorized revenues have been distributed to the states and after states have had the opportunity to obligate such revenues. Once federal-aid highway revenues have been authorized and obligated, states must

develop highway programs that describe, at a project-by-project level, exactly how its federal reimbursements will be earned. Generally, the process of developing and implementing these state highway programs has three broad stages: (1) Budgeting, (2) Planning and Programming, and (3) Fiscal Management and Federal Highway Reimbursements. Each stage helps ensure that states develop highway programs that match funding availability and that the FHWA is able to distribute federal reimbursements to states in a timely manner.

(i) Budgeting. Budgetary information about the availability of state and federal funding is crucial to the development of state highway programs. Projected state and federal funding levels are used to budget transportation needs. Consequently, state transportation budget officials track the availability of funding and develop forecasts of future state and federal revenues. Therefore, states must estimate the availability of short and long-term state and federal funding in order to plan their highway programs and will use the information as a guide for long-range planning and a strict constraint on short-term programming. In the Commonwealth, the State Agency's budget for the biennium period is prepared under Chapter 48 of the Kentucky Revised Statutes and is based on two-year projections made in light of long-range program requirements and revenue estimates for both state and federal funds. The biennial budget request is prepared by the State Agency and presented to the Governor for submission to the Kentucky General Assembly at its biennial session. The estimates of state revenues are made by the consensus forecasting process as prescribed by Section 48.115 of the Kentucky Revised Statutes. The estimates for federal funds are made by the State Agency.

(ii) Planning and Programming. 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 State Agency has lengthened its planning horizon and the General Assembly has assumed a more participatory role.

Before 1982, the State Agency had internally identified, planned, and designed potential projects. The projects that were approved by the Secretary were made a part of the State Agency's five-year program and moved to construction as funds became available. During the 1982 Regular Session of the Kentucky General Assembly, legislation was enacted requiring the State Agency to present each regular session of the General Assembly with a proposed highway construction program for the next three biennial periods (the "Six-Year Highway Plan").

Each Six-Year Highway Plan consists of a two-year highway construction program and a four-year preconstruction planning document. The Six-Year Highway Plan ensures legislative involvement in the project development process. In recent years, the Six-Year Highway Plan has formed the foundation for development by the State Agency of a more forward-looking transportation planning tool, which is formally known as the "Statewide Transportation Plan." This plan, integrates all modes of transportation and expands the horizon of project needs identification beyond the six-year period prescribed by the laws of the Commonwealth and allows a more far-sighted approach to transportation planning.

(a) *Development of a Six-Year Highway Plan*. Beginning with an unconstrained list of potential highway projects, the planning process, taking into consideration any input received from local citizens and officials, Area Development District Public Involvement Committees, Metropolitan Planning Organization Committees, and Cabinet staff, sets project priorities and establishes a twenty-year program based on future state and federal funding levels. The highway projects identified for the first six years, and approved by the Kentucky Legislature in even number years every two years, represent the highest priority projects and will constitute the Six-Year Highway Plan. The remaining highway projects are prioritized and selected by the Kentucky Legislature every four years for the long-range Statewide Transportation Plan and for possible inclusion in later plans. The current Six-Year Highway Plan consists of approximately 1,731 roadway projects that are eligible for state and federal funding. Each of these projects has been evaluated based on its relative contribution towards the satisfaction of six goal-oriented criteria: (1) Asset Management, which focuses on preservation and management of the existing transportation system; (2) Economic Development, which focuses on

providing system connectivity for different modes of transportation to promote economic development; (3) Public Participation Process, which focuses on fostering coordination and cooperation among local citizens, elected officials, and special interest resource agencies in both urban and rural transportation planning processes; (4) Safety, which focuses on enhancement of the overall safety and convenience of the transportation system for the benefit of its many users; (5) Congestion Mitigation, which focuses on enhancement of transportation system to reduce congestion; and (6) Benefit/Costs, which focuses on the review of the defined scope and estimated costs of projects to determine benefit/cost analysis of projects.

In preparing the Six-Year Highway Plan, the State Agency projects anticipated future state and federal funding levels against which future highway projects can be established. An effort is made to identify annual funding ceilings within each different funding category and to budget proposed highway activities against the funds expected to be available during that period. Once the anticipated funding levels are set, projects are included in each funding category.

(b) *Identification of Needs.* The State Agency conducts an ongoing roadway inventory program to assist in the identification of highway needs across the Commonwealth. The data gathered through the inventory process is wide-ranging and includes such criteria as traffic volumes, physical roadway features (pavement width, pavement condition, bridge conditions, etc.), accident statistics, and average travel speeds. This information is then analyzed to arrive at a relative assessment of the service provided by each roadway section.

In addition to the evaluation of roadway inventory data, the State Agency relies heavily upon input from the Commonwealth's fifteen Area Development Districts, the nine Metropolitan Planning Organizations, members of the Kentucky General Assembly, public involvement, community action committees, and the leaders of city and county governments for this project needs identification. This "partnership" involving various participants from the local, regional, and state level provides the State Agency with information concerning growth trends, connectivity and other access issues, and economic development efforts to which the Commonwealth's highway infrastructure must respond. In addition, the State Agency's engineering and technical staff performs travel demand and traffic forecasting and systems analysis to allow application of those key elements in the identification of projects.

In 2018, the State Agency began developing a more data-driven objective and collaborative approach to help determine the Commonwealth's transportation funding priorities, designated as the Strategic Highway Investment Formula for Tomorrow ("SHIFT"). SHIFT helps bring balance and dependability to the Six-Year Highway Plan and uses quantitative data, including measures such as crashes, fatalities, traffic volumes, delays, and economic growth, to assess the benefits of the planned projects and compare them to each other, with investment priorities in projects that improve safety, reduce congestion, fuel job growth, spend tax dollars wisely, and preserve the Commonwealth's roads and bridges. The model also includes collaboration with local transportation leaders throughout the process to help shape regional funding priorities. SHIFT helps determine transportation projects with (i) statewide benefit, including interstates and highways that move people and goods from one region of the Commonwealth to another and from the Commonwealth to other states, and (ii) regional benefit, including non-interstates and highways that move people and goods within individual regions of the Commonwealth. Once local transportation officials have completed their priority ranking, the State Agency will use the statewide and regional lists to develop the Governor's recommended Six-Year Highway Plan to the Kentucky General Assembly.

(c) *Implementation of the Six-Year Highway Plan.* The Six-Year Highway Plan is funded by both Commonwealth and federal highway dollars. The funds provided by the Commonwealth are generally derived from fuel and motor vehicle excise taxes and other revenues in the Road Fund, in addition to the proceeds from road bonds issued by the Turnpike Authority of Kentucky. The

funds from the Commonwealth are allocated to the State Agency on a biennial basis and are used to finance state-funded projects or to match federal funds at various participation ratios dictated by the federal government.

The majority of the Commonwealth's federal-aid highway funds are appropriated annually from the FHTF operated by the United States 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 program of federal-aid projects is excerpted from the State Agency's Six-Year Highway Plan and presented in the Statewide Transportation Improvement Plan ("STIP"). The STIP incorporates the nine Metropolitan Planning Organization's TIPs and represents the means through which the State Agency and the FHWA jointly administer the Commonwealth's annual federal-aid transportation program.

(iii) Fiscal Management and Federal Highway Reimbursements. Once budgeting, planning, and programming are complete, projects move into a fiscal management phase. This fiscal management process is the third element of the implementation step in the overall federal highway funding process. A state-led fiscal management system, conducted under the FHWA requirements, is used (1) to determine exactly how much federal funding will be received for each project, (2) to obtain final FHWA authorization before each of the projects are implemented, and (3) to ensure timely federal reimbursement of state expenditures on contractor costs. In the Commonwealth, the fiscal management activities are jointly performed by the State Agency's Department of Highway's Division of Program Management and the Office of Budget and Fiscal Management's Division of Accounts.

(a) *Fiscal Management*. States must follow federal fiscal management procedures as they implement projects that have passed through the approval and programming processes. These fiscal management procedures ensure that the FHWA and the states are able to manage the process efficiently, from project authorization to actual payment of Federal Highway Reimbursements to the states. The FHWA has implemented several fiscal management techniques that provide states flexibility in managing their Obligation Authority and cash flow.

(1) Traditional Approach. Under the traditional highway funding approach, a state obligates, and the FHWA approves, the full federal share of available funding at the beginning of the project, concurrent with the project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funding on a project. The project sponsor (e.g., the State Agency) then submits plans, specifications, and estimates ("PS&Es") for a project to the FHWA division office and requests that the FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and the PS&Es must identify the category of federal funding that will be used.

The FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements (e.g., design standards). Provided that all of the requirements are satisfied, the FHWA authorizes federal participation in the project and obligates the federal share of project costs. By obligating the revenues, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. The FHWA then sets aside the appropriate amount of that state's Obligation Authority, and also sets aside an equivalent amount of apportioned revenues by program (or programs). Accordingly, the state must have sufficient Obligation Authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. Based on the actual costs identified in the bids, the state awards the contract to the lowest qualified bidder and submits a request to the FHWA asking for any necessary adjustments to federal funding for the project to reflect the actual bid amount. If approved,

the amounts agreed to are included in a project agreement which identifies the revenues that will be encumbered by the state (and formally applied against the state's resources) and the amount that will be reimbursed by the federal government.

Construction begins, and contractors submit bills to the state as work is completed. A state pays its contractor's bills with cash from the state treasury; the state bills the FHWA electronically for the federal share of completed work for which payment has been made; and the FHWA makes payment to the state via electronic transfer. This FHWA reimbursement to the state liquidates its obligation for the federal share of the costs incurred to that point. As work on the project continues and state expenditures are reported to the FHWA, the federal reimbursements are made. In the Commonwealth, reimbursement requests are submitted weekly and reimbursements are made by wire transfer generally within one to two days. The Commonwealth's systems and management in general, are highly automated, leading to a routine flow of Federal Highway Reimbursements based on actual spending on approved projects.

(2) Advance Construction Approach. Innovative variations on the traditional fiscal management approach include (a) Advance Construction and (b) partial conversion of Advance Construction. These variations complement one another to provide a state with additional flexibility in managing its Obligation Authority and cash.

The Advance Construction approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the federal share of costs at the outset of the project. This allows states to begin a project before accumulating all of the Obligation Authority needed to cover the federal share of the project. Similar to the traditional approach, the state submits PS&Es to the FHWA and requests project authorization. Under the Advance Construction approach, however, the FHWA is asked to authorize the project without obligating any federal revenues. As a result, the state will provide up-front financing for the entire cost of the project and then may "convert" the Advance Construction balance by requesting the obligation of revenues at a later date when sufficient Obligation Authority is available and is desired by the state. Further, at the time of the conversion, the state may be reimbursed for the federal share of eligible project costs incurred by the state up to the point of conversion.

Once the FHWA authorizes a project for federal assistance, the state follows the same procedure to advertise a project, to award the contract, and to reconcile the level of state and federal funding required. The state may request that the FHWA convert its Advance Construction amount to an obligation at any time, provided the state has sufficient Obligation Authority. This conversion of Advance Construction to Obligation Authority must occur in order for the state to be reimbursed for the federal share of the project. The state can convert Advance Construction to Obligation Authority long after state expenditures are made.

Under the partial conversion of Advance Construction approach, a state follows the steps to apply for Advance Construction but converts, obligates, and receives reimbursement for only a portion of its funding for an Advance Construction project in any given year. This removes any requirement to wait until the full amount of Obligation Authority for the project is available. Thus, the state is able to obligate varying amounts for eligible project costs in each year, depending on how much of the state's Obligation Authority is available and desired by the state. Using this technique to partially convert the federal share makes bond and note financing more viable and increases federal-aid funds available to support a greater number of projects. In addition, the National Highway System Designation Act of 1995 (the "NHS Act") provided additional flexibility in the use of Advance Construction by allowing partial

conversion of Advance Construction as implemented through a Federal Register Notice dated July 19, 1995.

States are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states. The State Agency uses a statewide computer-based project accounting, reporting and billing system to track encumbrances and expenditures for all projects, including highway projects, administered by the Commonwealth.

(b) *Federal Highway Reimbursements.* The FAHP is a reimbursement program, whereby as projects are approved by FHWA, the aggregate dollar amount of each contract relating thereto will be obligated against the remaining annual amount of Obligation Authority available to the state. As work progresses on a federal-aid highway project, a state pays the contractor for completed work from available state funds and then will receive reimbursement from the federal government for the federal share of the project costs. The state electronically transmits vouchers for the federal share of the completed work and certifies to the FHWA that the claims for payment are under the terms of the applicable project agreements and state and federal laws or regulations. After review and approval by the FHWA Division office, payment is scheduled for the date requested by the state. The payment is transferred directly from the United States Treasury to the state's account at a financial institution by wire transfer, and is generally scheduled to be made within two days of the submission of the state's electronic bill.

The aggregate amount of reimbursement received by the state in any year is not necessarily equal to the state's apportionment for such year. Many projects and contracts extend over a number of years which means that the aggregate amount made available to the state in any one year, if fully obligated, may be received as reimbursement over a longer period of time relating to the actual pace of construction. The Commonwealth expects to have sufficient projects which will qualify to allow it to access all Federal Highway Reimbursements made available to it.

The Commission has been made aware that FHWA will not provide federal-aid highway reimbursements or payments for any debt service payments intercepted by the U.S. Treasury Offset Program for any monies owed by the State Agency to the federal government. No guidance has been provided to the Commission by the FHWA with respect to the U.S. Treasury Offset Program. In the past, the State Agency has occasionally experienced temporary delays in receiving pay as you go reimbursements; however, no prior debt service payments from the FHWA to the Commission have been delayed or withheld as a result of the U.S. Treasury Offset Program.

Special Federal Provisions Relating to Debt-Financed Projects

The NHS Act made several changes affecting the financing of federal-aid highway projects, including advance construction procedures and payments to states for debt financing.

In particular, Section 311 of the NHS Act significantly expanded the eligibility of bond, note, and other debt instrument financing costs for federal-aid reimbursement. This change to the FAHP was codified into permanent highway law as an amendment to Section 122 of Title 23 of the United States Code. Under Section 122, various debt-related costs are eligible for federal reimbursement, including principal and interest payments, issuance costs, insurance, and other costs incidental to a financing.

The FHWA has issued guidelines for debt-financed projects. Key provisions of these guidelines are as follows:

- The project must be approved as a federal-aid, debt-financed (bond, certificate, note, or other debt instrument) project to receive payments for eligible debt-related costs under Section 122. Once a project is selected for debt financing, it is submitted to the FHWA for approval as an Advance Construction project under Section 115 of Title 23. The Advance Construction

designation ensures the project follows federal-aid procedures and preserves the eligibility to reimburse debt-related costs through future federal-aid fund obligations.

- Debt-financed projects are subject to requirements of the Federal Clean Air Act and federal air quality conformity requirements.
- At the time the project agreement is signed, a state may elect to seek reimbursement for debt service and/or related issuance costs in lieu of reimbursement for construction costs. If a state elects to receive debt service reimbursements, a debt service schedule will be included in the project agreement. If multiple projects are funded with proceeds of a debt issue, each project will be assigned a prorated share of debt-related costs.
- To comply with the intent of the fiscally constrained planning process, the federal share of debt-related costs (e.g., interest and principal payments, associated issuance costs, and on-going debt servicing expenses) anticipated to be reimbursed with federal-aid funds over the life of the debt obligations should be designated as advance construction. The planned amount of federal-aid reimbursements (advance construction conversion) should be included in the STIP, under FHWA procedures.
- Periodic debt service payments (federal-aid reimbursements) on the debt obligations would represent partial conversions of designated advance construction amounts to federal aid. A state can either obligate such federal aid annually over the life of the permanent financing or make the conversion in one lump sum upon the completion of the project to help take out construction financing. A state would follow the normal procedures for conversion of an Advance Construction project.
- A state may seek federal-aid reimbursements for eligible debt-related costs as these costs are incurred. Issuance costs, debt service payments, and incidental costs represent costs incurred that may be reimbursed with federal-aid funds to the extent such costs are deemed eligible.
- A state may make arrangements with the FHWA regarding the procedures under which it would submit a bill to the FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements can be received shortly before the debt service payment date.
- A state may designate a trustee or other depository to receive federal-aid debt service payments directly from the FHWA.

Once the project agreement with respect to each bond, note, or other debt instrument financed project becomes a part of the Federal Aid Agreement, the project will be a “debt-financed project.”

FEDERAL AID REVENUES

Below are tables prepared by the State Agency identifying the prior Apportionments, Obligation Authority, and Receipts of Federal Aid Revenues by the State Agency from FFY 1998 through the Federal Aid Authorization ending September 30, 2023. The ability to pay the debt service on the 2024A Notes will depend upon the amount of funding provided to the Commonwealth under the FAHP, the Commonwealth’s ability to use such funding, and the appropriation of such funding to the State Agency. The State Agency has been informed by the FHWA that its Apportionment for the period of October 1, 2023 to September 30, 2024 is \$1,076,313,878, and the Obligation Authority for this period is \$957,959,814. These amounts are based on information received as of April 23, 2024 and are subject to change.

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**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY, AND RECEIPTS
 FOR THE TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY
 Under Prior Federal Aid Authorization Period
 (Transportation Equity Act for the 21st Century (“TEA-21”))
 Federal Fiscal Years 1998 through 2004**

<u>Federal Fiscal Year</u>	<u>Apportionments</u>	<u>Obligation Authority</u>	<u>Actual Receipts (State Fiscal Year)</u>
1998	\$437,545,989	\$398,509,664	\$317,707,557
1999	462,449,235	408,005,511	363,772,286
2000	525,960,359	462,329,857	507,798,074
2001	588,422,708	524,762,964	485,240,901
2002	597,401,435	560,721,883	537,622,783
2003	542,835,750	568,620,816	475,614,887
2004	<u>567,206,194</u>	<u>550,393,468</u>	<u>481,741,077</u>
Totals	\$3,721,821,670	\$3,473,344,163	\$3,169,497,565
(1998 – 2004) Annual Average (1998 – 2004)	\$531,688,810	\$496,192,023	\$452,785,366

**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY, AND RECEIPTS
 FOR THE TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY
 Under Prior Federal Aid Authorization Period
 (Safe, Accountable, Flexible, Efficient Transportation Equity
 Act: A Legacy for Users (“SAFETEA-LU”))
 Federal Fiscal Years 2005 through 2012**

<u>Federal Fiscal Year</u>	<u>Apportionments</u>	<u>Obligation Authority</u>	<u>Actual Receipts (State Fiscal Year)</u>
2005	\$585,282,683	\$523,769,262	\$454,508,681
2006	596,610,213	576,310,659	548,610,716
2007	681,436,962	634,576,333	594,314,227
2008	684,084,052	660,423,220	678,986,207
2009	612,012,570	710,357,193	531,140,081
2010*	841,730,088	726,285,405	534,366,847
2011	662,099,517	672,213,578	512,140,890
2012	<u>660,955,626</u>	<u>647,539,114</u>	<u>680,676,924</u>
Totals	\$5,324,211,711	\$5,151,474,764	\$4,534,744,573
(2005 – 2012) Annual Average (2005 – 2012)	\$665,526,464	\$643,934,346	\$566,843,072

*includes rescission returns from 2009 rescission

**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY, AND RECEIPTS
 FOR THE TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY
 Under Prior Federal Aid Authorization Period
 (Moving Ahead for Progress in the 21st Century Act (“MAP-21”))
 Federal Fiscal Years 2013 through 2015**

<u>Federal Fiscal Year</u>	<u>Apportionments</u>	<u>Obligation Authority</u>	<u>Actual Receipts (State Fiscal Year)</u>
2013	\$697,342,221	\$641,407,821	\$673,854,986
2014	641,045,338	608,236,104	677,482,777
2015*	<u>658,408,458</u>	<u>650,633,017</u>	<u>725,332,010</u>
Totals	\$1,996,796,017	\$1,900,276,942	\$2,076,669,773
(2013 – 2015) Annual Average (2013 – 2015)	\$665,598,672	\$633,425,647	\$692,223,258

**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY, AND RECEIPTS
 FOR THE TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY
 Under Prior Federal Aid Authorization Period
 (Fixing America’s Surface Transportation Act (“FAST Act”))
 Federal Fiscal Years 2016 through 2021**

<u>Federal Fiscal Year</u>	<u>Apportionments</u>	<u>Obligation Authority</u>	<u>Actual Receipts (State Fiscal Year)</u>
2016	\$ 700,543,313	\$ 729,861,666	\$ 751,903,165
2017	685,015,550	707,660,474	781,334,961
2018	719,511,023	736,862,015	729,847,655
2019	852,907,667	829,194,420	843,911,575
2020	813,950,346	840,635,731	947,255,161
2021	<u>977,835,400</u>	<u>975,774,704</u>	<u>879,665,199</u>
Totals	\$4,749,763,299	\$4,819,989,010	\$4,933,917,716
(2016 – 2021)			
Annual Average (2016 – 2021)	\$ 791,627,217	\$ 803,331,502	\$ 822,319,619

**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY, AND RECEIPTS
 FOR THE TRANSPORTATION CABINET OF THE COMMONWEALTH OF KENTUCKY
 Under Current Federal Aid Authorization Period
 (Infrastructure Investment and Jobs Act (“IIJA”))
 Federal Fiscal Years 2022 through 2024**

<u>Federal Fiscal Year</u>	<u>Apportionments</u>	<u>Obligation Authority</u>	<u>Actual Receipts (State Fiscal Year)</u>
2022	\$1,198,164,078	\$1,206,043,956	\$ 982,382,631
2023	1,099,556,199	1,127,867,584	913,729,337
2024(est)	<u>1,076,313,878</u>	<u>957,959,814</u>	<u>900,420,111</u>
Totals	\$3,374,034,155	\$3,291,871,354	\$2,796,532,079
(2022 – 2024)			
Annual Average (2022-2024)	\$1,124,678,051	\$1,097,290,451	\$ 932,177,360

NOTE: Apportionment and Obligation Authority for Federal Fiscal Year 2022 are based on Federal Fiscal Year to date notices of funding from FHWA through September 30, 2024.

DEBT SERVICE REQUIREMENTS FOR THE NOTES

The following table shows the debt service requirements for the Notes. In order to issue Additional Notes the Commission will be required to comply with certain debt service coverage tests. See “SECURITY FOR THE 2024A NOTES – Additional Notes” and “PLAN OF FINANCE.”

<u>Federal Fiscal Year</u>	<u>2024A Notes</u>		<u>Outstanding Note Debt Service¹</u>	<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>		
2024			\$38,926,750.00	
2025			\$41,321,250.00	
2026			\$11,819,000.00	
2027			\$11,823,000.00	

¹ Excludes debt service for the 2014A Notes being refunded with the proceeds of the 2024A Notes.

THE STATE AGENCY AND MANAGEMENT OF STATE HIGHWAY PROGRAM

The State Agency

General. The Department of Highways was established as an agency of the Commonwealth by the 1912 General Assembly. Under 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 State Agency, 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. Under legislation enacted in 1982, the State Agency was created as a successor to and succeeded to all duties of the Department.

The State Agency 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 41.6 billion vehicle miles of travel. The road system consists of 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 9,069 bridges. Additionally, the Transportation Cabinet provides direction for licensed airports and heliports throughout the Commonwealth.

The State Agency also regulates the operation of motor vehicles upon the Commonwealth’s public highways and registers approximately four million vehicles and licenses three million drivers. The Commonwealth’s Justice Cabinet is responsible for administratively enforcing the Commonwealth 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 State Agency is organized into four major operating departments: Highways, Rural and Municipal Aid, Vehicle Regulation, and Aviation. Twelve 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, Secretary’s Office of Safety, and Public Affairs. The Transportation Cabinet employs approximately 4,500 people on a full-time basis.

The State Agency 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 Executive Directors, who also serve at the pleasure of the Governor. Management of the State Agency 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 employed under the classified service, assuring stability and continuity in the programs of the State Agency.

Management of the State Highway Program

The State Agency 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 State Agency operates twelve regional district offices and highway maintenance facilities in each of the 120 counties.

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

The State Agency is committed to efficiency and cost containment. First, the Commonwealth has made an effort over the past decade to restrain growth in government employment levels. The State Agency has been among the most successful state agencies in actually reducing personnel levels. Second, the State Agency has sought to use private contractors to perform maintenance and other functions where efficiency or savings can and have been realized. Finally, the State Agency's enhanced program of resurfacing and major road construction and reconstruction has reduced the need for day-to-day maintenance on many routes.

THE COMMISSION

General Information

The Act created the Kentucky Asset/Liability Commission, which is composed of five members, each serving in an ex officio capacity. Under the Act, the members are as follows: the Secretary of the Finance and Administration Cabinet, who acts as Chair; the Attorney General; the State Treasurer; the State Budget Director; and the State Controller. The Secretary of the Commission is the Executive Director of the OFM.

The current members of the Commission are as follows:

Holly M. Johnson	Secretary of the Finance and Administration Cabinet, Chair
Russell Coleman	Attorney General
Mark H. Metcalf	State Treasurer
Joe McDaniel	State Controller
John Hicks	Secretary of the Governor's Executive Cabinet and State Budget Director

The Commission was created by the General Assembly to develop policies and strategies to minimize the impact of fluctuating interest rates on the Commonwealth's interest-sensitive assets and interest-sensitive liabilities. The Commission is authorized to issue tax and revenue anticipation notes, project notes, and funding notes. Tax and revenue anticipation notes are to be used for the purpose of providing monies to discharge expenditure demands in anticipation of revenues and taxes to be collected during the fiscal year. Project notes are to be used for authorized projects upon request of the Finance and Administration Cabinet, to be repaid through financing agreements or alternative agreements. Funding notes are to be used for the purpose of funding judgments against the Commonwealth or any state agency and certain other obligations relating to the Commonwealth's Teachers' Retirement System. OFM serves as staff to the Commission.

Financings of the Commission

General. The Commission has issued obligations in different forms, including tax and revenue anticipation notes and project notes. Project notes have been issued as General Fund Series, Agency Fund Series, Road Fund Series, and Federal Highway Trust Fund Series, depending upon the appropriation fund source that is being used to fund the payments under the related financing/lease agreement. Each type of obligation, described below, is secured by the trust indenture to which such types of obligations relate, and holders of notes issued under a particular trust indenture do not have any claim on the pledged receipts of the Commission arising under any other trust indenture.

The holders of the Notes do not have a claim against the moneys pledged under the trust indenture related to any other project notes issued as General Fund Series, Agency Fund Series, or Road Fund Series. The indentures for each type of notes issued by the Commission generally allow for the issuance of additional notes on parity with the outstanding notes of the same type. The Commission's outstanding obligations as of December 31, 2023 are described below.

General Fund Tax and Revenue Anticipation Notes. The Commission has previously issued General Fund Tax and Revenue Anticipation Notes ("TRANS") corresponding with its fiscal year. The TRANS are payable from taxes and certain revenues collected by the Commonwealth in the Fiscal Year in which they are

issued. The Commission last issued TRANs in 2019 that matured on June 25, 2020. No TRANs are currently outstanding.

Project Notes, General Fund Series. The Commission from time to time issues separate series of project notes, the proceeds of which are used to fund capital projects (the “General Fund Project Notes”) authorized by the General Assembly. All General Fund Project Notes are payable from payments to be received by the Commission under separate financing/lease agreements and, as to bond anticipation notes, the issuance of bonds by the State Property and Buildings Commission. These payments are ultimately dependent upon General Fund appropriations by the General Assembly of the Commonwealth.

<u>General Fund Project Notes</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
2021 Series A	113,940,000	49,440,000	11-2027

Project Notes, Agency Fund Series. The Commission from time to time also issues separate series of project notes (the “Agency Fund Project Notes”), which are payable from payments to be received by the Commission under financing/lease agreements with various state agencies and from proceeds of bonds to be issued by the State Property and Buildings Commission or a state agency. The payments used to pay Agency Fund Project Notes are ultimately dependent upon Agency Fund appropriations by the General Assembly of the Commonwealth. No Agency Fund Project Notes are currently outstanding.

Project Notes, Road Fund Series. The Commission has previously issued Road Fund Project Notes supported by Road Fund Appropriations to provide interim financing. No Road Fund Project Notes are currently outstanding.

Project Notes, Federal Highway Trust Fund Series. The following Federal Highway Trust Fund Notes are outstanding:

<u>Federal Highway Trust Fund Project Notes</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
2015 First Series A	\$106,850,000	\$ 42,030,000	9-2027
2023 First Series A	54,840,000	54,840,000	9-2025
2024 First Series A	<u>107,440,000*</u>	<u>107,440,000*</u>	9-2026
Total**	\$269,130,000*	<u>\$204,310,000*</u>	

Funding Notes, General Fund Series. The Commission is authorized to issue funding notes (the “General Fund Funding Notes”), the proceeds of which are to be used for the purpose of funding judgments against the Commonwealth or any state agency or to be used to finance or refinance obligations owed to the Teachers’ Retirement System of Kentucky (“TRS”). All General Fund Funding Notes are payable from payments to be received by the Commission under separate financing/lease agreements with TRS or other state agencies. No General Fund Funding Notes are currently outstanding.

Future Financings

The Kentucky General Assembly has delivered bills providing for the Executive Branch Budget and the Kentucky Transportation Cabinet Budget for each biennium ending June 30, 2010, 2012, 2014, 2016, 2018, 2020, 2022, 2024, and 2026. During this time, however, the Kentucky General Assembly approved the Executive Branch Budget and the Kentucky Transportation Cabinet Budget for the biennium ending June 30, 2022 in annual tranches in separate legislative sessions. During the 2019 Regular Session of

* Preliminary, subject to adjustment.

** Excluding the Series 2014A Notes being refunded.

the Kentucky General Assembly, the Kentucky General Assembly amended the State Budget for the biennium ending June 30, 2020.

The 2024 Regular Session of the Kentucky General Assembly convened on January 2, 2024 and adjourned on April 15, 2024. During the 2024 Regular Session of the Kentucky General Assembly, the Kentucky General Assembly enacted House Bill 265 (Kentucky Transportation Cabinet Budget), which provides appropriations for the Kentucky Transportation Cabinet for the period of July 1, 2024 through June 30, 2026. The State Budget governing the biennium ending June 30, 2026, authorizes, in part, \$300 million in bond financings that are FHTF supported through GARVEE Bonds, of which \$150.0 million is designated for the Brent Spence Bridge Project and \$150 million is designated for the I-69 Ohio River Crossing Project and the Mountain Parkway Widening Project. No additional Road Fund authorizations were appropriated. The 2024A Notes are not financing any portion of the \$150 million FHTF authorization. The current balance of prior Road Fund bond authorizations is \$12.5 million.

The following table summarizes, in aggregate by fund type, the information regarding authorized but unissued debt of the Commonwealth that is described in this section.

Summary of Authorized but Unissued Debt by Fund Type
as of April 15, 2024

Legislative Session (Year)	Road Fund (millions)	Federal Fund (millions)	TOTAL (millions)
2012	\$12.50		\$ 12.50
2022 – 2024		\$150.00	150.00
2024 – 2026	_____	<u>150.00</u>	<u>150.00</u>
TOTAL	<u>\$12.50</u>	<u>\$300.00</u>	<u>\$312.50</u>

The Kentucky General Assembly may authorize debt financing to support various capital initiatives or funding obligations of the Commonwealth in future sessions, which may result in the issuance of additional notes by the Commission. In addition, Notes may also be issued to refund outstanding Commission Notes. The Commission may also issue TRANs as funding needs arise. The Commission may also enter into interest rate swaps or other agreements to manage the state’s interest rate risk profile and/or hedge the future issuance of bonds authorized by the General Assembly.

THE FINANCE AND ADMINISTRATION CABINET

General. The Cabinet, created and governed by the provisions of Section 12.020 and Chapter 42 of the Kentucky Revised Statutes, is a statutory administrative organization of the Commonwealth headed by the Secretary of the Cabinet, who is appointed by the Governor. The Secretary of the Cabinet is the chief financial officer of the Commonwealth, and shall at all times, protect the financial interests of the Commonwealth. Cabinet functions include: (1) coordination and supervision of the fiscal affairs and fiscal procedures of the Commonwealth; (2) accounting, fiscal reporting, and auditing of Commonwealth accounts; (3) purchasing, storekeeping and control of property and stores; (4) construction, maintenance, and operation of public buildings, except those provided for the exclusive use of certain agencies; (5) providing administrative services of a financial nature to other agencies of the state government; (6) investment and management of all Commonwealth cash, other than any pension funds, or specific funds designated to be held separately; and (7) oversight of the issuance and management of all debt incurred in the name of the Commonwealth or any agency thereof, other than debt obligations of the Kentucky Communications Network Authority. The following departments and offices, among others, are within the Cabinet:

Department of Facilities and Support Services. The Department of Facilities and Support Services is responsible for (i) the Commonwealth's capital construction program; (ii) real property acquisition, disposition, and leasing services; (iii) daily operation and maintenance of state-owned office properties; and (iv) surplus property services.

Department of Revenue. The Department of Revenue is responsible for (i) the administration and enforcement of all state revenue laws and (ii) the assessment and collection of state taxes. The Department of Revenue bills and collects taxes necessary to support the state services provided by the Commonwealth.

Commonwealth Office of Technology. The Commonwealth Office of Technology ("COT") is currently headed by the Commonwealth's Chief Information Officer (and Commissioner of Technology). The COT carries out the functions necessary for the efficient, effective, and economical administration of information technology (IT) and resources within the Executive Branch of the Commonwealth. The COT's duties include (i) overseeing shared IT infrastructure resources and services; (ii) developing and implementing statewide IT applications; (iii) establishing IT policies and standards; (iv) strategic and tactical IT planning; (v) assessing, recommending, and implementing IT governance and organization design; and (vi) establishing partnerships and alliances for effective implementation of IT projects.

Office of the Controller. The Office of the Controller is responsible for all state accounting policies and procedures, cash management, and strategic financial planning. The office is headed by the Controller, which serves as the chief accounting officer of the Commonwealth. The Office of the Controller maintains internal accounting controls, operates the statewide accounting system, and reports the results of financial operations to management and the public. In addition, the office also works closely with other state agencies to coordinate the program, budget, and cost management components of the Commonwealth's long-range business planning process. OFM, which is under the Office of the Controller, is responsible for the debt and cash investment management of the Commonwealth.

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. Within a day's drive of two-thirds of the population of the United States, Kentucky is located at the center of a thirty-four state distribution area in the eastern United States. Kentucky's location advantages facilitate the distribution of goods and materials to an industrial and consumer market.

Kentucky has established a diverse economic climate that supports businesses internationally. In 2023, Kentucky's total exports reached a record breaking \$40.2 billion in goods and services shipped abroad, representing a 16.6% year over year increase. As shown on the Kentucky Economic Development website (<https://ced.ky.gov/>), Kentucky ranks number one in vehicle production per capita, and foreign direct investment jobs, and the Commonwealth boasts a positive economic environment. While best known for its signature bourbon and equine industries, the Commonwealth also contains the world's longest cave system in Mammoth Cave National Park, and the greatest length of navigable waterways and streams in the contiguous United States. Kentucky's heritage is also deeply rooted in the automotive, manufacturing, aerospace, primary metals, logistics, chemical, healthcare, plastic, and rubber industries.

As indicated in the Commonwealth of Kentucky Quarterly Economic & Revenue Report Second Quarter Fiscal Year 2024 (which may be found, together with the previous quarterly reports, at <https://osbd.ky.gov/>), Kentucky personal income grew by 5.2% in the second quarter of FY24, which is above the national growth rate of 4.6%. The last nine adjacent-quarter growth rates for Kentucky personal income are: 0.3, 1.3, 0.8, 0.7, 0.5, 2.5, 1.4, 0.6, and 0.7%, respectively. Kentucky wages and salaries income was the fastest growing component of Kentucky personal income in the second quarter of FY24. Kentucky wages and salaries income grew by 7.8% in the second quarter of FY24, as compared to the second quarter of FY23, and made up 50.3% of total Kentucky personal income in the second quarter of FY24.

Kentucky non-farm employment rose by 2.1% in the second quarter of FY24, as compared to the second quarter of FY23, but declined by 0.2% from the first quarter of FY24, marking the first time that Kentucky non-farm employment growth rates have fallen since the end of the 2020 recession. The last nine adjacent-quarter growth rates for Kentucky non-farm employment are: 1.2, 0.8, 0.4, 0.9, 0.3, 0.8, 0.8, 0.8, and -0.2%, respectively. The fastest growing supersector in Kentucky was construction employment, which grew 4.7% in the second quarter of FY24 over the second quarter of FY23. Kentucky construction employment has had a net increase of 9.2%, or 7,300 jobs, over the last nine adjacent-quarters. Kentucky educational services employment also grew by 4.0%. The last nine adjacent-quarter growth rates for educational services employment are: 0.2, 0.3, 0.6, 1.4, 0.5, 1.0, 1.0, 2.3, and -0.4%, respectively.

Kentuckians' personal income is projected to grow 3.9% in the second half of FY24. The wages and salaries component of Kentucky personal income is projected to increase by 4.6% in the second half of FY24, and the total wages and salaries growth of Kentuckians for all of FY24 is projected to outpace the national wages and salaries growth rate by 0.6%. Kentucky's non-farm employment is anticipated to increase 1.1% in the second half of FY24, adding approximately 21,200 annualized jobs to the Commonwealth's economy. Six of the eleven supersectors are forecasted to experience varying degrees of employment gains in the second half of FY24.

Financial Information Regarding the Commonwealth

Information regarding the debt issuing authorities of the Commonwealth is set forth in "EXHIBIT A – Debt Information Pertaining to the Commonwealth of Kentucky" hereto. A table summarizing annual aggregate debt service supported by appropriations of the Commonwealth's General Fund for debt issued by the State Property and Buildings Commission, the Commission, and the School Facilities Construction Commission is set forth in Table II of EXHIBIT A attached hereto.

The Commonwealth annually publishes *The Kentucky Annual Comprehensive Financial Report* (the "ACFR") with respect to the fiscal year of the Commonwealth most recently ended. The ACFR 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 set forth in the ACFR contain information regarding the basis of the preparation of the Commonwealth's financial statements, funds, and pension plans. The "Statistical Section" of the ACFR includes information regarding 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.

Certain Financial Information Incorporated by Reference

The Commonwealth's ACFR for the Fiscal Year ended June 30, 2023 is hereby incorporated herein by reference. The Commonwealth filed the ACFR for the Fiscal Year ended June 30, 2023 with the following official repository for municipal securities disclosures under Securities and Exchange Commission Rule 15c2-12, promulgated 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 Commonwealth's ACFR for the Fiscal Year ended June 30, 2023 may be obtained from EMMA. Additionally, the ACFR for the Fiscal Year ended June 30, 2023 and certain other fiscal years can be found at <https://finance.ky.gov/office-of-the-controller/office-of-statewide-accounting-services/financial-reporting-branch/Pages/annual-comprehensive-financial-reports.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 Commission will enter into a Continuing Disclosure Agreement (as hereinafter defined) with respect to the 2024A Notes in order to enable the Underwriters to comply with the provisions of Rule 15c2-12. See “CONTINUING DISCLOSURE” herein and “EXHIBIT D – Form of Continuing Disclosure Agreement” hereto. In addition, ongoing financial disclosure regarding the Commonwealth will be available through the filing by the Commonwealth of two documents entitled The Kentucky Annual Comprehensive Annual Report and *Supplementary Information to the Kentucky Annual Comprehensive Financial Report* (or any successor reports) with EMMA, as required under Rule 15c2-12.

Budgetary Process in the Commonwealth

The Kentucky General Assembly is required by the Constitution of the Commonwealth to adopt measures providing for the state’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. Each State Budget has historically been divided into two bills – one devoted to the Executive Branch other than the Transportation Cabinet (the “Executive Branch Budget”), and a second for the Kentucky Transportation Cabinet (the “Kentucky Transportation Cabinet Budget”). The Executive Branch Budgets and Kentucky Transportation Cabinet Budgets collectively comprise the State Budget and authorize the incurrence of indebtedness by agencies of state government, including the Commission, for a variety of purposes.

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 the principal of and premium, if any, and interest on obligations that are subject to appropriation as and when due. The Notes issued by the Commission, including the 2024A Notes, are obligations that are subject to appropriation.

Investment Policy

The Commonwealth’s investments are governed by the provisions of Sections 42.500 et seq. of the Kentucky Revised Statutes and Title 200, Chapter 14 of the Kentucky Administrative Regulations. The State Investment Commission (“SIC”), comprised of the Treasurer, State Controller, the Secretary of the Finance and Administration Cabinet, and two gubernatorial appointees from the Kentucky Banker’s Association and the Bluegrass Community Bankers Association, is charged with oversight of the Commonwealth’s investment activities. The SIC is required to meet at least quarterly, day-to-day investment management is the responsibility of the OFM.

Title 200, Chapter 14 of the Kentucky Administrative Regulations 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% of the investment pools. Asset-Backed Securities (“ABS”) are limited to 20% of the investment pools. Mortgage-Backed Securities (“MBS”) and Collateralized Mortgage Obligations (“CMO”) are both limited to a maximum of 25% of the investment pools. In addition, ABS, MBS, and CMO must have a weighted average life of four years or less at the time of purchase.

On March 31, 2024, the Commonwealth’s operating portfolio was approximately \$13.822 billion in cash and securities. The composition of the investments was as follows: (i) United States Treasury securities, 40.5%; (ii) securities issued by any agencies or instrumentalities of the United States

Government, 34.0%; (iii) Mortgage-Backed Securities and Collateralized Mortgage Obligations, 0.4%; (iv) Repurchase Agreements collateralized by the aforementioned, 4.3%; (v) corporate and asset-backed securities, 2.2%; and (vi) Money Market Securities, 18.6%. The portfolio had a current yield of 5.15% and an effective duration of 0.40 years.

The Commonwealth's investments are currently categorized into three investment pools: the Short Term, Limited Term, and Intermediate Term Pools. The purpose of these pools is to provide economies of scale that preserve principal, provide liquidity, enhance yield, ease administrative burden, 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 that 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 bond proceeds for capital construction projects.

State Retirement Systems

The Commonwealth maintains a retirement system, including pension plans and other post-employment benefits (capitalized terms used in this paragraph and not otherwise defined having the meanings used in the hereinafter described ACFRs). Eligible state and local government employees may participate in one of the Commonwealth's multi-employer benefit plans administered by: (i) the Kentucky Public Pensions Authority ("KPPA"), or (ii) the TRS. 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 5 plans. The Kentucky Retirement Systems, through its board, oversees 3 of the 5 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 4th and 5th of 5 systems that the KPPA administers. 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, KERS Hazardous, and SPRS eligible employees hired January 1, 2014 and thereafter are no longer party to the inviolable contract, and the Kentucky General Assembly can amend, suspend, or reduce benefits with future legislation. The Retirement Plans are component units of the Commonwealth for financial reporting purposes and are included in the Commonwealth's ACFR. For a brief description of the Retirement Plans and the Retirement Plans' assets and liabilities, see Note 8 to *The Kentucky Annual Comprehensive Financial Report for Fiscal Year 2023*, beginning on page 98. Additional information regarding the KERS and TRS can be found on their respective web sites at <https://kyret.ky.gov> and <https://trs.ky.gov>, including their respective ACFRs and the accompanying actuarial studies described under *Other Post-Employment Benefits* therein. Only the information contained on the Internet web pages identified above is incorporated herein, and no additional information which may be reached from such pages by linking to any other page should be considered to be incorporated herein. The security and source of payment for the 2024A Notes is unrelated to the source of payment of any pension funding obligations of the Commonwealth.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE FINANCING AGREEMENT

Definitions

Set forth below are the definitions of some of the terms used in this Official Statement, the Master Indenture, and the Financing Agreement, each as amended and supplemented to date. Reference is made to the Master Indenture and the Financing Agreement for a complete recital of the terms defined therein.

“Act” shall mean Sections 56.860 et seq. of the Kentucky Revised Statutes, as amended.

“Additional Notes” shall mean the Notes issued under the provisions of Section 2.06(1) of the Master Indenture.

“Additional Payments” shall mean the Additional Payments payable under the Financing Agreement.

“Authorized Denominations” shall mean \$5,000 and any integral multiple thereof.

“Authorized Officer” shall mean, (i) as to the Cabinet or the Commission, the Executive Director of OFM and any other officer, member, or employee of OFM authorized by a certificate of the Executive Director to perform the act or sign the document in question, and if there is no such authorization, means the Executive Director, and (ii) as to the State Agency, its Secretary and any other officer, member, or employee of the State Agency authorized by a certificate of its Secretary to perform the act or sign the document in question.

“Budget Act” shall mean the Executive Branch Budget of the Commonwealth authorizing the related Project.

“Business Day” shall mean any day other than (i) a day on which the Trustee or the Paying Agent is required, or is authorized or not prohibited, by law (including executive orders) to close and is closed and (ii) a day on which the New York Stock Exchange is closed.

“Cabinet” shall mean the Finance and Administration Cabinet of the Commonwealth.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

“Commission” shall mean the Kentucky Asset/Liability Commission.

“Construction Notes” shall mean Project Notes issued under the Act to pay the costs of a Project that are issued in anticipation of the issuance of Notes to provide permanent financing for that Project.

“Cost of Issuance Fund” shall mean the Fund so designated which is established and created by Sections 5.03 and 5.04 of the Master Indenture.

“Costs of Issuance” shall mean only the costs of issuing Notes as designated by the Commission; including, but not being limited to, the fees and charges of the financial advisors or Underwriter, bond counsel, Trustee, Trustee’s counsel, rating agencies, note and official statement printers and such other fees and expenses normally attendant to an issue of Notes.

“Counsel” or “Counsel’s Opinion” shall mean an opinion signed by such attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds and municipal finance as may be selected by the Commission.

“Counterparty Exchange Payment” shall mean a payment due from an Exchange Counterparty to the Trustee or the Commission under the applicable Exchange Agreement (including, but not limited to, payments in respect of any early termination, as provided in the applicable Exchange Agreement).

“Credit Facility” shall mean, with respect to any Series of Notes, a letter of credit, bond insurance policy, surety bond or similar instrument to be issued by a Credit Facility Provider having such terms as are set forth in the related Series Indenture.

“Credit Facility Agreement” shall mean the reimbursement agreement, bond insurance agreement or similar agreement between the Commission and any Credit Facility Provider.

“Credit Facility Provider” shall mean the provider of a Credit Facility with respect to any Series of Notes.

“Debt Servicing Date” shall mean any Interest Payment Date, as defined in the Master Indenture.

“Debt Servicing Obligation” shall mean the aggregate amounts required to be paid with respect to the Notes on any Debt Servicing Date, including (i) the scheduled maturity of principal of any Notes maturing on such Debt Servicing Date and the principal amount of the Notes, if any, called for redemption on such Debt Servicing Date, and the premium, if any, with respect to such Notes; (ii) the interest required or estimated (by the Commission) to be paid on the Notes; and (iii) the reasonable and agreed fees of the Trustee, the Paying Agent, and the Registrar, but only to the extent such fees are not otherwise paid directly by the Cabinet. The Cabinet shall be entitled to a credit against the Debt Servicing Obligation otherwise required to be paid on any Debt Servicing Date, to the extent there are funds in the Interest Account of the Note Payment Fund before the payment of the Debt Servicing Obligation hereunder which, under the terms of the Master Indenture and applicable law, can be used to meet the Debt Servicing Obligation. It is understood that, under the Master Indenture, all income derived from the investment of the Project Fund may, at the discretion of the Cabinet, be transferred to the Note Payment Fund and, if so transferred, shall be a credit against Financing Payments due and payable by the Cabinet. All amounts transferred from the Cost of Issuance Fund to the Note Payment Fund shall be a further credit against Financing Payments due and payable by the Cabinet.

“Eighth Supplement to Financing/Lease Agreement” or “Supplemental Financing Agreement” shall mean the Eighth Supplement to Financing/Lease Agreement dated as of May 1, 2024, by and among the Commission, the Cabinet, and the State Agency by which, together with the Original Financing Agreement, the Project is leased to the State Agency.

“Eligible Investments” shall mean any investment authorized by Section 42.500 of the Kentucky Revised Statutes, as the same may be amended from time to time.

“Exchange Agreement” shall mean an interest rate exchange agreement between the Commission or the Trustee and an Exchange Counterparty, as originally executed and as amended or supplemented, or any similar interest rate hedge agreement, as originally executed and as amended or supplemented.

“Exchange Counterparty” shall mean any party with whom the Commission or the Trustee shall, from time to time, enter into an Exchange Agreement.

“Exchange Payment” shall mean a payment due from the Commission or the Trustee to an Exchange Counterparty, under the applicable Exchange Agreement, excluding, however, any payments in respect of any early termination other than amounts payable as accrued payments that would have been due had no early termination occurred.

“Executive Officer” shall mean the Chairman of the Commission.

“Federal Fiscal Year” shall mean the period commencing on October 1 of any year and ending on September 30 of the ensuing year, or any other fiscal year of the FHWA.

“FHWA” shall mean the Federal Highway Administration.

“FHWA Funds” shall mean all amounts available to the State Agency to pay the amounts due with respect to an Eligible Debt Financing Instrument, as defined in Section 122 of Title 23, or amounts under any similar or successor provisions of law regarding the use of funds payable to the State Agency by the FHWA.

“Fiduciary” or “Fiduciaries” shall mean the Trustee, any Paying Agent or Agents, or any combination of them, as may be appropriate.

“Financing Agreement” shall mean the Original Financing Agreement, as amended and supplemented from time to time.

“Financing Payments” shall mean the Financing Payments payable under the Financing Agreement.

“Fitch” shall mean Fitch Ratings.

“Funds and Accounts” shall mean the Cost of Issuance Fund, the Note Payment Fund, the Project Fund, the Rebate Fund, any accounts in any of the foregoing funds, and any other fund or account established under the terms of the Master Indenture or a Series Indenture.

“Holder,” “Owner,” or any similar term (when used with reference to any Notes), shall mean the person in whose name a Note is registered.

“Interest Account” shall mean the account by that name in the Note Payment Fund established under the Master Indenture.

“Interest Payment Date” shall mean, for each Series of Notes, the applicable date upon which interest on the Notes of such Series shall be payable, as provided in the applicable Series Indenture. With respect to the 2024A Notes, the Interest Payment Date shall mean March 1 and September 1 of each year, commencing September 1, 2024.

“Liquidity Facility” shall mean, with respect to any Series of Notes, a standby note purchase agreement, letter of credit, line of credit, revolving credit agreement, bond insurance policy, surety bond, or similar liquidity enhancement, support facility, agreement, or undertaking, or any combination thereof, to be issued by a Liquidity Facility Provider having such terms as are set forth in the related Series Indenture.

“Liquidity Facility Provider” shall mean the provider of a Liquidity Facility with respect to any Series of Notes.

“Master Indenture” shall mean the Master Trust Indenture, dated as of May 1, 2005, and entered into between the Commission and the Trustee, as amended and supplemented from time to time.

“Maximum Annual Debt Service” shall mean the sum of all amounts required to be paid, during the current or any future Federal Fiscal Year commencing after the date of such calculation, or set aside during such Federal Fiscal Year, for payment of debt service on all Outstanding Notes.

“Memorandum of Agreement” shall mean, collectively, (i) the Memorandum of Agreement dated April 18, 2005, (ii) the Memorandum of Agreement dated January 11, 2013, and (iii) the Memorandum of Agreement dated November 13, 2013, each by and between the State Agency and FHWA, and acknowledged by the Commission and the Cabinet, as amended and supplemented.

“Memorandum of Instructions” shall mean the Memorandum of Instructions Regarding Rebate or similar memorandum of agreement regarding compliance with the requirement of the Code that may be

delivered to the Commission and the Trustee at the time of the issuance and delivery of Notes, as the same may be amended or supplemented under its terms.

“Note Payment Fund” shall mean the Fund so designated which is established and created by Section 5.03 and Section 5.05 of the Master Indenture.

“Notes” shall mean any Project Notes, Federal Highway Trust Fund Series, issued from time to time under the provisions of the Master Indenture and a Series Indenture.

“Original Financing Agreement” shall mean the Financing/Lease Agreement dated as of May 1, 2005 by and among the Commission, the Cabinet, and the State Agency, as previously amended and supplemented by (i) the First Supplement to Financing/Lease Agreement dated as of September 1, 2007, (ii) the Second Supplement to Financing/Lease Agreement dated as of March 1, 2010, (iii) the Third Supplement to Financing/Lease Agreement dated as of August 1, 2013, (iv) the Fourth Supplement to Financing/Lease Agreement dated as of March 1, 2014, (v) the Fifth Supplement to Financing/Lease Agreement dated as of October 1, 2015, (vi) the Sixth Supplement to Financing/Lease Agreement dated as of December 1, 2020, (vii) the Seventh Supplement to Financing/Lease Agreement dated as of June 1, 2023, and the Eighth Supplement to Financing/Lease Agreement dated as of May 1, 2024, by which the Project is leased to the State Agency.

“Outstanding” when used with reference to Notes, shall mean, as of any date, all Notes theretofore or then being authenticated and delivered except:

(a) Notes cancelled upon surrender, exchange, or transfer or cancelled because of payment or redemption at or before such date;

(b) Notes for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited for the purpose on or before that date in the Note Payment Fund (whether upon or before the maturity or Redemption Date of those Notes); provided that if any of those Notes are to be redeemed before their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Noteholders of that notice satisfactory in form to the Trustee shall have been filed with the Trustee, and provided further that if any of those Notes are to be purchased for cancellation a firm offer for sale stating the price shall have been received and accepted;

(c) Notes which are deemed to have been paid under the provisions of Article IX of the Master Indenture or any Notes which are deemed to have been paid under the provisions of the Master Indenture; and

(d) Notes in lieu of which other Notes have been authenticated under Section 3.07, Section 3.08, and Section 3.11 of the Master Indenture.

“Parity Obligations” shall mean obligations for borrowed money that are secured by a pledge of Revenues on a parity basis with the pledge of Revenues under the Financing Agreement, including, but not limited to, Additional Notes and Refunding Notes.

“Paying Agent” shall mean any bank or trust company so designated, and its successor or successors hereafter appointed, as paying agent for any Series of Notes in the manner provided in the Master Indenture or any Series Indenture.

“Pledged Receipts” shall include:

(i) all of the Financing Payments (being all of the payments to be paid by the FHWA under the Memorandum of Agreement) and Additional Payments, each as defined in the Financing Agreement, to be paid by the State Agency to the Commission under the Financing Agreement; and

(ii) all interest earned and gains realized on Eligible Investments (a) except for earnings and gains on any investment in the Rebate Fund and (b) unless the Master Indenture or any Series Indenture specifically requires such interest earned or gains realized to remain in a particular Fund or Account and does not therefore constitute a Pledged Receipt.

“Principal Account” shall mean the account by that name in the Note Payment Fund established under Section 5.05 of the Master Indenture.

“Project” shall mean, collectively, the “Bond Financed Projects” described in the Memorandum of Agreement or any amendments thereto, which are more particularly described in Exhibit A to the Financing Agreement, as amended, and any additional “Projects,” as defined in the Act, to be financed with the proceeds of Additional Notes or Construction Notes.

“Project Fund” shall mean the Project Fund created by Section 5.03 and Section 5.06 of the Master Indenture.

“Purchase Account” shall mean the account by that name within the Note Fund established under Section 5.05 of the Master Indenture.

“Purchase Date” shall mean the date set forth in a Series Indenture on which Notes of the Series authorized by such Series Indenture may be tendered for purchase.

“Purchase Price” shall mean an amount equal to the principal amount of any Notes purchased under the tender option terms of a Series Indenture, plus, accrued interest, if any, to the purchase date.

“Rating Service” shall mean S&P, if S&P is then rating the Notes, and Fitch, if Fitch is then rating the Notes, and their respective successors and assigns.

“Rebate Fund” shall mean the fund by that name established under Section 5.03 and Section 5.07 of the Master Indenture.

“Record Date” shall mean the first day of the month next preceding the applicable Interest Payment Date.

“Redemption Date” shall mean the date set forth in a Series Indenture on which Notes of the Series authorized by such Series Indenture may be called for redemption.

“Refunding Notes” shall mean notes issued under the provisions of Section 2.06(2) of the Master Indenture, the proceeds of which are used solely and only to refund a portion of the Notes then Outstanding under the Master Indenture and to pay the costs of issuing such Refunding Notes.

“Registrar” shall mean the registrar maintaining the registration books for any Series of Notes and unless otherwise provided in a Series Indenture shall mean the Trustee.

“Remarketing Agent” shall mean any Remarketing Agreement appointed under the terms of a Series Indenture.

“Resolution” shall mean the resolution adopted by the Commission on March 14, 2024 authorizing the issuance of the 2024A Notes and the execution and delivery of the Series Indenture with respect to the 2024A Notes.

“S&P” shall mean S&P Global Ratings.

“Series” shall mean all of the Notes authenticated and delivered on original issuance in a simultaneous transaction under a particular Series Indenture, and any Notes thereafter authenticated and delivered in lieu of or in substitution for such Notes.

“Series Indenture” shall mean a trust indenture providing for the issuance of a particular Series of Notes.

“Series of Notes” or words of similar import, shall mean the Series of Notes issued under a particular Series Indenture authorized by a Series Resolution.

“Series Resolution” shall mean a resolution of the Commission authorizing the issuance of a Series of Notes under the terms and provisions hereof, adopted by the Commission under Section 2.04 of the Master Indenture.

“State” shall mean the Commonwealth of Kentucky.

“State Agency” shall mean the Transportation Cabinet of the Commonwealth of Kentucky.

“State Fiscal Year” shall mean any period commencing July 1 of any year and ending June 30 of the ensuing year, or any other fiscal year of the Commonwealth.

“Supplemental Indenture” shall mean any trust indenture supplemental to or amendatory of the Master Indenture adopted by the Commission.

“Title 23” shall mean Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

“Treasurer” shall mean the Treasurer of the State.

“Trust Estate” shall mean the trust estate created by the Master Indenture and by the pledges specifically set forth in Section 5.02 of the Master Indenture.

“Trustee” shall mean the Trustee appointed under Section 9.01 of the Master Indenture, and its successor or successors, and any other corporation which may at any time be substituted in its place under the Master Indenture or any Series Indenture.

“2024A Notes” shall mean, the Commission’s \$107,440,000* Project Notes, 2024 Federal Highway Trust Fund First Refunding Series A dated June 4, 2024.

The Master Indenture

Authorization for Notes in Series. From time to time when authorized by the Master Indenture and subject to the terms, limitations and conditions established in the Master Indenture, the Commission may authorize the issuance of a Series of Notes upon adoption of a Series Resolution and execution of a Series Indenture, and the Notes of any such Series may be issued and delivered upon compliance with the provisions of Article II and Article VII of the Master Indenture. The Notes of each Series are required to bear the title “Project Notes, [year of issue] Federal Highway Trust Fund [number of issue for that year]

* Preliminary, subject to change.

Series,” and, at the option of the Commission, such other designation as may be necessary to distinguish them from the Notes of other Series. Notes of any Series may be authorized to be issued in the form provided by the Series Indenture.

Each Series Indenture is required to specify and determine: (i) the authorized principal amount of that Series of Notes; (ii) the purpose for which that Series of Notes is being issued, which shall be to provide funds for the purposes authorized by the Act and the Master Indenture or a Series Indenture including one or more of the following: (A) for deposit in the account of the Project Fund established for such Series for purposes for which the Project Fund may be utilized, all as provided in Section 5.06 of the Master Indenture; (B) for the redemption of Construction Notes and related purposes or for payment of the principal of, premium and interest on any Construction Notes; and (C) for deposit in the Cost of Issuance Fund or Note Payment Fund; (iii) the title and designation of, the manner of numbering and lettering, and the denomination or denominations of the Notes of that Series; (iv) the date or dates of maturity and the amounts thereof, and the dated date of that Series; (v) the interest rate or rates or the manner of determining such rate or rates of the Notes of that Series and the Interest Payment Dates of those Notes; (vi) the redemption price or redemption prices and the Redemption Date or Redemption Dates and other terms (if any) of redemption of any of the Notes of such Series; (vii) the Purchase Price and the Purchase Dates and other terms (if any) for the tender of any of the Notes of such Series; (viii) if the Paying Agent is to be different from the Paying Agent then serving under the Master Indenture, the Paying Agent or Paying Agents for such Notes; (ix) the manner in which Notes of such Series are to be sold and provisions for the sale thereof; and (x) any other provisions deemed advisable by the Commission, not in conflict with or in substitution for the provisions of the Master Indenture or any existing Series Indenture.

Additional Notes; Refunding Notes. The Commission has the right and authority to issue Additional Notes if it has received a certificate of an Authorized Representative of the State Agency stating that the amount of FHWA Funds received during the most recently completed FFY was equal to at least 400% of the Maximum Annual Debt Service for all Notes Outstanding in the current and each future FFY, including the Additional Notes proposed to be issued, but in the case of a Series of Additional Notes to be issued for refunding purposes, excluding the Note Payments on the Notes to be refunded.

Purchasers of the 2024A Notes, for themselves and all subsequent owners of the 2024A Notes, by and through their purchases of the 2024A Notes will have consented and agreed to the amendment of the Indenture as reflected in the First Amendment. The First Amendment reduces the Additional Notes Test percentage from 400% to 300%, and becomes effective upon satisfaction of certain requirements under the Indenture, including the written consent of holders of not less than a majority of the Notes Outstanding, which majority consent is expected to be received upon the closing of the 2024A Notes.

For the purpose of determining the Maximum Annual Debt Service, variable rate Notes will be deemed to bear interest at the maximum rate of interest applicable to such variable rate Notes; provided, however, that if such maximum rate of interest is less than the interest rate quoted in *The Bond Buyer 25 Revenue Bond Index* (the “Index Rate”), as published in *The Bond Buyer* for the last week of the month preceding the date of issuance of such variable rate Notes, then the interest rate on such variable rate Notes shall be deemed to be the Index Rate. If *The Bond Buyer 25 Revenue Bond Index* is no longer published, an index that is deemed to be substantially equivalent by nationally recognized bond counsel may be substituted therefore. Also for the purpose of determining the Maximum Annual Debt Service, any Note scheduled to be Outstanding during such period that is subject to tender at the option of the Holder will be assumed to mature on the stated maturity date or mandatory sinking fund payment date thereof.

No Additional Notes on a parity as to security with the Notes for such specific purposes described above may be issued unless at such time the Commission is and has been in continuous compliance with all of the provisions with reference to the payment of the principal and interest with respect to the Notes and is and has been in continuous compliance with all of the covenants under the Master Indenture. If any Additional Notes for such purposes are issued on a basis of parity as to security with the Notes, the Financing Agreement

is required to be amended to provide for payments sufficient to pay the principal and interest with respect to all Notes Outstanding under the Master Indenture and all Additional Notes.

No other Additional Notes may be issued at any time secured by the Pledged Receipts; provided that the Additional Notes, the issuance of which is herein conditioned and restricted, will be understood to mean Notes payable from the Pledged Receipts on a basis of parity and equality with Outstanding Notes, and will not be construed to include other notes, bonds, or obligations, the security and source of payment of which are subordinate and subject to the priority of the Notes. The Commission has the right to issue notes that are secured by a pledge of the Pledged Receipts that is subordinate to the pledge created by the Master Indenture which do not rank on a basis of equality and parity with the Notes, but only if such subordinate notes are issued in express recognition of the priorities, liens and rights created and existing for the security and source of payment and protection of the Notes.

The Commission has reserved the right, in addition to issuing Notes as described above, to issue Refunding Notes which may be on a parity as to security with the Notes in order to refund any Notes then Outstanding under the Master Indenture, so long as Maximum Annual Debt Service is not increased as a result of issuing such Refunding Notes.

No Refunding Notes on a parity as to security with the Notes may be issued unless at such time the Commission is and has been in continuous compliance with all of the provisions with reference to the payment of the principal and interest with respect to the Notes and is and has been in continuous compliance with all of the covenants under the Master Indenture and no default exists under the Financing Agreement.

Whenever the Commission shall have authorized or made provision for the authorization of, the issuance of a Series of Notes, the Commission has the right, by Series Resolution, to authorize the issuance of Construction Notes in anticipation of the sale of such Series of Notes in a principal amount not exceeding the principal amount of such Series of Notes. The principal or any interest on such Construction Notes and renewals thereof may be payable from and secured by a pledge of Pledged Receipts that is (i) subordinate to the pledge of such Pledged Receipts as security for Outstanding Notes or (ii) on a parity with the pledge of such Pledged Receipts securing Outstanding Notes, but, as to any parity pledge, only if the requirements described under this heading for the issuance of Additional Notes would be satisfied assuming the principal amount of such Construction Notes would be amortized over twenty years on a level payment basis at prevailing market interest rates existing at the time of the issuance of the Construction Notes. (Section 2.06)

The Pledge Affected by the Master Indenture. Under the Act and the Master Indenture, there are pledged for the payment of the principal of and interest on the Notes other than Construction Notes which have not been issued upon compliance with the requirements of Section 2.06(3)(ii) (the “Non-Parity Construction Notes”), and all obligations of the Commission under any Liquidity Facility, Credit Facility Agreement, or Exchange Agreement payable under their respective terms and the provisions of the Master Indenture, subject only to the provisions of the Master Indenture and the Act permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Master Indenture and the Act, (i) the proceeds of sale of the Notes, other than the proceeds of Non-Parity Construction Notes, to the extent not required to be utilized for payment of Construction Notes; (ii) Eligible Investments acquired from Note proceeds or by application of moneys in Funds and Accounts (subject to the limitations of (iv) below); (iii) the Pledged Receipts; and (iv) all Funds and Accounts created and established under the Master Indenture and any Series Indenture, including moneys and securities therein.

Under the Act and the Master Indenture, there are pledged for the payment of the principal of and interest on a Series of Non-Parity Construction Notes, and all obligations of the Commission under any Liquidity Facility, Credit Facility Agreement or Exchange Agreement payable under their respective terms and the provisions of the Master Indenture that are related to that Series of Non-Parity Construction Notes, subject only to the provisions of the Master Indenture and the Act permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Master Indenture and the Act, (i) the proceeds of sale of the Non-Parity Construction Notes or any renewal Construction Notes issued to refund such

Series of Non-Parity Construction Notes; (ii) Eligible Investments acquired from Non-Parity Construction Note proceeds or by application of moneys in the related series account of the Project Fund or related Note Payment Account (subject to the limitations of (iv) below); (iii) the Pledged Receipts, on a basis that is subordinate to the pledge thereof as security for Notes that are not Non-Parity Construction Notes; and (iv) all Funds and Accounts created and established with respect to that Series of Non-Parity Construction Notes under the Master Indenture and the related Series Indenture, including moneys and securities therein. (Section 5.02)

Establishment of Funds. The Master Indenture establishes (i) the Cost of Issuance Fund (Series); (ii) the Note Payment Fund; (iii) the Project Fund (Series); (iv) the Rebate Fund; and (v) such other Funds and Accounts which may be created from time to time as provided in the Master Indenture or in a Series Indenture in order to accomplish the purposes of the Act and the Master Indenture and which are not inconsistent with the requirements of the Master Indenture.

Each of the above Funds, in addition to other Funds and Accounts from time to time established, are required to be held and maintained by the Trustee under the provisions of the Master Indenture and any Series Indenture, except for the Project Fund, which is required to be held by the Treasurer. (Section 5.03)

Cost of Issuance Fund. The Master Indenture establishes and creates a separate Cost of Issuance Fund for each Series of Notes. There will be deposited in the Cost of Issuance Fund, the amount required by the applicable Series Indenture. The Trustee is required from time to time to pay out, or permit the withdrawal of, moneys from the Cost of Issuance Fund, free and clear of any lien or pledge or assignment in trust created by the Master Indenture, for the purpose of paying, any Costs of Issuance, upon receipt by the Trustee of a written requisition of the Commission signed by an Authorized Officer of the Commission stating with respect to each payment to be made, the Costs of Issuance to be so paid.

If any moneys remain in an account of the Cost of Issuance Fund on the date which is five months from the date of issuance of the related Series of Notes, the Trustee is required to transfer such amounts to the Interest Account (or subaccount of a Note Redemption Account for Construction Notes) of the Note Payment Fund. (Section 5.04)

Note Payment Fund. The Master Indenture establishes and creates a separate Note Payment Fund. In addition to any other accounts deemed necessary by the Trustee, there will be established within the Note Payment Fund an Interest Account, a Purchase Account, a Principal Account, and a Credit Facility Account.

An Interest Account will be established, into which will be deposited all amounts: (i) received as accrued interest upon the sale and delivery of any Notes, (ii) transferred from the Proceeds Fund for the payment of interest on the Notes, (iii) received as the interest portion of Financing Payments (including any prepayments of the interest portion of Financing Payments), and (d) received as Counterparty Exchange Payments. Amounts in the Interest Account will be used to pay (i) interest on the Notes, unless draws have been made on a Credit Facility for such purpose, in which case, amounts corresponding to such draws will be paid to the Credit Facility Provider, (ii) any Exchange Payments then due and payable and (iii) the fees of any Remarketing Agent, Credit Facility Provider or Liquidity Provider.

A Purchase Account will be established, for each Credit Facility and Liquidity Facility then securing any Notes, into which will be deposited all amounts received (i) from the Remarketing Agent with respect to any remarketing of the Notes related to that account, which shall be deposited into a "Remarketing Proceeds Subaccount" or (ii) under a draw on any Liquidity Facility or Credit Facility for the payment of the Purchase Price for any Notes related to that account which are tendered and not remarketed by the Remarketing Agent, which will be deposited in a "Draw Subaccount." Amounts in a Purchase Account will be used to purchase Notes (related to the Credit Facility or Liquidity Facility for which the Purchase Account was created) which are tendered for purchase, subject to the provisions of the related Series Indenture.

A Principal Account will be established, into which will be deposited all amounts (i) transferred from the Proceeds Fund to pay principal of and premium, if any, on the Notes due at maturity, on a Redemption Date or upon acceleration and (ii) representing payments of principal and premium, if any, on Notes to pay such amounts at maturity, on a Redemption Date or upon acceleration. Amounts in the Principal Account will be used to pay the principal of and premium, if any, on the Notes, unless draws have been made on a Credit Facility for such purpose, in which case, amounts corresponding to such draws (plus any related fees of the Credit Facility Provider) will be paid to the Credit Facility Provider.

A Credit Facility Account will be established, into which will be deposited all amounts received from draws under a Credit Facility to pay the principal of, interest on and premium, if any, on any Notes or any related Exchange Payments. Amounts in the Credit Facility Account will be used to pay the principal of, interest on (or any related Exchange Payments), and premium, if any, on Notes that are secured by a Credit Facility.

Upon issuance of any Construction Notes, there will be established a separate and distinct “Note Redemption Account” of the Note Payment Fund and accounts, which will be subaccounts thereof, as described above for accounts of the Note Payment Fund, into which will be deposited the amounts described above that are related to such Construction Notes. In addition, there will be deposited in such Note Redemption Account (i) any accrued interest received upon the sale of such Construction Notes and (ii) sufficient proceeds of the Series of Notes authorized to be issued at the time of issuance of such Construction Notes, when issued, to provide for the payment-in-full of such Construction Notes. Amounts in subaccounts of a Note Redemption Account will be disbursed in the same manner described above for accounts of the Note Payment Fund.

The Trustee will transmit to any Paying Agent, as appropriate, from moneys in the Note Payment Fund applicable thereto, amounts sufficient to make timely payments of principal of, Purchase Price of, interest on and premium, if any, on the Notes to be made by such Paying Agent and then due and payable.

Provisions regarding draws on any Credit Facility or Liquidity Facility under their terms, in the amounts and at the times necessary to pay the Purchase Price, principal of, interest on (and any related Exchange Payments), and premium, if any, on any Notes will be set forth in the Series Indenture related to such Notes. (Section 5.05)

Project Fund. The Master Indenture establishes and creates a trust fund to be designated the Project Fund, which is required to be an account in the Commonwealth’s management administrative and reporting system. The Project Fund is required to be separately identified from all other accounts in the Commonwealth’s management administrative and reporting system and is required to be used solely for the purposes provided in the Master Indenture. A separate account may be established within the Project Fund for each separate component thereof. The amount required by each applicable Series Indenture will be deposited in the Project Fund. Under the Master Indenture, the Treasurer makes disbursements from each account of the Project Fund on a first-in-first-out basis under and as required by the provisions of written requisitions filed from time to time by an Authorized Officer of the State Agency and under the Financing Agreement. The State Agency is required to keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom. All of the income derived from investment of each account of the Project Fund will, at the option of the State Agency, be transferred as received to the Note Payment Fund and disbursed therefrom on the next succeeding Interest Payment Date or held in the account and used for the purposes thereof. If any amount remains in an account of the Project Fund after an Authorized Officer of the State Agency certifies that the Project has been completed, such amount will be transferred to the Interest Account of the Note Payment Fund. (Section 5.06)

Rebate Fund. The Master Indenture establishes and creates a trust fund to be designated the Rebate Fund, which is established and maintained under the Master Indenture or under any laws governing the creation and use of funds by the Commission. If a Series of Notes is determined to be subject to the “rebate” requirements in favor of the United States of America imposed by the Code, there will be deposited in the

Rebate Fund such amounts as are required to be deposited therein under the Memorandum of Instructions. Subject to the transfer provisions provided in Section 5.07 of the Master Indenture, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Memorandum of Instructions), for payment to the federal government of the United States of America, and neither the Commission, nor the owner of any Notes will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by Article V of the Master Indenture, and by the Memorandum of Instructions. The Trustee will be deemed conclusively to have complied with such provisions if it follows all of the directions of the Commission, including supplying all necessary information in the manner provided in the Memorandum of Instructions, and will have no liability or responsibility to enforce the compliance by the Commission with the terms of the Memorandum of Instructions.

Upon the Commission's written direction, an amount is required to be deposited to the Rebate Fund by the Trustee from deposits by the Commission, if and to the extent required, so that the balance on deposit in the Rebate Fund after making such deposit equals the Rebate Amount for that Bond Year (as defined in the Memorandum of Instructions), calculated as of the most recent Calculation Date (as defined in the Memorandum of Instructions). Computations of the Rebate Amount are required to be furnished by or on behalf of the Commission under the Memorandum of Instructions.

The Trustee will have no obligation to rebate any amounts required to be rebated under Section 5.07 of the Master Indenture, other than from moneys held in the Funds and Accounts or from other moneys provided to it by the Commission.

The Trustee is required, upon written direction, to invest all amounts held in the Rebate Fund, subject to the restrictions set forth in the Master Indenture for investments in other funds established in the Master Indenture and in the Memorandum of Instructions. The Trustee will retain all earnings (calculated by taking into account net gains or losses on sales or exchanges and taking into account amortized discount or premium as a gain or loss, respectively) on investments held in the Rebate Fund in the Rebate Fund. Moneys will not be transferred from the Rebate Fund except as provided in the following paragraph.

Upon receipt of the Commission's written directions, the Trustee is required to remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Commission so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such Funds or Accounts as directed by the Commission's written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Notes and payment and satisfaction of any Rebate Amount, or provision made therefore satisfactory to the Trustee shall be withdrawn and remitted to, or at the direction of, the Commission.

Notwithstanding any other provision of the Master Indenture, the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of Section 5.07 of the Indenture and the Memorandum of Instructions will survive the defeasance or payment in full of the Notes. (Section 5.07)

Investment of Funds. The Master Indenture requires amounts on deposit in any Fund or Account to be invested in Eligible Investments, and for the Trustee to sell at the best price reasonably obtainable, or present for redemption or exchange, any Eligible Investments purchased by it as an investment under the Master Indenture or any Series Indenture whenever it will be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account from which such investment was made. Except as otherwise provided in the Master Indenture, earnings and losses on Eligible Investments are required to be credited to the Fund or Account with respect to which such investments were made (or pro-rated thereto) and will become a part thereof for all purposes, except as otherwise provided in the Master Indenture. (Section 5.08)

Exchange Agreements; Counterparty Exchange Payments; Exchange Payments. The Commission has authorized the Trustee to enter into or to acknowledge and agree to any Exchange Agreement hereafter entered into by itself or the Commission and an Exchange Counterparty under which (a) there may be required to be made, from time to time, Exchange Payments and (b) the Trustee may receive, from time to time, Counterparty Exchange Payments. The Trustee is required to deposit all Counterparty Exchange Payments in the Interest Account of the Note Payment Fund to be applied in accordance with Section 5.05 of the Master Indenture. Nothing in the Master Indenture requires that an Exchange Payment or Counterparty Exchange Payment be made on an Interest Payment Date. (Section 5.09)

Further Assurance. The Master Indenture requires the Commission, so far as it may be authorized by law, to pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues pledged and assigned, or intended so to be, or which the Commission may become bound to pledge or assign. (Section 6.04)

Powers as to Notes and Pledge. Under the Master Indenture and each Series Indenture, the Commission is authorized to issue the Notes and execute and deliver the Master Indenture and each Series Indenture and pledge the income, revenues and assets pledged by the Master Indenture and each Series Indenture in the manner and to the extent provided in the Master Indenture. The income, revenues and assets pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto before, or of equal rank with, the pledge created by the Master Indenture and each Series Indenture, and all official action on the part of the Commission to that end has been or will be duly and validly taken. The Notes and the provisions of the Master Indenture and each Series Indenture are and will be the valid and legally enforceable obligations of the Commission in accordance with their terms and the terms of the Master Indenture and each Series Indenture. The Budget Act includes authorization for the issuance of “bonds” (being the Notes) for the Project and includes adequate funds for the payment of Financing Payments and Additional Payments under the Financing Agreement. The Commission is required to, at all times, to the extent permitted by law, defend, preserve, and protect the pledge of the incomes, revenues, and assets pledged under the Master Indenture and each Series Indenture and all the rights of the Holders under the Master Indenture and each Series Indenture against all claims and demands therefore of all persons whomsoever. (Section 6.05)

Covenants as to Financing Payments and Additional Payments. The Master Indenture establishes that the Financing Agreement will continue to be maintained by the Commission. If the State Agency for any reason whatsoever fails to pay any Financing Payments or Additional Payments specified in the Financing Agreement, the Commission will use its best efforts to make or cause to be made payments of Financing Payments or Additional Payments so that the aggregate of the gross receipts and revenues from the Financing Agreement at all times will be sufficient to make such prescribed payments into the Note Payment Fund; provided, however, that (i) the Commission has no obligation to make financing payments from any source other than amounts payable by the FHWA under the Memorandum of Agreement and (ii) no action will be taken which, in Counsel’s opinion, would have the effect of materially altering the federal income tax status of the interest earned on the Notes.

If, at any time, the prescribed Financing Payments under the Financing Agreement are not sufficient to pay the principal of and the interest on the Notes authorized in the Master Indenture or Additional Payments are not sufficient to pay fees and expenses related to the Notes, in accordance with the Master Indenture, such Financing Payments or Additional Payments are required to be immediately adjusted in order to produce sufficient revenues for such purposes. (Section 6.08)

Covenant to Confer with Appropriate Officials Concerning Biennial Budget. The Commission will, before the beginning of each fiscal biennium confer with the proper officials of the State Agency to induce the State Agency to include in its budget such provisions and arrangements as may be required and appropriate

to continue to pay the prescribed Financing Payments and Additional Payments during such biennial period. (Section 6.09)

Covenant to Enforce the Financing Agreement and Memorandum of Agreement. So long as any of the Notes are Outstanding and unpaid as to either principal or interest or any obligation of the Commission under a Credit Facility, Liquidity Facility, or Exchange Agreement remains unpaid, the Commission will continuously enforce the Financing Agreement and Memorandum of Agreement to the maximum extent permitted by law, and will not consent to any modification of the Financing Agreement or Memorandum of Agreement which would in any particular way impair the security created for the holders of the 2024A Notes a Credit Facility Provider, Liquidity Provider, or Exchange Counterparty. (Section 6.10)

Tax Covenant. The Commission is required to do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Commission on the 2024A Notes will, for the purposes of federal income taxation, be excludable from gross income under any valid provision of law including but not limited to, provisions of the Code and Section 122 of Title 23, as applicable.

The Commission will not permit at any time or times any of the proceeds of the 2024A Notes to be used to acquire or to replace any funds which were used directly or indirectly to acquire any securities or obligations which are “higher yielding investments” (as defined in the Code), the acquisition of which would cause any 2024A Note to be an “arbitrage bond” as defined in Sections 103(b)(2) and 148 of the Code as then in effect, unless, under any valid provision of law hereafter enacted (i) such action would not cause arbitrage bond status to occur, or (ii) the interest paid by the Commission on the 2024A Notes will be excludable from the gross income of a recipient thereof for federal income tax purposes without regard to compliance with the provisions of Section 103(a) of the Code.

In order to assure compliance with Section 6.11 of the Master Indenture, thereby better securing and protecting the 2024A Notes, the Commission from the date of adoption of the Master Indenture will not:

- (a) make or cause to be made any investment of 2024A Note proceeds that produces a yield in excess of such applicable maximum yield as may be permitted by the Code, and
- (b) invest or cause the Trustee (or the Treasurer, as the case may be) to, and the Trustee (or the Treasurer, as the case may be) shall not, independent of any direction of the Commission, invest monies in any fund created under the Master Indenture in investment obligations that produce a yield in excess of such applicable maximum yield as may be permitted by the Code.

Before the issuance of any of the 2024A Notes and as a condition precedent to such issuance, the Commission is required to certify by issuance of a certificate by an Authorized Officer having responsibility for the receipt, disbursement, use and investment of the proceeds of the 2024A Notes that, on the basis of the facts, estimates and circumstances in existence on the date of issue of the 2024A Notes it is not expected that the proceeds of the 2024A Notes will be used in a manner that would cause such obligations to be arbitrage bonds.

The Commission is required to pay from time to time all amounts required to be rebated to the United States under Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the 2024A Notes from time to time. This requirement will survive payment in full or defeasance of the 2024A Notes. The Commission is required to pay or cause to be paid to the United States at the times and in the amounts determined under Section 5.07 of the Master Indenture the Rebate Amounts, as described in the Memorandum of Instructions. The Trustee is required to comply with all instructions of the Commission given in accordance with the Memorandum of Instructions.

Notwithstanding any provision described under this heading, if the Commission provides to the Trustee a Counsel’s opinion to the effect that any action required under Sections 6.11 and 5.07, of the Indenture is no longer required, or to the effect that some further action is required, to maintain the exclusion

from gross income of the interest on the 2024A Notes under Section 103(a) of the Code, the Commission and the Trustee may rely conclusively on such opinion in complying with those provisions. (Section 6.11)

Supplemental Trust Indentures Effective Without Consent of Holders. The Master Indenture prescribes procedures whereby the Commission may, with the written consent of the Trustee, execute and deliver at any time from time to time Supplemental Trust Indentures for any one or more of the following purposes; to further secure the payment of the Notes; to further limit and restrict the issuance of Notes and the incurring of indebtedness by the Commission; to surrender any right, power or privilege reserved to or conferred upon the Commission by the terms of the Master Indenture, to confirm any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Master Indenture; to modify any of the provisions of the Master Indenture or any Series Indenture in any other respects (provided that such modifications will not be effective until after all Notes Outstanding as of the date of execution and delivery of such Supplemental Indenture cease to be Outstanding; to cure any ambiguity or defect or inconsistent provision; to the extent not inconsistent with the terms of the Master Indenture, such provisions as may be necessary for the issuance of Additional Notes under the terms of the Master Indenture; to modify any provisions of the Master Indenture in order to obtain a Liquidity Facility, Credit Facility or Exchange Agreement, so long as such modifications affect only the Notes to which such Liquidity Facility, Credit Facility or Exchange Agreement relate; and for any other purpose provided that, in the opinion of Counsel, any such amendment or modification does not materially adversely affect the rights of Holders affected thereby.

A Supplemental Indenture for the purposes described above, becomes effective upon the execution thereof by the Commission and the Trustee and delivery thereof to the Trustee. At any time thereafter, notice stating in substance that the Supplemental Trust Indenture has been delivered to the Trustee and is effective under the Master Indenture, is required to be given to Holders by the Commission by mailing such notice to Holders by regular United States mail. (Section 7.01)

Supplemental Trust Indentures Effective with Consent of Holders. The Master Indenture or any Series Indenture may also be modified or amended at any time or from time to time by a Supplemental Indenture, subject to the written consent of the Holders under Article VIII of the Master Indenture. (Section 7.02)

Supplemental Trust Indentures Effective with Counsel's Opinion. A copy of every Supplemental Trust Indenture adopted by the Commission when filed with the Trustee is required to be accompanied by a Counsel's Opinion stating that such Supplemental Trust Indenture has been duly and lawfully adopted under the Master Indenture, is authorized or permitted by the Master Indenture and is valid and binding upon the Commission and enforceable in accordance with its terms. (Section 7.03)

Limitations on Powers of Amendment. Any modification or amendment of the Master Indenture or any Series Indenture and of the rights and obligations of the Commission and of the Holders of the Notes under may be made by a Supplemental Trust Indenture, with the written consent given by the Holders of at least a majority in principal amount of the Notes Outstanding of each Series affected by such amendment at the time such consent is given. No modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Note or of any installment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon without the consent of the Holder of such Note, or reduce the percentages or otherwise affect the classes of Notes the consent of the Holders of which is required to effect any such modification or amendment.

For the purposes of Section 8.01 of the Master Indenture, a Series will be deemed to be affected by a modification or amendment of the Master Indenture or any Series Indenture if the same adversely affects or diminishes the rights of the Holders of the Notes of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Notes of any particular Series or maturity would be adversely affected by any modification or amendment of the Master Indenture and any such determination will be binding and conclusive on the Commission and all Holders of Notes. The Trustee may receive a Counsel's Opinion, as conclusive evidence as to whether Notes of any particular Series or maturity would be

so affected by any such modification or amendment of the Master Indenture or any Series Indenture. (Section 8.01)

Consent of Holders. A copy of a Supplemental Indenture requiring consent of the Holders, or summary thereof, together with a request to the Holders must be mailed to the Holders. Such Supplemental Indenture will not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of the proper percentage of Holders and (ii) a Counsel's Opinion, and (b) notice thereof must have been mailed to all Holders. Any such consent will be binding upon the Holder of the Notes giving such consent and, upon any subsequent Holder of such Notes and of any Notes issued in exchange therefore (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Notes giving such consent or a subsequent Holder thereof by filing with the Trustee, before the time when the written statement of the Trustee described in this paragraph is filed, such revocation.

At any time thereafter, notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture adopted by the Commission on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Notes and will be effective as described in this paragraph, is required to be given to the Holders by the Commission by mailing such notice to the Holders. A transcript, consisting of the papers described in this paragraph to be filed with the Trustee, will be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification will be deemed conclusively binding upon the Commission, the Fiduciaries and the Holders of all Notes. (Section 8.02)

Events of Default. Each of the following events shall constitute an "Event of Default":

- (1) payment of any principal on any Note is not be made when and as the same becomes due or upon call for redemption or otherwise; or
- (2) payment of any installment of interest on any Note or any Exchange Payment is not be made when and as the same becomes due; or
- (3) payment of any Note tendered to the Remarketing Agent for purchase is not be made when due and the continuance of such failure for one Business Day after the Paying Agent has given written notice of such failure to the Remarketing Agent, any Liquidity Provider, any Credit Facility Provider, and the Commission; or
- (4) the Commission fails or refuses to comply with the provisions of the Act, or defaults in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Master Indenture, any Series Indenture or the Notes and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by (i) a Liquidity Provider or Credit Facility Provider or (ii) the Trustee or the Holders of not less than 5% in principal amount of the Outstanding Notes, provided that the notice set forth in clause (ii) may only be given for Notes secured by a Credit Facility or a Liquidity Facility if the Credit Facility Provider or the Liquidity Provider is not in default of its obligations under such Credit Facility or Liquidity Facility, as applicable; or
- (5) receipt by the Trustee (i) from a Credit Facility Provider, within the time period specified in a Credit Facility, of notice that it will not reinstate amounts drawn on such Credit Facility to pay interest on the Notes or (ii) from a Liquidity Provider or Credit Facility Provider of notice that an Event of Default has occurred under a Liquidity Facility or Credit Facility Agreement. (Section 9.02)

Acceleration. Unless otherwise provided in the Series Indenture, subject to provisions described in this paragraph and upon the occurrence of an Event of Default as specified in paragraphs (1), (2), (3) or (5)

above, the Trustee is required to declare, by a notice in writing delivered to the Commission, the principal of all Notes then Outstanding (if not then due and payable), together with interest accrued thereon, to be due and payable immediately. Upon the occurrence of an Event of Default as specified in paragraph (4) above, the Trustee may, or at the direction of the Holders of not less than 25% of the Notes Outstanding is required to, declare, by a notice in writing delivered to the Commission, the principal of all Notes then outstanding (if not then due and payable), together with interest accrued thereon, to be due and payable immediately. Upon the occurrence of an Event of Default with respect to Notes secured by a Credit Facility or Liquidity Facility, the Trustee is required to make any such declaration only upon the written direction, or upon the written consent of the related Credit Facility Provider and the Liquidity Provider; provided that such consent shall only be required when the Event of Default is not described in clause (i) of paragraph (5) above and the applicable Credit Facility Provider or Liquidity Provider is not in default of its obligations under its Credit Facility or Liquidity Facility, as applicable.

Any such declaration is required to be by notice in writing to the Commission and any Remarketing Agent, Credit Facility Provider, Liquidity Provider, and Exchange Counterparty, and, upon said declaration, principal and interest on all Notes will become and be immediately due and payable. The Trustee immediately upon such declaration is required to give notice thereof in the same manner as provided in the Master Indenture with respect to the redemption of the Notes without regard to the times stated for notice of redemption that the payment of principal and interest will be tendered immediately to the Holders of the Notes and that interest has ceased to accrue as of the date of such declaration of acceleration. Nothing contained in the Master Indenture shall be construed to permit the acceleration of any payments of Financing Payments or Additional Payments by the State Agency beyond the current term of the Financing Agreement. (Section 9.03)

Other Remedies. Upon the occurrence of an Event of Default specified in paragraphs (1), (2), (3) or (5) above, the Trustee is required to proceed, or upon the happening and continuance of an Event of Default specified in paragraph (4) above, with the written consent of any Credit Facility Provider, any Exchange Counterparty, and any Liquidity Provider the Trustee may proceed, and upon the written request of the Holders of not less than 25% of the Outstanding Notes is required to proceed, in its own name, subject to the provisions described in this paragraph, to protect and enforce its rights and the rights of the Holders by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Master Indenture or in aid of the execution of any power granted therein or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by its counsel, will deem most effectual to protect and enforce such rights or to perform any of its duties under the Master Indenture.

Upon the occurrence of an Event of Default with respect to Notes secured by a Credit Facility or Liquidity Facility, the Trustee is required to make any such declaration only upon the written direction, or upon the written consent of the related Credit Facility Provider and Liquidity Provider; provided that such consent will only be required when the Event of Default is not described in clause (i) of paragraph (5) above and the applicable Credit Facility Provider or Liquidity Provider is not in default of its obligations under its Credit Facility or Liquidity Facility, as applicable. Any right of an Exchange Counterparty (whether as to request, consent or otherwise) under Article IX of the Master Indenture will be exercisable by the Exchange Counterparty only if (i) such Exchange Counterparty is not in default of its obligations under its Exchange Agreement and (ii) all obligations of the parties other than the Exchange Counterparty under such Exchange Agreement have not been satisfied.

In the enforcement of any rights and remedies under the Master Indenture or any Series Indenture, the Trustee will be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Commission for principal, interest or otherwise, under any provision of the Master Indenture or any Series Indenture or of the Notes, with interest on overdue payments at the rate or rates of interest specified in such Notes, together with any

and all costs and expenses of collection and of all proceedings under the Master Indenture and under the Notes, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce a judgment or decree against the Commission, but solely as provided in the Master Indenture or any Series Indenture and in the Notes for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable. (Section 9.04.)

Priority of Payments After Default. Upon the happening and continuance of any Event of Default the funds held by the Fiduciaries are insufficient for the payment of principal and interest then due on the Notes, such funds (other than funds held for the payment or redemption of particular Notes which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting under the Act and the Master Indenture, after making provision (i) for the payment of any expenses necessary in the opinion of the trustee to protect the interests of any Credit Facility Provider, and Liquidity Provider, any Exchange Counterparty, and the Holders of the Notes and (ii) for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performances of their respective duties under the Master Trust Indenture or any Series Indenture, it being understood that amounts drawn on a Credit Facility will not be used for the purposes described in clauses (i) and (ii) and will be applied as follows:

(1) Unless the principal of all of the Notes shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest (or Related Exchange Payments) then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installments, then to the payment thereof ratably, accordingly to the amounts due on such installments, to the persons entitled thereto, including amounts owed to a Credit Facility Provider in respect of interest, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Notes which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Notes due on any date, then to the payment thereof ratably, according to the amounts of the principal due on such date, to the persons entitled thereto, including amounts owed to a Credit Facility Provider in respect of principal, without any discrimination or preference.

(2) If the principal of all of the Notes shall have become or have been declared due and payable, to the payment of the principal and interest (or Related Exchange Payments) due and unpaid upon the Notes without preference or priority of principal over interest (or Related Exchange Payments) or of interest (or Related Exchange Payments) over principal, or of any installment of interest (or Related Exchange Payments) over any other installment of interest (or Related Exchange Payments), or of any Note over any other Note, ratably, accordingly to the amounts due respectively for principal and interest, to the persons entitled thereto, including amounts owed to the Credit Facility Provider and Liquidity Provider, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Notes.

Whenever moneys are to be applied by the Trustee as described herein, such moneys are required to be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Fiduciaries, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the Commission, to any Holder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in

accordance with such provisions of the Master Trust Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee exercises such discretion in applying such moneys, it will fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee is required to give such notice as it may deem appropriate for the fixing of any such date. The Trustee is not required to make payment to the Holder of any unpaid Note unless such Note shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. (Section 9.05)

Direction of Proceedings. Unless otherwise provided in a Series Indenture, anything in the Master Indenture or Series Indenture to the contrary notwithstanding, any Credit Facility Provider, any Liquidity Provider, any Exchange Counterparty, and the Holders of the majority in principal amount of Notes then Outstanding will have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Master Indenture, provided that such direction will not be otherwise than in accordance with law or the provisions of the Master Indenture or any Series Indenture, and that the Trustee will have the right to decline to follow any such direction (i) which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction or (ii) there has not been offered to the Trustee reasonable security and indemnity against the cost, expenses (including reasonable legal expenses) and liabilities to be incurred with respect thereto. Upon a conflict between directions from a Credit Facility Provider, a Liquidity Provider, an Exchange Counterparty and such Holders, directions is required to be followed in priority order as follows: (i) a Credit Facility Provider, so long as such Credit Facility Provider is not in default of its obligations under its Credit Facility Agreement; (ii) a Liquidity Provider, so long as such Liquidity Provider is not in default of its obligations under its Liquidity Facility, (iii) the Holders and (iv) an Exchange Counterparty, so long as such Exchange Counterparty is not in default of its obligations under its Exchange Agreement. (Section 9.07)

Limitation on Rights of Holders. No Holder of any Note will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Master Indenture, or for the protection or enforcement of any right under the Master Indenture or any right under the law unless such Holder has given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than 25% of the Notes then Outstanding have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, have occurred, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the cost, expenses (including reasonable legal expenses) and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, it being understood that the Trustee is required to make all required draws on any Credit Facility in accordance with the applicable Series Indenture, make payments on the Notes as provided in the Master Indenture (to the extent funds are available for such purpose) and declare the Notes due and payable as provided in the Master Indenture, regardless of having received any indemnity or security; and such notification, request and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Master Indenture or any Series Indenture or for any other remedy under the Master Indenture or under law. It is understood and intended that no one or more Holders of the Notes will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Indenture, or to enforce any right under the Master Indenture or under law with respect to the Notes or the Master Indenture or any Series Indenture, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit of all Holders. Nothing in Article IX of the Master Indenture may affect or impair the right of any Holder to enforce the payment of the principal of and interest on its Notes, or the obligation of the Commission to pay the principal

of and interest on each Note issued under the Master Indenture to the Holder thereof at the time and place stated in said Note.

Anything in the Master Indenture or Series Indenture to the contrary notwithstanding, each Holder of any Note by his acceptance thereof will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Master Indenture or any Series Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions described in this paragraph will not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding at least 25% of the Notes Outstanding, or to any suit instituted by any Holders for the enforcement of the payment of the principal of, premium, if any, or interest on any Note on or after the respective due date thereof expressed in such Note. (Section 9.08)

Trustee. Before the occurrence of an Event of Default, the Trustee is required to perform only those duties specifically set forth in the Master Indenture or the related Series Indenture. If an Event of Default, of which the Trustee has received notice, has occurred and is continuing, the Trustee is required to exercise its rights and powers and use the same degree of care and skill as a prudent man would exercise under the circumstances in the conduct of his own affairs. (Section 10.01)

Evidence on Which Fiduciaries May Act. Each Fiduciary will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Commission, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Master Indenture in good faith and in accordance therewith. Whenever any Fiduciary will deem necessary or desirable that a matter be proved or established before taking or suffering any action under the Master Indenture, including payment of moneys out of any Fund or Account, such matter (unless other evidence in respect thereof be specifically prescribed in the Master Indenture) may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer of the Commission, and such certificate will be full warrant for any action taken or suffered in good faith under the provisions of the Master Indenture and any Series Indenture in which said Fiduciary has accepted said trust upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may deem reasonable. Except as otherwise expressly provided in the Master Indenture, any request, order, notice or other direction required or permitted to be furnished under any provision of the Master Indenture by the Commission to any Fiduciary is required to be sufficiently executed if executed in the name of the Commission by an Authorized Officer of the Commission. (Section 10.04)

Permitted Acts and Functions. The Trustee and any Paying Agent may become the owner of any Note, with the same rights it would have if it were not such Fiduciary. Any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Holders or to effect or aid in any reorganization growing out of the enforcement of the Notes or the Master Indenture, whether or not any such committee is required to represent the Holders of a majority in principal amount of the Notes then Outstanding. (Section 10.06)

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Master Trust Indenture or any Series Indenture by giving not less than sixty days' written notice to the Commission and by mailing notice (specifying the date such resignation is to take effect) through regular United States mail, postage prepaid, to each Holder of Notes, and such resignation will take effect upon the day specified in such notice unless (i) no successor has been appointed as proved

in the Master Indenture, or (ii) previously a successor shall have been appointed, as provided in the Master Indenture, in which event such resignation will take effect immediately on the appointment of such successor. If a successor trustee is not appointed within sixty days, the Trustee will be entitled to petition a court of competent jurisdiction to appoint a successor Trustee. (Section 10.07)

Removal of Trustee. The Trustee may and, if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Commission, and signed by the Holders of a majority in principal amount of the Notes then Outstanding or their attorneys-in-fact duly authorized, excluding any Notes held by or for the account of the Commission, is required to be removed by the Commission (so long as no Event of Default has occurred and is continuing) by an instrument or concurrent instruments in writing, filed with the Trustee and the Commission and signed by the Commission or the Holders of Notes, as appropriate. No such removal will be effective until a successor Trustee has been appointed and assumed the duties of Trustee as provided in the Master Indenture. (Section 10.08)

Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Commission covenants and agrees that it will thereupon appoint a successor Trustee. The Commission is required to provide notice of any such appointment made by it within twenty days after such appointment to Holders of Notes.

If no appointment of a successor Trustee shall be made under the foregoing provisions within forty-five days after the Trustee shall have given to the Commission written, as provided in above, or after a vacancy in the office of the Trustee shall have occurred by reason of its removal or inability to act, the Trustee or the Holder of any Note may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed in succession to the Trustee is required to be a trust company or bank having the powers of a trust company within or outside the Commonwealth, having a capital and surplus aggregating at least Seventy-Five Million Dollars (\$75,000,000) if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all duties imposed upon it by the Master Indenture or Series Indenture. (Section 10.09)

Defeasance. Notes or interest installments of particular Notes or Series of Notes for the payment or redemption of which moneys will have been set aside and are required to be held in trust by Fiduciaries will, at the maturity or date of redemption thereof, be deemed to have been paid within the meaning and with the effect expressed above. Particular Notes or Series of Notes will, before the maturity or redemption thereof, be deemed to have been paid, if (a) in case any of said Notes are to be redeemed on any date before their maturity, the Commission will have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption in the manner prescribed in the Master Indenture, and in the applicable Series Indenture, (b) there will have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal and interest due and to become due on said Notes on and before the Redemption or maturity date thereof, as the case may be, and all amounts payable under any related Liquidity Facility, Credit Facility Agreement or Exchange Agreement, (c) if the Notes are not subject to redemption within the next sixty days, the Commission will have given the Trustee in form satisfactory to it irrevocable instructions to notify the Holders of such Notes of such redemption in the manner herein provided for giving notice of redemption and (d) a Counsel's Opinion that the defeasance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Notes. Neither Defeasance Obligations or moneys deposited with the Trustee as described in this paragraph,

nor principal or interest payments on any such obligations, may be withdrawn or used for any purpose other than, and must be held in trust for, the payment of the principal and interest on said Notes.

Anything in the Master Indenture or Series Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Notes which remain unclaimed for six years after the date when all of the Notes have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after said date when all of the Notes became due and payable, will (subject to the provisions of Article V of the Master Indenture), at the written request of the Commission, be repaid by the Fiduciary to the Commission, as its absolute property and free from trust, and the Fiduciary will thereupon be released and discharged.

“Defeasance Obligations” means and includes any of the following:

(1) Direct and general non-callable obligations of the United States of America, backed by the full faith and credit of the United States of America or obligations that are unconditionally guaranteed as to principal and interest by the United States of America. The obligations described in this paragraph are called “United States Obligations”.

(2) Prerefunded municipal obligations rated “AAA” by each Rating Service then rating the Notes and meeting the following conditions:

(a) the municipal obligations are (i) not to be redeemed before maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption and (ii) the issuer has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Obligations that may be applied only to interest, principal, and premium payments of such municipal obligations;

(c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities on the municipal obligations;

(d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee;

(e) the United States Obligations (plus any cash in the escrow fund) are not available to satisfy any other claims, including those against the trustee or escrow agent; and

if the redemption date for the Notes to be discharged by the deposit of Defeasance Obligations is no later than ninety days from the date of such deposit, “Defeasance Obligations” shall also include direct and general non-callable obligations of any federally sponsored enterprise, including the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Land Banks, Federal Home Loan Banks, Bank for Cooperatives, Tennessee Valley Authority, and any other similar institution. (Section 11.01)

The Financing Agreement

The Commission, the Cabinet, and the State Agency have entered into the Financing Agreement, which provides for (i) financing of the Project by issuance of the Notes by the Commission; and (ii) the

leasing of the Project from the Commission to the State Agency to provide revenues for amortization of the Notes. As required by the Act, the Cabinet is also a party to the Financing Agreement.

Term, Renewals, and Financing Payments. The Commission has agreed to provide financing for the Project to the State Agency, for an initial term ending June 30, 2024. The State Agency has the right to continue the Financing Agreement and have the Project for the annual period beginning on July 1, 2024 and ending on June 30, 2026, and for succeeding biennial periods (each such period, a “Renewal Term”). The State Agency is required to pay, as Financing Payments during the initial period ending on June 30, 2024, and for each Renewal Term, the Debt Servicing Obligation relating to the Notes so long as any Notes are Outstanding; provided that, the Debt Servicing Obligation is payable solely from FHWA Funds authorized to be expended for such purpose. The State Agency has the exclusive option to renew the Financing Agreement for successive ensuing Renewal Terms and the last Renewal Term shall end on the first June 30 of an even-numbered year occurring after there are no Notes outstanding under the Indenture. Each of the options to renew are deemed automatically exercised (and the Financing Agreement automatically renewed for the succeeding Renewal Term) unless a written notice of the State Agency’s election not to renew is delivered to the Commission before the close of business on the last business day in May, immediately preceding the beginning of such succeeding Renewal Term.

Additional Payments. The State Agency covenants and agrees to pay “Additional Payments” for the term of the Financing Agreement and for any Renewal Term during which Notes are outstanding, as follows:

- (1) To the Trustee, when due, all fees of the Trustee for services rendered, all fees and charges of any Paying Agent, Registrar, counsel, accountants, and others incurred in the performance on request of the Trustee of services for which the Trustee and such other persons are entitled to payment or reimbursement which are not paid as Financing Payments; and
- (2) To the Commission, upon demand, all reasonable expenses incurred by it in relation to the Project which are not otherwise specifically identified and required to be paid by the Commission under the terms of the Financing Agreement (Section 5.06)

Effect of the State Agency’s Election not to Renew. If the State Agency shall give written notice to the Commission of the State Agency’s election not to renew the Financing Agreement for any ensuing optional Renewal Term, before the automatic renewal, the State Agency is not obligated to pay Financing Payments or Additional Payments beyond the last day of the then current term, and the State Agency is required to forfeit all of its future options to renew and must peacefully surrender, to the Commission, possession of the Project on or before the last day of the then current term; provided, however, an election on the part of the State Agency not to renew for a future term does not in any manner alter or diminish any obligation of the State Agency for the then current term; and does not preclude subsequent reinstatement of the Financing Agreement for any future renewal term, if agreed to by the Commission, upon the same terms and conditions as would have been applicable if the Financing Agreement had been renewed according to its provisions, except that if any such reinstatement is sought when one or more installments of the Financing Payments or any Additional Payments for such Renewal Term are overdue and unpaid, it is a condition of such reinstatement that such overdue Financing Payments or Additional Payments be tendered. (Section 7.01)

State Agency to Comply with Memorandum of Agreement; Appropriations. The State Agency has covenanted and agreed that it will comply with the terms of the Memorandum of Agreement, the provisions of Title 23, the regulations promulgated thereunder and all other federal laws and regulations related thereto.

In addition, the State Agency has also covenanted and agreed that on each and every occasion when appropriations bills are prepared for introduction in the various successive Sessions of the General Assembly of the Commonwealth, the State Agency will cause to be included in the appropriations proposed to be made for the State Agency, sufficient amounts in the aggregate (over and above all other requirements

of the State Agency), but solely and only from the FHWA Funds, to enable the State Agency to pay Financing Payments and Additional Payments and thereby provide to the Commission moneys sufficient for the payment of the principal and interest of the Notes as they mature. (Article IX)

Additional Notes. The State Agency may request that the Commission issue Additional Notes. Except as described below for Refunding Notes, before any Additional Notes, other than the 2015 Notes, the 2023 Notes, and the 2024A Notes may be authenticated and delivered by the Commission, there shall be filed with the Commission a certificate of an Authorized Representative of the State Agency stating that the amount of FHWA Funds received during the most recently completed FFY was equal to at least 400% of the Maximum Annual Debt Service for all Notes Outstanding in the current and each future State Fiscal Year, including the Additional Notes proposed to be issued but, in the case of any Series of Additional Notes to be issued for refunding purposes, excluding the Note Payments on the Notes to be refunded.

For the purpose of determining the Maximum Annual Debt Service, variable rate Notes shall be deemed to bear interest at the maximum rate of interest applicable to such variable rate Notes; provided however that if such maximum rate of interest is less than the interest rate quoted in *The Bond Buyer 25 Revenue Bond Index* (the “Index Rate”) as published in *The Bond Buyer* for the last week of the month preceding the date of issuance of such variable rate Notes, then the interest rate on such variable rate Notes shall be deemed to be the Index Rate. If *The Bond Buyer 25 Revenue Bond Index* is no longer published, an index that is deemed to be substantially equivalent by nationally recognized bond counsel may be substituted therefore. Also for the purpose of determining the Maximum Annual Debt Service, any Note scheduled to be Outstanding during such period that is subject to tender at the option of the Holder shall be assumed to mature on the stated maturity date or mandatory sinking fund payment date thereof.

Purchasers of the 2024A Notes, for themselves and all subsequent owners of the 2024A Notes, by and through their purchases of the 2024A Notes will have consented and agreed to the amendment of the Indenture as reflected in the First Amendment. The First Amendment reduces the Additional Notes Test percentage from 400% to 300%, and becomes effective upon satisfaction of certain requirements under the Indenture, including the written consent of holders of not less than a majority of the Notes Outstanding, which majority consent is expected to be received upon the closing of the 2024A Notes.

The State Agency may not become obligated for the payment of any other borrowed money secured by the Pledged Receipts unless (i) such borrowed money constitutes Additional Notes or (ii) the certifications required in the first paragraph under this heading can be made as to the borrowed money to be paid by the State Agency and all Notes then Outstanding; provided that, the incurring of obligations with respect to borrowed money which is conditioned and restricted, shall be understood to mean borrowed money payable from the Pledged Receipts on a basis of parity and equality with Outstanding Notes, and shall not be construed to include other borrowed money, the security and source of payment of which are subordinate and subject to the priority of the Notes. The State Agency has reserved the right to become obligated for the payment of any other borrowed money that is secured by a pledge of the Pledged Receipts that is subordinate to the pledge created by the Master Indenture or any Series Indenture which does not rank on a basis of equality and parity with the Notes, but only if such subordinate obligation for the repayment of borrowed money is incurred in express recognition of the priorities, liens and rights created and existing for the security and source of payment and protection of the Notes.

In addition to Additional Notes described above, the State Agency may become obligated for the payment of Refunding Notes issued on a parity as to security with the Notes in order to refund any Notes then Outstanding under the Master Indenture so long as (i) Maximum Annual Debt Service is not increased as a result of issuing such Refunding Notes and the State Agency is in compliance with all of the provisions with reference to the payment of Financing Payments and Additional Payments under the Financing Agreement and (ii) no default exists under the Financing Agreement.

In addition to Additional Notes and Refunding Notes, the State Agency may become obligated for the payment of Construction Notes to the extent that capitalized interest and proceeds of the related Series

of Notes authorized by the Commission to pay the principal of, premium and interest on such Construction Notes will not be adequate for such purpose. (Article X)

Events of Default. Each of the following events constitutes an “event of default”:

(1) default in the due and punctual payment of any Financing Payments or Additional Payments; or

(2) default in the performance of any of the covenants, terms, and conditions of the Financing Agreement, and failure to remedy such default within thirty days after written receipt thereof if the default relates to matters other than the payment of Financing Payments or Additional Payments (but the State Agency will not be deemed to be in default if the State Agency commences to remedy said defaults other than related to payment of Financing Payments or Additional Payments within said thirty day period, and proceed to and do remedy said default with due diligence).

If an event of default occurs, the Commission, in addition to all other remedies conferred upon the Commission at law or in equity, may, by written notice to the State Agency, terminate the Financing Agreement. No termination of the Financing Agreement will deprive the Commission of any of its remedies or actions against the State Agency. (Section 11.01)

Provisions of the Financing Agreement Benefit of the Holders of the Notes. All of the provisions contained in the Financing Agreement, are made for the benefit of each of the holders of the Notes. Each and all of the holders of the Notes, and the Trustee on behalf of the holders of the Notes, have the rights of third party beneficiaries to enforce all of the provisions of the Financing Agreement; subject, however, to the provisions of the Indenture with respect to enforcement of rights. (Section 12.01)

Tax Covenant. To the full extent that it has the legal right to do so, the State Agency, the Cabinet and the Commission have agreed to all of the provisions of the Master Indenture authorizing the Notes; and the State Agency, the Cabinet and the Commission will not take any action nor omit to take any action which taking or omission would result in the exclusion of the receipt of interest on any of the 2024A Notes from the treatment afforded by Section 103(a) of the Code, and Section 122 of Title 23, to the extent the interest on such 2024A Notes is intended to be excludible from gross income for federal income tax purposes, under the terms of the Master Indenture or Bond Resolution.

Nothing has been done or will be done by either the Commission, the Cabinet or the State Agency which will cause the 2024A Notes to be private activity bonds within the meaning of Section 141 of the Code, including performance of any of the covenants contained herein, to the extent the interest on such 2024A Notes is intended to be excludible from gross income for federal income tax purposes, under the terms of the Master Indenture. (Section 13)

Amendment. The Financing Agreement may be amended or supplemented from time to time by a writing duly executed by the parties thereto; subject, however, to the condition that any such amendment or supplement will be consistent with the terms and conditions of the Master Indenture and not diminish the Financing Payments or Additional Payments payable under the provisions of the Financing Agreement for so long as any Notes are Outstanding. (Section 16.01)

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

In the opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel for the 2024A Notes, to be delivered at the time of original issuance and delivery of the 2024A Notes, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the 2024A Notes will be excludible from gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the

2024A Notes will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In addition, Bond Counsel is of the opinion that interest on the 2024A Notes is exempt from income taxation and that the 2024A Notes are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

The form of the opinion of Bond Counsel with respect to the 2024A Notes is set forth in “EXHIBIT B – Form of Bond Counsel Opinion” hereto.

Tax Treatment of the 2024A Notes

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of the interest on certain obligations, such as the 2024A Notes, from gross income for federal income tax purposes. The Commission and the Cabinet have covenanted to comply with certain restrictions designed to ensure that interest on the 2024A Notes will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in the interest on the 2024A Notes being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the 2024A Notes. 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 2024A Notes may adversely affect the tax status of the interest on the 2024A Notes.

Certain requirements and procedures contained or referred to in the 2024A Notes and any other relevant documents may be changed, and certain actions (including, without limitation, the defeasance of the 2024A Notes) 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 2024A Notes or the tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the 2024A Notes will be excludible from gross income for federal income tax purposes and that interest on the 2024A Notes is excludible from gross income for the Commonwealth’s income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the 2024A Notes may otherwise affect a Holder’s federal, state, or local tax liabilities. The nature and extent of these 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 its tax counsel with respect to the effects of purchasing, holding, or disposing of the 2024A Notes on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the 2024A Notes may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may 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 corporations subject to the alternative minimum tax imposed on corporations; 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 the 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 the 2024A Notes may also result in the limitation of interest and certain other deductions for financial institutions and certain taxpayers, under Section 265 of the Code. Finally, residence of the Holder of the 2024A Notes in a state other than the Commonwealth or being subject to tax in a state other than the Commonwealth 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 2024A Notes.

The Commission has not designated the 2024A Notes as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code.

Tax Treatment of Original Issue Discount

The 2024A Notes that have an original yield above their interest rate, as shown on the cover, are being sold at a discount (the “Discounted Obligations”). The difference between the initial public offering prices, as set forth on the cover page hereof, of the Discounted Obligations and their stated amounts to be paid at maturity, constitutes original issue discount treated as interest which is not includible in gross income for federal income tax purposes.

In the case of an owner of a Discounted Obligation, the amount of original issue discount which is treated as having accrued with respect to such Discounted Obligation or is otherwise required to be recognized in gross income is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale or payment at maturity). Any amounts received upon disposition of a Discounted Obligation that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Obligation, on days which are determined by reference to the maturity date of such Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Obligation the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If a Discounted Obligation is sold between semiannual compounding dates, the original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase such Discounted Obligations after the initial offering. Owners of Discounted Obligations including purchasers of the Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

Tax Treatment of Original Issue Premium

The 2024A Notes that have an original yield below their interest rate, as shown on the cover page hereof, are being sold at a premium (collectively, the “Premium Obligations”). An amount equal to the excess of the issue price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. An initial purchaser of such Premium Obligation must amortize any premium over such Premium Obligation’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Obligations callable before their maturity, by amortizing the premium to the call date, based upon the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser’s basis in such Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or a decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Obligation before its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of Premium Obligations should consult

with their own tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Premium Obligations.

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposes a new corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of “applicable corporations” as defined in Section 59(k) of the Code; generally corporations (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) having “average annual adjusted financial statement income” of more than [\$1,000,000,000] over any preceding period of three tax years (ending with a tax year that ends after December 31, 2021). The new corporate alternative minimum tax applies for tax years beginning after December 31, 2022. Interest on tax-exempt bonds, such as interest on the 2024A Notes, is included (a) in average annual adjusted financial statement income for the purpose of determining whether a corporation is an “applicable corporation” and (b) in the calculation of an applicable corporation’s “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on corporations, regardless of the issue date of such tax-exempt bonds.

INVESTMENT CONSIDERATIONS

Special and Limited Obligations. The Notes, including the 2024A Notes, are special obligations of the Commission, payable solely from a special fund created under the Master Indenture defined therein as the Note Payment Fund (the “Note Payment Fund”). Under the Master Indenture, payments received from the State Agency arising under the Financing Agreement are to be deposited into the Note Payment Fund. The Commission has neither pledged nor agreed to use any Commission revenues, taxes, or other moneys to repay the Notes other than federal transportation funds received from the State Agency. See “SECURITY FOR THE 2024A NOTES – General” herein.

General Economic Conditions. The Commonwealth relies on tax revenues and fees as the primary source of funds to operate state government and to pay its obligations. Regional and national economic shocks can disrupt the state economy and can have material adverse effects on the Commonwealth’s revenues, and its ability to pay its obligations including the 2024A Notes. Such disruptions, including commodity shocks, sudden business cycle changes, weather-related disruptions, abrupt changes in consumer confidence, inflation, and national geo-political crises are outside of the control of the Commission and the Commonwealth. See “THE COMMONWEALTH – Financial Information Regarding the Commonwealth” herein.

Factors Affecting Federal Transportation Aid.

The FAHP is primarily funded from revenues collected by the United States Treasury from certain federal taxes on gasoline, tire sales and other items, which taxes are deposited into the FHTF. Amounts in the FHTF can be affected by the rate of expenditure of money in the fund, as well as a number of revenue-impacting factors. Because the primary sources of funds are federal excise taxes on motor fuels, any trends reflecting per capita declines in total vehicle miles traveled, including those in conjunction with the increasing fuel efficiency of automobiles and trucks and increasing sales of electric vehicles, will result in the FHTF receiving less revenue from gasoline and diesel sales. Recently, there have been proposals introduced in Congress to suspend the collection of the federal tax on gasoline to mitigate the impacts of increasing fuel prices. As proposed, the legislation would have offset the estimated losses in the gas tax revenues to be deposited in the FHTF as a result of the suspension with additional federal General Fund transfers. Although Congress has taken legislative action in the past to address projected shortfalls, including in the IJA to authorize certain transfers from the federal General Fund to support the program, there can be no assurance that such actions will be sufficient to ensure federal funding to eliminate the projected deficits.

The FAHP must be periodically reauthorized by Congress, and has historically been authorized under multi-year authorizing legislation. The most recent legislation, the IJA enacted in November 2021, reauthorizes the FAHP through September 30, 2026, and makes available certain funding from the FHTF and advanced appropriations from the federal General Fund for such program. However, even when there is in existence authorizing legislation, the amount and availability of Federal Transportation Funds is dependent on a number of factors. Future changes in law, regulation, policy, or declines in revenues to the FHTF may adversely affect the availability of Federal Transportation Funds to pay debt service on the 2024A Notes.

Amounts in the FHTF can be affected by the rate of expenditure of money in the Fund as well as a number of revenue-impacting factors. Vehicle miles travelled had been on the decline every year between 2007 and 2011 and thereafter had been rising every year between 2011 through 2019. There was a downturn in vehicle miles traveled in 2020 with the onset of COVID-19, followed by a rebound of vehicle miles travelled such that in 2021 they almost reached 2019 levels. In response to shortfalls predicted by the CBO as well as other governmental entities, Congress transferred from the federal General Fund to the FHTF in Federal Fiscal Years 2013-2016 and 2021, an aggregate total of approximately \$91.9 billion, of which approximately \$13 billion was provided to the Mass Transit Account within the FHTF. The IJA provided an additional \$118 billion in federal General Fund transfers to the FHTF to support the programs over the five-year life of the IJA. Intragovernmental transfers have also been authorized from the Leaking Underground Storage Tank Trust Fund. The CBO assumes that spending from the FHTF will continue to be controlled by limitations on obligations set in appropriation acts.

Although Congress has taken legislative action in the past to address projected shortfalls in the FHTF, including the most recent IJA, there can be no assurance that additional legislative action will be taken by Congress to address future shortfalls or that any such action taken will be sufficient to ensure federal funding will be sufficient for the FAHP and will be available as needed. It is possible that, without further legislative action, the long-term viability of the FHTF could be adversely impacted, thereby jeopardizing the availability of Federal Transportation Funds to pay debt service on the 2024A Notes.

Federal Policy Risk — In General. Federal policies on trade, immigration, and other topics can shift dramatically from one administration to another. From time to time, such shifts can result in reductions to the State's level of federal funding for a variety of social services, health care, public safety, transportation, public health, and other federally funded programs. There can be no prediction of future changes in federal policy or the potential impact on any related federal funding that the Commonwealth may or may not receive in the future.

Sequestration. The sequestration provisions of the Budget Control Act of 2011 ("Sequestration") have been in effect since 2013. Sequestration requires certain set reductions in federal government spending to eliminate breaches in the federal budget in a given year. Since Sequestration began, rates have ranged from 8.7% in the Federal Fiscal Year ended September 30, 2013 to 5.7% in the Federal Fiscal Year 2021. Sequestration is currently scheduled to continue at a rate of 5.7% through Federal Fiscal Year 2030. Under Title 23, revenues deposited into the FHTF carry "mandatory budget authority" in the form of federal contract authority. Federal contract authority exempts FHTF revenues subject to obligation limitation from reduction; therefore the dedicated tax revenues deposited into the FHTF are not subject to Sequestration. However, federal contract authority not subject to obligation limitation is subject to Sequestration. Any future transfers from the federal General Fund to the FHTF may be subject to applicable sequestration reduction, lowering the balance in the FHTF. The State Agency does not believe that such reduction will materially affect the amount of funding provided to it under the FAHP.

U.S. Treasury Offset Program. The U.S. Treasury Offset Program ("TOP") is administered under the Debt Collection Improvement Act of 1996 and the regulations related thereto. The TOP allows federal

agency payments to be offset by delinquent debts owed to the United States or another state by, among others, a state or local government (including the Commission). This administrative offset under the TOP is precluded only when another law specifically prohibits the offset. While transportation funds are rarely affected by offsets, it is possible for the payment of Pledged Revenues to the State Agency to be intercepted by the U.S. Treasury under TOP to satisfy a delinquent debt of the Commission or the State Agency incurred on another federal program. In the last five years, no payments from the FHWA to the State Agency have been delayed or withheld as a result of TOP. No assurances can be given on whether future payments to the State Agency will be delayed or withheld as a result of TOP. Any such delay or withholding could affect the future availability of payments received from the State Agency arising under the Financing Agreement that are to be deposited into the Note Payment Fund to pay the debt service on the Notes, including the 2024A Notes.

Rescission of Unobligated Balances. Since late 2005, Congress has taken separate actions to reduce unobligated balances of previously authorized funds by issuing rescissions thereof, the most recent of which occurred on June 2, 2023. Further rescissions may have a more adverse effect on the State Agency and its highway program. A planned rescission of \$7.569 billion that was scheduled to occur on July 1, 2020 was repealed by legislation enacted in November 2019. Although rescissions could be large enough to impact Obligation Authority, to date they have not.

Compliance with Memorandum of Agreement; Completion of Projects on Schedule and on Budget. The receipt of Pledged Federal Direct GARVEE Payments and Pledged Federal Reimbursement Payments presumes compliance with FHWA procedures. Under the Memorandum of Agreement, either the State Agency or the FHWA may revoke the agreement upon 30 days advance notice. Any such revocation would likely adversely affect the Commission's ability to pay the 2024A Notes.

Appropriation Risk. There is no assurance that the available FHWA Funds will be appropriated in future legislative sessions or that the Governor, in the performance of his or her obligation to balance the Commonwealth's budget, will not reduce or eliminate such appropriations.

Default Remedies. The Indenture does not provide for acceleration of the 2024A Notes if an Event of Default occurs. The rights of the holders of the 2024A Notes and the enforceability of the 2024A Notes may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the Commission of its governmental powers under the Home Rule Act and by the exercise by the United States of the powers delegated to it by the Constitution of the United States. See "INVESTMENT CONSIDERATIONS – Enforceability of Remedies" and "APPROVAL OF LEGALITY" herein and "EXHIBIT B – Form of Opinion of Bond Counsel" hereto.

No Acceleration or Early Redemption Loss of Tax Exemption. The 2024A Notes are not subject to immediate acceleration or redemption, and the rates of interest on the 2024A Notes are not subject to retroactive adjustment, by reason of the interest on the 2024A Notes being included in gross income for purposes of federal income taxation.

As discussed under "CERTAIN FEDERAL INCOME TAX CONSEQUENCES" herein, interest on the 2024A Notes could be, or become, includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2024A Notes as a result of a failure of the Commission to comply with certain provisions of the Code, the regulations promulgated thereunder by the U.S. Treasury, and certain other guidance issued by the IRS and courts. See "CERTAIN FEDERAL INCOME TAX CONSEQUENCES" herein.

Enforceability of Remedies. The remedies available to the Trustee and the holders of the 2024A Notes upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2024A Notes will be qualified as to the

enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally. See “APPROVAL OF LEGALITY” herein and “EXHIBIT B – Form of Opinion of Bond Counsel” hereto.

Cybersecurity. The COT reports to the Kentucky General Assembly annually on cybersecurity breaches. The Commonwealth has not suffered a material loss related to a security breach in the past five years.

The Commonwealth has in place a security program that leverages the National Institute of Standards and Technology (“NIST”) risk management framework. As a state entity, the Commonwealth is subject to multiple regulatory standards including the IRS, SSA, HIPAA, HITECH, and MARS-E. In 2013, the Commonwealth elected to align to the NIST 800-53 risk management framework as this framework is the foundation of all applicable compliance standards. NIST Special Publication 800-53 is a set of recommended security and privacy controls for federal information systems and organizations to help meet the Federal Information Security Management Act requirements. To ensure ongoing compliance with the NIST framework, and subsequently all regulatory standards, the Commonwealth leverages independent third-party assessments to measure the effectiveness of the established policies, processes, and technical controls.

The Commonwealth ensures compliance with regulatory requirements and prevents future cybersecurity incidents through the implementation and maintenance of a cybersecurity program, including, but not limited to, the following:

Managerial and Operational Controls. The Commonwealth has in place a comprehensive policy structure that addresses all NIST 800-53 moderate controls. These policies are reviewed annually and measured for effectiveness through independent third-party assessment.

Enterprise Risk Management. The Commonwealth has in place a risk management strategy where risks are measured and tracked. Risks are gathered through agency level reports, internal and external audits, active vulnerability scanning, penetration testing, and various external data feeds regarding current and emerging threats. Mitigation activities are tracked through an established plan of action and milestones. Additionally, since 2017, the Commonwealth has had a cyber-liability insurance policy in place, which has not had a submitted claim.

Defense in Depth Security Architecture. The Commonwealth has in place a layered security architecture that employs state of the art next generation firewalls, intrusion prevention and detection systems, endpoint detection and response capabilities, and malicious code prevention. All security architecture, endpoint, directory, remote access, and critical infrastructure logs are stored in a comprehensive Security Incident and Event Management (“SIEM”) system for analysis. These defensive technologies and the SIEM system are monitored by Commonwealth security staff, and partnerships with the Multistate Information and Sharing Analysis Center and the Center for Internet Security Agency. The Commonwealth entered into an agreement for third party monitoring and threat hunting services which became effective in the third quarter of 2023. Fully vetted and tested incident response plans are in place to address any anomalies detected. Incident response plans are exercised annually at a minimum. Multifactor authentication is used where possible to protect external access. Privileged account management practices protect elevated access. Business continuity and recovery technologies and processes are in place to recover business operations and are tested annually. Backups are maintained in multiple locations and isolated from threats.

Forward-Looking Statements. Certain disclosures in this Official Statement are “forward-looking statements.” Forward-looking statements include all statements that do not relate solely to historical or current fact, and can be identified by the use of words like “may,” “believe,” “will,” “expect,” “project,” “estimate,” “anticipate,” “plan,” or “continue.” These forward-looking statements are based on the current plans and expectations of the Commonwealth and are subject to a number of known and unknown uncertainties and

risks, many of which are beyond its control, that could significantly affect current plans and expectations and the Commonwealth's future financial position, including, but not limited to, changes in general economic conditions, demographic trends, and federal programs which may affect the transfer of funds from the federal government to the Commonwealth. As a consequence, current plans, anticipated actions, and future financial positions may differ from those expressed in any forward-looking statements made by the Commonwealth herein. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Official Statement.

Ratings of 2024A Notes. See "RATINGS" herein for information about the ratings assigned by rating agencies. There is no assurance that such ratings will be maintained for any given period of time or that any rating will not be lowered or withdrawn entirely. Any revision, modification, or withdrawal of any such ratings could have a material adverse effect on the availability of a market for the 2024A Notes or the prices at which the 2024A Notes may be resold.

Market Liquidity. The 2024A Notes constitute a new issue without an established trading market. Although the Underwriters have informed the Commission that the Underwriters currently intend to make a market for the 2024A Notes, the Underwriters are not obligated to do so, and they may discontinue any such market-making at any time without prior notice. No assurance can be given as to the development or liquidity of any market for the 2024A Notes. If an active public market is not maintained, the market price and liquidity of the 2024A Notes may be adversely affected.

IRS Bond Examinations. The tax-exempt bond office of the Internal Revenue Service (the "Service") is conducting audits of tax-exempt obligations, including both compliance checks and full audits, with increasing frequency to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether the Service will commence any such audit of the Commission. If an audit is commenced, under current procedures, the Service may treat the Commission as a taxpayer and the holders of the 2024A Notes may have no right to participate in such proceeding. The commencement of an audit with respect to any tax-exempt obligations of the Commission could adversely affect the market value and liquidity of the 2024A Notes, regardless of the ultimate outcome.

LITIGATION

There is no controversy or litigation of any nature, now pending or threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2024A Notes, or in any way contesting or affecting the validity of the 2024A Notes or any proceedings of the Commission taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the 2024A Notes or due existence or powers of the Commission.

APPROVAL OF LEGALITY

Certain legal matters incident to the authorization, issuance, sale and delivery of the 2024A Notes are subject to the unqualified approving opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel for the 2024A Notes. Certain legal matters will be passed upon for the Underwriters by Stites & Harbison PLLC, Louisville, Kentucky.

RATING

The following rating agency (the "Rating Agency") has assigned the 2024A Notes the following rating: S&P Global Ratings - "AA" with a Stable Outlook. The rating reflects only the views of the Rating Agency. Explanations of the significance of the rating may be obtained from the Rating Agency as follows: S&P Global Ratings at 55 Water Street, New York, New York 10041, (212) 438-2124. A rating is a not recommendation to buy, sell, or hold the 2024A Notes, and there is no assurance that any rating will be maintained for any given period of time by a Rating Agency or that it will not be revised or withdrawn

entirely by such Rating Agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of a rating may have an adverse effect on the market price of the 2024A Notes.

CONTINUING DISCLOSURE

The Commission will comply with the requirements of the Securities and Exchange Commission regarding secondary market disclosure as set forth in Securities and Exchange Commission Rule 15c2-12 (the “Rule”), as amended, promulgated under the Securities Exchange Act of 1934. Specifically, the Commission will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), a form of which is attached hereto as EXHIBIT D, in which the Commission will covenant to provide notice, in a timely manner, not later than ten business days after the occurrence of the event, to the Municipal Securities Rulemaking Board (the “MSRB”), and the appropriate state information depository, if any, regarding any of the types of events with respect to the 2024A Notes set forth in the form of the Continuing Disclosure Agreement attached hereto. The Commonwealth is providing ongoing market disclosure, as required by the Rule, in accordance with the agreements entered into in connection with other outstanding securities, including timely notices of changes in the Commission’s underlying ratings affecting its outstanding securities.

In addition, ongoing financial disclosure regarding the Commonwealth will be available through the filing, within nine months of the end of each fiscal year, commencing with the fiscal year ending June 30, 2024, by the Commonwealth of two documents entitled The Kentucky Annual Comprehensive Financial Report and Supplementary Information to the Kentucky Annual Comprehensive Financial Report (or any successor reports) with EMMA, as required under the Rule, and in accordance with the Continuing Disclosure Agreement.

The Commonwealth and the Commission learned that in some instances prior Notices of Material Events posted to EMMA failed to include all affected CUSIPs regarding rating changes on certain securities issued by the Commonwealth and certain of its agencies, including the Commission. On April 21, 2020 the Commission filed a Notice of Material Event: Notice of Late Filing and a Notice of Material Event: Notice of Rating Downgrade and Late Filing on EMMA regarding the matter described in the previous sentence and listing the affected securities. On August 4, 2021, the Commission, among other Commonwealth issuers, posted a Notice of Material Event regarding a Notice of Incurrence of a Financial Obligation in order to include all affected CUSIPs, that originally was timely posted on June 4, 2021, but not to all affected CUSIPs including those of the Commission.

The Commonwealth and the Commission have taken necessary actions to assure full compliance with the Rule with respect to such events. Additionally, the Commonwealth and the Commission have modified their respective procedures put in place to assure that future material event notices would be timely filed with respect to such events.

UNDERWRITING

The 2024A Notes 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 “Manager”) (the Manager and any other syndicate members collectively, the “Underwriters”). The Underwriters have agreed, subject to certain conditions, to purchase the 2024A Notes at an aggregate purchase price of \$_____ (which is equal to the principal amount of the 2024A Notes plus net original issuance premium of \$_____ less underwriting discount of \$_____). The Underwriters will be obligated to purchase all 2024A Notes if any are purchased. The Underwriters have advised the Commission that they intend to make a public offering of the 2024A Notes at the initial public offering prices set forth on the 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 2024A Notes.

EXHIBIT 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 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, the Kentucky Asset/Liability Commission, the Turnpike Authority of Kentucky, and the Kentucky Local Correctional Facilities Construction Authority, the State Investment Commission, and the Kentucky Private Activity Bond Allocation Committee.

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 lease revenue obligation of one of its debt issuing agencies created by the 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 before the issuance of general obligation bonds in amounts exceeding \$500,000. The Commonwealth 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 upon 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 state. This type of indebtedness is a special and limited 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.

[Continued on the following page]

**TABLE I
ACTIVE DEBT ISSUING ENTITIES**

ENTITY	STATUTORY AUTHORITY/PURPOSE	DEBT LIMITATIONS	RATINGS ¹
State Property and Buildings Commission (“SPBC”)	KRS 56.450 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/AA-/A+
Kentucky Asset/Liability Commission (“ALCo”)	KRS 56.860 Provide financing of capital projects and cash flow borrowings to meet working capital needs of the Commonwealth.	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 (“TAK”)	KRS 175.410-175.990 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/AA-/AA-
The State Universities (consisting of nine)	KRS 56.495 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 (“KHC”)	KRS 198A Make low interest mortgage loans and construction loans to increase the supply of housing for low to moderate income residents of the Commonwealth.	Limited to \$5.0 billion of debt outstanding.	Aaa/AAA/NR/NR
Kentucky Infrastructure Authority (“KIA”)	KRS 224A 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 (“KHESLC”)	KRS 164A Finances, makes and administers loans to fund and refinance costs to attend education institutions as permitted by the Commonwealth.	Limited to \$5.0 billion of debt outstanding.	Varies
School Facilities Construction Commission (“SFCC”)	KRS 157.611-157.665 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 (“KEDFA”)	KRS 154 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 Commonwealth.	None.	Varies
Kentucky Public Transportation Infrastructure Authority (“KPTIA”)	KRS 175B.005-175B.115 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

¹ As of May 1, 2024. 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. The above table is exclusive of any rating associated with any bond insurance policy associated with any entity identified above or a bond or other obligation issued or incurred by any such entity.

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 May 11, 2023, Fitch Ratings upgraded the Commonwealth issuer credit rating to “AA” from “AA-” and its rating on the Commonwealth’s appropriation debt to “AA-” from “A+”. At the same time, Fitch raised its rating on debt backed by the Commonwealth state intercept programs for schools and universities to “AA-” from “A+”.
- On June 29, 2023, S&P upgraded the Commonwealth’s issuer credit rating to “A+” from “A” and its rating on the Commonwealth’s appropriation-backed debt to “A” from “A-”. At the same time, S&P upgraded its rating on the Commonwealth’s appropriation-backed lease debt from the Administrative Office of the Courts to “A-” from “BBB+” and its long-term rating on certain issues linked to the state intercept programs for schools and universities to “A” from “A-”.

Turnpike Authority of Kentucky

- On August 23, 2021, Kroll assigned a rating of “AA-” to the Turnpike Authority of Kentucky. The outlook is stable.
- On May 11, 2023, Fitch Ratings upgraded the Turnpike Authority of Kentucky’s Road Fund appropriation-supported obligations to “AA-” from “A+”.
- On June 28, 2023, S&P upgraded the Turnpike Authority of Kentucky’s Road Fund appropriation-supported obligations to “A” from “A-”.

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.

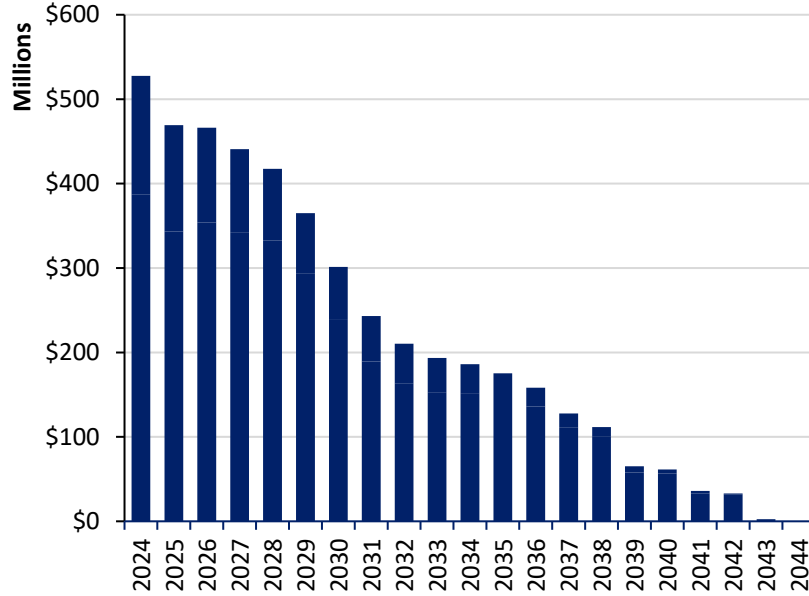
Kentucky Asset/Liability Commission – GARVEEs

- On May 11, 2023, Fitch upgraded certain GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund to “AA-” from “A+”.

Kentucky Public Transportation Infrastructure Authority

- On April 17, 2024, 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”.

TABLE II
COMMONWEALTH OF KENTUCKY
GENERAL FUND SUPPORTED DEBT SERVICE*



* Includes the Commission, ALCo, and SFCC debt supported by the General Fund as of June 30, 2023. Debt service is “net” of any capitalized interest or Build America Bonds subsidy. Excludes any bonds supported by the Agency Fund or Road Fund issued by the foregoing entities, P3s (as defined herein), COPs (as defined herein), or the Administrative Office of the Courts.

EXHIBIT B
FORM OF BOND COUNSEL OPINION FOR 2024A NOTES

The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the 2024A Notes referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

[Date of Delivery]

Commonwealth of Kentucky
Kentucky Asset/Liability Commission
Frankfort, Kentucky

Re: \$107,440,000* Commonwealth of Kentucky Asset/Liability Commission Project Notes,
2024 Federal Highway Trust Fund First Refunding Series A, dated June 4, 2024

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Kentucky Asset/Liability Commission (the “Commission”) of its \$107,440,000* Project Notes, 2024 Federal Highway Trust Fund First Refunding Series A (the “2024A Notes”). The 2024A Notes are issuable as fully registered 2024A Notes without coupons dated as of their date of delivery in the denomination of \$5,000 or any integral multiple thereof, bearing interest, payable semiannually on each March 1 and September 1, commencing on September 1, 2024, at the rates per annum set forth in the schedule below, and maturing on the dates and in the principal amounts as follows:

2024 Federal Highway Trust Fund First Refunding Series A

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2024		
2025		
2026		

The 2024A Notes are not subject to optional redemption before maturity.

The 2024A Notes are being issued by the Commission under and by virtue of (i) the Constitution and laws of the Commonwealth of Kentucky (the “Commonwealth”), including, particularly, Sections 56.860 et seq. of the Kentucky Revised Statutes, as amended (the “Act”); (ii) a resolution adopted by the Commission on March 14, 2024 (the “Resolution”); and (iii) a Master Trust Indenture dated as of May 1, 2005, as amended and supplemented by (a) a Series Trust Indenture, 2007 First Series, dated as of September 1, 2007; (b) a Series Trust Indenture, 2010 First Series, dated as of March 1, 2010; (c) a Series Trust Indenture, 2013 First Series, dated as of August 1, 2013; (d) a Series Trust Indenture, 2014 First Series, dated as of March 1, 2014; (e) a Series Trust Indenture, 2015 First Series, dated as of October 1, 2015; (f) a Series Trust Indenture, 2020 First Series, dated as of December 1, 2020; (g) a Series Trust Indenture, 2023 First Series A, dated as of June 1, 2023; and (h) a Series Trust Indenture, 2024 First

* Preliminary, subject to change.

Series A, dated as of May 1, 2024 (collectively, the “Indenture”), each by and between the Commission and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder (the “Trustee”).

The Commission has covenanted in the Indenture to at all times do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the 2024A Notes shall, for purposes of federal income taxation, be excludable from the gross income of the recipient.

We have examined (a) the laws of the Commonwealth of Kentucky, (b) the Act, (c) a certified copy of the Indenture, (d) an executed counterpart of the Financing/Lease Agreement dated as of May 1, 2005, as amended and supplemented by (i) the First Supplement to Financing/Lease Agreement, dated as of September 1, 2007, (ii) the Second Supplement to Financing/Lease Agreement dated as of March 1, 2010, (iii) the Third Supplement to Financing/Lease Agreement dated as of August 1, 2013, (iv) the Fourth Supplement to Financing/Lease Agreement dated as of March 1, 2014, (v) the Fifth Supplement to Financing/Lease Agreement dated as of October 1, 2015, (vi) the Sixth Supplement to Financing/Lease Agreement dated as of December 1, 2020, (vii) the Seventh Supplement to Financing/Lease Agreement dated as of June 1, 2023, and (viii) the Eighth Supplement to Financing/Lease Agreement dated as of May 1, 2024 (as so amended and supplemented, the “Financing Agreement”), each by and among the Commission, the Finance and Administration Cabinet of the Commonwealth of Kentucky (the “Cabinet”), and the Transportation Cabinet (the “State Agency”), (e) an executed counterpart of the Memorandum of Instructions Regarding Use of Proceeds and Arbitrage Compliance dated June 4, 2024, as amended, of the Commission, (f) certified copies of proceedings of the Commission authorizing the issuance of the 2024A Notes, (g) a copy of an executed 2024A Note, (h) the Memorandum of Agreement effective as of April 2005, as amended and supplemented (the “Memorandum of Agreement”), by and between the State Agency and the Federal Highway Administration and acknowledged by the Cabinet and the Commission, and (i) such other documents, records, certificates, and opinions as we have deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The Indenture and the Resolution have been duly authorized, executed, and delivered by the Commission and constitute valid and binding obligations of the Commission enforceable in accordance with their respective terms.

2. The Financing Agreement has been duly authorized, executed, and delivered by the Cabinet and the Commission and constitutes the valid and binding obligation of the Cabinet and the Commission, as applicable, enforceable in accordance with its terms.

3. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the 2024A Notes is excludible from gross income for federal income tax purposes, under the Internal Revenue Code of 1986, as amended (the “Code”). Further, interest on the 2024A Notes will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, for purposes of the federal alternative minimum tax imposed on individuals. 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 or state tax consequences of purchasing, holding, or disposing of the 2024A Notes.

4. The 2024A Notes are payable as to principal, premium, if any, and interest from, and are secured by a pledge of and a first lien on, the Pledged Receipts, as defined in the Indenture. The 2024A Notes do not pledge the general credit or taxing power, if any, of the Commonwealth, the Commission, the Cabinet, or any other agency or political subdivision of the Commonwealth.

5. The 2024A Notes are not secured by a pledge of or lien on the properties constituting the Project but are payable as to principal and interest solely and only from and are secured by the Pledged Receipts. The ability of the State Agency to make payments under the Financing Agreement is dependent upon legislative appropriations to the State Agency, which has leased the Project for a current term ending on June 30, 2024, with the right to renew for the biannual period beginning on July 1, 2024 and ending on June 30, 2026, and thereafter additional successive terms of two years each until the 2024A Notes and interest thereon have been paid and discharged.

6. The interest on the 2024A Notes is not subject to taxation by the Commonwealth of Kentucky, and the 2024A Notes are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The obligations of the Commission and the Cabinet, and the enforceability thereof, with respect to the 2024A Notes and the other documents described above are subject, in part, to the provisions of the bankruptcy laws of the United States of America and to other applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally, now or hereafter in effect. Certain of such obligations, and enforcement thereof, are also subject to general equity principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents.

This opinion is based upon existing law as of the date of issuance and delivery of the 2024A Notes and we express no opinion as of any date subsequent thereto. We express no opinion as to the title to, or the sufficiency in the Indenture or otherwise of the description of, the Project, or the priority of any liens, charges or encumbrances on the Project.

Very truly yours,

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EXHIBIT C

BOOK-ENTRY ONLY SYSTEM

The 2024A Notes 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 system is used, only DTC will receive or have the right to receive physical delivery of 2024A Notes and, except as otherwise provided herein with respect to tenders by Beneficial Owners (as hereinafter defined) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the 2024A Notes under the Resolution.

The following information about the book-entry only system applicable to the 2024A Notes has been supplied by DTC. Neither the Commission nor the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the 2024A Notes. The Securities 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 Note certificate will be issued for each maturity of the 2024A Notes, in the aggregate principal amount of the 2024A Notes and will be deposited with DTC.

DTC, the world’s securities largest 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 under the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non U.S. equity, 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 for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation. 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 Standard & Poor’s highest 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.

Purchases of 2024A Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024A Notes on DTC’s records. The ownership interest of each actual purchaser of each 2024A Note (“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 ownership interests in the 2024A Notes 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 ownership interests in 2024A Notes, except if use of the book-entry system for the 2024A Notes is discontinued.

To facilitate subsequent transfers, all 2024A Notes 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 2024A Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024A Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024A Notes 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 2024A Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2024A Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the 2024A Notes 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 shall be sent to DTC. If less than all of the 2024A Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2024A Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission 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 2024A Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the 2024A Notes 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 Commission or the Trustee, on the 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 bonds 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 or its nominee, the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, 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 Commission 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 2024A Notes at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, if a successor depository is not obtained, 2024A Note certificates are required to be printed and delivered.

The Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2024A Note certificates will be printed and delivered.

NEITHER THE COMMISSION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE NOTES; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2024A NOTES; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT UPON ANY PARTIAL REDEMPTION OF THE NOTES; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the 2024A Notes, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption or other communications to or by DTC, which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the 2024A Notes.

The Commission cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the 2024A Notes made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

The information in this EXHIBIT C concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but neither the Commission nor the underwriter take any responsibility for the accuracy thereof.

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EXHIBIT D
FORM OF CONTINUING DISCLOSURE AGREEMENT

KENTUCKY ASSET/LIABILITY COMMISSION
PROJECT NOTES, 2024 FEDERAL HIGHWAY TRUST FUND FIRST REFUNDING SERIES A
CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of June 1, 2024 by and between the Kentucky Asset/Liability Commission (the “Issuer”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) under a Master Trust Indenture dated as of May 1, 2005 and a related Series Trust Indenture dated as of May 1, 2024, each by and between the Issuer and the Trustee (together, the “Indenture”), is executed and delivered in connection with the issuance of \$107,440,000* aggregate principal amount of the Issuer’s Project Notes, 2024 Federal Highway Trust Fund First Refunding Series A (the “Notes”), which are being issued under the Indenture. Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I

THE UNDERTAKING

SECTION 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Notes, 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 Issuer shall provide, or shall cause to be provided, Annual Financial Information with respect to each fiscal year of the Commonwealth of Kentucky (the “Commonwealth”), commencing with the fiscal year ending June 30, 2024, by no later than 9 months after the end of the respective fiscal year, but in any event shall provide Audited Financial Statements no later than 15 business days after the final publication date of such Audited Financial Statements, to the MSRB.

(b) The Issuer shall provide or shall cause to be provided, 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 Issuer 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 Issuer shall provide Audited Financial Statements of the Commonwealth, when and if available, to the MSRB.

SECTION 1.4. Notices of Material Events. (a) If a Material Event occurs, the Issuer shall provide, or cause to be provided, in a timely manner not in excess of 10 business days after the occurrence of the event, a Material Event Notice to (i) the MSRB and (ii) the Trustee.

(b) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide a Material Event Notice hereunder; provided, however, that the failure

* Preliminary, subject to change.

of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Indenture.

SECTION 1.5. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, 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 Issuer under such laws.

ARTICLE II

OPERATING RULES

SECTION 2.1. References to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer 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. Event Notices. Each Event Notice shall be so captioned and shall prominently state the title, date, and CUSIP numbers of the Notes.

SECTION 2.4. Transmission of Information and Notices.

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 Appendix A hereto.

ARTICLE III

TERMINATION, AMENDMENT AND ENFORCEMENT

SECTION 3.1. Termination.

(a) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance under Section 11.01 of the Indenture, prior redemption, or payment in full of all of the Notes.

(b) This Agreement, or any provision hereof, shall be null and void if the Issuer 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 Issuer 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 Notes, 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 Notes, (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 Issuer 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 Issuer 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 selected by the Issuer, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer 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 selected by the Issuer, addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the beneficial owners of the Notes, or (ii) the holders of the Notes consent to the amendment to this Agreement under the same procedures as are required for amendments to the Indenture with consent of holders of Notes under the Indenture as in effect on the date of this Agreement, and (5) the Issuer shall have delivered copies of such opinion and amendment to the MSRB and the Trustee. The Trustee shall not be required to sign any amendment to this Agreement which adversely affects its rights or duties hereunder.

(b) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided under 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 registered holders from time to time of the Notes, except that beneficial owners of Notes 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 Issuer 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 Notes, or by the Trustee on behalf of the registered holders of Outstanding Notes, 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 registered holders of Outstanding Notes, provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the registered holders of not less than 25% in aggregate principal amount of the Notes at the time Outstanding who shall have provided the Trustee with adequate security and indemnity reasonably satisfactory to it. The registered 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 Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Notes under subsection (a) of this Section, beneficial owners shall be deemed to be registered holders of Notes for purposes of this subsection (b) unless and until the respective holder exercises any rights under this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform under this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture 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 under 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 IV 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 Annual Comprehensive Financial Report and Supplementary Information to the Annual Comprehensive 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.

“Financial Obligation” shall mean (a) a debt obligation, (b) a 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) a guarantee of either (a) or (b). The term Financial Obligation shall 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.

“Material Event” means any of the following events with respect to the Notes, whether relating to the Issuer 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 security, or other material events affecting the tax-exempt status of the security;

(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 Notes will be redeemed in the case of a partial redemption, provided notice of the redemption is given to the Noteholders 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, if material;

(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 under its terms, if material; and

(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 issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the issuer, 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.

With respect to (xv) and (xvi) above, the Rule defines “financial obligation” as 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.

A Material Event shall also include a failure (of which the Issuer has knowledge) of the Issuer 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 Section 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 Notes.

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

“Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CRF Part 240, Section 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.

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

ARTICLE V

MISCELLANEOUS

SECTION 5.1. Duties, Immunities and Liabilities of Trustee. Article X 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.

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.

KENTUCKY ASSET/LIABILITY COMMISSION

By: _____
Chair

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

By: _____

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 under 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.

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EXHIBIT E
SUMMARY OF PRIOR NOTES

REFUNDED NOTES*

The outstanding Kentucky Asset/Liability Commission Project Notes, 2014 Federal Highway Trust Fund First Series A mature in the amounts and bear interest at the rates set forth below:

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>
September 1, 2024	\$6,765,000	3.250%
September 1, 2024	\$18,240,000	5.000%
September 1, 2025	\$5,800,000	3.500%
September 1, 2025	\$20,330,000	5.000%
September 1, 2026	\$6,780,000	3.750%
September 1, 2026	\$50,435,000	5.000%

* Preliminary, subject to change.

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ASSET/LIABILITY
COMMISSION