



February 5, 2009

Mr. Michael Johnston
President
Kansas Turnpike Authority
9401 E Kellogg
Wichita, Kansas 67207

Dear Michael:

In light of recent legislative proposals, you requested we assess the cost of defeasing the Authority's outstanding bonds. As described below, under current market conditions defeasance of the Authority's \$224,170,000 of outstanding bonds would cost approximately \$255,900,000. The \$31,730,000 difference is due to the low investment rates available in today's market compared to the interest rates on the Authority's outstanding bonds.

Defeasance sets aside money and investments to pay principal and interest to the holders of outstanding bonds. In effect the Authority, or another governmental body replacing the Authority, would make a cash deposit to a bank trustee today that, together with interest earned on the investment of those funds, would be sufficient to pay all the principal and interest due on the Authority's bonds until their maturity or the first date on which the bonds can be prepaid.

Funding a defeasance escrow is inefficient in today's markets due to the historically low yields available on the U.S. government securities eligible for deposit in the escrow. The overall rate paid by the Authority on its bond portfolio is significantly higher than the investment yield on the escrow securities, which causes the escrow to cost more than the face amount of the bonds outstanding.

As noted above, the required deposit to the defeasance escrow would be \$255.9 million. The Authority could use its \$5.9 million in reserve fund balances on hand to reduce the required deposit to the escrow at closing of the transaction. This would result in a net cost of defeasance of approximately \$250 million.

We would be happy to run any bond refunding scenarios you would like to see. If you have any questions in the meantime, please let me know.

Sincerely,
COLUMBIA CAPITAL MANAGEMENT, LLC

Dennis Lloyd
Managing Director