

**RESOLUTION OF JACKSON PURCHASE BOARD OF DIRECTORS**

**AUGUST 27, 2019**

WHEREAS, the Board of Directors of Jackson Purchase Energy Corporation ("JPEC") met at a Special Meeting pursuant to notice provided in accordance with the Jackson Purchase Energy Corporation Bylaws, to receive additional presentations from JPEC staff and consultants and hold further discussions regarding the approval to proceed with the design, construction and repurposing of an existing 79,000 square foot multi-purpose sports building into a new headquarters facility on approximately 40 acres of property presently owned by Paducah Regional Sports Plex, LLC ("Sports Plex" or "Sports Plex Property") located at 6525 U.S. Highway 60, Paducah, Kentucky 42001, to replace JPEC's existing headquarters facility located at 2900 Irvin Cobb Drive, Paducah, Kentucky 42003, which has structural and space deficiencies preventing its rehabilitation for JPEC's current and future use; and,

WHEREAS, an additional purpose of the Special Meeting was to receive presentations from JPEC staff and hold further discussions regarding any financial and rate impacts associated with the design, construction and repurposing of the Sports Plex Property to serve as its new headquarters location;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF JACKSON PURCHASE ENERGY CORPORATION, AS FOLLOWS:

- JPEC's structural and engineering consultants presented three options available to JPEC to solve the obsolescence of the existing headquarters facility: remodel the existing headquarters facility to bring it up to current occupancy codes and space needs; construct a new headquarters facility on a hypothetical greenfield site; or, construct and repurpose the Sports Plex property to meet its current and future space and function needs ("Sports Plex option"). After hearing details concerning each of these options, most especially the respective costs of each, and following several questions and much discussion the Board of Directors determined that the Sports Plex option was by far the most cost-effective among the three options and voted to direct JPEC executive management to pursue the acquisition, construction and repurposing of the Sports Plex property at a cost not to exceed [REDACTED];
- JPEC's finance staff presented a detailed 10-year financial forecast of JPEC's Statement of Operations which projected the effect of a Base Case scenario which assumed no new headquarters and a HQ Build Case scenario which assumed that a new headquarters costing approximately [REDACTED] would be built. That presentation also included a discussion that JPEC intends to finance the headquarters construction by opening a line of credit ("LOC") in an amount up to \$20,000,000, and for a term of up to 24 months, from Co-Bank at an interest rate of 3.09% (interest rate subject to fluctuations depending upon



market at time of borrowing), in order to pay the costs of construction as the project proceeds. At the time of project completion JPEC would then include the headquarters project in its 2021 Construction Work Plan and borrow sufficient funds from Rural Utilities Service ("RUS") on a long-term note at a lesser interest rate than the LOC interest rate to completely pay off the LOC. After hearing these financial details the Board engaged in discussion and asked several clarifying questions of JPEC staff. At the conclusion of this discussion the Board was satisfied that the new headquarters project would not result in an unreasonable negative effect upon JPEC's financial condition. The Board further understood that a series of small rate increases, the cumulative effect of which will be approximately four-percent (4%) over the 10-year financial forecast period, will be necessary to provide financial metrics sufficient to maintain its loan covenants with its lenders, with or without the construction of the new headquarters facility. The Board voted to direct JPEC executive management to take appropriate action to put the necessary borrowing package in place, in an amount not to exceed \$20,000,000, to finance the construction of the new headquarters facility;

- Because approval for both the construction and borrowing discussed is required by the Kentucky Public Service Commission ("KPSC") before either may commence, the Board voted to direct JPEC's executive management to file the necessary application(s) to KPSC for approval of a Certificate of Public Convenience and Necessity pursuant to KRS 278.020 to expend sums not to exceed [REDACTED] on the project, and for Financing (Evidence of Indebtedness) pursuant to KRS 278.300, not to exceed the total sum of \$20,000,000;

This Resolution was duly made and seconded and unanimously passed on this the 27<sup>th</sup> day of August 2019.



ERICK HARRIS  
CHAIRPERSON



WAYNE ELLIOTT  
SECRETARY/TREASURER