

**BURLEY TOBACCO GROWERS CO-OPERATIVE ASSOCIATION**

**EXECUTIVE COMMITTEE PROPOSAL TO MAKE DISTRIBUTION TO MEMBERS  
(PRESENT AND WITHIN PAST FIVE YEARS)**

In response to direction from the Board, the Executive Committee has discussed a distribution of Association assets to Members and conferred with the Association's auditor, tax accountants and legal counsel. The Executive Committee recommends the following proposal for full Board consideration:

1. Reduce the current Reserve to facilitate a distribution and retain \$3,500,000 in assets for future operations.

2. Implement the orderly liquidation of most of the Association's assets in the following sequence and manner to fund distributions to all present and past Members (2015-2019) on a per capita basis:

- (a) Meet immediately with Wells Fargo Bank, Nashville, Tennessee loan officer and investment advisors to plan for the orderly liquidation of the Association's investment portfolio at Wells Fargo (Jan. 31, 2020 approximate value \$26,403,547) and pay off line of credit of \$9,655,000. From the resulting net cash and existing bank accounts, prepare to distribute approximately \$15,000,000 by Dec. 31, 2020. See attached unaudited Balance Sheet Summary.
- (b) Engage present auditor or tax accountants as necessary to calculate and assist in sending distributions to Members.
- (c) Remaining cash to be held for Operating Reserve.
- (d) Board of Directors to determine sequence and timing of downsizing and reduction in operating expenses as feasible, including fair and reasonable severance pay.

- (e) Commit net sale proceeds of all Tobacco inventory (currently approximately 4.1 million pounds, with book value of \$13,122,515) to be distributed to Members per capita at the end of each year as sold, not later than Dec. 31, 2023.
- (f) Certain excluded assets are restricted and cannot be distributed: endowment for grants and scholarships of approximately \$417,112; Danny McKinney life insurance securing deferred compensation contractual liability; preferred stock in AWMA and investments in BCMC and USGTC.
- (g) Not later than December 31, 2020, either contact University of Kentucky to negotiate possible sale, or engage realtor to list Headquarters building at 620 S. Broadway for sale and identify other office space for lease.
- (h) Make any final distribution of “excess” assets above \$3,500,000 by Dec. 31, 2023.
- (i) Amend Articles to modify the purposes of the Corporation to include, without limitation, advocacy for tobacco growers, support research, education, programs and services of benefit to tobacco growers directly and in aid of their transition to other types of farming as the market for tobacco decreases; and to reduce the number of Directors to not less than 5 nor more than 15.
- (j) The Budget Committee should develop a forward-looking pro forma operating budget now for fiscal years October 1, 2020 – September 30, 2021 and 2022.

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**EXECUTIVE COMMITTEE RECOMMENDATION FOR  
CONTINGENT PLAN OF DISSOLUTION**

As guidance to the future Board of Directors of this re-named Corporation, at such time as (a) the number of active grower members of the Association falls below 100 or (b) the future Board of Directors determines that demand for tobacco production in Kentucky and the adjoining states (excluding Tennessee) has decreased to the point that the Corporation can no longer benefit tobacco growers in their production or in their transition to other types of farming, then the then-Board of Directors should consider grants to qualifying farm-related non-profit entities that will benefit tobacco farmers who are ceasing production and transitioning to other types of farming, and the University of Kentucky College of Agriculture, Kentucky State University and/or regional universities. The future Board of Directors should then develop a plan of dissolution satisfying the statutory requirements at the time, first establishing a liquidating budget for reasonable professional fees for audit, tax and legal services and other expenses of liquidation, maintenance of appropriate property and liability insurance including tail/extended coverage for the Directors and Officers of the Corporation, liquidating its assets and paying all lawful debts of the Corporation.