

ANGUS

THE BUSINESS BREED

AMERICAN ANGUS ASSOCIATION® HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS SEPTEMBER 7-10, 2021

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held September 7-10, 2021, in St. Joseph, Missouri.

BREED IMPROVEMENT COMMITTEE

- Staff provided an Inventory Enrollment update showing that as of August 2021, 972 members have enrolled 121,328 females.
- The Committee directed staff to explore options for adding a young sire nomination component to the structured sire evaluation. Staff will also explore options for working with those who currently collect carcass records.
- Staff presented an update for age of dam and age of calf adjustments currently in use. Based on research findings, updates to both age of dam and age of calf adjustments would provide more accurate adjusted birth and weaning weights. It was the consensus of the Committee that staff proceed with the updates.

COMMERCIAL PROGRAMS COMMITTEE

- An overview of AngusLinkSM enrollments was given. Through July enrollments for AngusLink were up 22% and the program is experiencing strong growth in all Process Verified Program (PVP) categories. Enrollments continue to be more prevalent in the Western United States and in the Northern Plains, with growth occurring in the Southern Plains.
- The Committee discussed the alliance model between other entities and the AngusLink program. It was the consensus of the Committee that these alliances enabled us to expand the reach of the program and that all entities would be allowed to participate if they met the requirements and that the programs would be non-exclusive.

COMMUNICATIONS AND PUBLIC RELATIONS COMMITTEE

- The Committee discussed next steps with the Powered by AngusSM program and national ad campaign, including a breeder-use program of the logo to visually represent registered Angus bulls and differentiate from generic Angus bulls.
- The Committee reviewed the results of the summer Lunch and Learn series and discussed future topics of interest to the membership and beef industry.

EVENTS AND EDUCATION COMMITTEE

- Mark Ahearn moved, seconded by Jonathan Perry, to approve revisions to the current standard classifications. The motion was unanimously approved.
- Chuck Grove moved, seconded by Jonathan Perry, to approve Grand Island, Nebraska for the 2023 National Junior Angus Show (NJAS). The motion was unanimously approved.
- Jonathan Perry moved, seconded by Alan Miller, to approve the judges slate for the 2022 Western Regional Junior Angus Show. The motion was unanimously approved.
- Chuck Grove moved, seconded by Jonathan Perry, to approve the judges slate for the 2022 Western Regional Phenotype and Genotype Junior Angus Show. The motion was

unanimously approved.

- Jonathan Perry moved, seconded by Mark Ahearn, to approve the 2022-2023 Roll of Victory (ROV) judges list. The motion was unanimously approved.
- The Committee created a judges list for the 2022 NJAS.
- Alan Miller moved, seconded by Jonathan Perry, to change the National Junior Angus Association (NJAA) owned cow-calf pair rule, eliminating the requirement that the calf at side must be bred and owned. The motion was approved with three (3) in favor, one (1) opposed.

FINANCE AND PLANNING COMMITTEE

- Total assets on the consolidated financial report are \$85,216,000, consisting of current assets of \$20,310,000, investments of \$54,543,000, property and equipment of \$9,741,000 and non-current assets of \$622,000. Current liabilities are \$8,950,000 consisting of accounts payable, accrued liabilities, Small Business Administration (SBA) loan liabilities (PPP loans) and deferred income. Long-term liabilities of \$1,840,000 consist of deferred compensation and accrued health insurance benefits. Consolidated net income for the period ending July 31, 2021 is \$14,631,000.
- Projections of the financial results for the fiscal year that will end September 30, 2021 were presented for the Association, its subsidiaries and affiliate.
- Staff presented the proposed budget for the American Angus Association for fiscal year 2022 which has projected revenues of \$17,013,000, expenses of \$17,012,000, and non-operating income of \$510,000 resulting in a budgeted bottom-line net income of \$511,000. This includes net investment income of \$550,000. It was noted that this was the first time in recent history that a balanced budget without the use of investment income has been approved. Alan Miller moved, seconded by Barry Pollard, to recommend approval of the 2022 budget for the American Angus Association. The motion was unanimously approved.
- The Committee discussed funding of the current renovations occurring at the Association headquarters. The Committee discussed using funds previously designated and set aside for this purpose within the investment reserve portfolio. Barry Pollard moved, seconded by Jim Brinkley, to recommend the project be funded out of operating cash and to make the necessary reduction to the investment portfolio designation related to building improvements. The motion was unanimously approved.
- The Committee reviewed the codes of conduct for directors and employees.

MEMBER AND AFFILIATE SERVICES COMMITTEE

- An update was provided regarding staff changes within the Member Services department.
- Staff presented the Genome Edit Policy for review and discussion. Mick Varilek moved, seconded by Richard Dyar, to present the policy to the Association Board of Directors for additional discussion. The motion was unanimously approved. **See American Angus Association Section.**

ANGUS FOUNDATION

- A financial report was presented. Total assets as of July 31, 2021 were \$26,106,000, and consisted of current assets of \$481,000, and investments of \$25,625,000. Current liabilities were \$52,000 consisting of accounts payable and accrued liabilities. Long-term liabilities of \$23,000 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2021 was \$2,653,000. A proposed budget for fiscal year (FY) 2022 was presented. Alan Miller moved, seconded by Jim Brinkley, to approve the financial report and the FY 2022 budget. The motion was unanimously approved.

- The Angus Foundation Board welcomed Josh Jasper, the new Foundation Director of the NJAA. Josh introduced himself and shared the impact of Foundation grants on Junior Angus programs.
- The Board discussed the landscape and potential for further trade school scholarships and the role of financial need in the Foundation's scholarship program.

ANGUS GENETICS INC.

- A financial report was presented. Total assets as of July 31, 2021 were \$1,900,000, and consisted of current assets of \$1,308,000, investments of \$504,000, fixed assets of \$77,000, and non-current assets of \$11,000. Current liabilities were \$1,013,000 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$12,000 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2021 was \$582,000. A proposed budget for FY 2022 was presented. James Coffey moved, seconded by Mick Varilek, to approve the financial report and FY 2022 budget. The motion was unanimously approved.
- Staff provided updates on genomic testing, ongoing work to validate potential haplotypes affecting fertility, research agreements and proposals, and outlined upgrades taking place to GeneMax® Advantage. Staff also provided an update on sustained cow fertility research, reporting AGI is on target with the timeline discussed at the June 2021 Board of Directors meeting. An update on this project will be presented to the membership at the 2021 National Angus Convention.

ANGUS PRODUCTIONS INC. d/b/a ANGUS MEDIA

- A financial report was presented. Total assets as of July 31, 2021 were \$3,495,000, and consisted of current assets of \$1,954,000, investments of \$900,000, fixed assets of \$463,000, and non-current assets of \$178,000. Current liabilities were \$1,411,000 consisting of accounts payable, accounts payable intercompany, accrued liabilities and deferred income. Long-term liabilities of \$255,000 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2021 was \$848,000. James Coffey moved, seconded by Jonathan Perry, to approve the financial report. The motion was unanimously approved.
- A proposed budget for FY 2022 was presented. Jonathan Perry moved, seconded by James Coffey, to approve the FY 2022 budget. The motion was unanimously approved.
- Staff offered highlights of activities year-to-date that had been explored in greater detail by video prior to the meeting.
- Staff presented an overview of API's editorial efforts, focusing on success of the publications and efforts to expand on the digital front with audio, video and web site efforts.
- Industry liaison Bob Brunner shared thoughts to close out his term on the board.

CERTIFIED ANGUS BEEF LLC

- The brand remains in a strong financial position with revenue expected to be up 2.3% over budget and travel down 18% with an expected bottom line of \$758,000 before investment earnings.
- Dave Hinman moved to approve the financial report as presented; the motion was seconded by Barry Pollard and passed unanimously.
- Mick Varilek moved to approve the 2022 proposed budget as presented; the motion was seconded by Chuck Grove and passed unanimously.
- The Board continues to stay abreast of the Beef x Dairy market segment and its impact on the brand. This segment continues to drive value for registered Angus bulls with Angus

market share growing significantly over the past few years. Additionally, this segment may provide opportunities to capture valuable data on carcass merit, health, male fertility, and other important traits.

- In maintaining a leadership position in the branded beef marketplace and responding to consumer and end-user demands, CAB has begun collaborating with Ducks Unlimited to explore sustainability initiatives that will establish working grassland stewardship projects for Angus ranchers.
- A strategic plan was reviewed for CAB that will direct the brand in the future with initiatives to increase supply, drive sales, cultivate loyalty, become invaluable, brand to win, and grow and diversify revenue.
- It was reported that while foodservice partners are still dealing with COVID and labor issues, brand sales are on pace to post one of the best years in history.

AMERICAN ANGUS ASSOCIATION

- Respected feedlot veterinarian, Dr. Kee Jim from Feedlot Health Management and GK Jim Group Companies presented on future opportunities for genetic improvement and the Angus breed.
- President Dal Porto reported that the minutes of the June 7-10, 2021 regular Board of Directors meeting were approved in OnBoard on July 20, 2021.
- A financial report for the Association was presented. Total assets as of July 31, 2021 were \$27,105,000, and consisted of current assets of \$4,423,000, investments of \$18,560,000, and fixed assets and goodwill of \$4,123,000. Current liabilities were \$3,454,000 consisting of accounts payable, accounts payable intercompany, accrued liabilities, deferred income, and SBA Loan Liability. Long-term liabilities of \$813,000 consisted of deferred compensation and accrued health insurance benefits. Net income for the period ending July 31, 2021 was \$3,598,000. Barry Pollard moved, seconded by Alan Miller, to approve the financial report. The motion was unanimously approved.
- A proposed budget for FY 2022 was presented. Chuck Grove moved, seconded by Jonathan Perry, to approve the FY 2022 budget. The motion was unanimously approved.
- The Board approved Committee reports as follows:
 - Breed Improvement Committee: motion to approve report by Mick Varilek, second by Alan Miller, unanimous approval.
 - Commercial Programs Committee: motion to approve report by Jim Brinkley, second by Jonathan Perry, unanimous approval.
 - Communications and Public Relations: motion to approve report by James Coffey, second by Gerald Theis, unanimous approval.
 - Events and Education Committee: motion to approve report by Mike McCravy, second by Chuck Grove, unanimous approval.
 - Finance and Planning Committee: motion to approve report by Chuck Grove, second by James Coffey, unanimous approval.
 - Member Services Committee: motion to approve report by Dave Hinman, second by Gerald Theis, unanimous approval.
- Discussion continued on the competitive landscape of genetic evaluation and the importance of driving value for the registration paper.
- An update regarding the 2021 Angus Convention in Fort Worth, Texas was provided.

- As recommended by the Member Services Committee, there was extensive discussion regarding the Gene Edit Policy. Darrell Stevenson moved, seconded by Gerald Theis, to approve the policy as presented. The policy is set forth below.

Rule 104: Animals Eligible for registration

f. Gene edit policy. (As adopted September 10, 2021) Registration applications submitted to the American Angus Association (Association) that possess an intentional genomic alteration (IGA) produced by genome editing will be subject to the following policy. To be eligible for registration, the IGA and/or animals possessing it must initially be approved by the agency or agencies responsible for overseeing livestock genome editing. Secondly, IGA registration applications will be subject to review and approval by the Association Board of Directors, who will consider factors including the impact of introducing the IGA into the purebred Angus population. This approval process may also include direction from the scientific community and related industry perspective at the time the application is reviewed. Lastly, in the sole discretion of the Association Board of Directors, the Association reserves the right to deny registration to any genome edited animal or descendant that fails to provide sufficient benefit or advancement of the Angus breed.

Registration – Members submitting an IGA registration application must comply with all current Association rules for registration. Additionally, all animals resulting from genome editing must be parent-verified qualifying to both sire and dam. The member applying for registration must provide documentation describing the IGA introduced and the proposed functional difference the IGA creates in the genome edited animal and confirm the IGA is present and functional in the subject animal.

Designation – Tracking the genome edit within the Angus population will occur with the following designations. GEF or GED will appear in the name of all genome-edited animals. GEF will indicate genome edit founder and GED will indicate genome edit descendant.

Pre-approved edits – Edits to the genome pre-approved by the Association Board of Directors will be listed and made available to the membership.

Imports – Registration of an animal with an IGA originally recorded in a herd book recognized by the Association and imported into the Association herd registry shall be accepted, only if details associated with the specific genome edit(s) have been disclosed. Additionally, imported registrations must comply to all current Association rules and policies associated with registrations, import registrations and genome editing.

Fees – A separate fee set by the Association Board of Directors will be assessed to each genome edited registration application with any approved IGA.

- It was reported that Barry Pollard has been elected to serve as the Association’s Treasurer for 2022.
- Barry Pollard moved, seconded by Alan Miller, to approve the following four procedural documents for the Annual Convention of Delegates:
 - (1) Order of Business.
 - (2) convention procedures.
 - (3) election procedures.
 - (4) a memo from the Board of Directors to the delegates and alternate delegates.

The motion was unanimously approved. The documents will be sent to delegates and alternate delegates prior to the Annual Convention of Delegates.

- Chuck Grove moved, seconded by James Coffey, to approve a resolution to elect Larry Gossen to serve a three-year term as an Industry Representative on the Board of Directors of the Angus Foundation. The term will begin on November 8, 2021. The motion was unanimously approved.
- Darrell Stevenson moved, seconded by Barry Pollard, to approve a resolution to elect Mike Johanning to serve a three-year term as an Industry Representative on the Board of Directors of Angus Productions, Inc. The term will begin on November 8, 2021.
- Alan Miller moved, seconded by Mike McCravy, to approve Dr. Larry Kuehn to serve as an industry liaison to advise the Boards of the Association and subsidiaries. The motion was unanimously approved.
- Jonathan Perry moved, seconded by Mick Varilek, to approve a resolution to amend the Operating Agreement of Certified Angus Beef LLC to allow the current Industry Representative to serve a fourth three-year term. The motion was unanimously approved.
- Jonathan Perry moved, seconded by Dave Hinman, to approve a resolution to elect Dwight “Kip” Palmer to serve a three-year term as an Industry Representative on the Board of Directors of Certified Angus Beef LLC. The term will begin on November 8, 2021. The motion was unanimously approved.
- Mick Varilek moved, seconded by Barry Pollard, to nominate Jerry Connealy to serve as the Association’s President and Chairman of the Board of Directors for 2022. The motion was unanimously approved.
- Jonathan Perry moved, seconded by Alan Miller, to nominate Chuck Grove to serve as the Association’s Vice President and Vice Chairman of the Board of Directors for 2022. The motion was unanimously approved.
- President Dal Porto appointed Jerry Connealy, Chuck Grove and Barry Pollard to serve on the Nominating Committee to propose slates of candidates for the Boards of Directors of the Angus Foundation, Angus Genetics Inc., Angus Productions Inc., and Certified Angus Beef LLC.

NEXT REGULAR BOARD MEETINGS

- November 5 and 8, 2021, Fort Worth, Texas.