

AMERICAN ANGUS ASSOCIATION®
HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS
SEPTEMBER 11-13, 2017

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held September 11-13, 2017, in St. Joseph, Missouri.

ACTIVITIES COMMITTEE

- **2018 Western Regional (WREG) Judges**

Jonathan Perry moved to approve the following judges list for the 2018 WREG: 1. Brian Barragree, 2. Kyle Conley, and 3. Mark Duffell. Alan Miller seconded the motion, which passed unanimously.

- **Regional Show Requests**

- Alan Miller moved, seconded by Jonathan Perry, to approve the following regional shows: 2019 - Timonium, Maryland; and 2020 - Lebanon, Tennessee. The motion passed unanimously.
- David Dal Porto moved, seconded by Alan Miller, to provide premium support to the following 2018-2019 regional preview shows: MAJAC Regional Preview, Harrisonburg, Virginia; Atlantic National Regional Preview, Timonium, Maryland; All American Angus Breeders' Futurity Regional Preview, Louisville, Kentucky; and Western Regional Junior Angus Show, Reno, Nevada. The motion passed unanimously.

- **Roll of Victory (ROV) Breeder of the Year**

David Dal Porto moved to require those who would like to add family members to their farm/ranch member code to fill out the entry form for the 2018-2019 ROV show season and submit the form to the Events and Education department by May 1st. The motion was seconded by Jonathan Perry, and passed unanimously.

- **Premier Breeder and Exhibitor**

Jonathan Perry moved to make the current premier breeder and exhibitor calculations standard for all shows and to increase the number of eligible animals from three (3) to five (5) head for the calculation. Alan Miller seconded. The motion passed unanimously.

- **Junior Yearling Division Breaks**

Jonathan Perry moved that at any regular ROV show that exceeds thirty (30) head within a division, that division is to be divided between early and late divisions, and each split division will receive full ROV points. The motion was seconded by Alan Miller and passed unanimously.

- **National Junior Angus Show (NJAS)**

Jonathan Perry moved, seconded by Mike McCravy, to add a \$30 bedding fee for each animal entered for NJAS and Regional shows, to be charged to the exhibitor. The motion passed unanimously.

- **Expected Progeny Differences (EPD) Regional Show**

The Committee discussed the creation of an EPD or Phenotype Genotype Show (PGS) Regional Show. David Dal Porto moved, seconded by Jonathan Perry, to direct staff to pursue an EPD show at the 2018 Eastern Regional Junior Show. The motion passed unanimously. Staff were directed to present the topic to the National Junior Angus Association (NJAA) Board of Directors.

- **NJAA Show Entry Process**

The Committee discussed the possibility of having an online show entry process that would allow exhibitors to enter animals into multiple NJAA-affiliated shows at one time. No action was taken.

- **Angus Heritage Foundation**

Alan Miller moved, seconded by David Dal Porto, to approve the following individuals to be inducted into the Angus Heritage Foundation: Joe Elliott of Tennessee, Kelly Schaff of North Dakota, Clarence Van Dyke of Montana, and Cory Watt, posthumously. The motion passed unanimously.

- **Judge Selection**

The Committee created the 2018-2019 ROV and 2018 NJAS judges list, which is to remain confidential until it has been sent to the ROV shows. Jonathan Perry moved, seconded by Alan Miller, to have the NJAS host state committee submit a list of six unranked names from the approved list of judges for the bull and female shows and three unranked names for the steer show. The Activities Committee will have final discretion in selection. The motion passed unanimously.

BREED IMPROVEMENT COMMITTEE

- Staff reviewed plans and progress on updating \$Values, including potential collaborators. Committee members provided feedback on membership needs for selection tools.
- Staff presented costs and benefits of whole genome sequencing. Dave Hinman moved, and Mick Varilek seconded, for Association staff to explore opportunities for collaboration and to further develop a sequencing strategy. The motion passed unanimously.
- A revision to the Pathfinder® program, changing the minimum weaning contemporary group size from ten calves of both sexes to five calves of a single sex, was presented.

FINANCE AND PLANNING COMMITTEE

- Balance sheets and income statements for the period ending July 31, 2017, were reviewed. Total assets on the consolidated financial report were \$65,176,000, consisting of current assets of \$10,814,000, investments of \$48,550,000, property and equipment of \$5,537,000 and non-current assets of \$275,000. Current liabilities were \$4,456,000 consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$1,880,000 consisted of notes payable, deferred compensation and accrued health insurance benefits. Net income for the period ending July 31, 2017, was \$6,511,000.
- Projections of the financial results for the fiscal year that will end September 30, 2017, were presented for the Association and its subsidiaries.
- The Committee reviewed the investment portfolio of the Association and its subsidiaries.
- The Committee reviewed the Codes of Conduct for Directors and employees.
- James Coffey moved, seconded by Jonathan Perry, to recommend that the Board approve the proposed 2018 budget for the American Angus Association. The motion was unanimously approved.

INDUSTRY RELATIONS COMMITTEE

- Staff summarized the transition of the Communications Group back to the American Angus Association from Angus Media, including the addition of new staff and the workflow structure going forward regarding communication efforts.
- Staff presented the proposed national advertising budget. James Coffey moved to recommend that the Association Board approve the FY 2018 budget as presented for the national advertising campaign. Barry Pollard seconded, and the motion passed unanimously.

MEMBER AND AFFILIATE SERVICES COMMITTEE

- As requested by the Committee, staff presented a comparative report with various scenarios for the possibility of increasing the number of delegates to the Annual Convention of Delegates. Discussion followed, and no action was taken.
- The Committee discussed the possibility of condensing the Genetic Condition section within the Association's Breeder's Reference Guide. Staff provided a condensed document with conditions categorized as lethal or non-lethal conditions and listed with respective relevant dates in accordance with Rule 306 in the Breeder's Reference Guide. Chuck Grove moved to accept the condensed Genetic Condition section as proposed, seconded by Alan Miller. The motion passed unanimously.
- The Board had requested that staff look into the issue of a statement that could be added to the Suggested Sale Terms and Conditions that would address partial and/or multi-ownership of junior animals. Following discussion, no action was taken.
- As requested, staff had investigated options to identify on the registration certificate those animals in our registry that have both sire and dam that qualify as parents. Several options were presented to the Committee for consideration. After discussing those options, the Committee took no action.
- As previously requested, staff provided a report to the Committee on the possibility of the American Angus Association serving as a warehouse for artificial insemination (AI) certificates. Following discussion, no action was taken.

ANGUS FOUNDATION

- A financial report for the Angus Foundation (the Foundation) was presented. Total assets were \$20,450,900, consisting of current assets of \$754,900, investments of \$19,693,400, and non-current assets of \$2,600. Current liabilities were \$270,000 consisting of accounts payable, and accrued liabilities. Long-term liabilities of \$22,000 consisted of accrued awards and accrued health insurance benefits. Net income for the period ending July 31, 2017, was \$914,900. Financial projections for the year ending September 30, 2017, were reviewed. The net income for the year then ending was projected to be \$599,600. Alan Miller moved, seconded by James Coffey, to approve the financial report. The motion passed unanimously.
- The fiscal year 2018 budget was discussed. The budget included revenues of \$1,889,300 and operating expenses of \$1,783,100. James Coffey moved, seconded by Barry Pollard, to approve the proposed budget. The motion passed unanimously.
- Financial highlights for FY 2017 included contributions 23% ahead of budget with \$1,010,235 received from generous supporters, 13 consecutive years of \$1M+ total revenue and 6 consecutive years positive growth in total assets.
- President Milford Jenkins provided an update on the organization's operations, marketing and resource development activities.
- The Foundation Board considered a recommendation from the Association's Research Priorities Committee (RPC) regarding continued funding of a research project by the University of Georgia. The Foundation would fund Year 2 and Year 3 of the project titled "*The Impact of Selection using Residual Average Daily Gain EPD on Reproductive Performance, Growth Performance and Carcass Traits in Angus Cattle*". Barry Pollard moved, seconded by Alan Miller, to approve the proposed funding contingent on annual reports on progress of the research project meeting with approval of Angus Genetics Inc. staff. The motion passed unanimously.

- Staff presented a resource development (fundraising) plan for the Association's Long Range Strategic Plan (LSRP) beef cattle research priorities of fertility, feet and leg structure, health (disease) and genomics. Mark Duffell moved, seconded by Barry Pollard, to recommend that the American Angus Association Board of Directors appropriate funding to initiate feet and leg structure research. The motion passed unanimously.
- Barry Pollard moved, seconded by Alan Miller, to further develop the resource development plan, in collaboration with the Association, to emphasize the use of the Association's existing research funds to leverage charitable support from the private sector (e.g., individuals, allied industry, etc.) for beef cattle research projects of high priority identified in the Association's Long Range Strategic Plan. The motion passed unanimously.

ANGUS GENETICS INC.

- A financial report for Angus Genetics Inc. (AGI) was presented. Total assets were \$769,200, and consisted of current assets of \$765,300, and non-current assets of \$3,900. Current liabilities were \$466,200 consisting of accounts payable and accrued liabilities. Long-term liabilities of \$4,000 consisted of accrued health insurance benefits. Net loss for the period ending July 31, 2017, was \$(90,300). Financial projections for the year ending September 30, 2017, were reviewed. The net loss for the year then ending was projected to be \$(119,000). Mick Varilek moved, seconded by Jonathan Perry, to accept the financial report. The motion was unanimously approved.
- The fiscal year 2018 budget proposal was discussed. The budget included revenues of \$7,534,400 and operating expenses of \$7,453,100. Jonathan Perry moved, and Mick Varilek seconded, to approve the 2018 budget as presented. The motion carried unanimously.
- Staff reviewed development of the new AngusGS™ genomic test and updates to GeneMax Advantage.
- Staff also provided an update of genetic evaluation and genomic testing services conducted by AGI.

ANGUS PRODUCTIONS INC.

- John Pfeiffer Jr. moved to elect Rick Cozzitorto as president of Angus Productions Inc. (API). Barry Pollard seconded the motion, which passed unanimously.
- The Board reviewed the financial report for API. Total assets were \$3,082,700, and consisted of current assets of \$1,525,100, investments of \$1,086,700, property and equipment of \$202,400 and non-current assets of \$268,500. Current liabilities were \$1,136,100 consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$659,700 consisted of deferred compensation and accrued health insurance benefits. Net income for the period ending July 31, 2017 was \$195,600. Financial projections for the year ending September 30, 2017, were reviewed. The net income for the year then ending was projected to be \$7,500. James Henderson moved to approve the financial report as presented. John Pfeiffer seconded the motion, which passed unanimously.
- The fiscal year 2018 budget was discussed. The budget included revenues of \$9,737,800 and operating expenses of \$9,673,800. Barry Pollard moved to approve the 2018 budget as presented. Chuck Grove seconded the motion, which passed unanimously.
- Rick Cozzitorto presented the API president's report, noting the immediate priority of reorganization of staff and resources.

- API General Manager Sara Reardon shared her review of media assets. Strategies to increase quality and efficiency will focus on the areas of publications, digital services, print services and creative services.
- Staff reported on a recently completed analysis of API's pricing structure and plans to address related concerns.
- API will launch a redesign of the *Angus Journal* in January, with a redesign of the *Angus Beef Bulletin* to follow.
- The letter explaining the change in policy to discontinue providing a second ringman, effective in 2018, will be mailed soon to all who will be affected.

CERTIFIED ANGUS BEEF LLC

- The Board of Directors of Certified Angus Beef LLC (CAB) will hold its fall Board meeting in October at the offices of CAB Board member Dwight "Kip" Palmer in Rochester, New York.

BOARD OF DIRECTORS

- The financial report for the Association was reviewed. Total assets were \$24,367,300, and consisted of current assets of \$1,418,100, investments of \$20,899,900, and property and equipment of \$2,049,300. Current liabilities were \$1,359,600, and consisted of accounts payable, notes payable, accrued liabilities and deferred income. Long-term liabilities of \$664,100 consisted of notes payable, deferred compensation and accrued health insurance benefits. Net income for the period ending July 31, 2017, was \$1,850,800. Financial projections for the year ending September 30, 2017, were reviewed. The net income for the year then ending is projected to be \$1,467,700. Jonathan Perry moved, seconded by Mick Varilek, to approve the financial report. The motion was unanimously approved.
- The fiscal year 2018 proposed budget was discussed. The budget includes revenues of \$15,524,200 and operating expenses of \$15,354,000. This budget does not include any cash outlay that may be needed to implement strategies within the Long Range Strategic Plan. James Coffey moved to approve the proposed 2018 budget, seconded by Barry Pollard. The motion was unanimously approved.
- The Board received an update on some key strategies of the Long Range Strategic Plan (LRSP), including: the Genomic Education Center; investigating research priorities; progress on development of a mobile platform record-keeping system; and assessing current Association leadership programs in order to focus on areas of need, such as transitioning from youth programs to regular Association membership.
- As part of the LRSP strategy to be more proactive in addressing research needs, two beef cattle scientists were appointed to the Research Priorities Committee as non-voting advisors. Don Schiefelbein moved, seconded by Jerry Connealy, to appoint Dr. Larry Kuehn of the U.S. Meat Animal Research Center, and Dr. Joe Cassidy of South Dakota State University, to serve as ex-officio members of the Committee. The motion was unanimously approved.
- James Coffey moved, seconded by Dave Nichols, to approve procedural documents for the Annual Convention of Delegates: (1) a memo from the Board of Directors to the delegates and alternate delegates, (2) the Order of Business, (3) convention procedures, and (4) election procedures. The motion passed unanimously. The documents will be sent to delegates and alternates delegates prior to the Annual Convention of Delegates.
- Directors James Henderson and Don Schiefelbein represented the Association at the National Cattlemen's Beef Association (NCBA) summer business meeting in July. They

reported on the leadership session and various committee meetings that they attended and summarized key issues that were discussed.

- The Board considered a recommendation from the Foundation Board of Directors regarding appropriation of existing research funds to initiate feet and leg structure research. The Board requested that staff first investigate and identify areas of research focusing on feet and leg structure and report at the November 3, 2017, Board meeting.
- Jerry Connealy moved, seconded by James Henderson, to appoint the current officers of the Board 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. The motion was unanimously approved.
- John F. Grimes moved to make these nominations:
 - Kevin Yon to serve as the Association's President and Chairman of the Board of Directors for 2018; and
 - John Pfeiffer Jr. to serve as the Association's Vice President and Vice Chairman of the Board of Directors for 2018.

The motion was seconded by Jonathan Perry and was unanimously approved.

- John Grimes moved, seconded by Jonathan Perry, to elect Don Schiefelbein to serve as the Association's Treasurer for 2018. The motion was unanimously approved.
- Alan Miller moved, seconded by Barry Pollard, to approve a resolution to elect Lamar Steiger to serve a one-year term as an Outside Representative on the Board of Directors of the Angus Foundation. The term will begin on November 6, 2017. The motion passed unanimously.
- The Board discussed options to identify on the registration certificate those animals in the Association registry that have both sire and dam that qualify as parents. Staff presented information on several possible options. Following discussion, Alan Miller moved, seconded by Mick Varilek, to identify those animals in the American Angus Association registry that have the mating of both sire and dam qualified as parents with text that states 'Parents Qualify' and an asterisk icon preceding registration numbers in the pedigree. The motion passed by a vote of twelve (12) in favor and four (4) opposed.
- The Board approved committee reports and recommendations as follows:
 - Activities Committee report and recommendations: motion by John F. Grimes, second by Mike McCravy, unanimous approval.
 - Breed Improvement Committee report and recommendations: motion by Jerry Connealy, second by Dave Hinman, unanimous approval.
 - Finance and Planning Committee report and recommendations: motion by James Coffey, second by Kevin Yon, unanimous approval.
 - Industry Relations Committee report and recommendations: motion by James Henderson, second by Dave Nichols, unanimous approval.
 - Member and Affiliate Services Committee report and recommendations: motion by David Dal Porto, second by Alan Miller, unanimous approval.
 - Research Priorities Committee report and recommendations: motion by Kevin Yon, second by Jerry Connealy, unanimous approval.

NEXT REGULAR BOARD MEETINGS

- November 3 and 6, 2017, Fort Worth, Texas