

ANGUS

THE BUSINESS BREED

AMERICAN ANGUS ASSOCIATION®

HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS AUGUST 28-31, 2023

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held August 28-31, 2023, in St. Joseph, Missouri.

AMERICAN ANGUS ASSOCIATION

- Total assets at July 31, 2023 were \$25,540,000, and consisted of current assets of \$2,499,700, investments of \$18,903,600, and fixed assets and goodwill of \$4,136,700. Current liabilities were \$1,132,100 consisting of accounts payable, accounts payable intercompany, accrued liabilities, and deferred income. Long-term liabilities of \$997,400 consisted of accrued health insurance benefits, and a forgivable economic development grant liability. Net income for the period ending July 31, 2023 was \$2,763,100 of which \$2,729,400 represents investment returns generated through the investment portfolio. Financial forecasts for the fiscal year were presented as well. Barry Pollard moved to approve the financial report. Charles Mogck seconded the motion. Motion passed unanimously.
- Barry Pollard moved, seconded by Jim Brinkley to approve a balanced budget for FY2024. The motion passed unanimously.
- Darrell Stevenson moved to approve the minutes from the June regular board meeting. Jim Brinkley seconded the motion and it passed unanimously.
- The Board approved Committee reports as follows:
 - Activities Committee: motion by Mark Ahearn, second by Paul Bennett, unanimous approval.
 - Breed Improvement Committee report and recommendations: motion by Charles Mogck, second by Art Butler, unanimous approval.
 - Commercial Programs Committee report and recommendations: motion by Jim Brinkley, second by Darrell Stevenson, unanimous approval.
 - Communications and PR Committee report and recommendations: motion by Darrell Stevenson, second by Loran Wilson, unanimous approval.
 - Finance and Planning Committee report and recommendations: motion by Barry Pollard, second by Jim Brinkley, unanimous approval.
 - Member Services Committee report and recommendations: motion by John Dickinson, second by Loran Wilson, unanimous approval.
- The board heard presentations from the Food and Drug Administration about the approval process for Intentional Genomic Alterations (gene edits), and from Association legal counsel on patents related to genetics and animals.
- It was reported that Jim Brinkley was elected to serve as the Association's treasurer for 2024.
- The board discussed suggestions from members regarding the board of director election process and potential improvements. Paul Bennett moved to eliminate the two questions that follow each candidate speech, and the motion was seconded by Art Butler. The

motion passed with 5 directors abstaining – Mark Ahearn, Smitty Lamb, Charles Mogck, Darrell Stevenson, and Jerry Theis.

- Loran Wilson moved, seconded by Paul Bennett, to approve the following four procedural documents for the Annual Convention of Delegates:
 1. Memo from the Board to delegates and alternate delegates
 2. Order of Business
 3. Convention Procedures
 4. Election Procedures

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

- Mark Ahearn moved, seconded by Roger Wann, to nominate Barry Pollard to serve as the Association's president and chairman of the Board of Directors for 2024. The motion was unanimously approved.
- Smitty Lamb moved, seconded by Mark Ahearn, to nominate Jonathan Perry to serve as the Association's vice president and vice chairman of the Board of Directors for 2024. The motion was unanimously approved.
- President Grove appointed Barry Pollard, Jonathan Perry, and Jim Brinkley to serve on the Nominating Committee to propose slates of candidates for the Boards of Directors of the Angus Foundation, AGI, Angus Productions Inc., and CAB LLC.

ACTIVITIES COMMITTEE

- The committee discussed the use of electronic identification (EID) as a primary form of identification for show cattle entries. The board supported the move to make EID's an acceptable form of identification if the EID is listed on the registration paper.
- John Dickinson moved, and Greg McCurry seconded to reallocate National Junior Angus Show class premium funds to elevate show awards and cover other budgeted facility expenses. Motion passed unanimously.
- Greg McCurry made a motion to approve the established judge's lists. Henry Smith seconded. Motion passed unanimously.

BREED IMPROVEMENT COMMITTEE

- At the conclusion of the July enrollment, there were 109,661 females enrolled from 840 members. There were 89 new members enrolled during this period.
- The expansion of the World Angus Evaluation is scheduled for Oct. 13. The update includes the addition of pedigree, genotype, carcass and performance data on 11 additional traits from Angus Australia into the weekly Angus evaluation. This adds to the foot score data that has been in the evaluation for nearly three years.
- The research EPD for Functional Longevity is on track for a fall 2023 release on high accuracy sires and on females for members in Inventory Reporting. Work will begin on how to eventually incorporate this EPD into Maternal Weaned Calf Value(\$M).
- Teat size and udder suspension research is progressing. Breeders have submitted significant data in the past two years, and there are now sufficient records to consider moving into a research stage to develop EPDs and begin evaluating the addition of these traits into Maternal Weaned Calf Value (\$M).

COMMERCIAL PROGRAMS COMMITTEE

- As of 8/11 AngusLink enrollments were at 134,233 head with 125,211 of those occurring since the partnership with IMI in January. June, July, and August were the three largest months in history for AngusLink enrollments. Interest in the program has grown significantly and premiums paid for enrolled cattle approached \$150 per head in the summer video sales.
- The top five states for enrollments were presented, as well as an enrollment breakdown by region. Over 65% of producers this year are new to the AngusLink program. Staff also presented information on the improvements made in the efficiency of processing enrollments, with the vast majority now being turned around in 24 hours.
- Per previous direction of the board, staff gave updates and considerations for adding a maternal component to the Genetic Merit Scorecard. This will likely be implemented by the Spring enrollment season.
- After supply chain complications for the past two years, the Tag Store is back to fully operational and budgeted for growth in the coming year.

COMMUNICATIONS AND PR COMMITTEE

- The committee discussed progress on the build phase of the Angus.org project. The timeline and next steps for the project were also reviewed.
- The committee heard progress on BEEF Academy, the online learning platform that will initially focus on juniors.
- The committee discussed the *Powered By Angus* campaign, overall effectiveness on increasing demand for registered Angus bulls, available collateral materials and future plans for the campaign.

MEMBER SERVICES COMMITTEE

- Per previous discussion and direction of the board, proposed updates to the Gene Edit policy were presented by staff. It was moved by Paul Bennett to approve the proposed updates. Seconded by Jerry Theis. Motion passed unanimously.

Rule 104: Animals Eligible for Registration

f. Gene edit policy. (As adopted September 10, 2021, November 5, 2021, and June 9, 2022) Members may submit specific Intentional Genomic Alterations (IGA) to the American Angus Association (Association). The member applying for IGA approval must provide documentation describing the IGA and the proposed functional difference the IGA produces in the gene edited animal. Approval of each specific IGA will be based on the IGA's ability to **potentially** provide sufficient benefit to or advancement of the Angus breed. Approval of the IGA and subsequent registration eligibility will be at the sole discretion of 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. In addition, the IGA and/or animals possessing the IGA must be submitted to the regulatory agency or agencies responsible for overseeing livestock genome editing and IGA commercialization. The regulatory agency or agencies will determine the functional claims of the IGA and/or the animals possessing the IGA. A commercial test will be utilized to confirm if the IGA is present in the gene edited animal and descendants.

Registration – Members submitting an IGA registration application must comply with all current Association rules for registration. **Both the sire and the dam of any animal applying for registration must be registered with the American Angus Association.** Additionally, all animals resulting from genome editing must be **disclosed to the Association and parent-verified** qualifying to both sire and dam. The member applying for registration must confirm **with an available commercial test whether or not** the IGA is present and functional in the subject animal. The Association reserves the right to deny **or cancel** registration to any gene edited animal or descendant that fails to provide sufficient benefit or advancement of the Angus breed **or is later discovered to possess traits or characteristics deemed undesirable to the**

Angus breed.

Designation – Tracking the gene edit within the Angus population will occur with the following designations. GEF or GED will appear at the end of the name of all animals with a gene edit or gene edit ancestry. GEF will indicate gene edit founder and GED will indicate gene edit descendant. Each founder or descendant confirmed to possess the specific IGA will carry a gene edit designation on the registration certificate, with a description noting the specific IGA or resulting intended phenotype or effect. All founder animals will be required to be tested for the presence of the edit. Testing requirements for descendant animals will be subject to the specific edit.

Approved edits – Edits to the genome 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 gene edit(s) have been disclosed to the Association. Additionally, imported registrations must comply with all current Association rules and policies associated with registrations, import registrations and gene editing.

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

FINANCE AND PLANNING

- Staff presented a financial report. Total assets on the consolidated financial report are \$81,447,600, consisting of current assets of \$15,224,300, investments of \$53,012,100, property and equipment of \$12,729,900 and non-current assets of \$481,300. Current liabilities are \$5,474,200 consisting of accounts payable, accrued liabilities, and deferred income. Long-term liabilities of \$2,215,500 consist of deferred compensation, accrued health insurance benefits, and a forgivable economic development grant liability. Consolidated Net income for the period ending July 31, 2023 is \$11,640,600. Investment portfolio returns account for \$6,817,500 of the \$11,640,600 bottom line.
- Projections of the financial results for the fiscal year that will end September 30, 2023, were presented for the American Angus Association (Association), its subsidiaries and affiliate.
- Staff presented the proposed balanced budget for the Association for fiscal year (FY) 2024 which has projected operating revenue of \$16,696,400, expenses of \$16,631,600, and non-operating adjustments of (\$40,000). The budgeted net gain for the year is \$24,800 after non-operating adjustments. The number of registrations budgeted is 300,000. Other core revenue sources are budgeted flat to current year forecast. Investment income of \$565,000 is budgeted. This represents a 3% return on investments. Fees received by the Association from its subsidiaries are budgeted at \$3,652,300. The proposed budget includes provisions for capital expenditures of \$1,946,000. Barry Pollard moved, and Smitty Lamb seconded a motion to recommend adoption of the 2024 budget to the full board of the American Angus Association. The motion passed unanimously.
- The Committee reviewed the codes of conduct for directors and employees.
- The Committee discussed payment options offered by the Association and its subsidiaries. ACH payment options will be available in early FY 2024. Credit card usage and increasing associated fees were also discussed.

ANGUS FOUNDATION

- A financial report was presented. Total assets at July 31, 2023 were \$25,132,700, and consisted of current assets of \$625,900, investments of \$24,356,800, and long-term

pledges of \$150,000. Current liabilities were \$44,100 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$27,300 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2023 was \$2,947,500 of which \$2,565,700 represents investment returns generated through the investment portfolio. Financial forecasts for the fiscal year were presented as well. Mark Ahearn moved, seconded by Tom McGinnis, that the financial report be approved. Motion passed unanimously.

- Loran Wilson moved, seconded by Larry Gossen to approve a balanced unrestricted budget for the fiscal year 2024. Motion passed unanimously.
- The Angus Foundation Board welcomed Colter Pohlman, the National Junior Angus Board (NJAB) Foundation Director, to provide an update and overview of their activities and share the impact of Foundation grants on Junior Angus programs.
- The board reviewed fundraising activities from current year and discussed future plans for the heifer package, sale of pregnancies and the Cattlemen's Congress event.
- Plans of an Angus Foundation strategic planning meeting were discussed.

ANGUS GENETICS INC.

- Total assets at July 31, 2023 were \$2,484,300, and consisted of current assets of \$1,333,200, investments of \$1,047,500, fixed assets of \$52,200, and non-current assets of \$51,400. Current liabilities were \$1,364,500 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$16,900 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2023 was \$638,000 of which \$167,400 represents investment returns generated through the investment portfolio. Financial forecasts for the fiscal year were presented as well. Paul Bennett moved, seconded by Charles Mogck to approve the financial report. The motion passed unanimously.
- Darrell Stevenson moved to approve the proposed balanced budget for fiscal year 2024, Paul Bennett seconded the motion. The motion passed unanimously.
- An update on the heart health initiative was given. By the end of the calendar year, AGI expects to have collected a significant number of heart scores attached to genotypes. The data collection process will continue through next year.
- The AGI board and staff discussed the value of having a common genetic currency throughout the supply chain to increase the value of registered Angus seedstock to the commercial cow-calf producers. The board discussed the benefits of allowing the commercial cow-calf sectors the ability to directly compare \$Values on their replacement females to the registered Angus herd sires they are purchasing. Darrell Stevenson moved to integrate \$Values as presented (\$M, \$G, \$F, \$B, \$C) into the GeneMax product offering. Barry Pollard seconded the motion. The motion passed unanimously.

ANGUS PRODUCTIONS INC.

- Total assets at July 31, 2023 were \$2,962,200, and consisted of current assets of \$1,419,000, investments of \$903,500, fixed assets of \$393,200, and non-current assets of \$246,500. Current liabilities were \$1,358,000 consisting of accounts payable, accounts payable intercompany, accrued liabilities and deferred income. Long-term liabilities of \$289,900 consisted of accrued health insurance benefits. Net income for the

period ending July 31, 2023 was \$204,100 of which \$144,000 represents investment returns generated through the investment portfolio. Financial forecasts for the fiscal year were presented as well. John Dickinson moved to approve the financial report. Darrell Stevenson seconded the motion. The motion passed unanimously.

- Budget for FY24 Darrell Stevenson moved to approve the FY24 budget as proposed. Greg McCurry seconded the motion and it passed unanimously.
- Clay Zwilling offered the President's Update, including new hires and departmental updates.
- Miranda Reiman presented an update on Angus Media branding efforts, including an overview of the Angus Media Marketing Summit that will be offered at Angus Convention in November.

CERTIFIED ANGUS BEEF LLC

- Total assets at July 31, 2023 were \$25,616,800, and consisted of current assets of \$9,634,700, investments of \$7,800,800, and fixed assets of \$8,181,300. Current liabilities were \$1,863,800 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$884,000 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2023 was \$5,087,900 of which \$1,312,800 represents investment returns generated through the investment portfolio. Certified Angus Beef approved a balanced budget for fiscal year 2024.
- **Financials:** Income from royalties and premium merchandise sales were exceeding the budgeted income. Expenses were down in the areas of travel, employee benefits, and publicity, resulting in a positive bottom line of between \$1.2-\$1.4 million, before non-operating adjustments. Mark Ahearn moved to approve the financial report. The motion was seconded by Kip Palmer and passed unanimously.
- **Budgets:** The proposed Fiscal 2024 budget included revenue increase of \$1.3 million with increased spending around international sales with new team members located in Hong Kong, Korea, Japan and the Middle East. Customer marketing and educational program spending are also projected to increase as two of our most effective ways to grow sales and brand awareness. Jonathan Perry moved to approve the 2024 budget as presented. Barry Pollard seconded the motion and it passed unanimously.
- **Events:** Feeding Quality Forum event in Lincoln, NE had 195 attendees. Over 600 people have registered for the upcoming Annual Conference to be held in Las Vegas, NV on September 20-22.
- **Marketing:** The Brand sponsored the Pro Football Hall of Fame inductee dinner and has a new partnership with Vidalia Onion which has created revenue opportunities and synergies.

NEXT REGULAR BOARD MEETING

November 3 & 6, 2023, Orlando, Florida