

ANGUS

THE BUSINESS BREED

AMERICAN ANGUS ASSOCIATION® HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS SEPTEMBER 8-11, 2020

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held September 8-11, 2020, in St. Joseph, Missouri.

BREED IMPROVEMENT COMMITTEE

- Staff discussed the proposed publishing guidelines around haplotypes affecting fertility and moved forward in recommending these guidelines to the full board. The committee directed staff to strategically test high impact sires before releasing any haplotypes to clear additional animals potentially carrying harmful haplotypes.
- Staff provided insight around accredited foot scoring options. After extensive discussion, staff will move forward with an alternative approach to accreditation, providing more intensive training material surrounding foot scoring. Updates on the American Angus Association and Angus Australia research project regarding a joint evaluation on foot scores was given. After much discussion, Jerry Connealy moved, seconded by James Henderson, to pursue the joint evaluation venture with Angus Australia. The motion was unanimously approved.
- Staff gave brief updates on the Structured Sire Evaluation program.
- An update on bull disposal codes was provided. Staff will move forward with initiating programming efforts as time allows.

COMMERCIAL PROGRAMS COMMITTEE

- Alan Miller moved, seconded by Jerry Connealy, to add the following staff member listings to the Commercial Programs Committee list; director of verification services and director of commercial industry relations. The motion was unanimously approved.
- Discussion was held regarding the recent Oklahoma National Sale results and additional sale barns that have expressed interest in hosting AngusLinkSM sales.
- AngusLink preliminary video sale pricing results as of July 31, 2020 were reviewed.
- A summary of AngusLink enrollments and future enrollment trends was provided.

COMMUNICATIONS AND PUBLIC RELATIONS COMMITTEE

- The committee reviewed outreach through releases and photo distribution for the year.
- The committee discussed avenues for member communication with the development of a survey to gather input from membership during the annual meeting in November.

EVENTS AND EDUCATION COMMITTEE

- The committee reviewed the impact of COVID-19 on the current Roll of Victory (ROV) program. The ROV program will move forward as planned.
- Staff will continue to evaluate future National Junior Angus Show (NJAS) locations.
- Jonathan Perry moved, seconded by John Grimes, to allow Phenotype and Genotype Show entries to be added to Premier Breeder and Exhibitor calculations. The motion was unanimously approved.

- Discussion was held regarding allowing bred and owned cattle to show in the owned cattle category at NJAS category. No action was taken.
- Staff was directed to review the following NJAS topics and report at the November Board of Directors Meeting; no fit policy, a modified schedule option and exclusive sponsorship opportunities.
- An update was provided on the Angus University fall webinar schedule and projected avenues for 2021. Discussion was held regarding allowing sponsorship opportunities.
- The committee created a judges list for the 2021 NJAS. The list is to remain confidential until it has been sent to the Nebraska NJAS planning committee.
- The committee created the 2021-22 ROV judges list. The list is to remain confidential until it has been sent to the ROV shows.
- A member letter requesting multiple ownership for immediate family members on an individual animal was discussed. Staff will research the topic and report at the November Board of Directors Meeting.

FINANCE AND PLANNING COMMITTEE

- Balance sheets and income statements for the period ending July 31, 2020 were reviewed. Total assets on the consolidated financial report were \$69,086,500, consisting of current assets of \$12,513,000, investments of \$46,692,200, property and equipment of \$8,946,000 and non-current assets of \$935,300. Current liabilities were \$5,168,100, consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$1,922,700 consisted accrued health insurance benefits and deferred compensation. Net income for the period ending July 31, 2020 was \$6,597,400.
- Projections of the financial results for the fiscal year that will end September 30, 2020 were presented for the Association, its subsidiaries and affiliate.
- Staff presented the proposed budget for the American Angus Association for fiscal year (FY) 2021 which has projected revenues of \$14,139,000, expenses of \$16,028,000, and non-operating income of \$745,000 resulting in a bottom-line net loss of (\$1,144,000). This includes net investment income of \$785,000. Barry Pollard moved, seconded by John Grimes, to recommend that the Board approve the 2021 budget proposal. The motion was unanimously approved.
- The committee reviewed the investment portfolio of the Association and its subsidiaries.
- The committee reviewed the codes of conduct for directors and employees. Barry Pollard moved, seconded by Richard Dyar, to approve the codes with no changes needed. The motion was unanimously approved.

MEMBER AND AFFILIATE SERVICES COMMITTEE

- Proposed updates to the Sale Terms and Conditions were discussed. Dave Hinman moved, seconded by Mike McCravy, to accept the proposed updates shown below in red. The motion was unanimously approved.

Embryos

1. Embryos being offered for sale will be sold “as is” as it relates to fertility and pregnancy success rate unless the seller provides additional guarantees.

2. It is the seller’s responsibility to disclose all additional known information related to the embryos, to include, but not limited to the sexing of the embryos or any biopsied information. (As adopted June 4, 2020 and September 11, 2020)

- Updates to the mailing list policy were reviewed and discussed. Chuck Grove moved, seconded by Jim Brinkley, to accept the proposed updates. The motion was unanimously approved.
- Rule 900 was discussed. Dave Hinman moved, seconded by Jim Brinkley, to adopt the following updates shown below in red. The motion was unanimously approved.

901.i. If originally issued as a personal name that is changed (in the case of marriage, divorce, adoption, etc.), upon the Association's receipt of legal name change documents, directing the Association to change the owner of the membership.

Rule 904. Membership Name Change

In the event a member requests to change the name of a Regular, Life, Non-transferable Life or Non-resident Membership for any reason and would like to retain the original member code, a membership name change fee established by the Board of Directors will be assessed to the member at the time of the name change.

- The affiliate buyer information provided on pedigree lookup was reviewed. No action was taken.
- Staff provided a report regarding the submission of raw data to the Association.

ANGUS FOUNDATION

A review of topics discussed, and action taken during the September 3, 2020 video conference Angus Foundation Board of Directors Meeting was provided.

- The board welcomed Megan Pelan, National Junior Angus Association Foundation Director to the meeting.
- The minutes of the May 28, 2020 video conference Angus Foundation Board Meeting were previously distributed. Margaret Duprey moved, seconded by Tom McGinnis, to accept the minutes as provided. The motion was unanimously approved.
- A financial report for the Angus Foundation was presented. As of July 31, 2020, the Angus Foundation had an overall net income of \$1,618,500 with \$398,000 being unrestricted. James Coffey moved, seconded by Lamar Steiger, that the financial report be accepted. The motion was unanimously approved.
- A fiscal year (FY) 2021 budget for unrestricted funds was presented to the board. Lamar Steiger moved, seconded by Barry Pollard, to accept the FY 2021 Budget. The motion was unanimously approved.
- James Coffey moved, seconded by Barry Pollard, to proceed with engaging AlumniFinder for fundraising and data analytic services. Motion passed unanimously.
- Tom McGinnis moved, seconded by Margaret Duprey, to adopt a new style guide for the Foundation's branding and logomarks. The motion was unanimously approved.
- The Fee and Spending Policy Committee appointed during the May board meeting presented changes for the board to consider to both the Foundation's fee policy on restricted gifts and the spending policy on endowed funds.
 - The revisions to the spending policy shorten the length of time for the first award from newly endowed funds from three or more years to 12 months and clarifies language in the policy. Margaret Duprey moved, seconded by Tom McGinnis, to adopt the committee's recommended changes to the Spending Policy for Scholarship and Award Endowment Funds. The motion passed unanimously.

- The revisions to the fee policy change eliminates the administrative fee, implements a receiving fee for restricted gifts, and clarifies the language of the policy to bring the Foundation's fee structure in line with industry standards. Richard Dyar moved, seconded by James Coffey, to adopt the committee's recommended changes to the Fee Policy for Gifts. The motion passed unanimously.
- The board thanked Lamar Steiger for his service as the industry representative on the Angus Foundation board.
- Fundraising plans for FY 2021 were presented.

ANGUS GENETICS INC.

- The minutes of the June 3, 2020 video conference Angus Genetics Inc. (AGI) Board Meeting were previously distributed. John Grimes moved, seconded by Mick Varilek, to accept the minutes as provided. The motion was unanimously approved.
- A financial report was presented. Net income through July 31, 2020 was \$93,100, which was \$42,100 better than budget and flat with the prior year. The year-end forecast for fiscal year 2020 projected a net income of \$30,900, exceeding both the budgeted number of \$1,800 and the \$14,200 actual from the prior year. Also presented was a proposed fiscal year FY 2021 budget with a net income of \$6,500.

Jerry Connealy moved, seconded by Alan Miller, to approve the financial report and FY 2021 budget. The motion passed unanimously.

- Staff provided updates on the organizational structure of AGI, the industry reception of Angus x Dairy indexes, and the high immunity project. Also presented was a recommendation to continue reporting the genomic scores associated with genotype profiles, despite EPDs being the more comprehensive indicator of genetic merit.
- Staff shared an update on haplotypes affecting fertility. One haplotype has been identified for further validation, with the board providing direction on the validation process.
- An update on a research agreement with Angus Australia, which consists of a joint evaluation of growth and foot score traits, was provided by staff. The final item on the agenda was a discussion on how \$Maternal Weaned Calf Value (\$M) could be improved.

ANGUS PRODUCTIONS INC. d/b/a ANGUS MEDIA

- The minutes of the June 3, 2020 video conference Angus Productions Inc (API) Board Meeting were previously distributed. Dave Hinman moved, seconded by Chuck Grove, to approve the minutes as provided. The motion passed unanimously.
- A financial report was presented. Total assets at July 31, 2020 were \$2,807,000, and consisted of current assets of \$1,481,500, investments of \$732,100, fixed assets of \$410,500, and non-current assets of \$182,900. Current liabilities were \$1,404,100 consisting of accounts payable, accounts payable intercompany, accrued liabilities and deferred income. Long-term liabilities of \$214,700 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2020 was \$218,500.

James Coffey moved, seconded by Mick Varilek, to approve the financial report as presented. The motion passed unanimously.

- Staff recapped measures taken including staffing, modified workflows and cost-cutting measures to offset reductions in revenue due to COVID-19 and reducing sale book pricing.
- Staff presented ideas for potential revenue-generating customer service options, including a sale-day clerking option, a customer relations manager for seedstock producers, and a feeder-calf marketing guide.

- The Board discussed how the pandemic has modified marketing of seedstock and how Angus Media can best position itself to meet customer needs.
- Staff presented the proposed 2021 budget. James Coffey moved, seconded by Barry Pollard, to approve the budget as presented. Motion passed unanimously.

CERTIFIED ANGUS BEEF LLC

- The projected year-end finances for fiscal 2020 show an expected bottom line of \$2.3 million prior to non-operating charges with royalties down 8%, but better than expected given the impact of the pandemic. James Henderson moved to approve the financial report. Dave Hinman seconded the motion, and the motion passed unanimously.
- Projecting fiscal year end supply and sales metrics, certified carcass headcount will decline by approximately 2.0% with 5.52 million carcasses certified by licensed packers. Although the total headcount is below prior year, heavily impacted by COVID-19 related plant closures, the quality of Angus-influenced cattle continues to improve as indicated by this year's record acceptance rate of 35.9%. Brand product sales will decline by 6% (approximately 75 million pounds) compared to last year. As expected, the decline is a direct reflection of the impact COVID-19 has had on foodservice and international business, in particular. Brand foodservice and international sales will be down 22 to 24% for the year. However, retail sales will reach record levels increasing by more than 12%.
- Brand building initiatives have shifted, maximizing resources and responding to new business dynamics among licensed end-users; including new video spots from the Rare Moments, Done Well campaign, the Steakholder Rewards™ program, new updated brand refresh for point-of-sale and marketing resources, and the efforts of the education team in their virtual trainings.
- The proposed fiscal 2021 budget shows a \$100,000 bottom line reflecting an expected 3% increase in royalties as well as a reciprocal increase in the marketing spend to support an anticipated growth in sales. Mike McCravy motioned to approve the proposed budget. Alan Miller seconded the motion, and the motion passed unanimously.
- Construction of the new warehouse and print shop continues across the street from the brand's office in Wooster, Ohio, with plans to fully occupy the facility in December.

BOARD OF DIRECTORS

- President Schiefelbein reported that the minutes of the June 2-4, 2020, video conference regular Board of Directors Meeting were unanimously approved by an email vote completed on August 24, 2020.
- The minutes of the August 19, 2020 video conference special Board of Directors Meeting were previously distributed. David Dal Porto moved, seconded by Jim Brinkley, to approve the minutes as distributed. The motion was unanimously approved.
- A financial report for the Association was presented for the period ending July 31, 2020. Total assets at July 31, 2020 were \$22,080,600, and consisted of current assets of \$1,593,000, investments of \$15,297,600, and fixed assets and goodwill of \$5,190,000. Current liabilities were \$1,716,400 consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$850,500 consisted of deferred compensation and accrued health insurance benefits. Net income for the period ending July 31, 2020 was \$374,700. The FY 2021 proposed budget was presented.

Jerry Connealy moved, seconded by Barry Pollard, to approve the FY 2020 financial report and the FY 2021 proposed budget. The motion was unanimously approved.

- Barry Pollard moved, seconded by John Grimes, to add the Association Director of Human Resources to the Compensation Committee. The motion was unanimously approved.
- An update on the work of the Inventory-Based Reporting Task Force was provided. After discussion, Jerry Connealy moved, seconded by Alan Miller, to move forward with a rollout of a new inventory-based reporting system in January 2021. Necessary changes to the MaternalPlus® program will be incorporated into this program including the dissolution of the incentive rebate program, effective January 2022. The motion was unanimously approved.
- An update regarding the 2020 Angus Convention in Kansas City, Missouri was presented.
- Jerry Connealy moved, seconded by Mike McCravy to establish guidance to direct the Association's National Cattlemen's Beef Association (NCBA) committee representatives to vote on behalf of the Association. The motion was unanimously approved.
- David Dal Porto moved, seconded by James Henderson, that Association staff develop options to balance future budgets without the significant reliance on reserves or investment income. The motion was unanimously approved.
- It was reported that Chuck Grove has been elected to serve as the Association's Treasurer for 2021.
- Alan Miller moved, seconded by Jonathan Perry, that staff proceed with the haplotype publishing policy as recommended by the Breed Improvement Committee. The motion was unanimously approved.
- Barry Pollard moved, seconded by Jim Brinkley, to establish a name change fee of \$500.00 for any Regular, Life, or Non-transferable Life or Non-resident Member who, for any reason, wishes to change the name of their membership but would like to retain the original member code. The motion was unanimously approved.
- Mick Varilek moved, seconded by James Coffey, 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.

- Jerry Connealy nominated David Dal Porto to serve as the Association's President and Chairman of the Board of Directors for 2021; seconded by Jonathan Perry. Barry Pollard moved, seconded by Dave Hinman, that the nomination be approved by acclamation. The motion was unanimously approved.
- Alan Miller nominated Jerry Connealy to serve as the Association's Vice President and Vice Chairman of the Board of Directors for 2021, seconded by James Henderson. James Henderson moved, seconded by Jonathan Perry, that the nomination be approved by acclamation. The motion was unanimously approved.
- Don Schiefelbein appointed David Dal Porto, Jerry Connealy and Chuck Grove 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 Board approved committee reports as follows:

- Breed Improvement Committee: motion to approve report by Alan Miller, second by Jonathan Perry, unanimous approval.
- Commercial Programs Committee: motion to approve report by Jonathan Perry, second by Jim Brinkley, unanimous approval.
- Communications and Public Relations: motion to approve report by James Coffey, second by James Henderson, unanimous approval.
- Events and Education Committee: motion to approve report by Mick Varilek, second by John Grimes, unanimous approval.
- Finance and Planning Committee: motion to approve report by Jerry Connealy, second by Barry Pollard, unanimous approval.
- Member and Affiliate Services Committee: motion to approve report by Barry Pollard, second by Chuck Grove, unanimous approval.

NEXT REGULAR BOARD MEETINGS

- November 7 and 9, 2020, Kansas City, MO