

**AMERICAN ANGUS ASSOCIATION®**  
**HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS**  
**SEPTEMBER 7-9, 2016**

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held September 7-9, 2016, in St. Joseph, Missouri.

***ACTIVITIES COMMITTEE***

- The Western Regional, Reno, Nevada, and Eastern Regional Junior Angus Show, Louisville, Kentucky, in conjunction with All American Angus Breeders' Futurity, were approved as the 2017 regional shows. The following were approved as the 2017 regional preview shows:
  - MAJAC Regional Preview, Harrisonburg, Virginia.
  - Atlantic National Regional Preview, Timonium, Maryland.
  - All American Angus Breeders' Futurity Regional Preview, Louisville, Kentucky.
- It was decided that at the 2017 National Western Stock Show (NWSS) during the Bull Sale Show, the judges' placings of the top two bulls in each class will be displayed on a screen for the exhibitors to see during the show. David A. Dal Porto moved to approve, seconded by Tom Burke. The motion passed unanimously.
- David Dal A. Porto moved that at the 2017 NWSS Bull Sale, sale bulls will be weighed prior to being shown. Tom Burke seconded, and the motion passed unanimously.
- It was proposed that National Junior Angus Association (NJAA) members be allowed to exhibit six owned heifers at the 2017 National Junior Angus Show (NJAS). Tom Burke moved to approve, seconded by David A. Dal Porto. The motion passed unanimously.
- A Junior Heifer Ownership Advisory Committee was established to review the NJAA owned heifer ownership rule. Committee members are: John F. Grimes (Chair), Charlie Boyd II, Tom Burke, David A. Dal Porto, Chuck Grove, Mike McCravy, John Pfeiffer Jr., Mick Varilek, Rick Blanchard, Jarold Callahan, Gary Dameron, Scott Foster, Bruce Stertzbach, Jaclyn Clark, Chelsey Smith, Jerry Cassady and Chris Stallo.
- A Performance Show Ring Advisory Committee was established to review the concept of utilizing performance data in the NJAS. Committee members are: John F. Grimes (Chair), Tom Burke, Jerry Connealy, David A. Dal Porto, Chuck Grove, James W. Henderson, Mick Varilek, Dick Beck, Greg Butman, Sam Carter, Alan Miller, Jonathan Perry, Doug Worthington, Jaclyn Clark, Chelsey Smith, Jerry Cassady and Chris Stallo.
- The Committee created the 2017-18 Roll of Victory (ROV) and NJAS judges list.

***BREED IMPROVEMENT COMMITTEE***

- Association staff described the potential to provide genomically-enhanced expected progeny differences (EPDs) for genotyped embryos, using pedigree information and genomic test results. It was recommended that the Association develop and implement a process to provide genomically-enhanced EPDs on genotyped embryos, updated weekly, and that those GE-EPDs be publishable in API publications. Leo McDonnell moved to approve the recommendation, seconded by Don Schiefelbein. The motion carried unanimously.
- Association staff reported on the Structured Sire Evaluation program, including plans to expand the program in the upcoming year. Staff provided updates on the process of incorporating birth weights into genetic evaluation prior to submission of weaning weights. A new project to study feedlot mortality is being developed.

- Staff provided a review of the number of performance records submitted through August of the current fiscal year, and the level of participation in the MaternalPlus® program.

### ***FINANCE AND PLANNING COMMITTEE***

- Balance sheets and income statements for the period ending July 31, 2016, were reviewed. Total assets on the consolidated financial report were \$61,734,000, consisting of current assets of \$10,192,000, investments of \$45,817,000, property and equipment of \$5,489,000 and non-current assets of \$235,000. Current liabilities were \$5,411,000 consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$1,751,000 consisted of notes payable, deferred compensation and accrued health insurance benefits. Net income for the period ending July 31, 2016 was \$7,155,000.
- Projections of the financial results for the fiscal year that will end September 30, 2016, were presented for the Association, its subsidiaries and affiliate.
- The Committee reviewed the investment portfolio of the Association and its subsidiaries.
- The Committee discussed the annual audit of Association records. Tom Burke moved, seconded by John Pfeiffer Jr., to recommend to the Board that the Association again engage the services of CliftonLarsonAllen to audit the 2016 fiscal year records of the Association and its subsidiaries. The motion passed unanimously.
- John Elbert Harrell moved, seconded by Dave Nichols, to recommend to the Board that from this point forward the Finance and Planning Committee be sanctioned to select the accounting firm that will be engaged to conduct the annual audit of the Association and its subsidiaries. The motion passed unanimously.
- The Committee reviewed the Codes of Conduct for Directors and employees. John Pfeiffer Jr. moved, seconded by Leo McDonnell, to approve the Codes of Conduct as they are currently written and used. The motion passed unanimously.
- Leo McDonnell moved, seconded by Dave Nichols, to recommend that the Board approve the proposed 2017 budget for the American Angus Association. The motion passed unanimously.

### ***ANGUS FOUNDATION***

- The financial status of the Angus Foundation (Foundation) for the ten-month period ending July 31, 2016, was reviewed. Total assets were \$19,260,600, and consisted of current assets of \$474,500 and investments of \$18,786,100. Current liabilities were \$272,600 consisting of accounts payable, and accrued liabilities. Long-term liabilities of \$21,000 consisted of accrued awards and accrued health insurance benefits. Net income for the period ending July 31, 2016 was \$1,668,600. Financial projections for the year ending September 30, 2016, were reviewed. The net income for the year then ending is projected to be \$1,377,400. John F. Grimes moved, and John Elbert Harrell seconded, to approve the financial report. The motion passed unanimously.
- The proposed fiscal year 2017 budget was presented. The proposed budget included revenues of \$1,824,900 and operating expenses of \$1,540,600. Tom Burke moved, seconded by Dave Nichols, to approve the proposed budget. The motion passed unanimously.
- Financial highlights for FY 2016 included contributions that were 58.1% ahead of budget with \$1,300,966 received from generous supporters, twelve consecutive years of more than one million dollars in total revenue, and five consecutive years of positive growth in total assets.
- Chris Stephens was introduced as the new Assistant Director of Development.

- Staff updated the Directors on the organization's operations, marketing and resource development activities.
- Staff reported on the *Angus Foundation 2020* long-range strategic plan and related activities of the Resource Development Committee.
- The Board discussed the way highlights of the Foundation Board meetings are being shared with the membership on the Association's website and in the *Angus Journal*. Following brief discussion, Chuck Grove moved to adopt a proposed resolution that would require the names of the Directors who make and second any motion, along with the count of the vote on the motion, to be published in the highlights; and that would adopt a policy on availability of minutes to members of the Association that is consistent with the policy adopted by the Association in June 2016. The motion was seconded by John F. Grimes and passed unanimously.

### **ANGUS GENETICS INC.**

- A financial report for Angus Genetics Inc. (AGI) for the ten-month period ending July 31, 2016, was presented. Total assets were \$1,369,500, and consisted of current assets of \$1,365,500, and non-current assets of \$4,000. Current liabilities were \$635,900 consisting of accounts payable and accrued liabilities. Long term liabilities of \$4,000 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2016, was \$382,400. Financial projections for the year ending September 30, 2016, were reviewed. The net income for the year then ending is projected to be \$29,400. Jerry Connealy moved to approve the financial report, and David A. Dal Porto seconded the motion. The motion passed unanimously.
- The proposed fiscal year 2017 budget was presented. The proposed budget included revenues of \$8,550,900 and operating expenses of \$8,444,000. David A. Dal Porto moved, seconded by Leo McDonnell, to approve the 2017 proposed budget. The motion passed unanimously.
- Dr. Stephen Miller was introduced as the new Genetic Research Director for the Association and AGI.
- Staff provided a competitive analysis of private industry involvement in the beef genetics industry. The planned implementation of Single Step Genomic Evaluation and other ongoing and future projects was discussed. Staff also reported on the status of Genetic Evaluation Services for AGI customers and sales volume of genomic testing products.
- The Board discussed the way highlights of the AGI Board meetings are being shared with the membership on the Association's website and in the *Angus Journal*. Following brief discussion, Jerry Connealy moved to adopt a proposed resolution that would require the names of the Directors who make and second any motion, along with the count of the vote on the motion, to be published in the highlights; and that would adopt a policy on availability of minutes to members of the Association that is consistent with the policy adopted by the Association in June 2016. The motion was seconded by James W. Henderson and passed unanimously.

### **ANGUS PRODUCTIONS INC.**

- The Board reviewed the financial report for Angus Productions Inc. (API) for the ten-month period ending July 31, 2016. Total assets were \$2,972,400, and consisted of current assets of \$1,555,400, investments of \$961,700, property and equipment of \$224,500 and non-current assets of \$230,800. Current liabilities were \$998,500 consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$590,800 consisted of deferred compensation and accrued health insurance benefits. Net income for the period

ending July 31, 2016, was \$338,300. Financial projections for the year ending September 30, 2016, were reviewed. The net income for the year then ending was projected to be \$47,100. The proposed fiscal year 2017 budget was discussed. The proposed budget included revenues of \$10,280,600 and operating expenses of \$10,221,800. James W. Henderson moved and John Elbert Harrell seconded to approve the financial report and the 2017 proposed budget. The motion passed unanimously.

- As of July 31, Angus Media was showing a strong bottom line of \$338,339, 18% growth over FY 2015. *Angus Beef Bulletin* page counts grew by 10%, and the number of Special Services projects increased by 23%, year to year. Meanwhile, an analysis of media activity for the Angus brand showed continued significant interest in Angus news amongst media versus other breed competitors.
- Angus Media will focus on four key areas in the next fiscal year: efficiency, cohesion, convergence and message. Staff is actively seeking ways to improve each of these areas, including an extensive redesign process for its media platforms as well as information sharing across departments.
- *The Angus Report* marked its five-year anniversary in September. The 30-minute television news program has drawn more than 11 million viewers since it launched.
- The Angus Media communications team has embarked on an extensive communications planning effort for FY 2017 in conjunction with the Association's Long Range Strategic Plan.
- API staff conducted an extensive review process of its salebook price structure and bidding process, which was shared with the Board. After considerable discussion and exploration, the Board recommended that Angus Media continue to refine and pursue a standardized salebook pricing structure under the guidance and discretion of staff.
- The Board discussed the way highlights of the API Board meetings are being shared with the membership on the Association's website and in the *Angus Journal*. Following brief discussion, Jerry Connealy moved to adopt a proposed resolution that would require the names of the directors who make and second any motion, along with the count of the vote on the motion, to be published in the highlights; and that would adopt a policy on availability of minutes to members of the Association that is consistent with the policy adopted by the Association in June 2016. The motion was seconded by John F. Grimes and passed unanimously.

### **CERTIFIED ANGUS BEEF LLC**

- A financial report for Certified Angus Beef LLC (CAB) for the ten-month period ending July 31, 2016, was presented. Total assets were \$14,826,700, and consisted of current assets of \$5,358,800, investments of \$6,065,300 and property and equipment of \$3,402,500. Current liabilities were \$1,237,700 consisting of accounts payable and accrued liabilities. Long-term liabilities of \$478,000 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2016, was \$2,535,100. The 2016 fiscal year end projection was also reviewed. Significant growth in royalty income above budget with only modest planned increases in marketing expenses will result in a positive bottom line. The net income for the FY 2016 is projected to be \$681,600. With there being no questions, David A. Dal Porto moved to approve the financial reports. The motion was seconded by Mick Varilek and passed unanimously.
- The proposed fiscal year 2017 budget was discussed and approved. The budget included revenues of \$23,322,400 and operating expenses of \$23,239,900. Don Schiefelbein moved to accept the budget as presented. Jerry Connealy moved to second the motion. The motion passed unanimously.

- In the President's report it was noted that Harris Ranch began producing *Certified Angus Beef*<sup>®</sup> brand product on August 29, 2016. An update was given on progress with Russian production and sales. An update was also provided on the yield grade white paper being authored by Ty Lawrence. Once the paper is completed and posted to the CAB website, the paper and topic will most likely be directed toward a broader industry audience, perhaps NCBA, to seek needed transformation in the industry's measure of carcass composition.
- In the supply update it was reported that year-to-date the U.S. slaughter was up 3.3% with the percent of Angus type cattle exceeding 65% the last few weeks. Overall the identified A-stamp cattle were up 4.4% with the acceptance rate running at 28.9% (a full 1.5 ppt ahead of last year at this time). As a result of these increases the supply of certified cattle was up 10.3% and the Choice-CAB spread was up 48.4%, indicating strong demand for *Certified Angus Beef*<sup>®</sup> product. The brand will exceed one billion pounds in sales for fiscal 2016. Currently retail was leading the way posting an 18% increase followed by international at 11%. Foodservice has continued to post an increase at 5%, following three years of steady increases.
- A brief update was provided on the combined efforts of the Association and CAB staff to develop a Corporate Social Responsibility strategy.
- The status of the proposed GIPSA rule was reviewed. Staff will closely monitor the activity and will provide timely updates to the Board should action be needed.
- Staff provided an update on an industry request for USDA to allow dentition or age documentation to be used for carcass maturity determination when assigning quality grades. USDA is seeking public comments until October 24, and the brand intends to submit formal comments supporting the proposed change pending Board approval.
- The Board discussed the way highlights of the CAB Board meetings are being shared with the membership on the Association's website and in the *Angus Journal*. Following brief discussion, Jerry Connealy moved to adopt a proposed resolution that would require the names of the directors who make and second any motion, along with the count of the vote on the motion, to be published in the highlights; and that would adopt a policy on availability of minutes to members of the Association that is consistent with the policy adopted by the Association in June 2016. The motion was seconded by David A. Dal Porto and passed unanimously.

### **BOARD OF DIRECTORS**

- The Board reviewed and approved strategies and recommendations of the Long Range Strategic Plan proposal. Staff was directed to proceed with incorporating those strategies into a final plan. The Long Range Strategic Plan will be presented to the membership at the Annual Convention of Delegates.
- The financial report for the Association was reviewed. Total assets were \$23,328,300, and consisted of current assets of \$1,461,600, investments of \$20,004,200, and property and equipment of \$1,862,500. Current liabilities were \$2,290,300 consisting of accounts payable, notes payable, accrued liabilities and deferred income. Long-term liabilities of \$657,100 consisted of notes payable, deferred compensation and accrued health insurance benefits. Net income for the period ending July 31, 2016, was \$2,230,300. Financial projections for the year ending September 30, 2016, were reviewed. The net income for the year then ending is projected to be \$1,917,800. John Pfeiffer Jr. moved, seconded by Mick Varilek, to approve the financial report. The motion passed unanimously.
- The fiscal year 2017 proposed budget was discussed. The proposed budget included revenues of \$14,228,600 and operating expenses of \$14,029,800. Kevin Yon moved,

seconded by David A. Dal Porto, to approve the fiscal year 2017 budget as proposed. The motion passed unanimously.

- Kevin Yon moved, seconded by John Pfeiffer Jr., to approve the recommendation of the Finance and Planning Committee that, from this point forward, the Finance and Planning Committee be sanctioned to select the accounting firm that will be retained to conduct the annual audit of the Association and its subsidiaries. The motion passed unanimously.
- Staff presented several options for electronic delivery of minutes of Board meetings to the Board of Directors and recommended that minutes be emailed to the Board in a secure, confidential format with approval to be conducted by email. Don Schiefelbein moved, seconded by Dave Nichols, to approve the recommendation. The motion passed unanimously.
- Charlie Boyd II moved, seconded by Tom Burke, to approve procedural documents for the Annual Convention of Delegates: (1) the Order of Business, (2) convention procedures, and (3) election procedures. The motion passed unanimously.
- Dave Nichols moved, seconded by Don Schiefelbein, to send the procedural documents for the Annual Convention of Delegates to all delegates and alternate delegates prior to the convention. The motion passed unanimously.
- John F. Grimes nominated Charlie Boyd II to serve as the Association's President and Chairman of the Board of Directors for 2017, seconded by Tom Burke. John Pfeiffer Jr. moved, seconded by Kevin Yon, to approve the nomination. The motion passed unanimously.
- Charlie Boyd II nominated Kevin Yon to serve as the Association's Vice President and Vice Chairman of the Board of Directors for 2017, seconded by Don Schiefelbein. Don Schiefelbein moved, seconded by John Pfeiffer Jr., to approve the nomination. The motion passed unanimously.
- In confidential executive session the Board elected John Pfeiffer Jr. to serve as the Association's Treasurer for 2017.
- Charlie Boyd II moved, seconded by Tom Burke, to elect Mark Duffell 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 7, 2016. The motion passed unanimously.
- John Pfeiffer Jr. moved, seconded by Kevin Yon, to elect Mitch Rouda to serve a two-year term as an Industry Representative on the Board of Directors of Angus Productions Inc. The term will begin on November 7, 2016. The motion passed unanimously.
- The Board approved committee reports and recommendations as follows:
  - Activities Committee report and recommendations: motion by John F. Grimes, second by David A. Dal Porto, unanimous approval.
  - Breed Improvement Committee report and recommendations: motion by Jerry Connealy, second by John Elbert Harrell, unanimous approval.
  - Finance and Planning Committee report and recommendations: motion by Charlie Boyd II, second by John Pfeiffer Jr., unanimous approval.

#### ***NEXT REGULAR BOARD MEETINGS***

- November 4 and 7, 2016, Indianapolis, Indiana