



Board Action

Highlights of the June 2-4, 2002, meeting of the American Angus Association Board of Directors

Pursuant to notice, the meeting of the American Angus Association Board of Directors was called to order in the boardroom of the American Angus Association, Saint Joseph, Mo., June 2-4, 2002. The following officers and directors were present: Leroy Baldwin, president; Steve Brooks, vice president; Joe Elliott, treasurer; Keith Arntzen; Leo Baker; Jim Bradford; Minnie Lou Bradley; Ben Eggers; Mark Gardiner; Jot Hartley; Paul Hill; Jay King; Brian McCulloh; Lowell Minert; Abbie Nelson; Dave Smith; and Richard Tokach.

EXECUTIVE COMMITTEE

Requests from a breeder and the Illinois Angus Association relating to the National Junior Angus Association (NJAA) fee structure were reviewed and discussed. The Board declined to amend the Association's present policy.

State tabulations for the delegates and alternates for only the most recent election will be available subject to the following:

1. Request must be made in writing to the executive vice president.
2. The requestor must be a member in good standing of the American Angus Association.
3. The requestor will only be provided the vote tabulation for the state in which the requestor's membership is listed.
4. The requested list will be available for a fee of \$25.

ACTIVITIES COMMITTEE

Randy Daniel of Colbert, Ga., has confirmed he will judge the North American International Livestock Exposition (NAILE) Super Point Roll of Victory (ROV) show (which will be in Louisville, Ky., this November). Frank Jackson, Bentonville, Ark., was unanimously approved as associate judge. The schedule to show cow-calf pairs and bulls on Monday and females on Tuesday was approved by the NAILE committee.

Plans for the 2003 National Western Stock Show (NWSS) in Denver, Colo., were updated. The National Western Livestock show committee approved Bill Conley, Clarksdale, Mo., as judge and approved a tentative schedule, with Angus events being held Jan. 14-18, 2003. Doug Slattery of Brenham, Texas, was approved as the associate judge.

Charlie Boyd II of Mays Lick, Ky.; Dick Burns of Kickapoo, Ill.; and Seth Leachman of Billings, Mont., have been invited to judge the Angus carloads and pens.

Joe Goggins, Billings, Mont., has accepted the invitation to be auctioneer at the 2003 National Western Angus bull sale Jan. 16. Judges will be Chuck Brost, Harrodsburg, Ky.; Ron Frye, Denton, Mont.; Sam Hands, Garden City, Kan.; Jeff Johnson, Broken Bow, Neb.; and Kevin Yon, Eastover, S.C.

Oster has agreed to sponsor the National Junior Angus Showmanship Contest at the National Junior Angus Show (NJAS) in Milwaukee, Wis. The company will give a set of clippers to each of the top 15 showmanship contestants. Oster will also donate a set of clippers to the silent auction.

The decision was made to have only two judges at the NJAS, beginning with the 2003 show in Louisville, Ky. One judge will evaluate the steers, cow-calf pairs, bred-and-owned bulls and bred-and-owned heifers. The second judge will evaluate the owned heifers.

The 2004 NJAS will be held in Kansas City, Mo., July 11-17, at the American Royal complex.

FINANCE COMMITTEE

The finance committee reviewed the financial reports for the seven-month period ending April 30, 2002. The cash balance on the consolidated financial report is \$2,525,000. The investment portfolio of \$10,309,000 consists of government and agency notes, money market accounts, bank certificates of deposits, bond mutual funds and stocks managed by Chase Investment Counsel Corp. The total of all assets is \$20,447,000. Long-term debt includes a note payable in the amount of \$424,500 for the

expansion of the Certified Angus Beef LLC (CAB) facility in Wooster, Ohio. Also included in long-term debt are funds totaling \$530,000 for accrued health benefits for retired employees and \$186,000 for the deferred compensation liability. The net income for the period is \$2,175,000.

The finance committee reviewed a preliminary budget for the fiscal year (FY) ending Sept. 30, 2003. The budget has total revenue of \$7,702,600 and total expenses of \$7,694,500, with an excess of revenue over expenses of \$8,100. The purpose of the preliminary budget is to provide the finance committee and Board with information and an opportunity for questions and input in the development of the proposed budget that will be presented in September.

The finance committee discussed cash management policies and procedures. Most cash deposits for the operations of the Association, its subsidiaries and affiliates are maintained at the Commerce Bank. Cash balances are managed with the intent of maximizing earnings by investing all available balances in overnight deposits. These funds are deposited in a Goldman Sachs account, called the Goldman Sachs Financial Prime Obligations Fund, through the Commerce Bank.

Cash balances at Commerce are FDIC-insured up to the insurance limits of \$100,000. The overnight deposits placed in the Goldman Sachs Financial Prime Obligations Fund are invested in government securities, government agencies, bank certificates of deposit and high-quality commercial paper. The committee discussed the Prime Obligations Fund and compared it to other Goldman Sachs funds, comparing return and safety of principal.

The committee discussed policy regarding investment of the reserve funds of the four companies that comprise the American Angus Association. It was noted we currently have a diversified investment policy including investments in fixed income securities and equities, with the equity account under professional management. The committee discussed monitoring and evaluation of investment performance.

Corporate insurance rates are under intense upward pressure in the insurance industry, and Association insurance policies will be subject to renewal July 1. Increases in premiums of 22%-28% to renew policies are common. The Association will fare much better, with expected increases of about 11%. The two primary reasons that renewal premiums are less than the industry trend are that premiums have been locked in for three years in several of



CONTINUED ON PAGE 180

BOARD ACTION

CONTINUED FROM PAGE 178

our major policies and our good relationship with our carrier has helped stabilize premium costs.

The committee discussed the feasibility of the Finance Committee's assuming expanded, but limited, responsibilities as an audit committee. The proposed purpose of an audit committee would be to verify selected assets and liabilities on the consolidated balance sheet of the American Angus Association. A report will be made to the Finance Committee at the September Board Meeting.

PUBLIC RELATIONS COMMITTEE

The Public Relations Committee discussed the 2001-2002 national advertising campaign. The Association's "Black Hide" campaign earned first place in the National Agri-Marketing Association's (NAMA) Best of NAMA awards in April.

The committee reviewed attendee surveys for the 2002 National Angus Conference and Tour held in Sacramento, Calif. Most workshops, speakers and tour stops received high marks, and several good comments were received. The 2003 National Angus Conference and Tour will be Sept. 24-27, 2003, in Mandan, N.D.

Kendra Kelton, a student in agriculture journalism at Oklahoma State University, is working as the public relations summer intern and will assist with show publicity, shows and events.

Staff distributed recently revised brochures for the committee to review. In September the committee will review all literature printed by the Association.

Discussion of the 2002-2003 national advertising campaign took place. As directed by the committee in February, the "Black Hide" graphic will be used in the upcoming campaign with revisions to headlines and copy.

The overall position of the campaign is to deliver a "profitability" message by focusing on five basic areas of the Angus business, which include Angus bulls, Angus females, Angus Beef Record Service (BRS), the

Certified Angus Beef® (CAB®) brand and a regional message for the southern United States.

Five revised ad concepts were presented, including headlines that continue the campaign's "edgy" approach while delivering timely and informative messages. These were approved.

A preliminary media schedule for the 2002-2003 advertising campaign was reviewed. The proposed schedule will reach 83% of producers with 50 or more cows with an Angus message an average of 7.1 times throughout the year. The schedule includes one-page ads and four-page advertorial inserts in print media, 20- and 60-second radio spots, Internet and electronic media. The media schedule was approved.

BREED IMPROVEMENT COMMITTEE

The Angus derivative concept was thoroughly discussed and presented to the Board for its consideration.

After consideration by the full Board, discussion of the Angus derivative concept was tabled at this time.

A study analyzing the possibility of limiting the accuracy figures on a sire's birth weight expected progeny differences (EPDs) where the majority of the data on that individual bull is derived from a few herds was examined by the committee. A decision was made to hold birth and weaning weight accuracy values on sires at 0.85 until less than 50% of the progeny data on that sire is derived from the total of the three largest herds.

A grant proposal relative to research on the economic importance and genetic control of Angus cow longevity was reviewed. A general discussion was also held on the future procedures for the collection of reproductive information for the Angus Herd Improvement Records (AHIR) program.

COMMERCIAL & INDUSTRY RELATIONS COMMITTEE

An update was given on recent sponsorships from corporate partners of the American Angus Association. Negotiations are ongoing with various

companies that might benefit from cross-promotions with the American Angus Association. Corporate partners will continue to be aggressively sought out, in pursuit of Goal No. 7, "Explore nontraditional sources of revenue to support Association programs and pursue growth of the Angus Foundation."

The Angus BRS, while still in its infancy, continues to see growth and showed excellent growth in May. In 2003, "BRS Blackbooks" will again offer registered and commercial customers the opportunity to record their cow herd information and schedules in a pocket-sized date book/calving record. Seedstock producers may order these books in bulk by contacting Commercial Relations Department staff at the American Angus Association.

The committee developed another method to assist in completion of Goal No. 6 in the American Angus Association's Long-Range Plan, "Create programs that add value for commercial producers who receive a properly transferred registration certificate." A program issuing semi-annual EPD updates on bulls transferred into an affiliate bull buyer's (formerly called "nonmember's") ownership was suggested. These EPD updates will be printed or e-mailed to Angus affiliates in a spreadsheet table format following each run of the National Cattle Evaluation (NCE), with the first updates to be sent at the completion of the Fall 2002 NCE.

Discussion regarding a potential marketing cooperative for the commercial industry resulted in the agreement that the American Angus Association must first facilitate a better flow of data throughout the beef industry. The initial action step recommended was an extension to the existing Angus BRS, to allow for the submission of "group data" from commercial cow herds. This will allow participation by more producers, who, once comfortable with the process of submitting

records to the American Angus Association, might later be users of the individual recordkeeping capabilities of the Angus BRS. The committee agreed that information will continue to be the key to passing market signals and



CONTINUED ON PAGE 182

BOARD ACTION

CONTINUED FROM PAGE 180

pricing structures throughout the industry, so our first responsibility is to make this process as simple and effective as possible. Staff will begin implementation of this directive immediately.

MEMBER SERVICES COMMITTEE

Staff presented an update on the Information Systems Department. Programming is nearing completion for the implementation of calculating adjusted weights, ratios and interim EPDs using performance records on embryo transfer (ET) calves with a registered Angus recipient dam.

More than 1,500 upgrades of Angus Information Management Software (AIMS), version 2.2, have been shipped and installed without any major incident, and response has been positive. The two changes that were announced with the upgrade are:

- ▶ The "modem computer" being used for direct submission of AIMS files will be shut down as of July 1. This does not affect the exchange of files by e-mail.
- ▶ Any work or tutoring involving Crystal Report Writer will be charged a fee based on \$40 per hour to help compensate for the increased time spent on non-AIMS functions.

David Steffen, director of the Veterinary Diagnostic Center at the University of Nebraska-Lincoln, gave a presentation regarding procedures for diagnosing and documenting genetic defects reported to the American Angus Association. Steffen also discussed genetic testing for coat color.

Staff reported that the full release of AIMS Ranch Hand has been delayed until the program can be developed with a new software tool.

CERTIFIED ANGUS BEEF LLC

President Jim Riemann updated the Board on acceptance rates and sales by each division. Total sales for the year will be around 530 million pounds (lb.). Divisional highlights included a recent television spot that had been filmed in Salt Lake City, Utah, spotlighting the CAB brand and Gastronomy (a licensed restaurant), as well as recent packing plant reviews, quality assurance seminars, the ongoing situation with the bovine spongiform encephalopathy

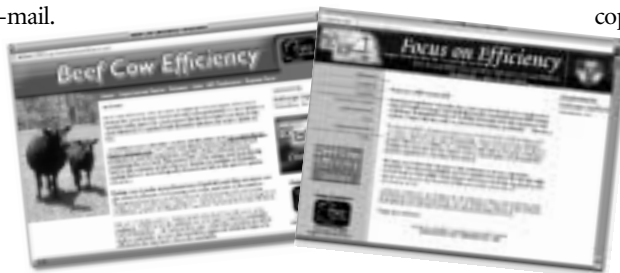


(BSE) crisis in Japan, and plans to eventually relocate a staff person to the Japanese market.

A rearrangement of responsibilities has occurred to combine the sales divisions under the leadership of Brent Eichar and to elevate the roles of Mark McCully and Pam Cottrell to assist Eichar in these efforts. In addition, John Stika will be relocated to Ohio to assume the duties of director of packing, in addition to his current supply development responsibilities.

An update was presented on the court-ordered settlement conference, which was held in Minneapolis, Minn., in May to resolve a trademark infringement issue.

A summary of the progress on the DNA project was presented. Because of cutbacks within the state of Ohio, the grant request was not funded. As a result, staff is regrouping and evaluating how best to move forward with creating a lab to commercialize the technology.



ANGUS PRODUCTIONS INC.

Review of the financial and budget reports for the period ending April 30, 2002, resulted in year-to-date total revenue of \$3,447,888.53 and total expenses of \$3,158,051.10, for excess revenue over expenses after an income tax adjustment of \$271,258.43.

API Board discussion resulted in a motion that consideration be made to place money into a cash reserve to put API into a better financial position to cover post-retirement liabilities as well as to have a capital replacement fund. Approval was obtained to proceed with forming the accounts, with the amounts to be determined by the API Board at the September 2003 meeting.

The Land Stewardship Award, given each year by API, will be phased out after the 2002 annual meeting in Louisville, Ky. Another program will be created to increase member involvement and better serve the American Angus Association.

Another postal rate increase will take effect June 30, 2002.

API launched two new Web sites — www.BeefCowEfficiency.com and www.BIFconference.com — June 1, 2002. Both sites are sponsored by Boehringer Ingelheim Vetmedica, Inc. The beef cow efficiency site will serve as an information portal that can assist producers in becoming more efficient. The Beef Improvement Federation (BIF) site will provide real-time coverage of the BIF annual meeting in Omaha, Neb., July 10-13, 2002. That same week, API will also provide real-time coverage of the NJAS in Milwaukee, Wis.

A new Web site www.AngusPhotos.com was introduced and developed for the purposes of (1) selling API photos and (2) distributing the most-requested Angus bull and female photo scans to other publications or individuals who need them for promotional purposes. A letter was drafted to formalize API's procedures along with a release form to be signed by requested parties formally allowing scanned copies of their photographs to be made available via the Internet, electronic mail, or other means now existing or developed in the future.

ANGUS FOUNDATION

A report was given on the Angus Foundation fund-raising programs. The 14 millionth registration number sold at the Western National Angus Futurity (WNAF) in Reno, Nev., for \$10,000. Dave McMahon of Belle Point Angus Ranch, Lavaca, Ark., was the buyer of the registration number.

The Frank Murphy Profitmaker Prints are still available. It was reported that a new painting featuring the Angus cow has been commissioned from Frank Murphy. The intent is that this painting would be developed into prints to be sold to benefit the Angus Foundation.

The Angus Foundation Golf Tournament will be held during the NJAS. The tournament will be played at the Songbird Hills Golf Club, Hartland, Wis.

The 2003 Angus Foundation Heifer donor will be Whitestone Farms of Aldie, Va.



NEXT BOARD MEETING

Sept. 11-13, 2002 — Saint Joseph, Mo.

