



Board Action

► Highlights of the June 11-13, 2008, meeting of the American Angus Association® Board of Directors

Board conducts June business

Pursuant to notice, the meeting of the American Angus Association Board of Directors was called to order June 11-13, 2008, in Keystone, Colo. The following officers and directors were present: Paul Hill, president and chairman of the Board; Jay King, vice president and vice chairman of the Board; Bill Davis, treasurer; Gregg Blythe; Jarold Callahan; Al DeClerk; Norman Garton; Joe Hampton; Chad Hoffman; Steve Olson; James Rentz; John Schurr; Gordon Stucky; Rob Thomas; Phil Trowbridge; and Cathy Watkins. Highlights of the meeting are as follows.

ACTION OF THE FULL BOARD

- The Board endorsed the creation of an executive management team. The executive management team will include the chief executive officer (CEO); the presidents of Certified Angus Beef LLC (CAB), Angus Productions Inc. (API), the Angus Foundation and Angus Genetics Inc. (AGI); a newly created position of chief operating officer (COO) of the American Angus Association; and the vice presidents of the Association. The purpose of the executive management team will be to allow for the flow and exchange of information on subjects of common interest to those separate and distinct entities.
- The Board appointed Jim Sprake, Missouri, and Gerald Theis, Kansas, to serve as election observers to oversee the counting of the ballots for election of delegates and alternates to the 2008 Annual Meeting scheduled to be Nov. 17.
- The Board directed staff to research the feasibility of the Angus Foundation Vision of Value Leadership Cabinet's recommendation to adopt a \$1-per-head voluntary contribution on each animal registration to the Angus Foundation in support of the campaign.
- The Board then expressed its appreciation to retiring CEO John Crouch for his exemplary service to the Association and the beef industry.
- The Board congratulated incoming CEO Bryce Schumann and welcomed him to his new position.

ACTIVITIES & EVENTS COMMITTEE

- The National Western Stock Show (NWSS) junior ownership and entry deadline will be Nov. 20. A senior yearling class will be added to the show

classifications for the junior Angus show at the 2009 National Western.

- Upcoming junior Angus events include the Northwest Regional Preview Show in Moses Lake, Wash.; the Eastern Regional Preview Show in Lewisburg, W.Va.; the National Junior Angus Show (NJAS) in Des Moines, Iowa; and the 2008 Leaders Engaged in Angus Development (LEAD) Conference in Billings, Mont.
- Randa Yezak is the Junior Activities summer intern.
- Judges were selected for the 2009 NWSS junior show, and associate judges were selected for the 2008 North American International Livestock Exposition (NAILE) and the 2009 NWSS. The judges will be posted on the Association web site as they are confirmed.

BREED IMPROVEMENT COMMITTEE

- **Cattle efficiency data collection committee report.** A report was given on activities of the efficiency subcommittee and data collection for use in developing genetic selection tools, including a meeting that took place in Kansas City, Mo., April 1. Development of guidelines for submitting feed intake data to the Association was discussed, and it was approved to develop guidelines for feed intake data collection to allow for calves fed beginning in fall 2008. Collection of DNA samples and the importance of marker technology to better describe cattle efficiency were discussed.
- **Research projects considered.** Two research proposals were submitted to the Association for funding. Iowa State University (ISU) proposed a feed efficiency project for lactating heifers for a three-year period to study the relationship between feed efficiency measures during

the heifer development stage and during first lactation.

The second project was an adaptability study to characterize hair shedding in Angus cattle. The two-year proposal was provided jointly by North Carolina State University (NCSSU) and Mississippi State University (MSU).

Both projects were approved with a recommendation that the American Angus Association request that the Angus Foundation consider funding both projects.

- **Update on Fall 2008 National Cattle Evaluation (NCE).** The upcoming Fall 2008 NCE was reviewed. Research reports for docility expected progeny differences (EPDs) and heifer pregnancy EPDs are planned for the evaluation. Growth trait accuracies for birth, weaning, yearling and milk EPDs will be revised to more conservative levels than previously provided with these EPDs.

With the change in the accuracy routine, the minimum accuracy criteria for qualifying Main and Supplement Sires listed in the *Sire Evaluation Report* were considered. It was approved to modify the minimum accuracy values for sires to qualify for the Main and Supplement Sire listings in the *Sire Evaluation Report* to the following criteria: minimum Main Sire Yearling Weight (YW) EPD accuracy of 0.40 and minimum Supplement Sire Weaning Weight (WW) EPD accuracy of 0.30 in the fall 2008 evaluation.

The genetic trends and percentile ranking tables for the new carcass EPDs to be released in July 2008 were reviewed. The updated economic assumptions for the Association's dollar value indexes (\$Values) were summarized, noting increases in feed energy cost to \$0.065 per megacalorie used as net energy for maintenance (Mcal NE_m), ration cost to \$225, and fed market price to \$87.

FINANCE & PLANNING COMMITTEE

- Balance Sheets and Income Statements were reviewed for the American Angus Association, API, the Angus Foundation and CAB. The financial review included the consolidated financial reports and the financial reports of each entity for the

CONTINUED ON PAGE 40

seven-month period ending April 30, 2008.

- ▶ Total assets on the consolidated financial report are \$34,635,000, consisting of current assets of \$7,215,000, investments of \$22,097,000, property and equipment of \$4,883,000, and noncurrent assets of \$440,000.

The investment portfolio is a diversified portfolio with 64% in equities and 36% in fixed income securities. The return on investment for the last 12 months for the equities portion and fixed income portion of the portfolio is 1.6% and 4.0%, respectively. A portion of the investment portfolio is on the balance sheet of each company and designated for specific purposes relative to the business of each company.

Current liabilities are \$2,179,000, consisting of accounts payable, accrued liabilities and deferred income. Long-term debt is \$1,373,000 and consists of deferred income of \$90,000, accrued health insurance benefits of \$752,000 and deferred compensation of \$504,000.

The net income for the period ending April 30, 2008, is \$2,047,000.

- ▶ Projected financial outcomes for the current fiscal year (FY) ending Sept. 30, 2008, and preliminary budgets for FY 2009 were also reviewed. The combined preliminary budgets of the American

Angus Association and its subsidiaries and affiliate for FY 2009 have projected revenues of \$37,971,000 and expenses of \$36,495,900.

- ▶ The committee discussed operating cash balances and prior Board-approved funding authorizations for API and the Association of \$200,000 and \$500,000, respectively.
- ▶ Trend charts of investment income from realized and unrealized gains and losses since 1991 were reviewed by the committee.
- ▶ The committee approved the Dodge and Cox Growth Fund for inclusion in the investment portfolio.
- ▶ The committee refined the investment policy of the Association to better define investment styles and to provide a better tool to monitor the asset allocation of the portfolio.
- ▶ The committee discussed the nature and composition of equities contained within the managed funds and the portfolio.
- ▶ Staff was directed to include international funds in the equity portion of the portfolio, not to exceed 15% of the total portfolio.
- ▶ Staff was directed to evaluate potential international, global and world funds for possible inclusion in the investment portfolio and report to the committee at the September committee meeting.
- ▶ The corporate insurance program underwritten by The Chubb Insurance Co. and the employee health insurance

program with Blue Cross Blue Shield were reviewed.

- ▶ The committee discussed the recent accounting and reporting requirements on tax issues and directed staff to proactively address any issues that may exist.
- ▶ The committee discussed the costs of the financial audit of the Association and its subsidiaries. A motion was approved to remain with the current firm for the fiscal year ending Sept. 30, 2008.
- ▶ The committee reviewed and approved an updated Investment Policy Statement for the Association's Defined Contribution Plan. This Investment Policy Statement was revised with the assistance of legal counsel and in conjunction with the change of pension documents discussed at the February 2008 Board Meeting.
- ▶ The committee reviewed and approved an amendment to the Association's pension plan. The new plan does not adequately define salary deferral options for employees. This amendment changes the new document to make it consistent with prior practices under the previous plan document.
- ▶ The ProRodeo computer software upgrade is on budget and on schedule. Current expenditures total \$1,148,400. Scheduled implementation is targeted to be Oct. 1 with a total cost of approximately \$1.5 million. Development costs are anticipated to continue until next spring by the budgeted amount of \$242,900. The funding of ProRodeo has been from operating cash, without the need to access the Information Systems (IS) reserve account. ProRodeo will continue to be funded in this manner as long as cash flow permits. There is a reserve available for IS development of about \$3 million if needed.

INDUSTRY RELATIONS COMMITTEE

- ▶ The Communications Department is working on a new educational fitting and showing video for resale that will be available at NJAS. Julie White is the summer communications intern.
- ▶ Fall educational events include Boot Camps at Texas A&M University and Kansas State University, as well as the National Angus Conference & Tour.
- ▶ The Association is working with the city of Victoria, Kan., to revitalize the George Grant Cemetery/Monument that commemorates the first Angus in the United States. A Kansas Angus Association field day is set for Sept. 27 in Victoria.
- ▶ The option of offering "840" tags through the AngusSource® program was discussed. Staff was directed to put together a fact sheet on 840 tags and report in September.
- ▶ The AngusSource feedyard cost structure

Policy regarding requests to conduct ISU dwarfism test on existing DNA samples

Testing of existing DNA samples stored at MMI Genomics (MMIG) for genetic defect shall be approved if the request meets the following criteria:

- 1. Availability.** A sample will need to be available in an amount such that the Association will retain a sufficient amount of the sample for archival and other breed improvement programs in the future. Whether there is a sufficient amount for this purpose will be determined on a case-by-case basis within the sole discretion of the Association, but the Association shall rely on the expertise and advice of the lab in determining such amount.
- 2. Qualified applicants.** Any member of the Association who has a current or past ownership interest in the specified animal.
- 3. Acceptable reasons for need.**
 - ▶ Animal is deceased.
 - ▶ Applicant does not have access to animal, but does have ownership interest in animal.
 - ▶ Applicant has access to animal (and/or consent of owner as set forth above), but it is not convenient.
- 4. Proposed process.** Information will be posted on the American Angus Association web site and in dwarfism materials provided by MMIG, indicating that testing of existing samples previously submitted to MMIG for parent verification testing purposes may be utilized for dwarfism testing if the request meets specified criteria described in this policy. In order to make such a request, the applicant will need to complete a form established by the Association for submitting a request to Association for the use of an existing sample. Upon receipt of that form, the Association will process the request as it does any submission ultimately bound for MMIG. It will also comply with Rule 300 of the Association's rules.

■ BOARD HIGHLIGHTS

will change Oct. 1, 2008. The annual enrollment fee for commercial yards was raised to \$500 annually and the per-head fee for both farmer-feeders and commercial yards was raised to \$2 per head. A rush fee of \$250 was also added for feedyards who enroll and wish to market cattle in less than 30 days.

- ▶ A committee was appointed to clarify the purpose and goals of the AngusSource program. Committee members are Phil Trowbridge, chairman; Chad Hoffman; Mark McCully; Sara Moyer-Snider; Jim Shirley; and Rob Thomas.
- ▶ The proposed national advertising budget, which reflected a 10% decrease, was unanimously approved.
- ▶ The Association has been approved for the second phase of the National Animal Identification System (NAIS) grant.

INFORMATION & DATA MANAGEMENT COMMITTEE

- ▶ **Performance information access discussion.** A request was reviewed on accessing sire progeny ratios that are currently only available through the purchase of performance pedigrees or on registration certificates. A proposal which would allow sire owners the ability to access current progeny averages through AAA Login was approved. Examples of data access for animals, progeny and performance data was also reviewed.
- ▶ **DNA sample proposed guidelines.** A draft policy regarding requests to conduct the ISU dwarfism test on existing DNA samples stored at MMI Genomics was distributed and the proposed policy (see "Policy regarding requests to conduct ISU dwarfism test on existing DNA samples," page 40) was approved.
- ▶ **Demographic survey protocol.** A review of the demographic survey data collected on American Angus Association members and affiliates was considered and potential use of the data was discussed. A draft policy and procedures for data access and use was approved.
- ▶ **Discuss rules concerning naming of animals.** A request to use Roman numerals in naming animals was considered, and it was approved to alter Rule 102.d to allow the use of Roman numerals in naming animals.
- ▶ **Commercial Programs subcommittee update.** A summary of the Commercial Programs subcommittee meetings and discussion was provided, concluding that all Association entities will work in an

efficient manner to reach new commercial producers with the services and programs offered to affiliates of the American Angus Association. The committee will continue to meet as the need arises.

CERTIFIED ANGUS BEEF LLC

- ▶ Review of the projected year-end budget showed an expected bottom line of \$357,000 prior to unrealized gains/losses in the investment portfolio. Royalty income should exceed budgeted income by \$317,000 due to the increase in cattle supplies since February 2007.
- ▶ The president updated the Board on

recent staff changes, including the creation of a brand extension manager position, the move of Beef Cattle Specialist Paul Dykstra to Nebraska, along with the many initiatives of staff to be good corporate citizens through its support of Relay for Life, which reached the \$10,000 support level.

- ▶ Several updates on industry issues were presented, including country-of-origin labeling (sometimes referred to as COL or COOL), non-hormone-treated cattle (NHTC) opportunities, current packer dynamics (acquisitions/mergers) and an

CONTINUED ON PAGE 42

▶ BOARD ACTION

CONTINUED FROM PAGE 41

update on the use of Zilmax® within the beef industry.

- ▶ The CAB Board approved a resolution endorsing the concept of an executive management team.
- ▶ An overview was presented on a research study that had been conducted on the “Power of Brands.” The study looked at three regions of the country and the consumer awareness of various beef brands. The *Certified Angus Beef*® (CAB®) brand ranked the highest in all the brand categories. Most significant was the fact that CAB did not fund the research, and it was conducted in several regions that would not be the strongest for CAB market penetration.
- ▶ Staff provided a comprehensive recap of the *Drover’s* “Producer Survey Report.” The survey looked at past bull-buying intentions as well as current intentions by region and reflected very favorably on the dominance of Angus within the beef



industry throughout the country. Nearly 74% of cow herds were reported as being Angus or Angus crossbred. The recap concluded with those factors that the respondents reported as being the most important in their bull selection.

- ▶ The Board was provided an update on various brand marketing initiatives that showed numerous examples of advertising and public relations efforts in the target markets. Highlighted were several chain marketing initiatives that have produced some great results with some very high-profile chains. Staff reported on a significant branding opportunity with a major retailer and several product cross-promotions with various partners and concluded the report with the highlights of an upcoming 30th anniversary media tour to take place in New York City.
- ▶ Staff presented a thorough recap of sales through the first seven months of the year, reflecting an increase of nearly 12% over the prior year, highlighting the various successes that have been experienced in each division despite the difficult economic times. Excellent growth was reported in the CAB® brand Natural and CAB® brand Prime lines, with each

showing double-digit growth. The report concluded with the record year in value-added product sales along with several new value-added products that are entering the marketplace.

ANGUS PRODUCTIONS INC.

- ▶ Creative Media shared the initial 125th Anniversary “I Am Angus” video to be shown during the Annual Meeting in November.
- ▶ API had a year-to-date (YTD) total revenue of \$6,479,724.68 and expenses of \$6,080,830.19. An income tax adjustment of \$111,380.61 resulted in excess revenue over expenses of \$278,055.41. A preliminary fiscal year (FY) 2009 budget report was also presented.
- ▶ Various aspects of the readership survey proposal received from the University of Arkansas were summarized. Four separate surveys were recommended: *Angus Journal* readers, *Angus Beef Bulletin* readers, American Angus Association members and an electronic poll. Expense of printing and distribution of the surveys would be handled by API. Discussion of payment options indicated in favor of



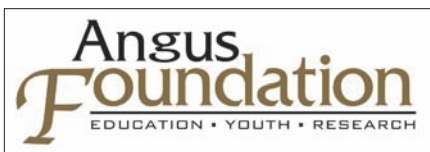
▣ BOARD ACTION

quarterly payments to the University. The Board approved to immediately move forward on the proposal, to split the payments quarterly, leaving it to the discretion of the staff whether to trim the proposed third survey and to set a ceiling of \$76,000 for the entire project.

- ▶ The API Board approved a resolution endorsing the concept of an executive management team.

ANGUS FOUNDATION

- ▶ The financial report for the seven-month period ending April 30, 2008, was reviewed.
- ▶ The preliminary budget for FY 2009 was reviewed.
- ▶ Proposed expenditures for the \$20,566 received in contributions to the 2008 Annual Fund were approved, allocating \$7,500 to the NJAS Endowment Fund,



\$7,500 to the LEAD Endowment Fund, \$2,500 for sponsorship of one Angus representative to the 2009 Young Cattleman's Conference (YCC), and the balance of \$3,066 to the General Fund.

- ▶ The Angus Foundation Board of Directors approved a request to the American Angus Association Board of Directors to consider adopting a \$1-per-head voluntary contribution on each animal registration to the Angus Foundation in support of the Vision of Value: Campaign for Angus.
- ▶ More than \$4.5 million has been raised in outright cash gifts, pledges and planned giving commitments toward the comprehensive nationwide fundraising initiative Vision of Value: Campaign for Angus, which aims to raise \$11 million by Dec. 31, 2011, to advance the Angus Foundation's education, youth and research efforts for the benefit of Angus breeders and the breed.
- ▶ The Angus Foundation Board approved a resolution endorsing the concept of an executive management team.

ANGUS GENETICS INC.

- ▶ Company activities were reported, including a discussion of the breed organizations receiving genetic evaluation



services from AGI in June 2008. In addition, breed organizations that have received draft service agreements to contract future genetic evaluation services from AGI were reviewed. Additional agreements are being finalized with legal counsel.

- ▶ A summary of Association and industry activities in the genomics area and the ongoing work to include marker effects into National Cattle Evaluation (NCE) procedures were reviewed. Staff outlined background on the potential to design research models for marker-assisted selection tools. Discussion followed regarding the effect of whole genome selection research and its implementation in Angus selection tools.
- ▶ The AGI Board approved a resolution endorsing the concept of an executive management team.

NEXT BOARD MEETING

Sept. 3-5, 2008, Saint Joseph, Mo.

