

**American Orchid Society
Trustees Meeting, San Antonio, Texas
Friday, October 28, 2011 10:30AM EDT**

Chris Rehmann, President – Presiding

Call to order: The meeting was called to order by President Chris Rehmann at 9:03 AM EDT

Proof of due notice: Secretary Karen McBride confirmed publication of due notice of the meeting in *Orchids*.

Roll Call

Officers Present: Chris Rehmann, Norman Fang, Sandra Svoboda, Peter Furniss, Karen McBride, Carlos Fighetti, Don Ghiz

Officers Excused: None

Trustees Present: Jeff Bradley, Tim Brooks, Howard Bronstein, Russell Clark, Fred Clarke, Tom Etheridge, Mario Ferrusi, Bob Henley, Jean Hollebhone, Alan Koch, Fred Missbach, Nancy Mountford, Barbara Noe, June Simpson, Taylor Slaughter, Frank Smith, Linda Wilhelm

Trustees Excused: None

Staff Present: Ron McHatton

Visitors: Tom Sheehan, Anita Aldrich, Greg Allikas, Glenn Brown, Lynn Fuller, Harry Gallis, Aileen Garrison, Marvin Gerber, Lois Holmes, David Horak, Lowell Jacks, Lynn O'Shaughnessy, Martin Motes, Carol Zoltowski.

Declaration of quorum: Secretary Karen McBride declared a quorum

Approval of the Minutes – Shreveport Meeting

Upon a motion duly made and seconded, the Trustees VOTED to approve the minutes of the spring 2011 Trustees Meeting as corrected.

President's Message

Chris Rehmann

I have outlined the salient point of the activities of that occurred during the last six (6) months.

1. **Sale of the Building:** As you are aware the progress for the completion of the sale of the headquarters building has reached the critical stage. The Palm

Beach County Commissioners must confirm the approval granted by the County Zoning Board for the use proposed by the Slomin Foundation. That decision will take place on October 26th. If that approval is granted then the Slomin Foundation will have to submit a site plan for approval. Apparently, the rules of Palm Beach County will not let an applicant submit a site plan for consideration until the zoning is approved.

If the Slomin Foundation chooses to go to settlement before they achieve site plan approval, settlement should occur on or before November 30, 2011. We will have 120 days to vacate the premises from the settlement date.

If the Slomin Foundation chooses to wait for site plan approval then an extension of time would be needed. We have agreed that any extension of time beyond the November 30 settlement day would require another non-refundable deposit of \$75,000.

Site plan approval would probably happen at the earliest in late December but probably by late January. If this is the case then we would have until sometime in March 2012 to vacate the premises.

Greg Kino is trying to obtain a commitment from the Slomin Foundation on their desire to settle before or after the approval of the site plan. No answer has been received to date.

There are still outstanding County permit and easement issues that were never finalized when we constructed the building. Ron has been working with Greg Kino to resolve those issues and it appears they will be finalized for a November 30 settlement.

2. **Moving Date:** We must consider a plan to move the contents of the building. We have a considerable amount of "stuff" to be moved or discarded.

Library: The library will have to be stored no matter where we go if we are going to protect the contents. Ron will object to this because he uses the library for reference for our publications and the Species Identification Task Force. We should agree to task the Library Committee with finding suitable options for storage of our books and archive materials.

Warehouse: Ron has been sorting through the material to be saved, to be sold and to be discarded. If you have any particular issues to raise, now is the time. Records such as retail receipts are being discarded as Susan and Ron have time. Back volumes of Orchids, AQ+, etc. still need to be sold or discarded.

Art Work: Ron has inventoried and tagged the art work to be moved with us. Some of the paintings will be too large for a normal office. Again, if you have opinions on this matter, please let us know.

Furniture, Computers and Equipment: Ron has made a preliminary recommendation on the furniture to be sold or kept. Some of this will

depend on where we finally go. If we choose to rent space while a location is being made ready then we will keep most of the furniture. The conference room table will be a major issue to decide.

The rental equipment may have to go with us until the lease expires. I would hope we could work with our Strategic Partner to utilize their copiers, etc. Mitch will have to make a recommendation on the computer equipment.

This is not an easy subject to get our minds around without a decision by Slomin on the site plan approval. We have 4 to 5 months to move at the outside date.

3. **Financial Audit:** It is my understanding that the field work is completed on the audit. The person in charge of our audit is out of the country for an extended trip and he audit will not be ready for the Trustees meeting. We will have to address the audit in a telephone conference as soon as the audit is available and reviewed.
Action will have to be taken to approve Auditors for the next fiscal year audit.
4. **Trustee Meeting Minutes:** I will be asking for a policy statement to have the minutes of a Trustee meeting available within 30 days of the meeting. This not a reflection on our current Secretary but a testament to my forgetfulness. Certain items are decided at a meeting and not follow up. This is my failure. In order to insure nothing is missed in the future, the minutes would be a great assistance to me and any new officer.
5. **Society Programs:** As you are aware, we have completed work on the first phase of the ***OrchidsPlus*** program. This program is available on line and is being updates as suggestions are being made. Our original objective was to replace AQ+ as a judging program. This has been done is a web based version. *The stand alone or CD version is not complete.*

When we discussed the replacement of AQ+, most of us did not realize that we would also be replacing the ***Center Chairs Program*** also. That has also been done. Aileen Garrison has volunteered to prepare an instruction guide for our Center Chairs and a demonstration on how to use the program will be given at the October 26th Judges Forum. Ron has graciously agreed to “face the music”. It seems we have people who are not willing to stretch their minds to accept change. Hopefully, Ron’s presentation will assist in answering the questions before the Chairs get lost in the new program.

You should also be aware that we added to Mitch Vogler’s tasks. He also, worked with Greg Allikas to replace our ***web site***. This was no small task in itself and I believe that the site is done well and improving every week. Changes occur weekly and the site is more dynamic than ever. We do have people who have problems with the site. Changes are being made to insure it is an easy as we can make it.

The last task we gave Mitch to perform was to correct the error in purchasing IMUS. This has been accomplished and we save more than \$40,000 per year by

getting out from under that contract. Work still has to be done on this phase of the project but Ron has been able to handle the task of compiling the financial data and meeting the Auditors requirements. As Pete Furniss pointed out, we have to change our financial systems in this move.

We still need to improve OrchidsPlus. It is my understanding that the vision for this program is to make it attractive for the orchid hobbyist, not just the judges. This will mean adding the Orchids Encyclopedia with more pictures and cultural information. We have a good start on this because Eric Christiansen wrote a good amount of the text, as I understand it.

We have offers of 1000's of Dendrobium slides from Howard Woods, an expert on this genus. These could be added to the Encyclopedia to enhance that portion beyond which few could match.

There is the possibility of obtaining Dr. William Wilson's Paphiopedilum slides to allow research on complex paph breeding. I am sure other people could assist in providing the kind of information that would make **OrchidsPlus** a much desired program.

6. **Membership:** As you all have seen our membership continues to decrease. We must act decisively. Our Membership Committee has been more active than I have seen in the last number of years. Their frustration is showing. We need to give them tools to address the issues as they see them from the "front lines." Recommendations will be made by the Committee and the Chief Operating Officer as to how to implement decisions made at the last Trustee meeting.
7. **Bylaws:** As you are aware, there is an issue with the Bylaws as to how the annual meeting is set. Two separate proposals will be considered at our Trustee meeting.

Upon a motion duly made and seconded, the Trustees VOTED to accept the President's report.

WOC Trust Report

Pete Furniss

See attached report

Upon a motion duly made and seconded, the Trustees VOTED to accept the WOC trust report.

Treasurer's Report

Pete Furniss

This spring I indicated how difficult it was to offer a realistic budget or come up with any type of meaningful forecast with all the changes and potential relocation possibilities facing us. Fast forward six months and we find the same situation. Between the time I prepare this report and the date of our meeting, there will be a decision on our property by the zoning commission.

While we hope for good news, it is possible the commission could add a stipulation to have the gardens remain in perpetuity or some other heinous restriction although chances of the board simply denying the zoning change are slim but not outside the realm of possibility. The Slomin Foundation appears on track to complete the purchase as long as the commission cooperates. While the contract purchase price appeared quite favorable to the Slomin, they have spent a great deal of money just to get them to the point where we are today.

The closing date is scheduled for no more than 15 days after any contingencies are satisfied. This could put the closing in November which would mean the AOS has to move no later than March 2012 as the contract allows us up to 120 days from closing. Suffice it to say that once the sale has closed the new owners will look for us to vacate as soon as possible and they do have the option of making us “move around the building” with 30 days notice. It is also in our best interests to get out as soon as possible because there would be a world of details to work out about whom pays how much for electricity, water, phone, insurance, *etc, etc*. If we could move the day following the closing, we should do it. There are far too many physical hurdles to conquer to think that we can move on December 1st. I’m sure that Ron will work diligently to ensure we are leave as soon as humanly possible.

The question about where will be a major topic in San Antonio. No matter whether we move to a strategic partner’s property or try to limp along in a rented space, we are not in a position to offer any meaningful budget numbers at this point. Negotiations with one of the two current potential partners will allow us to start filling in the blanks that currently exist. Nobody is going to offer us a “free lunch” but just how much it will cost and whether we can work out reduced costs until we can “settle” are areas we will determine as we move forward.

Ron has been keeping us abreast of the cash situation as it is the most onerous financial situation we face. Our balance sheet might look okay due to a generous estate gift as well as financial market conditions last year but we are cash poor. We desperately need an infusion of unrestricted cash to keep us solvent.

Our **operating** financial results for the first quarter of this fiscal year are bleak. The budget called for a loss of around \$111,000+ but we actually had a loss of \$128,000+. The revenue budget came in within \$1,500 even though contributions were woefully under budget. The gross profit was within \$1,200. The other expenses, though, were close to \$17,000 greater than forecast. If you look at two line items, you will find the culprits. Web site expense was some \$8,000 over budget while the audit cost (to date) is \$12,000 more than budgeted. (Over the year, the monthly budget for the audit should even out. We pay for the audit in a couple of large amounts but accrue evenly over the year.)

“Below the line” is our investment behavior as well as restricted monies. We have all gotten used to fairly good investment performance but September was a bummer. It should be noted that, although the paper loss is large, we actually did better than the market because a large portion of our investments are in interest bearing instruments which have behaved a great deal better than stocks.

I apologize that I cannot provide a copy of the audit to you now (or even before the meeting). Purvis Gray has provided a preliminary draft but Ron and I haven’t been able to talk to the

senior auditor since she has been out of the country and won't be back until the week of our meeting. There are some areas where Ron and I have questions. After we have sorted through those, she still has to provide the preliminary draft to our audit partner for review before the audit can be completed. The bottom line, taking into account the nice behavior of the stock market during most of our past fiscal year and the addition of over a million dollars in pledges receivable from Lloyd DeGarmo's estate, appears to indicate the AOS had a banner year. Please understand that the **operating results were awful** and the AOS cannot continue to endure them without finding itself in deep financial trouble. We cannot spend investment gains nor Lloyd's money because they are restricted – every penny.

The Investment Task Force (ITT – don't you love it?), chaired by Nancy Mountford held a teleconference with Rembert, Pendleton, Jackson to review the AOS portfolio during September. As a result of this, the ITT recommended to the Finance Committee which, in turn, offers the following for Board consideration,

We recommend that the AOS continue with RPJ as well as keeping the same investment guidelines that were established when the accounts were set up. We gave RPJ authorization to tweak the accounts to fine tune them to keep them in line with the investment guidelines for each account.

ACTION – The Board of Trustees agrees that the AOS should continue with RPJ as our investment advisor with the same investment guidelines as established when the accounts were established.

The Board will be offered two versions of a Bylaws change. The reason for the change has to do with administrative reporting, particularly financial, so I think it's appropriate for me to offer my opinion. I am strongly in favor of the one that allows the Board to set the date and time of the Annual Meeting rather than the one that re-establishes the fall meeting as the Annual one. We have been counseled before that the bylaws should be broad, sweeping statements which allow flexibility. If we vote to set the Annual Meeting in the fall, we will have to have another bylaws change if we find it more advantageous, for whatever reason, to return to a spring Annual meeting. There's really no reason for the bylaws to set the date or time of the meeting.

Ron and I will keep the Board updated on our financial estimates as the AOS progresses through the closing on the property and relocation.

Upon a motion duly made and seconded, the Trustees VOTED to continue with RPJ as our investment advisor with the same investment guidelines as established when the accounts were established.

Upon a motion duly made and seconded, the Trustees VOTED to accept the Treasurer's report.

Development Report

Norman Fang

See the attached report.

**Upon a motion duly made and seconded, the Trustees VOTED
to accept the Development report.**

Governance Committee Report

Taylor Slaughter

**Upon a motion duly made and seconded, the Trustees VOTED
to replace committee member Dean Hall
with Jean Hollebhone.**

**Upon a motion duly made and seconded, the Trustees VOTED
to accept the proposed Trustee Job Description.**

Amendment to the By-Laws

A motion was next made to move the annual meeting from the first six months of the calendar year to the second six months of the calendar year beginning in 2012. This motion failed.

**Upon a motion duly made and seconded, the Trustees VOTED
to have the time of the annual meeting
be set by the trustees.**

Following more discussion,

**Upon a motion duly made and seconded, the Trustees VOTED
to have the annual meeting occur in the first
six months of the calendar year.**

See the attached report.

**Upon a motion duly made and seconded, the Trustees VOTED
to accept the Governance Committee report.**

Conservation Committee

David Horak

See the attached report.

**Upon a motion duly made and seconded, the Trustees VOTED
to accept the Conservation Committee report.**

The President next tasked the Affiliated Societies to adopt a Conservation Project after consulting with the Conservation Committee.

Education/Web Committee

Sandra Svoboda

See the attached report.

**Upon a motion duly made and seconded, the Trustees VOTED
to accept the Education/Web Committee report.**

Affiliated Societies Committee

Lynn Fuller

Lynn reported that four organizations have applied for membership.

**Upon a motion duly made and seconded, the Trustees VOTED
to accept:**

**Asociacon De Orquidistas Del Sur
Association Orchidees D'Haiti
Circulo Rioclarensense De Orquidofilos
Lewis Ginter Botanical Garden
as members.**

See the attached report.

**Upon a motion duly made and seconded, the Trustees VOTED
to accept the Affiliated Societies Committee report.**

Library/Archives Committee

John Ingram

Following John's describing the process of temporarily storing our library and archives,

**Upon a motion duly made and seconded, the Trustees VOTED
to move its library and archives collections to the
University of Florida Libraries for a period
of temporary storage and to cover the costs of packing
and shipping the collections from
Library temporarily restricted funds.**

Following further discussion,

Upon a motion duly made and seconded, the Trustees VOTED to authorize John Ingram to continue negotiations with the Eric Christenson estate for the review and possible purchase of the Christenson research files using temporarily restricted funds at a price not to exceed \$20,000 without additional authorization.

See attached report.

Upon a motion duly made and seconded, the Trustees VOTED to accept the Library/Archives Committee report.

Publications Committee

Greg Allikas

See attached report.

Upon a motion duly made and seconded, the Trustees VOTED to accept the Publications Committee report.

Research Committee

Carol Zoltowski

See attached report.

Upon a motion duly made and seconded, the Trustees VOTED to accept the Research Committee report.

Information Management Committee

Ted Kellogg

See attached report.

Upon a motion duly made and seconded, the Trustees VOTED to accept the Information Management Committee report.

Membership Committee

Barbara Noe

Following much discussion, there was a motion to have the Membership Committee conduct a survey of available emails from the Beginner List and former members to be also on the website asking for an interest in an Orchidcare subscription and to go ahead

with publication early in 2012 if interest is sufficient to support the magazine financially. The motion failed.

Upon a motion duly made and seconded, the Trustees VOTED to have the Membership Committee conduct a survey of interest in Orchidcare using the 30,000 email list and the web.

Upon a motion duly made and seconded, the Trustees VOTED that Foreign Memberships be given the option of an electronic *Orchids* for \$65 or a mailed *Orchids* for \$65 plus mailing and handling costs.

See attached report.

Upon a motion duly made and seconded, the Trustees VOTED to accept the Membership Committee's report.

Judging Committee

Harry Gallis

Following remarks by Dr. Gallis,

Upon a motion duly made and seconded, the Trustees VOTED to approve the elevation of the Certified Judges, Probationary listed in the attached Judging Committee Report to Certified Judge, Accredited.

Upon a motion duly made and seconded, the Trustees VOTED to approve the elevation of the Student Judges listed in the attached Judging Committee Report to Certified Judge, Probationary.

Upon a motion duly made and seconded, the Trustees VOTED to approve a change in status for the Senior Judges listed in the attached Judging Committee Report to Retired Judge.

Upon a motion duly made and seconded, the Trustees VOTED to approve a change in status for the Accredited Judges listed in the attached Judging Committee Report to Retired Judge.

Upon a motion duly made and seconded, the Trustees VOTED to approve a change in status for Waverly Fant from Judge Emeritus to Retired Judge Emeritus.

Upon a motion duly made and seconded, the Trustees VOTED to approve the dropping of two student judges.

Upon a motion duly made and seconded, the Trustees VOTED to approve the newly elected Chairs and Vice Chairs listed in the attached Judging Committee Report.

Upon a motion duly made and seconded, the Trustees VOTED to approve permanent additional site status for the Puerto Rico Center as recommended by the Judging Committee.

Upon a motion duly made and seconded, the Trustees VOTED to approve the physical relocation of the West Palm Beach Center to Flamingo Gardens in Davie, Florida due to the pending sale of the AOS Headquarters building.

Upon a motion duly made and seconded, the Trustees VOTED to approve a change to the Handbook which would require at least a three year break between a judge's terms as Judging Chair of a center.

Upon a motion duly made and seconded, the Trustees VOTED to approve a change in the text of the Ernest Hetherington Cymbidium Award to read:

The Ernest Hetherington Cymbidium Award is given to the grower with the most outstanding genus Cymbidium plant whose award was officially recorded in the previous calendar year. The award was established in 2006 and endowed by donations from the Cymbidium Society of America to honor Mr. Ernest Hetherington.

Upon a motion duly made and seconded, the Trustees VOTED to approve the Special Awards recommended by the Judging Committee as listed in the attached Judging Committee Report.

See attached reports.

Upon a motion duly made and seconded, the Trustees VOTED to accept the Judging Committee report.

Report from Chief Operating Officer

Ron McHatton, Phd

First, thanks are due to members of the staff who have stepped up to assure that we manage the day to day operations of the Society even though we have, in my opinion, found the point where the staff is stretched so thin that it cannot effectively do so. Susan Wayman not only manages the office and her regularly assigned duties but, along with our accounting staff, mans the gift shop every day to allow the our one gift shop employee time off for lunch. Susan also functions as the mailing clerk on Mondays because that employee has Monday's off in order to effectively cover the shop on weekends. Jim Watson and John Wrench have managed to produce our monthly magazine as well as the production of this year's supplement, calendar and the first demonstration issue of a new quarterly publication presented to this body at the Shreveport meeting. All of this they have done with minimal production delays.

Financial performance continues to be abysmal although, from a spendable cash flow basis, we've managed to come remarkably close to forecast monthly targets. As I stressed in my report to you in Shreveport and my monthly submissions of the financial reports, the monthly P&L statements are far less useful as a measure of fiscal performance than is the spendable cash on-hand. The reason for this is that the monthly P&L statements contain a number of deferred revenue entries that do not reflect actual cash generated from those activities; a reflection of falling membership base.

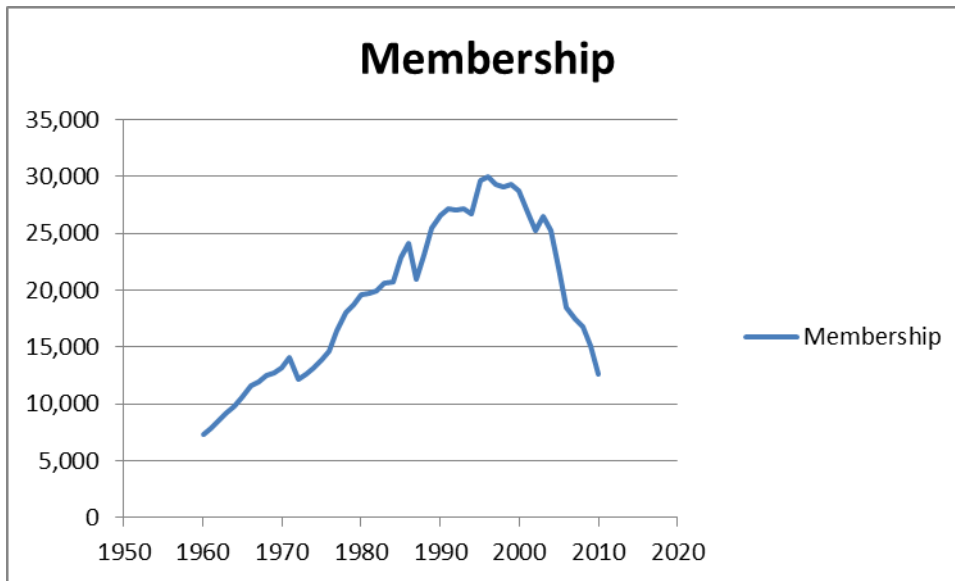
The budget presented in Shreveport forecast only three months during this fiscal year when real cash flow would be in the black; November, February and May. So far, we have had actual cash flow very close to forecast but in all likelihood, November will not be as good as forecast simply because we will not be staging a fall show.

The aggregate performance of non-deferred revenue lines for the first three months of the fiscal year is actually 10% better than budget forecasts (\$139K versus a budget of \$126K) but this is offset by actual cash received from membership activities running some 45% below the deferred revenue allocation. Facility performance is holding steady with the like period of a year ago. Admission revenue for the first three months of the year was 99.7% of the budget forecast and shop revenue came within 98% of last year's actual for the same time period. Unfortunately I expect October's performance to be worse than forecast based on two factors; membership revenue is down from September and we have not had weather conducive to garden visits over much of the month.

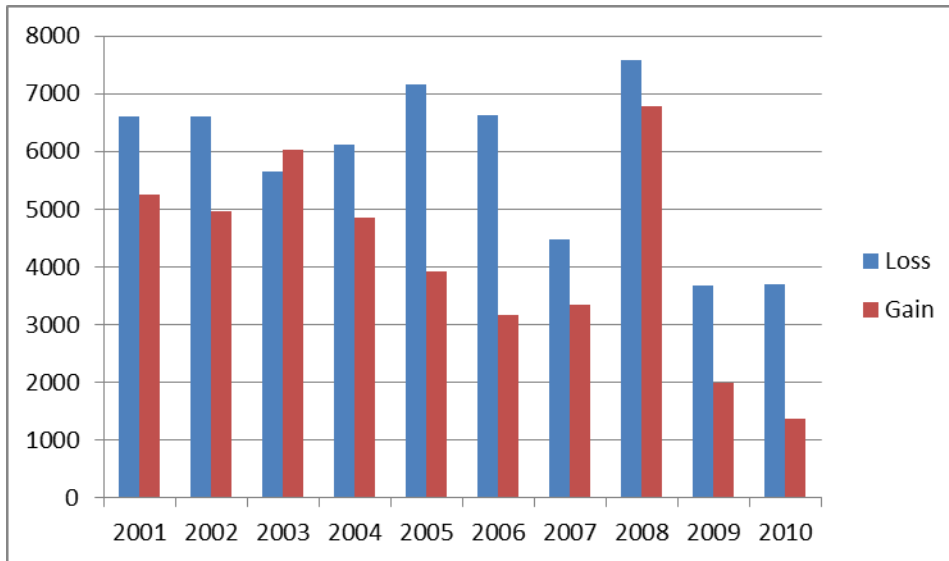
Membership retention and new member recruitment continue to perform poorly. In the first three months of the fiscal year we've experienced a net decrease in membership of 583 people. Buried in that net number are 811 members who chose not to renew offset by 228 new members. Later in this meeting you will hear me report that only 521 new members have joined in the six months since our Shreveport meeting. For perspective, it has not been that long ago when we saw monthly new membership numbers of 200 or

more and less than four years since we had monthly new membership numbers of 500 or more.

The graph below was included in my report at the Virginia Beach meeting a year ago. I've updated it to reflect the actual membership decrease for 2010 and the current forecast for 2011. At the current rate of decrease, you need to go back to 1964 to find a membership level similar to our 2011 year-end number.



There is a tendency to view membership statistics as static numbers. In reality they are the result of dynamic changes in new members and existing members choosing either to leave or renew. We have always had what some organizations would call a membership retention problem but it's generally been ignored until recently. For as far back as I can readily find accurate data, any group of incoming new members has suffered a 55% non-renewal at the first renewal; i.e., if 100 members join this month, 55 of them will not renew a year from now. The difference between periods of growth and periods of contraction have hinged on the number of new members joining. For instance, during the increasing years of the 80's and early 90's, it was not uncommon to see 700-900 new members each month offset by 500-700 members not renewing producing a net GROWTH of 200 members/month. During the five year period from 1995 to 1999 when membership hovered in the 29,000 to 30,000 members, the noteworthy change was the decrease of new members to a level that essentially leveled the membership number not a decrease in the number of members choosing not to renew. As we entered the last decade, new membership numbers began to fall significantly resulting in a decline in membership numbers. Of course the absolute number of existing members choosing not to renew has dropped but not the percentage.



Number of new members and non-renewing members/year

For perspective, just over 34,300 people have joined the AOS and left since January of 2003.

Technology

Since our Shreveport meeting our new website and the online version of OrchidsPlus have come online thanks to the efforts of Mitch Vogler, Ted Kellogg and Howard Bronstein. If you haven't accessed it, login and try out OrchidsPlus and the Social Network aspects of the new site. In addition, beta testing of the new JC Awards Entry Program is nearly finished and we will, over the next month, be migrating all of our judging centers to the new program.

Building Sale.

I am pleased to announce that the Palm Beach County Board of Commissioners met yesterday and unanimously approved the Slomin Foundation's application for a rezoning of the AOS Headquarters property giving preliminary approval to their use permit application. You should be aware that we were bombarded all afternoon yesterday with telephone inquiries from the press. A reporter attended the hearing and immediately contacted the Slomin Foundation hoping to get a story in order to meet today's deadlines for community news & publication. Word got out quickly at the Sun Sentinel and reporters have been scrambling for new news! The Slomin Foundation's Executive Director, Rick Shuster, was asked about their plans and if a closing date had been set. He has told them of the Slomin Foundation's desire to close by the end of November. That response prompted the question asking about our plans and whether we would be sharing space. Interpreting this to be a question about long-term plans, his answer was no. This is just the beginning with regard to press inquiries and will be doubly difficult

considering the upcoming WOC. The clock is ticking and I urge you to make a relocation decision as soon as possible.

**Upon a motion duly made and seconded, the Trustees VOTED
To accept the COO's report.**

**Upon a motion duly made and seconded, the Trustees VOTED
to go into Executive Session.**

**Upon a motion duly made and seconded, the Trustees VOTED
come out of Executive Session.**

**Upon a motion duly made and seconded, the Trustees VOTED
to explore a memorandum of understanding
with Fairchild Gardens.**

Report of new members.

Ron reported that there were 521 new members.

Auction Proceeds.

**Upon a motion duly made and seconded, the Trustees VOTED
that this meeting's auction proceeds go to the general fund.**

President Rehmann then called for a motion to adjourn the meeting.

**Upon a motion duly made and seconded, the Trustees
VOTED to adjourn the meeting at 4:00 CDT.**

Respectfully submitted,

**Karen McBride,
Secretary**