



American Fisheries Society
February Management Committee Meeting
Tuesday, February 19, 2019

Management Committee Participants: Jesse Trushenski, Steve McMullin, Brian Murphy, Leanne Roulson, Jackie Watson, Heather Hettinger, Abby Lynch, Tom Kwak, John Boreman (Constitutional Consultant, non-voting), Doug Austen (Executive Director, non-voting)

Guests: Rick Methot

AFS Staff: Dan Cassidy, Drue Winters

Minutes of the Meeting

1. **Welcome/Determination of Quorum** – Quorum established by Boreman. Meeting called to order by Murphy at 3:02 p.m.
2. **Agenda accepted**
3. **Review and approval of minutes** from the January 22, 2019, Management Committee meeting. Approved with two minor edits.
4. **Constitutional Consultants report** (Boreman) –
 - a. **Motion:** Approve the creation of the Coastal Carolina University Student Subunit.

Background: The bylaws for the proposed subunit (attached) were reviewed by the Constitutional Consultant and deemed consistent with the AFS Constitution and Rules, and the petition was cleared by AFS HQ. The South Carolina Chapter supports this action. It was noted that this was the 85th student subunit.

Moved by Boreman; 2nd by Watson. Approved with unanimous consent

5. President/Officers activities report

- A. Trushenski –
 - a. Emerging leaders are working on infographics for the AFS Sections. A webinar on developing infographics was presented by Abby Lynch, Solomon David and Steve Midway.
 - b. A TWS-AFS joint virtual issue of North American Journal of Fisheries Management and the Journal of Wildlife Management will be released soon and will contain landmark and recent papers that cross the fisheries and wildlife discipline. This will be released in two parts with guest columns by Trushenski and TWS President Darren Miller.

- c. A proposal to update the AFS Blue Book of fish diagnostics procedures is being developed by Trushenski and the Fish Health Section and will be introduced for potential funding through the Multistate Conservation Grant Program.
 - d. Trushenski has or will be attending three AFS Division meetings (NCD, SD and NED)
 - B. Murphy – Noted that the High School membership option was approved at the Cleveland Mid-Year Governing Board meeting and that he is working with AFS staff to get the membership process in place. Murphy also attended the Tidewater Chapter meeting.
 - C. Roulson – Working on gaining support for the Reno AFS meeting and helping with the Waters of the U.S. issue.
 - D. McMullin – No report
- 6. **Executive Director and AFS staff report** (Austen et al.)
 - a. Policy update – Drue Winters
 - i. Waters of the U.S. (WOTUS) – Published in the Federal Register and receiving comments through April 15. There will be an AFS webinar on WOTUS on February 27 and a single public hearing by EPA in Kansas City. The AFS synthesis paper of the effect of WOTUS on headwater streams and fishes was published in the February issue of Fisheries and there is work to develop a U.S. House Briefing on WOTUS in late March or early April.
 - ii. RAWA – No bill yet filed in Congress for the 2019-2020 session.
 - iii. Climate Change hearings have been held in the U.S. House and there is a sense that the sentiments of Congress have been shifting to be more receptive to discussions on the potential impacts of climate change.
 - iv. Marine Aquaculture is receiving increasing interest by NOAA and key Senate members and may result in more AFS involvement and a possible science briefing.
 - v. Cooperative Fish and Wildlife Research Units (Austen) - FY2019 Interior Appropriations. **Provides \$1m increase for CRUs, \$250,000 of which goes to moose research, the remaining \$750,000 for USGS to “develop a plan to address open research positions at research institutions and fill open positions at CRUs as quickly as practicable to support the educational pipeline.”**
 - vi. Pebble Mine (Watson) – EIS soon to be released and will be considered for AFS comments. Fisheries impacts will still be substantial but EIS geographic scope severely limited to immediate mine footprint of 8,000 or so acres.
 - b. AFS Financial Review (Cassidy) –
 - i. Annual audit currently underway. This is the 2nd year with a new audit firm and it is expected to go smoothly. The change in audit firms has saved AFS money and resulted in better service.
 - ii. The preliminary 2018 year-end financial reports show a lower overall financial position and program deficit. AFS’s operating results returned a significant income shortfall, even after excluding investment losses (which

bounced back in early 2019). Staff are working to close the 2018 accounting records and there is still income and expenses to record, which may cause financial results to change. For example, the Wiley contract calls for settling royalty income-sharing by April of the following year. Interim audit filed-work took place earlier this month to accelerate the audit process for issuing the audited financial statements in May.

c. Executive Director's report

- i. Election update: Fisheries mailed February 26 (online today), Q&A to be sent out next week; web interview to be done mid to late March; election open roughly April 26 and close end of May
- ii. North American Meeting: Jesse, Drue and Doug to attend. Presentations at three committees, potentially with AFWA Exec. Committee and meeting with Nevada Director Tony Wasley (among other activities)
- iii. Multistate Conservation Grants – status of two current grants and development of new proposal for Blue Book on Fish Health Diagnostics.
- iv. Chapter meeting participation – Austen and AFS staff have attended or will attend chapter meetings with Tidewater, Virginia/West Virginia/Virginia Tech, Pennsylvania, and New York as well as Division meetings for SD, NCD and NED
- v. Reno – Austen and Winters will be meeting with USGS Anne Kinsinger regarding agency participation in the Reno meeting.
- vi. Large River symposium – working on developing a planning committee for the 2020 symposium in conjunction with the Columbus AFS annual meeting.

7. Additional Topics - None

8. Adjourn at 4:05 p.m.

Attachment 1 – Coastal Carolina University Student Subunit

Bylaws of the Coastal Carolina University Subunit of the South Carolina Chapter of the American Fisheries Society

Article I. Name and Objectives

1. The name of this organization shall be the Coastal Carolina University Student Subunit of the South Carolina Chapter of the American Fisheries Society, as part of the American Fisheries Society, hereinafter referred to as the Subunit, Chapter, and Society, respectively.
2. The objectives of the Subunit shall be those of the Chapter, as stated in the bylaws, and Society as set forth in Article I of the Constitution. In addition, the Subunit also has the following objective:
 - a) Encourage the exchange of regional fisheries information among students and Subunit members as well as encourage student involvement in the Chapter, Division, and Society.
 - b) Increase educational opportunities for both students and the community.
3. All activities of this Subunit shall conform to the Society's Constitution, Rules, and Procedures.

Article II. Membership

1. The membership of the Subunit shall be composed of Coastal Carolina University students, faculty, and alumni who are active members of the Chapter.
2. Only active members of the Society may vote, hold office, or chair a committee.

Article III. Officers

1. The officers of the Subunit shall consist of a President, Vice President, Secretary, Treasurer, and Social Media Chair.
2. All officers must be in good standing members of the Society.
3. Officers shall be nominated by a nominating committee appointed by the President. Officers shall be elected by a majority of ballots casts and election methods shall be determined by the Executive Committee.
4. Terms of newly-elected officers shall change at the meeting closest in time to the Society's annual meeting.

5. The Subunit Officers shall serve for a period of one year in each office, and shall be ineligible for re-election for a period of one year after the expiration of their term.
6. In the event of a vacated position, the Executive Committee shall appoint a qualified replacement to fill the unexpired term or hold an election to fill the unexpired term.
7. No elected officer or appointed committee member of the Subunit shall receive any salary or other compensation. Expenses associated with Subunit-related activities may be defrayed from funds available to the Subunit when authorized by the Executive Committee.

Article IV. Duties of Officers

1. The President shall:
 - a. Preside at all meetings;
 - b. Serve as Chair of the Executive Committee;
 - c. Appoint all committees;
 - d. Coordinate the activities of the Subunit's standing and special committees, and serve as liaison between such committees and the Executive Committee;
 - e. Represent the Subunit to the South Carolina Chapter;
 - f. Conduct official correspondence for the Subunit and present reports of Subunit activities at the Chapter's annual meeting; and
 - g. Make such appointments and perform other duties and functions as are authorized and necessary.
2. The Vice President shall:
 - a. Serve on the Executive Committee;
 - b. Serve as the chair of the Nominating Committee;
 - c. Shall assume the duties of the President in the event of his/her absence or inability to act.
 - d. Represent the Subunit when delegated by the president;
3. The Secretary shall:
 - a. Serve on the Executive Committee;
 - b. Keep official records of the subunit;
 - c. Disseminate information concerning student members (including but not limited to: meeting flyers, t-shirts, bulletin board, other displays, etc.);
 - d. Record and submit minutes of the annual meeting to the President of the South Carolina Chapter within 30 days after the annual Subunit meeting.
 - e. Conduct the election
4. The Treasurer shall:

- a. Keep the official financial records of the Subunit, collect and be custodian of any fees or assessments authorized by these bylaws or funds allotted to the Subunit by the Society;
- b. Submit, at the annual Subunit meeting, the year-end report for the previous fiscal year and a comparison of approved versus actual income and expenditures for the current fiscal year;
- c. Prepare and submit tax forms to the Internal Revenue Service;
- d. Serve on the Executive Committee.

5. The Social Media Chair shall:

- a. Maintain all social media accounts of the club (e.g., Facebook, Twitter, Youtube);
- b. Serve on Executive Committee.

Article V. Executive Committee

1. The Executive Committee of the Subunit shall consist of elected officers and other members as appointed by the President.
2. The Executive Committee is authorized to act on behalf of the Subunit between meetings.
3. A majority of voting Executive Committee members constitutes a quorum. A quorum is required for transactions of official business at an Executive Committee meeting. Executive Committee members can appoint proxies.
4. Each member of the Executive Committee shall have one vote on Executive Committee decisions. In the event of a tie, the President may cast the deciding vote.
5. Executive Committee meetings are called by the President and are typically held three times a year.

Article VI. Meetings and Voting

1. The Subunit shall hold at least one meeting annually at a time and place designated by the Executive Committee. Additional meetings may be called by the President with approval of the Executive Committee.
2. A quorum is required for transactions of official business and shall be a majority of the eligible voting Subunit membership.
3. Business and voting may be conducted via mail or electronic media, as determined by the Executive Committee.
4. Unless otherwise specified in these Bylaws or the Constitution of the Society, meetings are conducted according to the latest edition of Robert's Rules of Order.
5. Decisions at meetings are by simple majority of Active Members voting, except 2/3 majorities are required in special cases such as amending the Bylaws and suspending a Rule. Other less frequently used voting requirements are described in Robert's Rules of Order.

Article VII. Subunit Committees

1. Committees and Chairs of committees, except as listed in Articles IV and V of these Bylaws, shall be appointed and charged by the President. Except for Standing Committees, these Subunit committees shall cease to function upon the discharge of the duties for which they were appointed or with the end of the term of the appointing officer.
2. Standing Committees help the President and the Executive Committee conduct the Subunit's affairs, and the chairs should report their committees' activities, findings, and recommendations at Subunit meetings and interim meetings of the Executive Committee.
3. The Subunit has established the following Standing Committees:
 - a. Fundraising Committee: In charge of coordinating fundraising efforts to bring money into the subunit.
 - b. Special Events Committee: Oversees the planning of special events such as community outreach, campus life events, etc.
 - c. Nomination Committee: Oversees nominations for the next year's elections.

Article VIII. Dues and Fees

1. The Executive Committee shall establish annual dues subject to approval of the members voting at the April meeting.
2. The Executive Committee may assess registration fees for meetings and special events.

Article IX. Bylaws

1. The Bylaws are the defining document for the Subunit and take precedence over all other rules and procedures of the Subunit. The Bylaws cannot be suspended and cannot be changed without prior notice to members.
 - a. The Bylaws may be amended by a 2/3 majority of Active Members choosing to vote, provided that the proposed amendment(s) are circulated in writing to the membership at least 30 days prior to voting.
 - b. In accordance with the Society Constitution, a proposed amendment shall be reviewed by the Society's Constitutional Consultant for conformity with the Constitution, Rules, and Procedures of the Society prior to Subunit vote. The Constitutional Consultant presents the adopted amendment to the Society's Management Committee for approval.

Amendments take effect when the Subunit receives written notice of their approval by the Society's Management Committee from the Society's Executive Director.

Attachment 2 – AFS Financial Report (December 2019)



American Fisheries Society
 Organized in 1870 to Promote the Conservation, Development and Wise Utilization of Fisheries
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Jesse Trushenski, PhD
President 2018-2019

Douglas J. Austen, PhD
Executive Director

December 2018 Financial Narrative –Pre-audit Draft (1)
 Prepared February 15, 2019
 (see the December 2018 reports for detailed financial results)

Summary. 2018 turned out to be a particularly difficult financial year for AFS. The investment portfolio took a steep dive in the fourth quarter mirroring declines in the overall financial markets. Falling investments along with lower than expected cash receipts (income) weakened asset levels. Assets now stand at their lowest level since 2014, down \$1,541,000 or 24% during this period. A large part of this decline occurred in the fourth quarter of 2018 with a 10% decrease in portfolio market value of over \$500,000.

AFS’s financial position is highly liquid, meaning most assets are easily convertible into cash, with a large portion (over 80%) held as investments. It also means AFS is highly sensitive to portfolio returns and records losses when the account balance declines. Budget shortfalls also affect asset levels since all financial transactions flow through the balance sheet. When AFS fails to meet its budget or investments fall, these losses show up in the balance sheet as lower account balances and net assets. The following table presents a few key performance measures summarizing AFS’s financial status:

	Audited				Draft
	2014	2015	2016	2017	2018
Total Assets	\$6,588	\$6,484	\$5,662	\$6,302	\$5,017
Operating results	\$362	-\$366	-\$735	-\$306	-\$1,008
Investment contribs / (distrib)	\$0	\$500	(\$660)	(\$80)	(\$150)
Investment portfolio returns	6.5%	-2.5%	8.8%	12.3%	-5.2%

AFS has been fortunate to maintain stable asset levels the past few years through consistent investment results and non-operating financial inflows. For example, proceeds from the condo sale in 2014 generated \$456,000 of new cash. Similarly in 2017, the Wiley royalty advance of \$900,000 brought in additional cash. These cash inflows and growing portfolio have been used to cover operating shortfalls while AFS has been adding new programs and staff.

However, the investment account can cut the other way when the portfolio declines and losses mount. Operating losses require additional funds (cash) to cover the gap between expenses and income. AFS has addressed this gap through drawdowns of cash and investments—but how much longer can this approach sustain the organization? This scenario is where AFS finds itself now and it may prove difficult funding operating losses out of investments for much longer, especially given how financial markets are reacting to slowing global economies. Absent a sharp improvement in program results, the need for capital investment (for such projects as website upgrades) and without new non-operating cash inflows on the horizon (like another Wiley advance), AFS will need to access its bank line of credit or investment account to fund operations in 2019.

(1) The December reports present draft financial results. Staff are working to close out the year for the financial audit. This past week, staff hosted the auditors while they conducted interim fieldwork covering the first nine months of the year.
 (2) The annual meeting loses money when staff costs are included in meeting expenses. It would show an even greater loss with the allocation of overhead costs. When AFS shares profits with the local arrangements committee, it is based on a calculation from direct meeting income and expense only—when in actuality AFS is distributing funds from other program areas outside of the meeting.

To help show how income and costs play out for key AFS program areas, the following 2017 information presents program results as to which areas have been are financially successful:

	2017 net change after including
Program Services:	<u>direct and staffing costs</u>
Publications	\$353,607
Membership	\$76,877
Project Management	\$15,562
Meeting	(\$48,029) (2)
Education	(\$50,324)
Policy/Communications	<u>(\$457,312)</u>
Total	<u>(\$109,619)</u>
Supporting Services:	
Fundraising	\$97,455
Management/General	<u>(\$293,900)</u>
Total	<u>(\$196,455)</u>
Total Net Loss	<u>(\$306,074)</u>

*** Only a few AFS programs generate net income and these do not combine for enough to offset expenses in other areas.

Notes to the 2018 Financial Reports

Financial Position. At December 2018, assets stand at \$5,016,000 compared to \$6,302,000 last year.

- Notable changes in Assets year over year include:
 - o Cash position lower in 2018 from \$900,000 Wiley advance received in 2017
 - o Accounts receivable lower from more timely collection of contracts and federal awards
 - o Investment balances lower from capital market decline
- Notable changes in Liabilities include:
 - o Accounts payable lower as meeting profit sharing and other year-end accruals not posted yet
 - o Deferred income lower through amortization of Wiley royalty advance

Program Activities.

Revenue. 2018 revenue totals \$2,620,000 versus budget of \$3,780,000. Last year, revenue was \$3,707,000. It is important to note that the financial year is not fully closes and additional income and expenses are pending final audit reconciliations.

- Notable revenue variances
 - o Administration (investment income) ended significantly lower than last year with \$768,000 swing from last year
 - o Hutton funding totals \$165,000 and most of it is sitting in restricted contributions line (at the bottom of the Program Activities Report)
 - o Annual meeting revenue fell below budget and last year and registration fee increases did not offset an increase in lower paying reg-categories such as students.
 - o Membership income is higher from the dues increase while overall member numbers were flat, which is disappointing considering membership now includes free online journal access.

	Life	Regular	Yprof	Student	Dev	Retired	Honorary	Totals
2018	758	3630	983	1878	118	457	11	7835
2017	765	3572	1188	1787	91	419	11	7833
Change	-7	58	-205	91	27	38	0	2

- o Books income is stronger this year with the release of several new titles. 2017 sales last year were actually \$87,000.
- o Journal revenue is not closed out through Wiley and we await a year-end financial reconciliation and payment.

Expenses. 2018 expenses were \$3,816,000 compared to budget of \$3,969,000 and \$4,102,000 last year.

- Notable expense variances

- o Administration. The higher total last year includes the \$240,000 book inventory write down.
- o Staffing. AFS fully staffed, with lower than budgeted benefit plan costs.
- o Technology. Continues consolidation of all technology related costs here.
- o Web. Costs for multi-site platform and unit web configurations have stabilized.
- o Meeting. The AC meeting met its net revenue goals on account of strong cost management and negotiations by staff and the local team.
- o Membership. Includes bi-annual hosting and licensing fees
- o Journals. Cost are lower this year as 2017 included the journal retreat.

Investments. The quarterly investment performance reports along with the investment advisor's narrative are attached. The investment account holds both unrestricted AFS funds and restricted funds for such programs as Skinner, chapter investments and other awards. Currently, restricted funds account for more than half of the total account balance.

American Fisheries
Statement of Financial Position
As of 12/31/2018

	2018	2017	Variance
ASSETS			
Current Assets			
Petty Cash	\$694	\$694	
Checking	103,771	742,926	(639,155)
Accounts Receivable	91,540	285,052	(193,512)
Allowance of doubtful accounts	(14,170)	(14,170)	
Inventory	269,567	290,155	(20,588)
Prepaid Expenses & Deposits	57,262	98,857	(41,595)
Current Assets	<u>508,664</u>	<u>1,403,514</u>	<u>(894,850)</u>
Property and Equipment	1,165,229	1,114,880	50,349
Accumulated Depreciation	(732,949)	(698,738)	(34,211)
Net Property and Equipment	<u>432,280</u>	<u>416,142</u>	<u>16,138</u>
Long Term Assets			
Long-Term Investments	4,075,785	4,451,807	(376,022)
Total Long Term Assets	<u>4,075,785</u>	<u>4,451,807</u>	<u>(376,022)</u>
Total Assets	<u>5,016,729</u>	<u>6,271,463</u>	<u>(1,254,734)</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	147,728	335,935	(188,207)
Accrued Expenses	260,962	228,794	32,168
Subunits Dues Payable	108,735	103,323	5,412
Subunits Books Payable	2,662	26,042	(23,380)
Deferred Income	1,077,258	1,168,046	(90,788)
Total Current Liabilities	<u>1,597,345</u>	<u>1,862,140</u>	<u>(264,795)</u>
Net Assets			
Net Assets - Unrestricted	4,409,323	4,843,718	(434,395)
Change in Unrestricted Net Assets - Curr Year	(989,939)	(434,395)	(555,544)
Total Net Assets - End. Balance	<u>3,419,384</u>	<u>4,409,323</u>	<u>(989,939)</u>
Total Liabilities and Net Assets	<u>5,016,729</u>	<u>6,271,463</u>	<u>(1,254,734)</u>
	18,449		

AMERICAN FISHERIES
Program Activities Report
For the Twelve Months Ending 12/31/2018

	Year to Date - Actual			Budget		2017 Annual
	2018	2017	Var \$	2018 BUDGET	vs YTD Actual	Actual
Revenue						
Administration	(\$207,957)	\$560,301	(\$768,257)	\$297,000	(\$504,957)	\$560,301
Web	27,199	4,920	22,279	7,000	20,199	4,920
Continuing Education	13,095	19,875	(6,580)	12,000	1,095	19,875
Rotenone		3,856	(3,856)	16,000	(16,000)	3,856
Certification	4,471	5,750	(1,279)	10,000	(5,529)	5,750
Other Education				12,000	(12,000)	
Hutton	5,000	134,850	(129,850)	150,000	(145,000)	134,850
Cornell	111,311	237,477	(126,166)	132,000	(20,689)	237,477
Other Grants & Contracts				125,000	(125,000)	
Annual Meeting	854,820	931,802	(77,182)	1,009,000	(154,380)	931,802
Membership	533,641	464,930	68,711	567,000	(33,359)	464,930
Awards	4,957	5,590	(633)	4,000	957	5,590
Mem Other	20,366	8,865	11,501	13,000	7,366	8,865
Jobs	43,650	26,677	16,973	30,000	13,650	26,677
Advocacy	13,310	26,700	(13,390)	25,000	(11,690)	26,700
Books	149,008	30,843	118,165	131,000	18,008	30,843
Journals	1,046,587	1,048,166	(1,579)	1,240,000	(193,413)	1,048,166
Fisheries	335	45	290		335	45
Other Publications	79		79		79	
Total Revenue	2,619,672	3,510,247	(890,574)	3,780,000	(1,160,328)	3,510,247
	3,104,129					
Expenses						
Administration	401,957	569,365	167,408	320,000	(81,957)	569,365
Staff Costs	2,072,147	2,029,516	(42,631)	2,139,000	66,853	2,029,516
Technology	77,919	36,403	(41,516)	39,000	(38,919)	36,403
Communication	3,072	1,585	(1,487)	11,000	7,928	1,585
Web	21,538	40,131	18,592	19,000	(2,538)	40,131
Development	1,412	3,234	1,822	12,000	10,588	3,234
Continuing Education	9,269	20,132	10,863	10,000	731	20,132
Rotenone				16,000	16,000	
Certification	165	404	239	1,000	835	404
Other Education		2,040	2,040	1,000	1,000	2,040
Board	50,717	46,008	(4,710)	54,000	3,283	46,008
Committees				2,000	2,000	
Hutton	104,865	96,291	(8,574)	123,000	18,135	96,291
Cornell	58,715	88,792	30,078	61,000	2,285	88,792
Other Grants & Contracts	10,536		(10,536)		(10,536)	
Annual Meeting	626,560	758,089	131,529	818,000	191,440	758,089
Other Meetings	621	488	(132)	1,000	379	488
Membership	181,776	134,627	(47,149)	114,000	(67,776)	134,627
Awards	16,343	5,791	(10,552)	15,000	(1,343)	5,791
Mem Other	1,764	1,043	(720)	1,000	(764)	1,043
Units		577	577	1,000	1,000	577
Advocacy	8,800	5,099	(3,701)	27,000	18,200	5,099
Books	47,792	32,213	(15,579)	25,000	(22,792)	32,213
Journals	95,371	168,741	73,369	152,000	56,629	168,741
Fisheries	24,770	2,750	(22,020)	7,000	(17,770)	2,750
Total Expenses	3,816,109	4,043,319	227,212	3,969,000	152,891	4,043,319
Net Change from Operations	(1,196,437)	(533,072)	(663,363)	(189,000)	(1,007,437)	(533,072)
Non Operating (shown on a net basis)						
Rotenone		(3,856)	(3,856)			(3,856)
Restricted contributions	188,049	98,779	89,270	285,000	(96,951)	98,779
Total Non Operating	188,049	94,923	93,126	285,000	(96,951)	94,923
TOTAL NET CHANGE	(1,008,388)	(438,149)	(570,237)	96,000	(1,104,388)	(438,149)



February 11, 2019

MEMORANDUM

To: Douglas Austen,
Executive Director; and
Dan Cassidy, Deputy Exec. Dir.,
American Fisheries Society

AXA Advisors, LLC

Gretchen S. Bolton, CFP®, CLU, LUTCF
Financial Consultant
Northeast Division



From: Gretchen S. Bolton,
CFP®, CLU, ChFC

Subject: American Fisheries Society 4th Quarter and Annual Review 2018

The 4th Quarter and Annual Review for 2018 of AFS Long Term Investment and Collateral Reserves is based on figures from AXA/LPL Performance Appraisals through December 31, 2018, as well as year-to-date through January 2019. Along with these reports, a Morningstar Snapshot report is also sent herewith. The most authoritative sources for account information are your monthly Statements and Portfolio Summaries, which have been sent to you separately.

You had a total of \$4,078,720.12 in Reserves at the end of the year, December 31, 2018.¹ The Long-Term Reserve balance was \$3,408,903.57, and the Collateral Reserve account balance \$669,816.54. (This was \$5,651.26 less than the required \$675,000 in the Collateral Reserves, although the collateral account jumped to \$711,598.44 by the end of January, 2019, more than covering the balance requirement.) There was a \$15,000 deposit of Chapter funds to the Long-Term Reserves on December 17, 2018. \$6,000 was sent out in January, because of a Chapter withdrawal request. Except for the end-of-the-year downward blip, we have maintained the combined portfolios within the allocation guidelines, with current allocations at 72.37% equity to 27.62% fixed income and cash.

Equity markets slumped at the end of the year, yielding a negative return for 2018. The S&P 500 index ended down -4.38% for 2018, with other equity indices down even lower. The Moderately Aggressive allocation benchmark was down -3.81% for the year. At least in part due to timing of deposits and withdrawals during the year and a larger cash balance due to the December deposit, your 2018 composite returns lagged the benchmark at -5.22%. However, January has seen a boom in the equity markets, and your total returns for the first month of the year were up 6.29%, or \$250,144.78, excluding the \$6,000 withdrawal. On January 31, 2019, the total reserve balance for both accounts was \$4,328,864.90. Past performance is no guarantee of future performance.

Fixed income holdings are estimated to yield \$42,572 (some reinvested, some going to cash) over the next 12 months, and another \$49,860 will come from dividends on stock fund holdings (most of which are reinvested), bringing the annual cash yield to 2.13% for the portfolios.¹ Cash balances on January 31 totaled \$61,173.66, or 1.41% of the accounts.

The Federal Reserve lifted its key interest rate to 2.50% on December 19, the highest level since 2008. Chairman Jay Powell has indicated he will be more cautious on further interest hikes in 2019. With less chance of interest rate hikes in the near future, your bond values have stabilized. We are ready to move more of the funds to reinvestment of income, depending on your withdrawal needs in the coming year.

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We are able to evaluate the quality of your investments and their performance through the hypothetical Morningstar Snapshot. It demonstrates what the performance of your portfolio's specific fund choices in the given allocation would have looked like in a *static* portfolio, with no activity, over a multi-year look-back period. Our goal is that quality fund choices in the mix will outperform the benchmark index, both on returns and with less risk, on a rolling look-back basis.

This is not a perfect comparison for your portfolio. It does not include the \$150,000 sale from Vanguard Total Stock Market fund to meet withdrawal needs at end of September 2018. The trade was executed when the market was high, thus taking some gain from the account and decreasing equity allocations, which resulted in a portfolio on the low side of Moderate Plus. However, your specific mix of funds beat the Moderately Aggressive benchmark return in all the multi-year time periods illustrated, at the same time as your risk was less than the benchmark risk.⁴ These are the stats we are looking for. Past performance is no guarantee of future performance.

A copy LPL Research's Outlook 2019 report was forwarded to you in mid-December. LPL's Chief Investment Strategist, John Lynch, says "We expect 2019 to be another good year for equity investors." He goes on to say in his cover letter, "Yet, many positive fundamentals could be pressured by threatening issues such as trade, deficit spending, monetary policy, or global politics. As a result, we do expect to see more volatility." More recently, he has said, "We encourage investors to stay focused on the fundamentals supporting the economy and corporate profits." In addition to the 2019 report, I am also sending a copy of the February 7th investor letter.

¹Figures are based on the December 31, 2018, and January 31, 2019, AXA/LPL Performance Appraisal Reports and the Estimated Income projections, which accompany this summary. Total returns are calculated by a modified internal rate of return method and include both market valuation changes and dividends. While this material summarizes certain information contained in the attached documentation, it is not the official record of your account. This summary is offered at your request for your general reference, but the information it provides is in no way guaranteed. You should rely solely on the attached documentation and monthly statements that you have already received for complete and final information. In the event of a discrepancy between this summary and the attached documentation, or a discrepancy between this summary and any other product sponsor/issuer-generated statements, the monthly statements will prevail. Please note that values shown herein may not reflect surrender charges that may be applicable to annuities and life insurance products and that some investments may have substantial fees and/or penalties associated with early withdrawals. (This last sentence does not apply to your current holdings.) Securities products and services are offered through AXA Advisors, LLC (member FINRA and SIPC), 1290 Avenue of the Americas, New York, NY 10104 (212) 314-4600.

²All quoted indices herein are unmanaged baskets of securities according to type, valuable as indications of market trends, not directly comparable to your portfolio. Indices are provided by Morningstar Associates daily, at its website <http://news.morningstar.com/index/indexreturn.html>. Past performance is no guarantee, nor forecast, of future performance.

³Resources used in preparing this report include AXA Advisors portfolio information sources; Morningstar Associates, LLC; S&P Stock Reports; LPL Financial research sources, and access to multiple independent researchers' evaluations and recommendations. Please refer to the Research Disclaimer Statements accompanying the Portfolio Appraisal and the Morningstar Snapshot.

⁴Volatility or "risk" is measured by Standard Deviation; return on risk is measured by the Sharpe ratio—see the Morningstar Snapshot report, which looks back at and provides statistics on the performance of your *current* allocations and fund selections over a period of years. Returns in the Morningstar report are not identical with your actual returns, since activities in your accounts (including deposits, withdrawals, and changes in investments) in the look-back periods are not taken into consideration.