

AMERICAN WATCHMAKERS –CLOCKMAKERS INSTITUTE
MINUTES OF THE 2007 MID-YEAR
EXECUTIVE BOARD MEETING
February 2 and 3, 2007

Note: The Motions in this document are listed in chronological order. The numbers are not contiguous, because the numbers were assigned by the order they were taken up during the full Board conference call. This was done because there were several Motions added along the way, and these Motions were not taken up in the same order in the later meeting. One document must appear out of order, I chose this one.

Present

Dennis Warner, CW, President
Mark Butterworth, First Vice President
Gene Bertram, CC, Second Vice President
Matt Henning, CW, Secretary
Jack Kurdzionak, CW, Treasurer

Paul Wadsworth, Parliamentarian

Staff

Jim Lubic; CMW, Executive Director, Education & Technical Director
Lucy Fuleki; Assistant Executive Director
Tom Pack, CPA, Finance Director
Donna Baas, Managing Editor
Manuel Yazijian, AWCI Watchmaking Instructor

Guests

Joe Schrader, Board of Governors
Dr. Vince Schrader, Chief Examiner
Rob Clarke, Ross Sinclair & Associates
Scott Gilligan, Legal Counsel for AWCI

9:00 a.m. Invocation given by Mark Butterworth.

Salute to the Flag led by Jack Kurdzionak.

Opening Remarks – President Dennis Warner said this is one of the most important meetings in many, many years. There are some hard facts we have to live with and start to accept as well as changes to be made. We have to come to some conclusions and present them to the full board.

Procedures and Requirements for Voting . Executive committee members only, president will only vote to break the tie.

Minutes of the Annual Board of Directors Meeting have been distributed to the full board and approved.

State of the Association – James E. Lubic, Executive Director. concurred with President Warner on the importance of this Mid-Year meeting. He also reviewed the changes to the real estate around AWCI headquarters, commented on the growth of Hubert’s building to the north of HQ, and the sale of the lot directly across from headquarters to the east. The new owner is planning to build on the site.

President Warner explained that he would be changing the order of the agenda to accommodate the Education Committee and to leave the Finance Committee report for the end of the day.

STANDING COMMITTEE REPORTS

Horological Times Committee: Donna Baas and Jim Lubic reported on the status of the magazine. AWCI is using the same printing company that is used for JIDA newsletter. We are using a lighter paper that costs a bit more, but saves money in postage so it is an overall savings. The print quality has improved as a result. Baas said that Renata and Seiko replaced Esslinger and Cas-Ker when they pulled their HT advertising, thereby averting a major advertising income loss. She said that word-of-mouth seems to be our best form of recruiting advertisers. Paul Wadsworth suggested that giving away subscriptions to increase circulation, or using ad inserts, might be methods to increase advertising. Henning said that in his opinion, circulation is the real problem. The magazine hasn’t changed much over the years and with the repeated articles, many of the members have already read them. This reduces the magazine’s ability to draw and retain members. A change to the magazine may not immediately increase membership, and this is where consideration of a tiered membership system might become important as a way to increase circulation. The magazine should begin to show changes that reflect the Certification program since it is our best way to reach the entire membership. Lubic pointed out that all of this boils down to marketing. Without that, we will have a very difficult time turning AWCI around. We just don’t have the expertise. Butterworth mentioned that there are fewer material houses and they aren’t as financially well off as in the past. Kurdzionak said that the Finance committee is thinking that publishing bi-monthly might be a consideration. This is a contingency option but not a recommendation at this time. He also pointed out other major publications that are in tough times, and that we might also think about publishing online. Lubic said that a discussion with Bert Kalisher might reveal ways to increase circulation, including the idea of merging our magazine with his.

Book Review Committee: Donna Baas said that three committee members were active on this committee. The participation has been spotty. Kurdzionak suggested reforming the HT committee to include a Book Review sub-committee. A motion and a vote was recommended.

Point of Order: Warner questioned the Parliamentarian about the voting process as it relates to the full Board conference call. Wadsworth explained that this committee can take a vote as is usual, then during the conference call, the Board can either accept all Motions as a group, or may ask to vote on each one separately, or any combination of the two.

Motion 33: Made by Mark Butterworth second by Matt Henning

I move to disband the Book Review Committee and transfer its duties to the HT Committee, effective July 1, 2007.

Voice vote. Motion carried.

Membership Committee: Terry Kurdzionak in her report said that AWCI has a current membership of 3,374. Jack Kurdzionak asked about the postcards being sent to Life members to determine they are still living. This is being done by the office staff. So far only one has turned up.

Convention Committee: Fuleki reported that the Convention will return to the Cincinnati area in 2007. It will be held at the Radisson hotel in Covington, KY. The situation with space in the hotel may require some members to stay next door in the Holiday Inn. Lubic discussed the slate of seminars that are planned. Henning asked about the Board reimbursement as it relates to our bargaining power with the hotel. If we set the reimbursement to cover the hotel only, does that help reduce costs elsewhere since AWCI would be reserving more rooms. Lubic thought that yes that might help. Warner said that AWCI should not be paying for board members hotel rooms except for the nights that they are required to be there for AWCI Board business. Participation in any other programs would not be compensated. This is part of current policy.

Publicity Committee: In his written report, Chairman Donald McPherson, and his committee, stated the plan to raise public awareness of the 21st Century Certified Watchmaker. They are currently sending out ads and giving press releases to horological trade publications.

Warner mentioned the DVD that was proposed by the IAB committee to promote the Certification program. Lubic commented that when ideas come up mid year, and have this urgency behind them, it is very difficult to just change gears and produce materials. We need to slow down and think about costs and the time frame involved and when you consider all of that there is no way that this can be produced this year. It also has to be

worked into the budget properly. Kurdzionak clarified that the IAB is not looking at this as an urgent project and are only asking the staff to study it and let them know what is entailed.

Tom Pack said that we have begun using Google Analytics to study usage of the AWCI website so that we can better understand how we might improve it. Lubic explained that things are slow going on the website now that we are using an outside contractor to do web design. He has a full time job, and that sort of places us on his back burner.

Jim Lubic reported on the status of the Trade Fair. A booth space has been purchased for \$7700. Our grant request through JCK was turned down. He continues to work with Chuck Berthume and are trying to arrange a meeting within the next few weeks with Steve Kiser (in charge of the Hall of Time part of the JCK show). We would outline our goals and explain what we are trying to do for the trade in hopes of getting the booth fee refunded. Tom explained that the \$7400 was paid in the last few days and will not show up on the 2nd Qtr. Report.

Scott Gilligan gave a Consent Decree report. The Department of Justice (DOJ) at the motion of Rolex, intended to terminate the 1960 decree with Swiss watchmakers. The DOJ opened the 90 day public comment period and received approximately 148 comments – a number of them from watchmakers in opposition to ending the Decree. They provided a 15 page analysis of the comments and explained why they disagree with them. They have decided to recommend to the court that the Decree should be terminated. The court has not done so, but it is all but guaranteed that they will do so.

He explained that under the Decree, the manufacturers had any number of reasons to refuse to sell parts including things like the appearance of your shop, your physical appearance, your tooling. The only thing that it stopped them from doing was refusing to sell parts based on the prices you might charge your own customers, or due to your sales policies. Without the Decree, they can use that as a reason, but it doesn't add much to their current list of reasons to refuse opening an account. Before, if they wanted to refuse, they could always come up with a legal reason.

He explained that antitrust law has become more focused on horizontal competitive practices – competition between manufacturer and manufacturer, or distributor vs. distributor. And that the law has become less concerned with vertical practices – between manufacturer and distributor, and between distributor and retailer. This is true in industries across the board.

Scott will be providing an article for the website and HT.

10:10 AM, President Warner called for a 15 minute break, returned at 10:30 am.

James M Dodson Perpetuation Fund: Jim Lubic spoke at length about the situation regarding the fund and the proposed amendment to the Constitution Article XX which established the fund. He began with a reading of the Article itself and then went on with a sample wording of how it might be changed. He proposes changing the text from:

“The Fund principal shall be invested and reinvested only in securities guaranteed by the full faith and credit, or insured by an agency of the United States Government.”

TO: *“The Fund principal shall be invested and reinvested in investment grade securities. The fund trustees with the guidance of a professional investment advisor shall direct the fund strategies per the Bylaws”*

This would result in a slight relaxation of the requirements regarding the security of the investments themselves. This would give AWCI more freedom in investing, and open opportunities to earn a higher return. The new language would still retain a very high degree of security.

Rob Clarke was asked by President Warner if the lessening of the restrictions on the Perpetuation Fund, as determined in the change proposed above would be beneficial to AWCI, and still retain a low level of risk to the investments. Rob outlined several investments that are not currently allowed under the restrictions, but are nearly as secure, and can generate a higher yield. These include Freddie Mac or Fannie Mae bonds. If successful, we should be able to reinvest some of that increased yield back into the fund and begin the process of growing the endowment. Rob then provided an overview of the current investment situation, including a lengthy explanation of the bond market overall.

Warner said that the recommendation will need to go to the Constitution Committee to determine the language. The Perpetuation Fund Committee would then need to approve it, and then the entire AWCI membership would vote on the language by ballot. He wants to get it on the spring ballot, and plans to hold a Const. Committee meeting this weekend to keep things moving.

Rob pointed out that carrying a debt on the building is a good idea since the money can be borrowed at a lower interest rate than the typical rate of return on investments. Jack asked for the current amount of debt. Tom said that one note is approx. \$240K, another at \$590K, and an additional revolving line of credit, not based on the building and we currently owe approx. \$160K. Jack asked what we do to incur the bank fees. Tom answered that some come from borrowing on the line of credit, and that we pay small fees for many transactions we make with the bank. The prime source of fees come from the line of credit. Jack asked Rob if there is any advantage of taking a mortgage on the building at a fixed rate, to replace the bonds which are adjustable. Rob explained that the interest rate on the bond has been well below market rate, and though the rate fluctuates, there are advantages to using a bond. At the time the bonds were purchased, we were paying over 8% on a mortgage. The bonds dropped the rate below 2%, and has only jumped up recently. He said it is important when we borrow that we use the money to either do something that will make us money, or use it to pay off things that are costing

us money – not on day-to-day expenses. Jack pointed out that we can't change the past, but we need to stay open and examine the alternatives so that we are sure that we are doing the right thing with regard to these issues. Mark asked if the approx. \$400K decrease in portfolio value was due to a reduction in the market value of the bonds, or due to AWCI drawing that money out. Rob, Tom and Jim explained that we cannot take that money out. The decrease was due to these particular bonds not being as desirable. Rob makes clear that this issue is in relation to the market value of the bonds at this moment – what we would earn if we liquidated them today. On the other hand, the face value of the bonds, if we kept them to maturity, would be \$7 million. Mark asked if any bonds have been traded simply because we needed the cash. Rob said that we have never done that. He pointed out that he can't do that under AWCI's Constitution.

President Warner called a 1 hour recess at 12:15, returned at 1:15.

Education Committee: Jerry Faier and Dr. Vincent Schrader reported.

Faier suggested the following change to the Standards & Practices document, in the area of paths to gaining the CW21:

“(B) Possession of a 3000 hour WOSTEP program diploma and completion of the current AWCI CW21 upgrade exam.”

(C) Possession of a recognized REC diploma dated 2005 and later (plus 20 weeks of training through AWCI training) and completion of the current CW21 upgrade exam.”

Faier also recommended that a document entitled “Notice of Appeal” be added to the Standards and Practices. It is a form to be filled out and given to the Chairman of the Board of Examiners when there is a challenge of the certification process.

Schrader said there will be two openings on the Board of Examiners. His position, when he steps down at the end of this fiscal year is one, and the second position is the clockmaker representative.

There was extensive discussion regarding the paths to and qualifications for being granted a Certified Master certification. There is great concern that the requirements are substantive in order to avoid falling into AWCI's past habits of granting a master certification without sticking to the standards. Jerry and the committee will reexamine the S&P to look at ways to better define the different types of skills that are eligible for becoming a master, and also the requirements for doing so.

Honor Awards Committee: In his report, Chairman Gardner said the committee is considering awards for: AWCI Fellow; Outstanding Achievement Award; Meritorious Service Award; and Lifetime Achievement Award. The February HT will have information on the awards and how to nominate someone.

Dennis relayed a comment from Glenn Gardner that the use of email as a communication method has not been effective at all. Tom said in his experience 99% of the time, the problem is simply that the people don't check their email or don't respond. It is a lack of participation rather than a problem that people aren't getting the messages. Mark said that we have come a long way by simply requiring Directors to have email access, but maybe we need to tell them that they actually need to use it.

Strategic Action Committee: No report was filed.

Ethics Committee: Gene Bertram said the committee has suggested that instead of a "special" committee status this should be a "standing" committee that does not just come up with an Ethics policy, but also to help handle Ethical issues. They do not wish to place a Motion before the Board at this time.

Watch Product Review Committee: No written report.

Case Mark Committee: The committee, Chaired by Jon Horton, reported that they have decided to refresh and update the current system. The committee would like to promote the case-marking system, giving AWCI favorable publicity. Gene Bertram said the committee felt the original program was very good and just needs to be updated and publicized. The committee is thinking about how to do this. Some thoughts include writing articles and contacting law enforcement agencies for input. One problem is how to integrate any new system with the old system. Jack suggested contacting the previous case mark holders and asking them to resubmit their information and then rebuild a new database. Jim pointed out that the case marks themselves need to be designed so they can be recognized by law enforcement agencies as an AWCI registered case mark, which would prompt them to call us. Paul Wadsworth said that the Publicity Committee might work to have the concept of the case mark included in a CSI investigations show or some other very visible program to promote the case marks. He points out that we really need to start looking at new ways to promote ourselves.

Member Forum Committee: Mark Butterworth reported in his written report that the committee is planning to recruit 3-4 new moderators for AWI-Matters. Matt Henning said the main goal is to relieve Tom Pack of this duty. Tom has expressed a desire to pass this duty on to someone else. Also, Networking is one of the main selling points for AWCI. Watch and clockmakers are few and far between. They need a way to communicate with each other both to exchange knowledge as well as for more practical reasons like locating parts. Henning said that as we replace Tom we would like to take this opportunity to try new things. The committee would like to find three or four moderators each being an expert in the field. We need to find ways to make our forums different, better, in order to compete with the hundreds of free forums on the web. Part of the problem the committee has run into is that many of the people they have approached to become moderators, have been asked to run for the BOD. The moderators need to be neutral. Using a Director would not be a good idea. So things have slowed as we try to come up with a new list of people to ask. Tom Pack said there are message Forums currently on our website. Jim wondered what happened with the idea early on of

updating those forums. Matt explained that as we investigated that, it became clear that such a change would cost money, and at this time we have other priorities, especially since the firestorm on AWImatters died down.

Report of the Industry Advisory Board: Jack Kurdzionak reported that the IAB is currently paying about 6% of AWCI expenses (not including Perpetuation Fund). Rolex and Richemont are Platinum IAB Members. Twenty-five members pay \$250/year. Now we have a liaison relationship with major industry players. In the past they did not have that relationship with us. There were no recommendations from the IAB committee to the board.

Research and Education Council, REC: Jim Lubic said that last he heard the REC plans to have it's meeting during spring break in New Jersey. They hope to begin moving the meeting from school to school during spring break each year since they can get better member participation that way, than they can during our meeting in August. He needs to talk to Elbert Lewis about the details.

Affiliate Chapters: Jim said that he hasn't had much contact with Wes Cutter other than a phone call in which Wes expressed disappointment that he received no response to an email he sent to the various chapter contact people.

Fuleki reported that St. Paul College and people in Texas have asked for new chapter kits.

Nominating Committee for Board of Directors: President Warner said there are no candidates who have petitioned for nomination. The nominating committee recommended the following individuals. There were no objections to taking the nominees as a slate. There were no petitions received.

MOTION 34: Made by Mark Butterworth seconded by Matt Henning

I move to accept the following slate of nominees for the 2007 election of AWCI Board of Directors.

Gene Bertram
Donald McPherson
Doug Stuart
Lloyd Lehn
Joe Juare

Daniel Spath
Ernest Tope
David Fahrenholtz
Jack Kurdzionak

Voice vote. Motion passed.

Constitution and By-Laws Committee: Paul Wadsworth, reported that the committee was asked to consider a request by JIDA to create a non-voting position on the BOD for JIDA. This person would be privy to all discussions via email and conference calls. It

was explained that JIDA is concerned that its point of view is not being clearly conveyed to the Board via the IAB or any other channel. They would prefer to have a formal, non voting seat on the Board, which would automatically put them on the agenda, and give them a formalized mechanism to participate in the Annual Meeting, etc.

Members of the Committee felt that this was unnecessary since the President can invite JIDA to speak at any meeting as appropriate. Paul said the committee has not put together a formal proposal for the board. Dennis asked for general discussion. Jim said he's not sure JIDA would be happy with an informal directive to the staff to always make sure that JIDA is on the agenda, especially since there isn't anything in writing in the Const., Bylaws or Policy Manual that requires this. It was generally agreed that it would not be appropriate to grant access to all Board discussions.

Paul Wadsworth suggested an addition to the Policy Manual, and offered a way to do this.

MOTION 31: made by Jack Kurdzionak and seconded by Mark Butterworth

Move to add the following to the Policy Manual.

“3.2007.01: A JIDA representative who also is an AWCI member is to be invited to and placed on the agenda of AWCI's annual Meeting.”

Voice vote. Motion passed unanimously.

President Warner called for any further old business, and none was presented.

He then asked for **New Business** and none was presented.

At that time he called for an Executive Session for the purpose of discussing the Finance Committee Report. Without objection the board began Executive Session at 4:15 p.m.

The Executive Committee recessed at 6:30 p.m.

Saturday, February 3, 2007 the board reconvened in Executive Session at 9:00 a.m. The Executive Session ended at 10:15 a.m.

The following Motions resulted from the Executive Session, and were taken up for votes at this time:

Motion 35: made by the Education Committee, needs no second.

Move to add the form titled “Notice of Appeal” and document titled “rules for AWCI Certification Appeals Process” to the AWCI official Standards & Practices for watchmakers and for clockmakers.

Voice vote. Motion carried.

Motion 36: made by the Education Committee, needs no second.

Move to amend the Standards & Practices for 21st Century Watchmakers, section titled *21 Century Certified Watchmaker may be achieved by:* In the following manner: Change Part B and C to read as follows:

“(B) Possession of a 3000 hour WOSTEP program diploma and completion of the current AWCI CW21 upgrade exam.”

(C) Possession of a recognized AWCI REC school diploma from 2005 and later and completion of the current CW21 upgrade exam.”

Voice vote. Motion carried.

Motion 37: made by Finance Committee, needs no second.

Move to ask the Executive Director to immediately begin the competitive bidding process whenever prudent.

Voice vote. Motion carried.

Motion 38: made by Finance Committee, needs no second. Voice vote. Motion failed.

Move to continue to reimburse the IAB and REC directors for all reasonable out-of-pocket expenses for required AWCI meetings. All other directors shall be awarded a stipend of \$400 for each required meeting with no reimbursement for travel, lodging or meal expense.

Voice vote. Motion failed.

Motion 40: made by Finance Committee, needs no second.

Move to take steps to reduce the current salary and benefit budget by 15% for the Fiscal Year 2007/2008.

Voice vote. Motion carried.

Motion 41: made by Finance Committee, needs no second.

Move to ask the Executive Director to include with the budget report issued every two months (end of February, April, etc.) a report outlining the progress made to reduce the budget deficit. This report will replace the current quarterly report.

Voice vote. Motion carried.

Motion 42: made by Finance Committee, needs no second.

Move to ask the Executive Director to prepare a contingency plan for operating the Institute in the event of a significant revenue shortfall with a report to the Finance Committee by 30 June, 2007, or at a time agreed upon by the Board and the Executive Director.

Voice vote. Motion carried.

Motion 39: made by Finance Committee, needs no second.

Move to reimburse the Affiliate Chapter delegates a maximum of \$300 per person, the amount not to exceed the actual travel expense incurred.

Voice vote. Motion failed.

Motion 43: made by Mark Butterworth, seconded by Jack Kurdzionak.

Move to remove sections 3.2003.02 "Travel Reimbursement Policy" and 3.2003.03 "Affiliate Chapter Delegate Travel Subsidy" from the AWCI Policy Manual.

Voice vote. Motion carried.

Motion 44: made by Mark Butterworth, seconded by Jack Kurdzionak.

Move to add new policy titled 3.2007.01 "Affiliate Chapter Delegate Reimbursement"

An Affiliate Chapter whose delegate attends the AWCI Annual Meeting shall be reimbursed \$300 if the Chapter has 15 AWCI members.

Voice vote. Motion carried.

Motion 45: made by Mark Butterworth, Second by Jack Kurdzionak

Move to add section 3.2007.02 “Travel Reimbursement Policy” To the AWCI Policy Manual, to read as follows: “REC and IAB Directors, when Directed by the President Shall Have... *(This line replaces first line in old section 3.2003.02, and text continues as before)* In addition, at the end of that text add the following: The President, and the Board of Directors, when Directed by the President, shall have their lodging only arranged and paid for by AWCI while attending regular or specially-called meetings.

Voice vote. Motion carried.

Motion 46: made by Jack Kurdzionak, seconded by Gene Bertram.

Move to add CitiBank - South Dakota as an approved AWCI financial institution.

Rationale: allows AWCI to apply for a business VISA credit card. This is a no annual fee card with benefits and would replace our current VISA credit card that has an annual fee and does not offer benefits.

Voice vote. Motion carried.

Meeting recessed at 11:00 a.m.;

Meeting reconvened at 11:50 a.m. to take up the Constitution Committee Report.

Constitution and By-Laws Committee: Paul Wadsworth reported that the Constitution Committee had reviewed and approved the following motion which was provided by the Perpetuation Fund Committee.

Motion 32: by the Perpetuation Fund Committee, needs no second.

Move to replace Article XX of the AWCI Constitution.

ARTICLE XX - THE JAMES M. DODSON PERPETUATION FUND (current)

Sec. 1 The Institute shall establish and maintain The James M. Dodson Perpetuation Fund. The money derived from the sale of any of the AWI Packard Collection watches shall become a part of the Fund and shall constitute the principal amount of the Fund. The principal shall be held as such and shall not be expended except as authorized in the Bylaws. The Fund principal shall be invested and reinvested only in securities guaranteed by the full faith and credit, or insured by an agency of the United States Government. Income received on investment of Fund principal may be paid over and distributed to the Institute’s general fund.

The replacement language would be:

ARTICLE XX - THE JAMES M. DODSON PERPETUATION FUND

Sec. 1. The Institute shall establish and maintain The James M. Dodson Perpetuation Fund. The money derived from the sale of any of the AWI Packard Collection watches shall become a part of the Fund and shall constitute the principal amount of the Fund. The principal shall be held as such and shall not be expended except as authorized in the Bylaws. The Fund principal shall be invested and reinvested in investment grade securities. The fund trustees with the guidance of a professional investment advisor shall direct the fund strategies per the Bylaws. Income received on investment of Fund principal may be paid over and distributed to the Institute's general fund.

Rationale: The intent is to broaden AWCI's investment opportunities within the confines of the Perpetuation Fund. The fund principle will remain in the fund, and will not be made available for spending. The change marginally increases the investment risk while greatly increasing our earnings capability. This will allow AWCI to begin growing the Perpetuation fund, and strengthen AWCI's financial position.

Voice vote. Motion carried.

Passage of this Motion here and later by the Board of Directors allows this proposal to be placed on the spring election ballot for approval by the membership, as per guidelines established in the AWCI Constitution.

Executive Board meeting adjourned at 12:10 pm.

Respectfully submitted,

Matt Henning, Secretary