

MEETING OF THE BOARD OF DIRECTORS
OF
HELP HOSPITALIZED VETERANS

June 24, 2005

A teleconference meeting of the Board of Directors of Help Hospitalized Veterans was held pursuant to notice at 10:00 a.m. (PST), June 24, 2005.

Directors present: Roger Chapin
Tom Arnold
Gorham Black
Leonard Rogers
Bob Beckley

Also present: Mike Lynch

As the first order of business, the Board approved the minutes of January 25, 2005 meeting of the Board of Directors.

As the next order of business, Mike Lynch, Executive Director, gave a financial report for the current fiscal year. Lynch reported that gross income for the year through 5/30/05 was \$27,327,006 as compared to \$24,025,433 for the same period of the previous year. Lynch stated the donor file comparison of donors contributing \$5 or more to the organization in the past 12 months is 652,392 as compared to 625,034 for the same period of the previous year.

As the next order of business, Lynch reported on the direct mail programs of the organization with mail returns as of April 23, 2005. Lynch stated ATA house mailings are at ratio of 2.5 to 1 for mailings of 12,053,079 and prospect mailings totaled 613,777,023 with a 5¢ average per piece loss. Lynch said CDR house mailings are at a ratio of 2.2 to 1 for mailings of 2,913,647 and prospect mailings totaled 6,632,274 with a 7¢ average per piece loss. Lynch stated the combined direct mail totals were 36,657,476 pieces mailed at a net of 21¢ average per piece. Director Arnold requested and the Board agreed that representatives of American Target Advertising (ATA) and Creative Direct Response (CDR) be present at the next meeting. Lynch stated he would make the arrangements for their participation.

As the next order of business, Secretary Rogers stated that he met with three Department of Veterans Affairs (VA) Medical Center Directors and was informed that the \$1 billion budget shortfalls of VA are of much concern. Rogers said that he is of the opinion that the organization could receive a lot of support for the Craft Care Specialists program by highlighting the budget shortfall in the direct mail. Director Black stated that the budget issue has created much concerns and activity in the Washington, DC area political circles. Lynch stated he would talk to Richard Viguerie, President of ATA regarding testing such copy. Lynch said, and the Board agreed, that caution is be taken to avoid insulting by inference that VA is not managing or caring well for its patients. Rogers stated that medical center directors were extremely enthusiastic about how the organization services their medical centers and that HHV should use such comments in its direct mail. Lynch stated that he receives written acknowledgments from all facilities and that some are used within the direct mail and that he will ask all VA

medical center directors to send him their remarks. Lynch said he would establish a general discussion meeting with Rogers and Mr. Dean Stordahl, Director of Loma Linda VA Medical Center.

As the next order of business, Lynch said that as of May 30, 2005 the organization has delivered 705,593 craft kits to hospitalized veterans as compared to 577,332 delivered for the same period of the prior year and that the average retail value per kit was \$13.86 per kit. Lynch stated that the organization has delivered 21,222,711 craft kits since the inception with a retail value of \$246,404,310 including the cost to ship via the postal service. The Board reviewed and approved the goals for fiscal year 2006.

As the next order of business, Lynch gave a report on the Craft Care Specialists (CCS) Program and stated that it continues to have a significant impact on veterans' participation of the National Veterans Creative Arts Festival. Lynch said there are 42 CCS's in 41 medical facilities. Lynch stated that pursuant to the Board's direction he anticipates that by the end of calendar year 2005 CCS staff will be 51. Director Black stated that he met with CCS personnel in Salt Lake City and some concerns were express to him about the ability of the CCS National Advisor to supervise and recruit more than 30 personnel. Lynch said he has been evaluating the effectiveness of the advisor and is considering adding a second advisor as the expansion of the program continues. Lynch said he would report to the Board at the next meeting. Lynch said that the next national CCS conference would conducted be at the National Veterans Creative Arts Festival in Black Hills, South Dakota in October 2006 and that all CCS would be attending the 2008 conference in Loma Linda, California.

As the next order of business, Lynch stated that the National Veterans Creative Arts Festival 2005 performance will be on Sunday, October 23, 2005 and would be hosted by the VA Medical Center of Denver Colorado. Lynch said the host hotel would be the Renaissance Hotel and requested that the Board make plans to arrive not later than Friday, October 22, 2005 and would depart Monday October 24, 2005. Lynch stated he would send out a schedule of events once he received it from the host site.

As the next order of business, Lynch report that the organization sold 22.5 acres of its property holdings, known as the lemon grove property, for \$1,000,374 which after expenses and cost to own netted the organization \$229,002 or 31.7% return on investment over a two year period. Vice President Beckley asked what determined the sell of property at this time and Chapin responded that an unexpected zoning downgrading of the property by the County of Riverside which was going to affect the future appreciation of the property. Chapin said that he and Lynch decided, with the consultation of the real estate firm, that the organization should sell and limit any risk of or possible reduction in the value of the property. Chapin stated, and the Board agreed, that he and Lynch should continue to evaluate new property investment opportunities that will enhance the organization's financial position and that prior to any investment decisions; the Board will be notified of the opportunity. Chapin said that due to his requirement to be in the Washington, D. C. area, he was purchasing a one bedroom condominium in the area of Tyson's Corner in Virginia, and the return on this investment for him personally is estimated to be very strong. Lynch recommended that the organization consider purchasing a separate property within the same complex. Black requested, and the Board agreed, that Lynch provide information on the property and an appreciation projection be distributed to the Board.

As the next order of business, Lynch stated that the organization has received a donation of ten (10) shares of Interpool, Incorporated common stock and that a formal Board resolution to authorize the transfer the stock is required. Lynch said that the organization's contracted stock broker, SmithBarney have estimated the value of the stock to be \$220.00. After further open discussion, a motion was made seconded and unanimously passed, it was:

RESOLVED, that the organization transfer ten (10) shares of contributed Interpool, Incorporated common stock.

As the next order of business, Lynch requested that the *Re-Creation* sponsorship be increased to \$75,000 the same amount for the National Creative Arts Festival. Lynch said the troupe of entertainers visits every VA facility and most of the state veterans homes and brings the organizations' program to the forefront. Lynch stated that travel expenses by van for the group continues to rise and that it would be unfortunate for the group was forced to cut the number of facilities visited. After further open discussion, a motion was made seconded and unanimously passed, it was:

RESOLVED, that the organization increase its contribution to seventy-five thousand dollars (\$75,000) to *Re-Creation, Inc.*

As the next order of business, President Chapin gave a report on the program of the Coalition to Salute America's Heroes (CSAH). Chapin said the CSAH has made excellent progress and many alliances have been made with many corporations, Department of Defense and the White House. Chapin stated that as of January 24, 2005, CSAH has received \$207,580 from corporations, \$164,560 from the website \$39,871 via the toll free phone number and over \$170,000 through direct mail. Chapin said that many national news organizations have conducted and aired interviews with many of the CSAH staff and the recognition of the effectiveness of the organization is becoming apparent in the political and business community. Arnold stated and the Board agreed, that it was hoped that other veterans' service organizations would contribute a leadership role or partnership with the CSAH program. Rogers said that the CSAH conference in Florida was a wonderful experience for the troops and their families and that all associated with the Help Hospitalized Veterans organization should be proud of the role it played in assisting the first conference.

As the next order of business, the Board scheduled its next meeting at 10 a.m. Saturday, October 22, 2005 at the Renaissance Hotel, 3801 Quebec Street, Denver, Colorado.

There being no further business to come before the meeting, it was ADJOURNED.


LEONARD ROGERS
Secretary

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