

# Fortified Board Meeting Minutes

May 3<sup>rd</sup>, 2024

Via Zoom

Attending: Lou Moran III, Denny Sanford, Jay Reynolds, Jon Jensen, Shaw Johnson III, Scott Lemon, Brant Gallaway, Donald Ray Pennington, and Art Glasgow. Joe Craven CEO, also attending.

*I am adding this to the minutes from an email informing the board that Lou, Shaw and Denny had a meeting with Joe to discuss the prior year and his performance. An increase of \$15,000 annually was added to Joe's salary. This was then brought to the board and voted unanimously to approve the proposed increase. This was done by email. - Art*

Welcome: Lou welcomed everyone, and we got right to the discussion point of the meeting. The use and distribution of Overrides from the MGA's and others.

Lou started by saying that some of the reps at one of our MGA partners had mentioned to agents that overrides were being paid and they questioned Lou or Joe about getting them distributed directly to the agency. It has been clarified with the agencies in question that overrides are paid to Fortified primarily to pay the bills this year and get to a point of paying back the loans to the states.

This brought up the discussion as there was apparently a disconnect with some on the board about how the overrides were to be paid. Lou insisted that we had agreed for the overrides to be kept by Fortified for use of paying for the operations during this first year. Denny did not see it exactly that way and thought the overrides were to be split with the states. That led to another discussion about how the states distributed the funds. Alabama traditionally splitting the funds equally among the owners and distributed through their annual K1. Other states used more of a pay for play method with the overrides going to the agencies that produce the business from which the overrides were paid. Jon mentioned this may be a problem in the future when other outside groups may be brought in.

Brant asked about the override income that was budgeted in relation to the overrides received YTD. As of the end of April Lou stated our overrides received were approximately \$154,000 versus \$135,000 budgeted for the year. After much discussion back and forth, it seemed reasonable, and Lou made a motion that we review the amount of overrides received and the overall financial condition of Fortified in mid-October. Depending on the condition and the wishes of the board we distribute the override income to the states by December 25<sup>th</sup> so that income could be received by the states before year end. DR seconded the motion, and it was carried by unanimous vote.

No other business was brought forth and the meeting was adjourned.