

Notice of Regular Meeting of Directors of Heartland Institute

Notice is hereby given that a Regular Meeting of the Directors of Heartland Institute, an Illinois not-for-profit corporation, will be held on Tuesday, January 17, 2012, from 2:00 p.m. CST to 5:00 p.m. CST at the offices of McGuireWoods, 77 West Wacker Street, 44th Floor, Chicago, Illinois.

Directors are asked to contact Zwahy'yah McElrath (312/377-4000) to indicate whether they will be in attendance, and Joseph Bast (312/377-4000) or Herbert Walberg (312/505-0528) to add items to the meeting agenda. Paul Fisher, an attorney with McGuireWoods and the host of this meeting, can be reached at 312/849-8244.

Participation by phone is allowed. A call-in number and PIN will be sent out shortly.

Dated: _____

Signed: _____

Jeffrey Madden, Secretary

**Agenda for the January 17, 2012
Regular Meeting of Directors
of Heartland Institute**

- [1] Call to order at 2:00 p.m. CST.
- [2] Read and approve Minutes from the October 18, 2011 Meeting of Directors.
- [3] Report of the Nomination Committee:
 - A. Nomination of Chuck Lang to a 3-year term.
 - B. Proposed bylaws amendments re number of directors and quorum.
- [4] Proposal to change date of July 24 Board meeting to June 21, to encourage directors to attend the President's Council Retreat on Friday, June 22, 2012.
- [5] Report on Directors and Officers insurance
- [6] Report of Government Relations Committee
- [7] Report of Development Committee
- [8] Program Report by President Joseph Bast
- [9] Fourth Quarter Financial Report
- [10] Deferred Compensation Account
- [11] 2012 Proposed Budget and Fundraising Plan
- [12] Dave Padden Memorial – Some Ideas
- [13] Art Margulis: Does Heartland need a Long-Term Plan?
- [14] New and old business
- [15] Confirm dates for next Board meetings: In 2012, April 24, July 24 (?), and October 25; in 2012, January 24, April 25, July 25, and October 24.
- [16] Adjourn (5:00 p.m.)

When, Where: Tuesday, January 17, at 2:00 p.m. central time, at McGuireWoods, 77 West Wacker Street, 44th Floor, Chicago, Illinois. To participate by phone, call 866-292-2994 and enter the following passcode: *3 2 3 3 6 8 4* (make sure to dial the asterisks before and after the number). *Questions?* Call Zwahy'yah McElrath at 312/377-4000.

MINUTES
of a Regular Meeting of Directors of
HEARTLAND INSTITUTE
on October 18, 2011

A Regular Meeting of the Directors of Heartland Institute was held on October 18, 2011, beginning at 2:00 p.m. in the offices of Paul Fisher at McGuireWoods LLC, 77 West Wacker Street #4400, Chicago, Illinois, pursuant to notice timely given, a copy of which is filed with these minutes.

The following Directors were present or participated by phone:

Joseph Bast, Robert Buford, Richard Collins, Paul Fisher, Dan Hales, James Johnston, Jeff Judson, Robert Lamendola, Jeffrey Madden, Arthur Margulis, Mike Rose, Harrison Schmitt, and Herbert Walberg.

Mr. Walberg, chairman, declared a quorum present. Upon a motion duly made and seconded, the Minutes from the Annual Meeting held on July 19, 2011, were approved as read.

Mr. Bast reported the death of David Padden, founder and chairman emeritus of Heartland. Directors reminisced about his contributions to the freedom movement and agreed to consider suitable ways to remember him at the next meeting of the Board.

Mr. Madden agreed to take Mr. Padden's place as Secretary. Upon a motion duly made and seconded, he was unanimously elected. The position of assistant secretary, previously occupied by Mr. Madden, is temporarily vacant.

Directors agreed to create or reconstitute four board committees and to renew their memberships each year at the annual meeting in June or July. The committees, their purposes, staff contacts, and the membership assignments made by Mr. Walberg appear in the Appendix to these Minutes.

Approval of a proposed document retention policy was tabled pending revisions suggested by legal counsel. Mr. Bast reported that he had applied for directors and officers insurance but hadn't yet received a bid.

Directors discussed program reports, a third quarter financial report, the annual benefit dinner, and plans to move into new office space.

The date of the next meeting of the Board, January 17, 2012, was confirmed. Mr. Bast agreed to circulate a planning memo to set meeting dates for 2012 and 2013.

There being no further business to come before the Board, Mr. Walberg declared the meeting adjourned without objection at 5:00 p.m.

Minutes of October 18, 2011 Board Meeting
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Submitted

Jeffrey Madden
Secretary

Date

Certification of Adoption

I hereby certify that the foregoing minutes were taken at the meeting indicated above and the Board of Directors approved said minutes at its meeting on January 17, 2012.

Herbert J. Walberg
Chairman

Date

**APPENDIX TO THE MINUTES
of the October 18, 2011 Regular Meeting
of the Board of Directors of Heartland Institute**

Nomination Committee

Purpose: To identify and screen candidates for the board, encourage current directors to meet the “give or get” requirement, and ask those who do not meet the requirements for board membership to step down at the end of their terms.

Staff Contact: Joseph Bast

Members: Joseph Bast, Herbert Walberg, Robert Buford, Jeff Madden, Arthur Margulis

Finance Committee

Purpose: Work with staff on annual budget, annual audit, IRS Form 990, quarterly financial reports, and deferred compensation account. Help prepare reports on each of these items to present to the full board.

Staff Contact: Diane Bast and Anthony Johnson

Members: Art Margulis, Paul Fisher, Jeff Madden, Harrison Schmitt, Jim Johnston

Development Committee

Purpose: Work with staff on annual fundraising plan, quarterly progress reports, annual benefit, direct mail, and planned giving programs.

Staff Contact: Amanda Evans

Members: Bob Buford, Rich Collins, Jeff Judson [Mike Rose and Harrison Schmitt subsequently agreed to serve on this committee].

Government Relations Committee

Purpose: Work with staff on time sheets and other documentation of time and other resources spent on lobbying, reporting the same on Section H of IRS Form 990, and reporting such activity to the board.

Staff Contact: John Nothdurft and possibly Eli Lehrer

Members: Jeff Judson, Dan Hales, Paul Fisher

CHARLES A. LANG

Trippe Manufacturing Company
1111 W. 35th St, Chicago, IL 60609
Email: clang@tripplite.com

Phone: 773.868.1382
Fax: 773.869.1350
Cellular: 317.502.5429

Chief Financial / Operating Officer

- Experience with \$300+ million manufacturer/distributor, \$200+ million specialty retailer and twenty years varied experience with Price Waterhouse.
- Superior strengths cost reduction and working with subordinates, superiors and external resources.

Trippe Manufacturing Company, Inc. 2001 to present

EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL AND ADMINISTRATIVE OFFICER

A closely-held manufacturing and distribution company with operations throughout the world.

- Responsible for accounting, I.T., H.R., customer support, retail sales, risk management, quality assurance and reverse logistics (approx. 40% of the personnel).
- Planned and oversaw 25% reduction in headcount (from 450 to 335 employees) across all departments, while upgrading personnel in 10 key positions. Helped maintain lower levels of staffing as sales tripled.
- Introduced new email, CRM, Data Warehouse, PBX (replacing Centrex), Document Management and PLM systems.
- Modified reporting systems (channel focused) to increase accountability and accelerated monthly closing.

Pacintrex Industries, Inc. 1995 to 2001

PRESIDENT

A closely-held holding company with manufacturing operations in the US, Mexico and Asia, plus sales and distribution activities throughout North and South America.

- Responsible for all operational, financial and administrative functions for the nine operating entities, including efforts to sell and purchase several businesses.
- Successfully opened new manufacturing facility in Nuevo Laredo, Mexico to supply US markets.
- Directed business planning, instituting key indicator management reports and raised debt and equity.

Woods Industries, Inc., 1992 to 1995

SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

A manufacturer and distributor of electrical and connectivity products selling \$200+ million to major retailers in

North America. Participated in the sale of the business in stages to a U.K. public company.

- Reorganized the Accounting and Treasury functions, significantly upgrading personnel and the quality and timeliness of financial information, while reducing staff.
- Oversaw system enhancements included customer/product profitability and an Executive Information System.
- Led the automation of the distribution function -- \$2 million capital investment, \$1.6 million annual savings and the construction of a new wire drawing facility-\$3.6 million capital investment.
- Upgraded employee benefits programs and designed an objectives based incentive compensation program.
- Reduced workers compensation costs by \$150,000 by reducing on the job injuries. Stabilized product liability costs through a balanced self-insured retention program.

Paul Harris Stores, Inc., 1987 to 1992

SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

A women's specialty retailer with \$200+ million in revenues.

- Guided the company through a successful Chapter 11 reorganization.
- Upgrade of IT Department. System enhancements in the areas of merchandise management, general ledger/financial reporting and payroll.
- Directed the activities of a shortage control task force, credited with reducing shrinkage by 33%.
- Reduced outside legal costs \$50,000/year by bringing all public reporting (proxy, 10-K, 10-Q) and stock option activities in house.

Price Waterhouse, 1967 to 1987

PARTNER

Cleveland, Milan (Italy) and Indianapolis offices. Planned, organized and executed annual audits and oversaw the providing of special services.

- Established a group in Indianapolis to provide audit, tax and advisory services to closely held businesses. In four years this group grew into a highly profitable department with annual revenues of \$3 million.
- Provided extensive consulting to manufacturing companies in the areas of cost accounting, financial planning and cash management.
- Worked with hundreds of companies in many industries, including manufacturing, distribution, service, trucking, not-for-profit and public utilities. Services included acquisitions, divestitures, restructuring,

succession planning, tax planning and systems enhancements.

Educational and Professional

Wittenberg University - B.S. degree in Business Administration

Certified Public Accountant - Indiana and Ohio and American Institute of Certified Public Accountants

Board of Directors - The Nyhart Company (1991-present), YMCA of Greater Indianapolis (1989-1995),

Board of Trustees- Shimer College (2008-2011), Riverview Hospital (1999-2001)

Motions by the Nomination Committee

To be considered at the Regular Meeting scheduled to take place on January 12, 2012.

Fellow Heartland Directors,

The Nomination Committee of the Board of Directors proposes the following amendment to Heartland's Bylaws, to be considered at the next meeting on January 17, 2012:

Resolved: That Article III, Section 2 of the Bylaws is hereby amended to say “the number of directors shall be no fewer than 10 or greater than 20.”

And be it further resolved: That Article III, Section 6 of the Bylaws is hereby amended by replacing “one third of the number of directors” with “one half of the number of directors.”

Discussion:

The bylaws currently specify that we must have at least 15 and no more than 20 directors, but Joe tells me there wasn't any real discussion or consensus on the minimum number at the time the bylaws were “restated” in 2006. We don't believe a minimum of 15 is appropriate ... and since we are currently below that minimum, it would be better to lower the number than try to recruit two or three new directors quickly. Of course, adoption of this amendment doesn't prevent us from recruiting more directors.

-- Art Margulis

The Heartland Institute Financial Report - Fourth Quarter 2011

January 12, 2012

Summary

- Revenues in 4Q 2011 were \$4.6 million, 71% of budget and 77% of 2010 levels.
- Spending in 4Q 2011 was \$5.0 million, 78% of budget and 80% of 2010 levels.
- For the year, we spent \$415,000 more than we raised.
- Since we started the year with approximately that same amount in net assets, we ended the year with net current assets of virtually zero (\$21,799).

Why the lower-than-expected receipts?

Receipts were \$1.5 million less than the forecast for the following reasons:

- *\$1,000,000 – Corporate donors:* We raised nearly \$121,000 more from individuals in 2011 than in 2010, but \$770,903 less from corporations. Receipts from corporations were almost exactly \$1 million below budget, whereas income from individuals was almost exactly (101%) of the budgeted amount. Corporate gifts were down partly due to economic changes – our corporate donor base is mostly older manufacturing businesses that were especially hurt by the economic downturn – but largely because of staff turnover. Rachel Rivest was new to corporate relations management in 2011 and did no traveling. We expect this will be an area of major recovery and improvement in 2012.
- *\$700,000 – Anonymous donor:* The anonymous donor reduced his giving from \$1,664,150 in 2010 to \$979,000 in 2011. We are extinguishing primarily global warming projects in pace with declines in his giving, and we were careful not to hire staff based on his past generosity. He gave
- *\$227,000 – Timing of receipts:* Heartland received a gift of \$277,000 from Renaissance ReService Ltd. in December 2010 earmarked for 2011 spending by its Center on Finance, Insurance, and Real Estate (CFIRE). This year, we received only \$50,000 from RenRe in December.
- *Free To Choose Medicine:* I devoted considerable time in the third quarter to writing a detailed plan of action and proposal for the Free To Choose Medicine (FTCM) project, and then to recruiting a project director. I expect Vince Galbriati and that proposal to generate more than \$1 million in receipts in 2012. But it seriously detracted from fundraising efforts in 2011.

- *Personnel changes:* Bruno Behrend and Sam Shulmann failed to raise enough funds to cover their salaries, much less the budgets of the projects we paid them to promote. Contracts with both of them have been ended. I thought Sam Schulmann would be a “rainmaker,” and it is possible some major gifts will arrive in 2012 due to his outreach in 2011, but I’m doubtful.

Spending by all departments was well under budget as unfunded projects were extinguished and “austerity measures” implemented early in the quarter – most notably, suspension of printing and mailing the newspapers – took hold.

1. Giving by the Anonymous Donor

- The Anonymous Donor gave \$979,00 in 2011, about 21% of total 2011 receipts.
- In 2010, he gave nearly \$700,000 more, \$1,664,150, about 27% of total 2010 receipts.
- Backing out the Anonymous Donor’s support from 2011 receipts shows we raised \$3.66 million from all other sources (donors as well as earned income) compared with \$4.49 million in 2010. In other words, we raised about \$850,000 less from other sources in 2011 as we did in 2010.

The table below presents a history of the Anonymous Donor’s recent giving.

Table 1.						
Contributions from Anonymous Donor						
	2006	2007	2008	2009	2010	2011
Anonymous Donor	\$1,559,703	\$3,277,000	\$4,610,000	\$2,170,590	\$1,664,150	\$979,000
Other Receipts	\$1,640,297	\$1,923,000	\$3,279,150	\$4,646,925	\$4,493,753	\$3,659,398
Total Receipts	\$3,200,000	\$5,200,000	\$7,889,150	\$6,817,515	\$6,157,903	\$4,638,398
Anon. as % of Total	48.7%	63.0%	58.4%	31.8%	27.0%	21.1%

2. 4Q and YTD Income, Expenses, and Assets

Table 2 on the following page summarizes income and expenses for each quarter and year-to-date 2011 and compares each to 2010. Highlights appear in the summary on page 1.

Table 2.
2011 income, expenses, and net assets versus 2010

	1 st Quarter			2 nd Quarter			3 rd Quarter			4 th Quarter			Year to Date		
	2011	2010	2011 v. 2010	2011	2010	2011 v. 2010	2011	2010	2011 v. 2010	2011	2010	2011 v. 2010	2011	2010	2011 v. 2010
Income	\$1,482,905	\$2,466,641	60%	\$972,475	\$1,372,495	71%	\$975,657	\$750,992	130%	\$1,207,342	\$1,567,775	77%	\$4,638,398	\$6,157,903	75%
Expense	\$1,146,676	\$1,195,645	96%	\$1,316,675	\$2,229,287	59%	\$1,408,479	\$1,365,362	103%	\$1,152,854	\$1,438,605	80%	\$5,053,814	\$6,228,900	81%
Net	\$336,229	\$1,270,996	26%	(\$344,200)	(\$856,792)	--	(\$432,822)	(\$614,370)	--	\$54,488	\$129,170	42%	(\$415,416)	(\$70,997)	--
Current Assets	\$806,989	\$1,956,827	41%	\$447,224	\$1,594,885	28%	\$43,725	\$426,441	10%	\$138,728	\$551,829	25%	\$138,728	\$551,829	25%
Current Liabilities	\$59,700	\$67,812	88%	\$58,984	\$557,695	11%	\$185,761	\$150,717	123%	\$160,527	\$130,591	123%	\$160,527	\$130,591	123%
Net Current	\$747,289	\$1,889,015	40%	\$388,240	\$1,037,190	37%	(\$142,036)	\$275,724	-52%	(\$21,799)	\$421,238	--	(\$21,799)	\$421,238	--
Total Assets	\$1,025,256	\$2,027,327	51%	\$670,586	\$1,660,420	40%	\$352,182	\$639,071	55%	\$342,281	\$771,569	44%	\$342,281	\$771,569	44%
Total Liabilities	\$226,955	\$67,812	335%	\$226,239	\$557,697	41%	\$353,016	\$150,717	234%	\$327,782	\$297,846	110%	\$327,782	\$297,846	110%
Net Total	\$798,301	\$1,959,515	41%	\$444,347	\$1,102,723	40%	(\$834)	\$488,354	0%	\$14,499	\$473,723	3%	\$14,499	\$473,723	3%

3. Actual Revenue versus Budget

A. Annual Budget

The annual budget for 2011 forecasts total receipts of \$6.87 million, about \$700,000 (12 percent) more than 2010 actual income. See the table below for details about sources of income.

Table 3. Sources of Income, 2010 and 2011 Annual Budget			
	2010	2011 Budget	2011/2010
Individuals	\$891,992	\$999,114	112%
Corporations	\$2,095,176	\$2,346,596	112%
Foundations	\$2,976,561	\$3,331,216	112%
Other	\$184,663	\$190,206	103%
Total	\$6,148,392	\$6,867,132	112%
Giving by Major Donor	\$1,664,150	\$979,000	59%
Income from all other sources	\$4,484,242	\$5,888,132	131%

B. Actual Revenue versus Budget

Table 4 compares 2011 actual revenue to the 2011 budget.

Table 4. 2011 Actual Revenue versus Budget			
	2011 Budget	2011 Actual	Actual/Budget
Individuals	\$999,114	\$1,012,862	101%
Corporations	\$2,346,596	\$1,324,273	56%
Foundations	\$3,331,216	\$2,126,350	64%
Other	\$190,206	\$174,913	92%
Total	\$6,867,132	\$4,638,398	68%
Giving by Major Donor	\$979,000	\$979,000	100%
Income from all other sources	\$5,888,132	\$3,659,398	62%

4. Actual Spending versus Budget

A. Annual Budget

Spending in 2011 was projected to be \$5.83 million, roughly \$400,650 less than actual 2010 spending of \$6.23 million. We forecast a surplus (“addition to fund balance”) of \$1.0 million during 2011.

	2010 Actual	2011 Budget	2011/2010
Editorial	\$696,162	\$1,017,728	146%
Publications	\$1,524,690	\$1,086,700	71%
Government Relations	\$476,652	\$610,235	128%
Public Relations	\$1,960,359	\$1,127,110	57%
Fundraising	\$427,018	\$567,821	133%
Administration	\$428,679	\$503,818	118%
Center on Finance, Insurance, and Real Estate	\$384,259	\$578,601	151%
Occupancy	\$180,576	\$187,210	104%
Office Operations	\$50,252	\$39,792	79%
Other Overhead	\$100,252	\$109,239	109%
Contributions to Allies	\$0	\$0	--
Total Spending	\$6,228,899	\$5,828,254	94%

B. Actual Spending versus Budget

Table 6 compares 2011 actual spending to the 2011 budget.

	2011 Budget	2011 Actual	Actual/ Budget
Editorial	\$1,017,728	\$808,252	79%
Publications	\$1,086,700	\$864,733	80%
Government Relations	\$610,235	\$423,320	69%

Public Relations	\$1,127,110	\$1,141,232	101%
Fundraising	\$567,821	\$337,779	59%
Administration	\$503,818	\$471,941	94%
Center on Finance, Insurance, and Real Estate	\$578,601	\$670,906	116%
Occupancy	\$187,210	\$186,164	99%
Office Operations	\$39,792	\$43,885	110%
Other Overhead	\$109,239	\$105,601	97%
Total	\$5,828,254	\$5,053,813	87%

The Center on Finance, Insurance, and Real Estate is most over budget, at 16 percent (\$92,300) over budget, but Eli Lehrer's fundraising in late 2010 and 2011 was sufficient to cover this over-spending. CFIRE ended the year with roughly \$72,700 in earmarked funds, enough for roughly six weeks' more spending.