

Executive Vice President Speech
AHA Convention
2:30PM, Friday, November 20, 2009
Reno, NV

Since standing here in this position last year, a lot has happened. It has been a year of **CHALLENGES** and of **CHANGE!**

I'm going to walk through the year with you and mix in a little of the future too. Some of what I say you may have already heard from our President because we have been through this past 12 months together! You've heard me say "We're building a **team** in Denver" but I'm also going to say to you – "You have a **TEAM** in your President and me"!

Talking about our President, I would like to offer congratulations to Lance for being elected to the Board of Trustees of the **American Horse Council**. There is tremendous value to have our President recognized by and communicating with other national leaders because there are so many **common issues** the Arabian Industry shares with other breeds and disciplines. We already had a great relationship with another major national organization, **USEF**, and we have a Task Force we are working with them on to work even better together.

But let's talk about us, AHA! Without question, the economy has had a major effect on us.

MEMBERSHIP is down. Oct 31 last year we had 36,231 total members; this year same time we had 32,694 – a 10% drop. Some of this might be attributed to less dual memberships. **YOUTH** was 4,050 members October 31 last year; 3,528 this year – a 13% drop.

BREEDING and REGISTRATION are also down. Again, last year on October 31 we had registered 4,953 Purebred Arabians; this year on that date we had registered 4,395 – an 11% drop. That is now just a little more than half of 2003's figures. For HA/AA we registered 2,095 by October 31 last year; only 1,593 by the same time this year – a 24% drop.

We have an **Amnesty** in effect so we'll see how that affects the balance of the year. We aren't in this alone though because other similar organizations are experiencing the same but that isn't much comfort. Next year may be worse.

National Events has also had their challenges as has our A Qualifying Shows. Some Regionals have held their own while others haven't. There are many areas of our Nationals that have provided opportunities for us in 2010.

DISTANCE NATIONALS had its own venue this year for the 1st time in Stillwater, OK. This is a fast growing program and one that Arabians excel in worldwide.

YOUTH NATIONALS had a great year. We budgeted for 950 horses and finished with just shy of 1,000 horses with 993. On behalf of our youth and the Youth Commission, I want to extend an appeal for becoming a sponsor of one of those highly sought after Youth Jackets. Just see any Youth Commissioner here and they will be most happy to sign you up. Also the **Youth Convention** had a record number of delegates - 228.

CANADA had its challenges this year with a disease outbreak in the US causing import restrictions plus had new passport rule problems to deal with. All this will be past us next year and with the new facilities at Canada, I am sure you will want to claim one of those new stall spots. Canada had budgeted for 850 horses this year but with their challenges they still had an impressive 677 very competitive horses show.

And talk about a Show Commission with challenges, **SPORT HORSE** had 11 inches of rain (during Kentucky's dry season) at the same time of enduring new construction and following a large show that didn't move out as quickly as promised or leave stables vacant as promised. Even though Sport Horse didn't meet its budget of 650 horses, it surpassed last year's horse numbers of 340 with 517 head.

US NATIONALS just met its 1,800 horse budget with 1,804 horses entered. But with less Patrons, less premium stalls, and other reduced numbers the overall budget was down. I do want to put in a plug for the Tulsa Convention Bureau though; they stepped to the plate and provided almost 50 rental cars when we lost our car sponsor plus provided cash and other incentives for us.

I want to say a word about **Tulsa** as there has been much talk about our future there. For 2010 we will be in Tulsa. The Show Commission is already looking at many new thoughts for next year. Further down the road we are looking at other venue options – OKC, ABQ, Scottsdale, KC, Ft. Worth, as well as remaining in Tulsa. Our challenge is a venue that can provide 3,500 – 4,000 stalls and 3 show arenas with adequate work rings and cattle facilities. We talked to Louisville and they cannot talk to us until after 2016 – so these 6 venues are our options unless some new huge centrally located facility is built in the near future.

In **MARKETING**, our Corporate Partners are down, as with other organizations similar to ours, but I can tell you that department is chasing a lot of rabbits. Maybe smaller rabbits, but the hunt is on. Dan Lawrence has the specifics but some of our new **Sponsors** include Ludipold maker of Adequan, Bennett Fine Jewelry, Choice Hotels, Equine Journal, Results, Show Season, World Equine, and Zia Graphics. Returning **Corporate Partners** are the Hat Lady, Markel Insurance, United Health Care, and Bank of America. I encourage you to support our sponsors and to help us get our foot in the door with potential new ones.

Related to this, we will be investigating a new membership card – with the idea of moving from the Competition Card to a **PLATINUM CARD** where not only do you get more AHA benefits but Corporate Partner discounts as well. As this idea develops we will keep you informed.

Modern Arabian Horse has certainly had its challenges as advertising has severely declined. Print media everywhere is in the same boat but – again - that provides us with little solace. In order to insure that MAH improves its financial performance, you can expect to see a thinner magazine as we insure that the ad:edit ratio is 50:50. In addition, our President has appointed an experienced committee to study our magazine to decide future direction. That is - keep it as is, farm it out as USHJA and some other organizations do, or go to a web-based magazine with quarterly newsletters mailed.

Because members have praised the magazine as a member benefit, it would help (and I hope none of you have tomatoes) if dues could be increased to allocate the increase to MAH – much the same as other magazines do in charging subscriptions. Without this we cannot compete with other magazines ad rates because of their substantial subscription income that they use to keep their ad rates more competitive.

MDP has in the past met at the same time as the Executive Committee so that the EVP could not attend both. This year, MDP changed its meetings to be on Sunday after the Board meeting so that I could attend. I appreciate this and believe it has helped to make the working relationship between MDP and AHA far better. Now if AHA can't support a project it is evident at the beginning stages; likewise, when we are together on a project, staff support is assured.

I hope many of you were able to attend the **CLUB LEADERSHIP / CLUB PRESIDENTS** Seminar on Thursday that was jointly produced by our President Lance Walters and MDP. I want to thank MDP for their role in this and particularly Shelly Stevens and Gary Millar for producing the wonderful "The Sky's the Limit! – Great Idea's for Great Clubs!" If you're a club leader and missed this, I'm sure MDP has some booklets left over. It is our belief that we need to grow at the club and local level to bring the excitement of the Arabian Horse into every community in America and Canada.

In addition to this publication, the **Competition Advisory Committee** has produced a publication, "**Recipes for Success**" which helps with event management. Malene Kriekbomb deserves special praise for rewriting this publication geared to events.

Also with emphasis on the local area - a new **RECREATIONAL RIDING Program** was initiated this year. Mollie Krumlaw-Smith, Chair of the Recreational Riding Committee, prepared a wonderful Seminar on this new program. An effort was made to have a person from each region work on this project and committee. In 2010, the V6 and Ft. Robinson Vacation Rides will be run from within the regions. It is hoped other similar rides will be started within other regions.

The committee is also promoting other shorter rides at the local club level and we hope these will spread across the US and Canada as well. I urge those of you interested in these type rides to go to the AHA website to get more information on these activities. Angela Mannick is heading up this program along with our Youth Program. This is a wonderful area to attract new club members or even clubs specializing in trail riding.

Our **FREQUENT RIDER PROGRAM**, started in 2002, has about 900 active participants in it now – out of over 5,000 signed up. While mentioning Angela, I want to thank not only her but all the stables, trainers, judges, and the US National Show Commission for making our **YOUTH JUDGING CONTEST** a success with about 350 youth participating at US Nationals.

In the **ACCOUNTING AREA**, it quickly became clear early in the year that accuracy of accounting in reports was not where it should be. First, surprises on year end projections that should not have occurred led to a change in Controllers May 5.

Lisa Montgomery, Accounting Supervisor, stepped up to the plate with Barbara Burke coming back to AHA for a period to give us additional interim support. In July we hired Brad Short as

our new Controller. Brad had been a CPA and then Controller for 12 years for a Denver TV station; then for a Denver manufacturing company with a \$120 million budget for 13 years until it moved to Mexico. He brings extensive experience to AHA.

On top of this, our President established an **ACCOUNTING ADVISORY Committee** made up of our Treasurer, Frank Galovic, Dave Corning, retired Budget Manager of Microsoft and our Treasurer to be, and Dan Stevenson, a banker. They have further assisted in getting our financial records and systems to the point I am confident in the reports we are now getting from accounting and the handling of our funds.

It was during the interim period prior to Brad's coming on board, that Barbara Burke produced spread sheets that showed there was improper handling of the **SWEEPSTAKES FUNDS** that were not transferred "in a timely manner". I want to explain what I mean by this. There has been a lot of twisted misinformation out on this. What happened was mixed funds that routinely come into the office were not separated and Sweepstakes funds placed immediately into the Sweepstakes investment accounts. In the past this had not been a problem because AHA got all the interest income on the accounts to run the program. NOT so now - Sweepstakes gets the interest over the cost of running the program.

It was on June 2nd, less than one month after the departure of our previous Controller that Barbara's spread sheets showed that just under \$750,000 was left sitting in the AHA General Account. No money was unaccounted for, it just wasn't in the right account.

It was possible to have transferred the money immediately but, like any company, taking $\$3/4$ of a million at one time hurts.

And actually if we went back a few years, we would find that this had worked in reverse when Sweepstake was "borrowing" from AHA. But what makes this "borrowing" improper now is that it is a violation of the current Trust Agreement. When this violation was confirmed, our President, Treasurer, and B&F Chair, requested the Budget and Finance Committee devise a remedy to recommend to the board. After consultation with outside Counsel who advised we do the FAIR thing, B & F recommended a Restitution Agreement and Note be drawn to repay the funds over a 3 year period at 5% interest. Our investment bonds that are now being called can be replaced at 2 1/2% for long term bonds and 1% or under for CDs. SWEEPS may actually be better off for the next 3 years. If you look at the spread sheet prepared for Sweepstakes it actually shows \$613,000 because AHA leaves the interest it is due in the investment account for operations support until the end of the FY. We have now paid this down by \$70k as of the first of this month.

In no way am I saying that what was done was proper. I also want to point out that our Board was as much a victim in this as Sweepstakes. In my opinion they should be applauded for making the FAIR decision for both maintaining and protecting the strength of both Sweepstakes and AHA.

It is also my opinion that the present situation with a Sweepstakes Commission and 29 separate Trustees – geographically spread over the US and Canada with 23 elected by our membership – provides both oversight and protection for the approximate \$7 million in the Sweepstakes Fund.

The problems that led to this situation in accounting have been identified, corrected, and have safe guards in place to insure this does not happen again. Everyone should understand that we have missed no Sweepstakes payments to participants and WE WILL NOT in the future.

Currently transfers are taking place weekly with monthly reports being provided the Sweepstakes Commission. The Sweepstakes Commission is currently considering having its own independent auditor audit the records annually. I absolutely support this.

Another area we have acted on this year is **NATIONAL EVENTS**. It has been suggested for some time that our National Events should move toward utilizing seasonal professional management to assist our Show Commissions and AHA staff.

On November 11, National Events was reorganized to accomplish this. In so doing the department was downsized by 5 people. At the same time Office Services, Customer Service, and the Judges and Stewards Departments were downsized by 1 each based on seniority. This was a total of 8 positions.

Seasonal experienced independent contractors will be utilized beginning with our 2010 national show and distance events season. This will include both in the show management and show office areas.

For the balance of this FY it will mean a savings of approximately \$150,000 and over \$1/3 million for the next FY. Since May of this year with attrition and a hiring freeze plus this past week's action, our payroll is down about \$650,000. In September of 2003 AHA had a staff of 75 people; today we have 44 including the Judges and Stewards office. This action was certainly not pleasant but with the economy and the need to try a different management approach to our National Events, it was necessary.

In the **Show Office**, this coming season we will use a normal show program. We initially began working with 3 software program developers. In the end, Ron Harden and Best Mess have stuck with us to bring this plan to fruition. We have successfully tested his program running in parallel to our Oracle Program at both Sport Horse and US. In fact when Oracle went down on us at US 4 different times this year, Ron Harden saved the day.

I am very proud of this project because it was originally planned to be budgeted at \$1 million. When implemented, we have spent under \$10,000 on it and it is virtually ready for next year's season. I think Ron Harden deserves a hand!

While we are on the subject of **SOFTWARE**, I would like to update you on our HRS Software Project. It is nearing completion at a current investment of about \$2.5 million. When placed in service staff describes it as going from DOS to Windows. We are in the final phases of development and testing now. If some side issues are resolved it appears we could pull the switch in the Spring after close to 4 years of development. As we wrap this project up, the board voted Wednesday to establish a review committee for this project and research future IT needs at AHA.

In another area of our building we have a new **JUDGES and STEWARDS COMMISSIONER**. I cannot begin to tell you how excited I am to have an experienced horseman and judge in this position to add to our AHA Team. Welcome STAN!

Our board gave our President its opinion earlier this year on reopening **Horse Processing Facilities** in the US as an alternative to shipping horses to the inhumane plants in Mexico. We learned there are some very passionate horse owners out there but we also learned the overwhelming majority of our members supported the boards move through contacts to our directors. AHA does **NOT** encourage the slaughter of horses but our board **does** support members having a choice. It also supports the existence of rehoming and rescue organizations. AHA has also joined the national Unwanted Horse Coalition made possible partially by a donation from the San Fernando AHA Club of Region 2.

I wish I could stand here and say I have a crystal ball to predict our year ahead. I don't. I can tell you though that we are preparing ourselves as best we can for the uncertainty of 2010. When we return to Denver Monday, we are beginning our **BUDGET** preparation for next year in earnest. With our new Controller Brad Short, (stand up Brad, I want our members to know who you are) I am confident we will be ready for our early January Budget and Finance meeting to put the finishing touches on what will be presented to the BOARD in late January.

AHA is not overflowing with money but it also is NOT near bankruptcy as some are fond of promoting. Presently we are expecting to finish the year in the black. At the beginning of the year, B&F challenged me to finish the year with \$1 million in the bank. We will not be able to meet that challenge but I do believe we will finish the year with \$700k in cash.

There is much more I could share with you but this has been some of the high points of the year and some of our ideas for next. Our President has shared a few more such as the 2 YO World Futurity Program. I am always happy to field questions so if I haven't touched on your questions, or have raised questions, contact me.

As an old political boss of mine was fond of saying, "**I love my job**"! I am here today to tell you – I LOVE MY JOB, I LOVE SERVING YOU, and I LOVE THIS BEAUTIFUL ARABIAN HORSE!

THANK YOU!