

BOARD OF DIRECTORS MEETING

American Saddlebred Museum Library

Wednesday, October 6, 2004

4:00 p.m. ET

MINUTES

[As amended and approved December 1, 9, 2004]

Members Present: President Fred Sarver, Officers Tom Ferrebee, Edward R. Bennett, Sandra S. Lilly, Directors Vicki Gillenwater, Matthew Heiman, Kris Price Knight, Misdee Wrigley, Mary Anne O. Cronan, Lewis P. Eckard, Robert K. Ruxer, Carter Cox, Mary Ann Pardieck, Dr. Alan R. Raun

Members Absent: David Howard, Carolyn Groves, Nancy Boone, Kay Richardson

Others Present: Alan F. Balch (Executive Secretary), Jefferson Streepey (Counsel), Randy Harper (UPHA President)

I. President Sarver called the meeting to order at 4:35 p.m. following the Executive Committee meeting, during which several directors had arrived from the Kentucky Fall Classic afternoon performance, and asked Mr. Balch to call the roll. The presence of a quorum was established, and a brief discussion followed of the agenda and rules of order.

II. The directors considered minutes of meetings of the Board dated July 12, 2004. The directors present took time to read the minutes as distributed in advance.

Ms. Pardieck moved and Ms. Cronan seconded that the minutes be approved, and the motion was adopted unanimously.

III. Mr. Sarver, in the absence of David Howard, presented the Treasurer's Report on behalf of the Finance Committee, which had met earlier.

The board was invited to review the detailed financial materials considered by the Finance Committee, and circulated in advance. Mr. Sarver and Mr. Balch noted the generally strong financial circumstances of the Association at present, and observed the meticulous detail of the reporting.

Ms. Gillenwater asked about the expense associated with sending duplicate magazines to households of members. Mr. Balch responded that staff has a policy of eliminating any duplicate mailing, but only on the request of members, since some members wish to have magazines for each member in the household. He added that a notice of the policy would be placed more prominently in future magazines. Dr. Raun suggested that the opposite policy be considered, whereby only one magazine would be mailed per household, unless a member requested otherwise.

Mr. Ruxer, a member of the Finance Committee, commented on the presentation to that committee by Steve Specht, on behalf of Merrill Lynch, which handles the Association's investment accounts. One particular investment is underperforming, and Mr. Specht has recommended a change. Mr. Ruxer asked whether any special authorization was needed to make a change. Mr. Streepey replied that per previous action of the board, the Finance Committee and officers were delegated that authority, to move funds among accounts as necessary for the benefit of the Association. Mr. Sarver added that Treasurer Howard was meticulous in his detailed review of all investment accounts, and would oversee this matter carefully as well.

Dr. Raun pointed out that some small banks are offering a 4% interest rate on deposits in certain types of financial instru-

ments, and Mr. Sarver reiterated Mr. Howard's close supervision of the Association's investments. The board agreed with Dr. Raun that this careful scrutiny was essential, especially given the current investment climate.

Upon the motion of Dr. Raun, seconded by Ms. Gillenwater, the Treasurer's Report was approved unanimously.

IV. As Executive Secretary, Mr. Balch brought several matters to the attention of the directors.

On staff issues, he pointed out that Mae Condon rejoined the staff on a part-time basis beginning October 1, to serve as field representative and liaison to the Charter Clubs. He said that Charter Clubs can be and should be an important part of the Association's nationwide marketing, and that Mae's contributions in the past with these organizations were exemplary, and we needed to devote renewed attention to them. In addition, he said that Reeves Kirtner had joined the Association as Communications Manager, and he hoped his addition would prove as valuable in the long run as it already had in the short term. Mr. Balch said that Evan Haller and Susan McFadden had left the Association, and that he was always working toward finding people who had the right fit with our goals. As his responsibility to the board is that the staff perform well, Mr. Balch stated that he would make any changes to the staff he felt necessary to move the organization forward.

He then turned his attention to budgeting, finance, and marketing, and reviewed the detailed statistical material and information provided to the directors in advance.

Mr. Balch reminded the board of the 2005 convention dates, at the Embassy Suites Hotel in Lexington, February 17-19. He stated that planning is already underway, somewhat earlier than previously, and that suggestions were welcome.

In addition, he advised the board of the Planning Committee meeting held previously that would be discussed later in this meeting, to consider the potential restructuring of the corporation that had been briefly discussed at the previous board meeting.

Finally, the board considered various matters such as fees for bad checks and internal policies, and authorized Mr. Balch to proceed as he saw fit, consistent with his duties as outlined in the Bylaws.

V. The directors then turned their attention to committee reports and business, relying on agendas of committee meetings and other information provided, leading to extensive discussion.

a. Planning Committee: Mr. Sarver and Mr. Balch led the discussion of the Planning Committee meeting, detailed in the meeting materials provided to the board (attached). They advised the board that the Planning Committee recommended a corporate restructuring, to enhance future marketing of the breed, to take full advantage of the Foundation's existing IRS Code 501 (c) (3) status for its members, and to enable the Registry to receive the focus to which it was entitled by the breeders and others particularly interested in those matters. The reorganization contemplates renaming the Foundation, to become the American Saddlebred Horse Association, and then evolving the existing IRS 501 (c) (5) organization into the American Saddlebred Horse Registry, with each corporation to have related boards. Mr. Balch explained that several key matters still need the close attention of the board, should the reorganization be approved, including decisions as to how the boards would be inter-related, and how detailed bylaws would be worded. Mr. Streepey added that the legal steps had been out-

lined, and the restructuring would be subject to the approvals necessary at the Annual Meeting in February, as outlined in the Association's bylaws.

Mr. Cox questioned whether the Registry would in fact be protected if the reorganization went forward. He stated that while he did not necessarily object to it, he felt it needed some time for further consideration, because the integrity and success of the Registry are all important to the breed, and steps like this should not be taken lightly. A lengthy discussion ensued of Mr. Cox's points.

Mr. Sarver remarked that he felt the reorganization was a good idea, and that such points as Mr. Cox raised would be taken into consideration, but that the reorganization in part was designed to address those points, since so little time can be spent in the current organization on Registry matters. He added that one way to look at it would be as though the new board of the Registry would be like an expanded Registry Committee, specifically to supervise Registry matters.

Mr. Bennett asked if it were true that organizations with 501 (c) (3) status were subject now to greater scrutiny by the IRS, and whether this might cause trouble for the Association in such a transaction. Mr. Balch replied that he was very familiar with the greater IRS scrutiny of such organizations, and that it is warranted where nefarious for-profit schemes are cloaked in a not-for-profit corporate structure.

However, he said, in this case the aims are very straightforward and commendable, and that IRS scrutiny would be welcomed. He pointed out the intricate inter-organization transactions that have to take place under the current structure, between the Association and Foundation, and that much of that would be eliminated by adoption of the proposal, to reflect more properly how the Association actually does its business. Mr. Bennett then stated that apparently Mr. Balch was saying that if this transaction goes forward, "all our troubles would be over." Mr. Balch said that was not his opinion, but that we would be better able to address the challenges facing the breed if we had the proper organizational structure or framework in which to do so.

Ms. Cronan commented that in her opinion the reorganization is intended to provide more focus on the Registry by those with the most expertise, and therefore more value for the aims of the Registry than is now apparent. There is so much more to be done for breeders than is currently being accomplished by the current board, because so many different areas of expertise have to be represented on the board as now structured.

Mr. Cox reiterated that we simply must not lose sight of the core functions of the Registry. He said his comments were meant to be cautionary, and to be certain that if we went forward, we be certain that the Registry would be protected and preserved.

Dr. Raun commented that he was in general agreement with Ms. Cronan's statement, and that the reply to Mr. Cox was that the reorganization was intended to address exactly the concern that Mr. Cox expressed. He asked how the Registry board would be chosen, and how it would relate to the new Association board, and Mr. Balch replied that further work needed to be done on the details, and that such questions were the most important on which to reach a consensus.

Ms. Pardieck stated that the proposal sounded to her like a "win/win," especially since the discussion had revealed that both the CPA and counsel for the Association felt it was a good idea. She added that the goal of better marketing, and indeed possibly seeing the new Association as the "marketing arm" of the

Registry, was in itself a reason to endorse the idea.

Mr. Cox stated that while he understood these points, he felt it was important that there be no detriment to the Registry, and that we simply had to stand for breeding good show horses.

Ms. Gillenwater asked how other Registry organizations are structured, and Mr. Balch recounted his understanding of several.

Ms. Wrigley called the board's attention to its fiduciary responsibility to advance the interest of the corporation, which exists to provide for better breeding and better marketing. She asked whether it wasn't a worthy goal to streamline and reorganize the corporation, since our serious need is to grow the breed, and concentrate on marketing, and whether such a plan isn't long overdue.

Mr. Ruxer stated that the time had come to create a vehicle where we can make things happen for the breed, and this structure sound and plausible.

Mr. Heiman asked about considerations of staff matters, and which staff would be employed where, and Mr. Balch detailed how the Registry staff would be clearly identified, and all other staff members would be employed by the new Association, per the proposal. Mr. Heiman asked that he be provided a roster of all current employees with their responsibilities detailed.

Ms. Cronan stated that it was important to take the idea forward for further exploration, and moved that the board schedule another meeting in late November or early December, at which it would be provided further details, including a timetable on the pending transaction. Ms. Wrigley seconded the motion. Discussion ensued, and several directors suggested that if possible, some kind of Planning Committee forum or forums be held on this idea, as well as meetings with any other constituencies necessary, and that comparative organizational charts be prepared before the next meeting of the board. **The motion passed unanimously.**

Mr. Balch then referred to the marketing considerations reviewed by the Planning Committee, attached, and discussed them at some length. In addition, he called the attention of the board to the cover of the magazine, and asked the board to review it in conjunction with the editorial policy previously approved. There was consensus that the cover was acceptable, depicting all 3 winners of the 2004 World's Grand Championships at the Kentucky State Fair.

He also advised the board of the Planning Committee's brief discussion of the Kentucky State Fair relationship, and called on Ms. Cronan for any comments she might have on this year's event.

Ms. Cronan remarked on the recent meeting of the Advisory Committee, and noted the cooperation of the Association and Fair leadership to produce an excellent event this year. She also said that Marcia Carothers had provided invaluable service to the show this year, now as an independent contractor for the show, who had also been retained by the Association for some duties. She pointed out the physical improvements that had been made, which had been well-received.

In addition, she said that some concerns had been raised about catch-riding at the show, with a focus on juveniles who catch-ride horses to major championships. Mr. Harper, Mr. Bennett, Ms. Knight, and Mr. Ruxer all spoke, stating that while some might see this as a problem, it is unenforceable to try to govern it differently, since catch-riding is essential in many cases. Ms. Cronan said she understood this point, and Mr. Sarver agreed, saying that it's part of showing and it's hard to see how it can be addressed other than as it is now in fairness to all. Mr. Cox raised the issue of the brevity of Futurity classes, when so

many entries are shown, and whether the judges have the time to view each entry properly. Ms. Cronan responded that this issue was considered at some length at the Advisory Committee meeting, and will be again at its next meeting.

b. Standards/Rules Committee: Ms. Pardieck updated the board on the business of this committee, and referred to the minutes of the Federation Saddlebred Committee meeting of July 15 circulated to each director. Mr. Sarver commented that the minutes indicate the agreement of that committee with the proposal on the rule change process suggested at this board's last meeting. Dr. Raun discussed the problems presently with the Country Pleasure shoeing rule as it has attempted to be clarified, and all agreed that this needs further work. Ms. Wrigley commented favorably on the minutes presented, noting that they demonstrate good cooperation and agreement on the rule change process ASHA proposed. Ms. Pardieck commented that the UPHA is committed to working with us, and Mr. Harper agreed that the two associations are working well together. Ms. Pardieck added that added work still needs to be done on revising the rule in the Saddlebred Division on Roadsters, to be at least half-Saddlebred.

c. Regional Championships Committee: Mr. Sarver noted that this committee has not held a meeting since the previous board meeting, but that Ms. Richardson and he have been communicating about its work.

d. Joint Building Committee: Mr. Sarver described the previous day's meeting with the Museum committee, attended by himself, Mr. Balch, and Ms. Judy Werner. He detailed the process going forward to consider expansion and remodeling of the current building, along with other alternatives.

VI. The board turned its attention to annual Award Selections.

Following discussion, the board agreed that ballots for its annual awards should be prepared by December 1, and returned no later than December 15. Nominations should be received, if possible, by November 15. Each director received the nominations as received prior to the board meeting.

Mr. Balch was asked to prepare the background of each award and provide it to the directors. The board discussed whether the Breeders Award should be made only once, for lifetime achievement, or be awarded based on achievements in a given year. Mr. Sarver said that the Breeders' Committee needs to meet to discuss the matter.

Mr. Ruxer suggested that the structure of awards needs to be revisited, and that perhaps some suggestions can come forward when the background of each award is circulated to the board.

VII. Old Business

a. American Hackney Horse Society Amnesty Program: Mr. Eckard commented that his research with AHHS indicated that 94 Hackneys were registered in its amnesty period, and that the organization was "thrilled" with the result, as a proportion of the normal registrations received. The Breeders Committee was encouraged to consider this information.

b. Grand National Program/Financials: Mr. Balch referred the board to the detailed financial reporting provided on this program, and confirmed that the program is solvent and doing well, especially in the absence of a concentrated marketing and sales program.

c. Duplicate Magazine Mailing: Mr. Balch reiterated the previous discussion on this matter.

d. Kentucky Equine Education Project (KEEP): Ms. Wrigley, a director of KEEP representing Saddlebreds, reported that Mr. Bennett had agreed to serve as chair of the organization for Shelby County, and that Ms. Joan

Hamilton had agreed to serve for Washington County. She added that mailings were being prepared, and that former Governor Brereton Jones had commented that the horse industry would soon be the "largest lobby in Frankfort," and that important issues such as sales taxes applying to equine businesses would be among those addressed with urgency.

e. Other: Mr. Bennett raised a concern that better communication among committees and to committees cannot be fostered if people (including directors) don't even know what the committees are and who are on them. Therefore, he said he would move that the detailed composition of all committees be provided to the board, and that any new appointments to any committee be provided to the board in writing within a week of the appointment. Ms. Knight seconded the motion.

The directors and staff received the motion with enthusiasm. Ms. Pardieck asked whether a roster updating the information already in the Membership Directory, inclusive of all committees and the entire board, might be prepared. Mr. Balch agreed that this was a good idea and could be done forthwith. A discussion of the format ensued, and Mr. Balch was directed to tackle the project as soon as possible. Thereupon, the motion was approved unanimously.

VIII. New Business

a. Kentucky State Fair Board Appointment: As defined in Kentucky Law, the Association provides 6 nominations to the Governor each 4 years for an appointment to the Kentucky State Fair Board, including its recommendation from the proposed names. The letter sent for the last election cycle was shared with the board. It was noted that any appointee to the Fair Board cannot participate in the horse show.

Given that the individual currently in that seat on the Fair Board is a director of the Association, Mary Anne Cronan, she asked permission to be excused from the meeting while it deliberated the matter.

Mr. Cox moved and Ms. Pardieck with Ms. Gillenwater seconded his motion, that the same list of names as previously be submitted to the Governor, with the recommendation from the Association that Ms. Cronan be reappointed. **The motion passed unanimously.**

b. National Equine Identification System: A summary of information relating to the system under consideration at present, identifying major issues faced by the equine industry, was distributed to the directors. Mr. Sarver noted that the American Horse Council representatives most familiar with the proposals under consideration will be invited to the Annual Meeting to share their perspective with our membership.

c. United States Equestrian Federation Representation: Mr. Balch described the election procedures for directors to the Federation, submitted by ASHA to the Federation and approved for publication, that now appears on our website. Essentially, the board of ASHA, as the recognized affiliate for Saddlebreds, chooses the representatives. Mr. Keith Bartz and Ms. Cronan are the current directors who represent us. Anticipating a meeting of the board will be held prior to the deadline for submitting names, a final decision on the matter was deferred for the present, while Mr. Balch investigates further the election processes and any ramifications to these appointments that might not now be apparent.

No other new business was discussed.

Adjournment: The meeting was adjourned at 7:40 p.m., by consent of all present.

Alan F. Balch, Executive Secretary