



FAQ: Town Hall Meeting on the Proposed Merger Between ASHA and ASR

Organizational Questions

1. Is serving on the Boards of both ASHA and ASR (and voting on a merger transaction) a conflict of interest?

Because Board members of each nonprofit association receive no personal benefit (directly or indirectly) from their position as Board members (distinct from the benefits accruing to all members), and if they conduct themselves in accordance with their fiduciary duties, the merger transaction is not a conflict of interest transaction.

2. The ASR Board is concerned about the loss of autonomy.

The Joint Merger Task Force has proposed an organizational structure that will preserve much of the desired input into registry matters. The overall Board will be comprised of all current members of both boards (27). The Board size will gradually be reduced to 18 as director terms expire. The current ASR board members will also sit on a “Registry Council.” The Registry Council will select a “Registry Chair” who will assume the duties of the current Registry President. The Registry Chair will sit on both the Executive Leadership Committee and the Finance Committee of the Board of Directors. Much of the current ASR committee structure will be combined with similar functions of ASHA committees, except that the current “Registry Committee” will become the “Registry Rules Committee” and will continue to handle those critical functions (rule interpretation and hearing complaints of rules violations). Registry Council membership will require direct involvement in breeding American Saddlebred horses.

3. What are the term limits for the directors of the new board?

All board members from ASHA and ASR will serve out their existing terms on the new board. New board members will have three-year terms and have the ability to serve up to 2 consecutive terms, which is consistent with current bylaws.

4. When the new board consolidates to 18 seats, how many seats will be designated for the Registry Council?

The Registry Council will always maintain 7 seats, which is based on the current number of independent ASR directors.

5. Can privacy concerns within Registry records be maintained?

Kentucky law permits nonprofit corporations to limit members' rights of inspection of the nonprofit corporation's records, by setting forth the limitation in the nonprofit corporation's articles of incorporation or bylaws (KRS § 273.233). Confidential family and business matters that are currently kept private by the ASR will continue to be protected under this law.

6. What are the staffing implications of a proposed merger, will anyone lose their job?

There will be no staff changes made as a result of the merger. Currently, all employees are already ASHA employees and the current office structure will remain in place.

7. Will there be a reduction in programs offered to members as a result of the merger?

There will not be a reduction in programs as a result of the merger. We anticipate that we will be able to expand our programs and services to members as a result of the merger.

8. What major external changes will be brought on by a merger?

The new organization will be renamed the American Saddlebred Horse and Breeders Association, with a new logo, updated website and a unified effort to promote, protect and preserve the American Saddlebred.

9. Will adding "breeders" to the name of the organization make breeding and breeders the organizations only priority?

No. The organization will continue to serve its members as it currently does, but the merger will allow for a more unified effort in the promotion and support of breeding the American Saddlebred.

10. Will there be any changes to the process of registrations, transfers, stallion reporting and other Registry business as a result of a merger?

The Registry has conducted a workflow analysis and efficiency study to improve customer service and overall efficiency. The improvements are in the process of

being implemented and include: utilizing online forms, automatic email notifications for receipt of documents and for missing customer items, and new scanning technology and cloud storage.

11. What research was performed to help the boards recommend merger and how was it funded?

The research started in 2018 with the creation of ASHA's strategic plan. One of the themes that repeatedly came up during the surveys and workshop was the relationship between ASHA and ASR and ways to make overall operations more efficient. As a result, one of the objectives of the plan was to create an operational organization that will work structurally, administratively, and fully execute for the benefit of the breed and members. Action steps included creating an Organizational Committee, which investigated how other breed association and registries operated, which found that most operated as a single entity. Also, an independent analysis of financials and organizational models by ARGI found that a merger offered the most efficiencies and benefits. The Joint Merger Task Force was then organized to investigate potential merger concerns and solutions. The ARGI study and the majority of the legal work to date has been paid by private donations.

12. Where can members find minutes from ASHA and ASR Board meetings?

Board minutes are available at <https://www.asha.net/aboutus/asha/minutes/>.

Financial Questions

13. If funds of the two organizations are commingled, will funds be available to ensure that registry functions can continue?

The Finance Reorganization Committee has proposed that a separate trust be established (similar to that of the AMHA) for this contingency. ASR's current retained earnings would be placed in this trust. Provisions will be made to add to the trust to the extent it is underfunded. The trust document will contain explicit language on the disbursement and uses of the trust's funds. The trust will be designed to ensure the continuation of the registry functions (pedigrees, registrations and transfers) in the event no funds are available for such activities.

14. How will the Prize Programs be handled in the new organization?

The Prize Programs will continue to operate as the currently do, with the money being held in a restricted account to be used only for the designated purpose of the prize programs. The Registry Council will oversee the operation and management of

the programs. The new organization will be able to fundraise and find sponsors for the prize programs under the 501(c)(3).

15. Will the merger allow for additional funding and programs for the promotion of the American Saddlebred?

The merger will create unified fundraising efforts under the 501(c)(3) that will raise additional funds for the promotion of the American Saddlebred and other important initiatives. A new Development Director has been hired and paid for through a generous five-year commitment from an anonymous donor to help raise these much needed funds.

16. There has been concerns voiced on social media that there is \$175,000 missing from ASHA and that ASHA would be bankrupt in the next five years is this true?

No, the missing funds claim has been investigated both internally and by reputable third party auditors with no evidence of any missing money. With regard to if ASHA will be bankrupt in five years, ASHA has had clean internal audits and has maintained \$1 million plus in assets. While we cannot predict the future, the ASHA leadership is confident that ASHA will continue to operate in a responsible manner in future years.

17. Where can I find ASHA financial records and documents?

Tax returns and internal audits can be found on the website at <https://asha.net/aboutus/asha/ashagovernance/>.

18. Who performs the current audits of the ASHA and ASR?

ASHA internal audits are performed by the Louisville based CPA firm, Strothman and Company and can be found at <https://asha.net/aboutus/asha/ashagovernance/>. ASR internal audits are performed by Blue and Company. Due to the unpredictability of the pandemic both organizations cut the 2019 internal audits from the 2020 budget, but will conduct the 2019 and 2020 internal audits in 2021 due in part to a net income for 2020.

Membership Voting Questions

19. Why do I have to vote for the merger via proxy and not by directly voting? Will my vote count?

ASHA bylaws state, “each member entitled to vote shall be entitled to one vote either in person or by proxy on each matter submitted to a vote of members.” When

you vote by proxy you are authorizing the proxy to vote on your behalf. The proxy **CANNOT** change your vote only deliver your vote in your absence.

20. How will votes be verified?

The ASHA attorney will audit the mail-in and online votes to ensure that all votes are counted and only eligible members voted. The results of the voting will be made available to membership after the Annual Meeting on February 17.

21. Several members have requested that ASHA post the individual votes on the ASHA website so members can verify votes. Can ASHA do this?

The ASHA attorney advised ASHA not post the individual votes of members on the website. Making votes public can lead to a negative experience, including harassment, for the voters and organization and could lead to suppressing the overall vote.

22. How will information flow to members prior to the Annual Meeting?

After the ASR Board (on 1/31/21) and ASHA Board (on 2/1/21) approves the final merger documents, the documents will be posted on the ASHA website. Town Hall slides and a recap, along with other important information will be sent to members via email and posted on the website and on social media.

National Governing Body Questions

23. Will USEF govern Registry activities if the two organizations merge?

USEF will not prohibit individuals on the banned or suspended list from doing business with the Registry as long as the individual is not a member of the affiliate (ASHA). The individuals can continue to do business with the Registry using existing non-member fees, but cannot participate in affiliate competitions, events or activities. This is the same arrangement that is currently in place.

Legal Questions

24. The ASR is tax-exempt under IRC 501(c)(5) and ASHA is tax-exempt under IRC 501(c)(3) – what are the differences and how will this be resolved if the nonprofit corporations combine?

501(c)(5) tax-exempt entities are limited to labor and agricultural organizations that exist for the “betterment of persons engaged in the activity.” 501(c)(3) tax-exempt entities can engage in broader, mission-focused activities, such as scientific,

charitable, educational, etc. The primary benefit to 501(c)(3) status is that donations are **tax-deductible** by the donors (not so for 501(c)(5)). Another important benefit to the entity is that with a broader mission, the “business” activities will be more likely be “related to” the mission, avoiding risks that income becomes taxable (to the entity) as “unrelated business income.” The attorneys for ASHA and ASR found in their research that the current activities of the Registry are related to the educational and welfare missions of the the 501(c)(3) and the combined mission of the new organization would exceed the current threshold of a 501(c)(3) with minimal risk.

25. Who will be the trustee of the Registry Trust and how will funds be accessed?

The trustee of the Registry Trust will be Raymond James, who currently hold the investments for both ASHA and ASR. The income from the trust, with the approval of the Registry Council, may be used to pay expenses of the operation of the registry function of the surviving corporation or the funding of prize programs in accordance with approved budgets. The principal of the trust may not be used unless the trustee (a third party financial institution) has determined no other funds are available from the surviving corporation for the operation, preservation and continuation of the Registry.