

**President's Address  
Arabian Horse Association  
Annual Convention  
Thursday, November 19, 2009  
Reno, NV**

**Good morning** and Welcome to Reno, Nevada and the Arabian Horse Associations 7<sup>th</sup> annual convention.

I would like to thank Region 3 for hosting this wonderful event again and thank Deb Johnson, Dan Stevenson, Sharon Richardson, and Steve Freeman for all of their hard work and effort to make this event a huge success.

Anyone who knows me knows that I don't waste time and like to get to the issues at hand. So let's get to the issues.

One year ago I stood before you as your newly elected president with a list of problems that had to be corrected. At the top of that list as I stated in my election speech last year was the total review of the Arabian Horse Association's financial reporting and recording processes. After many years of seeing figures that would change from one day to the next and a concern that we were spending more money than we could explain against profits, this accounting review was paramount. This was no way to run a 20 million dollar a year business. All fiscally responsible businesses plan their future on accurate accounting to plan their financial strategies and future expenditures. Within days EVP Glenn Petty and I agreed that our first priority was to verify our financial status.

**What we found** was that we had little confidence in the monthly numbers and projections that we were being given by our comptroller. Because of these concerns and saddled as well with a weak economy we made significant changes in our insurance plans, instituted a hiring freeze, did away with 401 K contributions and all merit raises for the period of one year starting in February 2009. This move has saved over \$300,000 dollars this corporate year. Our constant requests for more financial information from our comptroller raised serious doubts about our projected profit of \$155,000 dollars for the corporate year ending March 31, 2009. This concern proved to be true when in May in one day the financial figures changed from a projected profit of \$155,000 to a loss of \$300,000. Our controller resigned the next week. At this point we reached out to Barbara Burke who knew our Oracle financial system from top to bottom and called upon Lisa Montgomery from AHA Accounting to correct and validate the AHA financials.

Upon further investigation, the news got worse; we found that not all incoming Sweepstakes money that was to be forwarded to the Sweepstakes Trust Account as required by a Board motion passed in August of 2008, had not been fully transferred. This was especially disturbing because of the numerous times that Glenn Petty, Frank Galovic, and I specifically had asked if any Sweepstakes Trust Funds were being used for anything other than for sweepstakes Trust expenses or payouts. We were all assured that no sweepstakes Trust funds were being used for anything other than for Sweepstakes Trust obligations. Upon this discovery we ascertained that no money had been stolen, but money had not transferred to the proper Sweepstakes Trust Account.

Let's talk about **Sweepstakes**.

In early June Barbara Burke notified Glenn Petty that she was suspicious that Sweepstakes money had been used for other than for Sweepstakes expenses. Glenn immediately called me and we both agreed to have Barbara and Lisa Montgomery put all their efforts into confirming or disproving this suspicion.

Within a matter of weeks Frank Galovic, Barbara, and Lisa had confirmed that initially \$729,000 dollars that had come into AHA for the designated Sweepstakes Trust Account but was never moved to that account. Because the Sweepstakes Account is a restricted Trust Account, we all agreed to immediately locate the best outside attorney familiar with trusts within the State of Colorado. We located an attorney by the name of Jim Krendl who literally wrote the book on Colorado Trust Law. After a thorough audit to verify how much money was in the Sweepstakes Account (\$6.4 million) and that we had the ability to pay all of our sweepstakes obligations, added to a total review of the Sweepstakes Trust Agreement, a plan was developed to make restitution for the money that was due to the Sweepstakes Trust from AHA.

The plan was to make installment payments to the sweepstakes Trust account in the amount of \$20,000 with the first payment being \$30,000 over a period of 36 months. It was also decided to add interest as a penalty in the amount of 5%. This rate of interest is approximately 3% higher than interest rates available presently for an amount of invested money of this size. This all took place and was finalized to present to the AHA Board and the Sweepstakes Trust at the August Board meeting. After approval from both groups (The Board makes up both groups as legally advised in 2005) the agreement was drafted and signed. Automatic bank payments have been made since implemented in August with the amount repaid so far at \$70,000. With these payments combined with the fees due to AHA from the Sweepstakes Trust, brings the amount due to \$613,000.

There has been some discussion about the security of these funds from outside lawsuits because of this incident. We have been assured by outside Legal Counsel as well as attorney Dale Harvell, AHA Vice-President, that upon review of the Sweepstakes Trust Agreement that we have protected the assets the best way possible under the law.

We have been very careful to follow Jim Krendl's recommendations so that the assets of BOTH the trust and AHA are protected.

### **2009 Shows and Rides:**

Our shows and rides continue to be successful in these hard economic times but did not make their projected budgets. However, collectively they contributed over \$1.5 million net dollars to our bottom line. Next year will be a year of conservatively projected incomes while striving to produce high level, quality shows and rides with the new management structure recently unveiled.

Let's start with the Endurance and Complete Rides that were held in Stillwater, Oklahoma at the same time US Nationals was being held in Tulsa. I have received many compliments on the AHA rides in Stillwater. The weather could have cooperated better on a couple of the ride days but these riders didn't care; they were there to enjoy and compete and they did just that. I was extremely impressed and the competitors were very happy that AHA has recognized and provided them with their own venue. It was also very

gratifying to see how happy these Distance exhibitors were to present their winners on Saturday night at the US Nationals and showcase their horses. We must continue to explore and provide ways to help these competitors be more comfortable in the future with AHA but this ride was a major first step.

**Canadian Nationals** is a great show and everyone that goes there just loves it. It will have an added attraction to it this year as the new stabling and show arenas will be in use. The facility will have spent \$64 million dollars to improve the grounds by the time we return next year. The hospitality and warm welcome by the Canadian community for us is unsurpassable. The level of competition was extremely high - even though entries were down due to the economy and the confusion over VS and new border crossing rules.

**Sport Horse Nationals** moved to Lexington KY for the first year in a new and revamped facility getting ready for the World Games in 2010. There was great anticipation of this move but the reality was that the facility was behind on their completion dates for construction and it was a very hard event to show at. The weather didn't help, it rained everyday and when I say it rained, it poured. This was very unusual for what is generally the driest month in KY. But again the level of competition at this show continues to improve year after year and these exhibitors should take great pride in their wins under difficult conditions.

**Youth Nationals**, as always, is a wonderful show. Its commission works like a well oiled machine and it is just great to see all the young AHA youth enjoying this great show. As always the stick horse class was the best class of the show and the smiles on those young children make this job worthwhile. We should be very proud of our older youth. The Commission and I had the pleasure of meeting with their officers and I can assure you the future of AHA is in good hands. They are eager, energetic and dedicated. We also had the pleasure of meeting with the new CEO of the ABQ Fairgrounds and they have verbally committed to lobbying the legislature so that it is economically feasible to stay in ABQ in the future. The commission and I both had to compliment him on the improvements and cleanliness of his facility. We look forward to working with the ABQ facility in the future.

**US Nationals** completed its second year in Tulsa Oklahoma. The show had almost exactly the same number of horses as last year but the economy definitely affected the commercial exhibit area. The Halter Classes were some of the deepest and most competitive that I have ever seen in my 30 years of showing. The performance classes as always showcased the best show ring horses of the Arabian breed. Changes made by the US Show Commission greatly improved the appearance of the coliseums and an improved schedule allowed for more rest and better performances by our great show horses. Tulsa is still a work in progress and we are still learning how to utilize this facility for the 1,800 horses that show at this championship. The competition at this show is second to none in the Arabian breed.

With the devastating effects that the economy has had on the horse industry worldwide we had plenty of company struggling to survive. We need to thank our exhibitors and members for coming and supporting our shows and the commissions for do a good job under extreme financial conditions.

On Saturday night of US I had the pleasure of presenting our new **Judges and Stewards Commissioner**, Stan Morey. I believe the new direction with the Commissioner being a

respected horseman and senior Judge will provide hands on judging leadership that will take our Judging Program to a new level. I would like for you to join me now in welcoming Stan one more time to our association leadership!

**Is there a plan?** Yes, and it started in 2008 and is progressing. For years It has been a priority for myself and other members of this Board to have the financial information of this organization reported correctly. The start of the plan was to have an EVP that not only understood the workings of a corporate office but the correlation of its importance to working and understanding the horse world. The first part of the plan was the hiring of Glenn Petty.

The second part was the complete evaluation of AHA's accounting department. As you have heard, this has just been completed. How do we prevent it from happening again? I developed the financial Review committee that will review our processes in the office in a quarterly time frame. This group is made up of Dan Stevenson, David Corning, and Frank Galovic. They were brought in to review our processes in August and made several recommendations to improve our accounting processes and will be meeting here with our Controller.

We hired a CPA (Brad Short) as our new Controller with an understanding that accurate and honest reporting is the only way to do his job. If there is an area of performance or out of control expense we have to know so that it can be dealt with instead of having a surprise down the road.

We have also changed the once a year meeting of Budget and Finance to an every other month review of the budget to verify our budget projections and recommend modification to the board if necessary. We are reacting quicker and adjusting the forecasts every two months instead of once a year.

**Three**, AHA will likely be hiring a new auditing company to do our annual review. We need auditors that will ask "Where did these numbers come from" instead of accepting them as presented. I will also be instituting an audit on a semi-annual basis of the Sweepstakes Trust Accounts so that the non-transfer of funds issue can never happen again.

**Four**, we are modifying the Competitions Department of AHA. As many of you know we have replaced full time staff with professional show management to work better with our Show Commissions but most importantly serve our exhibitors better.

**Five**, we are creating the **2 Year Old World Futurity Program** to be highlighted at US Nationals. We hope to be able run on a blacked out Wednesday night so that it can be showcased. This group is made up Mike Neal, Myron Krause, David Corning, Johnny Ryan, and myself. This will be a program that will showcase our 2 Year Olds as well as having performance classes that compliment the Sweepstakes Program in later years. We hope to have the program up and running by 2011. Feel free to talk to any of these individuals here at the convention for further information.

**Six**, we are having all the internal programs reviewed within AHA on a financial loss priority. One example is our AHA magazine. Is it a member benefit or is it a money maker? Do we charge for the magazine or do we outsource it? We have contacted outside industry leaders to review and issue us an opinion, hopefully by February 2010.

**Seven**, it has long been a priority of mine to provide a membership card that had true value. I first present this idea to Mary Ann Grimmell and I hope our membership committee will help make it a reality. We need to have a card that is worth more to our members. It would be great to offer discounts from our corporate sponsors, access to data source, the magazine, and more all at a flat fee. It is also necessary to review the \$25 dollar membership if we are going to continue to offer the magazine at this membership level.

**Eight**, at the Breeders summit in March we heard what you all had to say about incentives to help breeders. One comment that was universal when I asked breeders at Scottsdale, the Breeders summit, or any of the functions that I attended (like the registration meeting hosted by Vallejo) was the concern over the cutting back of payback money for yearlings at the National and Regional level. As a result, I have appointed an ad hoc committee to verify the need and the feasibility of increasing payouts at the National and regional level and report their findings to the Sweepstakes Commission and the AHA Board.

We are moving forward to put this organization on firm ground. I have been disappointed that we have not moved forward faster but none of us ever believed that we would find the financial issues that we discovered and the time it took to correct the problems. We have been forth coming to the membership on good and bad news and I will continue to do so. I have no tolerance for lies or people that think they know what they are talking about when they only have shreds of information. If you have a question, ask your AHA Director, call Glenn Petty, or call me. We are all working hard to earn your trust and our actions should prove that we are trying.

**Thank you and let's have a good Convention!**