

NATIONAL REINING HORSE ASSOCIATION
Minutes of the Board of Directors
NRHA Office
Oklahoma City, Oklahoma
June 9th, 2010

Approved 08/21/10

- I. **Call to Order:** President Weaver called the meeting to order 8:00 a.m.

Roll Call – Rick Weaver, Allen Mitchels, Terry Griffin, Mike Hancock, Beth Himes, Dale Lopp, Susy Baeck (Webcasting), Rick Clark, Julia Cowan (Webcasting), Frank Costantini, Andre DeBellefeuille, Nancy Eppers, Helmut Gerstenberg, Jennifer Hoyt (Webcasting), Arie Huijberts (Webcasting), Michael Martin, Dan McGregor, Matt Mills (Webcasting), Woody Taylor (Webcasting), Guy Vernon and Josh Visser.

Not Attending – Mark Schols, Rosanne Sternberg, Susan Camfferman, Luis Cruz, Roberto Cuoghi, Mike Deer, Katarina Dorminy, Tom Foran, Lee Foster, Geroge King, Matt Livengood, Raul Leal Cavazos, Tim Lynch, Katharina Quinte, Rick Ramsey, helmut Schulz, Brett Walters, Robert Welle and Flemming Winberg.

A quorum was announced.

Staff: Executive Director Dan Wall, John Foy, Dennis York, Carol Trimmer, Katie Hendrickson, Chris Mossman, Lance Ahlson, Todd Barden, Christa Morris, Melanie Rinehart, Michelle Wrigley, Jessica Johnson, Hannah Spitler, Brad Etttleman, Leigha Stevenson, Brian Bendele, Nick Cornelissens, and Debby Hutchinson.

Guest: Tim McQuay, Pete Kyle, Tom McCutcheon, Colleen McQuay and General Counsel Terry Wiens.

Mike Hancock opened the meeting with an exercise on the ability to focus.

Welcome & Introduction by President Weaver.

II. Approve Minutes:

- A. April 9, 2010 Meeting Minutes. Terry Griffin moved to accept the minutes, Beth Himes seconded. Motion passed unanimously.
- B. April 10, 2010 Meeting Minutes – Terry Griffin moved to accept the minutes, Dale Lopp seconded. Motion passed unanimously.
- C. April 10, 2010 Executive Session/Closed Meeting Minutes – Mike Hancock moved to accept the minutes, Terry Griffin seconded. Motion passed unanimously.
- D. May 3, 2010 Executive/Closed Session Minutes of Conference Call & E-Vote – Dale Lopp moved to accept the minutes, Michael Martin seconded, Motion passed unanimously.

Financial Report: CFO John Foy

Financial Statement – Chief Financial Officer John Foy explained the Profit and Loss Overview for the ten months ending April 2010, noting since the presentation of the previous financials the year-end financial picture was becoming clearer. NRHA was budgeted for a gain of approximately \$5,500 for the year. During the past fiscal year the Board of Directors have approved two expenses outside of the budget: \$25,000 in added money for the 2010 Derby funded by the elimination of the Futurity Gelding Incentive and \$10,000 for funding of the FEI qualifiers. This in effect adjusted the budget to a net loss of approximately \$30,000. Although the Derby added money was funded by the elimination of the Futurity Gelding Incentive, the current fiscal year does not receive this benefit, which will cause a negative variance to budget.

Reiner advertising has been running anywhere from 15% to 22% below budget, the months of February, March, and April realized a rebound with the deficit to budget running only 5%. The month of May realized another dip in *Reiner* advertising, with a 22% variance, which will impact performance to budget by \$18,000. If June sees similar numbers, performance to budget will be severely impacted and it is difficult to recover from this decline late in the fiscal year.

In addition, the tax return was completed and filed on May 17th and NRHA's tax liability increased \$30,000 over the prior year, this was not anticipated. *Reiner* advertising was very strong for the 2008 -2009 fiscal year, increasing \$43,000 over the prior year, Inside Reining revenue increased \$15,000 while expenses decreased \$35,000. This increase in tax liability will cause a negative variance to budget.

The Euro Futurity was budgeted to make a small amount of net income, and based on current estimates a small loss will be realized, mostly due to \$14,000 in new saddle expense. This will result in approximately a \$20,000 negative variance to budget.

The remaining significant items for NRHA as the fiscal year comes to a close are the NRHA Derby and Awards Banquet. The success of the Derby will have a major impact on final year-end results.

At this time, given the items described above, NRHA could have a small loss at the end of the year

Board member Frank Costantini asked CFO Foy to explain how expenses are allocated for the Derby, CFO Foy explained how payroll and overhead expenses are currently allocated.

2010-2011 Budget –CFO Foy then explained the Budget Overview by the various Value Centers. CFO Foy asked the Board of Directors to review the bottom of Page 2 of the Budget overview, noting that net income before the World Equestrian Game budget is \$54,211. Foy reminded the BOD that the WEG is a non-recurring item and should not be considered a part of normal NRHA operations. The WEG budget is \$221,480, lowering budgeted net income to a loss of \$167,269. Foy reminded the BOD that the Board designated \$70,000 of prior year's net income for the WEG, so NRHA does have a reserve of \$70,000 for the WEG.

CFO Foy then reviewed each value center and noted the following:

General and Admin: G & A budget includes three new positions – Marketing, Affiliate, and I/T. The European advisor position is also fully budgeted. \$20,000 is included for staff training, and depreciation of \$9,000 per year (assumes five years) is included to purchase a new NRHA vehicle.

NRHA Reiner: At the time the budget was prepared, *Reiner* advertising was averaging 15% below budget, assumed NRHA would recapture 5% of this business due to the proposed initiatives to increase *Reiner* advertising.

Sire and Dam: Assumed growth in revenue due to Sire and Dam position now filled, also included is a small travel and promotion budget.

Judges: Budgeted increase in Seminar and School Fees and other initiatives requested by the Judges Committee.

NRHA Inside Reining: Inside Reining has performed very well the first four months of 2010, operating at a small profit to break even. Inside Reining has restructured itself to make it easier to obtain a break-even point, budget assumes current trend of operating at small profit to break even.

Youth: Reflects small decrease in memberships and increase in expenses.

Futurity: Futurity forecasted to have net income of approximately \$75K for 2009; 2010 Futurity entries are doing well and the 2010 budget is based on 2009 projected.

Derby: Assumes Derby is moved to August; if Derby is moved no Derby will occur in the 2010 – 2011 budget; budget reflects a savings in expense. If Derby is not moved to August, budget will need to be adjusted.

Sales: Assumes no increase in consignment sales, budget includes new stall curtains for the Marketplace sale.

Managed Events: Includes \$25,000 for support of the European Derby, also includes old World Reining Masters budget (loss of \$50K) which will allow for a similar quality event at the Futurity. Profit of Euro Futurity decreased from prior year budget based on current year projected.

CFO Foy stressed that approving this budget will allow Executive Director Wall and Director of Marketing Todd Barden to move forward immediately with negotiating the air and production expenses related to a 2011 Inside Reining TVshow. This will allow NRHA to also concentrate on selling the 2011 show immediately. Foy reminded the BOD that the Budget includes a new vehicle for NRHA and also stall curtains for the Marketplace sale.

CFO Foy asked if the BOD had any questions. Andre DeBellefeuille asked if any WEG merchandise sale revenue was included in the current budget. CFO Foy responded that neither any revenue or expense for WEG merchandise was budgeted due to the difficulty of predicting this revenue source, so any revenue from WEG merchandise sales would be a positive variance to budget.

Mike Hancock moved to approve the budget with the caveat that the board of directors continues to monitor and approve the Judges Committee expenditures

(increase in personnel at some of the committees schools/seminars.) Motion was seconded by Andre DeBellefeuille. Motion passed unanimously.

OLD BUSINESS:

- A. **2010 Derby**– Beth Himes presented the report, explaining that scheduling changes are needed due to the growth of Non Pro Derby entries (+50). Options were discussed. Beth Himes moved to split the go round with 40 horses running on Tuesday and the remaining approximately 130 horses to run on Wednesday. The judges are to review schedule and the office staff to call exhibitors advising of the changes. Terry Griffin seconded the motion. Himes and Griffin amended their motion to add moving the Category 1 non pro class to the Adequan Championship Arena, which will run after the Rookie class. Motion passed unanimously.
- B. Beth Himes moved to change the number of non pro finalists coming back to the finals and mirror the number of open finalists per division given the increase in entries. In addition, the open non pro payout structure should be adjusted with the payback percentages to be representative of the open percentages. Terry Griffin seconded. Motion passed unanimously. Executive Director Wall noted that the events' team should be thanked for their hard work and recommended changes.

15 minute break: 9:21 a.m.

Reconvened 9:46 a.m.

2011 Derby – Discussion of possibly moving the Derby to another date/location was preceeded by Executive Director Wall giving a brief overview of the process got to the present point. The Executive Committee was charged with the initiative of how to grow the Derby. The Executive Committee and board of directors discussed including a sale and pre-futurity while avoiding conflicts with other NRHA events. Talks were held with Tulsa show management and Fair Grounds about a possible change and they came back with some proposals. Determinations are still in the fact-finding process. After calls to riders there is still no clear primary. Those called included Million-dollar riders, professionals, non pros, etc. Tom McCutcheon stated that with the Derby and a pre-futurity those owners that had both types of horses in training would be burdened with doubling up expenses rather than having their expenses spread out. He stated that he feels the change would dilute some of the nice horse shows that take place in August on, and suggested not moving the Derby two or three-months but moving a week or two. Colleen McQuay expressed that there were two things to consider 1. Does the Derby stay in June or move to August. 2. Where would it be held? President Weaver said that is the process the board will take. Tim McQuay noted that it will have an impact on Arizona/California shows. Frank Costantini noted that the affect on the NRHA's relationship with OKC and State Fair Park needs to be considered and he agreed with Tom McCutcheon about the cost to trainers' owners/clients, school/non pros cost of moving staff, equipment, and can't stress enough that NRHA sold the Nomination Program with the idea of the Derby in June. He advised proceeding with caution. Pete Kyle stated that he understands that something needs to be done with the Derby and that options need to be considered but express his opinion that it could negatively impact the Tulsa Ariat Classic if the Derby stays in OKC and thinks if will

create a log jam in August and that the board might consider joining with the Red Bud and Cutting to put pressure to move the existing two-day rodeo to which Executive Director Wall said that was done last year and got no where. Jennifer Hoyt, concerned that the ability to run to the office for additional items, etc., would be lost if move. Matt Mills questioned about impact on West Coast. Andre DeBellefeuille stated that people outside of the area won't buy another horse trailer to bring more horses and will not make two trips. Frank Costantini asked what is the philosophical reason for considering the change? Executive Director Wall explained that last year's business plan was to grow the Derby and make it more profitable. State Fair Park said that in order to get a long-term incentive with them the show needs to be larger – more stalls. Financially speaking the number of horses times the number of days is the consideration. Colleen McQuay felt moving the Derby date would put people in a position of having to make choices between coming to the Derby or going to shows in Arizona and California. Josh Visser related that as an NRHA Professional he can't physically bring more horses. Tim expressed that he feels that questionable Derby horses will most likely be sold or return to the owners and not show at the Derby. Nancy Eppers felt that the board hasn't given the North American Nomination Program a chance. How will pre-futurity affect Nomination Program? Matt Mills believes the added money is what makes the entries go up or down and to have it in June. Executive Director Wall advised that June dates were not available in Tulsa. Pete Kyle thinks they would all want to be in OKC unless Tulsa would be much more financially advantageous. Tim McQuay would prefer different venue than OKC. Terry Griffin asked what is the critical time-line for a decision? When does the board have to make a decision? Executive Director Wall informed that in order to negotiate moving to August, there are three events waiting on us to make a decision about their future. Colleen McQuay noted that there are so many variables it is not an easy decision.

Executive Session 10:43 a.m.

Lunch break: 11:46 a.m.

IT demonstration took place during lunch; presented by Terry Griffin, Dennis York, and Biz Data.

Reconvened 12:43 p.m.

Staff picked up confidential passouts from Derby contractual comparisons, those on web were directed to destroy their copies.

New Business:

Business Plan – Executive Director Wall presented Business Plan handout and explained the process going forward. Primary priorities for 2010-2011 Business Plan are 1. WEG, 2. IT, 3. Medications/Animal Welfare Initiative, 4. Targeted Growth Initiative, 5. Futurities and Derbies (Managed Events) 6. NRHA Office. Frank Costantini moved to approve the key priorities that the Executive Committee is recommending. Andre DeBellefeuille seconded. Motion passed unanimously.

Task Force Reports

Medications – President Weaver explained a handout that was distributed. Task force met April 22 at the NRHA Office. Starting point was USEF medications policy. There are three points that will differ from the USEF plan.

1. NRHA will allow two non-steroidal medications, 2. If horse becomes sick at a show you can treat it without repercussions. 3. Lidacaine block to a horse that overreaches and becomes sore, will be allowed, veterinarian would provide a treating document. Dr Schumacher and USEF are reviewing to determine and will provide exact cost for testing. Will likely test at Futurity and Derby to start with; still need to determine what kind of testing and development of a formula for which horses will be tested. There is a working group that will work on these items. Regarding penalties. Take the burden off of competitors of filling out large amounts of required paper work. Asked for questions/comments. Nick Cornelissens – cost, AQHA doesn't test outside of US, which NRHA needs to look at. Colleen McQuay asked how it will be managed. Goal to have this resolved and with a presentation in August. Looking toward implementation in 2012. Executive Committee formally approved the task force's recommendations. Next step ask for support of board. Then will disperse final document to public. Rick Clark moved to support direction that the Task Force is taking. Seconded by Dale Lopp. Motion passed unanimously.

Shootout Proposal-Executive Director Wall explained handout. \$100,000 added open. \$75,000 of funding already promised. Show approval was submitted to fall within deadlines if approved. Executive Director Wall hopes to physically award the World Championship at the event. Dale Lopp moved to approve competition, seconded by Dan McGregor. Nick Cornelissens suggested a media blitz. Motion passed unanimously.

Break 1:51 p.m.

Reconvened 2:14 p.m.

Rule Change Vote

34-01-11: Dan McGregor moved to approve. Seconded by Josh Visser. Motion did not pass.

For: Allen Mitchells, Andre Debellefeuille, Dan McGregor, Matt Mills, Helmut Gerstenburg.

Against: Terry Griffin, Mike Hancock, Beth Himes, Dale Lopp, Susey Baeck, Rick Clark, Julia Cowan, Frank Costantini, nancy Eppers, Jennifer Hoyt, Arie Huijberts, Michael Martin, Guy Vernon and Josh Visser.

43-01-11: Dale Lopp moved to approve. Seconded by Allen Mitchells.

Allen Mitchells moved to table and vote on Friday. Seconded by Guy Vernon. Passed.

44-01-11: No Motion

47-01-11: Allen Mitchells moved to approve. Seconded by Mike Hancock. Motion passed.

For: Allen Mitchells, Terry Griffin, Mike Hancock, Beth Himes, Dale Lopp, Susy Baeck, Rick Clark, Julia Cowan, Frank Costantini, Andre Debellefeuille, Nancy Eppers, Jennifer

Hoyt, Arie Huijberts, Michael Martin, Dan McGregor, Matt Mills, Guy Vernon, Josh Visser and Helmut Gerstenburg.

Against: None

49-01-11: No Motion

49-02-11: Andre DeBellefeuille moved to approve. Seconded by Dale Lopp.

Allen Mitchels moved to table and vote on Friday. Seconded by Frank Costantini.

Motion passed.

For: Allen Mitchels, Terry Griffin, Beth Himes, Dale Lopp, Susy Baeck, Rick Clark, Julia Cowan, Frank Costantini, Andre DeBellefeuille, Nancy Eppers, Jennifer Hoyt, Michael Martin, Dan McGregor, Matt Mills, Guy Vernon, Josh Visser and Helmut Gerstenburg.

Against: None

51-01-11: Allen Mitchels moved to approve. Seconded by Michael Martin. Motion passed.

For: Allen Mitchels, Terry Griffin, Mike Hancock, Beth Himes, Dale Lopp, Susy Baeck, Rick Clark, Julia Cowan, Frank Costantini, Andre DeBellefeuille, Nancy Eppers, Jennifer Hoyt, Arie Huijberts, Michael Martin, Dan McGregor, Matt Mills, Guy Vernon, Josh Visser and Helmut Gerstenburg.

Against: None

58-01-11: Allen Mitchels moved to approve. Seconded by Beth Himes. Motion passed.

For: Allen Mitchels, Terry Griffin, Mike Hancock, Beth Himes, Dale Lopp, Susy Baeck, Rick Clark, Julia Cowan, Frank Costantini, Andre DeBellefeuille, Nancy Eppers, Jennifer Hoyt, Arie Huijberts, Michael Martin, Dan McGregor, Matt Mills, Guy Vernon, Josh Visser and Helmut Gerstenburg.

Against: None

58-02-11: Dale Lopp moved to approve. Seconded by Rick Clark. Motion passed.

For: Allen Mitchels, Terry Griffin, Mike Hancock, Beth Himes, Dale Lopp, Susy Baeck, Rick Clark, Julia Cowan, Frank Costantini, Andre DeBellefeuille, Nancy Eppers, Jennifer Hoyt, Arie Huijberts, Michael Martin, Dan McGregor, Matt Mills, Guy Vernon, Josh Visser and Helmut Gerstenburg.

Against: None

66-01-11: Michael Martin moved to approve. Second by Beth Himes.

Terry Griffin moved to table and vote on Friday. Second by Josh Visser. Passed.

For: Allen Mitchels, Terry Griffin, Mike Hancock, Beth Himes, Dale Lopp, Susy Baeck, Rick Clark, Julia Cowan, Frank Costantini, Andre DeBellefeuille, Nancy Eppers, Jennifer Hoyt, Arie Huijberts, Michael Martin, Dan McGregor, Matt Mills, Guy Vernon, Josh Visser and Helmut Gerstenburg.

Against: None

86-01-11: Guy Vernon moved to accept. Seconded by Terry Griffin. Motion passed.

For: Allen Mitchels, Terry Griffin, Mike Hancock, Beth Himes, Dale Lopp, Susy Baeck, Rick Clark, Julia Cowan, Frank Costantini, Andre Debellefeuille, Nancy Eppers, Jennifer Hoyt, Arie Huijberts, Michael Martin, Dan McGregor, Matt Mills, Guy Vernon, Josh Visser and Helmut Gerstenburg.

Against: None

96-01-11: Rick Clark moved to accept. Seconded by Helmut Gerstenburg. Motion passed.

For: Allen Mitchels, Terry Griffin, Mike Hancock, Beth Himes, Dale Lopp, Susy Baeck, Rick Clark, Julia Cowan, Frank Costantini, Andre Debellefeuille, Nancy Eppers, Jennifer Hoyt, Arie Huijberts, Michael Martin, Dan McGregor, Matt Mills, Guy Vernon, Josh Visser and Helmut Gerstenburg.

Against: None

97-01-11: No motion.

98-01-11: No motion.

122-01-11: Guy Vernon moved to accept. Seconded by Josh Visser. Motion passed.

For: Allen Mitchels, Mike Hancock, Beth Himes, Dale Lopp, Rick Clark, Julia Cowan, Jennifer Hoyt, Arie Huijberts, Josh Visser and Helmut Gerstenburg.

Against: Terry Griffin, Susy Baeck, Frank Costantini, Andre Debellefeuille, Nancy Eppers, Michael Martin, Dan McGregor, Matt Mills and Guy Vernon.

Break – 3:48 p.m.

Reconvened – 4:14 p.m. Matt Mills and Arie Huijberts left meeting

Development Programs Update – Executive Director Wall noted the need for affiliates to work with NRHA. The new development programs are designed to attract new affiliate members and help the affiliates financially. Brian Bendele talked about clinics and the benefits. 119 entry-level shows have already been approved for 2010. Christa Morris stated she has 1000+ interested parties. If affiliate isn't hosting development shows in their area NRHA has no where to send the people on the list. 96 associate memberships have been sold to date. Good feedback on affiliate tool boxes.

WEG Update – Todd Barden. Todd Barden presented a WEG promotional video and a status update video.

RHSF Report – Frank Costantini.

Jennifer Hoyt left meeting.

Executive Session 5:09 p.m.

Recess for day: 5:40 p.m.

Rule change amendments need to be in to Michelle by midnight -per President Weaver.

Respectively submitted by Debby Hutchinson, Executive Assistant.