

**National Reining Horse Association  
Minutes of the Finance/Audit Committee Meeting  
Conference Call  
March 17, 2020**

**Present (all via conference call): Chairperson Mark Blake, John Tague, Rick Clark, Tim Anderson, Mike Hancock, Rob Curtis, and Tom McCutcheon**

**Not Present: NA**

**Staff: John Foy, C.F.O.; Chris Mossman, Sr. Director of Accounting; and Gary Carpenter, NRHA Commissioner.**

**Guest: Jeff Armstrong, Wells Fargo Investment Advisor**

- I. The meeting was called to order at 1:35 P.M. CDT.
- II. The purpose of this call is as this thing escalates, we try to get our arms around it and to use some of the personal experiences from this committee to set a direction.
- III. John presented a 4<sup>th</sup> quarter budget loss projection with some adjustments to come up with a total potential deficit in order to determine our liquidity and potential loan requirements.
  - a. The committee discussed the top revenue generating items and creating sensitivity tests to develop a reasonable increase or decrease in revenue over a time period. We should acknowledge that there is risk in the Futurity and Sale, but it is probably too soon to put together a financial plan that cause us to cut things under the presumption those are going to be bad. We can go back to the mortgage decline in 07, 08, and 09 to in terms of a reduction from 06 in order for us to get our heads around what this decline might look like. The cause is different, but the economic impact might be similar. John can put together a forecast using a discreet model for the first 3 months and then the history for a projection of what the rest of the year may look like. John asked the committee to allow him to not prepare a budget, but spend his time pulling and analyzing data. Working on projects to get information to the committee to make better decisions. The committee agrees that his time would be better spent preparing the information necessary for timely decision making by the committee and board.
  - b. We should focus on making a plan for the remainder of the year. Get consensus on how we're modeling revenue, expense cuts we are prepared to make, then put a parking lot of expense reductions that need more analysis before we can implement them. Try to resolve these over the next few weeks and then set up a reporting mechanism that gives us the trend analysis telling us when Plan A needs to become Plan B because things are either better or worse, and consequently we need to make different decisions. This makes sense to Mark. This is the 1<sup>st</sup> piece; Jeff will talk to us about the 2<sup>nd</sup> piece which is the bank funds. It is important to hear about his strategy about the direction he wants to shepherd our funds. It all dovetails together. JT said it would be ashamed to run through our available investible money in the business or get into a liquidity situation where we have to sell things at a loss that we didn't want to sell. Those are the motivation to get the expenses as much in line as we can. Mark likes the concept of going back to the last crisis. JF said a lot of financial advisors are looking at that too. There are some decisions that could be made rather quickly that do not have negative implications.
- IV. Jeff Armstrong with Wells Fargo Advisors. Jeff began by saying the scale and magnitude of this decline is unprecedented in the history of the S&P 500. We have seen this before, but this has been the single

fastest decline in market history. He discussed the strategy expectations from a couple of different firms and spoke to the portfolio itself to identify moves we have made in the past 2 years that have been a benefit to us right now. Jeff then described our portfolio distribution. We have tried to position ourselves in the market to overweight or underweight or portfolios in beneficial areas. Growth over value, large and midcap over small, US over international and emerging markets. He then gave a narrative on when the bottom might occur and where that bottom might be amongst different markets. Jeff is watching, very diligently, strategy perspectives from multiple firms. He and John are in constant contact. He think that if we consider any changes, the only would be to reduce our small cap a little or reduce our allocation to the developed market ex US. And at the appropriate time, we could perhaps look at some of the growth areas that we think have the best balance sheets and therefore have gone down the least. Historically, those that go down the least bounce back the fastest. John then answered some questions from the committee.

- a. If we need additional liquidity than we planned on, if we can get our arms around some of the things from prior to Jeff's call, it could change his strategy. That's why we need to get on this pretty quickly.
  - b. We can have him take withdrawals in increments of \$250,000 and ask him what changes he would make to our strategy. John will address this with Jeff.
- V. Gary says this could be the best opportunity we have had in a long time to take action on some things that we have been worried about the political fallout, so he would take nothing off the table. This is a good time to look at anything. The committee would entertain any thoughts the staff could present them with.
- VI. Meeting was adjourned at 2:45 P.M. CDT.

**Respectfully submitted by Chris Mossman, Sr. Director of Accounting.**