

**AHRMA BOARD OF TRUSTEES MINUTES
APRIL 14, 2008
LANCASTER, CALIFORNIA**

Note: Any item marked with an asterisk () is confidential and may be discussed only among the Board of Trustees or with legal counsel. Unless indicated, all votes were unanimous.*

Trustees present: Craig Breckon, Tom Bentley, Robert Borg, Robert Goodpaster, Mark Hatten, Dave Janiec, Rusty Lowry (outgoing), Dick Mann, Fred Mork, Beno Rodi (incoming) and Corky Root. Matt Hilgenberg was unable to attend and his proxy was held by Robert Borg. Also present were Executive Director, Cindy Cowell, and Communications Director, Alice Sexton. The meeting was called to order at 8 a.m.

INSTALLATION OF TRUSTEES

Janiec opened the meeting in public session, recognizing members in attendance and introducing the board members. He welcomed Beno Rodi back to the board, filling the position formerly held by Rusty Lowry. He thanked Mr. Lowry on behalf of membership and the board for his long and dedicated involvement and service with AHRMA. Mr. Lowry thanked the board for their support and efforts to keep the vintage racing alive and active; that had been his primary reason for his long service and he looked to the board to continue that focus.

FORMAL APPROVAL OF MINUTES OF LAST BOARD MEETING

- A. Goodpaster notes page 13 needs correction (“A65” vs. “865”). Borg moved to correct, Breckon seconded. Passed with Hilgenberg proxy abstaining.
- B. Janiec notes page 3 strike last line in paragraph 2 regarding speculation on any specific percentage we may or may not receive from the Reliance receivership. Hatten moved, Breckon seconded. Passed with Hilgenberg proxy abstaining.
- C. Borg notes typo for PVMX Rules and Eligibility Chairman in the AHRMA Handbook. Correct to read Al Wenzel. No motion required.

Smith moved to accept the minutes with the changes noted. Root seconded and the motion passed with Hilgenberg proxy abstaining.

ELECTION OF OFFICERS

Janiec opened nominations for Chairman. Borg nominated Janiec, seconded by Root. Janiec accepted the nomination. No further nominations are made and Janiec was elected with Matt Hilgenberg proxy abstaining. Janiec opened nominations for treasurer. Breckon nominated Hatten, second by Goodpaster. Bentley nominated Smith, second by Borg. Janiec noted that since the discussion of Smith’s situation was scheduled to be conducted later in closed session, this would require a move to closed session, if Smith accepted.

Smith indicates he would accept the nomination if circumstances are met that he felt any treasurer would require: 1. monthly EC meetings are conducted, except in months when there is a board meeting, and the minutes sent to the trustees within five days, 2. 10 days after the end of the month, the monthly account should be provided to the treasurer, 3. Per event expense accounts of the ED should be sent routinely to the treasurer, rather than on request only, 4. a budget showing a board accepted margin of increase in income over expenses, and every effort made to achieve it, 5. the treasurer should have access to any financial data requested, 6. responsibility for accuracy of the accounts lies with the ED, and 7. a clear written, board approved per-diem policy should be in place for all key workers. Borg motioned to require items 1-7 for any treasurer. Breckon questioned the propriety of Smith as treasurer given the timing of his resignation as AMA treasurer and from the AMA board of directors earlier this year, the AMA controversy, and noting the probable perception of membership. Mann commented that these circumstances are not new and have always been requirements. As the issue of Smith and the AMA situation was required to be discussed in closed session for potential legal and confidentiality issues before a vote could be taken, Janiec requested a motion to do so. Breckon moved to go to closed session, Borg seconded. Motion passed with Matt Hilgenberg proxy abstaining.

CLOSED SESSION I

JEFF SMITH SITUATION.

The board reconvened in closed session with the trustees, ED and DC in attendance. Borg again motioned to accept the points as required for any treasurer. Mann seconded. Discussion occurred around pre-conditions vs. the fact that a treasurer could come to the board if they were not being met. Hatten stated that in a broader sense, these are addressed in the current by-laws and are guidelines for the position, rather than rules. Janiec noted that they really are guidelines as there would occasionally be exceptions to the 5 and 10 day timelines, for example around major events. Mann states that the whole discussion is centered around the fact that although we are out of bankruptcy, AHRMA still has a large debt to pay and requires discipline and more budget reserve, since for the last six years we have not raised funds reserve above our prior level and now we are entering a period with down economy and increasing gas prices. ED agreed that these were reasonable as guidelines. Borg amended the motion to make them guidelines, Mann seconded. Motion approved.

Smith was asked for information about the AMA situation and further requests only the presence of the trustees for the confidential discussion, again due to potential legal and disclosure agreement requirements.

The meeting was reconvened with only the trustees present. Smith gave a lengthy statement regarding his situation with the AMA and his resignation from the position as treasurer of that association. The trustees asked additional questions of Smith. Issues surrounding Smith's

situation were discussed at length, including consideration of potential ramifications for AHRMA. Given more confidential information on the situation, a majority of the board agreed that it would be appropriate for Smith to stand for election to treasurer. Smith accepted the nomination. Hatten then presented his statement and reasons for his candidacy as treasurer.

In accordance with AHRMA bylaws, a secret ballot was conducted with Janiec collecting and counting the ballots as the Secretary (Hatten) was one of the two candidates. Smith was elected treasurer by majority vote.

Smith nominated Hatten for secretary, Root seconded. No further nominations. Hatten elected by acclamation.

AHRMA OPERATIONAL ISSUES

Smith brought up the issues AHRMA is having with some financial, membership, and membership services issues. Membership was discussed first. He noted that although AHRMA is out of bankruptcy and generally moving forward there were continuing problems with the membership office after the transition to the national office. Each of the trustees has been contacted by members regarding late or missing memberships, as well as lack of response to multiple phone and email contacts regarding late response to membership applications. Additional specific membership issues were discussed.

Regarding member services there have been continuing problems with correct signup list, race attendance and class assignment and late information provided to promoters. The long delay in presenting the AHRMA board election results was discussed, including the contribution of the membership list delay in issues for the independent accounting firm to verify that the ballot was cast by a current member. Concern was expressed regarding the efficiency of Vintage Views as newsletter and primary method of communication with membership. This included typos, the relationship and communications paths with regional coordinators, missing features such as national and regional schedules, in spite of expansion in the page count.

OPEN SESSION II

Janiec announced the result of the elections for treasurer (Smith) and secretary (Hatten).

TREASURER REPORT

Janiec handed out to the trustees and reported on the end of year (December 1 to November 30, 2007) financial review conducted by an independent CPA. AHRMA ended the year with revenues of \$1,136,138, expenses exceeding this by \$12,721. All AHRMA disciplines showed a profit against expenses, independently. Legal fees for the year totaled about \$102,000 with the vast majority related to the bankruptcy. AHRMA owes just over \$200,000 to our creditors in the bankruptcy and has a monthly payment schedule that it is meeting. Total assets at the end of the year were \$81,751. Janiec stated that although AHRMA has taken several successful measures

to meet reduced costs and that these allowed the association to lose only \$12,721 with Legal fees topping \$102,000, there was still reason for much concern regarding the financial margin. AHRMA's cash flow is extremely volatile throughout the year and depends very much on major cornerstone events, and as such, is at the mercy of cancellations or other extreme circumstances. This is not atypical for sanctioning bodies, and made worse by the worsening economy and increasing gas prices. AHRMA is actively looking for additional ways to reduce expenses, increase revenues and improve efficiency overall.

AHRMA is now officially out of bankruptcy and no longer has monthly financial reporting requirements, as well as no more quarterly fees to pay to the court. Regarding the lawsuit that forced AHRMA to bankruptcy, the settlement with Team Obsolete and the riders confirms that no party to the original lawsuit can reopen the case. The settlement was introduced in the Federal District Court in NY, and the case was dismissed. The lawsuit is over and any further litigation would have to be based on something new.

The bankruptcy was an indirect result of the failure of AHRMA's insurer (Reliance), about the same time the lawsuit was filed in 2001, following 9/11. Reliance declared chapter 7 bankruptcy (in the largest insurance company failure in US history) with about \$8B in debts and \$5B in assets. AHRMA is in the first group of creditors that could receive some percentage of their claims and recently the communication level has stepped up on this. However, AHRMA cannot count on one penny of this and must continue to manage our association without regard to any money that might come in the future.

EXECUTIVE DIRECTOR REPORT

Cowell reported first on the current financial status. AHRMA has two accounts. The cash account used to pay bills and operate the association has \$25,000. The Merrill Lynch account has just over \$63,000, as it has been accruing interest, without any withdrawals, since the ED took over.

Cowell presented the final budget for fiscal year 2008. AHRMA is currently on line with that budget and below in expenses. The budget shows an intended increase in revenue over expenses of roughly \$32,000, including contingency budget for up to \$30,000 in legal expenses to close out the bankruptcy, continue to pursue settlement with the Reliance receivership, and normal corporate legal services (including revamping of our promoter and regional coordinators agreement and contracts). AHRMA has made six of the monthly chapter 11 payments to our creditors, on time. The ED's priorities, as stated in her interview for the position, were to break even for the first year, and begin to restore capital to the association in the second year, the budget submitted was intended to do this. Current entries at the Arizona national events are slightly lower than the previous year, with Daytona (and Hardrock) about even. Dirt Track events are up overall. This weekend's events at Willow were above last year. Overall she expects that the numbers will go down during the year due to economic pressure.

Cowell addressed Bike Week at Daytona International Speedway, in light of the sale of the AMA Pro Sports to DMG. DMG called and stated that they would like to get involved in promotion and “get behind” AHRMA at Bike Week at DIS. This year we had big improvement and response from our transition back to the main garages at DIS, and we look forward to an even better event next year. Several trustees noted that this was a very good news and that AHRMA had great spectator turnout in the early-mid ‘90s and this should help us to go in that direction again.

Cowell addressed the move of the membership office to the main office. Problems have far exceeded the expectations for the difficulty of the move. The move was a nightmare with computer problems (including old program incompatible with newer computers and old/new software/printer compatibility). Many steps have been taken to correct the problems and she believes the office is on the way to having the problems fixed, but concerns remain with the aging, non-compatible software. Current membership is at an all time high of 6153. She has instituted a revisit mailing to lapsed members beyond the 90 day mark, resulting in some membership renewals. Discussion continued from the trustees about problems that some members were still having, including multiple email and phone follow-up requests. Janiec stated that more specifics would be given to the ED later in the meeting. Members in attendance also expressed concern with this issue and the communications with the membership office. The ED mentioned that her plan was to move to updated software and online membership and registration, and that was an agenda item later. This would be needed as membership has grown with the load increasing.

MEMBER COMMENT/QUESTIONS

Debbie Poole asked about a firm cut off date for pre-entries as she puts together the race order and has received some with little time to put together the race order, or entries added after the order is established. The entries must go do Debbie, then be returned to the office in order to go in the package sent to the track or promoter. ED agreed to get the total entry order to Debbie by Tuesday evening after the entry closes. Patty Root brought an issue with members who had pre-entered and not appeared in the entry list in both of the classes they entered. The ED will go back and work to ensure that there is not some computer or process problem, and fix this.

Kay Mann brought up the need to have more blank lines on the MX race order sheets as we have had many more post entries than usual at all the events this year.

The board approved the budget, but directed the ED to look for additional expense reduction. It was noted that currently Vintage Views is greatly exceeding budget and need to be brought back in line with the budget.

Fred Mork mentioned that he had been contacted by member Gary Davis regarding the non-availability of the fragile pre-forty Indian Scout cases and rules not allowing later cases. He is recommending that the big-base scout case be legal in the pre-forty class. This is both an

availability issue as well as a safety and philosophical issue for these hand shifters. There is no performance improvement with the later cases and competitors are concerned with following these bikes. Breckon and Janiec had been contacted, as well. Breckon noted that was also true regarding these bikes in the Dinosaur Class in Flat Track. Janiec noted that this would be a rules change proposal and should come through that process. Mork motioned that the board endorse the concept allowing big base scout motor cases to be used in the pre-40 class, also allowing the HD WR motors, and encourage a rule change proposal to be submitted. Breckon ?? seconded. The motion passed with Breckon, Rodi and Hilgenberg proxy abstaining.

SERIES TRACKER/ON LINE MEMBERSHIP AND REGISTRATION

Cowell introduced John Kuzma, CEO of Sigma Software. Kuzma provided a presentation regarding the Series Tracker software programs they provide for race signup, scoring, series tabulation and membership tracking. This software has been used by some snowcross, motocross and other racing organizations including the AMA Western National 4-Stoke MX series. Kuzma had been at the Willow Springs road race for both days observing and working with AHRMA scorers and registrars to learn the particular requirements of our road race and membership operations. The board asked many questions regarding compatibility with our somewhat unique race and membership program requirements (many more classes, numbers, etc., than most organizations they have worked with). Options for tailoring the software for our applications as well as online signup and membership were discussed. An additional requirement would be compatibility with existing promoters systems such as Trakside and AMB. Kuzma stated that Series Tracker is compatible with these systems. The use of the online system would not be mandatory as many members do not have computer access, and a manual backup would be maintained at the office to directly enter the digital system. The business model that Sigma proposed would not cost AHRMA up front, but they would take a percentage of each transaction and the software would receive routine maintenance and performance updates for the duration of a 4 year contract. The ED explained some of the advantages to the national office and potential huge cost savings as well as the need to move ahead as the current system's days are numbered. Additionally, this would contribute greatly to reducing the membership office problems as discussed. The current software used is an older program that is reaching saturation and cost to improve will be great.

Hatten motioned to authorize the ED to begin preliminary negotiation to enter into a tentative contract with Series Tracker for the 2009 season for all series, and possibly for RR by June 2008, to be presented to the Board for approval. Breckon seconded. Smith and other trustees asked several questions regarding the experience of the company and its financial stability. Kuzma replied at length that the company has been in this business since 1993, does roughly a \$500,000 gross, per year, has a long history in statistical process control and has worked with racing organizations from 300-3000 people. Their investment in the software and the system represents a \$500,000 development.

Borg moved to table the discussion and re-open it in closed session after the lunch break, in closed session. Root seconded. Discussion on whether the originator of the original motion would agree to allow the table vote. Hatten agreed to the table motion. The motion to table passed, with Hilgenberg proxy abstaining.

CLOSED SESSION II

SERIES TRACKER SOFTWARE

The board broke briefly for a working lunch and reconvened in closed session for more information exchange with Kuzma. The ED and CD were also present.

Borg asked for additional information about what office personnel efficiencies would be expected by going to Series Tracker. The ED gave specific examples of the current labor intensive process, especially for event entry, that would potentially be eliminated with this system. Cowell stated that in the short term she would likely not have to hire an additional part time person and provide office space, a rough estimate of \$20,000. In the long term, were AHRMA to continue to grow as this year, we could expect long term to not need to grow over three full time personnel in the office. Currently about 70% of members enter by fax or email, but must be processed manually. Cowell would have a more complete idea of savings after proceeding farther in the negotiation and that would be part of the report and decision by the board. Alternatives would be to hire a programmer to fix the older custom software for an estimated \$10-30,000 and keep the manual functions, or to develop an entirely new system to do all of this at an estimated cost of \$100,000 plus. The AMA is currently pursuing this and encountering substantial delay. Kuzma addressed several additional questions surrounding specific and unique AHRMA requirements.

Hatten moved to direct the ED to enter into negotiation with Series Tracker toward a projected timeline of June for the Grattan RR and for all disciplines by 2009 season. This would be for the approval of the entire board. Breckon seconded. The motion passed with Breckon, Bentley, Borg, Goodpaster, Hatten, Janiec, Mann, Mork, and Rodi voting in favor, Root against. Smith and Hilgenberg proxy abstained. Kuzma thanked the board for the opportunity to present the system and the ED thanked him for spending the time with AHRMA. Smith motioned to continue in closed session discussion of operations, Hatten seconded. Motion approved. ED and CD excused.

OPEN SESSION III

ANNUAL MEMBERSHIP EFFICIENCY OPTIONS

The ED proposed a potential cost saving/revenue enhancing proposal for changing the membership methods. One proposal was to again offer members a 3 year renewal for \$120.00. This would provide savings for the member, less workload for the office, and immediate

additional cash reserves. An alternative proposal was offered to have one time a year (December 1) renewal, coincident with the AHRMA fiscal year beginning and a slow time in the office. Membership would be good for December 1 to November 30 of the following year, with quarterly prorated fees for new members who sign up during the year. That would allow AHRMA to save money, focus time and energy in a slower period and earn additional interest on the money during the year. Discussion centered on perceived selling point of current method (full year from signup) in attracting members and potential ramifications to annual cash flow. The board generally agrees with the first proposal, however, more detailed consideration of the second proposal would be required.

BENEVOLENT FUND REVIEW

The ED went back through the current accounting QuickBooks data for the last seven years and reports that during that period the Benevolent Fund revenues totaled \$96,783 with disbursements of \$27,890. Cowell continues to track all donations and disbursements.

PERPETUAL AWARD STATUS

Smith reported that the AMA had volunteered to provide a special cabinet for permanent display and storage of the perpetual awards and also provide photographic opportunity for awarded members to have their photos taken with the trophy. Individuals would retain a permanent plaque. This originated due to difficulties in returning the perpetual trophies to the award ceremony each year. Breckon and committee member Debbie Poole reported that the awards committee has put together a comprehensive tracking, insurance documentation, notification and retrieval process for the perpetual awards. The awards committee is on top of this and recommends that they not be permanently held in the AMA museum. Mann motioned to follow the committee's recommendation. Borg seconded. Motion approved with Hilgenberg abstaining. Smith will write a letter to the AMA thanking them for the offer to house the awards, and that perhaps this could be considered for retired awards.

BUSINESS PLAN/MISSION STATEMENTS

Janiec stated that he intended to restart the effort to draft a business plan for the association. The original effort was derailed by the additional time required to deal with the litigation and bankruptcy. Borg suggested that mission statements clarifying the vintage period or intent for each of the disciplines be incorporated into the business plan and Handbook. Borg submitted two examples for VMX and PVMX. Borg moved that each committee develop this statement. Mann seconded. Approved.

SPONSORSHIP POLICY

The ED supplied a list of all sponsors and fees/revenue for 2007/2008. Although AHRMA has added sponsorship in the last two years, the need has increased for a written policy to help codify

clear expectations of AHRMA and our sponsors in negotiation and execution of the sponsorship contract. Mann motioned to established a committee to develop a draft policy and contracts. A committee was formed, comprised of Smith, Mann, and Hatten, to be chaired by Bentley.

ELECTRONIC TIMING AND SCORING

The ED reports that Tim and Cathy Lile have offered to purchase and operate the equipment for AHRMA in return for a 12 month re-payment plan. The system to be set up and running for Mid-Ohio RR. The ED was asked to present a re-payment plan and contract for approval by the EC.

BANKRUPTCY ATTORNEY RECOGNITION

Janiec stated that our treatment by our bankruptcy firm, Crocker and Niarhos, was exceptional, and deserving of some token or recognition. Smith, who had also worked directly with them in court, agreed. They and their office truly believed in AHRMA, kept the fees low, and charged us much less than the time that was spent. They were obviously instrumental in our quick exit from chapter 11. The board generally agreed and subsequent discussion centered on an appropriate recognition that would be meaningful to them. Ideas were to be sent to Janiec for collection and return to the board.

AHRMA HISTORIAN

Janiec noted that many organizations have a historian to maintain all the association's records. After 19 years, AHRMA now has a great deal of documents and artifacts that are important to the association and we should consider looking for a volunteer to serve as AHRMA historian, preferably with some curatorial experience. The discussion was tabled for action at a later date.

RULES CHANGE PROPOSALS

Two rules change proposals were submitted to this meeting. The first on 350 BSA's was appropriate for the next board meeting on changes for the next season, and was tabled until then. The second one was to correct a misunderstanding by the BOT/SOS committee regarding this years rules where the committee had intended to include the Ducati 800 when the actual displacement was 803cc. The request by the committee is to clarify this year's rules to allow the 803cc Ducati, that is "overhead cam, two or three valve engines to 805cc" to meet the intent of what was already approved by the board. Smith motioned to approve the committee request, Bentley seconded. Approved with Hilgenberg proxy abstaining.

NEW BUSINESS: AHRMA FUND DRIVE?

Mork brought up the need to solicit AHRMA members for replenishment of the general funds via a "drive". Smith noted that in the early '90s when we were in a similar situation, we had a program called "Friends of AHRMA" and many donated to it. However, Smith further

suggested that any requests for donation should be directed to the benevolent fund as opposed to the AHRMA general fund. No specific action was taken.

CHEHALIS TRIAL AND VMX

Borg invited trustees to come to the Chehalis natural terrain Vintage MX and Trials event, August 9-10, to see how the event and program is operated, and why it has been hugely successful, and Borg will supply a bike for any trustee who is interested.

2008 BUDGET APPROVAL

Smith brought up approval of the budget submitted by the ED, with the need to have an explicit per-diem policy for workers, and the other guidelines approved above. Smith also suggested the use of graphics as a means to better understand the complex budget. Janiec asked that the budget be considered for approval. Smith motioned to approve the budget with the guidelines/caveats. Hatten seconded. Approved.

Hatten motioned to adjourn, Breckon seconded. Approved. Meeting adjourned at 7 pm.