

Robert R. Glatz

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July 19, 2010

Mr. Gary Sherrod, President
Amateur Trapshooting Association
601 West National Road
Vandalia, Ohio 45377

Dear Gary:

I am writing you and the other members of the Executive Committee (EC) to again voice my concerns about the deteriorating financial condition of the ATA, the EC expense reimbursement issue, the impact the EC expense reimbursement issue could have on the ATA's 501(c)(3) status, and the lack of effective governance surrounding EC expense reimbursement practices.

As you know, in late January 2010, I did a very limited two-day review of the ATA's operations as a way of helping Frank Rively get up to speed in his new role as Executive Director. The purpose was to shorten Frank's learning curve with respect to understanding the ATA's current financial situation and help him identify potential low hanging opportunities to improve member services and reduce costs. The ATA's Controller, Judy Harden, spent most of the two days with us and was an invaluable resource.

As part of my work, I had the chance to review the ATA's 2009 draft financial statements and provide the EC (through Judy Harden) a few suggestions to enhance the transparency and readability of the footnotes and supplemental disclosures. Those suggestions apparently struck a nerve with the EC which resulted in Frank being instructed to stop working with me and provide no additional information to me.

The issue that seems to have caused all the controversy was a supplemental disclosure of expense reimbursements to EC members. After reviewing the disclosure with Judy it became apparent that the numbers were incomplete and didn't paint a true picture of the magnitude of the actual reimbursements. We worked out a more comprehensive disclosure and provided it to the EC for comments. I'm told that the EC rejected the revised disclosure and insisted that the financial statement go out as originally drafted. I have included the actual disclosure along with the suggested revision as attachments to this letter.

I've tried several times to engage EC members in a discussion about the disclosure issue and other operational and financial recommendations. Frankly, I haven't been able to get to the big picture discussion given the defensiveness surrounding the disclosure of EC expense reimbursements. As you know, I am not a fan of reimbursing inherently personal expenses for volunteer directors of public charities, though I concede that such reimbursements are not my call. However, I remain very concerned that what you are doing is a violation of law and IRS Regulations and could reflect very badly upon the ATA and potentially lead to the loss of the organization's 501(c)(3) status.

I've pointed out numerous times that the payments can be restructured on a go-forward basis as compensation to eliminate the tax exposure for future years. I've also pointed out that if the EC members feel strongly about these expenses, they can simply deduct them as charitable contributions (or as employee business expenses) on their individual tax returns. This would essentially get the same money to the EC on a "tax free" basis as the charitable (or business) deductions would essentially offset the compensation. The significant difference is that the tax risk of deducting personal expenses is shifted to the individual EC member and away from the ATA.

Technically, the ATA By-Laws prohibit the payment of compensation to the board and EC. However, the By-Laws are currently being violated by the payment of the president's gun allowance which is clearly "compensation". If the board wants to continue to make lavish reimbursements to the EC for travel, it shouldn't be a problem to amend the By-Laws.

Unfortunately, it is clear to me that the EC has no intention of changing how it pays or discloses payments to EC members regardless of my advice or that of legal experts. So, I feel compelled to open up this dialog to a broader group of ATA delegates and members with hope that the collective voice might persuade the EC to make the needed changes.

I have been trying to get to some of the real operational issues that need to be addressed but have been unable to get past the EC's obsession with protecting its travel reimbursements. Some of these important issues include the following which are further discussed in the attached draft:

- Returning the ATA to operational profitability. In 2009, the ATA had a **loss** from Net Operating Income from Continuing Operations of nearly \$400,000 and over the last four years, **losses** from Net Operating Income from Continuing Operations have exceeded \$1.4 million.
- Establishing a fundraising function to take advantage of the ATA's 501(c)(3) status.
- Establishing a comprehensive member communication plan.
- Exploring the use of technology in enhancing member services and reducing the ATA's cost to serve.
- Restructuring ATA "Governance" to better serve the needs of today's business.

Gary, I want to also go on record that I am personally very disappointed by the EC's unanimous decision in San Antonio to put Frank Rively on probation (and defer signature of his contract) for "bringing me in" to review the ATA's business. You personally encouraged me on several occasions to take a look at the operations and provide my recommendations. The fact that Frank has supported my views is not surprising given our long personal relationship and my background as a former PricewaterhouseCoopers tax partner with extensive experience in these issues. The ATA's recently-enacted Whistleblower Policy and federal law would seem to shield Frank from such retaliation given the fact that he believes, as I do, that the way the EC is currently dealing with its expense reimbursements is a clear violation of tax law and IRS Regulations. The "cover up" of the true amounts involved raises serious ethical issues as well.

I spent a significant amount of my personal time on the 501(c)(3) application process. The enhanced tax status has saved the ATA at least a million dollars since 2005 even without the

development of a fund raising function. I am loathe to see this valuable tax status compromised by the EC's inability to make decisions consistent with the IRS requirements for a public charity. I am saddened by the need to go directly to the board and membership, but I have found the EC more interested in its own travel expenses than in the effective and profitable management of the organization.

In an effort to help address these and other operational issues, I have attached a DRAFT Summary of Recommendations/Observations that I believe could improve ATA operations as well as the perception of the EC in the eyes of the membership. It is my hope that these recommendations may be used as a basis for the ATA's leaders and membership to work together to improve the organization's effectiveness and profitability, while safeguarding its 501(3)(c) tax exempt status.

Gary, I am still willing to meet with you and other members of the EC to discuss the attached. I have certainly tried to do so on several occasions. However, if you continue to believe there is nothing of value here to discuss, I will take my case to the delegates and membership directly. I understand that reasonable people can disagree and I firmly believe that open debate is healthy. I also believe that when people take the time to look at facts, the differences in opinion tend to narrow considerably.

As a final thought, I believe that the 501(c)(3) status is one of the keys to the future success of the organization and sport we all hold dear. But, our success in raising tax deductible contributions from our membership and others depends heavily on our ability to get our own financial house in order. Donors rarely give to fund operating losses! We also need to instill the appropriate volunteer spirit in our organization starting at the top. The gun allowance, the president's \$20,000 discretionary allowance (in addition to his normal EC expense reimbursements) and the EC expense reimbursements are inappropriate for a public charity. Change is often painful, but it is frequently necessary for growth and prosperity.

Sincerely yours,

Robert R. Glatz

cc: ATA Executive Committee:

Frank R. Rively
John D. Hiter
William M. Anzaldi, Jr.
Jeff Wagner
Allan Radway
Bruce F. Reed
G. Mike Seitz
Tom Burkey

cc: Judy Harden

Amateur Trapshooting Association
 Consolidated Supplemental Financial Data
 Schedule of Travel and Related Expenses
 Year Ended September 30, 2009

	<u>Amateur Trapshooting Association</u>	<u>Grand American Handicap</u>
Officers and Executives:		
Bruce Reed-President	\$ 11,344	\$ 3,790
Neil Winston	766	671
William Anzaldi	6,376	4,371
Jeff Wagner	5,508	3,904
Gary Sherrod	5,400	3,617
John Hiter	4,183	3,333
Thomas Burkey	-	3,640
Mike Seitz	-	3,524
Allan Radway	312	-
	<u>\$ 33,889</u>	<u>\$ 26,850</u>
Central Handicap Committee:		
Terry Roush	\$ 825	\$ 3,310
Richard Marascola	825	4,635
Dean Townsend	825	2,779
Thomas Hunter	-	3,183
Wayne Morris	825	3,899
Danny McKenzie	-	4,852
CHC assistants	-	1,650
	<u>\$ 3,300</u>	<u>\$ 24,308</u>

See independent auditors' report.

**Amateur Trapshooting Association
Consolidated Supplemental Financial Data
Schedule of Executive Committee (EC) Expenses for the year ending September 30, 2009**

EC Member	Presidential Gun	ATA Expenses	Grand Expenses	Total
Bruce Reed-President	\$ 16,500	\$ 20,092	\$ 4,824	\$ 41,415
Neil Winston		5,770	1,705	7,475
William Anzaldi		11,866	5,405	17,271
Jeff Wagner		12,142	4,938	17,080
Gary Sherrod		12,893	4,651	17,544
John Hiter		10,438	4,367	14,805
Thomas Burkey		5,722	4,674	10,396
Mike Seitz		5,096	4,558	9,654
Allan Radway		1,137	-	1,137
Total	\$ 16,500	\$ 85,155	\$ 35,121	\$ 136,776

Voting Executive Committee Members: Voting members are reimbursed for their travel expenses to attend the Grand American Tournament, Satellite Grand shoots in their resident Zone, as well as one Satellite Grand outside of their resident Zone. They are also provided reimbursement for their travel to official meetings and other Presidential-directed travel.

Nonvoting Executive Committee Members: Nonvoting members are reimbursed for their travel expenses to the Grand American Tournament, official meetings, as well as other Presidential-directed travel.

ATA President: The president is reimbursed for his travel expenses as described above for voting members. In addition, the ATA President has a supplemental budget of \$20,000 for his discretionary travel and entertainment