

From: "Robert R Glatz" <bobglatz@aol.com>
Date: August 1, 2010 4:11:59 PM CDT
To: <bobglatz@aol.com>
Subject: ATA Finance and Governance - Frequently Asked Questions

Trapshooting Friends,

My original correspondence was directed to the EC, the CHC and the Past Presidents (PP's). I didn't have all the e-mail addresses for the PP's, so I asked Jim Bradford and Phil Wright to pass the note along. I've received more than a hundred e-mails and calls both from you and others to whom you forwarded the original e-mail. There were a few questions/comments with a common theme that I thought others might also be interested in. There is also some "noise" out there created by a few EC members that I thought I should address.

I appreciate that so many of you have expressed support for stronger ATA governance and a solution to the ATA's financial issues. Without specific permission, I did not pass your notes along to the EC or Delegates. You may want to take the time over the next few days to copy them on your exchange with me or write/call them directly as they are the group that can make change happen.

If you have additional questions, please call, e-mail or talk with me in Sparta. Thanks again for your interest and concern.

Regards,

Bob Glatz
bobglatz@aol.com
314-406-4188

QUESTIONS/COMMENTS FROM DELEGATES, PAST PRESIDENTS AND OTHERS

*** We have heard that the EC believes the numbers in your memo(s) are not accurate.**

RRG - I designed the framework for the determination of Net Operating Income from Continuing Operations ("NOICO") as a surrogate for the cash flow available from the ongoing operations of the ATA. Judy Harden populated the framework from the audited financial statements. Similarly, the format for the more fulsome definition of EC reimbursements (basically, all direct and indirect payments) came from me. Judy dug out all the numbers. I believe Judy is comfortable with the numbers, but you can certainly ask her.

*** We've been told that the EC commissioned a tax opinion with respect to the EC reimbursement issue and that it dismisses all your arguments.**

RRG - Several delegates told me that the EC commissioned a second law firm to look at the EC expense reimbursement issues. If that is true, their advice has not been shared with me.

The EC reimbursement issue should be looked at in two ways. The first and absolute most important issue is whether or not the membership and the board view the gun allowance and the various reimbursements as appropriate for a public charity. An additional tax opinion won't help answer this question. The second and significantly less important issue is are we making these payments in the most tax effective manner given all the facts and circumstances? This issue is less important because I think we already have a viable solution.

In response to my original concerns, the ATA sought advice from Bryan Cave, the major St. Louis law firm that assisted with the 501(c)(3) application process. I subsequently reviewed their memo and mostly agree with the advice given, which is fundamentally to characterize almost all of the reimbursements as taxable income to the EC members. We also agree that given the poor documentation of expenses, relative lack of an effective review and approval process and the personal nature of many of the expenses, a more aggressive tax position (treating the payments as valid expense reimbursements) is inappropriate as it creates a tax risk to the ATA. The delegates may want to talk directly with Bryan Cave in the event of conflicting tax advice as they have the advantage of now understanding a good bit about the expense report documentation issues and approval process that make the status quo unacceptable.

If the board gets comfortable with the important issue (the level of reimbursements and the governance/review process), I believe we have a sound, agreed-upon way forward that will protect the ATA's tax status and put the EC members in virtually the same place they are today from a net taxability standpoint. I can't imagine what yet another law firm's tax opinion will add to the mix.

It has been suggested that my relationship with the Bryan Cave firm may have caused their advice to be overly conservative. In reality, they issued their original memo prior to my even knowing they had been engaged. In addition, major law firms like Bryan Cave (with specialized full-time folks who do only 501(c)(3) work) don't issue "opinions" tailored to the whims of individuals. They did issue a shorter version of their original memo at my suggestion simply so that the information was condensed in a way that I thought the EC might actually read it.

*** Some have suggested that you should have taken your issues to the EC and let that group deal with them as a matter of course.**

RRG - I have heard that comment several times, but I also have experience with providing tax advice to the EC over a period of several years. I was counseled by Mike Seitz to be more patient (as he was essentially pushing the EC in the same direction), but I concluded that if it took six or seven years (by Mike's count) to get the EC to see the merits of paying tax on a clearly taxable gun allowance, the chances of getting their attention on more subtle and complicated issues was unlikely to happen any time soon. In addition, I had already been told to effectively "mind my own business."

*** How much contact have you had with the EC with respect to the memo(s) you issued?**

RRG - Virtually none with the exception of Jeff Wagner. I shared a draft of my original memos with Jeff (at his request) and we have discussed various points in the documents over the course of the last week. Jeff clearly does not agree with several of my recommendations, but he has nonetheless listened patiently and professionally and engaged in a respectful debate. The only other reaction I received from an EC member was via an e-mail to Frank Rively where I was referred to as a "vile and disgusting prima donna", a "megalomaniac" and a self-styled "savior of the ATA". I don't think much of that was meant as a compliment! Fortunately, I have a pretty thick skin.

*** A few have suggested that the tone of your memo(s) is overbearing and arrogant.**

RRG - I tend to be fairly direct. I've spent my last few years as the executive vice president - global operations of a public company with nearly 20,000 employees. In that role, it pays to be direct and not leave people wondering what you want them to do. I mean no disrespect to either the EC or the board. It is simply a matter of personal style.

*** Do you think the folks on the EC are dishonest?**

RRG - No, I absolutely do not think they are dishonest. I think they are following a "precedent" that they didn't invent. That said, I absolutely believe change is necessary in the post Sarbanes-Oxley world in which the ATA now operates as a public charity with all the benefits and responsibilities thereof.

*** What do you think should happen at the Grand?**

RRG - I hope the delegates and the EC will have serious discussions about the appropriateness of the EC reimbursements so they can put that issue behind them early in the week so you can collectively consider and hopefully make progress on more pressing ATA business.

*** Do you have an opinion on how the next ATA president should be decided?**

RRG - I was asked this question several times, but mostly with respect to “protocol” and my read of the By-Laws. Let me answer a slightly different question than the one some of you asked, but I’ll start by answering the By-Law question. I see nothing that indicates there is any set protocol for who the next ATA president should be. The By-Laws appear clear to me. Once you have elected the five Zone vice presidents, it is up to the delegates to choose a president from among that group. There is no order of selection nor is there any EC experience requirement. You can select any of the 5 Zone vice presidents. Further, there is no requirement that once elected to the EC, a VP ever become president of the ATA. That appears simply to have been convention. The delegates are free to choose a president on a year by year basis. If you like the one you have, you can keep him for an additional year or more. I understand where the rotation protocol comes from, 5 VP’s and 5 years of consecutive service as a limitation on an EC member’s term. This may be a great time to abandon tradition and listen to each VP’s message about what he would do if elected. If in your shoes, I would take a hard look at the candidates’ experience, background, leadership skills, style and agenda for change. I would vote for the person whose views lined up most closely to what I believe needs to be accomplished. John Hiter’s untimely passing is very sad, but it does provide an opportunity for a break with tradition.

The By-Laws are also very clear that the board of the ATA runs this organization. Authority is delegated to the EC when the board is not convened. The Grand is a great opportunity for the delegates to discuss the future of the organization and set the agenda for the future. You have the power to change the organization if you take it.

*** You have said that most charitable organizations don’t compensate their board members and many do not reimburse expenses. Is this really true? Is it really a good idea?**

RRG - This is easily the most controversial thing I penned. But, I believe it to be absolutely true. I have consulted with and/or served on the boards of many public charities, some quite large requiring several hundred hours of volunteer time each year. None of those organizations paid any type of compensation and only a very few reimbursed any type of travel expense even though often significant travel was involved. It was simply expected that those who served on the board in a governance capacity did so at their own personal expense. There are often volunteers who are not board members who are paid (or had their expenses reimbursed) for doing some part-time job in the organization (perhaps, similar to our CHC), but generally, not the board members. Is this universal? I am certain it is not, but I would say it is the norm these days.

The arguments pro and con are outlined in one of my memos. Perhaps, the most significant argument against (compensation and/or reimbursements) I left out in a rare moment of sensitivity. Often, when reimbursements, compensation or other perks become too enticing, unqualified volunteers will actually seek board positions for the

rewards, but then not do much constructive with the role, hindering the progress of the organization. To me, this is a far greater risk than the risk the ATA will somehow become “elitist” if we don’t provide significant reimbursements to our EC members. Neither skeet nor sporting clays provide compensation or reimbursements. I would ask if you consider the skeet and sporting clays organizations to be overly elitist?

If, in my desire to balance the budget and improve governance, my recommendation to eliminate compensation and reimbursements to EC members goes too far (in the judgment of the delegates), some compromise may be in order.

*** Some found your recommendation that members of the EC and the board be required to contribute to the ATA in addition to serving in a voluntary capacity to be “over the top”. Some also said charity is a personal decision and many of us are not comfortable giving to the ATA.**

RRG - I guess, I’m not very comfortable with volunteers who want to serve on the board or the EC who are not long-term comfortable with the ATA! I get the short-term issue as I was concerned about making a contribution this year given my personal concerns. However, in the end, I decided it was more important to show my support than it was to register some type of silent protest over the issues in my memos. I am an absolute believer that if a volunteer wants to be a board member of a charitable organization, that volunteer has to lead by supporting the organization via financial contributions appropriate to the individual. Many charities require a certain level of contribution in order to serve on the board. I don’t really think that is appropriate for the ATA given the varied background of the members. But, if a board member doesn’t want to make an appropriately sized contribution (let your conscience be your guide), what message is that board member sending to the rest of the organization!

*** Are you available to discuss your recommendations during the Grand?**

RRG - I am available to talk with anyone who is interested in improving the governance and/or the financial performance of the ATA. My e-mail is bobglatz@aol.com. My cell is 314-406-4188.

*** What is your personal “win” in this process?**

RRG - My father passed away when I was eight. My Mother thought I had an unnatural affinity for guns. I was also a painfully shy kid. [I’m certain some will find that very hard to believe.] Mom decided that she would positively channel my interest in guns by taking me to the local gun club where I quickly accepted a job as the mower of grass and setter of traps. It wasn’t long until I was spending every dime I made shooting ATA registered targets. I went on to shoot at Ohio State and I will shoot the Grand this year with four friends that I made while competing at the collegiate level (so much for kids never staying with the sport!). I’ve often said that I believe my success in academics and

in business was helped by the ability to focus I learned while shooting. I have a deep respect for the sport and the shooters I've met over the years. I want to see the sport prosper and grow. I have a certain set of skills that are probably best used as a "change agent". And, I believe we are in a time period that requires the organization to change in order to survive. Seeing the ATA become a cutting-edge example of a well governed public charitable organization, profitable on its current operations and building its endowment using its 501(c)(3) status is my "win" - nothing more.

I'm told that one of the EC members has suggested that I have been "beating this drum" since 2002 in an attempt to become the Executive Director of the ATA. I will admit to the occasional written commentary on taxes and profitability (as I hope any interested member might do from time to time in an area of his/her expertise). I will also admit that I believe the ED job is critical to the success of the organization and I believe Frank Rively is capable of doing a great job. Any suggestion that I have now or ever had an interest in the ED role is at best someone's fantasy! If you doubt my sincerity, please come talk with me.