

SLIDE 1

Both Jim and Dennis have outlined the enormous challenges we face in reversing the continuing decline in registrations.



Today, we are losing market share at an alarming rate especially in the retail sector.

We are being challenged competitively and financially.

The declining registrations and associated core revenues, if allowed to continue, will fundamentally change our organization going forward.

Make no mistake, the very future of the AKC and our sport is at risk.

We can all remember some of the premier “name brands” and companies of the past, leaders in their fields.

The ones that we thought would be around forever.

These giants, these household names, held the same standing as the AKC.

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Companies such as:

- Westinghouse (Slide 2)



- Pan American Airlines (Slide 3)



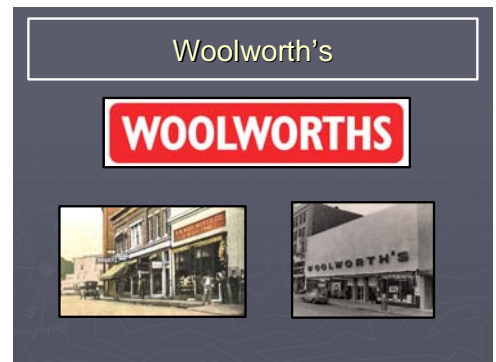
- Standard Oil Company (Slide 4)



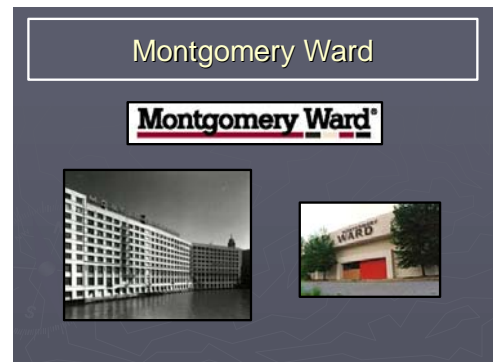
- **EF Hutton (Slide 5)**



- **Woolworth's (Slide 6)**



- **Montgomery Ward (Slide 7)**



just to name a few.

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Today, there are at least 30 All-Breed registries in addition to the AKC, whose combined registration numbers exceed that of the AKC.

If this trend is allowed to continue, if we do not stop the hemorrhaging of declining registrations, we will no longer be the premier registry in the world, let alone in our country.

The Competition

- 1 All Breed Kennel Club
- 2 American Canine Association
- 1 American Canine Registry
- 1 American Dog Breeders Association
- 1 American Dog Registry Association
- 1 American Field
- 1 American Pet Records
- 1 America's Pet Registry
- 1 American Purebred Registry
- 2 Animal Registry Unlimited
- 1 Canine Kennel Club
- 2 Certified Pure Puppy Database
- 1 Continental Kennel Club
- 1 Dog Registry of America
- 2 Federation of International Canines
- 1 Int'l All Breed Canine Assoc.
- 2 International Progressive Dog Breeder's Alliance
- 1 National Canine Association
- 2 National Kennel Club
- 1 National Pedigree Cert. Registry
- 2 North American Purebred Dog Registry
- 2 Pure Puppy
- 1 The Registry
- 1 United All-Breed Registry
- 2 United American Kennel Club
- 1 United Kennel Club
- 2 Universal Kennel Club International
- 2 Waiting Dog Registry
- 1 World Kennel Club
- 1 World Wide Kennel Club

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Management has been directed by the Board to aggressively pursue all dogs eligible for AKC registration.

Board Directive - August 2008

“AKC management was directed to aggressively pursue all registrable dogs in the commercial sector where all AKC rules, regulations, and policies are followed and the Chairman and President were authorized to take all necessary steps to provide for the support of management and staff to pursue this objective.”

We intend to reach out, communicate, and educate those in the retail sector as to why an AKC puppy is the gold standard and why they should be registered with American Kennel Club.

In achieving this objective we intend to continue to “raise the bar” by vigorously enforcing our policies.

This action is essential to protect and preserve our leadership.

As the pre-eminent and only not-for-profit registry, we live our values everyday with our commitment to the integrity of our registry and the excellence of our inspections program.

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If you joined us for Stacy Mason's presentation you saw how having AKC involved through our compliance and inspection programs elevates the quality of those AKC puppies.



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Our Compliance Program allows us to Educate Breeders about:

- puppy socialization
- genetic health screening
- grooming
- exercise requirements and
- adherence to breed standards.

This is the benchmark of excellence we expect of all AKC breeders whether under mandatory or random inspections.



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In 1996, when the Board first passed our care and conditions policies we knew it was and still is the right thing to do.

We know that insisting upon good breeding practices is the right thing to do.

And we intend to continue to do the right things for dogs.

The American Kennel Club provides what no other registry provides.

In order to continue to be the dog's champion, we must remain a strong, viable organization.

AKC Compliance

- ? Care & Conditions Policies
- ? Good Breeding Practices
- ? More than 5,000 Annual Inspections

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We are losing litters, dogs and entire colonies to competing registries.

If litters and dogs aren't registered with AKC, we can't inspect them, we can't help the breeders and we can't grow our sport.



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Let's take a look at what the AKC's dominance in the marketplace used to look like.

As you can see, even places like Macy's and Gimbel's sold AKC puppies.



Many pet owners who bought these puppies, and I was one of them, tried their hand at showing and breeding.

These owners who purchased their first purebred from a retail outlet not only added to AKC's registrations, but those who wanted to advance in the sport then sought out fanciers to continue their journey.

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The available pool of AKC registrable puppies is being lost to other registries, along with potential participants in the sport.




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As we lose registrations, we also lose:

- our Core revenues
- our ability to generate alternative revenues
- our legislative influence

Declining Registrations = Declining Market Share & Influence

- ? Core Revenue
- ? Alternative Revenue
- ? Legislative Influence



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We need to get back on track growing our influence as the premier registry in the world.

We know that AKC puppies are the best. They are the “Gold Standard” in the marketplace.

Getting Back on Track

- ? Reverse declining registrations
- ? Maintain position as world's leading registry
- ? Reinforce AKC puppies as the “Gold Standard”
- ? Prevent other registries from putting us out of business

BECAUSE IT'S WHAT'S BEST FOR THE WELFARE OF THE PUREBRED DOG

We need to continue to reinforce that. Let's not allow those other registries to weaken us or put us out of business.

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Let's not allow them to make AKC a nostalgic memory as well.



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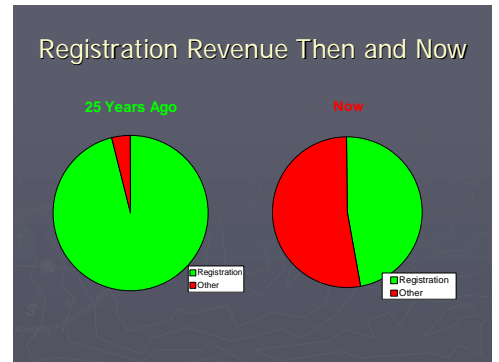
For decades we collected millions of registration dollars from AKC pet owners. These millions overwhelmingly subsidized our sport.

Today, this scenario no longer exists.



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25 years ago almost all of our revenue was registration related. Last year less than one half of our revenues came from registrations.

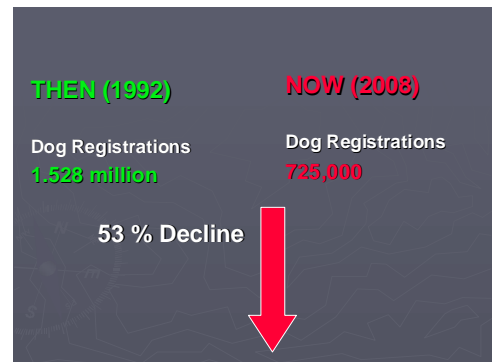


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Dog Registrations peaked at 1.5 million in 1992.

By the end of 2008 it is projected we will register only 725,000 dogs.

This is a staggering 53% decline.



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It was not that long ago, that there were only two All Breed registries - the AKC and UKC

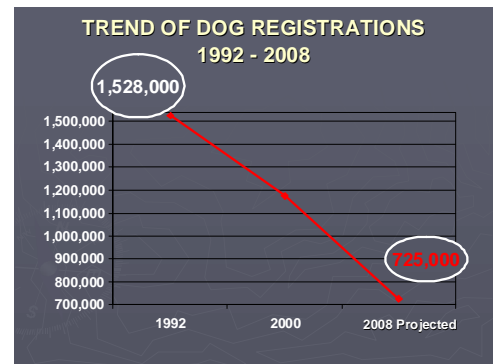
Today there are at least than 30 All-Breed registries.



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Going forward, we need to do what ever is necessary to stop our registration free fall.

We can and will be aggressive in pursuing all AKC-registrable dogs and do so while upholding our values and high standards.



As we go forward, let me make it clear to all, that the AKC will continue to enthusiastically support the Parent Clubs' Codes of Ethics.

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If the current trend continues, and dog registrations decline to 250,000 over the next several years, AKC will face an annual revenue shortfall of \$40 million.

To put this in perspective, if this scenario occurred, and we relied solely on raising the event service fees to make up for this revenue shortfall, the fee would be a staggering \$20 per entry.

Our preference would be to grow our registrations to the point that we could lower not increase event fees.

Some would say the obvious solution is a significant reduction in expenses.

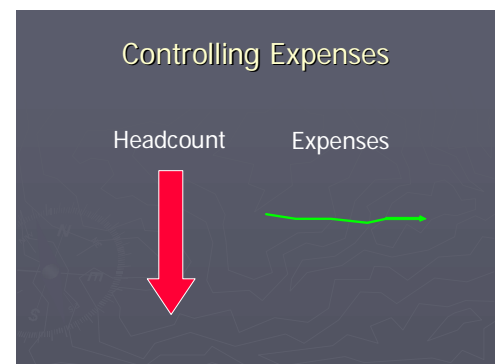
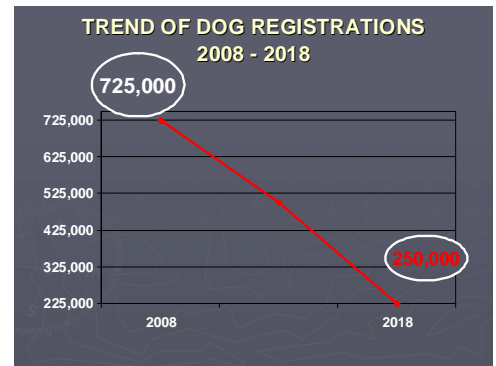
However, a \$40 million revenue shortfall would necessitate a reduction of our expenses by two-thirds.

This is totally unrealistic.

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Let me remind you that since 2002 we have reduced our headcount by more than 50 employees and aggressively controlled expenses, which have remained relatively flat since 2003, in spite of inflation.

Our problem is clearly not an expense problem. It's a revenue problem and a serious revenue problem.



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We need to secure our AKC and our sport so that future dog lovers can experience the same joys and passions we have so fortunately enjoyed for more than a century.



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No one is suggesting we lose sight of our rich heritage and traditions, but let's not allow the stated goal of our competitors to become a reality.

As Bill Wrigley Jr. said recently in the New York Times, "We must respect the past...but at all times do what is right for the future."

