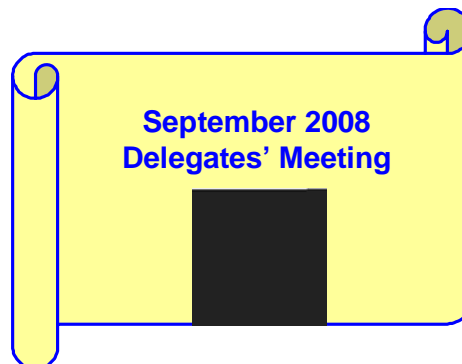


Slide 1

We'll review with you today our 2008 financial results through the end of July. We will also provide you with additional insight into some important financial trends.



Slide 2

Our operating profit was \$3.2 million for the first seven months of this year. This was more than \$750,000 or 30% higher than last year. Our total revenues increased only 2 ½% over last year, however, expenses were less than 1% higher than 2007. These results exclude our investment activity, which we will review shortly.

OPERATING PROFIT SUMMARY
JULY 2008 vs. JULY 2007
(in thousands)

	2008	2007	
REVENUES	\$40,694	\$39,666	↑ 2.5%
EXPENSES	37,457	37,185	↑ 1%
OPERATING PROFIT	\$3,237	\$2,481	↑ 30%

Slide 3

Despite total revenues increasing, the decline in registrations remains very serious. Litters declined 9% from last year, while dog registrations dropped 11%. Obviously, the magnitude of these declines is alarming.

TREND OF REGISTRATIONS
SEVEN MONTHS YTD
2008 vs. 2007

• Litters	9%	↓
• Dogs	11%	↓

Slide 4

There have been other declines in both our core and alternative revenues as well this year. The sales of pedigrees are down almost \$600,000 - primarily due to lower registrations. Alternative revenues from royalties (such as the Affinity credit card) decreased \$667,000 from last year.

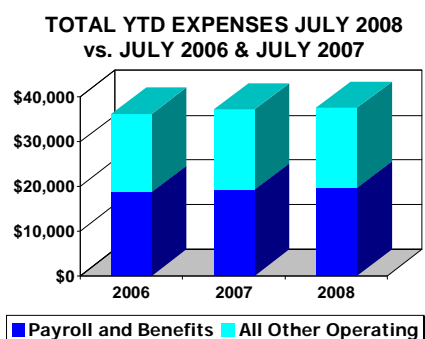
CHANGES IN OTHER REVENUES



Fortunately, the increase in the event fee generated an additional \$2 million in revenues, which were essential to compensate for these other declines.

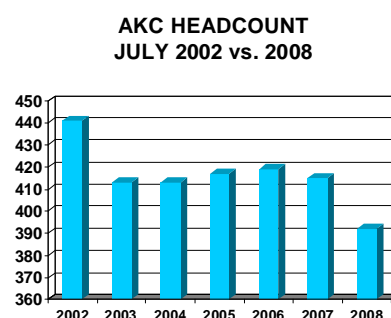
Slide 5

As we turn our attention to expenses, we remain very focused on cost control. Here's a comparison of this year's expenses for seven months vs. the same period for the previous two years. As you can see, there has been no meaningful change. Our payroll and benefit expenses increased by a modest 2% over last year. The total of all other operating expenses was almost 1% lower than 2007. Although we take some satisfaction with this trend, we continue to pursue opportunities to further reduce our costs. This is an on-going process.



Slide 6

We thought it would be informative to share with you the trend of our employee headcount over the past few years. Back in 2002, we had 441 total employees. That number has been gradually reduced to 392 as of July this year. Headcount is an area which is always on our radar screen.



Slide 7

Let's now review how the dreadful performance of the stock market this year has impaired our overall 2008 results so far. Our unrealized loss from investments at the end of July stood at \$3.2 million. This amount essentially wiped out our operating profit, so that the net surplus was reduced to \$20,000 for seven months. Yes, you heard me right – that's a bottom line overall profit of only \$20,000.

**NET SURPLUS SUMMARY
JULY 2008 vs. JULY 2007
(in thousands)**

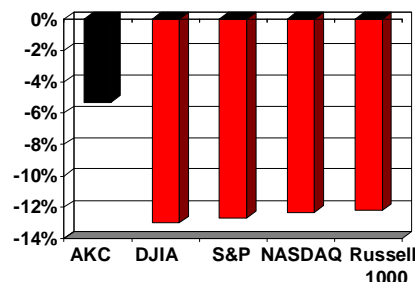
	2008	2007
OPERATING PROFIT	\$3,237	\$2,481
UNREALIZED GAIN/LOSS ON INVESTMENTS	(3,217)	3,812
NET SURPLUS	\$20	\$6,293

This year's investment loss of \$3.2 million contrasted with a gain of \$3.8 million last year. The difference between these two amounts is a \$7 million swing to our bottom line from last year. That is a huge change. Nevertheless, it doesn't come as a complete surprise. We had been advising you at previous meetings that less favorable investment results were expected at some point. However, let's not lose sight of the fact that any organization's financial health is dependent upon its core revenues, not its investment activities.

Slide 8

While it's never easy to accept losses, our investments have performed considerably better than the major stock market indices. Our portfolio was down 5.3% through the end of July, while the major indices were down 12 to 13% as you can clearly see here. So while we are not pleased to experience losses, fortunately, our portfolio performed better than most. You may recall from our last meeting that our cumulative investment return was 65% for the previous 5 years. Nevertheless, any non-profit organization should not become overly reliant on its investments.

2008 PERFORMANCE OF INVESTMENTS vs. BENCHMARKS



Slide 9

Beyond our interim financial results for this year, it is useful to revisit AKC's financial landscape. The revenue stream from any organization's core business is critical. In our current situation, revenues from two core areas – registrations and pedigrees – are seriously declining. Event fees are higher this year due to the new fee structure.

CORE REVENUES

- Registration fees
- Pedigree certificates
- Event fees

Slide 10

The amounts of our alternative revenues remain variable and cannot be taken for granted. Therefore, one should not assume that such revenues will always be there to compensate for decreases in our core revenues.

NON-CORE REVENUES

- Affinity credit card
- Licensing
- Pet Insurance
- Sponsorships

Slide 11

In dissecting the operating results for the past two years, AKC's core activities produced an operating loss of \$9 million in 2006. This amount improved by over \$2 million last year due to increasing the dog registration fee. In contrast, non-core activities yielded an operating profit of \$11.4 million in 2006. Last year's amount increased by \$1 million due to higher revenues from sponsorships and the success of our licensing programs.

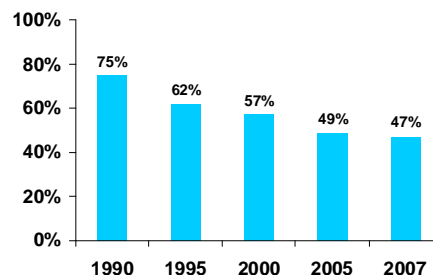
OPERATING PROFIT OR LOSS FROM CORE & NON-CORE ACTIVITIES FOR YEARS 2007 & 2006 (in thousands)

	Core	Non-Core
2007	(\$6,838)	\$12,397
2006	(\$9,003)	\$11,413

Slide 12

Historically, registrations have represented the bulk of AKC's revenues. This has been gradually deteriorating. At the end of last year, registrations comprised less than half of our total revenues.

**ANALYSIS OF REGISTRATION REVENUES
(AS A PERCENT OF TOTAL REVENUES)**



Slide 13

Currently 18% of AKC registered dogs originate from the Fancy. The balance of AKC registered dogs are from pet owners. Consequently, the core revenues earned from pet owners registering their puppies with AKC have always, and continue to, subsidize the Sport. However, pet owners are now more inclined to register with competing registries in increasing numbers. Given this trend, the concern is where will these subsidies to finance the Sport come from in the future?

**DOG REGISTRATIONS FROM FANCY
vs. PET OWNERS**

- 18% of current dog registrations originate from Fancy
- 82% of registrations from pet owners

Slide 14

As many of you know, AKC's events have lost money historically. We estimate that the total of all events this year will lose \$ 7 ½ million.

OPERATING DEFICIT FROM EVENTS

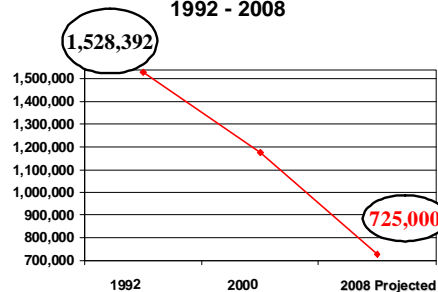
- Events lose money
- Estimated 2008 loss from events = \$7 ½ million

This amount is being subsidized from AKC's other revenues.

Slide 15

We anticipate that individual dog registrations will drop to approximately 725,000 at the end of this year. This will be less than half of the 1 ½ million registrations at our peak in 1992.

**TREND OF DOG REGISTRATIONS
1992 - 2008**



If the current downward trend in registrations continues, we will be dealing with a registry of only 250,000 within the next 10 years. You have to ask yourself - what will the Sport and the AKC look like when that happens?

Slide 16

ALTERNATIVE REVENUE TRENDS

Our future also looks increasingly uncertain given that alternative revenues will no longer be the financial cushion they have been over the past few years.

- Peaked in 2007 at \$12.6 million
- Will disappear in the future

The total of these revenues peaked last year at \$12.6 million. Our alternative revenue sources will evaporate as registrations continue their decline. AKC will lose its influence to attract sponsors and licensees given our dwindling registrations.

With an annual registry of only 250,000 in the future and no alternative revenues, AKC's event fee might have to increase to \$20 per entry to compensate for lost revenues. Clubs would then have to raise their entry fees in order to cover this.

However, we don't believe that raising event or registration fees is a continuing option. We need to re-establish the strength of our anemic core revenues by strengthening our registration base.

Slide 17

POTENTIAL PROGRAM REDUCTIONS

If we are unable to achieve this, we will lose our ability to make future charitable contributions (such as to Canine Health Foundation and Museum), eliminate scholarships for the future of the Sport, and be unable to provide funding for AKC sponsored conferences.

- Contributions to CHF and Museum
- Scholarships
- AKC sponsored conferences

These are just some examples of potential program reductions we may be faced with.

Slide 18

WHAT IF DOG REGISTRATIONS HAD REMAINED AT 1992'S LEVEL ?

As a final point of interest, imagine if last year's dog registrations remained at 1992's level. If that had been the case, we would have benefited from additional annual revenues of \$14.3 million. Wouldn't that have been nice?

ADDED
ANNUAL REVENUES = \$14,319,000

Slide 19

In conclusion, we leave you with the critical question
“Where do we go from here”?

Dennis will now provide you with some additional
insights.

