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News from the Center For Equine Business Studies
at Texas A&M University

How Horse Industry Salaries Compare

College Station, Texas - November 6, 2007 Scrutiny over how much CEO's are being paid while industry downturns have caused thousands of layoffs is grabbing the headlines. CEO's usually makes millions from assorted forms of compensation, and that's based on average results of their company. But what seems to grab the public's attention, and ire, is that many CEOs get enormous pay packages, even when their organizations founder and they've hit the road.

Robert Nardelli, who early this year left The Home Depot, was rewarded with a \$210 million pay package. During his six-year tenure, the retailer's stock price fell almost 8 percent. Then there is the example of millions in compensation going to CEOs of energy companies while energy prices, and company profits, soared. TXU Chairman John Wilder, who in just over three years at the helm of Texas's largest utility aggressively boosted electric rates, more than quadrupled profits and piled up at least \$270 million in personal compensation, while Wesley W. von Schack, CEO of Energy East in New York, will earn \$21.8 million after the acquisition of that company by a Spanish group.

For the horse industry, though, it seems that most CEO's are probably getting what they deserve.

Few for profit companies in the horse industry are publicly held and are therefore not open to the public eye, but the horse industry's most visible companies are largely not for profit, mostly due to the fact that they are member owned and driven. There are nearly 4,000 not for profit organizations in the United States that claim to promote or protect the horse, while providing education, funding, management, programs and services to members of those organizations.

A review by the CEBS of IRS 990 2004 to 2006 filings of top not for profit organizations in the horse industry found that the average CEO or Executive Director salary among 11 organizations was \$225,288, including salary and differed benefits, with the lowest salary standing at just under \$70,000 and the highest at more than \$630,000.

Groups reviewed included the American Quarter Horse Association, American Paint Horse Association, Appaloosa Horse Club, Arabian Horse Association, The Jockey Club, National High School Rodeo Association, American Dressage Federation, United States Equestrian Federation, Professional Rodeo Cowboys Association, National Cutting Horse Association and the National Reining Horse Association. CEO's of breed associations seem to fare better than those of sport or special interest groups as the average among the top five was more than \$300,000, but that average was heavily skewed by the two top organizations with memberships and income almost three times that of the next three combined. The average of the next three was just under \$115,000.

For sport or special interest groups, the average was \$176,478. But there were a few, like the National Reined Cow Horse and National Snaffle Bit associations, that reported no salary figures for an executive officer. Because a board of directors usually sets salaries and annual reports are usually made available to members, not for profits do come under the same scrutiny as do publicly held companies and must file a form 990 in order to protect their tax-exempt status.

According to the web site Charity Navigator, its 2005 CEO compensation study suggests that, although not charitable, these not for profits are probably in the ballpark when it comes to paying their top executives. The site points out that CEO salaries are not just based on the profits of the organization, but what that individual can bring to the table. And, unlike for profit company's, not for profit CEO's are not eligible for stock options or other for profit benefits.

According to its analysis, the average CEO's compensation is \$148,477. This figure included salary, cash bonuses, and unusually large expense accounts, but not contributions to benefit plans or deferred compensation, which the above figures do in some cases. "Leading one of these charities requires an individual that possesses both an understanding of the issues that are unique to the charity's mission as well as business and management expertise similar to that required of for-profit CEOs," the site relates. "Attracting and retaining that type of talent requires a certain level of compensation - roughly \$150,000 according to our analysis."

However, the site also categorized the average salary by segment groups and found that those among animal charities averaged \$104,000. The 2004 990 filed by the Humane Society of the United States, for example, showed that Executive Vice President of Operations Andrew Rowan received nearly \$200,000 in compensation, while Robin Lohnes, Executive Director of the American Horse Protection Association received \$53,000 in 2005. What remains is the fact that horse industry is facing what can be termed, at best, a shaky future for the next three to five years as registrations, membership and show entries continue to fall. CEOs will face growing pressure to find ways to cut costs and boost productivity, even if their pay scale is seen as more than fair.

About the Center for Equine Business Studies

Approved in concept by The Texas A&M University System's Board of Regents, the Center for Equine Business Studies at Texas A&M University is to become a valuable and constantly available resource for all aspects of the equine industry as it works to provide economic and market information to the industry. The Center will focus its studies on the impact of the horse industry, environmental and tax issues, provide economic analysis of the potential impacts of programs and proposed legislation on the U.S. and international horse industries, as well as develop entrepreneurship training for the many small businesses that serve as the lifeblood to the industry's economic landscape.

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