

Transcript of the General Meeting / Meet the President session at the Cleveland 2014 National Convention, July 16, 2014.

CHARLIE GETZ: I think I've met everybody here, have I not? If I haven't, I'd like to meet you. Unless you're an operator in which case... (LAUGHTER).

OPERATIONS

CHARLIE GETZ: I have nothing against operators or operations, in fact that was a great column because it proved the point I was trying to make, which was on tolerance, of which I got zero. (LAUGHTER) Which is fine, because I deserved it for getting my foot in it.

But I have a few words about the column. The reaction was 50/50...50/50...right on the nose. Half the people thought I was a horse's petard and how dare I as NMRA President knock operations. Well I wasn't knocking operations, I was saying I couldn't see it for me, which is very different than saying it has no value. I said 18 times I can see it and understand it intellectually. But I finally figured out the problem I'm having, so if you want to hear that I'll share that with you a little later on.

But the other 50% made a very important point, and we're going to talk about that today a little, too... this is not a lecture, this is not a sermon, tho it may sound like one...and that is, they said, "Oh thank you for saying that because I don't operate and I feel like a second-class model railroading citizen. I don't feel like I'm accepted if I tell anybody I don't operator because they look at me like, 'Oh...'"

And there's a little bit of that, because I've met some folks who were serious about operation and have that attitude toward me because I don't. And, that's not fair, really. It makes people feel bad. I look up to people who operate because they can do something I can't do, and they do it very well. And one day I'll learn.

But we're not here to talk about that, we're here to have a general membership meeting and most important to hear from you. But let me give you a quick summary of where we are as an organization because hopefully that's one of the reasons you're here.

REACHING GOALS: A SUMMARY

CHARLIE GETZ: I'm coming up on my 2-year anniversary as president, in fact I am at my 2-year anniversary. I've not been impeached yet, although I think it may be coming (LAUGHTER). I had some very distinct goals that I set out in September 2012 NMRA Magazine, and the list is actually coming along.

Headquarters building

CHARLIE GETZ: We sold headquarters...\$900,000 is what we sold it for – above the appraisal. It was a cash sale. We are saving \$30,000/year in operating costs because of that sale. Now, there's nothing wrong with Headquarters, it was a wonderful building. It was underutilized, never lived up to its potential, times have changed. We don't need a brick and mortar headquarters to establish our *bona fide* as an organization. But more importantly, our neighbors, the Tennessee Railroad Authority would have had to spend over \$1 million for building a building like our headquarters for their needs. And they were able to buy our headquarters for less than that, thereby saving money and give it a use which is needed. So it was a win/win.

And our ladies are in Soddy Daisy – a name which I hate, but it's part of Chattanooga, still part of Chattanooga. They're not being moved to California. They wouldn't go anyway because they're smart. (LAUGHTER) And Headquarters will remain in Chattanooga. And they're happy in their space, and we have the Library assets moved and safely there – I'll talk about that in a minute.

We have the Museum moved and safely there. And we're saving money every year. So it is really a no-brainer. And to my absolute shock, as I saw this as a guarantee to ensure a 1-term presidency – I figured everybody would come out of the woodwork. Very, very few people were upset about it. I was very surprised.

And I'm glad to see that because I think most people understood. And I asked people who were going to criticize the move to tell me how many times they'd been to Headquarters, just to be fair. And that shut up an awful lot of people who apparently hadn't been to headquarters. (LAUGHTER). But it was a hell of a nice building.

Now, "Buy a Brick" and all those wonderful things to get it built...that's still valid. Those bricks are still there. TVRM isn't throwing them into the trash heap, so it's OK. We saved the logo off the building, so everything's cool.

The NMRA eBulletin

CHARLIE GETZ: The eBulletin launched. Now that wasn't me that started it, but it was a process underway and finalized. Gerry over there is the man most responsible for every issue. And by the way, I will introduce our officers here in a minute, I forgot to do that. But *eBulletin* has been very, very successful. If you don't get *eBulletin* or don't know what that is, it's our free electronic newsletter about the Association. It isn't the magazine digital.

And people have asked me, "Why don't we do the magazine digitally, especially for overseas or outside the U.S.?" And I'll answer that as well right now. But *eBulletin* has been a great success story and very popular. And if you want it, all we need is a valid email address. If you're not getting it, check your SPAM filter first, because sometimes

that's where it ends up. If you're not getting it and want it, let Jenny know or me and I'll pass it on to Jenny. She's here at the registration office or the Train Show office. And you'll get one.

A digital magazine

CHARLIE GETZ: Now the digital magazine idea. I thought it was a great idea, too, and I said to Stephen Priest, and to our Board, who's discussed it again, "Why don't we do a digital magazine? My gosh, it's the new thing! MR has it, RMC has it...why not?" Well there's a darn good reason. I mean, *Model Railroad Hobbyist* is a digital magazine and they're out there doing it.

Well there are a couple of problems with a digital magazine that we as an association are not yet able to overcome. One's technological, and that is, unless you have a big, big amount of money, you have security issues. Security issues are, we have a magazine that we sell subscriptions to. It's a very important thing to us. And advertisers like the fact that we have a captured audience there and they like to have ads in it.

But if you have it in electronic format, even on the Members Only page, you have to worry about how do you prevent somebody from downloading it and forwarding it to all their freeloader friends who don't want to join the NMRA? We don't have an easy answer for that. There is technology for that, but it's not cheap. There are ways of doing it, but it's not cheap.

Second problem is you can't just take a PDF of the magazine and shoot it out as an electronic one. You actually have to create two magazines. We don't have a staff anywhere near big enough nor the funds to do that. My wife was in the computer business for many years – I'm an absolute dummy. The first thing I've said with which everyone in this room can agree. She tells me, "You do that and here's the problem: there are Macs and PCs. You do a PC conversion in a Mac format and send it out and your Windows 8.2.5 is going to do strange things. Paragraphs will appear in strange places and photos will appear wrong." So it isn't that simple.

The third thing is the advertisers that we have – most of them don't really like the idea of a digital magazine. You may think that's crazy, why? They'd get more people. No, how do you know that? See, with a magazine we have something called the ABC, which is an audit; it's a Federal law that says you have to put your true circulation numbers down. And magazines do this every year, and the funny thing is that they try to hide them somewhere in December or January because they have to do it by the end of the year, because they don't want you to see that we had this many last year, but now were down to this many this year.

Well, we don't have that problem, but when you have an electronic magazine, and you'll hear my good friend Joe Fugate whom I love – I'm not knocking him – say that he has a big circulation. No he doesn't. He THINKS he has a big circulation based on hits.

Meaning people will get the file and look at it. Well, that doesn't mean they've read it, it just means they opened it, and they really meant to hit something else and they go off, but that counts as a hit, therefore, ah! he's a reader.

Or if you look at pure subscribers and you don't know if they've actually read it. I'm a subscriber to this magazine and I forget to read it once in a while, but I like the magazine, I just forget. So on paper I'm a subscriber. Now when you get MR you can argue, now wait a second, you don't open it that week. Well when you get it in the mail, chances are, advertisers think you at least opened it and glanced through it and you've seen their ads.

The other thing with electronic is, you don't have to look at the ads, you can just go right past it.

The Kalmbach Memorial Library

CHARLIE GETZ: Library...is in the process of being moved. And I'd like to just update that, and I can. I'm going to introduce the folks in the audience – they may not want to be introduced after I finish. Here's where we are. Now this is also applicable in some ways to the Gallery Exhibit, which I'll talk about in a minute. If you don't know what that is, I have some brochures here. The Library concept is this: we have a world class model railroad library. No question about it. One of the best, if not the best in the world. Or at least in the United States. And that's not being lost. We also have a middle-and-fair prototype library of books that people have donated over the years.

Well the California State Railway Museum is the largest railroad library west of the Mississippi. It's an extremely good library. And they are the librarians for the railway historical society...they are administrating the library. So I said to them, "Can you do the same for ours?" Because it's a lot cheaper for us to have them administer – they're pros and we're well-intentioned amateurs. And we had a great librarian for a while, but it's hard to keep a librarian when nobody shows up to look at the books. And they all wander off to better paying jobs at Taco Bell. So that was our problem.

So what we're working out with CSRM, and it's still in the paperwork stage... The government moves very slowly as you know, except for the IRS. Unless you want 501(c)(3) and you have the word "patriot" in your name, then they move very slow. And the state right now is working on paperwork, I'm working with them to get the paperwork done.

Here's the concept and here's how we think it's going to work. We're going to fund a partial position at CSRM for a partial librarian. Part of a person will be assigned to us. That's to ensure that when you call or you write you get serviced ahead of the line. You can imagine the State library is open to anyone and they have members and who gets served depends on what day was it they asked the question. So we're going to make sure our people get to the head of the line.

Secondly, that cost will be no more than it ever was when we had a librarian. So we're not losing money or spending money we didn't have.

Thirdly, you are all automatically going to become members of that library. You will therefore have access to a library that used to be this big [*motions small*], it will now be THIS big [*motions large*].

So if you have a C&O question, or an ATSF question or a SP question, they will have stuff up the wazoo which you can have. Same exact cost for research time and all that, as our current deal is. What we have to work out with them is how we show you're a member. Have a verification system. Right now you call in and they ask your membership number and we have a list and can look it up. We have to work that out.

But that's going to be fantastic to have a library that's going to be a million times bigger than one we could ever hope to have, but still maintain our own identity and our own collection. So we're loaning our collection to them.

We are keeping our digital stuff – it's in the cloud and it's safe at HQ. We're not giving that to them. There's a debate about whether we're going to give them kit instructions and things that aren't really within the library. We may keep that also. But the good news is that it's going to be seamless once we get done.

The Magic of Scale Model Railroading Exhibit

CHARLIE GETZ: Similarly, we have this wonderful gallery exhibit, which is our attempt to broaden the exposure of the public to model railroading.

Now we all know by looking at the room that we have an issue of aging. And this hobby is slowly dwindling in numbers. It's scary, because at some point we may reach critical mass, where the manufacturers can't support the hobby anymore and we can't support them. And then things go poof real fast. I don't think that's going to happen in our lifetime, but it could if we don't do something to stop that.

And one of the ways to do that...Bob Brown, who's a member of the Museum Committee, said it best: "If you want to tell people about model railroading show them what you do. Show them what we do in scale model railroading." The Gallery Exhibit is free space, and let me emphasize the word free, that we could not buy at the California State Railroad Museum.

Now I'm from California and I've already gotten complaints about, I'm moving everything there because I'm there – as if I had that authority. No. We went to the Pennsylvania Railroad, we went to the Colorado Railroad Museum, we went to a couple of others and asked if they were interested in an exhibit like this. Most said no. Nobody but California was going to give us free space. And that's a no-brainer.

So they're giving us – I don't know how many square feet – tons – of free space if we put in an exhibit of model railroading. And the term that we have in our initial agreement with them is 10 years, renewable for another 10. So we have to put that exhibit in, and our estimate of cost to do so...anywhere from \$500K on the low end, to as much as \$750,000. On paper we have raised – we don't have it in-hand – roughly \$530,000 right now. But on paper. We'll probably need more. We have a vendor who's willing to go. We have a timeline of 9 months for construction.

So we have the design, we have the exhibits identified, we have most of the materials. This is a beautiful brochure that we created, and I have a few to give you if you want them, but if not, please come up and look. So we have all that in place. What we don't have is what? The final agreement with the State of California.

And again, government turns slowly. This is an outside-the-box thing, so they're working on it, they're churning on it, and we hope to have that sooner than later, but until then we're just kind of waiting for them to get their act together as a State. Is there a chance they'd say no? Of course there's always a chance, but they said yes yes yes all the way through. They've approved the design, we have an initial agreement. it's just the final language is always the hard part.

Any lawyer in the room will tell you, when the rubber meets the road, it's the final agreement when you have all the clauses that are binding on every party, everybody wants to make sure they're perfect. Question?

Audience member: Will all scales be represented?

CHARLIE GETZ: All scales, including G are going to be represented. Yes.

Audience member: Will it be up on the mezzanine?

CHARLIE GETZ: It'll be up on the mezzanine and let me tell you because you may not have read the article, why we're doing it there.

World's Greatest Hobby – terrific isn't it? In ten years they reached 1,000,000 people. California State Railroad Museum, Old Town Sacramento, is the third most popular tourist attraction in California. And you're going to think, "C'mon." It is.

First is Disneyland, second is Marine World. And third, Old Town Sacramento, fourth is Knotts Berry Farm. 600,000 paid people go through that museum every year. 600,000 will see our exhibit every year. We can reach that million in less than 2 years, that it took 10 years for World's Greatest Hobby to reach. Many of those groups are school kids and elders on tour. They go through the California State Railroad Museum...one of the classiest museums. It's right up there with Pennsylvania, York in England – fantastic. Right up there, one of the top 3 or 4 in the world in my book.

So you can reach 600,000. And what's our cost to us after we put the thing in? Zero. They're going to publicize it, they're going to sell tickets for it – we don't get any money, it's to get in to the museum. It's a no-brainer.

So that's why we're so excited about it, because that's the best way to get people into model railroading. Show 'em what we do. We're going to have all scales represented, we're going to have all the modeling represented, a short history of the hobby, and then the hobby today with a layout under construction and some of the magazines you can get, and a little pitch for the NMRA. Question in the back.

Audience member: Who's gonna pay for maintenance and updating of the exhibit?

CHARLIE GETZ: We pay for the interior, the updating, which is not a problem. They pay for the exterior maintenance.

Mike Brestel (At-Large Worldwide Director): When you say interior, what do you mean?

CHARLIE GETZ: Interior of the display. The models. Inside the boxes. And the boxes will meet their criteria. They'll be low maintenance materials, but really high class. It's going to be a world class exhibit, because that is a world class museum. So that's something else we've done.

Vertical integration

CHARLIE GETZ: Vertical integration. Sounds very weird. What that means is very, very meaningful if you're inside the United States. If you're outside the US...Canada or AR or BR, and we have people here from those places... not so much. But it's great for inside the US. Why?

We have historically developed bizarrely as an organization. The National Model Railroad Association is one organization. It always has been. The most important level is the Divisions, where the rubber meets the road. 156 Divisions in this organization. 18 Regions now, we have a new one in Europe. First time in a long time. Where the rubber meets the road is the Division. But we developed with the national organization and nothing else, and in 1940 we started doing Regions and they were kind of created separately as if they were an allied, affiliated organization. And some thought they were. And then Divisions came along because they made sense, and they were kind of treated separately.

And so everybody thinks that they own their own little piece of the turf. And then they grumble about "The NMRA is trying to do something to us," at the Division or the Region level. And it's always, "The NMRA is trying to do something to you? Who are you? Are you the Podunk Railroad Club or are you the NMRA?" You happen to be the NMRA at the Division level, but you're the NMRA.

Guess what? The IRS occasionally does something right. The Internal Revenue Service for those of you from a different country. And they decided, “you are one organization,” so 501(c)(3) which means not-for-profit, tax-deductible, if you donate to us, right? That status applies to everybody! Bingo! Like that! (snaps fingers) Done. One organization, not 156 and 18. One organization.

That isn't quite so simple to implement. We have to get IRS approval of the way it's done, and all the implications. We're working on that right now. The process is not going as quick as we want. We're going to do a pilot program with two Regions and a Division, just to iron out what the procedures are, so we can reassure everybody that it's not going to kill you, you're not losing your first-born child, and you don't have to donate your left foot.

Each Region and each Division will have a separate EIN number, ok? But, here's the great news – you control your own finances. We're not coming to get you. You control your own programs and the way you do things, as long as you're consistent with us, Which you have to be anyway. We're not coming to get you.

So what's the advantage? If you have a Division member who loves you guys and ladies and wants to leave their estate to you or wants to donate something to help you out, right now, unless you're an independent 501(c)(3), they don't get any bounce for that. But once we get this worked out you can do that and get a tax deduction just like you gave to National. So that's an advantage.

Also, if you're part of a 501(c)(3) there are certain – and this is state by state, I don't want to get too gobbledygook, I'm not a tax lawyer – there are certain taxes that 501(c)(3)s don't have to pay or you can collect in some cases. That varies. So there might be some good things there.

Down side? Well there will be a Federal tax return to file, but unless you're making a ton of money as a Division or a Region, it's going to be a postcard in most cases. So it shouldn't be onerous. And you should be doing it already, theoretically.

Question in the back...

Audience member: Will each entity – each Division and Region – have to file a Form 990?

That's our understanding. But most of it is going to be a postcard.

Frank Koch (Chief Financial Officer): Most of them should be [filing] now. And if you're under \$50,000 gross receipts, it's just a postcard. If it's over that, then you have to file a 990 form.

Bob Amsler (NMRA Legal Counsel): And if you're not filing now...start.

Frank Koch: The 990 postcard is, what's your EIN, what's your president's name and address? And that's it. Submit. And then it's done.

OTHER NMRA PROGRAMS IN THE WORKS

CHARLIE GETZ: Let me tell you some things that we're working on now, and then I want to introduce the officials here and then get to your questions, which is the most important part.

Things we're working on: Member Discount Program. And that takes a lot of volunteer time, and that's what's holding us up. We're trying to work out a member discount program. If you belong to AARP or any of those groups you get discounts all over the place. And there's no reason we can't either. We're going to start with the ones that make the most sense and are most interesting to you, like Rail Historical Societies, preserve railroads, things like that. That's a no-brainer.

But we want to move out and hope that one day in a perfect world, things like Hertz and airline tickets and hotel chain tickets and discounts, and maybe a Home Depot or Lowes so you will buy lumber you get a contractor discount. That's down the road, we have to look at that. (22:46) That's something we're going to be working on.

Marketing...we've had a Marketing Director, we've had..unfortunately a few of them couldn't continue with us due to their outside work. We're working on that.

We just launched a new web page, which, if you didn't see it, is spectacular. Take a look at nmra.org. There've been a lot of problems with that.

And we are hoping to really concentrate on better support for Divisions and Regions. That's one thing I really...because that's where the NMRA is most important. There are about 14...there's 9 on the Board and 5 Officers, there's 14 of us on the National level. And every time – and I don't get many of them any more – but every time I used to get letters, "The NMRA is really screwing up Regions and Divisions," I marvel that the efficiency of 14 people that could do that, to 18,000 people. It's amazing! If we were that efficient, I'd be impressed. No...we're not.

We're all NMRA. But we know that the Division, especially, and the Region, is where members interact. And we have to grow the Association...we're slowly going down in our membership numbers. It's in everyone's vested self-interest to get this organization bigger. The bigger we are, the more the pain is spread out monetarily. The bigger we are, more importantly, the bigger clout we have with the public, with the hobby industry, and everyone else. And we can get the word out about model railroading because we'll have more to operate with.

And if we don't do that, this hobby is not going to continue growing. And that would be a tragedy to a fabulous hobby. And there's no reason it shouldn't continue growing.

So I'm looking at – and college studies back me up on this, this isn't Crazy Charlie – we're looking at trying to really target the folks who are close to retirement or just retired as being a very fertile area for recruitment. Why? Money. Time. Interest. The Millennials, the younger generation, love 'em. You'll see the kids' eyes Friday and Saturday [at the National Train Show] looking at trains. What you won't see is Mom and Dad giving them an X-acto knife and a tube of glue and saying, "Build something."

And that's the problem, there's a disconnect between the Thomas experience, and getting the kid to do the analog work with sharp instruments to get into model building, to get them into model railroading. That to me is the make/break.

In a digital world, when everything is by the thumb and everything is on the internet and it's all free, it's very, very tough to get those folks into an analog hobby. And I use analog, meaning, except for our control system, most of what we do is in the real world, with real materials and it's tough to translate that when they don't have that experience. But we haven't given up on them.

What else are we going to be doing? We want to continue expansion of the SIGs. Special Interest Groups -- those who really may not quite fit into what we emphasize, because we are a scale model railroad association. Let me use an example: Lego trains. Lego trains is a fantastic addition to the NTS [National Train Show].

Is that NMRA-type model railroading as most of us understand it? Probably not, it's Lego bricks. But they have these beautiful cityscapes...go see them at the NTS. It's fantastic! They wanted us to adopt standards for them, but we can't because the standards are set by Lego. But we said, "Why don't you become a special interest group?" Because we have a big tent.

Whether you're G-scale, whether you're 3-rail. And we don't necessarily have programs that cater to G-scale per se, or 3-rail. We do have standards for both, and that's one of the most important things we do. And we do love them to pieces because they're part of the model railroading picture. But our focus isn't necessarily there. However, as a special interest group, or someone who can use the big umbrella... like we have this room with OPSIG and LDSIG, Civil War people...a whole bunch of others. That is terrific. And we've had a few join us. Like N-Trak is now a SIG, special interest group. Modular N-scale. So that's something I want to emphasize.

There's a lot we can do and new technology is one of the most exciting things. And you've heard about NMRANet and you don't quite understand what that is. I don't either. I'm trying to do DCC with Brio, so what do I know about NMRANet?

We talked about it today, and really, if you think about it as... let me use a different example. You know what DCC is...Digital Command Control right? Well think of this as LCC...layout command control. LCS. The S if for System. What does that mean? It kind of does what DCC does for your locomotive, it does for the rest of your layout. Turnouts, signals, all that.

That's something we're on top of, the standards, and on top of working with interested groups on technologies. And that will be rolled out officially I think in Portland. But we have adopted standards, and we'll be adopting standards at mid-year to really get that out commercially.

Another technology that we've adopted a standard for recently and is coming to a theater near you sooner than later – Power Onboard. That's what I call it, and I think that's a much better term than “The Dead Rail Society,” which is what it's often called.

What does this mean? That means no matter your scale...and right now it's S, O and above, practically – but it's coming to HO and N soon. That means that everything is contained within the locomotive. The power, the command control, and the radio receiver and the sound. Just like the prototype, your rails are dead, unless you use them for signaling. There is nothing there. No wiring under the layout, theoretically. Maybe turnout control. It's fantastic.

What's stopping that? Size of the battery. Who's controlling that? Out of Silicon Valley where I live, and believe me they've got more money and more people working on it than we'll ever see. Because they want to get [the size of] those batteries down.

And I go to the CES – the consumer electronics show – almost every year, and I see two things that I love. 3-D printers, going from \$800 to maybe \$99.50. If I knew how to computer program I'd love that.

And I see the miniaturization of very powerful batteries, guaranteed to blow up only once on your layout (LAUGHTER). And plates where you can park your locomotive with not even a wire connected and it'll charge up that battery sitting there. Ok, that's happening.

Right now they have the technology. You take a pan, put it on a cool surface with a plate underneath, you walk back, the pan generates the heat. Water boils in about 10 seconds, you pick the pan up, the pan's cold, the thing's cold. Bam. Induction. It's incredible. That is the future of model railroading and we've got to be on top of that. We're going to be. So that's going to revolutionize what we do in model railroading. So that's coming.

INTRODUCTIONS

CHARLIE GETZ: Now let me introduce some of the big-wigs here and some of the small-wigs as well. You can sort out who they are.

Both of our Vice Presidents are here. Dave Thornton is our Vice President of Administration. Gerry Leone is our Vice President Special Projects. We have Mike Bartlett who's our Pacific Director, representing Australia and places nearby. Kathy Millatt is our Atlantic Director, representing Britain and now Europe. Pete Magoun,

Central District Director. Fred Headon who is our Canadian Director. (They had a membership meeting of the Canadians today, which was very good.) Di Voss, who is head of Standards and Conformance. Joe Gelmini, our Eastern Director. Allen Pollock, who is our interim ALNAD Director. Mike Yurgec who was elected, due to work commitments had to resign. Allen, former NMRA President graciously stepped in. Mike Brestel, who is At-Large Worldwide Director. And Frank Koch, who's our CFO, Treasurer...he'd be happy to answer any financial questions. I'll comment on that in a minute. And Ben Sevier, our IT guru...fantastic work he's done. Bob Amsler, who's both Meetings and Train Shows and legal counsel. And Ray deBlieck is also part of part of Bob's staff.

If you haven't seen the new website, it's a work of love. And there's how many? 200 pages or something?

Ben Sevier (IT Manager): 2000 pages.

CHARLIE GETZ: 2000 pages. (SEVERAL JOKES). And we have a couple of co-chairs for the Orlando convention in 2017. If you feel like anything Disney, go there. I'm going. I think that's all I have.

There are a couple of questions that came up on our meet and greet I'm just going to mention some that were asked just so you know.

INTERNATIONAL GROWTH

CHARLIE GETZ: One question: what are we doing to grow internationally?

That is a good question and I'll take three minutes to explain it because, some of this is controversial. I've had a couple of members get in my face and yell at me, because we have international members...not the ones we have existing but new ones proposed.

The growth of the hobby is guaranteed regardless of what we do in this country. I'll tell you why – it's beyond our control. Overseas, people are discovering model railroading like we did in the 50s. In China, formerly Communist China (they just don't know they're not any more...they're the biggest capitalists I've ever met) the Chinese, there's a group called HASEA.com – you can look 'em up but you won't read a thing unless you read Chinese. They have 100,000 members self-identified as model railroaders or railfans. And I'm told by their local English-speaking representative in the San Francisco area that that's about 50/50. 50,000...50,000 people who identify themselves as model railroaders. You know what they're buying? Bachmann. Why? It's owned by Chinese and it's made in China. And about half are American modelers, and half are Chinese outline modelers.

They are trying to learn how to be a model railroader. They came to the NMRA about two years ago, saying "We'd like to become a region." Scared the heck out of me when

I heard that. 50,000 members and become a region all of a sudden? We'd be out-voted. I said "that's a little bit premature."

But we have an agreement with them, and we have a cooperative agreement with them, and the reason they wanted us. Two reasons: "teach us how to be model railroaders, and we want to apply your standards in China. You are the ones that set standards, we have seen those, we want to apply them in China."

So I was very touched by that. And they were serious. There are hobby shops sprouting up in China. There's a brand new rail museum in China. They want to put together trips for NMRA members for places you could not go see without them. Turns out the Minister of Railways is one of their members. So this is very exciting. A lot of potential. 0

I will be meeting with these folks in October – you are not paying for the trip. It's on me because we're going to be there anyway. My wife is Chinese, she's from Hong Kong originally, and she has family there. So we're visiting in October and I'll be meeting with Hasea people, find out what they want. We're taking baby steps.

Just got an email from a fellow a few months ago from a fellow in Singapore. And there's a group there who want to join the NMRA and they want to become a Region or a Division or something. And I'll meet with them in October – same trip – and see what they offer. There are people in Japan who say, "Why don't we have something here?"

So let me tell you, there's a lot of potential overseas. What are we doing? We're encouraging it, but we're taking baby steps, because we really don't want to get in over our heads and get expectations too high. But that's exciting because the average age of the Chinese model railroaders – in their 30s, most speak English, they are professionals, and they very, very much want to learn about this hobby and they look to us to do that.

Standards

CHARLIE GETZ: Now a quick word about standards. Standards is probably the most important thing we do. And we're going to, over the next few years, I hope, make standards more relevant in a way that Consumer Reports does for its products. We set standards and we issue conformance warrants – Di [Voss, head of Standards and Conformance] does that – and we're now going to come up with a self-certification program so manufacturers subject to being checked, can certify that their products meet our standards. Why?

Because when I was a kid we used to see that little "football seal" on packaging. When I was a 16-year-old and didn't have a lot of money, I bought one of those kits just because it had that seal, because I figured, I didn't know what NMRA was, but there was some group out there telling me that this product was going to be good. Well, it

isn't quite what it means, but that's what I took it as. I want to see that back. I mean, that's what we do!

And if something meets our standards, the person who manufactures that, ought to shout that from the rooftop, because that gives them an edge over someone who also manufactures a similar product, that does not meet our standards. Doesn't it? Sure it does.

Think about it – why would you buy a product that won't work with another product you buy. You wouldn't. So that's why I think this is a great marketing tool for them – it's free. And I want to see that pushed, because the more they push that conformance warrant, the more relevant we become to most hobbyists who are not members. That helps everybody.

So think of us as Consumer Reports, fine. Underwriters' Laboratory.... would you buy electrical in the U.S. without a UL listing? No. Your house would burn down. How did that happen? Well, a bunch of insurance companies created Underwriters' Laboratory, it wasn't government. They did it themselves. Well we've done this since 1935.

Before the next question, let me tell you a great story Tony tells about standards. because I hear this all the time. "Well standards anybody can get even if you're not a member. So why should I join the NMRA?" Well, yeah, it's true. We do it for the benefit of the hobby, not for our members.

There was a story Tony said – I don't know if he was there, but I think he was – where he was at an operation session and there was a bunch of non-NMRA who hate the NMRA for whatever happened 28 years ago – you know how it goes. And they were grouching about the NMRA. "Gosh darn NMRA doing this...grumble." And the layout owner, who was a closet NMRA member – he didn't really let people know he was, but he was – finally said, "Enough!!" And he motioned to his whole layout. "None of this would work without the NMRA!"

If you don't believe that, go take your Apple phone and plug it into a Samsung charger. Now in some cases that'll work because there's a universal charger, but the reality is, DCC, all of that stuff, wouldn't necessarily work together if we didn't have standards. The wheels, the couplers...that's why we were created. And that's what we continue to do. Power Onboard, Layout DCC...that kind of technology.

Being inclusive

CHARLIE GETZ: One other question that was asked earlier. What are we doing about being inclusive for all aspects of model railroading? And that's a darned good question.

We have a gentleman here with a RailPass membership...first convention? Brand new NMRA member who's in G scale. And he said to me that when he goes to model railroad things, a lot of people ask him what scale he's in, and he says G or garden rail

whether you want to call it that. And they'd say, that's either not model railroading, or they're down on it or make some disparaging comment like, "You don't belong," "What are you doing here?"

And I don't care if it's N, S, O, TT, whatever it is. It's model railroading, right?

We have to be inclusive in that sense, we really do. Because we're not at a point where we can afford to alienate potential model railroaders or members. If there were a million model railroaders and there was some jerk who came to you and was a pain in the neck, I suppose you could say, "You're not a model railroader. Bug off." But we aren't in that position.

And most of these folks, like this gentleman, who is also a manufacturer by the way, are very nice people, and they have a lot to teach us. He can tell you all about Power Onboard. They perfected that technology. He can tell you how it works, the pros and cons, he can tell you a lot of good stuff. We can tell him a lot of good stuff.

So whether you're a narrow gauger like me, God forbid, or standard gauge Pennsy, Norfolk and Western, operator, not an operator, around the circle around the Christmas tree, it's all model railroading. We have to embrace it. So end of lecture on that, because if we don't do that we're just going to fractionalize into a bunch of meaningless nothings.

Now the most important questions are the ones you have. I've monopolized it long enough, so anybody please, open the floor. Yes, sir?

AUDIENCE QUESTIONS

Attendee: For the conformance, what guarantees penalties for a guy who manufactures it and says, I made new standards, I didn't need to check it 8,000 times.

CHARLIE GETZ: All right, if it's an aberration, then we give him time to correct it, I assume. If it's not an aberration and a willful misstatement, then we are going to take appropriate action (40:47) Initially that would mean a cease and desist letter, do not continue using that, remove it from all advertising. Otherwise there might be a suit if he doesn't. But also we will publicize in our publications and on our net, that this person has not been found as certified. And that threat along should be enough.

You know, if you buy meat...you know how many USDA there are in the country? There are about 6. You know why? Because Swift hires people to self-certify, and the last thing they want to do is have an unannounced, surprise visit from a meat inspector and find out that they don't meet qualifications. That is not good business. They are out of business very quickly.

We don't have quite that clout with model railroad manufacturers. If they see value in

putting our label on their package, they don't want bad advertising saying, "We did this fraudulently or we did this without authorization."

Audience member: What happened with Make a Memory [Build A Memory]?

CHARLIE GETZ: That was such a successful program we had to stop it. (LAUGHTER). Make a Memory...Page Martin, who was a former executive with Disney, and is still on our Marketing staff, due to health issues he's no longer our director, he came up with this idea, for those who don't know about it. A Home Depot, Lowe's introductory kind of lecture from the folks out there, "Come and see how to build a layout."

It was a great idea and then have the media cover it initially as a pilot program and then get some publicity for the NMRA and model railroading. Great idea. Trouble was, it worked so well, that instead of people coordinating through Page, everybody ran off and did their own thing, and started calling Woodland Scenics and Athearn, "Where can I get my free stuff for my Make a Memory project I'm doing in Plotts Flat, Arkansas?" And we started getting calls from manufacturers saying, "Who's Joe Podunk, and why does he want us to send stuff to Arkansas?" And we said, time out, we can't do that.

We ran three of them. One was in Atlanta, and it was spectacular...Piedmont Division did it right. One in Los Angeles, and I think it was Seattle was the third one. And they were all big successes.

Well you know what Home Depot said after that? (They were all in a Home Depot.) Home Depot Corporate said, "We don't think we want you to do it in Home Depot, because we don't see it tying to our products." (LAUGHTER) What? Wire, electrical, lumber...WHAT? So we had to stop.

But it's morphed into something even better. We have two very – one MMR and one soon-to-be MMR – who took this and ran with it in my neck of the woods. And they're doing an N-scale version which is a little more pragmatic and less expensive to put together. And they're doing videos and they're doing a how-to series of clinics, and this will do double-duty – it'll be on our web one day, for beginners, and also for NMRA members. And it'll be something that can be taken around and shown. And they took it to a community college, and they had 30 people in a community college lecture, that had nothing to do with model railroading, and just came in to see it. And two of them signed up as NMRA members, and about 10 of them went out and got train sets, and they're getting into model railroading.

That's what I want to see happen. That's fantastic!

So it's going to morph into something even better. Yes?

Audience member: I'd like to suggest that everybody here has got a middle school a high school in their general vicinity. And I've had really good luck going over and talking

to the principals, and telling them I'd like to put out a little note to people who are interested in railroads, to come to our open house . And I've had 10 or 12 students at every one of our open houses for the last year and a half. And that's a real good resource, to get people to the open house and see what's going on.

CHARLIE GETZ: Please go and do that. That's a great idea. Other questions?

Audience member: Charlie, when I joined 25, 30 years ago, one of the reasons was because I could get a book with the standards and everything in it. I don't see that available –

CHARLIE GETZ: You want to see it today? New website, you go to the Members Only page, it's all there.

Audience member: -- because I wanted to know how to do things right, because I was just getting started.

CHARLIE GETZ: Data sheets are all there, standards are all there – it's in the Members Only page. Standards are on our regular page. But the Data Sheets, which is the book you probably got, because the Standards aren't a book, that's available in the Members Only page. I've checked it the other day and there they are. I love those things.

Ben Sevier (IT Manager): And are being updated.

CHARLIE GETZ: And they're being updated. Yeah. I think the Members Only page is increasingly going to be a value, as we start getting videos, and how-to's, and clinics loaded on in the future. Things where you can sit in your home and actually be educated or attend things, that otherwise often you couldn't unless you happened to be at the convention where that thing was presented. We have a lot of potential, and Ben, our IT chair, is just fantastic with this stuff, and deserves a lot of kudos for that. It's an awful lot of work, with very little praise.

Other questions? And please any complaints, too – I want to hear those.

Audience member: My name is [NAME WITHHELD] I'm from the [NAME WITHHELD] Division. Two or three months ago when there was quite a bit of controversy in the magazine one of the issues was the financing of the organization. And it seemed to me that someone there asked "where's our money? how much do we have?" And it also seemed like there was a little bit of hesitancy on the part of people who run the organization to provide that. So I'd like to know if that has been provided like on the website, and if not, what's the rationale for not providing it?

CHARLIE GETZ: Let me answer that, then Frank [Koch, CFO] can, and Mike [Brestel, former president and At-Large Worldwide Director] certainly knows this as past president. Here's the conundrum we have: Frank, every year, does a budget report like

this, line items, for every department, down to the penny. And we did publish that once in the magazine –

Mike Brestel (At-Large Worldwide Director): More than once.

CHARLIE GETZ: More than once. Every time we did that we got letters out the wazoo, saying, “What are you wasting all that space for all this crap?” So then we thought, let’s do a summary, and that is exactly what the plan is, to do a summary. And so we’re not hiding anything. We’re a not-for-profit.

Mike Brestel: We really couldn’t afford to publish it in the magazine because of the space that it would take. So our plan was to put it on to the Members Only pages of the website and the problem was, at the time, before Ben got involved, we couldn’t get it to work right. We just couldn’t get it to work. I know about as much about computers as Charlie does –

CHARLIE GETZ: Which isn’t much...

Mike Brestel: Ben tells me, and I know he’s right, that we’re going to have it. So you’ll see it there.

CHARLIE GETZ: And before then, we’re going to have a very, very nice summary Frank also does.

Mike Brestel: We also did say, if you want a copy, let us know. And that was available, and very few people asked.

CHARLIE GETZ: Anybody can look at our books – our books are open. Any member can get the material. If they want the written, hard copy, which is really what we can send right now, there’d probably a small charge –

Frank Koch (CFO): No. They’ll get it.

CHARLIE GETZ: We don’t charge? That’s a deal. You can get scratch paper up the wazoo. (LAUGHTER). The other thing that we have to remind you of is that every year or every-other year we have an independent audit done.

Frank Koch: Every year.

CHARLIE GETZ: And we always publish the findings of that audit committee. So I don’t think anybody’s accusing us of embezzlement. It’s just the natural feeling of, “We’d like to know what our financial situation is.” So we understand that. But I can tell you right now, if we put out a summary, someone’s going to say, “What are you hiding?” So you can’t win. And if we put out great detail, someone’s going to say, “Why do you bother me with all this crap?”

*Frank Koch: First I'll say, bullsh*t – not to you – but everything is available, whoever that member is, it's all available. Any time there's a question it's answered.*

Next, it's been published in the magazine, on the web. It goes out with the InfoBlast to all the Region Presidents and all the Division Superintendents. Many share it with their members, but a bunch don't. So we're going to overcome that with a couple of things. One, I've written three articles in the last six months on NMRA economics. All of those are going to be reprinted in the eBulletin in the next couple of months.

Next, Ben and I have been working on a separate section for the CFO of the organization, and on there are going to be six sections. One will be a general introduction, one will be explanations of all the financial terms that we use, and all the financial things that we do.

Next, there will be financial summaries for the last six years, back to 2009, and each one will look just like this (HOLDS UP AN EXAMPLE), and it will have statement of activities for the fiscal year, and the financial position for the fiscal year.

And next there will be all the audit reports with the findings of the audit as well as another report that the auditors write. And all of those are available to anyone who asks.

I have happen to have not seen any of those letters, so I can't answer them.

And then next, there will also be some other things in terms of explanations of all the funds we have. For example, the Life Fund, the Diamond Fund, the Heart of America Fund, the Dean Freitag Industrial Model Award Fund, there's a capital reserve fund. Basically the Board said, "if we need capital projects, the Board doesn't necessarily need to approve those right away, so we're going to set aside a fund...if we need to do some capital improvements, you have the authority to go and do that. "

It will all be available, and it's always been available. I answer probably two questions a month from members on different kinds of economics.

CHARLIE GETZ: I encourage anyone to get a hold of Frank, he's in the book [magazine].

Frank: There's one more point and that is that our annual tax returns, our 990s, which are about 70 pages long, are freely available – they're on the web already. And some people look at them and call me with questions about those. But most members don't care. So, it's there. Yes people have questions, but as Mike said, most don't care. But the answers are there.

Gerry Leone (VP/Special Projects): And in addition, about three or four years ago –

Frank Koch: Oh, Gerry wrote an article.

Gerry Leone: I am to finances the way Charlie is to computers. (LAUGHTER) I grew up and spent 38 years doing words and numbers are way beyond me. But we did an article about 3 or 4 years ago that kind of had a dollar bill, and said, "Where does your dues dollar go?" The plans were going to be that we were going to reprint that –

Frank Koch: It's on the website

Gerry Leone: And it will go on Members Only on the web, and that's for the folks like me who don't get the finance part, but just want to see.

CHARLIE GETZ: And despite his colorful language, I never mind, and I'm sure he doesn't, people asking about the finances.

Frank: Oh no, I love it.

CHARLIE GETZ: What I get a little bit annoyed at is the implication of a lot of the questions that somehow we're hiding the ball...

Frank Koch: One more point to make, Charlie, and that is that...I wrote in an article. The first one I wrote was in December, and went out in the InfoBlast to folks. I also write one on the AP Program that goes out in Gerry's eBulletin. And I wrote one of those in January. Somebody wrote to me the other day that said, "You've never addressed this." And it was in that January article. Turns out they joined the organization in February. The realization to me was, if they didn't see it today or since they joined the organization, it doesn't exist.

CHARLIE GETZ: Ask any editor...I write for the Gazette, if you don't know... and Bob Brown [*Narrow Gauge and Shortline Gazette editor*] is a really nice guy. He's an ex-school teacher. He gets these letters. He does a review of a kit. And he gets a letter saying, "Where can I find out about this manufacturer?" There's an ad for the manufacturer on the next page. (LAUGHTER) And this happens all the time.

Advertisers will tell you – and I'm not picking on you (MEMBER NAME) – but this is a question that a lot of people are interested in. Advertisers will tell you that if you don't repeat something three times prominently, it goes "whoop" over their head.

Frank Koch: There's one more thing that's going to be on the website. In February and July I make a report to the Board on the finances of the NMRA. Those are going to be on the website also. They're in the minutes now...

Audience member: It's just a shame that a lot of these important points weren't in that response letter that somebody sent in. That so-called response in the magazine should have had some of this in it.

CHARLIE GETZ: You're right, and we always can do better. We're not perfect. Pete?

Pete Magoun (Central District Director): Let's get things up to date as long as we're talking about finances and audits and whether or not we're hiding stuff and this and that. We had a Board meeting last weekend. At the Board meeting we received and accepted a report of the audit committee which had received the report of the auditors. And they have what they call a Report of the Audit. And that says, basically, that they audited things, they asked the questions they needed to ask in order to find out whether we're doing things properly. And they found nothing that they didn't expect to find, nothing that they didn't like. Now that's the public letter. It's a very clean response, and a (quote) "clean audit" is a good thing. That's what you want all the time.

The second thing they sent us was a management letter. And that's the letter that goes to the organization management that says, "Guys, we looked at the stuff, and yeah, you're doing things clean. But we're a little concerned on how this or this are being handled, because the Feds are going to change something, or we're going to have to ask about this later on, or whatever. And there was none of that. That was clean, too.

CHARLIE GETZ: We're doing pretty good for a small 501(c)(3).

Pete Magoun: So the good news is that Frank and Jenny have done a whale of a job keeping our money. And yeah, part of that's mine, too – our money working for us.

Frank Koch: But to the point he raised, you're entirely right. We could do better at sharing more information. And we will be doing that.

Allen Pollock (interim At-Large North America Director): I just want to make a point that, if you've got a question about this organization, take a minute to go to the masthead and find Financial, and contact Frank. When I was president, I got contacted about finances all the time, and I'm challenged by my own checkbook. (LAUGHTER) But I would contact Tom Draper and Frank.

But the real point I want to make is that everybody from Charlie on down, with the exception of Jenny and her staff at the home office, are volunteers.

There was a letter to the editors in the magazine complaining about, he had tried to contact Frank at some time period. And Frank had just lost his mother. So he was off-line for 3 or 4 days or a week or whatever that time was. And people have to take that into account before they complain about not getting any response.

Dave Thornton (Vice-President/Administration) Since I first joined the Board 14 years ago, first as a Regional Trustee, then as a Director, and as Vice President since 2010, I've gone to dozens of Division meetings and 18 Region conventions, and at 16 of those Region conventions, I had a binder about this thick [approx.. 3"]... with all the minutes of the Board meetings, and all the financial reports. And I've made it available to anybody who wants to look at the finances, I have them, I'll show them to you. Nobody ever

asked. Interesting, though, people were interested at looking at the demographic data. I was out in the field and no one wanted to see it.

CHARLIE GETZ: Obviously the point is, if one member has a valid question and they want an answer that's deserving of an answer with respect. Yes sir, in the back.

Audience member: This is an easy question with an easy answer. What is the general financial condition of the organization right now?

CHARLIE GETZ: Strong as it's ever been in history, I think.

Frank Koch: Be a little bit more specific. As Charlie said, it's very, very strong.

Audience member: That's good enough right there for me.

CHARLIE GETZ: No, it is.

Frank Koch: We have \$2.4 million in assets, and our free cash, if you will, unrestricted, unreserved, operation money, is about \$900,000. Our investments are, at market, as of June 30, our investments were worth \$1.9 million.

Dave Thornton: You might want to mention our liabilities. Why do we need all that money?

Frank: Why do we need all that money? A whole bunch of things. In our assets are the money that's been collected for future conventions, future Train Shows. We have to have that money in the future, so we can't spend it this year. The Life Fund. We took all this money in –

CHARLIE GETZ: How many Life Members here? How are you all feeling?
(LAUGHTER)

Frank Koch: Life members are about 15% of our members, so it's still a very large number. About 3100. But we took all that money in years and years and years ago. And we have this obligation until you all pass. So we have to support...basically, the Life Fund pays... I take it out of the Life Fund and put it into the dues, if you will. So I can't spend all that money, I have to keep it so it's all in the reserve fund. The Diamond Club. We said we wouldn't comingle money between the NMRA...we wouldn't use dues money for the Diamond Club. So that's a separate fund.

CHARLIE GETZ: That's the same with the Museum.

Frank Koch: The Museum has over \$297,000, plus another \$270,000 in pledges. So that money is in the assets, but that's a liability. The NMRA can't spend that, because we said it's only for that. There are five or six other things that we have. Heart of America Fund, which is Mid-Continent Region, about 10 years ago, gave us three

donations worth a total of \$40,000, NMRA put \$10,000 with it, so it's a pool of \$50,000. We have to reserve that, because that's only to be used to underwrite the cost of fundraising projects.

So if I take \$5,000 down to reprint a book, the first \$5,000 in sales has to go back into the fund. It's a loan from those three.

CHARLIE GETZ: See why we don't print this in detail?

Frank Koch: But there'll be explanations of all this. We're in great shape we have these liabilities which is why we don't have... all these assets aren't free money, if you will.

CHARLIE GETZ: But we are, bottom line, we're in the best shape we've been in in a long time. And we can finally with a straight face say that Life Members can be supported with reasonable expectation.

By the way, if you are a Life Member, we do value you. I'm one, too. But if you're going to die, please let us know, so we can make arrangements. (LAUGHTER). Yes sir?

Audience member: I'd just like to make a couple of comments. I share the concerns with the people who wrote in about finding the information. And I didn't quite frankly... I've been a member for a long time. And quite frankly I didn't know where to go and who to contact. So I have a lot of sympathy for those concerns. In this day and age where an awful lot of people are doing stuff and it's not very transparent, starting with the Federal government, and we're not going to talk about that. But I think it's just great to get that information out on the website, on the Members Only, and have it clear as to where do you go to get the tax, to look at the tax return, and where do you go directly with your question. I know that Frank's the treasurer, but I really didn't put it together in my own mind...

CHARLIE GETZ: We need to do what Allen said – and your point is well-taken – is make it more clear to the members about who to get hold of for what question. I'm the default person. What I do is forward to the person that knows, and let the member know by a cc: that I'm doing that. But that's a good point.

Audience member: I'm going to be interested in going a page or down below his overall summary page, because –

Frank Koch: That's as far as you'll get, the summary. That's all that's required.

CHARLIE GETZ: But if you want to get more detail, contact headquarters –

Audience member: You just talked about half-a-dozen different funds ---

Frank Koch: Oh, we'll talk about those. We won't talk about the detail in those funds.

Audience member: Well, why not? I've done a lot of finance, I've run millions of dollars in budgets in my career, and the summary doesn't necessarily tell the story. Just as you just said, and I know this is your area, and I'm sure I have expectations that you're doing it right and it's all above board, but if you've got different funds that have liabilities and restrictions, that needs to be apparent and available for somebody to be able to ask about it and understand.

CHARLIE GETZ: That's what we're talking about.

Audience member: What's the real cash flow and what's the year over year comparison? What direction are the separate parts going?

Frank Koch: That'll all be there.

Audience member: Ok, that's great.

Frank Koch: But line item budgets, no. We won't have line item budgets. You won't have access to that. This is a corporation, not a club. Corporations don't provide that level of detail.

CHARLIE GETZ: Even non-profits.

Frank Koch: Even non-profits.

CHARLIE GETZ: But the stuff you need to know, the bottom line, the detail of the funds... but things like how much are we spending on paper clips –

Frank Koch: Or salaries...

Audience member: Yeah, I wouldn't expect to have that...

CHARLIE GETZ: So you're talking the same language. Yes sir?

Audience member: The comment I would make is, members who don't know where to go...like one member said he didn't connect our CFO... one of the things that members should always remember to do is pick up the line and call Chattanooga and ask one of the employees there. And they can direct you to the proper person.

CHARLIE GETZ: And if you don't know, ask me. Ask me. Or if you have a question, come to me. I try to be...I hope you get my little editorials, that I'm trying to be as open and transparent as I can, because I believe in that. We don't have anything to hide. Pass the word: if anybody has a question and they're not sure who to ask, write to me and I'll get them in touch with the right person if I don't know the answer. Sometimes I know...which is scary! And I'm happy to do it. I've got nothing to hide.

Now there's a level of detail that becomes annoying, and I think that's where we're getting into the discussion here. You know, if you get into the weeds about how much for the paperclips in 2005...you know, please. We don't have time for that. He's a volunteer, I'm a volunteer. Is there a reason for that, other than you think we're taking paperclips home in our pockets? (LAUGHTER) So that's the kind of thing we're hedging over. Mr. Amsler, our attorney.

Bob Amsler (NMRA Legal Counsel): I just want to say we currently are in full compliance of the IRS regulations with regards to the disclosure of our financials. And we will continue to be in full compliance with the IRS.

CHARLIE GETZ: But we can't go much beyond compliance with the IRS. Why? Because of the time-sucking that it takes. So, we're not trying to hide anything. We'll do what we have to do. The same is true of Red Cross, Goodwill, and anyone else. You're not going to get that kind of stuff from them, either. We're not trying to act like we're worse than them.

Yes, sir?

Audience member: A couple of times back we talked about the reincorporating.

CHARLIE GETZ: Yes. Don't have to do it. We don't think we have to do that. (1:07:03). Let me explain what that means.

He asked about reincorporating the NMRA. We are an Ohio not-for-profit corporation, and a registered not-for-profit charity, if you want to call it an educational not-for-profit with the Internal Revenue Service of the United States government. We looked at changing to Missouri because Missouri had better corporate laws.

I'm a reformed lawyer, I'm retired now. I'm in the process of getting my reputation back. (LAUGHTER) Actually I was a government lawyer, so I consider myself one of the good guys, but many of you won't, but that's OK, too. (LAUGHTER) If you know about corporations, you hear, "That's a Delaware corporation," that's because Delaware has very good laws in certain things that are in corporate favor.

Well for non-profits, Missouri had some darned good laws, and Ohio had some pretty crappy laws. Well guess what? Ohio woke up and said, "We're going to lose the NMRA, and they changed their laws!" (BIG LAUGHTER). So now they're really good, and so our attorney said, "Well thank you, Ohio," so I think we're going to stay. Which really speeds up the IRS vertical integration thing. So that's the good news.

Yes, sir?

Audience member: One follow-up question on that. I can go into more detail with Bob or Frank afterward. With the vertical integration, explain why is every Division and Region keeping a separate EIN?

CHARLIE GETZ: Because we don't want to be responsible, and you don't want to give us control over your finances, so they're under our EIN. That's why. So you have your own identity and can control your own destiny. It's in your advantage to do this. If it's our EIN, we're going to have to manage your finances. We don't want that and you don't want that. Bob?

Bob Amsler (NMRA Legal Counsel): The way this works with the IRS is, subordinate Regions and Divisions will have to re-identify themselves and then they're going to get an EIN number. But the first part of the EIN number is going to be the exact same as the NMRA's. That's how they know you're a subordinate unit.

CHARLIE GETZ: You're basically under our 501(c)(3).

Bob Amsler: Right. But then the last few digits we're going to assign to you as the Regions and Divisions come under our umbrella. So you will have a separate EIN, but by looking at it, they'll know you're part of us.

CHARLIE GETZ: Red Cross has chapters, same thing.

Audience member: The reason I was asking is, being a former Treasurer of a Region, although I agree with Frank that it's really simple to do the 990 form online, we managed to screw it up. We did it. And it's been two years trying to get...I filed it twice, they lost it twice, it's been awful. And I thought that we were going to be one umbrella and all we'd have to do is report numbers to Chattanooga.

CHARLIE GETZ: We don't want to do your work, but thank you. Basically remember, the good outweighs the bad. The bad is a form you have to get right once a year. That isn't really that hard once you figure it out, and I know you will.

The good is that it opens up a world of possibilities you don't even realize yet, because you've never been that. That's the good. It'll help your members, too. If they want to give you something, they get a tax benefit. And that might make a big difference to them. When I do estate counseling, and I'm not practicing law here and doing this, one of the options that I tell people – and I'm not pushing the NMRA – one of the options I tell people is that you can sell your stuff, and you can get, if you're really lucky if it isn't eBay and somebody has a crazy reaction to what you're selling – you can probably expect to get 50%, maybe 40 to 60 to 70%, if you're really good at it.

But if you donate it the IRS rules give you a lot bigger bounce if you take deductions. So you might want to think about that as an option. Especially for stuff you really couldn't sell. But there's all sorts of different rules about how you do that valuation.

So there's a lot of advantages, and we're going to let it all sort out. That's why we're trying to do this test, to see what the pratfalls are, so we can tell people. But we're

going to make it as painless as we can, and make it work, because we are one organization, and always have been. Yes?

Frank Koch: There's another piece to that, and that is, that even though the Regions and Divisions will be under our umbrella EIN, they are still independently responsible to the IRS. Bob?

Bob Amsler: Yes, that's why about 10 years ago we looked at vertical integration and my advice to the Board at that time was don't do it. Because the old way was that we had to report on all of you guys. How do we hear about a Division in Western Wyoming who changes their Superintendent? We don't know all the officers and the money so we didn't do it. Now we're going to do it because you will now fill out a little postcard. When they say postcard, they mean it's a postcard, with 3, 4, or 5 questions and send it in.

Frank Koch: Unless the gross receipts are more than \$50,000. Then they have to follow 990.

CHARLIE GETZ: Question back here?

Audience member: I forgot one thing to tell you when I was talking, and I wanted to say kudos again for that RailPass thing, because it's a great thing, because it's a great thing. I hope you keep it. What I wanted to say when I was talking about getting your high school and middle school to come to your open houses. Once you see a kid that's going to come once or twice or three time and shows some promise, pay for his RailPass. It doesn't cost you anything, but it's going to get you a new member. I paid for dues in our garden railroad club, half a dozen times a year.

CHARLIE GETZ: And we're going to be doing a big push with people like the Lieses who are excellent, people in Lone Star, who are great at member retention. We're going to do a coordinated effort to try to give some assistance to Regions and Divisions, to try to keep members happy and keep them in the house.

You know, we do a great job of recruitment -- all of you do -- if we kept all of our members, we would double in about 5 years. Maybe 3 years. We lose slightly more members a year, sometimes through death, sadly, than we recruit. But not a lot. That's how good our recruitment is. So a lot of people are coming in the door but not staying. You know what the number one complaint is? "I joined and I never heard from anybody." That's the Division level. I'm not blasting Divisions, but it's a personality thing.

Some of you Divisions -- and I'll use the Coast Division, that's mine in the PCR -- we get together four times a year, and I only see those folks every three or four months, so what's my natural inclination? Gravitare over to old Bob and Fred and say, "Hey, how are you guys doing?"

And some Chester walks in the door, I've never seen from Adam, you know, a young punk in his 40s (LAUGHTER), am I going to go over and not spend time with Bob and Fred and spend time with them, and go over and massage Chester? Probably not? And that's the problem. Chester then feels as an outcast, unwanted, untouched, unloved. Some people will introduce the newbies, and they'll wave their hand and say, "Hey, welcome!" And they'll go back to their discussion.

So we've got to change. We've got to realize that that newbie is our future. That newbie is the new Ahearn product. That newbie is the magazine not going out of business. That newbie is a hobby not imploding. That newbie needs to be brought into the fold. And you'd be surprised, that newbie can be your best friend in the future. That may be going too far, but that's the point. So that's something we're really going to be working on with all of our members in the future, because that's the only way to get this hobby going. Yes, sir?

Audience member: Do Divisions get notified of new members?

CHARLIE GETZ: Yes they do. Every month. You know a lot of Division membership people run with it and a lot of them don't.

Audience member: Wait wait wait wait wait. That's not happening in my Region.

CHARLIE GETZ: There's something bottling up at some level, because it's going out.

Ben Sevier (IT Manager): It's going to the Regions, it's not going to anybody else.

Frank Koch (CFO): The Regions get it, and they're supposed to be sending it out to the Divisions.

Audience member: It's not happening.

CHARLIE GETZ: Then call your Region and say, "Where's my damned report?"

Audience member: I tried that.

CHARLIE GETZ: Then you tell me who he is and we'll make sure it's changed.

Audience member: I have one last question about vertical integration. What's the timetable for this?

CHARLIE GETZ: Bob?

Bob Amsler (NMRA Legal Counsel): I can't tell you. I'm just being honest. We're going to do these tests...3 Regions and a Division, and we'll see how long it takes for them and see what the pratfalls are, and we'll make sure to try to avoid those for you. The other thing you guys have to realize is this is going through the Cincinnati IRS... for

those of you who don't recognize what that means, that's the specific office under fire right now for doing illegal things in regards to charities.

CHARLIE GETZ: Yes sir? We'll break this up in a minute so it doesn't go on forever.

Audience member: What does that mean to the Canadian and Pacific...?

CHARLIE GETZ: Well it doesn't really have an impact on Canadian and Pacific, but it doesn't adversely affect them. But they have different rules and different laws. In fact, there's a funny joke about a kid going on his first trip over to France, and saying, "Geez, the kids in France are so much smarter than Americans. Why? Well they have a different word for everything."

It's kind of the same here – they have a different law for everything. So it doesn't hurt them, but it doesn't necessarily help. It's just neutral. And that includes Canada.

And by the way, our president NMRA Canada was in the room earlier, and I guess he took off. Clark was here. And Bob Blake is here – EduTrain, if you haven't heard about that, it's fantastic. He's been working on that.

One other question and then we'll call it quits.

Audience member: With regard to insurance coverage of Division and Regional activity, such as tours and conventions...I understand the need for saying they're intended to be for members, but I wonder if we can find some way to say "Members and their immediate families. Wives and minor children."

Mike Brestel (At-Large Worldwide Director): Do you mean attendees at a convention or attendees...

Audience member: Yes. In the case of Divisions, it may be a tour to someplace, be it a Division function...

Mike Brestel: Ok, Bob, do you want to do that?

Bob Amsler: Do you mean they're working or just there visiting?

Audience member: Like a layout tour.

Mike Brestel: So you're talking about a Division layout tour, and are you talking about the layouts that are on the tour?

Audience member: We can't have our spouses go along unless their NMRA members.

Bob Amsler: No. Let me explain this real quick because it appears that whoever told you this does not understand the way the insurance works. It's insurance like you

would have for your home or your car. The NMRA has liability insurance that covers the Divisions, the Regions, the National NMRA, 100% Clubs, when they are engaged in their activity. So, just like your house or your car, if someone hits you or something, they've got insurance.

So, we've only had, in my 12 years now as the Association's attorney, we've only had one lawsuit, and that involved an individual at a train show in Chicago. It was a Division train show, and one of those huge steel doors that's supposed to stay up, came down. And so he ended up suing the city, which owned the place, the municipality, and the NMRA.

So what it does is that insurance protects the Division and the Division members from lawsuits. So that's what that's there for. So it's there to protect you when you're holding a function. And it isn't going to help your wife or your kids, unless they're working at it. If they just happen to be in attendance, that insurance isn't for them at all. If it's for an attendee, they're not going to get insurance if they get hit by a steel door. It's the Division that's protected. It's you and your wallet that are protected by that insurance. It's not like they can go to health care and say "I got hit and the NMRA insurance is going to take care of it."

CHARLIE GETZ: It isn't personal insurance, it protects the NMRA and it's entities...the organization.

Mike Brestel: There is one thing...you mentioned like, if it's a layout tour, and you're going to members' houses to see their layouts, if somebody slips and falls and hurts themselves going into that person's layout, or they're in the layout and they whack their head so hard that they get a big cut or something like that, if it's a member of the NMRA who owns the layout, the NMRA insurance will apply in addition to their homeowner's insurance. But, if they're not an NMRA member, then the NMRA insurance will not apply and it's strictly whatever homeowner's insurance they have. And that's why on the insurance pages on the web, there's a form there for non-NMRA layout owners to sign saying that I understand that NMRA insurance is not available to me in case something happens in my house. Ok?

CHARLIE GETZ: Does that answer your question?

Audience member: It recasts it...certainly there's been a serious misunderstanding.

CHARLIE GETZ: But if you have any questions...

Mike Brestel: I'd be interested in talking to you afterwards.

Audience member: We'd have to shut down if we couldn't have anybody come to...

CHARLIE GETZ: Remember any insurance policy protects the organization issuing the policy, and that's the purpose of it – to protect your dues money and all that. It's not to

protect the participant who should have their own insurance for activities they're involved with. Or a bus company. For example if you're on a layout tour, the bus company will have its own insurance.

Mike Brestel: If you take a bus to the layout tour, if you're running buses, our insurance doesn't cover those buses. That's up to the bus company. They have to have their own insurance.

CHARLIE GETZ: If you fall down the escalator here, who do you think is ultimately responsible? The NMRA? No. It'd be the convention center, unless it's your own negligence. But that gets very complex and that's why, god forbid, there are lawyers out there. (LAUGHTER).

One last question, and then everybody's probably had enough.

Audience member: I think we need to take a fresh look at safety within the NMRA, especially tours. I'm serious.

Frank Koch (CFO): In what respect?

Audience member: I'll tell you in just a minute. I worked for CSX my whole career, and some other railroads. For me to go on the railroad track close to the right of way, I had to annually requalify on the rules. And for me to approach the track, I had to have some kind of on-track safety in effect. And we talk about prototype operation, except for our president (LAUGHTER), we need to have a prototype approach to safety, any time we're near the operating railroad. And you don't know if it's an operating railroad or not, and it's for three reasons. The selfish reason is for yourself, the individual. The second reason is for the example that we set for others. The third reason is if we hope to continue to have good prototype access tours, we have got to show, as an organization, we have the internal discipline to deliver people at a tour that are safety-aware and are not going to misbehave in that situation.

CHARLIE GETZ: It's tough to control people sometimes. But that's a very good point.

And let me end on this point, because of my famous operations column. And I figured out why I don't get operations as well as some of you, and that is because I am very, very challenged, and I admit that. And here's the challenge. Tony Koester told me, berated me for my column before I wrote it because he saw a draft and he was giving me a hard time, saying, for him, operations means his railroad comes alive.

I understand that. And that it's like recreating a day on the Nickel Plate. And I took umbrage with that, and said, "No you're not recreating a day on the Nickel Plate and I'll tell you why. You don't have a 300- or 600-ton engine that can run over your foot if you make the wrong move. And if you make the wrong move, you're not going to get fired. So you're not operating like the real railroad." Those are the two motivating factors in most operations of real railroads: don't get killed, and don't get in trouble.

Well that isn't happening on a model railroad where it's very hard to do that, unless you stick your finger in the socket.

But here's what all elevates operators above my puny level. When you go to see a movie...Arnold Schwarzenegger, right? You suspend disbelief to get into that movie, don't you? You really get into that, and the guys with the gun with 600,000 bullets, and never has to reload, never goes potty, never eats. None of that...it goes WHOOP! (GESTURES OVER HIS HEAD), because you're really into that movie.

That's what operators do. And I can't do that. They go into someone's basement with their cute little toy trains – I'm using that term but they aren't really – their beautiful layout, and there's a dispatcher sitting right there, and there's somebody else over here, and they're talking to the dispatcher either in person or...and they're getting the forms, and for them this is a real railroad and they're moving that freight on a real timetable, and consequences will flow if they don't.

What are they doing? They're suspending disbelief as to where they are. That's what they're doing. If you're a good operator, you have to admit that's what you do – you really get into the moment. And that's what everybody's told me that does serious operation. "Boy, it's refreshing, it's wonderful, and I have to do this."

I have a hell of a time doing that. I look down and I see the person over there and he's giving me this thing and he looks so serious, and I have to start giggling because he's right over there. (LAUGHTER) So that's my problem, not yours. So that's why operations gives me a headache.

Anyway, thanks for coming. I'm very excited about the NMRA. I think we have a lot of places to go, a lot of great places awaiting us. The hobby is getting better not worse. And we have to share it with more of the world.

I really appreciate your coming out. (APPLAUSE)