who

what

where

when

why

how

American Jersey Cattle Association
National All-Jersey Inc.
All-Jersey Sales Corporation

1999 Annual Report

Whether you milk 10, 100 or 1,000 Jersey cows, there's one place to go to find the answers.

> I have a question about registrations. We would like to have all the registration papers in one name, preferably the farm name, since that reflects the fact that we all work together on the farm. Is it possible to do this, and if so, how do we do this?

When you have questions, the American Jersey Cattle Association, National All-Jersey Inc., and Jersey Marketing Service have what you need—answers.

Founded in 1868, the American Jersey Cattle Association is the oldest of the dairy breed registry associations in the United States. From its very beginning, it has focused upon gathering, assembling and then distributing information that is used by all Jersey owners to take the greatest profits from their herds. In the 132 years since, the AJCA has built upon its central function—identification—to provide an array of programs and services that can be accessed by every possible means of communication.

> I am emailing to find out if you have a website where we could go online to transfer papers and use a credit card for payment. Please email information back.

Everyone is trying to do more, on their own schedule and taking less time to do it. When you have a question—even if it's at 11:00 on a Friday evening—the Internet provides a fast, convenient pipeline through which you can ask that question of someone in the Jersey office. More importantly, however, the Internet is quickly becoming the backbone for providing the AJCA's key services to you. *infoJersey.com*, introduced on April 1, 1999, gives you access to registration, transfers, performance information and genetic evaluations 24 hours a day, 7 days a week. More than 15% of 1999 registrations were submitted by breeders using *infoJersey.com*.

> I'm a milk tester in western New York. DHIPlus Provo in Utah gave me your address in the hopes that you might be able to help me find a Jersey Sire Code or Registration number. The bull is a young sire and his full name is . . .

The ability to find answers to questions like this one demonstrate the power Jersey breeders have by going to the AJCA-NAJ website at *www.USJersey.com*. From this one site, breeders can find their way to not only *infoJersey.com* and the valuable pedigree information available from Official Performance Pedigrees and the Performance-Progeny reports, but also important industry resources like the USDA's Animal Improvement Programs Laboratory (AIPL) and the Dairy Programs division of USDA's Agricultural Marketing Service (AMS).

> I am looking for building specifications for Jerseys such as free stall size, cross over width, alley width, waterer height, recommended over stocking rate, locking stanchion size, etc. Do you know of any good resources?

USJersey.com delivers this kind of information, and much more. Reference articles based upon studies funded by the Research Foundation are now being archived on the website, as are *Jersey Journal* features like the ongoing environmental issues series, the recent stories on hoof health and BVD-PI, and timeless pieces on Equity in milk pricing, true protein vs. total protein, and genetic abnormalities in the Jersey breed. This reference library will only grow in the years to come.

> Please send me information on your Jersey Expansion for females born from non-Jersey dams sired by Registered Jersey bulls. Do I use the same forms as I would use for an Original Animal? Are there special forms?

USJersey.com is fast becoming the authoritative collection of basic information about the AJCA, NAJ and JMS programs and services, taking the venerable *Jersey Handbook* into the technological age. It also provides everything from instructions and application forms for all animal identification programs (Herd Register, Genetic Recovery, Jersey Expansion), to information and applications for AJCA performance programs, type traits appraisal, and REAP, of course. Anyone with Internet access can go to the website and print off the forms they desire, including the Jersey staff. In the field, AJCA-NAJ Area Representatives don't have to wait for forms to be mailed from the headquarters office. And in Reynoldsburg, staff are able to print forms and other materials on an as-needed basis to send to people who request them. That's helping the Jersey organizations control printing costs and to provide better service to all Jersey breeders, whether they have Internet access or not.

> We are starting a commercial dairy, and we will use either Jersey or Holstein cattle. We are leaning towards Jerseys. Any information you can send, which lists the positives of Jersey cattle, would be very helpful in our decision.

Key statistics about Registered Jerseys, their characteristics, and their performance is at everyone's fingertips on *USJersey.com*. That has made it easier, and much quicker, to respond to international requests:

> Presently we are organizing an Association of Jersey in Bulgaria. In this connection, the materials treating the organization of your Association and the breeding organization in particular (e.g. the size of herds, productivity, the assessment of the reproductive value, the breeding herd book, etc.) would be of a special importance to us.

and in helping folks of any age:

> I have obtained all the information I needed for my assignment. Then I found your website and I'm very glad I did. I think that it will lift my grade from an A to A+, and I thank you very much.

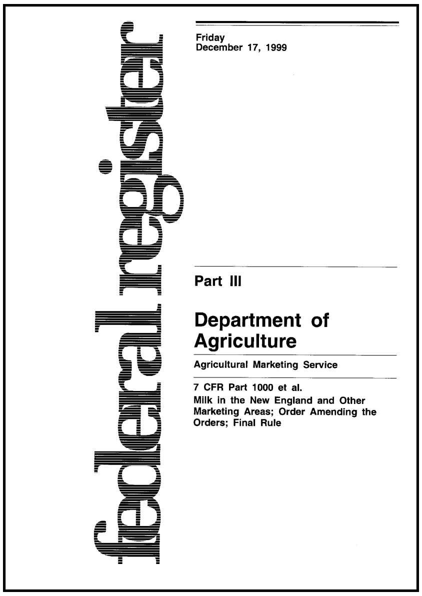
> Someone told me about your Jersey Directory which lists Jersey farms across the nation. Could you send me this directory or information on how to obtain it?

At last, a directory of Jersey breeders on the Internet. *JerseyDirectory.com* made its debut last February. It is an important promotion and marketing tool for Jersey operations, and a key element in developing contacts not only in the United States, but in every spot across the globe.

The Internet is just one of the options, however, for providing service to Jersey owners. That's best demonstrated by the range of options for registering cattle. *infoJersey.com* and paper applications have already been mentioned. The AJCA also provides the preprinted TimeSaver forms on a quarterly schedule. And, the new WinReg 1.1 is a Windows-based program that can do most of the work for you if you have dairy management software packages like DairyComp 305 and PCDART.

For some things, you just need to talk to someone. Every person working for the Jersey organizations makes it a point to answer your calls, to listen to your needs, and then to follow up. It's important to us to serve you better. And, we understand that the experts in improving our current programs and services, and in creating the programs and services of the future, are the people who use them—you. The phone number is 614.861.3636.

1999 was an outstanding and pivotal year.


federal register

Friday
December 17, 1999

Part III

Department of Agriculture

Agricultural Marketing Service

7 CFR Part 1000 et al.
Milk in the New England and Other Marketing Areas; Order Amending the Orders; Final Rule

For Jersey herd owners, 1999 was one of the most prosperous times during the past 50 years. The only other time that would come close is the late 1960s and early '70s, which was the heyday of the All-Jersey® fluid milk program. The overall average Jersey milk price during 1999—thanks to equitable milk pricing and unbelievable fat prices—was the one of the highest in history. Those high milk prices, which produced the largest price advantage for Jersey milk over average milk in history, also produced a tremendous demand for the Jersey cow. The demand exceeded the supply, and most of this demand came from dairy producers milking other breeds.

1999 was also a pivotal year. When the next chronicle of the U.S. dairy industry is written, January 1, 2000 will need to be recorded as one of the most significant dates in its history. January 1 was the day when 85% of the Federal Milk Marketing Order Program implemented an equitable multiple component pricing (MCP) plan.

For Jersey producers, the economic impact of equitable pricing is considerable. Average Jersey milk is valued at an average of $1.50 per hundredweight over what it was worth under skim-fat pricing. This means an additional $210 per cow per lactation, $21,000 per per operation (for a 100-cow herd), and almost an additional $60 million annually for the entire Jersey breed.

The Jersey organizations—through National All-Jersey's Equity Program—have aggressively promoted the nationwide adoption of equitable milk pricing since June of 1976. It has been a long, gradual and sometimes arduous process. Equitable milk pricing did not come overnight. It came one truckload of Jersey milk, one plant, one cooperative, then finally one Federal Order at time.

Because equitable pricing has come gradually, many people do not understand and appreciate the significant impact of equitable milk pricing for the Jersey breed and the U.S. dairy industry, nor the significant role that the Equity Program played in making this happen. A small group of people—Equity Investors—with a relatively small budget brought forth a revolution in the nation's milk payment system. The Equity Program has done what many said could not be done. It changed a milk pricing plan that had been in place for over 50 years.

The Jersey breed will forever be indebted to previous and current Equity financial supporters who, from 1976 through the end of 1999, have invested $3,851,723. These are the people who made equitable milk pricing happen.

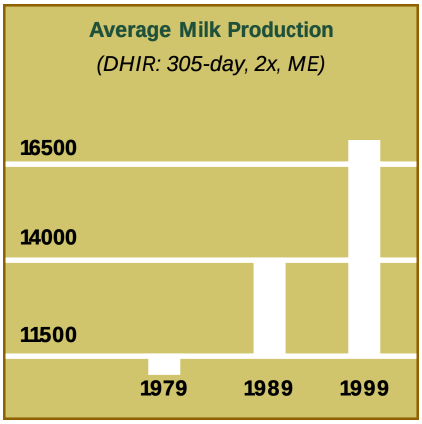
For all the advantages it brings to Jersey producers, equitable milk pricing provides even greater benefits to the entire dairy industry. Equitable milk pricing gives all dairy producers the incentive to breed, feed, and manage their herds over the long term to increase production of milk components in greatest demand and therefore of the greatest value. This supplies processors and manufacturers with the kind of milk they need to provide consumers with high-quality dairy products at the best possible value. The bottom line is a more prosperous dairy industry, and one that is responsive to the customer.

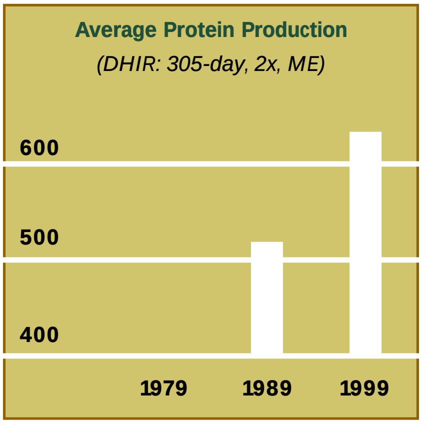
If the Jersey organizations had done nothing other than promote equitable milk pricing since 1976 to improve the livelihood of its members and improve the profitability of the Jersey cow, their existence would have been more than justified.

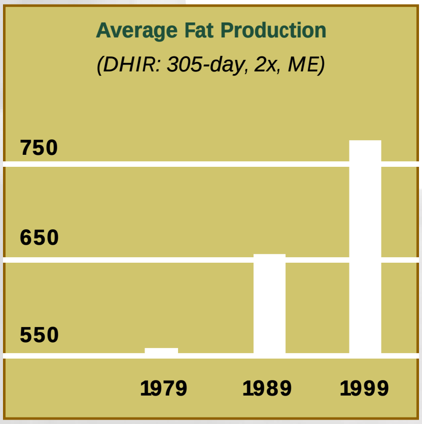
MCP in the Federal Orders is not the end, however, but rather a starting point for the American Jersey Cattle Association and National All-Jersey in the 21st Century.

There is surging interest in Jerseys and it is coming from people who have never worked with a Jersey cow before in their lives. There are opportunities for developing new and more profitable markets that capitalize on the exceptional qualities of Jersey milk. The AJCA and NAJ are more relevant to and needed by the dairy business owner than ever before, because the organizations focus clearly and directly upon:

- Providing programs and services that increase profitable milk production;
- Providing programs and services that increase the value of and demand for Jersey milk and Jersey cattle; and
- Developing programs and services that reach out and attract new people to the Jersey organizations and serve their unique needs.







Every indicator of breed performance was outstanding for 1999.

1999 ended with all-time records for production, new individual Champion producers for milk and fat, and the highest ever public auction average for U.S. Jerseys.

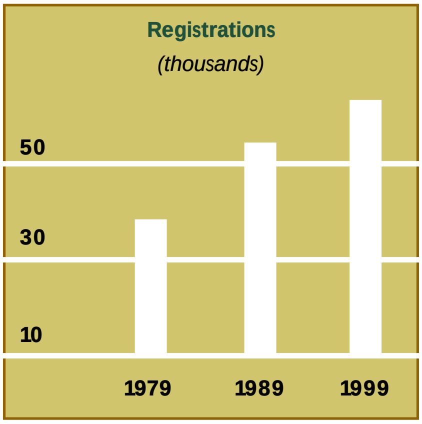
The AJCA processed 54,560 DHIR lactation records averaging 16,977 lbs. milk, 776 lbs. fat, 633 lbs. protein, and 2,059 lbs. cheese yield (305-day, 2x mature equivalent basis). These figures exceed the previous year's records by 136 lbs. milk, 5 lbs. fat and 14 lbs. protein. The greatest increase was in protein production, which was 2.3% higher than in 1998. The protein to fat ratio in Jersey milk improved to 0.82, from 0.80.

Golden MBSB of Twin Haven-ET, owned by David Franzer, Coldwater, Ohio, and bred by WF/L&M Jerseys, Clearbrook, Va., became the new U.S. National and World Fat Production Champion on her second lactation. In 305 days, she produced 2,084 lbs. fat, the first time in history that a Jersey cow has produced over 2,000 lbs. fat in a single lactation. She completed the record in 365 days with 2,421 lbs. fat, and now ranks second for protein production (1,424 lbs.) and tenth for milk (34,880 lbs.) on the list of all-time U.S. Jersey production leaders.

Queen-Acres Specialist Lydia became the new U.S. National Milk Champion with a 365-day record of 38,570 lbs. milk (3x). Bred and owned by James L. and Sharon L. Osborn, Keymar, Md., "Lydia" is the youngest cow in the history of AJCA production testing to earn this title. In addition, she ranks seventh for protein (1,343 lbs.) and ninth for fat (1,823 lbs.) on the all-time list.

At public auctions held during 1999, 2,927 animals sold in 50 U.S. public sales for an average of $1,881.22, setting a new record for auction price. Prices were also 33.1% higher than the 1998 auction sale average. Cows sold for an average price of $1,999.97, with bred heifers averaging $1,589.08. Ron-Net Maple Dorie Dee set a new record ($45,000) as the highest selling Jersey cow at U.S. public auction. She sold to Piedmont Jersey Inc. of Canada at the July 3 Parade of Stars Sale and was consigned by Elliott A. Kueffner of Maryland.

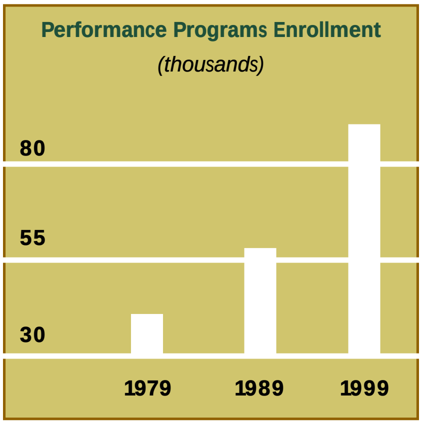
Two of the better indicators that show the Jersey organizations are meeting their mission of promoting the Jersey are DHI enrollment and domestic semen sales. Since 1985, the percent of all cows enrolled in DHI that are Jersey has increased by 15.5%. In the same time frame, domestic sales of Jersey semen have increased by over 33.5%, to 733,587 units sold in 1999. When we compare this sales figure to the number of Jerseys in the United States, it is obvious that much Jersey semen is being used on cows other than Jersey.



For the American Jersey Cattle Association, registrations and performance program enrollments continued to increase.

A total of 62,812 animals were identified on the records of the AJCA in 1999, through the Herd Register (first established in 1868), Genetic Recovery (1976), and Jersey Expansion, which was introduced on April 1. More than 15% of all registrations were processed through InfoJersey.com, our Internet-based registration/transfer system that went online April 1.

It is impressive to note that, even as cow numbers in the United States continue to decline, Jersey registrations are on the increase. The average annual registrations during the 1970s were 37,956 animals, increasing to an average of 55,699 during the 1980s, and then again to 57,220 for the decade of the '90s.



1999 ended with 88,928 cows participating in AJCA performance programs (production testing and appraisal). This is the highest number in history, and enrollments continue to increase through the first half of 2000.

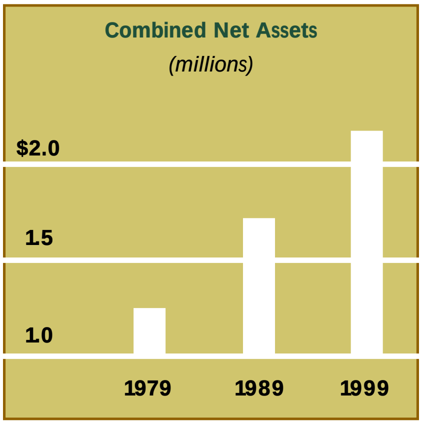
REAP, the program that combines participation in Registration, Equity, Appraisal and Performance, continues to increase in numbers as well, up 16.6% in herd enrollment and 14.5% in the number of cows enrolled. The growth in this program is a good indicator of people desiring to use all of the organizations' basic programs.

The *Jersey Journal* also had an excellent year, with increases in pages of advertising (10.5%), total pages printed (7.6%), and total number of advertisers (2.7%). The Jersey Directory had 692 listings in its 1999-2000 edition, and 482 farms and businesses opted to be included in the new Jersey Directory OnLine (www.JerseyDirectory.com). Journal circulation stabilized during the year at 3,466 subscribers.

Jersey Marketing Service reported a record year in gross sales.

Jersey Marketing Service (JMS), a wholly owned subsidiary of NAJ, marketed 5,936 animals in 1999 with a market value of $7.4 million. This is the highest dollar value, and second highest number of animals, marketed by JMS in a single year. Over the past 20 years, JMS gross sales have increased by 250%, and the number of cattle sold by 258.5%.

During four of the previous five years, JMS marketed more than 3,000 Jerseys at private treaty, including 3,306 in 1999 from 185 different sellers to 52 different buyers. We estimate that JMS markets cattle privately each year for about 15% of all Jersey herds in the United States, and 25% of all herds enrolled in AJCA performance programs.



All companies showed a positive income for 1999.

The AJCA and NAJ ended the year with a combined net income of $9,205 before use of designated net assets. 1999 was one of the better recent years for operations income, with almost no income contributed by capital gains on investments. The balance sheet of the organizations is strong with combined net assets or surplus of $2,175,407. The Jersey organizations also oversee the Research Foundation which had net worth assets of $1,024,155 at year end.

A torch has been passed.

Since November of 1993 and through all of 1999, Calvin Covington served as the Executive

Secretary and Chief Executive Officer of the American Jersey Cattle Association and National All-Jersey Inc. Under his leadership, the AJCA and NAJ have grown and developed into a strong position in the dairy industry. He served the Jersey organizations for almost 23 years, taking over our campaign for Equity in the marketplace in November of 1978. Jersey owners and the entire dairy industry will be forever indebted to him for his relentless efforts to see multiple component pricing implemented in the Federal Order program. It is a privilege to have worked with Calvin, to have learned from him, and to now have this opportunity to work as he did for the best interests of all Jersey owners.

In the long term, Registered Jerseys will offer dairy business owners the greatest potential return in the industry.

The growth outlook for the dairy industry is positive, according to the Food and Agricultural Policy Research Institute. Per capita cheese consumption is projected to increase from 29.7 pounds in 1999 to 37.5 pounds in 2009. Factor in population growth, and the future need for more milk is tremendous. Compared to the 62.7 billion pounds of milk estimated to be manufactured into cheese this year, 30% more—a total of 81.8 billion pounds—will be required by 2009 to meet consumer demand.

The need for more milk components and greater environmental concerns are a golden opportunity for the Jersey cow. She makes more pounds of cheese per unit of feed and unit of animal waste than any other cow. The feed efficiency and environmental friendliness of the Jersey make it the breed of the future.

It is impossible to be anything other than optimistic about the future for Registered Jerseys and the people who own them.

There are factors that the Jersey organizations have little control over that helped make 1999 a very prosperous year. However, these organizations—led by past and current Boards of Directors—made many decisions that are leading to such good times for the Jersey breed. The most significant decisions included focusing on profitable production, promoting equitable milk pricing, and providing programs that help all Jersey dairy producers increase their profit potential.

If the Jersey cow was not a profitable and efficient milk producer, and if most of the country's milk production was not priced under some type of multiple component pricing, the Jersey breed would not be experiencing the demand that it is today. Even with the strong demand for the Jersey cow, if the Jersey organizations' programs were not profitable and attractive to all Jersey producers, we would not be holding our own with registrations and having record participation in performance programs.

Each and every person participating in the Jersey organizations has had a hand in the outstanding and pivotal year that was 1999. Let's continue our successful partnership this year, next year, and for many years to come.

Neal Smith

Executive Secretary and Chief Executive Officer

Neal Smith
Executive Secretary and
Chief Executive Officer

Management Team

Accounting
Vickie J. White

Communication
Cherie L. Bayer, Ph.D.

Jersey Marketing Service
Owen Bewley

National All-Jersey Inc.
Michael Brown

Records and Performance
Erick Metzger

Research and Genetic Development
Cari W. Wolfe

Type Appraisal
Michael Hurst

To the Members of:
American Jersey Cattle Association and National All-Jersey Inc.

We are pleased to present the 1999 financial statements for the American Jersey Cattle Association (AJCA), National All-Jersey Inc. (NAJ) and its subsidiary, All-Jersey Sales Corporation (AJSC). Combined, the companies reported a net income of $9,205 for the year ended December 31, 1999 before designated net assets.

Revenues and cost of operations for each company for the year ended December 31, 1999 are summarized as follows:

American Jersey Cattle Association

Revenues	$2,022,548
Cost of Operations	2,021,125
Increase in Net Assets Before All American and Designated Net Assets	1,423
All American Net Loss	(8,544)

National All-Jersey Inc. and Subsidiary

Revenues	$ 723,221
Cost of Operations	706,895
Increase in Net Assets	$ 16,326

Designated net assets are funds set aside from prior year's net income for disbursement in future years. The funds are primarily for research and development projects as approved by the respective Boards of Directors. During 1999, AJCA appropriated funds from designated net assets totaling $9,524 (please refer to AJCA Note 6). Accounting standards require expenditures from designated net assets be reported in the annual report as current year's operating expenses.

The organizations' marketable securities are reported at market value of $1,744,922 at December 31, 1999. Investments represent 80% of total net assets.

The companies continue to maintain financial soundness and strong net assets. Net assets, reported at market value, represent approximately nine (9) months of total operating costs. As of December 31, 1999, net assets were recorded as follows:

American Jersey Cattle Association	$1,537,560
National All-Jersey Inc. and Subsidiary	637,847
Total Net Assets	$2,175,407

We encourage the membership to review the financial statements and accompanying footnotes prepared by our certified public accountants, Hausser + Taylor LLP. These statements clearly state the financial position of the companies at December 31, 1999.

Respectfully submitted,

Vickie J. White

Vickie J. White
Treasurer

To the Board of Directors
American Jersey Cattle Association

Independent Auditors' Report

We have audited the accompanying statements of financial position of American Jersey Cattle Association as of December 31, 1999 and 1998, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Jersey Cattle Association as of December 31, 1999 and 1998, and the changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

Hausser + Taylor LLP
Columbus, Ohio
March 6, 2000

STATEMENTS OF FINANCIAL POSITION

December 31, 1999 and 1998

ASSETS	1999	1998
CURRENT ASSETS		
Cash and cash equivalents	$ —	$ —
Investments (Note 10)	236,115	239,118
Accounts receivable, net of allowance for doubtful accounts of $46,000 and $38,000, respectively	181,344	127,184
Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation	45,147	163,339
Supplies and inventories, at cost	16,274	15,750
Prepaid expenses and other assets	54,738	37,810
Total current assets	533,618	583,201
PROPERTY AND EQUIPMENT, AT COST (Notes 7 and 8)		
Land	68,000	68,000
Building	429,060	429,060
Operating equipment	1,139,389	1,079,177
Software development	504,568	474,383
	2,141,017	2,050,620
Less accumulated depreciation	1,193,692	1,120,869
	947,325	929,751
OTHER ASSETS		
Investments:		
Building fund (Notes 6, 7 and 10)	1,028,449	1,027,756
Deferred compensation plans (Note 3)	11,174	18,741
Organization costs, net of accumulated amortization of $47,796 and $43,017, respectively	—	4,779
Prepaid expenses and other assets	1,628	4,993
Deferred costs, net of accumulated amortization of $77,211 and $61,556, respectively	61,062	91,717
Total other assets	1,102,313	1,147,986
	$2,583,256	$2,660,938
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt (Note 7)	$51,257	$40,544
Current portion of capital lease obligation (Note 8)	3,760	18,970
Current portion of unexpired subscriptions and directory listings	30,300	36,161
Current portion of deferred compensation plans (Note 3)	6,355	5,897
Accounts payable	31,996	110,183
Accrued expenses	39,660	48,204
Awards, All American Show and Sale	32,972	28,365
Awards, Jersey Jug	10,423	9,940
Unearned fees and remittances	274,315	196,531
Total current liabilities	481,038	494,795
NONCURRENT LIABILITIES		
Accrued pension obligation (Note 4)	129,411	109,715
Long-term debt (Note 7)	426,500	475,258
Capital lease obligation (Note 8)	3,760	22,730
Unexpired subscriptions and directory listings	70,350	75,882
Deferred compensation plans (Note 3)	26,309	29,925
	656,330	713,510
Less current portion	91,672	101,572
	564,658	611,938
Total liabilities	1,045,696	1,106,733
NET ASSETS		
Unrestricted:		
Designated (Note 6)	1,107,832	1,116,663
Undesignated	429,728	437,542
Total net assets	1,537,560	1,554,205
	$2,583,256	$2,660,938

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 1999 and 1998

	1999	1998
REVENUES		
Fees	$1,564,448	$1,406,464
Jersey Journal advertising and subscriptions	395,864	344,294
Investment income (Note 10)	43,432	107,046
Other	18,804	39,418
Total revenues	2,022,548	1,897,222
COST OF OPERATIONS (Note 2)		
Salaries, service, and administrative	1,514,552	1,424,370
Jersey Journal publishing	382,268	335,798
Depreciation	96,011	125,592
Interest expense	28,294	10,495
Total cost of operations	2,021,125	1,896,255
INCREASE IN NET ASSETS FROM OPERATIONS	1,423	967
OTHER INCOME (EXPENSE)		
Net loss from All American Show and Sale	(8,544)	(627)
INCREASE (DECREASE) IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	(7,121)	340
EXPENDITURES FROM DESIGNATED NET ASSETS (Note 6)		
Computer Capital Fund	9,524	32,367
Total expenditures from designated net assets	9,524	32,367
DECREASE IN NET ASSETS	(16,645)	(32,027)
NET ASSETS—Beginning of year	1,554,205	1,586,232
NET ASSETS—End of year	$1,537,560	$1,554,205

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flow have not been included with these reports. A copy is available upon request.

Note 1. Significant Accounting Policies

A. Organization and Purpose. In 1868, The American Jersey Cattle Club was organized. The American Jersey Cattle Club was incorporated under a charter granted by special act of the General Assembly of New York on April 19, 1880. On July 1, 1994, the Club was reincorporated in the State of Ohio, and the name was changed to American Jersey Cattle Association (AJCA or the "Association").

The purposes of the American Jersey Cattle Association, an association of Jersey breeders, are to improve and promote the breed of Jersey cattle in the United States and to maintain such records and activities as the Association deems necessary or conducive to the best interests of the breeders of Jersey cattle. The American Jersey Cattle Association's objective is to provide programs and services to its members that increase the profitability of Jersey cattle.

B. Basis of Accounting. The accrual basis of accounting has been used in the preparation of the financial statements. Revenues for services provided to members are recognized in the period in which the services are performed. Subscription and directory listing revenues are recognized in the period earned.

C. Cash and Cash Equivalents. For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

D. Property and Equipment. AJCA provides for depreciation in amounts adequate to amortize cost over the estimated useful lives of the assets, utilizing the straight-line method, generally as follows:

Class of Assets	Estimated Useful Lives
Building	31 1/2 years
Operating equipment	3 - 10 years
Software development	15 years

E. Affiliated Company. AJCA is affiliated with National All-Jersey Inc. (NAJ) and its wholly-owned subsidiary, All-Jersey Sales Corporation (AJSC). These entities conduct operations from the same facility and have certain common directors, officers, and staff. Therefore, it is necessary to allocate jointly incurred expenses, such as salaries, rents, utilities, depreciation, and other costs of service and administration. The costs of operations reflected in the Statement of Activities and Changes in Net Assets of AJCA are net of reimbursements of $56,708 and $56,085 for 1999 and 1998, respectively, from the above-mentioned affiliated companies for these jointly incurred costs. Also, AJSC has available a $175,000, due on demand, line of credit which is collateralized by investments held by AJCA. No funds were drawn on the line as of December 31, 1999 or 1998.

F. Income Taxes. AJCA is exempt from Federal taxes on ncome under Section 501(c)(5) of the Internal Revenue Code, except for income derived from unrelated business activities, as defined in the Code. For 1999 and 1998 these activities include primarily magazine advertising. Costs associated with this activity are in excess of revenues.

G. Concentration of Credit Risk. The Association maintains its demand deposits in a financial institution which is insured by the Federal Deposit Insurance Corporation up to $100,000. Cash equivalents and investments are maintained in trust accounts with a trust company. Additionally, AJCA's trade receivables result from registrations and related fees due from members who are located throughout the United States.

H. Organization Costs. The Association has capitalized certain costs associated with the reincorporation of the Association. These costs are being amortized over a five year period utilizing the straight-line method. Amortization expense was $4,779 and $9,559 in 1999 and 1998, respectively.

I. Deferred Costs. The Association has capitalized certain costs, amounting to $138,273, associated with the development of a long term strategic information system plan and a business re-engineering project. These costs are being amortized over a five year period utilizing the straight-line method. Amortization expense amounted to $15,655 in 1999 and $35,435 in 1998.

J. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Investments. The Association utilizes Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the Statement of Activities and Changes in Net Assets. See Note 10 for further discussion with respect to investments.

L. Unearned fees and remittances. Unearned fees and remittances represent amounts received in advance for registrations, transfers and total performance evaluation.

Note 2. Functional Expenses

The Association's operating expenses by functional classification for 1999 and 1998 are as follows:

	1999	1998
Records	$ 318,113	$ 308,246
Data Processing	263,719	190,561
Performance	345,164	319,941
Jersey Journal	382,268	335,798
Information	84,481	67,671
Field	319,475	378,187
Accounting, Administration and General	307,905	295,851
Total cost of operations	$2,021,125	$1,896,255

Note 3. Investments Restricted for Deferred Compensation

AJCA has entered into a deferred compensation plan with a former executive. An investment trust has been established to fund the plan. At December 31, 1999 and 1998, the balances in the trust, at fair market value, are $11,174 and $18,741, respectively. The cost of the plans is shared by National All-Jersey Inc. and American Jersey Cattle Association.

Note 4. Pension Plans

AJCA and National All-Jersey Inc. and Subsidiary have a non-contributory defined benefit pension plan covering substantially all employees 21 years of age or older, who have been employed for one year with at least 1,000 hours of service. AJCA's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits payable to plan participants. The plan assets are stated at fair value and primarily consist of bond and stock funds. The 1999 pension report is not complete. Therefore, for purposes of reporting and recording pension information, AJCA and National All-Jersey Inc. and Subsidiary are utilizing the projected 1999 information contained in the pension report as of December 31, 1998. At December 31, 1999, the pension administrator reported a requirement for an accrued pension liability of $157,759 and as a result, AJCA and NAJ and Subsidiary have adjusted their financial statements at December 31, 1999 to reflect this liability resulting in pension expense of $24,730 for 1999. In 1998, the entities recorded pension expense of $31,534. AJCA's portion of pension expense amounted to $19,696 and $25,870, respectively for 1999 and 1998, which includes amortization of past service costs over 30 years.

The projected status of accumulated plan benefits for the combined entities as of December 31, 1999 and 1998 is as follows:

Net periodic pension cost for 1999 and 1998 includes the following components:

	1999	1998
Service cost - benefits earned during the period	$58,103	$61,832
Interest cost on projected benefit obligation	69,920	67,261
Expected return on assets	(93,943)	(90,599)
Net amortization and deferral	(9,350)	(6,960)
Net periodic pension cost for the plan	24,730	31,534
Less net periodic pension cost of NAJ and Subsidiary	(5,034)	(5,664)
Net periodic pension cost	$19,696	$25,870

Assumptions used in the accounting as of December 31, 1999 and 1998 were:

	1999	1998
Discount rate	7.50%	7.50%
Rate of increase in compensation levels	5.50%	5.50%
Long-term rate of return	9.00%	9.00%

The following table sets forth the plan's funded status and amounts recognized in AJCA's Statement of Financial Position at December 31, 1999 and 1998 for its pension plan.

	1999	1998
Actuarial present value of benefit obligation:		
Vested benefit obligation	$ 804,154	$ 735,214
Accumulated benefit obligation	$ 843,328	$ 778,949
Projected benefit obligation	$1,060,291	$1,025,905
Plan assets at fair value	(1,137,756)	(1,097,249)
Plan assets in excess of projected benefit obligation	(77,465)	(71,344)
Unrecognized net asset at transition	21,346	22,988
Unrecognized net gain	213,878	181,385
Accrued pension obligation for the plan	157,759	133,029
Less accrued pension obligation of NAJ and Subsidiary	(28,348)	(109,715)
Accrued pension obligation	$ 129,411	$ 23,314

The Association maintains a 401(k) profit sharing plan covering substantially all employees. The plan allows for a matching contribution of 25% of employees' contributions. Contributions for 1999 and 1998 amounted to $13,352 and $10,021, respectively.

Note 5. Operating Lease

AJCA is obligated under certain lease agreements, for office equipment, which are classified as operating leases. Minimum future payments under the leases are as follows:

Year Ending December 31	Amount
2000	$ 33,288
2001	30,864
2002	18,744
2003	16,654
2004	5,197
	$104,747

Lease expense for 1999 and 1998 amounted to $28,230 and $14,488, respectively.

Note 6. Designation of Net Assets

The Board of Directors has designated net assets for the following at December 31:

	1999	1998
Building - established with original proceeds from sale of former operating facility; invested in securities and used as collateral for building loan (see Notes 7 and 10)	$1,028,449	$1,027,756
Computer capital - established in 1987 to reduce impact of possible future computer system obsolescence	—	9,524
Research and development - 50% of American Jersey Cattle Association's excess of revenues over cost of operations after preceding appropriations - established in 1987	79,383	79,383
	$1,107,832	$1,116,663

In 1999 and 1998, $9,524 and $32,367, respectively, was paid from the computer capital net assets for interest expense on a capital lease for computer equipment and on long-term debt for the financing of software. These expenditures are from amounts designated in previous years.

Note 7. Long-Term Debt

Liability for long-term debt on the building is shared jointly by AJCA and NAJ. The Board of Directors of AJCA and NAJ have agreed to reflect the building and debt on a ratio of 85% to AJCA and 15% to NAJ, based on the occupancy being utilized by the respective organizations.

AJCA's share consists of a fifteen year variable rate note, amounting to $82,436 and $108,793 at December 31, 1999 and 1998, respectively, with fixed principal payments which total $26,357 annually. Interest is equal to prime (8.5% and 7.75% at December 31, 1999 and 1998, respectively). Final payment is due November 2003. The note is collateralized by the building and AJCA's investment securities obtained from the proceeds of the sale of a former operating facility (see Notes 6 and 10).

Long-term debt was obtained in the amount of $441,000, for financing of the development of computer software. At December 31, 1999 and 1998, the note has an outstanding balance of $404,781 and $431,136, respectively. Liability for this debt is shared jointly by AJCA, National-All Jersey, Inc. and All-Jersey Sales Corp. The Board of Directors of AJCA and NAJ have agreed to allocate the cost of the software and applicable debt at a ratio of 85% to AJCA, 7.5% to NAJ, and 7.5% to AJSC, based on expected utilization by the respective organizations. AJCA's share amounts to $344,064 and $366,466 at December 31, 1999 and 1998, respectively, with monthly principal payments of $2,083 due plus interest at 7.90%. Final payment is due May 2013. This loan is collateralized by the building and the building fund investments (see Note 10).

Principal payments required on these long-term notes are summarized as follows:

Year Ending December 31	Amount
2000	$ 51,257
2001	51,527
2002	51,257
2003	28,265
2004	24,900
Thereafter	219,564
	$426,500

Note 8. Capital Lease Obligation

During 1994, AJCA incurred a note payable for computer equipment that management converted to a capital lease in 1995. The capital lease obligation requires monthly payments of $1,737, including interest at 10.895% through April 2000. The equipment is included in property and equipment at a cost of $80,583 less accumulated depreciation of $76,823 at December 31, 1999.

Payments required are summarized as follows:

Year Ending December 31	Amount
2000	$3,915
Less amount representing interest	155
Current portion	$3,760

Note 9. Line of Credit

At December 31, 1998, the Association has available a $100,000, due on demand, line of credit with interest payable monthly at prime. The line is collateralized by the investment securities obtained from proceeds of the sale of a former operating facility (Notes 6 and 10). No funds were drawn on the line as of December 31, 1999 or 1998.

Notes continued on following page.

Note 10. Investments

Investment securities are carried at fair market value, based on market quotes, at December 31, 1999 and 1998 and are composed of the following:

	1999		1998	
	Cost	Fair Value	Cost	Fair Value
Investments included in:				
Investment trust:				
Cash	$22,727	$ 22,727	$ 13,504	$ 13,504
Monitor funds	60,728	58,275	62,880	64,288
Government securities	24,896	25,220	24,896	26,296
Corporate stocks	100,865	129,893	89,206	135,030
	209,216	236,115	190,486	239,118
Building fund:				
Cash	23,184	23,184	67,722	67,722
Monitor funds	322,000	307,730	308,000	315,918
Government securities	84,854	85,795	84,854	89,803
Corporate stocks	483,567	611,740	348,273	528,696
Corporate bonds	—	—	24,375	25,617
	913,605	1,028,449	833,224	1,027,756
	$1,122,821	$1,264,564	$1,023,710	$1,266,874

Investment income for 1999 and 1998 consists of the following:

	1999	1998
Interest and dividend income	$39,627	$ 73,580
Net realized gain on sale of investments	105,226	5,885
Net unrealized gain (loss) on investments	(101,421)	27,581
	$ 43,432	$107,046

To the Board of Directors
National All-Jersey Inc. and Subsidiary

Independent Auditors' Report

We have audited the accompanying consolidated statements of financial position of National All-Jersey Inc. and Subsidiary as of December 31, 1999 and 1998, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National All-Jersey Inc. and Subsidiary as of December 31, 1999 and 1998, and the changes in their consolidated net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

Hausser + Taylor LLP
Columbus, Ohio
March 6, 2000

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 1999 and 1998

ASSETS	1999	1998
CURRENT ASSETS		
Cash and cash equivalents	$212,804	$ 311,099
Custodial cash	730,945	71,209
Investments (Note 10)	480,358	530,027
Accounts receivable, net of allowance for doubtful accounts of $66,500 in 1999 and 1998	286,941	146,368
Recoverable income taxes (Note 8)	2,056	—
Interest receivable	1,986	2,146
Inventories, at cost	—	3,700
Deferred income taxes (Note 8)	14,600	12,400
Total current assets	1,729,690	1,076,949
PROPERTY AND EQUIPMENT, AT COST (Note 7)		
Land	12,000	12,000
Building	75,717	75,717
Software development	79,652	74,470
	167,369	162,187
Less accumulated depreciation	34,193	26,478
	133,176	135,709
OTHER ASSETS		
Investments restricted for deferred compensation plans (Note 3)	5,909	8,429
	5,909	8,429
	$1,868,775	$1,221,087
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt (Note 7)	$9,151	$ 7,155
Current portion of deferred compensation plans (Note 3)	2,141	1,987
Accounts payable	4,046	2,563
Advances due to American Jersey Cattle Association	45,147	163,339
Fees due consignors	984,296	249,842
Accrued expenses	36,165	16,620
Accrued income taxes (Note 8)	—	7,800
Advances and reserves for advertising (Note 4)	31,757	31,650
Deferred income	11,680	8,457
Total current liabilities	1,124,383	489,413
NONCURRENT LIABILITIES		
Deferred income taxes (Note 8)	3,300	—
Accrued pension obligation (Note 6)	28,348	23,314
Long-term debt (Note 7)	75,265	83,869
Deferred compensation plans (Note 3)	10,924	12,112
	117,837	119,295
Less current portion	11,292	9,142
	106,545	110,153
Total liabilities	1,230,928	599,566
NET ASSETS		
Unrestricted:		
Designated (Note 5)	63,355	63,355
Undesignated	574,492	558,166
Total net assets	637,847	621,521
	$1,868,775	$ 1,221,087

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 1999 and 1998

	1999	1998
REVENUES		
All-Jersey fees	$ 3,704	$ 4,242
Equity project fees	314,227	290,220
Commissions	349,664	362,363
Investment income (Note 10)	30,964	62,720
Other	24,662	13,810
Total revenues	723,221	733,355
COST OF OPERATIONS (Note 2)		
Salaries	299,577	255,397
Supplies, service, and administration	353,517	332,839
Field services	37,659	34,087
Bad debt expense	4,377	49,825
Depreciation	5,061	4,887
Interest	6,343	6,888
Total costs of operations	706,534	683,923
INCREASE IN NET ASSETS BEFORE INCOME TAXES AND EXPENDITURES FROM DESIGNATED NET ASSETS	16,687	49,432
INCOME TAX EXPENSE (Note 8)	361	1,562
INCREASE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	16,326	47,870
EXPENDITURES FROM DESIGNATED NET ASSETS (Note 5)		
Research and Development Fund	—	13,370
Total expenditures from designated net assets	—	13,370
INCREASE IN NET ASSETS	16,326	34,500
NET ASSETS - Beginning of year	621,521	587,021
NET ASSETS - End of year	$637,847	$621,521

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flow have not been included with these reports. A copy is available upon request.

Note 1. Significant Accounting Policies

A. Organization and Purpose. National All-Jersey Inc. (NAJ) (the "Company") was incorporated in the State of Ohio in 1957. Its purpose is to promote the increased production and sale of Jersey milk and milk products, and to promote Jersey cattle and the interests of breeders of Jersey cattle.

All-Jersey Sales Corporation (AJSC) (Subsidiary), a wholly-owned subsidiary of National All-Jersey Inc. was incorporated in the State of Ohio in 1961. It is a for-profit corporation with the original purpose of developing and selling All-Jersey milk advertising materials. In 1970, the corporation started a cattle marketing service, Jersey Marketing Service (JMS). The purpose of Jersey Marketing Service is to provide marketing assistance to buyers and sellers of Jersey cattle and embryos.

The objectives of both National All-Jersey Inc. and All-Jersey Sales Corporation are to increase the value of and demand for Jersey milk and cattle.

B. Principles of Consolidation. The consolidated financial statements include the accounts of NAJ and its wholly-owned subsidiary, AJSC. All significant intercompany accounts and transactions have been eliminated.

C. Basis of Accounting. The accrual basis of accounting has been used in the preparation of the consolidated financial statements.

D. Cash and Cash Equivalents. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

E. Custodial Cash. The Company maintains cash due consignors in separate custodial cash accounts. See Note 1K for further discussion.

F. Affiliated Company. National All-Jersey Inc. and its wholly-owned subsidiary, All-Jersey Sales Corporation, are affiliated with American Jersey Cattle Association (AJCA) (the "Association"). These entities conduct operations from the same facility and have certain common directors, officers, and staff. Therefore, it is necessary to allocate jointly incurred expenses, such as salaries, rents, utilities, depreciation, and other costs of services and administration. The cost of operations reflected in the Consolidated Statements of Activities and Changes in Net Assets of the Company for 1999 and 1998 include reimbursements of $56,708 and $56,085, respectively, paid to the Association for these jointly incurred costs.

G. Property and Equipment. The Company provides for depreciation in amounts adequate to amortize cost over the estimated useful lives of the assets, utilizing the straight-line method, generally as follows:

Class of Assets	Estimated Useful Lives
Building	31 1/2 years
Software development	15 years

Software development represents costs incurred as part of the Member Services Processing System (MSPS).

H. Concentration of Credit Risk. The Company maintains its demand deposits in one financial institution which is insured by the Federal Deposit Insurance Corporation up to $100,000. Cash equivalents and investments are maintained in trust accounts with a trust company. The Company's cattle sales are primarily to domestic buyers although sales to foreign buyers have increased each year. The Company minimizes credit risk with these foreign buyers by requiring irrevocable letters of credit or cash upon sale until they have established a business relationship and understanding with the buyer.

I. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Income Taxes. National All-Jersey Inc. is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. All-Jersey Sales Corporation is not exempt from income taxes.

K. Fees Due Consignors. Fees due consignors represent amounts due to sellers of Jersey cattle from public auctions and private treaty sales managed by JMS.

L. Accounts Receivable. During 1997, the Company arranged a sale of cattle to Brazil. The sale was made in Brazil's currency (Real). At December 31, 1997, accounts receivable from the sale amounts to approximately $104,000 based on an exchange rate of Brazil Real's of 1.15 to United States $1.00. At December 31, 1999 and 1998, an allowance for doubtful accounts of $60,000, has been recorded for the receivable. Management continues to pursue collections of the receivable.

M. Investments. The Company utilizes Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Consolidated Statement of Financial Position. Unrealized gains and losses are included in the Statement of Activities and Changes in Net Assets. See Note 10 for further discussion with respect to investments.

Note 2. Functional Expenses

The Company's operating expenses by functional classifications for 1999 and 1998 are as follows:

	1999	1998
National All-Jersey Equity program	$ 275,628	$ 248,918
Accounting, administration, general and field service	66,221	106,188
All-Jersey Sales (JMS)	364,685	328,817
Total cost of operations	$706,534	$ 683,923

Note 3. Investments Restricted for Deferred Compensation

National All-Jersey Inc. has entered into a deferred compensation plan with a former executive. At December 31, 1999 and 1998, the balances in the trust at fair market value are $5,909 and $8,429, respectively. The cost of the plan is shared by National All-Jersey Inc. and American Jersey Cattle Association.

Note 4. Advances and Reserves for Advertising

	December 31, 1999	December 31, 1998
5% National - represents funds accumulated as a percentage of member advances to be applied to the cost of national or regional advertising for the benefit of all members	$31,757	$31,650

Note 5. Designation of Net Assets

The Board of Directors have designated net assets for the following:

	December 31, 1999	December 31, 1998
Research and development: Approximately 2.5% of annual gross revenues and 50% of National All-Jersey excess revenues over cost of operations after 2.5% appropriation	$63,355	$ 63,355

In 1999 and 1998, $-0- and $13,370, respectively was paid from the research and development net assets.

Note 6. Pension Plans

The Company and Subsidiary and American Jersey Cattle Association have a defined benefit pension plan covering substantially all employees 21 years of age or older, who have been employed for one year with at least 1,000 hours of service. The Company's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits payable to plan participants. The plan assets are stated at fair value and primarily consist of bond and stock funds. The 1999 pension report is not complete. Therefore, for purposes of reporting and recording pension information, the Company and Subsidiary and American Jersey Cattle

Association are utilizing the projected 1999 information contained in the pension report as of December 31, 1998. At December 31, 1999, the pension administrator reported a requirement for an accrued pension liability of $157,759 and, as a result, the Company and Subsidiary and American Jersey Cattle Association have adjusted their financial statements at December 31, 1999 to reflect this liability resulting in pension expense of $24,730 for 1999. In 1998, the entities recorded pension expense of $31,534. The Company's portion of pension expense amounts to $5,034 and $5,664, respectively for 1999 and 1998, which includes amortization of past service costs over 30 years.

The projected status of accumulated plan benefits for the combined entities as of December 31, 1999 and 1998 is as follows:

Net periodic pension cost for 1999 and 1998 includes the following components:

	1999	1998
Service cost - benefits earned during the period	$58,103	$61,832
Interest cost on projected benefit obligation	69,920	67,261
Expected return on assets	(93,943)	(90,599)
Net amortization	(9,350)	(6,960)
Net periodic pension cost for the plan	24,730	31,534
Less net periodic pension cost of AJCA	(19,696)	(25,870)
Net periodic pension cost	$ 5,034	$ 5,664

Assumptions used in the accounting as of December 31, 1999 and 1998 were:

	1999	1998
Discount rate	7.50%	7.50%
Rate of increase in compensation levels	5.50%	5.50%
Long-term rate of return	9.00%	9.00%

The following table sets forth the plan's funded status and amounts recognized in AJCA's Statement of Financial Position at December 31, 1999 and 1998 for its pension plan.

	1999	1998
Actuarial present value of benefit obligation:		
Vested benefit obligation	$ 804,154	$ 735,214
Accumulated benefit obligation	$ 843,328	$ 778,949
Projected benefit obligation	$1,060,291	$1,025,905
Plan assets at fair value	(1,137,756)	(1,097,249)
Plan assets in excess of projected benefit obligation	(77,465)	(71,344)
Unrecognized net asset at transition	21,346	22,988
Unrecognized net gain	213,878	181,385
Accrued pension obligation for the plan	157,759	133,029
Less accrued pension obligation of NAJ and Subsidiary	(129,411)	(109,715)
Accrued pension obligation	$ 28,348	$ 23,314

The Company maintains a 401(k) profit sharing plan covering substantially all employees. The plan allows for a matching contribution of 25% of employees' contributions. Contributions for 1999 and 1998 amounted to $3,078 and $3,449, respectively.

Note 7. Long-Term Debt

Liability for long-term debt on the building is shared jointly by the Company and American Jersey Cattle Association. The management of the Company and AJCA have agreed to reflect the building and debt on a ratio of 15% to the Company and 85% to American Jersey Cattle Association, based on the occupancy being utilized by the respective organizations.

The Company's share consists of a fifteen year variable rate note, amounting to $14,548 and $19,199 at December 31, 1999 and 1998, respectively, with fixed principal payments which total $4,651 annually. Interest is equal to prime (8.5% and 7.75% at December 31, 1999 and 1998, respectively). Final payment is due November, 2003. The note is collateralized by the building and American Jersey Cattle Association's investment securities obtained from the proceeds of the sale of a former operatingfacility.

Long-term debt was obtained in the amount of $441,000 for the financing of the development of computer software. At December 31, 1999 and 1998, the note has an outstanding balance of $404,781 and $431,136, respectively. Liability for this debt is shared jointly by AJCA, National All-Jersey, Inc. and All Jersey Sales Corporation. The Board of Directors of AJCA and NAJ have agreed to allocate the cost of the software and applicable debt at a ratio of 85% to AJCA, 7.5% to NAJ and 7.5% to AJSC, based on expected utilization by the respective organizations.

NAJ's and AJSC's share amounts to $60,717 and $64,670 at December 31, 1999 and 1998, respectively, with monthly principle payments of $368 due including interest at 7.9%. Final payment is due May 2013. The long-term debt is collateralized by the building and AJCA's investment securities obtained from the proceeds of the sale of a former operating facility.

Principal payments required on these long-term notes are summarized as follows:

Year Ending December 31,	Amount
2000	$ 9,151
2001	9,151
2002	9,151
2003	5,095
2004	4,500
Thereafter	38,217
	$ 75,265

Note 8. Income Taxes

Deferred tax assets and liabilities result from temporary differences in the recognition of income and expense for tax and financial reporting purposes. The deferred tax asset results from allowance for doubtful accounts. The deferred tax liability results from different depreciationlives for software for tax and financial reporting purposes.

Recoverable income taxes at December 31, 1999 primarily represents overpayments of estimated federal and city income taxes for 1999. Accrued income taxes at December 31, 1998 represent federal income taxes due for 1998.

The provision (benefit) for income taxes for the years ended December 31, 1999 and 1998 consists of the following:

	1999		
	Federal	State and Local	Total
Current	$ (501)	$ (238)	$ (739)
Deferred	750	350	1,100
	$ 249	$ 112	$ 361

	1998		
	Federal	State and Local	Total
Current	$ 10,200	$ 1,262	$ 11,462
Deferred	(8,800)	(1,100)	(9,900)
	$ 1,400	$ 162	$ 1,562

Note 9. Line of Credit

The Company has available a $175,000, due on demand, line of credit with interest payable monthly at prime at December 31, 1999. The line is collateralized by investment securities held by American Jersey Cattle Association. No funds were drawn on the line at December 31, 1999 or 1998.

Note 10. Investments

Investment securities are carried at fair value, based on market quotes at December 31, 1999 and 1998 and are composed of the following:

	1999		1998	
	Cost	Fair Value	Cost	Fair Value
Cash	$ 52,362	$ 52,362	$ 48,824	$ 48,824
Monitor funds	121,803	116,883	144,785	148,002
Government securities	49,935	50,585	49,935	52,743
Corporate stocks	202,305	260,528	188,353	280,458
	$426,405	$ 480,358	$431,897	$ 530,027

Investment income for 1999 and 1998 consists of the following:

	1999	1998
Interest and dividend income	$ 33,139	$ 13,292
Net realized gain on sale of investments	42,002	10,458
Net unrealized gain (loss) on investments	(44,177)	38,970
	$ 30,964	$ 62,720

American Jersey Cattle Association
National All-Jersey Inc.
All-Jersey Sales Corporation

Leading Indicators of Jersey Breed Growth and Improvement

	1999	1989	1979	Change ('99 v. '79)
Identification				
Animals recorded	62,812	53,709	38,584	+ 62.8%
Animals transfered	22,643	26,940	23,364	- 3.1%
Performance Programs				
Herds enrolled	858	813	505	+ 69.9%
Cows enrolled	88,928	55,514	34,260	+ 159.6%
Production (DHIR: 305-day, 2x, ME)				
Protein	633	517	—	
Milk	16,977	13,956	11,384	+ 49.1%
Fat	776	656	550	+ 41.1%
Equity Investment	$314,227	$183,659	$39,714	+ 691.2%
Jersey Marketing Service				
Gross for private treaty sales	$3,333,933	$810,789	$1,031,360	+223.3%
Gross for public sales	5,506,341	2,475,035	1,084,382	+ 407.8%
Combined Net Assets	$2,175,407	$1,707,289	$1,240,744	+ 75.3%

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