

American Kennel Club

Moderator: Sheila Goffe
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Sheila Goffe:

Good afternoon. Welcome to AKC's conference call with representatives from the USDA's animal plant and health inspection service. I'm Sheila Goffe, Director of Government Relations for the American Kennel Club. Thank you, first of all, for joining us. I wanted to let you know that we set up this call to discuss and get some clarification on the impact that USDA's recently released final rule, which redefines the term retail pet store, in the Federal Animal Welfare Act, will have on dog breeders.

As most of you know, the current definition of retail pet store includes people who breed dogs and sell them directly to their new home. This is a large percentage of breeders here in the United States. This is an important change because the Animal Welfare Act has traditionally exempted those whom it considers to be retail pet stores from federal licensing and inspection. This new rule will limit those exemptions. So this is an incredibly important turning point for a lot of us as breeders. I hope that this call will provide a lot of interesting clarifications and hopefully help you feel a little more comfortable with the process that's going to be moving forward for some breeders.

Also want to let you know that there are a lot of people who are very concerned about this who are traditional hobby breeders and show people and who probably will not be impacted by the rule.

Right now we have about 250 people on this call. By now, many of you are probably familiar with some of the basics of the rule, and hopefully you've reviewed the FAQs that we've provided on AKC's website.

We have only about an hour, so to be as efficient and constructive as possible, we've asked AKC constituents to provide us with their questions ahead of time. We received a large volume of questions, so in addition to some of our own questions, I'm going to be posing to APHIS a number of the most common and salient questions that we've received.

I thank our representatives from APHIS very much for be willing to spend this hour with us and to answer our questions very specifically. We're going to begin by letting our colleagues from APHIS provide some background and general information on the final rule and how it may impact you. I will then ask a number of clarifying questions. Towards the end of the hour, I'm going to open up the phone lines and you can ask your

own questions. Incidentally, this call is being recorded and you will be provided with a recording and transcript on the AKC web pages.

Let's start with representatives from APHIS.

Dr. Kay Carter-Corker: Good afternoon. My name is Dr. Kay Carter-Corker and I am the Assistant Deputy Administrator with the animal care program within USDA/APHIS and we're really thankful for you guys inviting us to speak to the American Kennel Club membership about this final rule. I'm joined by Dr. Gerald Russian (ph), our senior staff veterinary medical officer with our program who is the main point of contact on the final rule.

We're participating on this call to talk about this final rule that revises the definition of retail pet store in order to improve the welfare of pets sold sight unseen and better align our regulations with today's internet and marketplace. We released a press release last week that talked about this change and it's on the Animal and Plant Health Inspection Service home page and it's also on the Animal Care homepage.

And what I'm doing now is going through a set of messages that our Administrator of Animal and Plant Health Inspection Service shared with our stakeholders when we published this final rule. So this rule fulfills our commitment that we made to the Office of Inspector General; based on some audit recommendations in 2010. Now the Office of Inspector General found that more than 80% of the sampled breeders were not licensed under the Animal Welfare Act because they sold pets over the internet and claimed retail pet store status. As a result, the OIG found that these breeders were not being monitored or inspected to ensure their animals' overall health and humane treatment which led to some buyers receiving unhealthy pets, especially dogs.

In its 2010 report, the OIG recommended that such operations should enjoy retail pet store status- they should not enjoy retail pet store status and the resulting exemption from consumer oversight and APHIS inspection. This final rule achieved what OIG suggested. It also fulfills our commitment made in response to a We-the-People petition that went to the White House.

It's worth noting that the previous definition of retail pet store was developed more than 40 years ago, before the internet provided an alternative method of selling pets to the public. Today's announcement, our announcement about this rule, restores the definition of retail pet store to its original intent- a place of business or residence at which the seller, buyer and the animal available for sale are physically present so that every buyer may personally observe their animal prior to purchasing or taking custody of their new pet.

It's important that our regulations keep pace with current business practices and we are essentially revising the definition of retail pet store to bring breeders involved in sight-unseen transaction under the Animal Welfare Act so they can be licensed and inspected by our agency to ensure the pets they sell to the public receive basic standards of care.

As you may recall, we published the proposed rule announcing this potential change in May of 2012 and during the 90-day public comment period, we received more than 210,000 comments, including 75,584 individual comments, 134,420 signed form letters, and 213,000 signatures on petitions submitted by organizations supporting or opposing the proposed rule. This is an extremely large number of comments and I want you to know that we reviewed each and every comment we received. Based on stakeholder feedback, we made a number of changes to the final rule.

I'd like to take a few moments to explain what exactly this rule does and doesn't do and highlight some of those instances where your feedback assisted us in shaping the final rule. First, traditional brick-and-mortar pet stores will continue to be exempt from federal licensing and inspection requirements under the Animal Welfare Act. In addition, many rescue groups, pounds, shelters and human societies will continue to be exempt from APHIS regulations. Also exempt are people who breed and sell working dogs; people who sell rabbits for food, fiber including fur or for the preservation of blood lines; children who raise rabbits as part of a 4H project; farm animals in agriculture; and businesses that deal only with fish, reptiles and other cold-blooded animals.

We also have clarified in the rule that small-scale residential hobby breeders; those who keep four or fewer breeding females on their property and sell the offspring as pets do not need to be licensed by APHIS. If they choose to do so, these small-scale breeders can sell their offspring in sight-unseen transactions.

We want to concentrate our resources on ensuring the welfare of animals at larger breeding operations and we believe smaller hobby breeders can provide sufficient care for their animals without APHIS oversight. This final rule will primarily affect dog breeders who maintain more than four breeding females at their facilities and sell the offspring as pets to buyers who do not see the animal prior to taking ownership of them. This rule will also bring some cat and rabbit breeders under regulation, but most retailers of animals other than dogs will continue to be exempt from the regulation.

We've also clarified the definition of retail pet store to really emphasize the importance of the buyer, seller and animal available for sale being together physically in the same location. This removes the implication from the proposed rule that a breeder's premises needs to be accessible to buyers. Under the final rule, business transactions can take place anywhere as long as the seller and the buyer and the animal available for sale are all physically present so that every buyer can personally observe their animal prior to purchasing or taking custody of their new pet.

As a part of the final rule, we also conducted a thorough economic analysis that looked carefully at the number of businesses that would come under regulation and likely financially impact them. We heard from many commenters on the proposed rule that our previous analysis showed fewer businesses coming under regulation that would actually be the case if we were to finalize the regulation. Our revised and strengthened analysis shows that as compared to the proposed rule, we do expect more breeders to come under regulation. However, we believe the cost to these businesses for doing so will actually be lower than we previously thought.

We estimated between 2600 and 4600 breeders meet the requirements of this rule. Of these, we believe the majority would not have to undertake major structural or operational changes to comply with the minimum Animal Welfare Act standards. Most of these breeders and especially those who operate from their residences are likely already to meet these minimum standards. Therefore, the only cost or fees these breeders will incur will be for licensing with our agency and animal identification and other record-keeping requirements. For each of these breeders, we've estimated these costs to range somewhere between \$284 and \$550 annually.

We do recognize that a small number of breeders will have to make additional upgrades to meet these minimum standards of care required under the Animal Welfare Act.

However, these facilities and structural improvements should be one-time investments in their operation and will directly support the raising and selling of healthy animals, as called for by the Act.

In terms of next steps and implementation of this rule, we plan to incorporate newly affected entities into our existing regulatory structure using a phased implementation for conducting initial pre-licensing inspections and compliance inspections. Factors we will consider when determining when and how frequently such inspections will take place include, but are not limited to, whether an entity has applied for a USDA license; whether the entity is already subject to some degree of state, county or local oversight and the nature of that oversight; and whether an entity is subject to a legitimate complaint and the nature and severity of that complaint. It all comes back to our ultimate goal of protecting the health and wellbeing of pets and ensuring that someone, whether it be a prospective buyer or an APHIS inspector, has the opportunity to see the animals and ensure their welfare.

Our goal is to protect these animals while also implementing the rule effectively and fairly. We are carefully monitoring these efforts and we are open to everyone's feedback about this. Now we developing a list of question-and-answers as we're receiving these questions and developing the formal answer and so those we have an initial set on our website and we're posting additional question-and-answers as we are finalizing them. And I will pass over the baton over to my colleague Dr. Gerald Russian, as Sheila Goffe decides to start sending us the questions.

Sheila Goffe: Sure and I- actually it's Sheila Goffe back here and Dr. Russian, please feel free to jump in if you wish. Otherwise, I think what I may do is simply ask some questions and maybe a few clarifications. I think you've provided a tremendous amount of information in the introduction but what I may do is tease out some of this information in a few questions, but by all means go ahead if you would like to add something before I do that.

Dr. Gerald Russian: We're ready, Sheila. Open up for questions.

Sheila Goffe: Okay, great. Wonderful; you know, one of the things I'm just going to start with is it's a lot of information there and I think there's a lot of confusion among dog breeders about what this will mean for them. So what I want to do is just tease this information out, help people feel more comfortable with what this may mean for them and then how maybe-- what options they will have moving forward.

One of the things I just wanted to clarify with you is firstly, what does the rule do? Is it actually increasing the hobby breeder exemption from three to four the number of breeding females that a person may maintain on their premises and from which they may sell pets, offspring as pets, either at retail or wholesale. Is that correct? Is that a correct exemption there?

Dr. Gerald Russian: Yes, Sheila. That is correct.

Sheila Goffe: Okay, great. The other thing I'd like to say is that it redefines the term retail pet store and removed certain exemptions that allow breeders to sell pets at retail as opposed to wholesale, to avoid USDA commercial breeder regulation. In other words, if you have fewer than those four- of what is characterized as breeding females, you can actually sell both retail or wholesale, which is something that wasn't clear in the previous Animal Welfare Act?

- Dr. Gerald Russian: Sheila, I want to make sure I understand your questions.
- Sheila Goffe: Sure.
- Dr. Gerald Russian: So if you fall below our license exemption and you now have three breeding females and the question I'm assuming you're asking- can you sell those animals without being regulated by us both wholesale and at retail? Is that correct?
- Sheila Goffe: That's correct.
- Dr. Gerald Russian: Yes you can.
- Sheila Goffe: Okay, great. And this here is the other question I think there's a lot of confusion about; is there--traditionally the American Kennel Club as a course has encouraged people to meet their breeders and get to know them. We think they are a tremendous resource, especially for a new pet buyer. So we do understand very definitely the concerns about internet pet sales, particularly as they may be related to substandard kennels. But what I did want to clarify also is that, if we as breeders do not sell a pet sight unseen, which means that somewhere along the line, before that pet is transferred from seller to buyer, that that buyer actually physically gets to see the pet in person, then you will not be regulated under this bill. Is that correct?
- Dr. Gerald Russian: Correct. If all of your transactions are face-to-face, you will not be regulated by us.
- Sheila Goffe: All right. So one really easy way for people who are concerned about this -- is to just sell your pets in a face-to-face transaction?
- Dr. Kay Carter-Corker: This is Kay Carter-Corker again. There are multiple ways in which people will-- can be exempt from licensing under the Animal Welfare Act and there are multiple ways in which their business operations would require them to be licensed, even if one part of that business model is exempt. So one of the things that I want the participants to recognize that it's-- there are-- many of these things depend on the other factors apart of their business activity. So there are some answers or such that if you have three breeding females, you can sell the offspring of those females; either way; sight unseen or face-to-face; and you're exempt because you only have three breeding females and you're selling the offspring for a regulated activity.
- If you had five breeding females but all of your sales were face to face, you're exempt because all of your sales are face to face and you're operating like a retail pet store. And so there are multiple factors that we want everyone to try to be aware of so that we can also talk you through the process because it's not a very direct straightforward question to an answer. So I just wanted to throw that out there so that people don't go away with the misconception that it's only one way. It's multiple ways in which you can be exempt and there are multiple ways in which you can be required to be licensed.
- Sheila Goffe: Can you provide for us some of the multiple ways that a person could be exempt based on for example, type of sale or the purpose of the animal?
- Dr. Kay Carter-Corker: Jerry and I are looking at each other and trying to make sure we understand your question. It might help if we continue with the questions that have a little bit more specificity to them.

- Sheila Goffe: Sure. Okay, what we're going to do is I'm going to ask for a breeder who breeds every several years; so it's a breeder who does not breed every year-- do they need to maintain a license even if they are not breeding and selling every year? So do they need an annual license if they're not breeding and selling every year, or only when they plan a litter?
- Dr. Kay Carter-Corker: Sheila, this is Kay. It depends on how many breeding females they have and it depends on how they conduct their transactions with the buyer. And it depends on the purposes of the sales of those animals. So it's possible that they need a license and it's possible that they may not, they are exempt.
- Dr. Gerald Russian: Sheila, this is Jerry here. This may help a little bit for the audience on the phone. If you're talking about if you want to be exempt from this regulation and I'll give you one, two and three. You can do either one of these three. Don't do all three; either one of these three, you will be exempt from regulation by USDA. If all your transactions are face to face you are exempt. That's it. All face to face, you're exempt from USDA. That's number one.
- Number two, if you have four or fewer breeding females you are exempt from USDA. Four or fewer breeding females you are exempt. If you are not selling your animals for the purpose to be used as pets, you are exempt from USDA. So either one of those three, if your business model is that, you are exempt from USDA.
- Sheila Goffe: I think that's very helpful. Thank you. One of the things that we've talked about too is the definition of breeding female and I wanted to just continue to point out that that's something that I can see everybody remains concerned about. Our fear is that it will be difficult for individuals to determine whether they'll actually be subject to new licensing requirements based on that definition.
- Now we recognize that breedability varies widely by breed and species and that this rule covers multiple species. Still, since it's the basis of this regulation, can you provide us with more information as to how these determinations will be made? Is there a plan to put out new guidelines for breeders to help them determine what USDA would be considering as a breeding female?
- Dr. Gerald Russian: Hello, Sheila. This is Jerry. And we talk about that issue in the final rule and we say in the final rule that we know APHIS will look at a multitude of factors to make determination whether an animal has the capacity to breed and one of those things is the age of the animal and the medical condition of the animal. So it's a case-by-case type of examination we'll do to make that determination whether that animal has the capacity to breed.
- Sheila Goffe: All right. What standards would be used when somebody looks at-- when an inspector looks at that?
- Dr. Gerald Russian: Sorry, excuse me. I didn't catch all your question.
- Sheila Goffe: What kind of standard would somebody who's-- I mean our concern, as I said before, is that we as breeders are trying to get at whether, based on the number of breeding females we have, we would be required to be licensed. So what I'm trying to get at is, can you provide us with more information that's going to guide us, for example, as to whether if I say have six intact females at my premises and some of them-- say one is quite young and

one is quite old or one is perhaps not in the best of health--; how is it that the average breeder can determine whether they need to be licensed? Orr for that matter does it default to intact females without knowing specifically what the determination from USDA would be?

Dr. Kay Carter-Corker: Sheila, this is Kay. It starts with the number of intact females that you have and that's where our definition stays. If it's an intact female, we consider it's a breeding female. We recognize that not all animals on the premises are engaged in breeding activities. And so we start off with believing everyone is telling us the truth and based on the information that the applicant or the person provides us, we start there and until proven otherwise, if they say that they are business level is they only have three females, intact females that are involved in the business activity, even though there might be three others that are old or infirmed or too young; we believe you that you only have three breeding females engaged in supporting your business activity. Therefore you would be meeting the definition of being exempt from requiring a license and that's where we start. And so the other levels of detail, we don't focus on that.

Sheila Goffe: Okay. Well, that's helpful. Because I think there's been a lot of confusion as to what a breeding female is. So that is very helpful; one of questions that we received a lot was if in fact I have more than four intact females but I'm only breeding two; and I realize that this is hypothetical, but again, we're just trying to help people get at what they need to be thinking about and concerned about as they move forward and want to ensure that they are fully compliant with this. So that question is-- if I'm only breeding two females, are those females that I'm breeding the only breeding females, or does it default to intact?

Dr. Kay Carter-Corker: It defaults to intact. It starts there and what we want them to focus on is their business activities and if they are operating at a level at which it's a commercial breeder selling animal offspring for use as pets, then we want them to look at every aspect of that in meeting the minimum requirement of operating that regulated activity at that level. And if their level is below that, then they can still operate however they choose and not be licensed with us. So we really want them to focus on their business level of activity and if they have only-- if they have five breeding females on their premises but at that moment in time, they're only using two, we from the USDA are still looking at the default that you have five breeding females and during that time period we never know how many or when those animals might be engaged in the breeding activity. But the business is to produce puppies for use as pets and that's the business activity that we are looking at. I hope I didn't confuse it in any way.

Sheila Goffe: No. No, I think it's very beneficial to touch on intent, which is something that I think is touched on a lot throughout the commentary. And one thing again that I think is very useful, if you would even expand on that, is the issue of intent with respect to preserving blood lines, to intent to breed, intent in terms of selling an animal as a working service, hunting and so on kind of animal. And the first part of that question is, you referenced at the very beginning preservation of bloodlines for rabbits. The way that's written in the commentary-- can you confirm that that preservation of bloodlines is for all the covered animals, not just for rabbits?

Dr. Kay Carter-Corker: Yes, that's for all regulated species.

Sheila Goffe: So that would be-- so one exemption might be a person seeking to preserve their particular bloodlines of their particular breed of dog?

Dr. Kay Carter-Corker: Yeah, because the animals are involved in part of breeding purposes. The reference relating to rabbits was-- it started, well-- we encounter situations with rabbits where they're used for either food and fiber and also just preservations of bloodlines which would be for breeding purposes. So we would also consider that for any of the other species, if the purpose of breeding those animals and having offspring is to maintain the bloodlines, those animals- we assume that those animals are not going for use as pets, which is what the Animal Welfare Act focuses on.

Sheila Goffe: All right. So would the Animal Welfare Act cover other uses of animals being sold aside from pets or exhibition as defined in the Animal Welfare Act?

Dr. Kay Carter-Corker: I'm sorry, Sheila. Repeat that question; would you please?

Sheila Goffe: Sure. Just trying to tease out whether there are other uses of animals that would be exempt under the Animal Welfare Act. You mentioned preservation of bloodlines. My understanding is also breeding stock is included.

Dr. Kay Carter-Corker: Well, Jerry is going to answer that.

Dr. Gerald Russian: Well, Sheila we also talk about this is in the final rule and we're getting down to the definition of dealer and if you are defined as a dealer, if you're selling dogs, now we're getting kind of fine here; that's why definitely I want everyone to read or give us a phone call if you don't understand because it's somewhat technical here. And once you get technical, we want to make sure everybody is understanding what's going on here. Now, if you sell at the retail level, dogs for research, teaching, testing, experimentation, exhibition, or for use as a pet; you are defined as a dealer. That's at the retail level. So those are six purposes.

At the wholesale level, we're going to add hunting, security or breeding purposes. So you have six ways to be fine as a dealer if you're selling your animals for those purposes, and you have a total of nine if you're selling it wholesale.

Sheila Goffe: Thank you.

Dr. Gerald Russian: So I know it's somewhat technical. By all means, please go back and read the information on the final rule is there for you. If you don't understand it, please reach out to me, reach out to Sheila and we'll go over it again because it is technical and we understand that.

Sheila Goffe: If that answer right there; that's very, very helpful. That's just very helpful to have that information right out in front so people can understand it. You know, changing the subject a little here, and I realize a lot of these questions are in the weeds and that's because we've had a week; a lot of us have had the chance to review the question-and-answers and the rule. One question or one request I have is, can you explain for us how some of the answers to these questions that are coming up verbally now, that are part of the commentary or part of the Q&A may get folded into the implementation of the new rule? Is there going to be a handbook? What weight will this commentary that went along with the final rule and these questions that we are now asking; that are being recorded; what weight will that have moving forward when we're looking at trying to determine the intention of the written rule?

- Dr. Gerald Russian: This is Jerry here, Sheila. And I think Kay actually told you before that we're currently updating our Q&A, number one. So all the questions that we're getting from both our regions and headquarters; we're reviewing those questions, we're answering those questions and we're going to put them up on our website.
- Number two, we're reaching out to everyone and anyone, every group, organization- no matter how small you are we want to talk to you. We want to hear your concerns, your issues; and we're going to try to work together. The goal of this regulation is not to put the hobby breeder out of business. That's not our intention. So we're looking at everything. We're going to work together. We're updating our website as fast as we can with new information to keep people abreast of what's going on.
- I know there's been talk from a lot of people over the last few days, there's a lot of fear out there. But also I know there are a lot of rumors out there about this rule; what it does and what it doesn't do. And we're trying as much as possible to try to quell those fears, to reach out to people and get people to talk to us.
- So we hear you, Sheila and we're trying to do as many things as we can. If any of the callers have ideas, by all means please share them with me. If you don't feel comfortable sharing with me, by all means please share them with Sheila and they will get back to me. So if it's something we're not doing and if you think there's something that we can do better, we want to hear from you.
- You know, we're all in this together. I think at the end of the day, we all have the same thing that we all can say that we're pushing for and that's the welfare of these animals. And I think if we keep focused on what we're trying to do, we focus on what you're trying to do, I really think we can work together. So I hope that helps, Sheila.
- Sheila Goffe: Absolutely. That helps a lot.
- Dr. Kay Carter-Corker: And Sheila, this is Kay. Sorry to interrupt; to answer the more specific question, these are our official answers and we're trying to capture them as clearly and succinctly as possible in writing so that everybody knows that that is the official answer from USDA/APHIS Animal Care.
- Dr. Gerald Russian: And I think also for us, having it in writing, we can't really understand the question because sometimes we may not understand the question that you're asking us, so we're making assumptions when we answer the questions and those assumptions that we're making aren't captured so when we answer that question, the assumptions are in there and that really may not necessarily be the answer to that question, so even being in front of everybody, having these questions in writing, having our responses; then we know that everybody's on the same page, reading the same music. Because as I said before, it is a complex issue and we understand there are some very complex business models out there and we recognize that and so we want to be as transparent as we possibly can as we go through this.
- Sheila Goffe: Appreciate that immensely and I would like to add to that as well that AKC is really engaged and wants to help people to understand their situation and certainly we can act as a conduit if there are a lot of questions. That's part of what we're doing here today is just to make sure that everyone gets the information they need and also to understand that there are a variety of options out there. There's a whole lot of rumor going on, but the important thing is to actually look to USDA to their answers because these are the

answers that you can take to the bank. AKC is working very hard as you can see with some of these questions we're asking, to get at the concerns of-- particularly of small breeders, breeders who wouldn't otherwise be regulated. And I'd just like to ask a few more questions, then I think I'll just open it up to the phone lines and let people ask their own questions. There were a couple of questions that came up time and time again, last night and the day before. And one of them, it was regarding physical observation or a face-to-face transaction. And the question is-- do videos, pictures or Skype meet the observation rule?

Dr. Gerald Russian: Sheila, this is Jerry. No. In our definition of retail pet store, we say you have to be physically present, so that means physically present to observe that animal.; so Skype; that's not being physically present.

Sheila Goffe: All right. Another thing that is noted in the commentary is that if a puppy buyer is unable to travel to the breeder to pick the puppy they purchased, it appears that they can send another person in their place. This would be a private agent of a type. And the question then continues. Can they compensate that person for example, to reimburse the gas for that private agent? We understand that it cannot be considered a commercial carrier or intermediate handler. But could that person --and this is a question that we may need to have in writing later because it is complex-- potentially be considered a dealer under the Animal Welfare Act if they are compensated more than \$500 for this work?

Dr. Gerald Russian: Sheila, this is Jerry here. You know, the buyer agent that you're talking about; our intention when we put that out there is one, we understand that there are some cases in which that buyer for one reason or another may not be able to go see that dog, for example a grandmother may decide to send her grandson to go out there and take a look at that dog, with the understanding that that grandson would most likely have the best interests of the grandmother to make sure that the dog that she wants is healthy, bright and alert to bring back to her. We definitely understand that.

But also we do recognize, at some point some people may decide to make it into a business in which there may be a business for the seller, it may be a business with the buyer; in those types of situations we're going to look into it and really see what's going on. Are you a class B dealer or you are an intermediate handler? So those types of situations in which it is being-- trying to circumvent being regulated, we're definitely looking at that. I think that, as I say, for the case-by-case determination. But that one, in the way that you described it to me; you're sending somebody out there to look at the dog, buy the dog; it wouldn't be; even at \$500 limit. I don't know where that came from, unless it's some type of business and this person is charging everybody \$500 or something like that in which we'll look into as- what are doing? But those occasions where you're sending someone down there out to take a look at that dog. We understand that happens. That's something that we wouldn't regulate.

So I hope that helped. I may have rambled a little bit for you guys, but I really want to try to get you guys to understand our intent here a little bit and what we're trying to do.

Sheila Goffe: There are a lot questions about the use of an agent and I think that whatever clarification we can get would be just--

Dr. Gerald Russian: Yeah, and I think in writing-- and that's something we definitely can work on and then we'll definitely do that. That's one of the issues that you guys aren't clear on. I hear you. That's something that we can get into a Q&A out to you guys and we can send it to

Sheila. Sheila can-- and as a matter of fact, maybe what we can do is actually-- we can get the Q&A, send it to you Sheila, and you can actually email it to your members and that way they can take a look at it and if it's still not clear, get back and we can look at it again and write it in a way in which they can understand what we're trying to do and that's what I was trying to do here.

Sheila Goffe: Sure. Absolutely. We'd be happy to get it out, definitely.

Dr. Gerald Russian: Yeah, and I think that's something that we can do.

Sheila Goffe: I know that time is limited and I did want to also ask- how does USDA plan to identify which breeders will need licensing going forward under this new rule?

Dr. Gerald Russian: This is Jerry, once again. You know, we talk about this in the Q&A that we're going to use means that are available to us. And as-- we'll get complaints, we'll have people self identify; we'll look on what's on the public domain. You know, we hope that people, as I said before, self-identify themselves to us and I think that is a good way and we'll work with you and we'll walk you through the process. We'll answer as many questions as you like and we'll take as long as we need to.

So there are multitudes of ways that we're reaching out to everyone, even working hard with every organization that we possibly can.

Sheila Goffe: In terms of a complaint-driven process, one of the concerns that I think a lot of breeders have is that there have been animal rights activists or others who do not like breeders, who could potentially use this rule to harass or intimidate really the lawful operations of breeders. If a false report is made, I do understand that there will be a process for complaints. What procedures would have in place to identify and track complainants who demonstrate a pattern of behavior or ongoing malicious complaints submission?

Dr. Kay Carter-Corker: Sheila, this is Kay. We get complaints all the time. We get people that present to us their concerns about the animals that they're seeing. And we evaluate the content of the information that they provide us and then make a determination of how to best approach verifying that information. Sometimes we-- most of the times if it's relating to the wellbeing of the animals, we will send an inspector out there to look into the situation and to determine whether it's a valid complaint, whether there are concerns that we need to be dealing with. And then sometimes you just don't have enough information that allows us to look into it any more deeply.

So it's a part of our typical way in which we are responsive to the public and to the industry which is to take in all of that information and evaluate it and then to respond to each and every complaint as appropriate. So we don't cipher out whether it's a malicious complaint or whether it's an invalid complaint that's harassing a particular entity. We evaluate the content of that information each and every time and make a determination on that one based on that information we receive.

Does that help answer that question?

Sheila Goffe: I think so. I think so. I think that it's good to know what the procedure for complaints would be and one thing that I know that we talked about earlier was the fact that you were working--that complaint forms would be developed. I think once those are developed, it would be very helpful for folks to see what those look like to get a feel for

the information that would be required for somebody to complain so that-- just so that the people understand that-- do complaints need to be substantiated? Do complaints need to be signed or when people complain, is a name necessary? Those are some of the questions that we're interested in.

Dr. Kay Carter-Corker: I understand those questions and I can answer those right now. We are-- when we receive complaints, we ask that the person submit it in writing so that we know specifically what their concerns are and we have it in writing to be able to follow through with it, as well as to pass that on to the appropriate people within the agency to deal with it. We don't specify what information that they have to provide us. We ask them to tell us what their concerns are and sometimes they will go into great detail and provide pictures of things that they've seen and sometimes it's very sketchy, something similar to the circus is going to be in town.

And the thing-- what we will do is we will take the information that they provide us. And they can submit that complaint to us anonymously. They do not have to identify themselves. We do have those multiple ways in which we currently accept complaint information. We are developing an online complaint form to make it more convenient for us as well as the public to provide us with that information on their concerns.

And it's still basically the same request- what are your concerns? Give us as much information as possible about what you're seeing and the concerns that you have about the animals. And if we have additional questions, we would need your contact information. But they do not have to provide that to be able to submit a complaint to us.

Did I answer all the questions on that one? Hello? I think we lost Sheila.

Sheila Goffe: That will be helpful.

Dr. Gerald Russian: Oh, thank you.

Dr. Kay Carter-Corker: Oh there you are.

Sheila Goffe: Yes, here I am.

Dr. Gerald Russian: Well that was a lot of people.

Dr. Kay Carter-Corker: It was quiet on our end here.

Dr. Gerald Russian: (Inaudible) that's not a good thing.

Sheila Goffe: Yes, yes. No, I think that will be very helpful and again it's just a case of ongoing, if we can get more information about this process, I think that will be very useful.

What I'd like to do is actually turn it over and open up the lines. There are I think a lot of people who have questions that they'd like to ask. So I-- for this part, my comments are concluded. Certainly we did have a lot of questions we didn't get to, but we will continue as I mentioned earlier, to perhaps submit some questions to you folks for answers in writing and perhaps that will help explain things some more, if that works for you?

Dr. Gerald Russian: By all means, Sheila. And I know that we have quite a few people on the phone call and maybe me and you can talk off line- you know, a way we can set up a way if they don't

feel comfortable submitting questions to us directly, they can submit it to you and we can figure out a way that we can do it efficiently and effectively and get back to individuals as quickly as possible.

Sheila Goffe: Great. And I'd like if-- to open up the lines for any questions that might be out there on sort of a first-come-first-serve basis.

Operator: The floor is now open for questions. If you do have a question, please press the number seven on your telephone keypad. Questions will be taken in the order they are received. If at any point your question has been answered, you may press seven again to disable your request. If you are using a speakerphone, we ask that while posing your question you pick up your handset to provide favorable sound quality.

And it looks like the first question comes from Andy Florian. Andy, go ahead.

Andy Florian: Yeah, I have a question regarding deposits on puppies. Is it considered the point of purchase if a person sends you a deposit that they have to see the puppy or is it when they give you the balance of the puppy price?

Dr. Gerald Russian: This is Jerry. And I'm trying to-- this is where questions-- they're going to lead to some other questions so I have to ask you a question. Are all your transactions face to face?

Andy Florian: Yes.

Dr. Gerald Russian: Okay. If they're all face to face, you're not regulated.

Andy Florian: But for those that may have to sell a puppy out of state; how is a deposit considered? Is that the beginning of the transaction or is it when the balance of the purchase price of the puppy is made?

Dr. Gerald Russian: I'm hearing you and I'm really thinking about your question. And I guess maybe this will help. Here's an example and we can talk about where we are. So me, A- let's say I'm a buyer and you're a seller and I look on your website and I see a puppy that I like. So I send you a deposit to hold that puppy for me. And I say to you- I'm going to drive down in the next two weeks when the puppy is ready to go to pick it up. So I get in the car and I drive down and pick that puppy up. That is a face-to-face transaction. You would not be regulated.

Now let's say-- we'll go to the scenario again. I'm the buyer and you're the seller. I see that puppy on the website and I send you a deposit to hold the puppy then I come to the website when the puppy is ready to go and I send you the money or whatever you want to say to ship the puppy to me. And you ship the puppy to me and the puppy arrives. That is a sight-unseen transaction and that type of transaction you would be regulated.

Andy Florian: Thank you.

Dr. Gerald Russian: Did that help?

Andy Florian: Yes. Thank you.

Dr. Gerald Russian: So really, it see it really revolves around the face to face.

- Andy Florian: Yes.
- Dr. Gerald Russian: Yes, ma'am.
- Operator: The next question comes from Bill Stone. Bill, go ahead.
- Bill Stone: The question I had first of all, I would state that probably virtually everybody on this call who's concerned enough to be interested in the call and your comments is certainly concerned in the welfare of the dogs they work with. And so we commend you for what you're trying to do. The question I really have is when it comes down to the field level, and since this is new to most of us in this field, I can only use kind of an analogy to the construction industry, when you have inspectors in the field who are looking to inspect and approve according to building codes. And of course building codes are also intended for the safety and the well being of the people who are going to be in and around those structures. But there is a great deal of latitude in the inspector's hands and oftentimes one inspector's opinion varies greatly from another's. My question really boils down to- in a situation of an inspector's finding, if the person disagrees with it, is there anything built within the system like an ombudsman for an appeal process to say- no, I don't feel this inspector is accurate. Is something like that available to the consumer under this regulation?
- Dr. Kay Carter-Corker: Hi, Mr. Stone. This is Kay. And we have a process by which the licensee can appeal the findings on the inspection report and if they submit a letter to the regional office and it goes directly to the supervisor that says that I disagree with what the inspector wrote on my inspection report and for whatever else they put into the letter. And then it gets reviewed and they get a response back. So yes, there is an appeal process and yes, that's available to everybody that is licensed and registered under us.
- Bill Stone: Thank you.
- Dr. Kay Carter-Corker: Mm-hmm. And also you can go out on our website and there is a fact sheet that describes that appeals process.
- Dr. Gerald Russian: Sheila, do you happen to have a link to our website on AKC's webpage? I know I shouldn't be asking a question. I apologize, everyone. Well, maybe Sheila-- maybe she may be on mute, but I'll talk to Sheila and see if that's something that AKC can do and that may help people on the phone to have an actual link.
- Sheila Goffe: We do have a link. This is Sheila. We do have a link, although we don't have a link to that specific document.
- Dr. Kay Carter-Corker: Well I think if you get a link to our webpage itself and people can explore all of the other information that's out there then they'll see the plenty of information about many of our processes that are there.
- And your link could just narrow it down to our publications and manuals page.
- Operator: The next question comes from Debra Pomeroy. Debra, go ahead.
- Debra Pomeroy: Yes. I have more than four breeding bitches and I would fall under the preservation of bloodlines and pedigrees. But we all know that every puppy in a litter is not a puppy that we want to continue to breed or put in a breeding program. So those puppies, if sold face

to face, could be sold as pets without losing an exemption because of the preservation of bloodlines or sold as a hunting dog because I have a dog that would hunt? Can you like mix and match the exemptions, is what I'm asking and still be able to sell a few pets?

Dr. Gerald Russian: Hi. This is Dr. Russian. From the scenario that you're giving me, I want to make sure to actually capture it. So you won't fall under the exemption because you have five breeding females. So now we have two more options left to us. If we're selling that face to face; you're doing that, you're exempt. If you're selling for that purpose other than pets, you would be exempt. So you're doing that mix match; so what I'm hearing from you, the ones that you would sell for pets is going to be face to face, correct?

Debra Pomeroy: Correct.

Dr. Gerald Russian: And the ones that you're selling to be used for hunting, security and breeding, you're going to ship those or sell over the internet or non face to face correct?

Debra Pomeroy: Correct.

Dr. Gerald Russian: If you do that mixing and matching, you're exempt.

Debra Pomeroy: Wonderful. Thank you.

Operator: The next question comes from--

Sheila Goffe: This is Sheila and can I add a quick question to that as well? And that is it's simply we have a lot of people who are involved in purebred rescue. One of the big questions we've heard and this is related to that is if they bring in an animal to foster which they then sell, excuse me then transfer and they already have say six breeding females, but they sell all their animals face to face; they do not transfer the rescue face to face. Would that put them into a situation of needing to be regulated or is that an entirely different scenario?

Dr. Gerald Russian: I hear you, Sheila and I'm thinking exactly what you're--the scenario and I tell people--the way I do it-- I say-- who are the parties, what are the relationships and what are they doing? So that's my analysis as we go through this.

We have two issues that we need to talk about here when we talk about the license exemption. The license exemption, the three breeding female that we talk about-- sorry about that-- four breeding females or less; that's a license exemption; but that only applies to your selling puppies that were born and raised on your premise. So when you foster a dog or you adopt a dog out and you bring that to your premise that dog is not born and raised on your premise and you remove that dog out, so at that point that license exemption doesn't apply to you. So the question is- how are you moving those animals? Are they face to face or not? If they're face to face, you would be exempt. I mean those patterns are really precise and high level and after you tease it a little more than that, so from that scenario I would really have to dive into it, but I'm trying to give the people on the phone the way I'm thinking about it and this may help them think about it also is that I would have to ask you really a little more set of questions to find out a little bit more about your business model, your business practice, to really give you a definitive yea or nay. But just from that scenario, I'm leaning more towards we need to talk a little bit more because you may be regulated. I hope that helps.

Sheila Goffe: Thank you, yes.

- Operator: The next question comes from Jacqueline Kensler. Jacqueline, go ahead.
- Jacqueline Kensler: Thank you. I want to expand on Debbie Pomeroy's question. She talked about how we breed with the intention to improve our breeds and to produce dogs that can be bred from in order to maintain our breeds and cooperate with other breeders and solve health problems and that many-- a percentage of those animals that we produce are not going to be suitable for breeding programs. So they're going to be sold as pets. I mean that's -- I don't think there is any disputable fact about that and that's what keeps this all going.
- And it was my understanding that if your intention was to breed dogs that were going to be bred from pure-breeding programs, that that was what mattered rather than what the final outcome was because that was unpredictable. So if I have a litter of five puppies and two of them are prospects for breeding and three of them are pets that I have reasons why I don't want them bred on from, then am I still exempt under my original intent to breed to produce breeding stock and therefore able to do anything I want to, to ship them or sell them face to face or whatever comes along with an exemption, or because I can't produce of full litter of dogs suitable for the future of the breed, am I knocked off of my exemption and is there percentage involved?
- There are a lot of people speculating about this and it's a very-- it's a very confusing area.
- Dr. Gerald Russian: This is Dr. Russian here and thank you for that question. We're hearing a lot of that and that's definitely something that we need to get out in writing for everybody to be able to read, to digest, to talk to us about it and we can see where we all on this issue of intent, frequency, how often and I'm hearing you. You know what I can say that is this--
- Jacqueline Kensler: We can't function unless we can do this. I'll tell you that.
- Dr. Gerald Russian: And we hear you and we recognize that. I will say that we recognize that.
- Jacqueline Kensler: That's what I thought but because we didn't get to that a little sooner, I think that's what's causing the most heartburn.
- Dr. Gerald Russian: Yes, ma'am and I hear you. In those situations, what I can tell you is-- it's going to be one of those case-by-case determinations because we all know, and we're all here together, we have other people that will try to, for better words, use that as a loophole.
- Jacqueline Kensler: I understand.
- Dr. Gerald Russian: Who have no intention whatsoever or are concerned about the bloodline, the quality of the dogs they're selling, and we understand that. So that is something that we're going to have a case-by-case determination and obviously some of the things that we'll look at-- you can say--
- Jacqueline Kensler: (Inaudible) case by case determination.
- Dr. Gerald Russian: Excuse me, ma'am.
- Jacqueline Kensler: At what point does it-- I'm sorry, I didn't mean to interrupt you but I'm trying to understand case by case basis; but in other words, if for some reason you decide to poke around my breeding program, that's when it becomes a case-by-case basis?

Dr. Gerald Russian: No. The way it's going to work ma'am is that if you tell us that you're selling dogs for hunting, security and breeding purposes, we're going to believe you until proven otherwise. So that's how that's going to work. So if you say- hey Dr. Russian, I'm selling dogs for hunting, security and breeding purposes which you can do that, then okay, that's our starting point. However, if we get information or we see someone advertising dogs saying these make great pets; you know, we're going to talk to you to really see what is your business practice? Are you doing to circumvent the regulation or it's truly what you're doing. So that would be one of the things that's for the case-by-case determination. We'll talk and try to see what's going on. Our goal is to work with everyone.

Sheila Goffe: I'm going to jump in here. I hate to be the party pooper. We have used up our time and I'd like just to conclude quickly by thanking Dr. Russian and Ms. Kay Carter-Corker for spending this hour with us and answering some of our questions. Also like to reiterate our commitment at the American Kennel Club to trying to help clarify this process as much as we can. Certainly Dr. Russian and I will continue to be in discussion and we will be getting back to you shortly regarding our discussion of ongoing questions and clarifications.

Thanks again for joining us. We really appreciate your interest and we will continue to keep you as updated as possible, especially as the process towards implementation moves forward. Thanks a lot.

Dr. Gerald Russian: Thank you.

Dr. Kay Carter-Corker: Thank you.

Dr. Gerald Russian: Thanks, bye-bye.

Operator: This does conclude today's teleconference. We thank you for your participation. You may disconnect.