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June 24, 2011

BY ELECTRONIC MAIL

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Jeff W. Adamson, Esq.
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American Saddlebred Horse Association, Inc. v. Edward R. Bennett, et al.

Dear Jeff:

The Fayette Circuit Court issued an order stating that American Saddlebred Horse Association, Inc. (“ASHA”) members “are entitled to inspect any and all books and records of the ASHA and make copies thereof at a reasonable expense. . . .” By letter dated June 2, 2011, we wrote to you on behalf of ASHA members Edward R. Bennett, Simon Fredricks, MD, Lynn Via, Tom Ferrebee, Kris Knight and Carl T. Fischer (“Members”). We requested an opportunity to inspect all of the books and records of the ASHA necessary to perform a complete review and audit of the ASHA’s finances, assets and management. ASHA agreed to allow the Members’ inspection of ASHA’s records to begin on June 15, 2011.

We appeared at ASHA’s offices in Lexington, as agreed, on June 15, 2011, for the inspection of records. You advised us that ASHA had decided, unilaterally, to withhold large categories of records, and that ASHA would not be producing records in their native format. For example, ASHA withheld all records relating to ASHA’s two most recent accounting years. The Fayette Circuit Court’s judgment does not authorize ASHA to withhold those records from inspection by its members. ASHA also failed to produce all of the records relating to the accounting years that ASHA purported to produce. By way of example only, below is a list of specific deficiencies in ASHA’s production based upon the limited access to records that ASHA provided to us on June 15.

1. Portions of the records were redacted to hide salary and other payment information.
2. The financial records failed to include all payroll reports.

3. ASHA failed to produce reports or “packets” provided to board members on a routine basis.
4. The journal entries were disorganized and failed to include supporting documentation in many instances. If there is no supporting documentation, please let us know.
5. ASHA failed to produce all correspondence, reports, board communications and records reflecting agreements or payments relating to the termination of Alan Balch’s employment with the ASHA. You stated that ASHA may take the position that those records reflect a confidential agreement between the ASHA and Mr. Balch. You also said ASHA may decide that it will not produce those records for inspection. That position would not be consistent with the law. Please advise us immediately of ASHA’s position.
6. ASHA failed to produce all of its electronic mail sought for inspection.
7. ASHA failed to produce attachments to electronic mail.
8. ASHA failed to produce the terms of Paula Johnson’s employment and any communications or other agreements relating to Ms. Johnson’s hiring and employment with the ASHA.
9. ASHA failed to produce a copy of any report or communication from any consulting agency regarding potential candidates, including Paula Johnson, for employment at ASHA as Executive Director or Executive Secretary.
10. ASHA failed to produce reports and communications regarding potential violations of ASHA and USEF rules by ASHA board members and employees.
11. ASHA failed to produce records indicating any financial or business relationship between ASHA employees and ASHA board members, executive committee members, officers or their families.
12. ASHA failed to produce the audit report for ASHA for its 2010 accounting year.
13. ASHA failed to produce the audit report for the American Saddlebred Registry for its 2010 accounting year.
14. ASHA failed to produce the general ledgers, journal entries and supporting documentation for its two most recent accounting years.
15. ASHA failed to produce communications of board members, officers and employees during ASHA’s two most recent accounting years.

Jeff W. Adamson, Esq.
June 24, 2011
Page 3

16. ASHA failed to produce records indicating the amount spent by ASHA relating to the litigation ASHA initiated in Fayette Circuit Court styled *American Saddlebred Horse Association, Inc. v. Edward R. Bennett, et al.*, case number 09-CI-05292 and ASHA's appeal of the decision rendered by the Fayette Circuit Court.

When we discussed with you ASHA's failure to produce all of the records for inspection on June 15, it became apparent that ASHA had the ability to produce a complete set of most of the records in their native electronic format. Specifically, ASHA has the ability to produce its accounting information and electronic mail in their native formats. Producing those records in native format would result in substantial savings of time and money for ASHA and the Members. Mr. Carl Holden, the representative of ASHA's board of directors who attended the document production on June 15, confirmed that ASHA could produce those categories of records in their native format on compact disks as soon as the next morning. However, you stated that you would need to obtain authorization from others before ASHA would agree to produce its records in native format. We have not heard from you since that time. Please let us know if ASHA will produce those records in their native format.

Mr. Holden also confirmed with ASHA employees on June 15, 2011 that ASHA could provide all of the records sought by the Members in twenty-four hours or less. If ASHA produces all of the records described above, and in their native format as outlined by Mr. Holden, the Members' may have few, if any, follow up requests of ASHA. Please let us know immediately if ASHA will comply with the law, and the Fayette Circuit Court's judgment, and produce all of the records sought for inspection by the Members.

Sincerely,



Stephen A. Houston

cc: Jefferson K. Streepey, Esq.

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