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July 1, 2011

Via e-mail and U.S. Mail

Mr. Stephen A. Houston
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202

Re: American Saddlebred Horse Association, Inc. v. Edward R. Bennett, et al.

Dear Stephen:

As a follow up to our letter to you, dated June 25, 2011, we write to correct statements contained in your June 24 correspondence regarding what was produced and not produced at the document inspection of June 15, 2011, and to provide ASHA's response to the additional requests raised in your June 24 letter.

Your letter erroneously states that ASHA "decided, unilaterally, to withhold large categories of records." This is not true. ASHA declined to produce only those documents falling outside the scope and relevant time period of the Opinion, Order and Judgment of the Fayette Circuit Court entered on December 2, 2010 or the Court's Final Judgment and Order of January 6, 2011 ("Fayette Circuit Court orders"). ASHA produced, or will produce in response to supplemental requests at the next scheduled inspection, copies of all books and records "pursuant to [the Appellee Members] enumerated written request (sic) previously submitted." See Opinion, Order and Judgment, entered December 2, 2010, at page 7.

For instance, ASHA did not produce books and records from the 2008, 2009, and 2010 accounting years because they were not included among the enumerated document requests served upon ASHA in the pending litigation and therefore not subject to the Fayette Circuit

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Court orders. The Appellee Members' request for three additional years of "books and records" will further detract the ASHA directors and personnel from serving the entire membership and promoting the Saddlebred breed. ASHA is therefore obligated, both to its entire membership and under KRS §273.233, to request that the Appellee Members set forth a **proper purpose** for production of these additional documents.

The other set of documents not produced belongs to the American Saddlebred Registry, Inc. ("Registry"). As you were advised at the June 15 inspection and in our June 25 correspondence, ASHA cannot produce Registry records for a number of reasons. First, ASHA does not own or control Registry records. The Registry is a separate and distinct 501(c)(5) non-profit corporation and is governed by its own Board of Directors. Second, the Registry is not a party to the pending litigation and is therefore not subject to the Fayette Circuit Court orders. Lastly, the Registry has no members and is therefore not subject to the mandates of KRS §273.233.

Your letter then proceeds to list sixteen "examples" of "specific deficiencies" in ASHA's document production on June 15, 2011, but references documents which were in fact never requested during the June 15 meeting or were requested for the first time during the afternoon meeting that day. ASHA addresses each of these requests below.

Request Nos. 1, 2, 4, 6, and 12: These requests contain significant errors of fact as evidenced by copious notes taken by ASHA representatives during the June 15 meeting. ASHA did not "hide salary and other payment information" or fail to include payroll reports, journal entries, electronic mail, and the audit report for the 2010 accounting year. As you were advised by letter dated June 9, 2011, ASHA was required to withhold or redact attorney-client and work-product protected information, all personal identifying information, and bank account information prior to the June 15 document inspection in order to protect ASHA's confidences with counsel and to prevent identity theft of ASHA and its members. However, ASHA did not conceal any salary or payment information. The Appellee Members were provided copies of all payroll summaries, including W-3 forms, for the relevant time period; all journal entries with supporting documentation for the relevant time period; and all e-mail communications requested for the relevant time period.

With regard to electronic mail, in its June 25 letter, ASHA agreed to conduct a second search of Mr. Balch's e-mails to the best of its ability to confirm all e-mail communications in its possession falling under the scope and relevant time period of Fayette Circuit Court orders were produced to the Appellee Members. In addition, we understood that you and your representatives were not able to review all of the documents ASHA provided for inspection and copied for your convenience on June 15. ASHA has therefore agreed to make the documents previously produced, as well as documents existing and responsive to the Appellee Members' supplemental requests, available for a second day of document inspection and copying. Perhaps

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the documents alleged to be “hidden” or “withheld” are contained in the materials that were produced on June 15, but which you have not yet reviewed.

As for the audit report for ASHA’s 2010 accounting year referenced in Request No. 12, you were advised during the June 15 inspection that the audit was not yet final on that date. ASHA advised you and Mr. Bennett on June 15 that a copy of the audit would be produced as soon as it became available. ASHA has since honored this agreement by attaching a copy of the 2010 audit to the letter you received a few days ago. Thus, it is incorrect to suggest in your June 24 letter that ASHA “withheld” documents it in fact agreed to produce.

Lastly, to the extent the above requests seek production of documents not subject to the Fayette Circuit Court orders, ASHA reiterates its request that the Appellee Members set forth a **proper purpose** for requesting inspection of these additional documents pursuant to KRS §273.233.

Request Nos. 9, 11, 15, and 16: The misstatements contained in Request Nos. 9, 11, 15, and 16 are troublesome. Therein, you suggest that ASHA “failed to produce” the following documents:

- a copy of any report or communication from any consulting agency regarding potential candidates for employment at ASHA as Executive Director or Executive Secretary;
- records indicating any financial or business relationship between ASHA employees and ASHA board members, executive committee members, officers or their families;
- “communications” of board members, officers and employees during ASHA’s two most recent accounting years; and
- records indicating amounts spent by ASHA in this litigation.

These documents were requested for the very first time in your June 24 letter. It is disingenuous to suggest that ASHA “failed to produce” documents at the June 15 inspection when, in fact, the documents were never before requested.

As for Request Nos. 9, 11, 15, and 16 generally, these requests seek inspection of documents falling outside the scope and relevant time period of the Fayette Circuit Court orders and are the subject of an additional request for which the Appellee Members must state a **proper purpose** under KRS §273.233. However, to the extent it assists the Appellee Members in completing their inspection, ASHA does not possess documents responsive to Request Nos. 9

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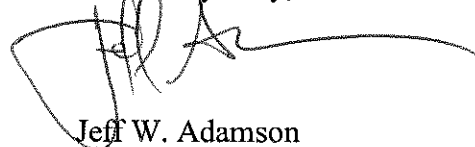
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and 11. With regard to Request No. 16 for records indicating amounts spent by ASHA for the rendition of legal services in this litigation, ASHA objects to the extent these documents contain correspondence and description of services protected by the attorney-client privilege and work-product doctrine. ASHA will not produce any attorney-client and work-product protected information to the Appellee Members.

Request Nos. 3, 5, 7, 8, 10, 13, and 14: The remainder of the requests and the general request for all books and records in “native” format were addressed in our June 25 letter. (See responses to Nos. 4, 5, 9, 10, 12, 13 and 14 contained in our letter to you, dated June 25, 2011). To the extent these requests are supplemental to the enumerated requests served upon ASHA in the pending litigation and ordered produced by the Court, ASHA will make existing and responsive documents available at the continued inspection. With regard to the additional requests raised in Request Nos. 3, 5, 7, 8, 10, 13, and 14, ASHA must demand that the Appellee Members set forth a **proper purpose** as mandated under KRS §273.233 to warrant further diversion of ASHA directors and personnel from the charitable and educational obligations owed to the entire ASHA membership.

As stated in our June 25 letter to you, ASHA has provided, or will provide at the continued inspection, all of the financial records necessary for the Appellee Members to confirm ASHA is managed in accordance with its charitable and education purpose. We will make all documents previously produced and any documents existing and responsive to the Appellee Members' supplemental requests outlined above and in our June 25 letter available at the offices of the American Saddlebred Horse Association, 4083 Iron Works Parkway, Lexington, KY 40511, on **Tuesday, July 19, 2011**, commencing at 10:00 a.m. Please advise who will be accompanying you to the continued document inspection **no later than Friday, July 15, 2011**, so that we may make appropriate arrangements. Also, we look forward to your response to ASHA's request for a statement of proper purpose for each and every additional document request outlined above and in our June 25 letter.

Yours very truly,



Jeff W. Adamson

JWA/jaa
cc: Hon. Lewis G. Paisley