



FOR IMMEDIATE RELEASE
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PAT vs AHA Litigation Update

(02-October-17) – AURORA, COLO. – Because of the legal technicalities of the Purebred Arabian Trust (“PAT”) vs Arabian Horse Association (“AHA”) litigation, I have asked our Litigation Counsel, Joe Lico, to address some of the legal questions AHA has received from membership.

Nancy Harvey
AHA President

The PAT AHA relationship was established as part of the 2003 merger between the Arabian Horse Registry and the International Arabian Horse Association. The PAT was established as a 3rd party entity to own the purebred Arabian database and the IBM software used at the time of merger for purebred registrations. In return for use of the data and IBM software, AHA pays a royalty to the PAT for use, which in part was intended for purebred Arabian promotion.

As AHA’s Legal Counsel, I have been asked to explain that, although, we have worked diligently and honestly to mediate and end the litigation brought on by the PAT against AHA for the ownership of the Horse Registration System (“HRS”) that was created and paid (\$2.8 million) for by the Arabian Horse Association (“AHA”), those efforts were unsuccessful and thus litigation continues. Since the membership is the association, AHA’s Executive Committee (EC) feels that everyone needs to understand this litigation.

For your reference, the timeline is as follows:

2003 – 2010: PAT Trustees and representatives actively participated in discussions and voted as members of the AHA Board of Directors to fund HRS. It is important to note that the PAT representatives never disclosed their intent or belief that PAT owned HRS, and never disclosed a conflict of interest prior to any vote concerning the funding of HRS. AHA has paid and continues to pay royalties (1/3 of the Purebred Registration gross revenues) to PAT.

September 2009 – March 2010: Bob Fauls, representing PAT, sent a letter to AHA stating for the first time that PAT believed it was the owner of HRS. Glenn Petty and Lance Walters responded by refuting any alleged PAT ownership. AHA specifically reaffirmed its desire to work together for the betterment of the breed and its owners. Unfortunately, PAT responded with yet another claim of ownership in a response to AHA in November 2009. PAT, again, denied AHA’s contentions that it owned HRS stating its objection to AHA’s position in the letter. AHA then sent a final response in March 2010 declaring its intent of ownership of HRS and that it would not

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move forward with HRS until this matter was resolved. PAT never responded to AHA's March 2010 letter, so AHA determined to move forward with implementing HRS believing AHA was the undisputed owner. No further discussion as to ownership of HRS was discussed between AHA and PAT until April 2016.

April 2016 – PAT raised the issue of ownership of HRS for the first time in over six years. Representatives of PAT and AHA met to try to resolve the ownership dispute over HRS. AHA concedes and has always maintained the purebred data provided by PAT in 2003 that is contained within HRS is the property of PAT and the basis for the royalties paid. Unfortunately, no resolution was reached.

June 2016 - Representatives of PAT and AHA met again to discuss ownership of HRS. PAT sought ownership of HRS under the premise that there was alleged concern over what would happen to the data if AHA ceased to exist. To alleviate this concern, AHA offered to place the purebred data in a “trust” or “escrow.” By placing the purebred data and HRS in a “trust” or “escrow” should AHA ever cease to exist, the data and HRS would automatically transfer to PAT that would insure registration of Purebred Arabian Horses continued without undue delay. Unfortunately, this possible solution was rejected by PAT.

August 2016 - PAT Representatives actively participated in a specifically scheduled Executive Committee Strategic Planning Session without disclosure of a conflict of interest and again, without any representation that they believed PAT owned HRS. Shockingly, without any notice or explanation, two days later PAT filed for a Declaratory Judgment against AHA where mere days earlier they were Strategically Planning for AHA's future.

During the litigation process - AHA has provided a plethora of documents for litigation (totaling about 5,000 pages) dating back to 2003. PAT has provided some basic documents, such as the underlying agreements (Merger and License and Security Agreement) but continues to rely on the language contained in these agreements and their one-sided interpretation of this language.

May 2017 - Mediation was ordered by the Court and scheduled for May 11th. Mediation was attended (at the request of the PAT) by all decision makers of AHA to allow for a reasonable and productive agreement to settlement. AHA representatives attended the mediation in good faith, and followed through with what was agreed to during the mediation in hopes of settlement. Despite AHA's efforts, PAT again rejected AHA's proposals.

August 2017 - PAT filed an Amended Complaint still seeking ownership of HRS but for the first time added new allegations seeking royalties related the Canadian Horse Registry and asking the Court to find AHA in default of the License and Security Agreement thus dissolving the agreement. PAT's decision to continue and now increase the litigation effectively gives AHA no choice but to fight the allegations.

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September 2017 - AHA filed its Answer, Counterclaims and Crossclaims on September 14, 2017.

As a reminder, HRS was paid for and created by votes of the AHA Board of Directors. Representatives of PAT sat and voted for AHA to approve and fund HRS without disclosure of PAT's intent to claim ownership. As a result of PAT's lawsuit against AHA over ownership of HRS, AHA has countersued and will renew its claims for the costs it expended creating HRS if it is determined to not be the owner, and charging the PAT Trustees who voted to approve AHA's expenditures without disclosing PAT's true intent with Breach of Contract, Unjust Enrichment, Covenant Good Faith and Fair Dealing, and Civil Conspiracy in violation of Colorado Law.

Trial is scheduled for five days beginning March 19, 2018. It is likely AHA (maybe both parties) will seek a continuance of the trial due to the Amended Complaint and the new allegations contained therein. In the interim discovery will continue (both finalizing prior written discovery and service of new discovery) with depositions will be scheduled, and dispositive motions filed at the beginning of 2018.

Joe Lico
AHA Litigation Counsel

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AHA is a major equine association serving 84,000 Arabian, Half-Arabian and Anglo-Arabian horse owners across North America. AHA registers and maintains a database of more than one million Arabian, Half-Arabian and Anglo-Arabian horses. AHA produces championship events, recognizes over 400 Arabian horse shows and distance rides and provides activities, education, and programs that promote breeding and ownership.

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