

STATE OF VERMONT
CHITTENDEN COUNTY, SS:

MARJORIE HAZELWOOD, LOUISE)
BOYD, SHERMAN BRONSON, THOMAS)
B. BRUCE, ANGELINA BRUMMETT,)
JESSICA CAMPMANS, ANNE CANAVAN,)
SUSAN U. CHRISTIANSEN, TOODIE)
CONNOR, CAROL COTTRILL, JUDITH)
SPURLING DEIST, CAROL DOMBROWSKY,)
LINDA DUFFY, LINDA FINK, CAROLYN)
FIRCH, BRYAN FOX, MEL FRANDSEN,)
ROBERT FRIEDMAN, MARGARET)
GARDINER, JUDY GIANINO, CLAIRE)
GLENN, GARY GRAY, MARY HAZELWOOD,)
ANNE HOBBS, MARJORIE HODGE, RICHARD)
JORGENSEN, LESLIE KENNARD, DIANE M.)
KUBIS, WENDY LeGATE, JOHN LONGWELL,)
MICHAEL MARTIN, MICHELE McENTEE,)
VICKY McKANE, JAN NELSON, MARK)
OSBORNE, NATHAN PAINTER, SHERRY)
PATTILLO, GAIL PERLEE, CARL RAMSOUR,)
JULIA ROSE, ANNE C. SNYDER, SUZANNE)
STEWART, KEN THOMAS, JUDY VanTASSEL,)
JACK WARNER, DANIE C. WEAVER,)
CHARLES WEISER, BILL WILLIAMS, and)
DAVID WILLIAMS, derivatively on behalf of)
The AMERICAN MORGAN HORSE)
ASSOCIATION, and MARJORIE HAZELWOOD)
In her Individual Capacity as a Member of the)
Board of Directors,)

Plaintiffs,)

v.)

CINDY MUGNIER, President of the Board of)
The American Morgan Horse Association, and)
MIKE GOEBIG, Past President of the Board of)
The American Morgan Horse Association, and the)
AMERICAN MORGAN HORSE ASSOCIATION)

Defendants.)

CHITTENDEN SUPERIOR COURT

DOCKET NO. S1231-08 CnC

ANSWER TO AMENDED AND SUPPLEMENTAL VERIFIED COMPLAINT;
COUNTERCLAIM AGAINST MARJORIE HAZELWOOD

The defendants, by their counsel Paul Frank + Collins P.C, answer the Amended and
Supplemental Verified Complaint, as follows:

1. Admitted.

2. Admitted.

3. Admitted.

4. Admitted that the Mission Statement of AMHA states that the purpose of the Association is “to preserve, promote and perpetuate the Morgan Horse.” A component of the business of the Association is the maintenance of the Registry. All remaining allegations are denied.

5. Admitted.

6. Admitted that the Association has at various points in time over 8,000 members. Admitted that Section 2.1 of the Bylaws provides for six classes of members. Admitted that general memberships expire on December 31 of each year and must be renewed. Admitted that members over the age of 18 are allowed to vote. All remaining allegations are denied.

7. Admitted.

8. Admitted that as of July, 2008 there were 530 Life General Members in the Association. Admitted that Exhibit B is a list of the Life General Members as of July, 2008. Admitted that the Board of Directors approved of a group of life members at its August 2, 2008 meeting, Wendy LeGate among them. Any remaining allegations are denied.

9. The allegation is a conclusion of law to which no response is required. To the extent an answer to the allegation is required, it is denied.

10. Without knowledge or information sufficient to form a belief as to whether the 47 Life General Members listed as plaintiffs are represented by Ms. Hazelwood, and therefore denied.

11. Denied.

12. Admitted that plaintiff Marjorie is a resident of Dorris, California; that she is a Life General Member; and that she was a member of the AMHA Board of Directors from February 2003 to February, 2009. As to the last sentence, without knowledge or information sufficient to form a belief, and therefore denied. Any remaining allegations are denied.

13. Admitted

14. Admitted.

15. The allegation is a conclusion of law to which no response is required. To the extent an answer to the allegation is required, it is denied.

COUNT I

16. The defendants restate their answers to paragraph 1-15 above

17. Admitted.

18. Exhibit D speaks for itself. To the extent any allegation is inconsistent with the Exhibit, it is denied.

19. Admitted that Exhibit E is a true copy of Ms. Hazelwood's January 31, 2008 letter, and that she sent that letter to the Association on or about that date. The letter speaks for itself. To the extent any allegation is inconsistent with the Exhibit, it is denied.

20. Denied.

21. Denied.

22. Denied.

23. Admitted.

24. Without knowledge or information sufficient to form a belief, and therefore denied.

25. As to the first sentence, denied. Admitted that the Confidentiality Agreement is attached as Exhibit G. The February 4, 2008 letter from Ms. Broadway to Ms. Hazelwood was not attached as a part of Exhibit G.

26. Admitted that Exhibit H is a true copy of Ms. Hazelwood's March 13, 2008 letter to Ms. Broadway. The letter speaks for itself. To the extent any allegation is inconsistent with the Exhibit, it is denied.

27. Admitted that Exhibit I is a true copy of Ms. Mugnier's April 4, 2008 letter to Ms. Hazelwood. The letter speaks for itself. To the extent any allegation is inconsistent with the Exhibit, it is denied.

28. Denied.

29. Denied.

30. Denied.

31. Denied.

COUNT II

32. The defendants restate their answers to paragraph 1-31 above.

33. Admitted that Section 2.14 was properly amended by action of the Board of Directors on August 3, 2007. The language of amended Section 2.14 speaks for itself. To the extent any allegation is inconsistent with that language, it is denied. Any remaining allegation is denied.

34. Denied that this allegation contains a complete or accurate quotation of NPCL § 609(a)(1).

35. Denied that this allegation contains a complete or accurate quotation of NPCL § 613(a).

36. Denied.

37. Denied.

38. Admitted that the allegation contains an accurate quotation of NPCL § 602(e). Any remaining allegation is denied.

39. Admitted that Exhibit K is a true copy of the Notice of the February 15, 2008 meeting. Any remaining allegation is denied.

40. Denied.

41. Admitted that the allegation contains an accurate partial quotation of NPCL § 608(a).

42. Admitted.

43. Admitted that the quoted language is contained in the 2007 Director's Guide. Any remaining allegation is denied.

44. Admitted that the allegation contains an accurate quotation of the cited provision of *Robert's Rules of Order*. Answering further, the quoted provision is irrelevant to any issue in this case because the Director's Guide does not make *Robert's Rules of Order* applicable to members' meetings and, in any event, the Bylaws control in determining the conduct of the meeting.

45. Admitted.

46. Admitted.

47. Admitted.

48. Denied.

49. Admitted.

50. Denied.

51. Denied.

52. Denied.

53. Denied.

54. Admitted that Exhibit L is a true copy of Mr. Rappaport's January 31, 2008 email.

Any remaining allegation is denied.

55. Admitted that Exhibit M is a true copy of Ms. Broadway's responsive letter. The letter speaks for itself. To the extent any allegation is inconsistent with the Exhibit, it is denied.

56. Admitted that Exhibit N is a true copy of Ms. Hazelwood's July 25, 2008 letter. The letter speaks for itself. To the extent any allegation is inconsistent with the Exhibit, it is denied.

57. Admitted.

58. Admitted.

59. Admitted that the AMHA Bylaws and governing law permit an Entity Member's voting representative to also hold an individual membership and to vote both of those memberships. However, each member has only one vote.

60. Denied.

61. Denied.

62. Admitted that in the 2007 election, several individuals cast ballots both as an individual member and as a voting representative of an Entity Member, consistent with the principle that each Member has one vote. As to any remaining allegation, without knowledge or information sufficient to form a belief, and therefore denied.

63. Denied that there has been any violation of § 611(e) in the conduct of AMHA elections.

64. Denied.

65. Denied.

COUNT III

66-74. The Court has dismissed Count III by Order dated May 14, 2009. No response to the allegations of this Court are therefore necessary.

COUNT IV

75. The defendants restate their answers to paragraph 1-74 above.

76. As to the first sentence, admitted that AMHA is an affiliated associate member of USEF. The remaining allegations are admitted.

77. Admitted that the five named individuals presently serve on USEF's Morgan Committee. Denied that Ms. Green is presently on the AMHA Board of Directors.

78. Denied.

79. Admitted.

80. Admitted.

81. Admitted.

82. Admitted that this allegation contains a partial statement of the responsibilities of the Finance Committee. Any remaining allegation is denied.

83. Admitted that this allegation contains a partial statement of the responsibilities of the Registry Committee. Any remaining allegation is denied.

84. Admitted that USEF sets the rules for competitions and licenses the judges for such competitions. Any remaining allegations are denied.

85. Admitted that Ms. Mugnier and Mr. Sebring volunteer their time to aid in the training of judges. Any remaining allegations are denied.

86. Admitted that Mr. Sebring and Mr. Goebig are professional trainers. Any remaining allegations are denied.

87. Admitted that trainers may earn some part of their living by training horses. As to the remaining allegations, without knowledge or information sufficient to form a belief, and therefore denied.

88. Admitted.

89. Without knowledge or information sufficient to form a belief, and therefore denied.

90. Admitted that horse trainers provide advertising revenue to the Morgan Horse magazine. Any remaining allegation is denied.

91. Denied.

92. Denied.

93. Denied.

94. Admitted that voting members numbered 8888 in the 2005 election and 8603 in the 2007 election. Any remaining allegation is denied.

95. Denied.

96. Admitted that the membership dues, as reported on AMHA's audited financial statements were \$455,339 in 2005 and \$420,725 in 2007. Any remaining allegation is denied.

97. Admitted that the Board of Directors voted to increase membership dues in 2008 from \$50 per year to \$70 per year. Any remaining allegation is denied.

98. Admitted that AMHA's 2007 Fourth Quarter Report showed a \$93,311.4 loss for FY 2007, and a \$59,919 loss for FY 2006. Admitted that the Magazine was budgeted for a loss of \$65,833 in 2007, but had an actual loss of \$95,533. Any remaining allegation is denied.

99. Denied.

100. Admitted that total assets, as reported on AMHA's audited financial statements were \$1,067,396 in 2005 and \$870,601 in 2007. Any remaining allegation is denied.

101. Denied.
102. Denied.
103. Denied.
104. Admitted.
105. Denied.
106. Without knowledge or information sufficient to form a belief, and therefore denied.
107. Denied.
108. Denied.
109. Denied.
110. Admitted that the allegation contains an accurate partial quotation of Bylaw Section 4.18.
111. Denied.
112. Without knowledge or information sufficient to form a belief, and therefore denied.
113. Admitted that the Registry is a source of income for the Association. Any remaining allegation is denied.
114. Denied.
115. Admitted.
116. Admitted.
117. Denied.
118. The defendants do not know what plaintiffs intend by the phrase “extraordinary authority”, and therefore are without knowledge or information sufficient to form a belief about this allegation. Admitted that pursuant to NPCL § 712 the authority of the Executive Committee cannot exceed that possessed by the Board.

119. Admitted that Bylaw § 4.18 provides that “all standing committee procedures shall absolutely not at any time be established nor utilized to prevent complete disclosure of all committee affairs to the Board of Directors at any time. All standing committees shall be open to all Board members at all times and committee actions shall be subject to participation by the Board at the next available Board Meeting.” Any allegation inconsistent with this provision is denied.

120. Denied.

121. Admitted that such activity is prohibited. Denied that it occurred.

122. Admitted.

123. Denied.

124. Denied.

125. Admitted.

126. Denied.

127. Denied.

128. Denied. Answering further, Section 4.4 of the Bylaws specifically permit a term of service in excess of 15 years for Board members sitting as of February 1994.

129. Admitted.

130. Denied.

131. Denied.

132. Denied.

COUNT V

133. The defendants restate their answers to paragraph 1-132 above.

134. Denied.

135. Admitted that Tony Lee was paid \$75,035 from 2003-2008 for writing articles, selling advertisements, and travel expenses in connection with the AMHA publication Morgan Horse. Admitted that during that period Mr. Lee brought in revenue to the Magazine totaling \$590,261. Any remaining allegations are denied.

136. Denied.

137. Denied.

138. Denied.

139. Admitted. Answering further, no such payments were ever made.

140. Admitted that the Board adopted the quoted resolution. Any remaining allegation is denied.

141. Denied. Answering further, the policy was revised to be consistent with IRS regulations.

142. Denied.

143. Denied.

144. As to the first sentence, admitted. As to the second sentence, denied.

COUNT VI

145. The defendants restate their answers to paragraph 1-144 above.

146. Admitted.

147. Denied.

148. Denied.

COUNT VII

149. The defendants restate their answers to paragraph 1-148 above.

150. Admitted.

151. Admitted.

152. Admitted that the allegation accurately quotes the January 22, 2003 letter from the IRS. Answering further, after additional information was submitted by AMHA, authorization was granted by the IRS by letter dated April 1, 2003.

153. Admitted.

154. Admitted.

155. Denied.

156. Denied. Mr. Huckaby was not present at the AMHECT meeting held on February 14, 2007.

157. Admitted.

158. Copies of minutes relied upon are not attached to the Complaint, so the allegation can be neither admitted nor denied.

159. Not understanding the allegation, it is denied.

160. Denied that an AMHECT meeting was held on May 3, 2007, and that the adjourned meeting was reconvened without notice to the Board members. At the reconvened meeting, the resolution reflected in the minutes of that meeting was adopted unanimously. Any remaining allegation is denied.

161. Admitted that Exhibit O is a true copy of Ms. Kjellander's June 1, 2007 memo. Any remaining allegation is denied.

162. Admitted.

163. As to the first sentence, admitted. As to the second sentence, denied.

164. As to the first sentence, admitted. As to the second sentence, denied.

165. Denied.