

MARJORIE HAZELWOOD
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January 31, 2008

VIA FACSIMILE (802) 985-8897
AND CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Michael Goebig
Board President
American Morgan Horse Association
122 Bostwick Road
Shelburne, VT 05482-4417

Re: American Morgan Horse Association

Dear Mike:

As a director of the AMHA, it is my right and obligation to be aware of all aspects of the organization including its finances, personnel matters and manner of functioning. To that end, I have repeatedly requested, a line-item working budget so that I can determine exactly where the money coming into this organization is from and exactly where it is spent. To date, I have only received summaries which do not give enough information to answer either of those legitimate inquiries. No document I have ever received has explained, for example, how allocations are made to individual departments or personnel.

I have also never received adequate information as to which employee is responsible for which specific work performed in the offices in Vermont or what each employee is paid. Nor has the process of choosing outside specialists ever been disclosed to me. I learned only recently that certain board members have received compensation for their services without prior disclosure to the board. I do not know how many directors have received such compensation, how long it has been going on or how much money is involved. It is impossible to tell from the inadequate financial information which has been given to me.

As you know, I have often expressed my incredulity that the magazine

continually loses money. Since I have had considerable work experience and success selling ads for a print publication, I find it hard to believe that the magazine could not be operated profitably if run in accordance with customary business practices in the industry. I have never received a sensible answer as to why the magazine prints so many more copies than it needs to fulfill the number of paid subscriptions. How many extra copies can we possibly need or use?

From the very beginning of my service on the board, I have made it very clear that the AMHA needs more "sunshine" on its actions and plans and that all board members must have complete information to carry out their duties to the corporation and to all its members. Accordingly, I hereby formally demand to see the following AMHA records to which I am entitled as a board member:

1. All payroll records, including salary, bonuses, health, life and disability insurance, retirement benefits, cost of living increases, reimbursements, expense account transactions, perks such as free travel, meals or hotel rooms, reimbursement of legal expenses and any other form of compensation (including reimbursement for "out of barn" time) paid to any and every current director, officer, employee or agent of the AMHA for the past three years.

2. A list of all accounts payable for the magazine for the past year as well as a list of all those accounts which have been past due for 30, 60 and 90 days and copies of all contracts between the magazine and its printer and with each of its advertisers.

3. Fred Braden's employment contract as well as all the items listed in item one above, concerning his compensation and his severance. Placing an illegible copy of his contract on a screen briefly at a board meeting was ludicrously insufficient for meaningful review by board members.

4. Julie Broadway's employment contract.

5. The check register and all bank statements for all checking accounts owned by the AMHA and the Charitable Trust for the past three years.

6. A complete list of each board member who has received any compensation from the AMHA in the past three years for his or her services (judging clinics, magazine ads, etc.) while serving on the board, other than travel expenses to the board meetings.

7. A line item budget showing, in complete detail, each item of income and expense for 2007 and 2008. In other words, the kind of budget which was described in the board meeting held in Phoenix in 2005 as the "paper clip budget."

8. Complete information about all AMHA investments: what investments are owned, when acquired, where they are held, records of all purchases and sales and the disposition of proceeds including the Registry Trust, the Epperson Trust and any liens or encumbrances against any AMHA property. This should include all the statements issued by each institution at which AMHA's bank and investment accounts were maintained during Fred Braden's tenure through to the present.

9. Complete details of any and all financial transactions which took place at any time between the AMHA or the Charitable Trust and any individual board member or employee or firm in which such person (or a close relative of such person) has an interest including the name of the person, the amount contributed or received, the date of each such transaction and the purpose of it. This includes donations to the Trust as well as any payments out of the Trust or the AMHA.

10. A job description or list of the job functions of each employee in the Vermont office indicating who maintains the AMHA's books, who is authorized to disburse AMHA funds, who has authority to sign checks, who authorizes transfers from account to account, who has custody of or access to these records and the dollar limits on disbursements which may be made with one signature, if any. Please include a list of which employees are assigned to or responsible for each separate department.

11. Copies of all auditing reports showing what recommendations, if any, the auditors have made to the AMHA regarding its books and/or the Charitable Trust's books in the last 3 years.

12. A complete list of each state in which the Charitable Trust solicits funds, along with a list of states in which the Trust has been registered as a charitable entity to date.

13. Copies of all records detailing any transactions between the Charitable Trust and the AMHA.

14. A list of all donors who have given \$2,500 or more (in the aggregate) to the AMHA or the Charitable Trust for the past three years, including the dates given and the amounts.

15. Records of all payments to any consultant, accounting firm or law firm along with a description of the specific work performed for the past three years. Please also include copies of any bills which have not yet been paid showing work performed.

16. Records of all Registry fees and of all financial transactions in the

Registry Trust and the Epperson Trust for the past three years including invoices from the University of California at Davis for DNA and blood testing and for investigatory or any other work they do for the AMHA.

17. Complete records of membership fees for the past three years including the status of renewals for 2008.

18. Complete records of all other funds not previously listed in this letter which were received by the AMHA for the past three years including all bank or brokerage statements evidencing such receipts.

I have been asking for much of this information since I was first elected as a director five years ago and I would like to have it as soon as possible so that I can prepare for the February board meeting. I realize that some of my requests may take some time to compile but I also know that a lot of it will require little time or effort to copy and send to me immediately.

Very truly yours,

Marjorie L. Hazelwood
Director, Region 7

cc: Julie Broadway via facsimile (802) 985-8897

February 4, 2008

Ms. Marjorie Hazelwood
AMHA Director Region 7
306 North Railroad Ave
Dorris, CA 96023

Re: AMHA matters from your letter of 1/31/2008

Dear Marjorie,

I am in receipt of your letter dated January 31, 2008 and acknowledge and wholeheartedly agree that as an AMHA director you have the duty and responsibility to be knowledgeable of the organization's activities. My notes and recollections reflect that each time you have requested information regarding the items you mention either I or the Executive Director have responded by providing the documents in question or a detailed response regarding the matter.

I will make every effort to again address the items you have outlined. I note, however, that it is not reasonable to suggest that detailed records and information should be provided to you in advance of the February board meeting when your request was received only 10 days before the meeting.

- Overhead allocations were reviewed in detail at the August & November 2007 finance committee meetings. In 2007 AMHA overheads were allocated as follows: magazine dept 33%, membership 28% communication 7%, registry 32%, programs 0%, admin 0%. Beginning in 2008 allocations will reflect magazine 28%, membership 7%, admin 10%, communications 18%, registry 28% and programs 9%.
- The AMHA Board of Directors is a governance body not an operational oversight body. As such the board members need not and in fact should not to concern themselves with the specific work responsibilities of the staff. That is the duty of the Executive Director. However, the Executive Director is happy to provide you with copies of the staff's job descriptions for your information only, and I have asked her to do so.
- Regarding financial transactions between board directors and AMHA; this information has been repeatedly discussed and share at the finance committee meeting and is stated in the annual audited financial reports. Directors, as members and Morgan owners, conduct routine business with the association including membership renewals, advertising, retail purchases and registry. In addition, directors are reimbursed for travel expenses related to attendance at board meetings, and when acting on behalf of the association such as providing instruction at judging schools. On rare occasion when outside expertise can't be obtained, or is cost prohibitive, AMHA has paid directors for work as contributing writers and ads sales representatives. The board has recent adopted a conflict of interest policy endorsed by the IRS and will use this policy as a guide in future transactions.

- Due to price breaks offered by the publisher, in the past AMHA has printed 6000-7500 issues of the TMH. Extra copies were provided to clubs, KHP, trade shows and to prospective subscribers at horse shows. Beginning in August 2007, the Executive Director negotiated with the publisher to cut the quantity to 5000 for the same price point. Again, issues beyond the 3500 subscribers are used for promotional purposes. You received all this information when Julie Dickie, Director of Publications, reviewed this with the board at the magazine working session in February 2007, and the Executive Director reviewed it again in the closed working session at the August 2007 meeting.

Regarding your other specific demands:

1. The compensation and benefits information you have requested is confidential and falls under individual privacy rights. This information may be made available, if you can obtain signed releases by all parties to share this information, and upon signing the attached non-disclosure form.
2. Accounting records for the magazine including accounts payable and past due accounts are extensive. It would be inefficient and costly for AMHA staff to copy and provide this to you. If you wish to view this, please contact the Executive Director to make arrangements to visit the office.
3. The Board has always treated the matter of its Executive Director's contract as confidential, to be handled and overseen by a select committee appointed for that purpose. Having said that, Fred's contract was shared with the full board at a closed session which you attended and participated. All questions that were posed were responded to including the items you state. The IRS form 990, which is a public document, clearly indicates his salary and compensation. Fred did not receive any severance. He chose to leave our employment and thus no severance was paid. Please explain further why you want the agreement itself.
4. Julie Broadway's employment contract is also to be treated confidentially. As you and others on the board are aware, Ms. Broadway has a two year contract that outlines her salary of \$135,000 per year. It makes allowance for a performance bonus, the amount to be established by the merit committee. Again, please explain why you want this information.
5. The check registers and bank statements you request include over 1500 documents, many of which are in storage. It would be inefficient and costly for AMHA staff to copy and provide this to you. If you wish to view this, please contact the Executive Director to make arrangements to visit the office.
6. A list of board members who received compensation from AMHA other than reimbursement for travel expenses will be made available for your review.
7. You have been provided copies of the 2007 & 2008 line item budget. The Executive Director

has informed you repeatedly there is no other budget. The documents have been provided to all board members via board extranet.

8. The Finance Committee and Board of Directors have received all information regarding AMHA investments. In addition, the Executive Director provides quarterly updates at each board meeting.
9. At the August & November 2007 board meetings directors received a detailed accounting of the AMHECT and all transactions between AMHA & AMHECT. Please refer to your board documents. There is no other information to share.
10. Please refer to bullet #2 above regarding job descriptions.
11. Copies of annual audit reports have always been available for your review. I will ask the Executive Director to make copies for you.
12. The Executive Director provides a quarterly report at the AMHECT meeting which identifies all states that the trust has filed in. The information referred to in #9 lists the contributors.
13. Please refer to #9
14. Please refer to #9
15. Records for professional service providers are available for your review. Please make arrangements with the Executive Director to review these, preferably by visiting the AMHA office.
16. Records for registry and Epperson trusts are available for your review. Please make arrangements with the Executive Director to review these, preferably by visiting the AMHA office.
17. Membership statistics are provided on the board extranet each quarter. These include previous years.
18. Any other records are available for your review. Please make arrangements with the Executive Director to review these, preferably by visiting the AMHA office.

Very truly,

Mike Goebig
AMHA President

CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

The American Morgan Horse Association, Inc. ("AMHA") will provide Marjorie Hazelwood certain requested information and/or documentation, including with respect to financial relationships with certain vendors or contracting parties, job descriptions and independent auditor's reports for 2004-2006. Such material and information shall be marked or otherwise designated by AMHA as "Confidential." AMHA and Ms Hazelwood acknowledge that the information and documentation will contain confidential non-public and proprietary information. Ms. Hazelwood agrees that such documents and/or information shall not be used for any purpose other than for her own information and will not be divulged, disclosed, furnished or made accessible, directly or indirectly, to any person or entity without the express written consent of AMHA.

Nothing contained in this Agreement shall be construed as granting or conferring any rights by license or otherwise in any information disclosed. Ms. Hazelwood shall not reproduce or make copies of any Confidential documentation, and shall not distribute or disseminate Confidential documentation or information electronically or otherwise.

This agreement shall become effective as of the date on which it is first executed below, and shall continue so long as Ms. Hazelwood is in possession of information or documentation deemed Confidential. All Confidential documentation and information shall remain the property of AMHA and all documentation shall be immediately returned to AMHA if and when Ms. Hazelwood determines she has no further need to possess it.

This Agreement shall benefit and be binding upon the parties hereto and their respective successors and assigns. This Agreement shall not be modified or amended in any manner except by a writing signed by both AMHA and Ms. Hazelwood.

Any breach of this Agreement by Ms. Hazelwood shall render her liable for liquidated damages in the amount of \$1,000 per breach, in addition to available equitable relief, and AMHA shall be entitled to collect costs including reasonable attorney's fees to the extent a legal proceeding is brought to enforce this Agreement.

AMHA

Marjorie Hazelwood

By: _____
Julie Broadway,
Executive Director

Date: _____

Date: _____

MARJORIE HAZELWOOD
P.O.Box 147
306 North Railroad Avenue
Dorris, California 96023
(530) 397-3334
mgauss@cot.net

March 13, 2008

Ms. Julie Broadway
Executive Director
American Morgan Horse Association
122 Bostwick Road
Shelburne, VT 05482-4417

Re: American Morgan Horse Association

Dear Julie:

I acknowledge receipt of the Confidentiality and Non-Disclosure Agreement you sent me in response to my letter to Mike Goebig dated January 31st. I gather that unless I sign the agreement, the information I have requested will be withheld from me. As a duly elected director, I am a fiduciary of the AMHA and bound to do what I, in good faith, believe to be in its best interests. A confidentiality agreement is wholly inappropriate in the context of a relationship between a director of an organization and an officer thereof. In fact, it is insulting.

As a director of the AMHA, it is my right and fiduciary duty to make decisions based on adequate information. When the information I have received is incomplete or raises questions in my mind, I have an obligation to make inquiries until I am satisfied that I have enough facts to make informed decisions. I regard this agreement as an obstruction intended to delay or deny me access to the information to which I am entitled and as an improper prior restraint on the free exercise of my discretion as a director. Kindly provide the information I have requested at your earliest opportunity.

Very truly yours,

Marjorie L. Hazelwood
Director, Region 7

Dear Marjorie,

Thank you for your letter of March 13, 2008 acknowledging receipt of the confidentiality and non-disclosure agreement. Although that agreement and the letter with which it was enclosed was sent on February 20, 2008, your March 13 letter is the first response I have seen.

I agree that as a Director of the AMHA Board you have every right and fiduciary responsibility to information and data pertaining to the Association. However, your January 31, 2008 letter to then President Goebig requested information not only pertaining to the Association, but to personal business transactions.

AMHA makes every effort to ensure the protection of personal information, and has established rules for personal information management to appropriately use and protect personal information. AMHA respects an employee's and member's rights (including those of members who happen to sit on the board) regarding his or her personal information, and so does not release personal information if specifically requested by the employee or member not to provide said information. I'm sure you would agree that the staff and I have the duty to protect this information particularly when asked to do so.

As I review Mike's letter to you of Feb 1, I note the following:

- I will provide staff job descriptions
- I will provide employee compensation and benefits information upon receipt of the non-disclosure
- I will provide a list of board member financial transactions upon receipt of the non-disclosure, and
- All other information you requested has already been made available to you or is available for your review at the AMHA office.

I think you will agree that data regarding employee compensation and benefits is extremely sensitive information. If this information is somehow made public, employees might attempt legal action against the Association. Further, the repercussions that the board and management would have to address when colleagues' salaries are revealed could be time-consuming and demoralizing. These additional personnel considerations make me feel even more strongly that it is very prudent to require a confidentiality agreement of any board member looking for the information you have requested.

While as board members there is greater transparency of business transactions between the director and the Association, directors continue to have some expectation of privacy and confidentiality regarding personal business transactions (i.e. Registry transactions, magazine ads, etc.). Consequently, several board members upon learning of your request asked that we seek your signature on a confidentiality agreement, as the stated use and purpose of this information is not known. Some have asked that I not

provide this information otherwise. This confidentiality agreement is the same agreement provided to former board member Joyce Quigley who also requested a list of personal business transactions by board members.

It is not at all my intent to insult you or obstruct your access to information; rather I felt it prudent to request this agreement in order to release this information. This seems particularly warranted given what I understand to be some propensity in the past in the absence of a confidentiality agreement for other recipients of supposedly confidential information to share that information with others.

From my perspective, the bottom line is this: Yes, I think you should have the requested information but only upon an agreement that you will use it only for the purposes of fulfilling your duties as a board member. I don't think that's much to ask, and am concerned, frankly, over your reluctance to agree to direct the information confidentially.

Please let's talk or communicate further.

Julie Broadway
AMHA Executive Director