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Dear Fellow AMHA Members:

In my five years as a director of the AMHA I have seen, with my own eyes, that an elite group of directors and officers make all the important decisions about the operation of the AMHA without the fully-informed participation of the whole board. I have frequently requested complete financial information, only to have my requests brushed aside or to be told that I had the information already (not true!). I am often belittled even for asking. The AMHA is accountable to all its members; it ought not to be a secret society run for the benefit of a select few at the expense of the others. The AMHA is badly in need of some purifying sunshine.

Like many of you, I have serious concerns about AMHA finances, but I cannot get straight answers as to exactly where the money comes from, exactly where it goes or who authorizes some of its expenditures without full Board approval. When I asked for information about staff salaries, which form a huge part of the budget, I was asked to sign a confidentiality agreement promising only to use it for “my own information” and to subject myself to a \$1,000 penalty for breach! I didn’t sign and I never received the information. If a director cannot obtain reliable information, how trustworthy is the information the elite choose to give the members? The need for sunshine is great.

Many of you have told me about your own frustrations with the damage this elitism and secrecy have done to the organization, the Registry, and the Morgan breed itself. I believe many people voted for me in hopes that I could bring about significant change. I have been unable to do so in my capacity as a board member—I only have one vote. Others have tried to reform the AMHA by sitting on the board too, but to little avail. Despite courage, hard work and persistence, our efforts have produced only small cracks in the stone wall, which have let a little, but not enough, light in.

Fortunately, the New York Not-for-Profit Corporation law (“NPCL”), under which the AMHA was formed, provides a method for the *members themselves* to call the AMHA’s leaders to account. We members have a right, under the NPCL, to institute a “derivative action” in court. The concept is a little hard to grasp, but in essence, a derivative action is brought *in the right of the corporation to procure a judgment in the corporation’s favor*. In order to bring a derivative action 5% of any class of members of the AMHA must join in the action as plaintiffs.

I am writing this letter to let you all know that a derivative action was filed in Vermont on September 11, 2008 by me as lead plaintiff, and 48 of my fellow Life Members. It is *not* a suit against the AMHA. None of us will receive a dime from this. It is being done

because all the less drastic means attempted by me--and others before me--have failed to achieve full illumination of the AMHA's finances and decision making. None of us should have to guess at what is going on. None of us should be ridiculed for asking legitimate questions. Our aim is to achieve an AMHA Board which respects and listens to *all* the members and runs the AMHA with openness and transparency. In short, a Board which isn't trying to hide from us.

Among the remedies obtainable in a derivative action are compelling the directors and officers to account for their official acts, turning over information which was wrongfully withheld, returning any monies found to have been misappropriated by an officer or director, returning excessive compensation paid to an officer or director, winning damages caused by the negligence of a director or officer, and, if warranted, removing directors or officers who have acted wrongly. Directors or officers found guilty of wrongdoing may be held personally liable to the corporation.

The Complaint we filed alleges, among other things, the failure to provide unrestricted access to board members of all corporate information, the violation of New York law and the Bylaws (in several ways) in the conduct of the 2008 election and of prior elections of directors, conflicts of interest and unauthorized compensation paid to some "inside" directors, adoption of numerous "Standard Operating Procedures" as a means to circumvent the process for changing the Bylaws, and commingling the AMHA's funds with those of the American Morgan Horse Educational Trust ("AMHECT") thereby violating Federal tax laws.

We have asked the court to order the AMHA to provide unrestricted access to all the documents I have repeatedly requested, to require forensic audits of both the AMHA's and AMHECT's books, to set aside the 2008 elections, and to remove (for varying reasons) the following directors: Kris Breyer, Loretta Brown, Sherry Cole, Sara Foy, Jack Gatewood, Mike Goebig, Georgie Green, Cindy Mugnier, Bill Pettis, Harry Sebring, and Linnea Sidi. We have also asked for restitution of any funds unlawfully received by a director or former director.

For those of you who have access to the internet, copies of the actual court papers from the lawsuit will be posted on www.GoMorgans.net. on an ongoing basis, along with other relevant documents, so that you can follow the case. Already posted on that website are copies of letters I wrote to the AMHA and their responses which led up to the filing of the derivative action.

I really do regret that such extreme means have proved necessary to hold the AMHA's directors and officers accountable. However, it is now obvious to me that nothing short of court intervention will ever stop the secrecy and elitism which is harming the AMHA, its members and the Morgan breed.

Sincerely,
Marjorie Hazelwood