EQUESTRIAN CANADA ÉQUESTRE

February 23, 2017

Dear Friends;

We have taken note of the recent article published by Horse Sport on February 17, 2017 titled “7 Times Equestrian Canada’s Board Broke Their Own Rules” and quoting an anonymous former Director of EC. The article alleges breaches of By-laws by the Equestrian Canada (”EC”) Board of Directors (“Board”).

These allegations are incorrect and misleading. Even the title of the article indicates the By-laws are the Board’s “own rules” but in fact they are for the entire organization and final approval rests with the Members. One could easily conclude that the article may be intended primarily to tarnish the EC Board’s reputation. The article fails to include information that was readily available and would have made for a more balanced and accurate publication.

We wish to reassure our community that no disregard for governance was evidenced. There were circumstances that arose that had to be addressed by the Board but at no time did the Board make decisions without fully informing the Members and acting in the interests of EC in accordance with the principles of good governance. The “rules of play” were followed and adhered to in making changes in every instance.

Please find enclosed a detailed response that includes pertinent information and facts as they relate to the specific allegations raised in the article.

Sincerely,

Jorge Bernhard on behalf of the Board of Directors

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1) Article 4.5 – Board Elections Eligibility

The Bylaws at the time the 2016 Board election process commenced included the statement:

"(iv) is a resident of Canada"

The By-laws did include such a statement. As was explained in great detail to the Members prior to voting on the amendment to the By-laws, the inclusion of such a requirement was in error and a hold-over from the By-laws that were changed as a result of the consultation for continuation under the Canada Not-for-profit Corporations Act (the "Act").

The error was brought to the attention of the Nominating Committee after it had already reviewed and made recommendations regarding candidates for election to the Board. It is not that the Nominating Committee "ignored this basic eligibility criteria" but that it was not aware of such a requirement. It is important to note that there had been discussion amongst the By-laws Taskforce as to whether or not people needed to be a resident of Canada in order to be a Member of EC. It was agreed that as long as the people were citizens of Canada and had a connection to EC, it was not necessary that they be resident in Canada. It was noted that a number of registered participants may not necessarily meet the requirements for residency (because they might reside in the United States or Europe for competitive reasons) and it may be difficult to determine residency in some instances. As a result, Section 3.3(b) of the By-laws specifically provides for the option of being a permanent resident of Canada or a Canadian citizen for membership.

There was an inadvertent inconsistency in the By-laws that was not noted by legal counsel nor by any member of the Taskforce who reviewed the By-laws prior to them being submitted to the Board and the Members for approval nor by any member of either of those groups approving the By-laws. It was overlooked that the requirement for directors had not similarly been changed until it was brought to the attention of the Board after the Nominating Committee recommendations had already been approved. Perhaps not surprisingly, it was a candidate running for a position as a director who brought it to the attention of the Board.

The implication in the article is that the requirement in the By-laws was known and simply ignored. That was not the case. Those involved in the Taskforce revising the By-laws were under the mistaken opinion that the matter had been specifically discussed and resolved with respect to

non-resident people. With the numerous changes being made, the fact that it did not cover both directors and Members was simply overlooked and no one on the Nominating Committee reviewed the 17 page By-laws in sufficient detail to confirm eligibility.

The Board immediately sought legal advice with respect to the matter after it was brought to its attention and was given choices to either correct the error in the By-laws (since it did not say what was intended) or communicate to the non-resident Board candidate that she was ineligible for nomination. It was noted that any amendment of the By-laws would require approval of both the Board and the Members and that it was essential that full disclosure be made prior to the election of the Board candidate.

The Board, following discussion, elected to proceed with the amendment to correct the By-laws and provided the full disclosure to the Members, who approved the amendment to the By-laws. The amendment occurred prior to the election of directors and the non-resident director was elected by the Members. It is pertinent that the Board fully discussed the amendment and approved it by majority vote. In examining good governance, perhaps a valid question is whether it is appropriate for a former director, who likely was involved in the discussion and the decision, to question the legality of a change fully one year after the Board decision and after the change has been implemented? Perhaps it is appropriate that such person is a "former" member of the Board?

It is important to note that it was not "a slate of recommended Directors" that was presented to the Members as there were more directors approved by the Nominating Committee than there were positions up for election. It was up to the Members to elect the Directors individually (not as a slate) and the Board provided choices such that if there were concerns over the change in the By-laws, the Members could choose not to elect the non-resident candidate.

2) Article 4.7 – Nominating Committee

"The Nominating Committee shall be named by the Board at least six months prior to the Annual Meeting."

The composition of the Nominating Committee changed less than six months prior to the Annual Meeting. This change occurred because the continuance of EC under the Act, through no fault of EC, did not happen until it was within the six month period prior to the Annual Meeting. EC

approved the submission of the Articles of Continuance at a Special Meeting of Members held in September 2015. The Articles were submitted to Industry Canada for approval but did not receive approval until the end of December and then only as a result of follow-up by EC. The Articles established the categories of membership, from which members were included in the Nominating Committee composition.

There was no transition provision originally contemplated in the By-laws because it was anticipated that approval would be received at least six months prior to the Annual Meeting and there would be time to obtain Nominating Committee members from the new categories. The intention was also to change the Annual Meeting to September to comply with the requirements of the Act. The approval of the By-laws took longer than anticipated (partially as a result of an unexplained hold-up at Industry Canada). Errors unfortunately do occur and errors of this nature are not uncommon in transition. Left with a choice as to which was the lesser of two evils, the Board elected to insert a transition provision in the By-laws to address the short appointment of the Nominating Committee because the work was already underway in the Member categories to select the representatives to the Nominating Committee. Once again, this amendment was appropriately approved by both the Board and the Members.

3) Article 4.7 – Nominating Committee

"a Nominating Committee shall be comprised of seven Persons who are not Members and are not seeking election at the Annual Meeting."

The Nominating Committee Chair was selected under the prior By-laws and legislation. Since the new Nominating Committee could not be established under the new Act until the Articles of Continuance had been approved by Industry Canada, it was only after approval, which was within six months prior to the Annual Meeting, that a new Chair was appointed by the Board who was not running for election in the 2016 Board Elections. Accordingly, there was a short period of time in which the By-laws were technically in breach but at no time did the Nominating Committee act. The Nominating Committee did not start its review of candidates until after January 1, 2016 (when the composition was finalized) and the new Chair was appointed on December 15, 2015.

4) Article 5.4 – General Meeting

"A General Meeting of the Members may be called at any time at the discretion of the Board or upon the written requisition of Members carrying not less than twenty five (25) percent of voting rights in accordance with the Act."

This is not a violation or even a contradiction of the requirement to requisition a Board call of a meeting. They are two different things. Section 167(1) of the Act requires five percent of the members (in accordance with s. 72(1) of the regulations) to require the Board to call a meeting of members for the purpose stated in the requisition. Section 5.4 of the By-laws enables the members to call for a meeting of members directly, without having the Board call it.

5) Article 5.5 – Notice

"Written notice of Meetings of Members shall be given to all Members by telephonic, electronic or other communication facility at least twenty-one (21) days…."

The "Meeting of Members" alleged to have occurred during the week of February 6, 2017 was not a Meeting of Members at all. It was an informational meeting designed to keep people informed and does not require any notice, let alone the notice requirements for Meeting of Members set out in Section 5.5 of the By-laws. There will be other similar types of get-togethers that are not formal meetings but are held to facilitate exchange of information, including financial information, relating to EC. The Board considers these exchanges to be desirable and part of its efforts at ensuring timely information is available to its Members.

6) Article 5.7 – Persons to be Present

"Registered Participants may attend any Meeting of the Members except where the President (or other Chair of such meeting) has declared the meeting, or any portion thereof, to be in camera."

The suggestion that Registered Participants have been expressly excluded from "every single Meeting of Members since the new Bylaws were enacted" is incorrect.

First, there have only been two Meeting of Members since the By-laws were enacted – one in April 2016 and one in September 2016. The President designated the April 2016 meeting a closed meeting to allow the Members an opportunity to ask clarifying questions without fear.

Since it was the first meeting with the new Members, the President thought it might be appropriate to allow them to get comfortable in their new role.

The September 2016 meeting was an open meeting. At the September 2016 meeting, Registered Participants were permitted to attend but no one asked to participate.

7) Article 6.3. Auditors

"At each Annual Meeting, the Members shall appoint an Auditor to audit the books, accounts and records of EQUINE CANADA for report to the Members at the next Annual General Meeting."

At the 2016 September AGM, an Auditor was not identified.

The Chair of the Audit Committee recommended to the Members that there be a change of Auditors. The members voted to approve a change of Auditors and agreed to have the Finance Committee, Audit Committee and Board recommend to the Members new Auditors. The decision was deferred because suitable replacement Auditors had not been identified and it was considered prudent to do some due diligence on potential Auditors before naming one. Since there was no urgency (a Member's meeting can be called on 21 days' notice and the Auditors are not required prior to preparing the audited statements which would only occur sometime after the year end of March 31, 2017), the appointment of Auditors was deferred as approved by the Members. With both the Board and the Members waiving the appointment, there is no breach of the By-laws.

Conclusion

EC would like to emphasize how important the By-laws and good governance are to the organization. The allegations made were not treated lightly and EC has reviewed each of the matters to ensure there was no breach of duty. The change in legislation that necessitated a change to the EC By-laws was made in part to improve governance of not for profit organizations. EC made three attempts to embrace the change, not all under the current leadership, before successfully transitioning to the Act.

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The changes required under the Act were significant and it was only after widespread consultation that EC was able to produce By-laws and a governance structure that was acceptable to the stakeholders. In times of change, there is frequently some uncertainty and even errors that arise inadvertently. In such cases, good governance requires disclosure and appropriate action to be taken. EC is pleased to have its actions examined in a fair and unbiased manner. It is respectfully suggested that the article did not do so, nor does it appear there was any effort made to collect accurate information regarding the allegations prior to publication.

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