

**World Sailing Constitution**

Accounting Records - Article 93 – Submission direct to AGM

A submission from the Federación de Vela de Puerto Rico

**Purpose or Objective**

The objective of this submission to the General Assembly is to amend Article 93 of the Existing World Sailing Articles of Association (2020) by adding a new Article 93 a) which empowers the Full Members to receive the timely production of accounting books, records and supporting documents requested by at least 5 Full Members of World Sailing, upon specified terms and conditions, and in the interest of good governance, verifiable transparency, and overview purposes by the Members.

**Proposal**

**Company Number: 79772C**

**THE COMPANIES ACTS 1931 TO 2004**

**COMPANY LIMITED BY GUARANTEE**

**SPECIAL RESOLUTION OF  
WORLD SAILING LIMITED**

**Pursuant to Article 102 of the Articles of Association, and if applicable Article 103, the Federación de Vela de Puerto Rico propose the following resolution to be passed as a special resolution of the Company:**

**SPECIAL RESOLUTION**

- 1 THAT the Articles of Association be and are hereby amended by the insertion of an amended Article 93 as follows:**

**93 a) FULL MEMBERS: The accounting records or other books or documents of the Federation shall be open and available for inspection and copying by Full Members of the Federation (and retained assistants with commercially reasonable confidentiality agreements) upon the request of at least five (5) of such Members to the Board. The Board shall promptly determine at what reasonable times and places and under what commercially reasonable conditions, including payment of reasonable commercial copying fees at standard rates, the requested accounting records of the Federation shall be produced for inspection and copying by such**

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members; and

**b) For OTHER MEMBERS and INDIVIDUAL FULL MEMBERS:** The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting records of the Federation or any of them shall be open to the inspection of members not being officers of the Federation, and no member (not being an officer) shall have any right of inspecting any accounting records or other book or document of the Federation except as conferred by statute or authorized by the Board or by the Federation in General Meeting.

#### Current Position

As above without the addition of paragraph 93(a), which empowers the Full Members with rights to inspect and copy accounting books, records and/or documents if five Full Members (MNAs) formally request them. The current position has been renumbered as 93 b) with a new subtitle **“For OTHER MEMBERS and INDIVIDUAL FULL MEMBERS”** for further clarity.

#### Reasons

The current version of Article 93 of the WS Constitution gives the Board of the Federation the **option** to determine how and to what extent the accounting records may be inspected by the Members, leaving the Board with the discretionary power of refusing to produce anything.

As is now generally known, since before the 2019 Bermuda meeting World Sailing has been financially distressed to the point that according to the verbal information provided by the Board the federation was suffering a serious cash flow deficit in Q3 2019 and was projected to be in a similar position for Q2 and Q4 2020. The causes for this financial embarrassment are as follows:

- a) the expensive move to London at a much higher rental and 10 year commitment in the new lease in circumstances where doubt has been raised by the Board's admitted facts to the effect that the extravagant move to London was unnecessary and avoidable;
- b) sponsorship income has been reduced,
- c) expenses by the Board and others have soared;
- d) financial controls have been ignored or evaded.

The cash flow deficit had to be covered by a loan secured by the Isle of Man reserve fund set up by prior administrations as a “doomsday” protection, and a subsequent additional financial embarrassment for the last quarters of 2021 was covered by an almost two and a half million pound short term loan from the IOC plus a 400,000 pound loan secured by the Isle of Man reserve after the postponement of the 2020 Olympic Games.

Accounting books, records and documents have been requested from the Board pursuant to the existing Article 93 but none of the requested documents were produced on the premise that at various times several of the Vice Presidents have given **verbal** statements in purported explanation of the financial difficulty endured by the Federation, none of which has been

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verified by access to the documents that could resolve the uncertainty and allow the Full Members – the MNAs – the means to properly evaluate the facts and exercise their informed vote in the upcoming elections this October-November.

The Board's position in refusing to produce the documents requested is not mandated by law nor our Constitution. As seen in the exiting Article 93, currently the Board can freely decide to allow inspection of the accounting books, records and supporting documents **but they chose instead to deny the documents to their stakeholders**. This is particularly galling coming from a Board that is so fond of the use of the word "transparency". Electing to deny the members of the Federation the financial documents they need to make informed decisions regarding the future of the Federation is the epitome of **obscurity** and contrary to all notions of good governance.

The Federation's admitted financial troubles, particularly given the admitted fact that the Board has not financially planned for the possibility that the Tokyo Olympics may be postponed again to 2022 or cancelled – a horrible but not inconceivable possibility given the recent news that the Youth Olympics have been postponed as well beyond 2021 – creates the possibility of an additional obligation on the stakeholders of the Federation namely the obligation to "cease trading" if the situation is such that there exists the possibility that additional measures are required to protect the interest of creditors. In order for the stakeholders to properly evaluate this possibility, and the possible remedies and choices that may be available, access to the requested accounting records, books and documents is required.

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