

September 19, 2018

VIA ELECTRONIC MAIL

CERTIFIED MAIL

President Kim Anderson
Vice-President Ana Sanchez
Vice-President Nadine Stegenwalner
Vice-President Torben Grael
Vice-President Jan Dawson
Vice-President Gary Jobson
Vice-President Quanghai Li
Vice-President W. Scott Perry
World Sailing Limited/World Sailing Marketing Limited
20 Eastbourne Terrace, Paddington
London W2 6LG
United Kingdom

Re: Immediate Website Publication of 2018 Financial Statement of World Sailing
and World Sailing Marketing

Dear Gentlepeople:

I write on behalf of myself and the individuals to whom a copy of this letter is formally addressed. All of us, via our respective MNA's, are now and for decades have been members of World Sailing and its predecessors in interest. Each of us has contributed to the sport we all love in our own way, some of us having served in positions now occupied by you.

It is fair to say that we were deeply troubled by the audited loss of £5,239,000 of World Sailing Limited ("World Sailing") in 2017, which was roughly \$6.8 Million. The forecast for 2018 was another loss of £3,384,000 or roughly \$4.4 Million. These losses do not take into account the audited losses of the "other" World Sailing about which we believe but a small fraction of all dues paying sailors are aware, namely World Sailing Event Management Limited ("WS Event Management"). Its audited operating loss for 2016 was £981,057 or roughly \$1.3 Million, which brings the total 2017 losses for what the public views as "World Sailing" to approximately \$8.1 Million. To our knowledge there were no projected operating profits/losses for WS Event Management for 2018.

It is not the purpose of this letter to catalogue our views about your stewardship of World Sailing and WS Event Management. It is the purpose of

this letter, however, to remind those addressees who serve as Board Members that Section 68(c) of the World Sailing Constitution states that the Board "shall supervise the work of the Chief Executive Officer and Executive Office and *has final responsibility* for the corporate and *financial affairs* of the Federation." (Emphasis added.) This means in plain English that regardless of the deference shown by courts under the so-called "Business Judgment Rule" and notwithstanding the existence (at the expense of Sailors world-wide) of Director & Officer Insurance, they are simply not at liberty to ignore the same common sense and good judgment that they apply in the conduct of their daily lives and thus permit President Anderson to pursue whatever folly he may conceive regardless of its economic risks.

In this regard we remind the Board Members that Article 101 of the Constitution that addresses the topic of "Indemnity" and generally provides broad indemnity to Directors and Officers also states: "but this Article shall only have effect in so far as its provisions are not avoided by Section 151(a) Companies Acts 1931."

The Board Members were elected because they are active participants in our sport and generally known to be persons of probity to their peers. They have a legal duty to actively accept responsibility for the financial affairs of both World Sailing and WS Event Management. In that regard, I note that the only way that WS Event Management was able to obtain an audit opinion last year without a "Going Concern Qualification" was because World Sailing provided a letter to the Auditors promising economic support.

Article 94 of the Constitution requires the Board to provide financial statements not less than 21 days prior to the Annual Meeting to persons entitled to receive notice of the Meeting. We find it very odd – and wholly inconsistent with prior practices – that as of today there has been no dissemination this year among Members of any reports on the 2018 financial results. That said, pursuant to Article 94 of the Constitution, we demand that on or before October 5, 2018 World Sailing publish on its website Financial Statements for World Sailing and WS Event Management given World Sailing's already stated commitment to support that organization.

With best regards, I am,

Very truly yours,

Joseph Bainton

JJB:jb

Cc György Wossala

Zvi Ziblat

John Alexander

Jack Caldwell

Tom Webster

August B. Miller

Richard Gladwell

Harry H. Anderson, Jr.

Bill Canfield

Tom Ehman

Robert Fisher

Paul Henderson

Ralph Roberts

Ross Robson

James M. Schoonmaker

Gerardo Seeliger

Riccardo Simoneschi

Bertrand de Speville

David Sprague

Bernie Stegmeier

Note: Of our group who are concerned about World Sailing, three members are former Constitution Committee members, two as Chairman. We want to point

out that **The Board must and can give Council or a member thereof the right of inspection.**"

Article 93 of the World Sailing Constitution can be read as, "a member shall have the right of inspection any accounting records or other book or documents of the Federation when conferred by statute or authorized by the Board or by the Federation in General Meeting."

Article 94 requires that a very complete audited financial report shall "not less than twenty one clear days before the date of the meeting (the AGM, our comment) at which they are to be laid, be delivered or sent by post to the auditors and to all other persons entitled to receive notice of General Meetings in accordance with section 11 Companies Act 1982". There is no mention of telephonic communication in the Constitution for this Article.