



GOLDEN GATE YACHT CLUB
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September 22, 2008

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Gentlemen:

We write in response to your letter of 8 September 2008. In your letter you state that you consider our challenge to be void and invalid irrespective of the outcome of the current appeal because you allege that we have failed to comply with the Deed of Gift's "custom-house registry" ("CHR") requirements.

What is crystal clear from your letter is that you intend to engage in a second round of litigation, generating further uncertainty and delay for the next America's Cup event, even if the Court of Appeals rules in our favor. From this, the only logical conclusion is that you believe that you will not win in the Court of Appeals and thus find it necessary to set the stage for yet another court case. Along with the entire America's Cup community, we regret that apparently you and your sponsor, Ernesto Bertarelli, would rather delay the America's Cup than meet us on the water.

Your allegations regarding the CHR are entirely without merit and we are confident of ultimately prevailing when they are finally adjudicated. As you know, the Deed contemplates that once a valid challenge has been lodged, even without delivery of a CHR for the challenging boat, the challenger of record and the defender will engage in a mutual consent process to arrive at the conditions for the match. Among other things, those conditions may dictate the type of boats used in the event. When GGYC lodged its challenge on July 11, 2007, it made its intentions crystal clear:

"GGYC acknowledges that the Deed of Gift contemplates negotiations between the Challenger and the Defender that may alter and supplement these terms, and nothing in this Challenge is intended to circumvent consensual negotiations in the spirit of the Deed of Gift

toward a Protocol comparable in scope, and similar in terms, to that used for the 32nd America's Cup."

As you know, the 32nd America's Cup was a conventional multi-challenger America's Cup event conducted under rules that SNG had accepted at the time and the America's Cup challenger community continues to consider fair and appropriate.

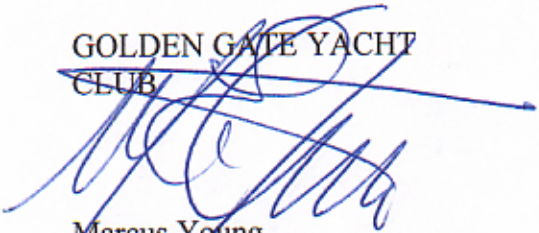
After receiving our challenge, SNG refused to engage in a mutual consent process with GGYC. Instead, you violated the Deed by rejecting our challenge and indeed, returned our challenge to us. For several months thereafter, you repeatedly refused to acknowledge our challenge or to engage with us in a mutual consent process to arrive at an America's Cup event like the 32nd America's Cup. Most particularly, after Justice Cahn's initial order of November 27, 2007, granting us summary judgment, you again declined to agree to negotiate a multiple challenger conventional America's Cup event with rules similar to the 32nd America's Cup. Instead, you retained new lawyers, sought to reargue the summary judgment decision, and then launched a time-consuming appellate process.

It was only as a result of your refusal to acknowledge our challenge and engage in the mutual consent process for a multi-challenger event that we were compelled to begin preparing for the Deed's prescribed one-on-one default match with you in multi-hull boats as a contingency in the event the court ultimately declared our challenge valid and you continued to refuse to accept a conventional multi-challenger event, like the 32nd America's Cup. Right now, you refuse to treat us as the Challenger of Record; you give us none of the rights and privileges of the Challenger of Record. Justice Cahn's order declaring GGYC the valid Challenger of Record has been reversed. Thus, at this time, we have no further obligations under the Deed with respect to CHR for a challenge vessel.

This situation, along with your complaints about the CHR, as well as the uncertainty hovering over the next America's Cup can be resolved now by you. If you would agree to immediately support a conventional multi-challenger America's Cup regatta in Valencia that would include GGYC and be conducted under the rules like the ones in the 32nd America's Cup, then we will dispose of the current lawsuit and avoid a match race in multi-hulls (which GGYC did not desire in the first place), thus resolving your CHR complaints. If you choose to continue the litigation route, then when we win in the Court of Appeals we will still seek through the mutual consent process a multi-challenger event similar to the 32nd America's Cup and only revert to a match against you in multi-hulls when and if you decline to accept a multi-challenger event similar to the 32nd America's Cup.

Yours sincerely,

GOLDEN GATE YACHT
CLUB



Marcus Young
Commodore