

October 17, 2008

Dear Ernesto,

It is unfortunate we did not meet as planned while I was in Trieste last week. I still hope we can meet again soon, and stand ready to do so at a mutually agreeable time and place.

As you know from our discussions in Auckland during the 2003 Cup, I support modernizing the Cup to the extent possible under the current Deed of Gift. I think we made good progress with AC32, and we can do more. And, as you know from our meeting in San Francisco two weeks ago, I think some of your re-structuring ideas have merit. But those will take time to develop and implement, and in the meantime we need to focus on solutions to get the America's Cup back on the water as soon as possible. We also should not attempt to change 157 years of history and tradition overnight, without carefully considering all the ramifications of such changes and consulting with the important stakeholders.

To follow up on our meeting in San Francisco, I want to confirm that GGYC's offer of September 23<sup>rd</sup> still stands – to end the legal battle over the next America's Cup if Société Nautique de Genève (SNG) agrees immediately to stage the 33<sup>rd</sup> edition as a conventional, multiple challenger regatta under rules similar to those that governed the event in 2007.

To be clear the filing of our appellate brief on September 29<sup>th</sup> was simply to meet the court's deadline, but we remain eager to settle this out of court.

Since our meeting we have seen reports in the press from your side proposing (assuming a conventional 33<sup>rd</sup> America's Cup regatta) that teams be limited to one boat to help cut costs. We strongly support this as well as any other sensible cost cutting measures, provided, again, that we return to fair rules such as those used in the 32<sup>nd</sup> Cup or similar.

You will say that, with only one boat per team, the Defender must be able to sail in the Challenger Selection Series. Fundamentally, we do not agree with this as there is a risk that the impact and suspense of the America's Cup Match will be diluted. To have the Defender race in the Challenger Selection Series is a radical departure from the Cup's long history and tradition and we need to be careful about making such changes.

However, to help move things along we will agree to this, as we did last December, provided (a) the points earned during the CSS against the eventual Challenger are applied to the America's Cup Match, or (b) the races involving the Defender do not score (or lose) points for any Challenger vis-à-vis the other Challengers in the CSS. Unless one of these two options was accepted, your team could influence the results of the Challenger Selection Series while being at no risk of losing. The risk would be entirely on the Challengers – an unacceptable and unfair situation.

As to the type of boat, other members of your team have been quoted in the media this past week saying you now want a smaller boat than the new AC90 – perhaps even smaller than the ACC Version 5 boats we raced in AC32.

To be fair to all parties, the boat decision must remain a mutual consent decision. It would be unfair if Alinghi were to develop another design rule (even if this process involved a few, but not all, of the other teams) because your team would gain an important head start in the design process and would be able to shape the design rule towards your team's strengths. As you know, this was one of our big objections last year. To avoid making this same mistake again, I propose that we revert to the process used so successfully for the development of the ACC rule back in 1988, which I understand involved meetings of all the Cup stakeholders to discuss and decide the Class Rule in an open, transparent and democratic process.

Alternatively, given the current situation with the financial markets, consideration should be given to using the ACC V5 class one more time, with each team limited to building only one new boat. Obviously this would be the least expensive and fastest way to get the maximum number of teams back in the competition.

As to the date of the next conventional Cup, this also should be agreed among all the teams, Challengers and Defender, by mutual consent. We would propose 2010 to get things back on track even sooner than the 2011 date we have seen floated in recent media reports by your side – unless 2010 is too soon now to allow teams, especially new or smaller teams, to get up to speed. Regardless, this can be decided by getting the teams together around one table as soon as possible.

The Louis Vuitton Pacific Series seems like an excellent and cost effective way to get the Cup teams back on the water. This format could be extended to include other similar regattas in other parts of the world, hosted by other Cup teams such as Emirates Team New Zealand is doing in Auckland. This supplied-boat format is good especially in these tough economic times, and if teams were able to bring their own mainsails and gennakers with their own branding it makes for an especially affordable way to compete while retaining much of the commercial benefits for the teams. The Cup needs a regular series of events in order to provide a consistent commercial return for the teams, and this format or similar could be the solution.

Again, I stand ready to meet with you as soon as possible, and ask you to carefully consider the proposals outlined above.

Sincerely,



Larry Ellison