



SAIL AMERICA

Sail America Foundation for International Underwriting



LA 1171

Manager of the San Diego Yacht Club
America's Cup Defender

December 2, 1987

VIA FAX AND AIR MAIL

**H. Michael Fay
Chairman, Challenge Cup Committee
Mercury Bay Boating Club Inc.
Post Office Box 81
Whitianga, New Zealand**

Re: AMERICA'S CUP XXVII

Dear Michael:

We write this letter to confirm with you our plans for America's Cup XXVII. We have been guided by the terms of your notice of challenge, the Deed of Gift and the recent ruling of the New York Supreme Court. We advise as follows:

1. It is our intention to meet you on the water in accordance with the final court determination and at such time as the court ultimately decrees. To accomplish this, we will follow the lead provided by both the court and you. That is to say, we will adhere strictly to all aspects of your notice, the Deed and Judge Ciparick's decision.
2. Our vessel, if of one mast, shall be not less than forty-four (44) feet nor more than ninety (90) feet on the load waterline; if of more than one mast it shall not be less than eighty (80) feet nor more than one hundred and fifteen (115) on the load water-line.
3. No race shall be sailed in the days intervening between November 1st and May 1st if the races are to be conducted in the Northern Hemisphere; and no race shall be sailed in the days intervening between May 1st and November 1st if the races are to be conducted in the Southern Hemisphere.

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Michael Fay
December 2, 1987
Page 2

4. Three (3) races shall be sailed, and the winner of two (2) of such races shall be entitled to the Cup. All such races shall be on ocean courses, free from headlands, as follows:

The first race, twenty (20) nautical miles to windward and return; the second race an equilateral triangular race of thirty-nine (39) nautical miles, the first side of which shall be a beat to windward; the third race (if necessary) twenty (20) nautical miles to windward and return; and one (1) week day shall intervene between the conclusion of one (1) race and the starting of the next race.

5. These ocean courses shall be practicable in all parts for vessels of twenty-two (22) feet draught of water, and shall be selected by the San Diego America's Cup Committee. The Committee will undertake a selection process over the next several months and will announce its decision not later than ninety (90) days prior to the match.
6. The races shall be sailed subject to such rules and sailing regulations as may now or hereafter be promulgated by the San Diego Yacht Club, so far as they do not conflict with the provisions of the Deed of Gift. No time allowances shall be permitted.
7. The representative vessel of the San Diego Yacht Club shall be named at the time agreed upon for the start of the match. This vessel shall be of such dimensions as are consistent with the Deed of Gift. All design and construction elements, including such items as number of hulls and particulars of rigging, shall be of our choosing.
8. No other challenge will be considered until this pending event has been decided. As a corollary to this principle, the vessel of a challenger may not be substituted for your own.

Michael Fay
December 2, 1987
Page 3

JA1173

9. We intend to propose to the San Diego Yacht Club for its consideration and possible adoption regulations clarifying and implementing the provisions of the Deed of Gift related to measurement of the challenging vessel and its compliance with the notice of challenge. We will promptly advise you of the adoption of any such regulations.

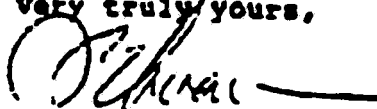
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Michael, we fear that the America's Cup will suffer under this practice of literal compliance. We have previously expressed and, if compelled by continuing litigation, will continue to express this position to the court. In the meantime, it will be our endeavor to make the period of setback pass as quickly as possible, with all of the grace, spirit and spectacle that the America's Cup so rightly deserves.

We look forward to our success in this pending match and to staging the next America's Cup off of the coast of San Diego in yachts of twelve meters, where all of the world will once again compete fairly for this trophy.

On behalf of the San Diego Yacht Club and its America's Cup manager, the Sail America Foundation, I remain

Very truly yours,



Thomas F. Shman, Jr.
Executive Vice President/
Chief Operating Officer

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