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GOLDEN GATE YACHT CLUB,	:
Plaintiff,	Index No. 602446/07
-V	IAS Part 54
SOCIÉTÉ NAUTIQUE DE GENÈVE,	Hon. Shirley Werner Kornreich
Defendant,	
CLUB NAUTICO ESPAÑOL DE	
VELA, Intervenor-Defendant.	
	X

SUPREME COURT OF THE STATE OF NEW YORK

COUNTY OF NEW YORK

SOCIÉTÉ NAUTIQUE DE GENÈVE'S MEMORANDUM OF LAW IN SUPPORT OF CROSS-MOTION TO ENFORCE THE APRIL 7, 2009 ORDER AND JUDGMENT REGARDING THE DEED OF GIFT'S CONSTRUCTED IN COUNTRY, "PROPELLED BY SAILS ONLY," AND NOTICE OF CHALLENGE REQUIREMENTS

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Société Nautique de Genève ("SNG") respectfully submits this memorandum of law in support of its cross-motion for relief in response to Golden Gate Yacht Club's ("GGYC") motion, dated January 12, 2010, seeking to compel SNG's compliance with the Deed of Gift's (the "Deed") "constructed in country" or "CIC" requirement (the "CIC motion"). SNG today served its papers in opposition to GGYC's premature, procedurally infirm, and meritless motion, which should be immediately denied or, at the very least, decided after the 33rd America's Cup race. If this Court considers GGYC's motion at this time, and it should not, SNG, through this cross-motion, seeks an order directing that unless GGYC has raced (i) a vessel "constructed in the country" where GGYC is located; (ii) a sail compliant with the Deed; and (iii) the vessel described in the certificate filed with GGYC's Notice of Challenge, specifically a "sloop-rigged yacht," it shall be deemed disqualified.

PRELIMINARY STATEMENT

People who live in glass houses should not throw stones. If this Court permits GGYC's procedurally improper CIC motion to go forward, SNG must fulfill its duty as holder of the America's Cup by putting SNG's similar CIC claims against GGYC – and all other related claims about GGYC's vessel – before the Court. As Challenger of Record for the 33rd America's Cup, GGYC must comply with the terms of the Deed that apply to the challenger, including, (i) competing with a yacht or vessel "constructed in the country" in which GGYC is located; (ii) competing with a yacht or vessel "propelled by sails only"; and (iii) racing with a vessel whose rig is consistent with that described in the certificate accompanying the Notice of Challenge. GGYC has satisfied none of these Deed requirements.¹

¹ SNG believes that at this juncture, the proper vehicle for raising Deed-compliance claims concerning the vessels to be raced in the 33rd Cup is a new complaint filed in New York court,

First, accepting *arguendo* GGYC's own interpretation of the CIC requirement, SNG believes that GGYC's challenging vessel, BOR-90, was not "constructed in" the United States within the meaning of the Deed. GGYC cires trustee "interpretative resolutions" analyzing the Deed providing that "constructed in" a country means "designed" in that country, as well as built in that country. Under such interpretations, GGYC's vessel directly violates the CIC requirement. As described *infra* at pages 6 and 9 to 10, BOR-90 is a copy of a French trimaran design not found in the United States. In fact, according to BMW Oracle's own press statements, GGYC's trimaran was created by French designers at a French design firm. (Affirmation of Robert J. Giuffra, Jr. ("Giuffra Aff."), Ex. AA, dated January 21, 2010.)

GGYC also interprets the CIC requirement to mean that "all parts of the vessel needed to sail the vessel" must be constructed in the competitor's country, asking the Court to disqualify SNG's sails on this ground. (GGYC Memorandum of Law in Support of CIC Motion ("GGYC Brief"), Jan. 12, 2009, at 4.) That challenge fails for the reasons set forth in SNG's opposition papers, including that SNG's sails were in fact constructed in Switzerland. Once again, under GGYC's own interpretation of the CIC requirement, it is GGYC's vessel rather than SNG's that should be disqualified. SNG has reason to believe that BOR-90 includes a custom-made marine hydraulics system manufactured in Italy and shipped for distribution to the United States. SNG also has reason to believe this hydraulics system is powered by a BMW diesel engine designed or manufactured outside the United States.

and SNG intends to file such a complaint at the appropriate time. SNG asserts its cross motion pursuant to CPLR 2214(b) in the event the Court permits GGYC's improper CIC motion – which plainly raises entirely new issues – to go forward in this post-judgment enforcement proceeding.

Tellingly, GGYC proposes to carve out an exception to the CIC requirement – found nowhere in the Deed – for items like "nut[s] and bolt[s]," claiming that such "interchangeable, off-the-shelf parts" can be manufactured anywhere while a "one-of-a-kind, custom-designed and custom-constructed sail" must be made in country. (GGYC Brief at 5.) But even if this "off-the-shelf" exception exists, it is doubtful that GGYC's BMW engine or custom-made hydraulic system would qualify as "off-the-shelf." SNG needs discovery into the provenance of these items and to determine the extent to which GGYC's vessel incorporates other non-U.S. made components.

BOR-90 also violates the Deed's requirement that the challenger's vessel be "propelled by sails only." In November 2009, GGYC announced that its vessel would race with a rigid wing similar to an airplane wing rather than with a sail. By definition, and according to past America's Cup practice, a "sail" is made of foldable fabric; it is not a rigid wing.

Finally, to ensure that the Defender has sufficient notice of the yacht that it would race, the Deed requires GGYC to compete with the "sloop-rigged yacht" identified in the certificate accompanying GGYC's Notice of Challenge. A sloop must have a foresail and a mainsail. GGYC's boat – which will be propelled by a rigid wing rather than a mainsail and may race at times with no foresail at all – is therefore not sloop-rigged. By promising to race in a sloop-rigged vessel, and then changing course at the last minute, GGYC has violated the Deed's requirement that the Defender (here, SNG) receive notice of the type of vessel that the Challenger would race.

For the reasons stated in SNG's opposition to GGYC's CIC motion, the Court should defer ruling on GGYC's motion and SNG's cross-motion until after the upcoming race, *Mercury Bay Boating Club* v. *San Diego Yacht Club*, Index No. 21299/87 (Sup. Ct. N.Y. County

July 25, 1988) (Giuffra Aff. Ex. A), at which time the parties properly should file and serve a new complaint concerning any live issues that remain. But if the Court permits GGYC's CIC motion to go forward at this time, SNG respectfully requests that it grant SNG's cross-motion to enforce the April 7 Order by disqualifying GGYC if it fails to comply with the Deed.

BACKGROUND

A. GGYC's Interpretation of the CIC Requirement

As amended in 1882, the Deed requires that each competing America's Cup vessel be "constructed in the country" to which the competing yacht club belongs. (Giuffra Aff. Ex. BB, at 1.)

In its motion, GGYC offers two views on the meaning of the CIC clause. The first is that this clause embodies a design requirement – a requirement that a yacht or vessel be designed, as well as built, in the home country of a competing yacht club. The CIC requirement was enacted, according to GGYC, in response to 1876 and 1881 America's Cup contests in which Canadian challengers to U.S. defenders raced in vessels that were copies of American designs. (GGYC Brief at 6-7.) The requirement was added to prevent such a result from recurring – "to protect the international character of the competition by ensuring that competing boats were genuinely products of their home country." (*Id.* at 8.)

Thus, in 1958, as GGYC points out, the New York Yacht Club ("NYYC") issued a resolution "conclud[ing] that 'constructed' under the Deed of Gift meant 'designed and built."" (GGYC Brief at 8 (quoting Bowman Aff. Ex. Q at 3).) This NYYC resolution was issued in response to – and answered in the negative – a question from a potential challenger about whether "a challenge would be accepted by the New York Yacht Club if the challenger were designed in the United States but the hull built in the country of the challenging Club."

-4-

(Bowman Aff. Ex. Q, at 3.) The 1958 resolution reflected the intent of the donors that competitors be "in all respects truly representative of the countries of" their origin. (*Id.*)

The 1982 NYYC resolutions, also relied on by GGYC, elaborated on this "designed and built" interpretation in several respects. (GGYC Brief at 8.) In relevant part, the footnotes to those resolutions disqualified "a hull or sails which are merely copies of those of a foreign designer." (Bowman Aff. Ex. Q at 5.)²

GGYC also presents a second perspective on the CIC requirement, arguing that the provision means that "all the parts of the vessel needed to sail the vessel" must be constructed in the competitor's country of origin. (GGYC Brief at 4.) GGYC cites no authority for its interpretation, instead relying entirely on its "[a] fortiori" assertions about the meaning of the Deed. (*Id.* at 5.)

For its own benefit, GGYC then carves out an exception from its all-necessaryparts-of-the-vessel standard for "interchangeable, off-the-shelf parts, which can be used for any number of purposes" such as "nut[s] and bolt[s]," claiming – without any citation – that such items need not be manufactured domestically. (*Id.*) However, according to GGYC (again without citation), "a one-of-a-kind, custom-designed and custom-constructed sail that fits exact design and engineering specifications of the defender's vessel" must satisfy the CIC requirement. (*Id.*) This distinction is made nowhere in the Deed.

² As set forth in SNG's opposition to GGYC's January 12 motion, to the extent these interpretations applied to sails, they were inconsistent with the Deed's history; the donors did not intend the CIC requirement to apply to sails or any other part of the boat except the hull. (SNG's Memorandum of Law in Opposition to GGYC's Improper Motion to "Enforce" the April 7, 2009 Order and Judgment, Jan. 21, 2009, at 22-24.)

B. The Design of GGYC's Vessel.

BMW Oracle has announced that the "leading French multihull design firm of Van Peteghem / Lauriot Prévost (VPLP) . . . are the lead designers" for GGYC's challenging yacht, BOR-90. (Giuffra Aff. Ex. AA.) In particular, according to Nigel Irens, another noted multi-hull designer, "the BOR yacht was designed by Marc Von Peteghem and Vincent Lauriot-Prévost, two partners of VPLP and residents of France." (Affidavit of Nigel Irens ("Irens Aff.") ¶ 6, sworn to January 21, 2010.) After comparing BOR-90's design with those of other mult-hulls developed by VPLP, Mr. Irens concluded that BOR-90 is typical of the French firm's work; it is "an extrapolation and adaptation of other current racing designs" of VPLP. (*Id.* ¶ 5.) Duncan MacLane, a multi-hull skipper and designer, likewise notes that BOR-90 "is clearly the offspring of European racing trimarans." (Affidavit of Duncan MacLane ¶ 9, sworn to January 21, 2010.)

The engineering work for BOR-90 was also outsourced to France, performed by French structural engineer Hervé Devaux, who often works on VPLP racing multihulls. (Irens Aff..¶ 7.) And, Joseph Ozanne and Michel Kermarec, a French yacht designer and French hydrodynamicist, respectively, developed BOR-90's underwater appendages, such as rudders and hydrofoils. (*Id.* ¶ 8.) In short, GGYC has purchased a French boat design for the 33rd Cup race and assembled it in the United States.

GGYC did so to obtain a competitive advantage. VPLP was "the natural choice," according to BMW Oracle's in-house design coordinator, because "VPLP designed yachts have been breaking speed records and leading this field." (Giuffra Aff. Ex. AA.) BMW Oracle acknowledges that "[t]he French multihull community . . . are leaders in these yachts and we are benefiting greatly." (*Id.*)

C. The Non-U.S. Components on GGYC's Vessel.

Besides its foreign design, BOR-90 also appears to incorporate significant foreign-manufactured parts.

First, Cariboni USA, the U.S. distributor of Cariboni, an Italian marine hydraulics manufacturing company headquartered near Milan, "is the official supplier of the hydraulic system of BMW Oracle Racing." (Giuffra Aff. Ex. CC.) In particular, SNG believes that Cariboni is providing "manual control," "hydraulic cylinders," "engine PTO arrangement," and a "hydraulic system" for BOR-90. (Giuffra Aff. Ex. DD.)

Some of these items appear to be custom designed; "engine PTO arrangement," for example, is not listed as one of the standard products on Cariboni's website. Indeed, on the section of its website offering "special products," Cariboni flashes a photograph of BOR-90 and advertises that "for those who need something really exciting, ou[r] technical office is ready to engineer any new product." (Giuffra Aff. Ex. EE.) Hydraulic systems can be critical to a boat's movement; at least one of the hydraulic systems on BOR-90 is used to trim the sails. (Giuffra Aff. Ex. FF.)

Cariboni USA appears to have no manufacturing facilities in the United States; its only U.S. presence is a sales office located in downtown Fort Lauderdale, Florida. (Giuffra Aff. Ex. GG.) Thus, the marine hydraulics system made for BOR-90 was made outside the U.S. Indeed, an SNG member recently visited Cariboni's operations near Milan and observed "loading boxes filled with material to be sent to BMW Oracle Racing in Anacortes, USA." (Affidavit of Alec Tournier ¶ 4, sworn to January 21, 2010.)

BOR-90's Italian hydraulic system also is apparently powered by a BMW diesel engine. (Giuffra Aff. Ex. FF.) SNG believes that the engine was designed or manufactured in Germany and likely was custom-designed for BOR-90.

SNG needs and will immediately seek, if this motion goes forward, discovery to determine the extent to which GGYC's boat contains non-U.S. manufactured components.

D. GGYC's Wing and Certificate of Rig.

The Deed of Gift permits to a challenging yacht club "the right of sailing a match [for the America's Cup], with a yacht or vessel *propelled by sails only*." (Giuffra Aff. Ex. BB (emphasis added).) The Deed also requires that accompanying the Challenger's Notice of Challenge "must be sent the name of the owner and a certificate of the name, rig and [certain] dimensions of the challenging vessel" (*Id*.)

On July 11, 2007, GGYC served its Notice of Challenge, which states that an accompanying certificate provides the "details . . . as to the name, rig and specified dimensions of the keel yacht" to be sailed by GGYC in the 33rd Cup. The certificate states that BOR-90's "Rig" will be "Single-masted, sloop-rigged." (Giuffra Aff. Ex. HH, at 3.) A sloop-rigged boat is one that has, among other things, a mainsail and a foresail. (Affidavit of Rolf Vrolijk ("Vrolijk Aff.") ¶ 14, sworn to January 21, 2010.) In accepting GGYC's challenge, SNG explicitly relied "on the terms set forth in its Notice of Challenge including its enclosed certificate of its challenging vessel." (Giuffra Aff. Ex. II.)

But late last year, Russell Coutts, CEO of BMW Oracle, announced that GGYC will race not with a sail but with a rigid wing on its vessel "bigger than any wing ever built including airplanes." (Giuffra Aff. Ex. JJ.) That wing is depicted below:



(*See* Giuffra Aff. Ex. KK.) Furthermore, SNG believes that when sailing upwind, as it must in the America's Cup races, GGYC's boat may not use a foresail. (Vrolijk Aff. ¶ 18.)

ARGUMENT

Under this Court's April 7, 2009 Order and Judgment declaring GGYC the Challenger of Record, GGYC must comply with the terms of the Deed applicable to the Challenger. The Court has the power to enforce this obligation by granting "appropriate relief" at "the foot of the judgment." *Ripley* v. *Int'l Rys. of Cent. America*, 8 N.Y.2d 430, 447 (1960).

The Court should do so by directing GGYC to use (i) a vessel "constructed in the country" where GGYC is located; (ii) a Deed-compliant sail; and (iii) a vessel consistent with the certificate filed with GGYC's Notice of Challenge, specifically a "sloop-rigged yacht." The Court should disqualify GGYC if it refuses to do so.

I. GGYC'S USE OF A FRENCH-DESIGNED VESSEL VIOLATES GGYC'S OWN INTERPRETATION OF THE DEED'S CIC REQUIREMENT.

Accepting GGYC's view that the Deed's CIC requirement was intended to "ensur[e] that competing boats were genuinely products of their home country," (GGYC Brief at 8), GGYC's own vessel must be disqualified. BOR-90 was designed in France by a French design firm led by two French designers and is "an extrapolation and adaptation of other"

designs by the French firm. (Irens Aff. \P 5.) It is in no way "genuinely [a] product[]" of the United States. (GGYC Brief at 8.)

Instead, like the two Canadian challengers that inspired the CIC requirement, BOR-90 is a copy of a foreign model. BOR-90 was "designed in [a foreign country] but the hull built in the country of the challenging Club" – the precise construction plan *prohibited* by the 1958 NYYC resolution on which GGYC relies. (Bowman Aff. Ex. Q, at 3.) Likewise, the 1982 resolutions disallowed hulls "which are merely copies of those of a foreign designer." (*Id.* at 5.) GGYC's boat goes a step further; it is not merely a copy of a foreign designer but was intentionally commissioned from a leading foreign design firm.

GGYC contends that "[a] fundamental characteristic of the America's Cup is that it is a sailing competition between foreign nations." (GGYC Brief at 6.) By using French designs, GGYC has undermined that fundamental characteristic and violated its own view of the CIC requirement.

II. GGYC'S USE OF NON-U.S. COMPONENTS VIOLATES GGYC'S OWN INTERPRETATION OF THE DEED'S CIC REQUIREMENT.

Likewise, if GGYC's second CIC interpretation is correct – that "all the parts of the vessel needed to sail the vessel" must be constructed in country (GGYC Brief at 4) – BOR-90 should be disqualified under its own interpretation as well.

SNG believes that BOR-90 includes a custom-made hydraulic system manufactured in Italy and shipped to the United States. That system is powered by a BMW diesel engine, which was apparently also designed or manufactured outside the United States. Because at least one of the hydraulic systems on GGYC's boat is used to trim the sails (Giuffra Aff. Ex. FF) – a function "needed to sail the vessel" – the hydraulic system and its engine must satisfy the CIC requirement under GGYC's own interpretation.

GGYC may assert that these elements escape the CIC requirement because they are "off-the-shelf parts." As a threshold matter, there is no support in the Deed for such an exception. But in any event, the Cariboni hydraulic system and other parts do not appear to be "off-the-shelf." Rather, SNG believes they were custom-made for BOR-90. Nor is a BMW diesel engine used to power the hydraulic system on a colossal trimaran likely to be an "off-theshelf" item.

Discovery is needed to confirm the origin of these and other items on BOR-90's

boat. But based on available information, GGYC appears to fail its own CIC test.

III. GGYC'S USE OF A HARD WING VIOLATES THE DEED'S "PROPELLED BY SAILS ONLY" REQUIREMENT.

Under the Deed, the challenger's yacht or vessel must be "propelled by sails only." Dictionary definitions dating near the 1887 signing of the Deed make clear that a "sail" must be made of foldable fabric:

Sail – A texture spread to the wind, to assist the progress of a vessel in the water; a sheet of canvas or some substitute as matting, extended by means of masts, yards, ropes, &etc., as a means of locomotion by the action of the wind upon it.

Texture $- \ldots 2$. That which is woven; a fabric formed by weaving; a web. 3. The disposition or connection of threads, filaments, or other slender bodies interwoven; as, the texture of cloth or of a spider's web.

(Giuffra Aff. Ex. LL.) Likewise, an 1860 dictionary defines "sail" as "[a]n expanded sheet by means of which a vessel is propelled by the wind," and defines "sheet" as "a piece of linen or cloth for a bed." (Giuffra Aff. Ex. MM.) These definitions from contemporary dictionaries are the best guide to the intent of the Donor with respect to the meaning of the Deed's language.

Consistent with the historical meaning of "sail," at least the past four versions of the America's Cup Class Rules, which have provided detailed specifications by consent for recent America's Cup competitors, required sails to be of foldable fabric. (Giuffra Aff. Ex. NN-QQ.) The most recent version, which was incorporated into the protocol for the 32nd Cup in which GGYC was the challenger and into the protocol initially agreed between SNG and CNEV for the 33rd Cup, provides that "a sail shall be flexible and capable of being folded without damaging the sail or reinforcement," and "[s]pecifically prohibited . . . rigid sails." (Giuffra Aff. Ex. QQ.)

Moreover, it is a matter of common sense that a sail and an airplane wing are not the same. A sail moves on the strength of the wind – indeed moves with the wing – while the wing is static. BMW Oracle's Mr. Coutts has explicitly distinguished GGYC's wing from a sail in terms of tacking ability, efficiency, and control. According to Coutts, "[y]ou can complete a tack much faster with the wing than the sail," and "the wing gives us the same force as the sail we were using" but "is much smaller than the sail and much more efficient." (Giuffra Aff. Ex. RR.) BMW Oracle's press release announcing the wing likewise differentiated between a wing and a sail, explaining that "the primary advantage of the wing over a soft sail is that it is easier to control and does not distort." (Giuffra Aff. Ex. SS.) That press release made clear that the wing was unprecedented in the sailing world, boasting that "[a] wing of this scale has never been built for a race boat" and that "the wing on the BOR 90 dwarfs those on modern aircraft." (*Id.*)

IV. GGYC'S VESSEL IS NOT A "SLOOP-RIGGED" VESSEL AS DESCRIBED IN ITS CHALLENGER CERTIFICATE.

GGYC declared in its challenger certificate that it would race a "sloop-rigged" boat. This Court has long recognized the binding nature of the parts of the challenger certificate giving notice of the name, owner, rig, and dimensions of the challenging vessel. In March 2008, Justice Cahn acknowledged that these "details" set forth in the certificate are "express requirements of the Deed":

The Certificate 'certifies the details set forth below' and *it is those* '*details' that matter, because the Certificate has provided them in accordance with the express requirements of the Deed.* That this is so is revealed by the introduction to each 'detail' category which corresponds exactly to the relevant Deed provision [] namely: (1) Name; (2) Owner; (3) Rig; and (4) Dimensions.

(Giuffra Aff. Ex. TT, at 8 (emphasis added).)

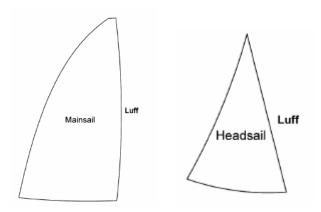
The Deed's requirement that the challenger give ten months notice of these "details" is an advantage explicitly conferred on the defender. As this Court recognized in August, "certainly . . . there is an advantage to the defender and the defender has the ability to designate its boat on the day of the race. And I believe, by inference, that's not the case with the challenger." (Giuffra Aff. Ex. UU, at 68.) Indeed, in the similar context of the challenging vessel's dimensions, also subject to the ten-month notice provision, the Court noted that changing the dimensions in a manner inconsistent with the certificate would require the challenger's disqualification: "If Golden Gate does make changes that increase the dimensions from those originally noticed, then the vessel will be disqualified." (Giuffra Aff. Ex. VV, at 6.)

Thus, to be Deed-compliant, GGYC's challenging yacht must be "sloop-rigged," as specified in the certificate filed with its Notice of Challenge. It is not.

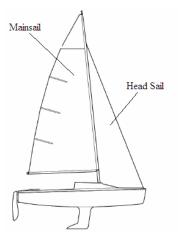
"Sloop rig is a common term in yachting to define a yacht rigged with a single mast, a main sail, and single genoa or jib." (Vrolijk Aff. ¶ 7.) As a result, a sloop must be "fore and aft rigged"; that is, rigged with a foresail or headsail in front of the mast and a mainsail behind the mast. (*Id.* ¶¶ 8-14 (quoting dictionary definitions).) The International Sailing

Federation Equipment Rules of Sailing likewise define a "sloop rig" as a "single-masted rig with a mainsail and one staysail headsail" – i.e., a foresail. (Giuffra Aff. Ex. WW.)

The diagrams below separately illustrate the two sails borne by a sloop-rigged yacht:



The sloop-rig looks like the diagram below with its sails mounted on a yacht:



(Vrolijk Aff. ¶ 15.) In sum, to qualify as a "sloop," a vessel must have a mainsail and a foresail. (*Id.* ¶ 14.)

For the reasons given above, GGYC's boat has no mainsail – just a wing that is not a "sail" – and thus is not "sloop-rigged." (*See id.* ¶ 29.) Indeed, BMW Oracle has itself contrasted its wing rig with a "sail rig," announcing in November 2009 that "[t]he wing will be

tested as an option to increase performance compared with a traditional soft sail rig." (Giuffra Aff. Ex. SS.)

Moreover, SNG believes that GGYC's boat will not sail with a foresail while sailing upwind. (Vrolijk Aff. ¶ 18.) Upwind sailing is a necessary part of the 33rd America's Cup races, each of which includes "windward and return" legs. (Giuffra Aff. Ex. XX.) "A vessel not carrying a foresail is not 'sloop-rigged." (Vrolijk Aff. ¶ 17.)

CONCLUSION

SNG believes that GGYC's procedurally improper and meritless CIC motion should be denied or considered after the 33rd America's Cup race. But if the Court considers that motion at this time, for the foregoing reasons, SNG requests that the Court issue an order directing GGYC to use (i) a vessel "constructed in the country" where GGYC is located; (ii) a foldable fabric sail that is compliant with the Deed; and (iii) a sloop-rigged vessel – one sailing with a mainsail and foresail at all times – consistent with the certificate filed with GGYC's Notice of Challenge. Otherwise, the Court should disqualify GGYC, including after the race.

Respectfully Robert J. Giuffra,

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