



ULLMAN SAILS INTERNATIONAL

ONE DESIGN SAILS POLICY and MANAGED CLASSES PROGRAM **EXPLANATION**

BACKGROUND

Historically the Ullman Sails group has enjoyed major success and strong market share in one design. For the past few years, one design sail management and production for many international and national classes has been governed under the U/S Exclusive One Design Production policy. The intent of this policy was to have a loft with experience, expertise, and active participation in the class, manage the manufacture, development and promotion of the sails for that class for the entire Ullman group. However, due to a number of factors, including but not limited to an increase in Ullman Sails lofts worldwide, the evolution of a global market, online marketing, and changes in manufacturing costs, the Exclusive One Design Production policy is inadequate for our needs and is restricting Ullman Sails' ability to maintain its position in the one design market.

At the 2012 International Lofts Meeting, the Ullman Sails Licensees confirmed their commitment to central manufacturing of one design sails, preferably by an Ullman Sails loft, but they also identified the areas of the Exclusive One Design Production Policy that were proving to be problems:

- The wholesale cost to the other Licensees from the holders of exclusive one design production rights is often prohibitive due to various factors such as high manufacturing costs, high shipping and import costs, and unfavorable foreign exchange rates.
- The order-to-delivery turnaround time is often excessive due to lengthy or lower priority production schedules, and minimal stocking levels.
- Holders of exclusive one design production rights are unable to recoup costs for development and production sails, and for stocking sails, particularly in a low volume class.
- Communication and technical support from the holders of exclusive one design production rights to the other Licensees was unreliable or not available.
- In most classes, there were limited marketing and promotion efforts by the holders of exclusive one design rights, particularly outside of the local market.

Subsequent to the International Lofts Meeting, several holders of exclusive one design rights met by telecommunications and in person to discuss a direction going forward. The production capabilities of Ullman Sails South Africa now offer an alternative that would allow for central manufacturing at reduced production costs. However, managing production cost is only one aspect of a one design program solution. To be successful, each class will need an active participant willing to help develop the best sails, build brand loyalty, provide the other Licensees with access to necessary technical and marketing information, and generally lead the promotion effort.

POLICY OBJECTIVES

The new One Design Sails Policy establishes a consistent approach to the management of the design, marketing, sales and production of one design sails by the Ullman Sails group, including a description of the roles and responsibilities of all parties. It is intended to replace the existing Exclusive One Design Production Policy in its entirety.

The objectives of the One Design Sails Policy are as follows:

- To provide all U/S Licensees with easy and prompt access to one design sails from a designated U/S Manufacturing Loft, particularly sails for those classes that have international or widespread market areas and are strategically important to multiple lofts. The One Design Sails Policy's Managed Classes Program provides for a continually expanding program that allows Licensees to order directly from the Manufacturing Loft who will stock sails or provide expedited ordering for the specific classes in the Program.
- To provide one design sails that are consistent in design, quality and appearance with the current approved U/S design for that class. All one design sails will be designed and developed to be competitive at the highest level.
- To provide one design sails manufactured at an Ullman Sails facility at a wholesale price, including shipping that will allow all U/S Licensees to make a reasonable profit using a competitive retail price. The designated Manufacturing Loft will be required to maintain a current wholesale price list that will be available to U/S Licensees. The availability of one design sails at competitive pricing should enable all lofts in the Ullman Sails group to get involved and actively participate in one design fleets, thereby increasing our visibility and market share.
- To provide all U/S Licensees with up-to-date class information by a designated U/S Class Manager, including current class activities, technological information such as racing and tuning guides, sail development in progress.
- To provide all U/S Licensees with class-specific marketing and promotional materials, as well as USI support for regional, national and/or international marketing visibility, depending upon the revenue potential of the class.
- To provide adequate compensation to the designated Class Managers (the licensed loft) for their time and effort to support and promote the Ullman Sails presence in the classes that they manage. Class Managers will receive a percentage of the wholesale cost of each sail sold, and will be reviewed periodically by USI to ensure that performance expectations are being met.
- To provide compensation for each new design and for each substantial update to an existing design, whether the design is from the Class Manager or another designer selected by the Class Manager.
- To provide support in the way of test sails to U/S Class Managers undertaking an organized, structured product development program in a class with revenue potential. Applications for support will be reviewed by USI and must be approved by the Manufacturing Loft, terms and conditions to be negotiated.

TRANSITION TO THE NEW POLICY

The proposed One Design Sails Policy and Managed Classes Program is planned to become effective as of June 20, 2014. However, the initial group of classes that have been approved for the new Managed Classes Program will be phased in over time as soon as both the designated Class Manager and the Manufacturing Loft have all of the required program components in place, such as current approved designs, a comprehensive build guide, product information, sample sails, etc.

Of the 29 classes on the existing 2012 Exclusive One Design Production Rights list (refer to the list dated 6-Nov-2012), 18 of them have already elected to participate in the new Managed Classes Program. For these 18 classes, the Exclusive One Design Production lofts have been automatically designated as initial Class Managers for their respective classes. These lofts are not obligated nor guaranteed to continue as

the Class Manager long term. USI will be conducting reviews with each of the designated lofts to determine their interest and/or qualification to continue as a Class Manager under the new policy.

The remaining classes that are currently managed under the Exclusive One Design Production Rights policy will be granted “grandfather status” unless specifically assigned to the new policy by the holder of the exclusive one design production rights. The holders of the exclusive one design production rights for the remaining 12 classes may elect to remain under the old policy (“grandfathered”) or may request to be moved to the Managed Classes Program and be assigned as Class Manager and/or Manufacturing Loft or neither. In either case, a performance review of the management of each of the 12 remaining classes will be conducted within the next 12 months to mutually determine the best way to manage and promote the class and transition it to the new policy, if applicable.

The 12 classes that are grandfathered are:

- B-14 (Sydney & UK)
- Capri 22 (San Diego)
- Flying Scot (Virginia & Gulf Coast)
- Johnson 18 (Florida)
- J/105 (Newport Beach)
- Lido 14 (Newport Beach)
- Martin 242 (Newport Beach)
- Santana 20 (Newport Beach)
- Ultimate 20 (Iseo & Newport Beach)
- Corsair 24 MII (Florida)
- Corsair 28R (Florida)
- Corsair 31R (Florida)

MANAGED CLASSES PROGRAM

Of the thousands of one design classes in existence, certain classes are more widespread and visible than others, and there is a real need to have consistent, high quality sails readily available for those classes. The Managed Classes Program described in the One Design Sails Policy is intended to leverage marketing value through active class participation by Ullman Sails lofts, and to provide central manufacturing for ease of access and product consistency. Listing a particular class in the Managed Classes Program indicates that designs for that class have been tested and approved, sails are available directly from a central manufacturer, and an Ullman Sails Class Manager is supporting and promoting the class for the group. Class Managers will be compensated for their efforts.

As Licensees propose additional classes to be included in the Managed Classes Program, USI will make the determination based on demand and available resources. If USI adds a class to the Program, the opportunity to take on the Class Manager role will be made available to Licensees interested in managing and promoting the class. Until such time as a Licensee is designated as Class Manager, USI will act as the Class Manager and U/S South Africa as the Manufacturing Loft.

SOUTH AFRICA MANUFACTURING

Although the U/S South Africa facility is not the only designated Manufacturing Loft under the new Managed Classes Program, they are a key player in Ullman Sails’ ability to provide centrally manufactured one design sails that meet our requirements for quality, consistency and value. They will be providing the bulk of the manufacturing and will be the default for unlisted and undesignated classes.

The motivation to undertake this significant policy change is driven in large part by U/S South Africa's commitment to provide the following:

- **Production Lead Time:** USSA will carry adequate stock of sails for each class in the Program for which USSA is the designated Manufacturing Loft. The large work capacity and staff will ensure that lead times for orders are short and orders will be processed quickly.
- **Ordering Process:** USSA one design sails in the Managed Classes Program will be available on the Central Ordering System, which is scheduled to be launched by USSA in mid-2014. In the interim, sails can be ordered directly from USSA. In the future, orders may also be placed with designated lofts on various continents, which will be set up as distribution hubs where a large regional market warrants it.
- **Stock Levels:** USSA will hold stock of the popular classes and may eventually hold stock in various central locations in the world to facilitate quick supply to the market.
- **Pricing:** Pooling the manufacture of the sails and allocating the production to a manufacturing loft located in a competitive labor market will provide the products at a price that will allow lofts to make a reasonable margin. With USSA building the sails, the price and accessibility will increase the volume.
- **Shipping:** Shipping in bulk is by far the most economical route; however, it is often cheaper to send a sail directly from USSA to a customer then incurring a second overland charge from the loft to the customer. USSA will work with the individual lofts to arrange the most economical solutions.
- **Fee Collection for Class Managers and Designers:** Per the requirements of the One Design Policy, the Manufacturing Loft will be responsible for the collection and payment of fees to the Class Manager and approved Designer. However, please note that it is a requirement of the Republic of South Africa that no payments can be made unless there is a written contract in place. U/S South Africa will provide an appropriate contract form for each class and type of service.

MARKETING STRATEGIES

It is intended that marketing strategies for each class will be addressed in a joint cooperation between the Class Manager and USI. In addition to the obligations of the Class Managers under the Managed Classes Program, USI also envisions a more comprehensive one design marketing strategy for the future, one that could help return Ullman Sails to its place as a recognized force in one design.

The long-term comprehensive marketing plan may include but is not limited to:

- A prominent one design section on the USI website also duplicated on licensee websites
- Comprehensive racing and tuning guides for all listed classes
- Significant race results posted timely and frequently on USI and licensee social media
- Campaign sponsorship of top sailors in high profile events
- Sail sponsorship to top sailors in targeted classes
- Advertising in print/digital media
- On/off-the-water seminars and pre-event training sessions

- Product sponsorship to up-and-coming youth sailors in youth events
- A sponsorship program for up-and-coming youth sailors
- Videos on YouTube

Please review the One Design Sails Policy carefully, and contact Kelly or Craig if you have any questions or comments.

Date: June 20, 2014
CC: Ullman Sails Licensees
Related Documents: One Design Sails Policy and Managed Classes Program
One Design Sails Policy - Managed Classes List