



ULLMAN SAILS INTERNATIONAL

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

Effective June 20, 2014

The Ullman Sails One Design Sails (ODS) Policy sets forth the policies and procedures for all Ullman Sails Licensees with regard to the design, marketing, sales, manufacture and distribution of one design sails. A one design class is defined as a class of sailboats normally raced on a closed course without handicaps. This policy supersedes all prior one design policies including the Exclusive One Design Production Lofts Rights & Responsibilities dated November 22, 2011 and the Exclusive One Design Production Rights list updated November 6, 2012, except as specifically referenced in this Policy.

The Policy is in two parts: The first part is the One Design Sails Policy document itself, which includes the policies, rights and responsibilities related to the Managed Classes Program. The second part is the Managed Classes Program List, which identifies the one design classes that are currently included in the Program and the designated Class Managers and Manufacturing Lofts. The Managed Classes Program List is subject to updates, which will be posted on the Ullman Sails Extranet.

Section I - GENERAL

One design sails comprise a unique subset of the new sails market with respect to the marketing, development of competitive designs, availability, and the quality and pricing of the sails. Certain one design classes have regional, national and international visibility that play an important strategic role for sailmakers, extending well beyond the specific class and racing market. As such, the Ullman Sails Licensees agree that it is in their best interest to have Ullman Sails International (USI) administer a comprehensive policy that addresses the unique conditions of the one design market.

Section 2 – APPLICABILITY

This policy applies to sails for all one design classes. However, it separates out certain one design classes that have greater strategic value and sufficient potential sales volume to warrant additional resources. These higher profile classes will be administered under the Managed Classes Program. Any one design class could potentially be included in the Managed Classes Program with the following exceptions:

- Local one design classes where the entire class market is located within one Licensee's exclusive area.
- Classes that have not been moved from the Exclusive One Design Production Rights list to the Managed Classes Program will receive "grandfather" status and will remain under the provisions of the Exclusive One Design Production Policy and will be compensated according to the Pricing Policy until such time as the holder of the exclusive one design rights and USI have mutually determined the best way to manage and promote the class and, if appropriate, transition it to the Managed Classes Program.

Sails for one design classes that are not currently included in the Managed Classes Program will be designed, ordered, manufactured and purchased in the same manner as custom racing sails. Refer to Section 7 for procedures for adding classes to the Managed Classes Program.

IMPORTANT NOTE: The Managed Classes Program is an Ullman Sails internal program that identifies one design classes receiving additional resources as described in the following sections. It will not affect the list of one design sails manufactured by or available for purchase from Ullman Sails, which may include classes that fall under any of the exceptions listed above.

Section 3 – MANAGED CLASSES PROGRAM

A “Managed Class” is a one design class that is being given special attention by USI for one or more of the following reasons:

- Significant strategic and/or marketing value to multiple lofts in the Ullman Sails group
- Central manufacturing is desired for product consistency and reasonable cost
- Central manufacturing is desired for ease of availability to all Ullman Sails lofts
- Adequate potential sales volume warrants the investment of additional resources
- Protection of sail designs is desired
- Additional compensation for the designer based on sales volume is warranted

For each class in the Managed Classes Program, there will be three key participants:

- 1.) A designated Class Manager (loft name and contact person)
- 2.) A designated Manufacturing Loft
- 3.) A Designer, who must be an approved Ullman Sails designer, and may or may not be the Class Manager

The roles and responsibilities of the key participants are defined in the following sections.

Section 3A – CLASS MANAGERS

For purposes of accountability, each Class Manager designation will consist of a licensed loft or USI, and the name of a designated representative or qualified contact person from that loft. The Class Manager for each one design class is shown on the Managed Classes Program list. There may be more than one Class Manager per class if warranted by class or fleet size and locations.

Class Manager Responsibilities

- Provide administrative information and assistance to all Ullman Sails lofts as the primary resource for sail and class information.
- Actively participate in class and fleet activities.
- Invest in class marketing and promotional materials.
- Provide recommended retail prices to USI for inclusion in the One Design Price List released by USI annually. Prices will be required for each of the major market locations for that class, in the local currency.
- Provide customer information, including current and comprehensive racing and tuning guides, and make them available to other Ullman Sails lofts.
- Develop and update competitive sail designs, including coordination of sail testing programs and required design reviews for all racing sails by an Approved Designer.
- Select and oversee the Designer – refer to Section 3C below for the role and responsibilities of the sail designer.
- Manage and coordinate current sail design versions, specifications, and finishing details with the Manufacturing Loft.
- Provide a comprehensive build guide to the Manufacturing Loft.
- Act as liaison to USI for up-to-date class information, results, campaign efforts, images, articles, social media content, and event news.

- Ensure that the USI Design Library is given all current designs, whether restricted or not (Refer to U/S Sail Design Use Policy for information for restrictions on design access).
- Coordination and communication with other Licensees who have customers in the designated class including timely responses to all communications. However, Class Managers will not be required to undertake exhaustive customer service tasks for an individual customer.

Class Manager Rights and Compensation

- A Class Manager is authorized to market and sell his or her designated class sails into another Licensee's exclusive area without penalty.
- Class Managers will earn a management fee on each sail sold by the Manufacturing Loft in the amount of 8% of the Manufacturing Loft's published wholesale price. The Manufacturing Loft will provide a credit against purchases or pay the management fee quarterly to the Class Manager. All fees and credits will go to the designated Licensee of the Class Manager regardless of the designated contact person or name of the loft representative.
 - Exception: The initial designated Class Managers will operate under the terms and conditions of the Exclusive One Design Production Policy and be compensated according to the Pricing Policy until the designated Manufacturing Loft sets a start date to accept orders. As of the start date, Class Managers will be compensated according to this Policy. The start date will be published on the Managed Classes Program List.
- USI reserves the right to adjust the management fee from time to time.
- The Class Manager may sell test sails under the following conditions:
 - Test sails cannot be sold as new sails. Buyer must be informed about the condition of the sail and the purpose for which it was made.
 - Upon the sale of a test sail, the Manufacturing Loft is entitled to be paid an amount equal to 75% of the difference between the listed wholesale price of a new sail and the actual test sail price paid to the Manufacturing Loft by the Class Manager. The Class Manager will remit the 75% difference immediately upon sale of the test sail, either as a credit or payment. No one except the Class Manager may sell a test sail.

USI Authorization and Review of Class Managers

- All Class Managers must be authorized by USI.
- A Licensee may apply to USI at any time to be designated as a Class Manager for any class. To apply, lofts must submit a written application (available from USI) with supplemental documentation demonstrating their current participation in the class and a detailed description of the proposed approach to managing all of the responsibilities described above, including current and projected sales volumes for that class, class marketing and advertising investments, personal involvement in the fleet or class, and a description of the sail development program, if any.
 - Exception: Existing holders of Exclusive One Design Production Rights that have elected to participate in the Managed Classes Program will automatically become the initial designated Class Managers for those classes. The new designation will become effective as of the start date of this policy.
- USI reserves the right to designate new or additional Class Managers.

- USI will conduct periodic compliance reviews to determine whether or not a designated Class Manager will retain his or her management rights.
- A Class Manager may opt out at any time upon submitting a written request to USI and surrendering all designs, copies of promotional and technical materials, mailing lists, and other documentation developed for use as a Class Manager.

Section 3B – MANUFACTURING LOFTS

A primary goal of the One Design Sails Policy is to have all large class one design sails centrally manufactured in order to ensure consistency in design and construction. All sails for classes in the Managed Classes Program will be built by an Ullman Sails Manufacturing Loft as designated on the Managed Classes Program list, unless authorized in advance by USI.

Manufacturing Loft Responsibilities

- Produce consistent products meeting or exceeding Ullman Sails standards for a uniform, high quality of appearance and performance.
- Maintain wholesale prices at a level that allows the Ullman Sails ordering loft to sell products at the recommended retail price after the costs for shipping, overhead and reasonable profit are added. Wholesale prices will include class management and design fees.
- Provide cost-effective shipping options for all loft locations.
- Maintain adequate stock and/or provide expedited ordering and shipping options.
- Manage the prompt and accurate collection, accounting, and distribution of Class Management fees as described in Section 3A above and Designer fees as described in 3C below.
- Publish and maintain a current wholesale price list for all sails in the Managed Classes Program for which it is the designated Manufacturing Loft. Wholesale prices from the Manufacturing Loft will be the same for all U/S Licensees, regardless of the country or loft to which it is being sold. Shipping costs will vary.
- Manage and maintain an ordering system, including knowledgeable staff interface that is easily accessible and user-friendly.
- At the discretion of the Manufacturing Loft, provide support and participation in one design sail testing programs by furnishing test sails at a reduced price. USI and the Manufacturing Loft must approve all test sail programs. Refer to Class Manager Rights & Compensation for disposition of proceeds from the sale of test sails.

USI Authorization and Review of Manufacturing Lofts

- All designated Manufacturing Lofts must be authorized by USI. Authorization will be restricted to licensed Ullman Sails lofts with adequate production capacity for the anticipated class volume and the ability to meet all of the responsibilities of a Manufacturing Loft as described above.
- USI reserves the right to designate new or additional Manufacturing Lofts.
- USI will conduct periodic compliance reviews to determine whether or not a designated Manufacturing Loft will retain his or her manufacturing rights.
- A designated Manufacturing Loft may opt out of the Managed Classes Program by giving sixty (60) days written notice to USI and surrendering all design files, specifications, and any fees due and payable to the Class Manager and/or Designer.

Restrictions on selling by a Manufacturing Loft:

- A Manufacturing Loft is not authorized to sell into any other Licensee's exclusive area.
- A Manufacturing Loft may sell into open territory provided that the selling price is not less than the recommended retail price for that country as provided by USI.

Section 3C - SAIL DESIGN & DESIGNERS

It is acknowledged that one design sails require a program of continuous monitoring and design development in order to remain competitive over time. The Class Manager will be responsible for ensuring that the Manufacturing Loft is using current and competitive designs.

Approved Designers

- All sails in the Managed Classes Program must either be designed by an Approved Designer or reviewed by an Approved Designer prior to production. Ullman Sails Approved Designers are those designers authorized by USI to design and/or review racing sails.
- Only sail designers selected by the Class Manager may provide new sail designs or design updates. The Class Manager may elect to use a design created by someone other than an Approved Designer, in which case an Approved Designer must review and approve the design prior to production.

Compensation for Sail Designs

Designers of sails in the Managed Classes Program will be compensated for their designs, in accordance with the following:

- Designs that are approved by the Class Manager and USI as the best Ullman Sails design available for that class will be classified as the "Current Production Design" and the Designer will be eligible for 2% design fee on the Manufacturing Loft's wholesale price before fees, up to a maximum of \$1000 USD, not including the initial design fee. The minimum compensation for an approved design will be equal to the current design fee for a custom sail as published on the Ullman Sails Extranet, and will be paid by the Managing Loft to the Designer.
- The 2% designer fee is payable to the selected Designer regardless of whether or not the selected Designer is an Approved Designer. An Approved Designer providing a review for a sail in the Managed Classes Program is entitled to a flat design review fee per the USI schedule of design fees for custom sails.
- The Manufacturing Loft will collect the 2% design fee on behalf of the Designer on each sail sold by the Manufacturing Loft. Fees may be held in credit by the Manufacturer or paid quarterly to the Designer, at the preference of the Designer.
- A modified design that is submitted to USI and approved as the new "Current Production Design" will become eligible for the 2% design fee and a new \$1000 USD cycle will begin. To be eligible, the modified design must have significant changes to panel layout and/or shape. Authorization of a new \$1000 USD fee cycle will be at the discretion of USI.
- In the event that a design is still the "Current Production Design" once the Designer has been compensated the \$1000 USD maximum, no further design fee will be collected.

- No design fee will be collected in the event that the “Current Production Design” has been provided by a designer in the employ of USI or the Manufacturing Loft.
- For existing designs, no design fee will be collected if a flat design fee was collected at the time that the design was commissioned.

Design Use & Access

- Ownership of all designs will be governed by the Ullman Sails Sail Design Use Policy. Restrictions on access to the designs as stated in the Policy will apply.
- All designs approved as the “Current Production Design” are to be submitted to USI for their records.

Section 3D – LICENSEE’S RIGHT TO PURCHASE

All Ullman Sails Licensees shall have the right to purchase sails from the designated Manufacturing Loft for any of the classes listed in the current Managed Classes Program. Orders can be submitted directly to the Manufacturing Loft on a current One Design Order Form, terms and conditions per the Manufacturing Loft. The standard royalty fees are due and payable to USI on the final selling price by the selling loft.

Section 4 – USI ROLE AND RESPONSIBILITIES

Ullman Sails International will be responsible for organizing, implementing and overseeing all aspects of the One Design Policy and Managed Classes Program in a fair and impartial manner. With regard to the Managed Classes Program, USI will be responsible for:

- Selection of designated Class Managers and Manufacturing Lofts
- Review and oversight of the designated Class Managers and Manufacturing Lofts for compliance with this policy and responsiveness to the Licensees of the Ullman Sails group, including periodic compliance reviews.
- Arbitration of any disputes between a Licensee, Class Manager, Manufacturing Loft, and/or Designer.
- Support for racing campaigns to promote specific one design classes as may be warranted by the potential sales volume. Additional fees per sail may be required to offset the campaign costs.
- Assistance in the development of sail designs, including timely design reviews and assistance in sail testing programs. A Class Manager may submit a written request to USI for test sails to be provided at reduced prices from the Manufacturing Loft.
- Assistance in class marketing campaigns as a component of a comprehensive group-wide marketing and branding effort.
- Maintenance of the current Managed Classes Program list.

As part of the broader scope of the One Design Sails Policy, USI will provide:

- A list of recommended retail prices for one design sails prepared by USI and posted annually in accordance with the Ullman Sails Pricing Policy. For classes in the Managed Classes Program, the USI prices will be based upon the recommended retail prices provided by the Class Manager.
- Extranet publication of current one design documents, including the one design price lists.
- Website updates to accommodate one design promotion and access to information for one design customers.
- Maintain a library of one design sail designs, of which unrestricted designs will be available to all Ullman Sails lofts in accordance with the Ullman Sails Design Use Policy.

Section 5 – PROCEDURE FOR ADDING CLASSES TO THE MANAGED CLASSES PROGRAM

Any one design class that is not listed in the current Managed Classes Program and is not exempt as specified in Section 2 – Applicability, could potentially be added to the Managed Classes Program at such time as USI determines that there is sufficient potential sales volume to warrant:

- 1.) Compensation for a Class Manager as described in Section 3A
- 2.) Services of a Manufacturing Loft to provide additional support as described in Section 3B, such as maintain stock, assist in sail testing programs, and manage fees.

Any Licensee may submit a written request to USI to add a class to the Program, stating the reasons that the applicant believes it is a class that warrants inclusion in the Managed Classes Program.

Upon USI approval, the Managed Classes Program list will be revised to include the additional class with a designated Class Manager and Manufacturing Loft. A date will be specified for the commencement of Designer and Class Manager compensation, as applicable.

In the event that the class is not approved, USI will provide the applicant with a written response as to the reasons for the denial and information as to the requirements that will need to be met in order to obtain approval. A Licensee may resubmit a written request at any time as long as the request includes additional supporting information.

If a class is not approved for the Managed Classes Program, sails will be designed, ordered, purchased and manufactured in the same manner as custom racing sails.

Date: As of June 20, 2014
 By: Ullman Sails International
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 Related Documents: One Design Sails Policy - Managed Classes List
 One Design Sails Policy Explanation

Design Use Policy
Pricing Policy
Exclusive One Design Production Rights & Responsibilities
Exclusive One Design Production Rights List