



Available: Jeanneau (Sail & Power), Fountaine Pajot (Sail & Power) Selene Trawlers, Floating homes.

May 7, 2010 **Summary business plan. BAB (Boat-As-A-Business)**

“Introduction: Boat-As-A-Business—a simple idea. You can set your boat up as a business and enjoy the same benefits and tax advantages that any small business would enjoy—the same as if you, say, set up a pizza shop, car wash or any other business you can think of. The government offers a number of incentives to small business which you can take advantage of. These include writing off your expenses, depreciating your boat and taking up to a \$135,000 one time expense allowance (As a result of the new tax stimulus package signed into law and still in effect. The sum of these expenses can then offset the income you earn by chartering your boat (or helping sell boats and charters as a Sales Associate), when you’re not using it, and any left over expenses can be written off against ordinary income from other sources unrelated to the boat—as long as you can show “active participation”—more on this critical guideline later. This, in effect, captures back taxes that you would have paid (or have already paid) and these recovered dollars can go towards building additional equity in the boat. I have used only a small portion of what’s available in our sample business plan and our ultimate goal is to find out how much it’s best for you to use. It’s not “too good to be true”, and it’s not just for the wealthy—it’s how the wealthy get wealthy!” We’ve already helped over 680 people set up their own boat business successfully.

Summary business plan for your review... **FT35**

(Anytime, Jump right to the green line on the table, below (p5.), to see your actual, monthly cash flows.)

Monthly cash flow to own conventionally: Includes: Dockage, insurance, maintenance, and the loan payment (with the second home interest deduction.) See table below. **\$3,660**

Monthly cash flow to own in the Boat-As-A-Business Plan (BAB): **-\$139**

Positive #=Positive cash flow. Negative #=-negative cash flow. Following is a simple, summary business plan showing annual and monthly cash flows, based on a 5 year average, with only 7 weeks of charter use.

Isn’t it about time?

The other great advantage of this plan is that your boat is professionally maintained and always ready for you, your family and friends enjoyment. Regular purchasers end up coming to their boat and having to clean it, fix up minor problems, schedule preventative maintenance (oil changes, bottom inspection and cleaning etc.)—you simply come down to a clean boat with the A/C on, no smells, no problems and all of the maintenance professionally taken care of—in effect, this service is for free, because the charterers on your boat are paying for it.

What if you don’t want to charter your boat routinely? What if you want to act as your own captain? Keep it somewhere other than where we have a base? We have worked out many variations and can most likely accommodate your specific needs. Call us with your questions: 410-263-2311

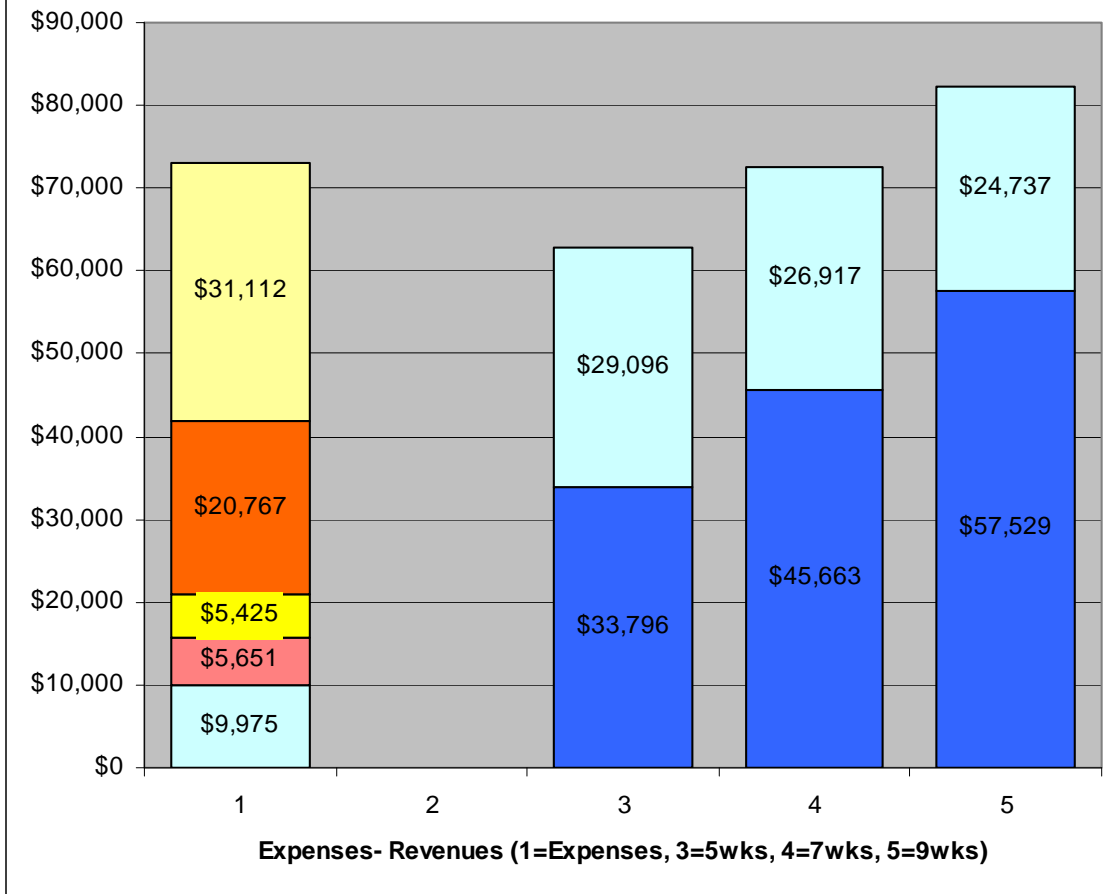
Boat-as-a-Business How to sail for less...

Why consider this approach?

I will show you why our Boat-As-A-Business plan offers you the least expensive way to own a boat. Less expensive than a used boat, a time-share program or a fractional ownership program. But that's not all...

You get your boat professionally managed and always clean, serviced and ready for your use whenever you like. You can use your boat as much as you like, or combine this business with others. You have total flexibility.

How is this possible? I like to say that *"you're already paying for a new boat, you just don't have it!"* You're paying taxes that could be diverted and used to create equity in your new boat. Then the income derived from chartering during the times that you're not using the boat will cover the rest of the expenses. In many cases, just a few weeks a year of chartering, combined with our program, can get you to a break even point—where your new



boat costs you virtually nothing out of pocket!

The table above... (Note, as income goes up-dk blue, tax advantages go down. That's because more of the tax advantages go towards giving you tax free income. But if income goes down, tax advantages go up so there is a self leveling effect.)

Shows all of the expenses, left (dockage-blue, insurance-rose, maintenance yellow-avg over 5 yrs, management-red and loan payments-yellow, and the return based on tax advantages and income for 5, 7 and 9 weeks of charter income

So, in its simplest form, what are the tax advantages?

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When your Boat business is structured correctly—all of these deductions flow through to you personally and can be used to offset income from other sources. You can set up a sole-proprietorship, partnership, Sub S Corp, C Corp., or LLC. As a part of our final business plan—we will explain the choices.

The 179 expense allowance (originally, a part of the Tax Relief Act of 2003) is in place this year and allows you up to a \$135,000 tax deduction on your boat. (Certain rules are in effect that may affect this—talk with us.)

You then can deduct all of your expenses (dockage, insurance, maintenance, interest & management expenses, plus the normal costs associated with running a business) and also depreciate your boat using an accelerated depreciation schedule over 10 years (MACRS-10 year class). By setting up the right business entity (generally an LLC—these tax advantages can flow through to you personally and offset income from other sources). We'll explain all of this and offer you detailed technical information after we get your financing in place and you are ready to put together a business plan with us. When you're ready, all you do is fill out the finance application. We can set up your LLC, logs, agreements and everything else you need. We also offer white papers for you and your tax advisor to answer all of your questions.

What's equipment is included in our BAB package? Typically, 1 & 2 are included... This is a complete turn-key package so that you could literally step aboard with food and clothes and go cruising for 2 weeks!

1. BYA Cruising: (All Std. Equipment) + Duty, Commissioning & Freight/handling to commissioning yard, All C.G. and safety equipment Electronics (VHF, Speed/depth, Wind, Autopilot). Refrigeration, Shoal draft model, Furl Genoa, (Furling main on DS models), Shore Power cord. **Catamarans:** 1. BYA Basic: Delivered, commissioned, duty paid, sea-trialed. Includes: All C.G. and safety equipment, H& C pressure water, 12V. , 110V. System, electronics, and holding tank(s)

FP44 or over : Elect. Winches, Bow thruster (Monohull), Generator, full canvas package with Dodger and connector, 50Amp Service with cable, Cockpit speakers, & Davits. On J54--Skippers cabin, deluxe table with 2 chairs, Link 2000 Battery monitor. On FP44,48-Crew cabins forward.)

3. For the Caribbean, each base has their own requirements compatible with their location and local competition. At the end of the day, only a little more is required, and we'll discuss this later if the Caribbean is your primary interest.

Other options and accessories, your choice of layouts, engines, colors etc. available by request. Options and accessories subject to change—see the final proforma for a complete list of equipment.

Our plan is flexible—in how you set your boat up, how much you use it, and where you want to sail. To keep things simple for this presentation, we'll just look at cash flows if you keep the boat on the Chesapeake. You could keep it in the Caribbean or at any of our affiliate facilities, Follow-The-Sun, or let us design a custom program just for you.

The table below averages annual results based on a 5 year average—our detailed plan offers month by month and year by year analysis.

Inputs and Annual cost without chartering...

(I'm showing a 20% downpayment, but financing is available with 10-15% down for well qualified clients.)

FT35	
Inputs	
Boat Price	\$434,675
Downpayment	\$86,935
Amt. Financed	\$347,740
Int. Rate	6.50%
Term	20
Mo. Payments	\$2,592.66
Paymts. After int. deduction	\$1,922.59
Your Tax Rate?	38.00%

Annual	
Cost without chartering.	
Loan	\$23,071
Dock	\$9,975
Ins	\$5,651
Maint	\$5,225
Misc.	
Total	\$43,922
Mthly	\$3,660
Conventional ownership	

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Now, let's compare results... (Averaged over 5 years, with income for various amounts of chartering)

	<p>Chesapeake or East Coast</p> <p>Advantages: Minimum wear and tear on the boat, and you are close to it so you can easily enjoy it. The Chesapeake has over 5,000 miles of navigable shoreline. It's the easiest place to sail with line of sight navigation, soft bottom (no rocks or coral) gentle winds and low, low insurance rates because of all of this. Owner's and charters generally drive so use of the boat is less expensive.</p>
	<p>Follow-The-Sun (Chesapeake Summers, Bahamas/Fl. winters)</p> <p>Advantages: Less wear and tear than Caribbean, more income you can use your boat in both seasons. Extra income is, somewhat, offset by delivery expenses and higher insurance rates.</p>
	<p>Caribbean—Virgin Islands or Grenadines, principally</p> <p>Advantages: More income, maximum sun and salt somewhat harder on the boat creating higher maintenance and insurance costs.</p>

Utilization: Consider Chesapeake typically is 6-9 weeks, FTS is 15 weeks, Bahamas 20-22 and Carib 22-28 weeks.

Important note concerning the table below...

Under income, note the Sales Associate income. This is a crucial difference from our program and others—what does it mean, how does it work?

An important part of our program is to enter into a Sales Associate agreement with you. This allows us to create a web site, make business cards and set you up so that you can refer friends or associates to us to: Charter a boat, take a course or purchase a boat—with or without the BAB program. While you can make income from this, including helping at boat shows or open houses—what this provision allows is that you can take friends or associates out on your boat to do “demos”. Then you can log this in as a business function, rather than personal use of the boat.

One of the seven guidelines posted by IRS for you qualifying for “active involvement” is that you spend at least 100 hours in the activity and that’s more than any other single individual. If you took a “potential client” to St. Michaels for a weekend to show them the joys of owning or chartering a boat and spent 24 hours—that would go towards the 100 hours. If your wife were a partner, for instance, that would double the time. While the management company over all may spend more than 100 hours, no single individual will as the time is divided between check out captains, cleaners, service personal, sales personal, management etc.

There is a more complete explanation in the documents you can link to below!

Weeks	5	7	9	11	13	15	20	25
Days	35	49	63	77	91	105	140	175
Annual Expenses	Range for Chesapeake or East Coast area Typical 6-9 wk					Add, or substitute year round destination		
Loan	\$31,112	\$31,112	\$31,112	\$31,112		\$31,112	\$31,112	\$31,112
Dockage	\$9,975	\$9,975	\$9,975	\$9,975		\$9,975	\$9,975	\$9,975
Insurance	\$5,651	\$5,651	\$5,651	\$5,651		\$9,128	\$9,128	\$9,128
Maintenance	\$ 5,225	\$ 5,425	\$ 5,625	\$ 5,825		\$ 8,865	\$ 9,615	\$ 12,165
Management (Varies by loc.)	\$14,833	\$20,767	\$26,700	\$32,633		\$39,365	\$57,051	\$59,904
Local Tax/fees	\$1,320	\$1,320	\$1,320	\$1,320		\$850	\$850	\$850
Extra Dockage &/ or Deliver to base?	\$0	\$0	\$0	\$0		\$10,050	\$0	\$0
Total Expenses	\$68,116	\$74,249	\$80,383	\$86,516		\$109,345	\$117,731	\$123,134
Annual Income	5	7	9	11		15	20	25
Avg. income	\$29,667	\$41,533	\$53,400	\$65,266		\$78,731	\$114,102	\$119,807
Sales Associate Income Est.	\$4,129	\$4,129	\$4,129	\$4,129		\$4,129	\$4,129	\$4,129
Less Expenses	\$68,116	\$74,249	\$80,383	\$86,516		\$109,345	\$117,731	\$123,134
Cash Flow(Inc-Exp)	-\$34,320	-\$28,587	-\$22,853	-\$17,120		-\$26,485	\$500	\$803
<i>Cash Flow monthly w.o. tax adv.</i>	<i>-\$2,860</i>	<i>-\$2,382</i>	<i>-\$1,904</i>	<i>-\$1,427</i>		<i>-\$2,207</i>	<i>\$42</i>	<i>\$67</i>
Tax Effect-contribution	\$29,096	\$26,917	\$24,737	\$22,558		\$26,055	\$15,836	\$15,711
Annual Cash Flow(Aft. Tx.)	-\$5,224	-\$1,670	\$1,884	\$5,438		-\$430	\$16,337	\$16,514
Monthly: Cost (-) Ahead (+)	-\$435	-\$139	\$157	\$453		-\$36	\$1,361	\$1,376
Conv. Ownership	-\$3,660	-\$3,660	-\$3,660	-\$3,660		-\$3,660	-\$3,660	-\$3,660
% Savings	88.11%	96.20%	104.29%	112.38%		99.02%	137.19%	137.60%

Avg. Tax Calc (Avg of 3rd Yr) This is a very simplified table to show the principal.

Depreciation is 10 Yr. MACRS (Double declining balance)

1. Income From above	\$33,796	\$45,663	\$57,529	\$69,396		\$82,860	\$118,232	\$123,937
2. Interest porton of payment	\$ 21,160	\$ 21,160	\$ 21,160	\$ 21,160		\$ 21,160	\$ 21,160	\$ 21,160
3. Other Expenses X % Bus use.	\$21,949	\$22,147	\$22,345	\$22,543		\$38,479	\$29,272	\$31,797
3B. Exp 100% (Mgt.)	\$14,833	\$20,767	\$26,700	\$32,633		\$39,365	\$57,051	\$59,904
4. Total Expenses for tax purposes	\$ 57,942	\$ 64,074	\$ 70,205	\$ 76,336		\$ 99,005	\$ 107,484	\$ 112,861
5. Net Loss(1)-(4)	-\$24,146	-\$18,411	-\$12,676	-\$6,940		-\$16,145	\$10,748	\$11,076
6. Dep. (Avg.5Yr)+Sec179	-\$52,422	-\$52,422	-\$52,422	-\$52,422		-\$52,422	-\$52,422	-\$52,422
7. Taxable profit/loss (5)+(6)	-\$76,568	-\$70,833	-\$65,098	-\$59,362		-\$68,567	-\$41,674	-\$41,346
8. Tax Bracket estimate:	38.00%	38.00%	38.00%	38.00%		38.00%	38.00%	38.00%
9. Tax adv(7) X (8)	\$29,096	\$26,917	\$24,737	\$22,558		\$26,055	\$15,836	\$15,711

So, at 7 weeks Chesapeake, for example-monthly cash flow:

Cash flow with BAB program: -\$139

Cash flow with conventional purchase: \$3,660

Note: If you participate actively as a sales-associate, we have found that SA’s typically add 2-3 weeks to their revenue stream, or you might get that much less than projected if you don’t participate. SA participation is very important so that you accumulate your time, and optimize your income!

Discussion...

Note in the table above we have averaged income and expenses over 5 years and expressed the results as an average. Across the top are assumptions for different numbers of weeks of utilization. On the Chesapeake we typically see from 5-13 weeks maximum with 7being typical depending on owner’s use, boat popularity and other variables.

The bottom line, after tax advantages, is highlighted in Green. Compare this monthly cost to the monthly cost of owning conventionally. Also, compare the monthly cost if you get fewer weeks of charter. If you can live with 5 weeks, you can be assured that the program will work for you! Participants typically shoot for 7-9 weeks of income.

Everyone wants to see the tax advantages that are available in addition to deducting all of the expenses. Here’s the calculation:

	Deduction	Basis	MACRS
179 standard deduction	50,000		
179 in second year.	0		
Bonus Depreciation	0	\$384,675	
Year 1 Depreciation	7,694	334,675	2 to 10%
Year 2 Depreciation	69,242	326,982	18.00%
Year 3 Depreciation	55,393	257,740	14.40%
Year4 Depreciation	44,315	202,347	11.52%
Year 5 Depreciation	35,467	158,032	9.22%
Total Depreciation	212,110		
Total Depreciation and 179	262,110		
Average 179 & Depreciation	\$52,422		

About the 2010Tax Stimulus program.

With our example, we have taken a very conservative look at the first years tax advantages. When we do your actual business plan, we will look at this in the most advantageous way relative to your personal situation. If you need larger first years deduction because of any unrelated high tax payment due on your side, or if your income justifies a much larger deduction we can include the new numbers. With this plan, we can include up to \$250,000 for the 179

Bottom line—we are only showing a portion of the first years tax advantage available. More is available, but depends on your particular situation.

Here’s what we used: 179 \$50,000
 What’s available is: \$135,000

Maximum 179 expense allowance is not shown, but available in a custom plan. See information link at top.)



Your longer term goal... Disposition options.

Perhaps, make this program a part of your retirement plan?

There are basically 3 disposition options.

1. Converting the boat to personal use at some point.
2. Roll a first boat over for a second. Either the same type, or a larger or different type.
3. Sell the boat outright.

Each approach has different implications and you can explore them in more detail with the White papers you can get access to on the last page. Also, there are various, legitimate tax strategies that others have used to optimize their situation. We will be happy to discuss these.

One question that comes up frequently, is: "What would it take to pay the boat off early?" The table below is designed to show you that. Basically, you can pay your boat off in about 5 years for about the same cost as a conventional purchaser would pay for 20! (Own in 1/4 the time, for 1/4 the cost.)

1. Period of time, years	Monthly Cost to own in some other period of time, shown in (1)						Custom
	3	4	5	6	7	10	4.800
2. Payment (Loan for this period)	(\$10,657.88)	(\$8,246.64)	(\$6,803.93)	(\$5,845.48)	(\$5,163.74)	(\$3,948.52)	(\$7,044.05)
3. Less other contribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. Adjust for cash flow from program	\$833	\$833	\$833	\$833	\$833	\$833	\$833
5. Less payment covered in (4)	\$2,593	\$2,593	\$2,593	\$2,593	\$2,593	\$2,593	\$2,593
6. Cash flow to own in stated period	(\$7,231.84)	(\$4,820.59)	(\$3,377.88)	(\$2,419.44)	(\$1,737.70)	(\$522.47)	(\$3,618.00)
7. Cash flow/Mo. w.o. the program	(\$4,113.40)	(\$4,113.40)	(\$4,113.40)	(\$4,113.40)	(\$4,113.40)	(\$4,113.40)	(\$4,113.40)

Line 6 if (-) Cash you will need to add to pay off the boat in time period, (1). If it is positive, that means you have more than enough cash flow to cover amortizing the loan in the period shown at (1) in that time period

NOTE: Even if you have to make a contribution, it is still less than a conventional purchaser pays (7), if you pay it off in about 5 years.

You can definitely own the boat in 1/4 the time for about 1/4 the cost. (Using just the Chesapeake program) and sooner if you look at the Caribbean

Whether this boat (or a roll over boat) is a part of your retirement plan, or you just want to own the boat outright after some period of time. You can develop a plan so that you know what cash outlay, if any, in addition to the income and tax savings, it will take to pay the boat off in some specified period of time.

This table was designed to give you some idea of what to expect. Talk to us to discuss your plans in detail.

Summary

At the end, this program is not about the numbers or saving taxes. It's a proven program that will help you achieve your goals and take a substantial part of your assets that you're now paying in taxes, and apply it to getting what you want—equity in a boat that will let you pursue your goals and dreams—wherever they take you.



If this program looks of interest. If you like the idea of having total flexibility while cruising with the least possible cost and no hassles... Consider where you want to keep your boat or if you want to "Follow-The-Sun. (We can provide detailed business models for Follow-The-Sun, Florida, or Caribbean based boats on request.)

To set up your personal, detailed business plan, I need your tax bracket and to know how much of the available tax advantages you want to use the first year.

See what was used in this sample, above. To request a more specific summary plan, please go to:

<http://www.bayacht.com/aaa/nl-artic/Confidentiality.htm>

To get a detailed, plan with other inputs, and a host of white papers to answer you and your tax advisors questions-- fill out the form above. To get a detailed, month by month and year by year break down, complete amortization tables, Exit strategies, resale value and much more, send in the form, and also fill out the finance application you will find on that page—or simply call Eric Smith 410-263-2311 or one of our affiliates.

Choose your model. Set it up the way you want. Use it as much as you want. Keep it where you want. Have it professionally maintained while you spend your time enjoying it... Then you should explore further.

At the end of the day, you can accomplish all of this, just as over 680 others have that we helped, by following the simple guidelines and the business plan that we have established.

Call us when you're ready 410-263-2311

For more about Taxes, please go to:

<http://www.bayacht.com/aaa/nl-artic/TaxLawsSimple.htm>

The Next Step...

Why doesn't everyone do this, you might well ask? Because they don't take the next, all important step. Because it takes an open mind, and some time and effort on your part to understand the concept and tax advantages. It's the same reason that everyone doesn't always take advantage of every opportunity that comes along (which they often lament later), or open up their own business.

Here's a little demonstration I often do at our seminars. I make a big show of setting up a ring toss game. I walk across the room and set down a post. I take a roll of tape out, and lay down a line about 20-25' away. I pull out a fresh crisp \$100 bill and tell the audience that if anyone can get 2 rings on



the post, I'll give them the bill—immediately—just to show them how easy it is to make money in our program!

Invariably, one or two will try but they rarely make it. Then I have one of my “plants” come up she comes over, picks up the rings behind the tape line, looks over at the distant post and proceeds to walk over to it and drop the rings on the post! See, I never said that participants had to stand behind the line, only that they had to get the rings on the post!

The lesson? When you have the right knowledge you don't have to do things the same way every one else does. Smart people, people with in-side information know how to make money and save taxes. All it takes is some in-side information—now you have access to the inside information.

But, now that you know the tremendous up-side, doesn't it make sense to take the next step? There is no cost or obligation to simply fill out the form and get access to the confidential white papers. It'll take less than 5 minutes—15 if you want the detailed business plan and fill out the finance application as well.

See what was used in this sample, above. To request a more specific summary plan, please to to:
<http://www.bayacht.com/aaa/nl-artic/Confidentiality.htm>

To get a detailed, plan with inputs based on the form, and a host of white papers to answer you and your tax advisors questions-- fill out the form above. To get a detailed, month by month and year by year break down, complete amortization tables, Exit strategies, resale value and much more, send in the form, and also fill out the finance application you will find on that page—or simply call Eric Smith 410-263-2311 or one of our affiliates.

Fill out the form and get: (This is descriptive only—I will send you link to this page when you return the confidentiality form.)



1. An overall review of our program in some detail. [Click here.](#) Includes how your boat is managed, wh included and much more.



2. The difference between a charter company plan and a management plan like BAB. [Click here.](#)



3. Why have a home based business? [Click here.](#)



4. Summary of the tax advantages available currently [Click here.](#)



5. Extensive tax info for your Financial advisor (or you) [Click here.](#)



6. 179 qualification, late year [Click here.](#)



7. A tax case [Click here.](#) See why our agreement is different (8). Cannot be a lease.



8. Our Seasonal Mgt Agreement [Click here.](#) See (1) above to see how our program works and what we do for the fee--how to avoid the findings at (7).



9. Want to be your own captain on your own boat? Here are the guidelines. [Click here.](#)



10. A fairly long, non-technical discussion of the tax issues. [Click here.](#)

	A. A tax calculator (Excel spread sheet) What ifs--179/Bonus depreciation considerations. Click here.
	B. Simply calculating your Fed. Tax using taxable income. (Off our site) Click here.

Additionally, fill out the Finance application and get:

Our planning and tax guide, “How your business will work” combined with our BAB business plan spread sheet offers step by step details and printed tables that show:

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Part 1

- How to set up your business in 3 easy steps.
- A discussion of the tax aspects in detail.
- Cash flow tables that show month by month cash flows the first year and the individual years after that. Each year is customized based on your answers on the form provided—below..
- Tax calculations including the 179 expense allowance and depreciation. **We will also show you how the new tax stimulus package can increase your tax advantages enormously.**
- What it takes to own outright in 3, 4, 5, 6, or 7 years—new cash flow requirements.
- Resale value and R.O.I. Year by year
- Disposition options with equity position based on reflected resale value and loan payoff. Also a discussion of disposition tax planning.
- A complete amortization table for your loan showing interest paid for the year, loan pay off and more.
- A separate log sheet with an explanation of categorizing your uses of the boat so that you qualify for active participation.
- A discussion of your legal protections, including the best way to set up your business to minimize your chance of audit.
- You will be offered an opportunity to talk to other participants in the program and to talk to tax experts who have helped others (for additional cost, unless you execute a Hull reservation—see information below.)

Part 2: Once you make a final commitment, we will offer:

1. The management agreement for the base(s) of interest
2. The Sales Associate agreement—so you can become an independent contractor for BYA and LGC in order to sell charters and boats.

Access to all of our experts, our experience and papers dealing with a variety of subjects relating to this opportunity.

If you have any questions, please call Eric Smith 410-263-2311



Available: Jeanneau (Sail & Power), Fountaine Pajot (Sail & Power) Selene Trawlers, Floating homes.

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