



Bay Yacht Group-Sail/Power

On the harbor, Annapolis

White Paper: “Your boat is our business!”

Boat as a business™ Program



Our program is set up as a management company program, not a charter company program. The distinction is profound. By joining a management program you get all of the tax deductions attributable to a home-based business. With a Charter company plan, you do not. To see the difference between a charter company program and a management program please go to: <http://www.bayacht.com/aaa/nl-artic/mgt-vs-charter.htm> (More on tax advantages follow.)

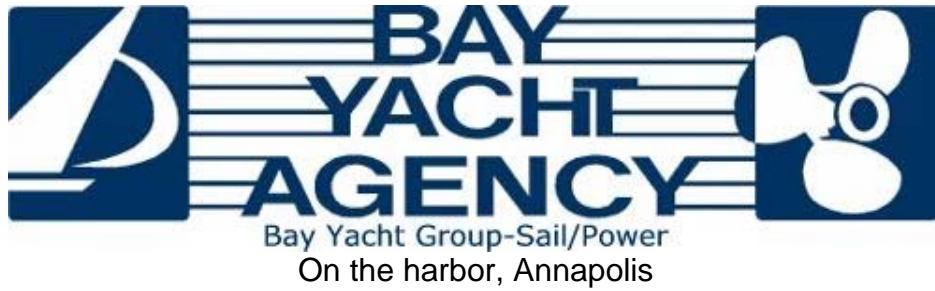


To learn more about the advantages of setting up your own, home-based business, please go to: <http://www.bayacht.com/aaa/nl-artic/ArticleWhyaBusiness.htm>

By working with BYA to set your boat up as a business you gain 7 important advantages:

1. We have experience. We've set up over 680 people in this business over the last 30 years and talked to 100's of tax advisors. We offer you a consensus opinion including a white paper on what we've learned and we offer you an opportunity to have you and/or your tax advisor meet with a tax guru (A CPA who gives courses to CPA's so that they can get recertified)... who really can answer every question.
2. This program is nothing like a “Charter Company Program”. You have total flexibility with our program, including the flexibility to move between management companies instead of being locked into one. You can even follow the sun—North in summer, south in winter. You can choose the kind of boat that you will be happy to use and proud to own—not a chopped up layout that many of the management companies push you towards. (Think about it, what will you do with it when they're done with it—no one wants it on the brokerage market and you don't want it either!—you need an exit strategy as well as an entrance strategy!)
3. We offer you complete tax planning services including access to a CPA knowledgeable in this area—not dealing with just charter boats, but rather, helping you set your boat up as a business for all of the advantages that that offers. We are there every step of the way. We don't just send you somewhere or give you a bunch of reading material. We will do everything from setting up your business format, through arranging financing and ultimately customizing your boat.
4. We offer a comprehensive business plan combined with the experience to back it up. We'll make sure that you get your questions answered!
5. We make it easy. We do all the leg work. We have done the research with different management companies and resource people. We offer one stop shopping for financing, insurance, tax advice, selecting a location and management company, selecting your boat—new or used, and everything else that you need—all with one stop. You'll be dealing with one person who will earn your trust.
6. We offer an exit strategy. Will this be a part of your retirement plan, or will you be rolling this boat over for another? Whether it's the tax implications, re-fitting, or an ultimate sale we're with you all the way! We don't just look at cash flow or tax advantages—we consider your enjoyment of your boat and it's ultimate residual value.
7. Our services go way beyond just selling you a boat or describing how a management program works. We will show you what others have done to be successful (over 680 others!). Whether your plans include casual charter and lots of personal use, or maximizing income and tax benefits—we'll show you the realistic alternatives.

There are many navigation hazards that we need to help you navigate, but with our guidance, these are easy. As an example we have to meet their requirements and guidelines of: The Coast Guard, IRS, State regulations, Bank



requirements, Insurance requirements and the management company requirements. This is why you'll want to work with us—an experienced company who will guide you safely through the shoals of institutional bureaucracy.

One of the reasons for our success is that our boats are 5 star. They're head and shoulders above other "charter" boats. They have a full compliment of the latest equipment and the kind of layout that appeals to owners. We then offer these boats to a network of private charter brokers who choose them because they, and our management companies want their customers to come back to these superior boats.

For you, you just get the kind of boat that you will be proud to own—not a chopped up layout that the charter companies insist on!



Safety is a #1 concern of ours, for you. In addition to offering free training...

Why it's time to consider a new boat... It's simply Safer +++

I bring this discussion into our conversation because it is important that we're on the same page. Your number one motivation should be to want a safe boat for you and your family, and one that retains its resale value because it is up to date and includes all of the most wanted features that a majority of the market wants also. Remember, it's not all about tax advantages and business plans. The boat must be right, and must be set up right in the first place in order to optimize your enjoyment and its residual value.

In today's world, boats have been tremendously improved. They are stronger, the finishes longer lasting, the live-in volume, for size, bigger, and the performance is better.

They're designed to be easily handled by a cruising couple with all controls at your fingertips. Twin wheels let you see better, and don't obstruct the cockpit.

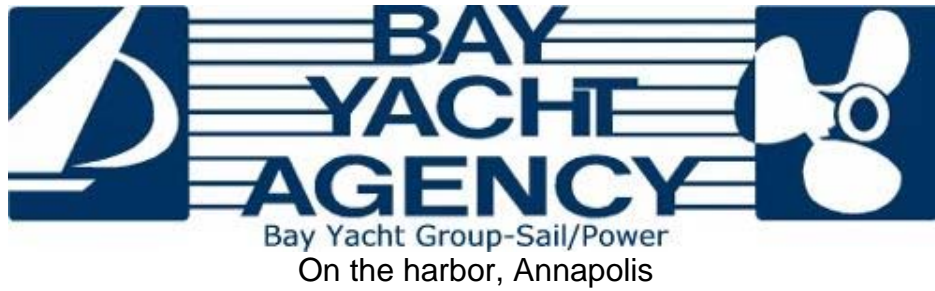
Modern electronics help make your boat safer than ever--they do everything from keeping you advised of your exact position in real time to making your cell phone work better on board so you can keep in touch with family, friends or even work. Now your Chart Plotter is much more than just a position finding device. You can overlay radar, and for ultimate safety, we can mount a forward or aft looking camera with a chart plotter display (split screen or view on the entire screen) so that you have visibility forward or aft. It also can give you complete weather right on your chart plotter--it displays everything, right down to showing lightning strikes. Keep your family safe--don't just own a boat, own a [5 StarFleet](#) boat.



Safety? Keep everyone in the cockpit while handling sails. On power boats, we have dual access controls so that you can handle everything from the bridge or below. New radios and cell phone amplifiers offer much better communication when needed. Modern chart plotters let you know exactly where you are in fair weather or foul, and as a bonus display: Radar (collision avoidance), a video camera that sees beyond your overlapping headsail and complete weather so you can seek a safe harbor well before bad weather arrives. Automatic, engine room fire extinguishing systems... and much



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Let's Go Cruising 222 Severn Ave. Annapolis, MD 21403 410-263-1818 info@lets gocruising.com



more. We custom tailor your boat to fit your requirements. We're finding these options on more and more of our new boats.

We are huge advocates of safety. We offer courses to help you practice docking, and we also offer courses to take you to any level of proficiency that you desire.

What's included in our Charter package? (Our suggested package is as follows).

Monohulls: 1. BYA Cruising: (1) + Commissioning & Freight/handling to commissioning yard, All C.G. and safety equipment, electronics (VHF, Speed/depth, Wind), GPS, Chart Plotter,(Autopilot on all & +). Refrigeration

2. BYA Local BAB. (1) + A/C, Bimini, cockpit cushions, Electric control winch, Galley gear and bedding, additional C.G. & Safety equipment and popular options. (On 49 & 54DS: Elect. Winches, bow thruster, Generator, full canvas package with Dodger and connector)

Catamarans: 1. BYA Basic: Delivered, commissioned, duty paid, sea-trialed. Includes: All C.G. and safety equipment, H& C pressure water, 12V. Refrigeration, Propane stove & oven, electronics (VHF, Speed/depth, Wind), Autopilot, GPS. Davits, ckpit table & shower, self-tailing winches, elect. windlass, chain rode, manual heads Full 110V system, holding tanks. Liferaft

2. Loc Cruising Package: (1) +Extra Safety gear, Std. Bimini, ckpit cushions, A/C and Gen set (40 & lgr-A/C only below), Electric heads, inverter, upgraded instruments incl. autopilot and GPS w/chart plotter--all interfaced, stereo system., fans, 12V refrig. Extra elect. inlet and panel 2 bow cabins, galley gear and all of the most popular options.

Other options and accessories, your choice of layouts, engines, colors etc. available by request—you equip the boat the way you like.

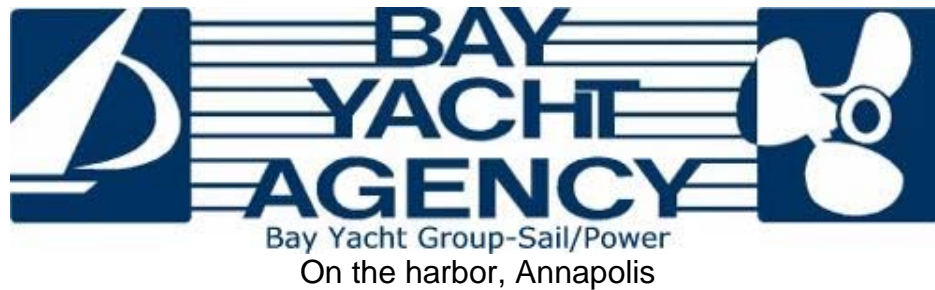
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(Our management company is Let's Go Cruising—owned by the owners of Bay Yacht Agency. Based in Annapolis, with affiliates in most popular sailing areas in the states, and Caribbean—see map.)

Now, here's an index to this white paper:

1. [What are the tax advantages.](#) What they are, and how you earn them.
2. [What we do to earn our fee.](#) Even we were surprised when we wrote it all down! (From the management company perspective.)





3. [Why we're different](#) Boy are we ever. It's not easy being #1 on the Chesapeake.
4. [Issues about your personal use](#) Flexibility is one reason owner's choose our plan.
5. [Our Club membership \(Loyalty program\)](#) This is what keeps clients coming back.
6. [Owner Swaps](#) An important benefit.
7. [Q&A](#) Stuff people ask and that you might not have even thought of—we share our knowledge with you.
8. [What we provide—BYA clients, others](#) Pre-commitment and after your commitment.

In overview: We look at you as a partner and treat you with the respect that a partner deserves. We need to earn your trust every year, because you can fire us any time you're not satisfied. We only make money when you make money so that we have every incentive to book your boat, and keep it operational at the highest

level possible. This brings Charterers back and keeps you as our Client. That's our pledge and commitment!

What are the tax advantages

And how do you earn them?

There are huge benefits of all kinds when you set up your own business. This is such a big subject that I suggest you look at our web site about business advantages in general: <http://www.bayacht.com/aaa/nl-artic/ArticleWhyaBusiness.htm> . Ultimately, we will provide another White Paper for you and your tax advisor that will go into quite some detail: "Your boat and possible tax advantages." But I want you to understand now, that the benefits are substantial.

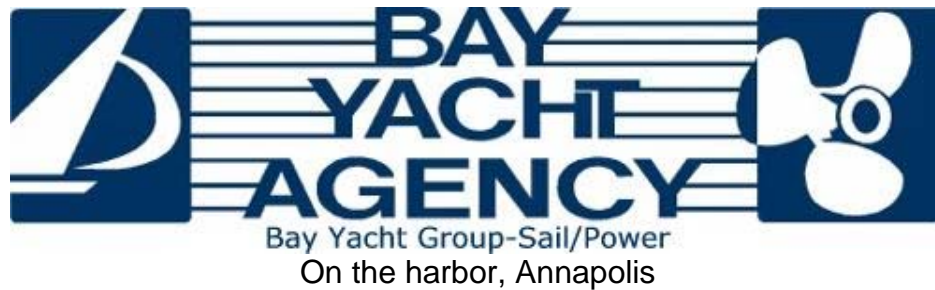
Once you set your boat up as a business (We'll all but do it for you—see last page), you can qualify for:

- Writing of all of your expenses including: Travel expenses, Dockage, insurance maintenance and loan interest.
- You can depreciate your boat using a very favorable MACRS schedule. (10 year double declining balance.)
- You may qualify for all or a part of the 179 expense deduction in the year of acquisition.

(Great information on the 179 expense allowance—which you will, absolutely qualify for when you follow our guidelines: Here's the one tax advantage you can absolutely qualify for with our Boat as a business™ Plan: http://www.section179.org/section_179_deduction.html)

Together, these benefits can add up to tens of thousands of dollars in saved taxes which can be used to offset the cost of your new boat. First you offset all of the income from the boat, in effect getting tax free income. Then, by following our guidelines, you use the rest of your deductions to offset income from your normal income sources—1040, income or any income from any active trade or business. With our business plan, we will show you what the extra tax deductions will be and we'll help you with your tax planning so you start reducing the taxes you're paying—immediately, as soon as you make the decision!

We'll show you how this works in our detailed business plan. Our White Paper will show you how to navigate through the appropriate setting up of your business so that you qualify, and so you don't stand out for audit



purposes. We'll provide this White Paper for you and your tax advisor once we have a business plan in place that makes sense for you.

Charter Management-What we do for you.

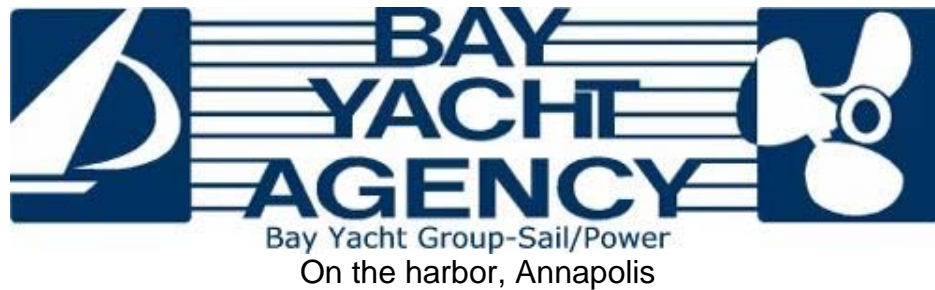
Before we examine this important subject, please understand that we offer you the choice to keep your boat on the Chesapeake with us. Keep it at any of our affiliate bases. Follow the Sun—North in summer, south in winter.

Everything is a trade off. There's a table in this white paper showing them. Essentially in the Caribbean you get more wear and tear and a little better cash flow. On the Chesapeake, your boat gets much less wear and tear; the expenses are less as is the income so you get, proportionately greater tax advantages so, in the end, the cash flow is only a little less. You need to consult with us to truly understand whether a Caribbean program will really meet your needs or not. Did you know, for instance, that in many cases, just 5-11 weeks of charter combined with tax advantages may be enough for you to break even? BYA will discuss your expectations, and alternatives in detail and then offer business plans showing you the results of various scenarios.

However—keep in mind that we can only work with a limited number of people so you need to make a tentative commitment to us, so that we can offer you the benefit of our full resources. Now, more about our management style...

What our Charter Management Company, Let's Go Cruising, does for their fee:

1. Maintains an office and marina facilities in Annapolis and Solomons Islands MD, staffed year round. Our Annapolis office is on the harbor, in Annapolis—the premiere, E. Coast location. In Solomons we're at the prestigious Solomons Island Yachting Center marina in the heart of the activity—convenient to everything. We get numerous walk-ins as a result of our locations.
2. Maintains phone (including 800 number), and cable modem service.
3. Maintain a substantial web site which is updated regularly.
4. Operate a web based data base so that our information is accessible to owners and our charter brokers from literally anywhere there is a web connection—this enables some of our charter brokers to work from home—especially during evening hours and in the winter.
5. Participates in numerous boat shows and events (Annapolis Tug of War, Water fest, Art festival, Christmas light parade, etc.) We do frequent, targeted email marketing to our database clients.
6. Advertise and conduct promotions and update information with other charter brokers in the U.S. and Europe.
7. Communicates regularly with various event planners, corporate planners and sailing and cruising groups especially in VA, MD, DC, PA, DE and NJ. (Also, internationally and in other regions. More and more charterers are discovering the Chesapeake!)
8. Communicates regularly with email and printed Newsletter to our database client list accumulated since 1972. Approximately 10,000 active clients at any given time.
9. Maintains a group of "Sales Associates" (Owners) who constantly refer clients to us and help at boat shows.
10. We have over 100 boats in active service in several fleets on the East Coast and in the Caribbean so that we can offer clients one-stop shopping and a club program. (see more later).
11. We have full time fleet captains who manages the boats in the marina and coordinates service.
12. We generally have 3 Charter sales people (2 full-time and one part-time).
13. During the season, we increase our staff, as needed. We have a group of 10 captains that we can call on as needed. This includes captains who can conduct ASA certified courses.

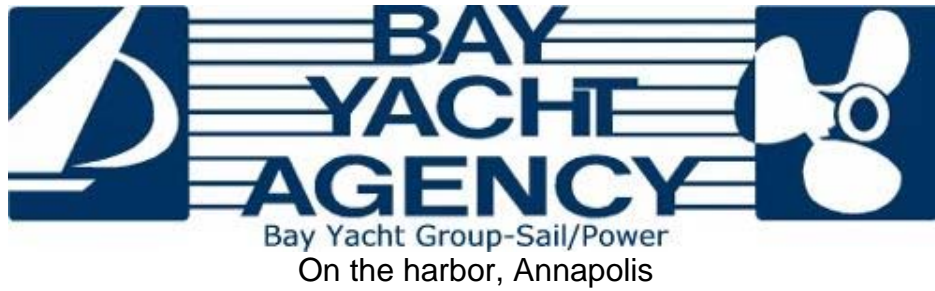


14. We maintain ourselves as a certified, ASA facility—the most active, popular sailing course provided in the industry—nationwide and internationally. We cooperate with various sailing schools as well as running one of our own. They schedule courses on our Live-aboard boats as do we.
15. We specialize in high-end, corporate and event charters because of the luxury nature of our boats. Power and Sail.
16. We check the charterers resume, and then check them out, one on one, on the boat. We use a detailed check sheet for this. If we're not comfortable with their boat handling, they agree in advance, to take on one of our assigned captains until the captain signs off on them.
17. We offer Charterers all of the advantages of our Club program—see below.
18. On return, we meet the charterers at the fuel dock and then we bring the boat back to its slip so that we can check for damaged running gear.
19. On return, we go through the check list again to check for damaged or lost equipment.
20. Normally, within 24 hours of return, we clean and prep the boat so that it is always ready to go out again, or be viewed by a prospective Charterer.
21. Typically, after the weekend, we have a diver go down the line and inspect the bottoms of the boats and the running gear for damage.
22. We do regular preventative maintenance, as well as perform maintenance or upgrades requested by the owners. (Clean bottoms monthly, change oil regularly, Change filters, replace impellers, inspect for worn and frayed lines, etc.)
23. We collect a damage deposit or insurance equal to the deductible on the owners insurance policy so that in the unlikely event of damage, the owner is covered 100%.
24. We walk the docks daily to check the boats security at the dock.
25. The boats are never used by staff or others without the owners' permission.
26. We send a detailed statement and check once a month for your review.
27. We have an open door policy for records. You may check on any charters or service records at any time.
28. We maintain your boats individual schedule live, on-line so that you can see activity and if your boats available in case you want to use it outside of previously planned times.
29. We offer a seasonal contract so that you can change your plans seasonally, including going to a different, affiliate base. This and other provisions of our agreement insure that your tax advantages are not jeopardized.
30. We set you up as a sales associate and pay owners a commission for helping book charters, sailing courses or selling a boat. This is another important part of your qualification for tax advantages—active participation, done right.
31. We have a close affiliation between BYA and LGC (same owners) so that you have an extraordinary knowledge base available, including knowledgeable CPA's at no additional cost.



The Bottom Line...

1. Your boat will be maintained to extraordinary standards. Quality maintenance only gets you part way there when your boat is in charter. This needs to be backed up by an incredibly good and reliable system for qualifying and checking out the charterers. No one does this better than LGC.
2. Income only comes if the company has everything working. Referrals, boat shows, advertising, the web—everything. But just as important is a Loyalty program to bring them back. Our 5 star Loyalty program is second to none. (see it later). Because of the premium boats and premium service we charge higher prices and get more charter days for your boat. No matter how you slice it, *this results in more income for you!*
3. A Charter Management Company should act as a good partner. Through years of experience and hearing about problems owners had with other companies, we learned our lessons well. We don't nickel and dime



you. We get your statements and checks out regularly. Our record keeping and customer communication is outstanding.

At the end of the day, we realize that we only make money if you make money. If you're happy with our service, you'll sign up again next year and refer your friends to us.

Next comes some of the very specific issues that separate us from the competition...

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What differentiates us from the competition?

Over the years, at times, some of our clients have questioned our fee structure. But after we have carefully reviewed the alternatives, They came to understand that ours is "the best approach." Here's what our research has found and how we are different from other companies. In the end, it's not the percentage you pay; it's what you put in your pocket, and the condition of your boat that spells success.

1. In the Caribbean, Management companies typically only charge a 25% fee. This includes a 15% commission to the booking broker, and then a management fee of 10%. Added to this, however is a **turnaround fee**—set

by the individual boat. (**Warning: They often don't mention this in their preliminary discussion!**) A boat of your size/type might have an \$850 turn around fee, for example. We looked at 3 of our boats over the course of a year and what we found was that when the charter was for a period of a week or more, and the rates are higher (as they are in the Caribbean) this actually worked out to a percentage of around 42—47% for the management fee (They charge a turn-around fee for your personal use—we, generally do not). However, when we tried to apply it to the typical, Chesapeake Boats use pattern, we found that the average booking period consists of mostly weekends, some mid weeks and some corporate single days during the week. The turn around cost is the same whether the boat goes out for a month, or a day. So simply applying their (Caribbean) pricing format to our typical time period resulted in a management cost of 70% or more in some cases! Obviously, unrealistic. (In addition, we found that

Difference between Caribbean and Chesapeake... (Typical boat, like a 40' Catamaran)

Caribbean Rate, High season: \$6,500

Our weekly rate: \$5,900

In the Chesapeake, we do combinations of partial weeks. Here's a break down of partial week rates: 7 day rate X1, 6X.9, 5X.8, 4X.75, 3X.7, 2X.6, 1X.4—

The bottom line is that our daily rate is much higher, while theirs is lower than the High season rate. You may actually only need to do 7 weeks (49days) of charter, in order to get 10 weeks (70 days) of income!

Example:

Ches: 2 days=\$3,500 and 4 days= \$4,130 for a total of: \$7,770=\$1110/Day

Carib: \$6,500, \$5,742, \$5,092, \$4,333 (4 tier) Avg. \$5,415=\$774/Day

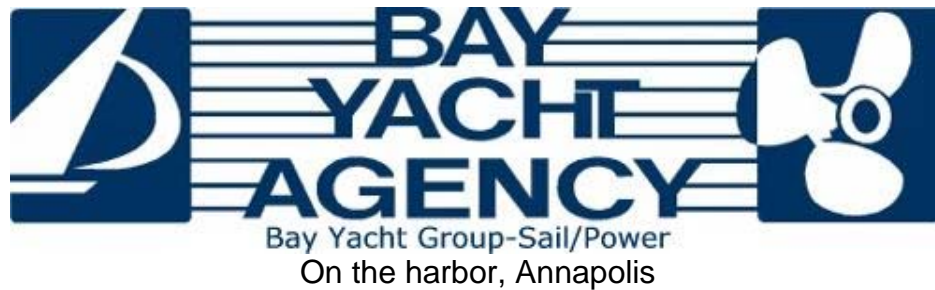
Ches rate 1.43 X Carib avg. In other words, 7 weeks of income gives equiv. of 10 weeks—looking at average daily rate!

Some differences

Caribbean: Low slip cost, higher maintenance/insurance

Chesapeake: Higher slip cost, low maintenance/insurance

Ask us to prepare a custom business plan for you. 410-263-2311



these charter management companies often nickel and dined their owners for cleaning, moving boats around, etc. and when this was added, the real management cost, in the Caribbean was closer to 50%.

Another important point is your income. (See the table.) Typically the Caribbean Charter companies show a 3 or 4 tier rate structure. Their charters are usually for a week or more. Ours are broken into during the week charters and weekend charters. Our per day rates are actually higher because the charge for these shorter periods are higher. Generally, the rates are pegged to the acquisition cost. You may earn as high as 143% of the weekly rate on a per day basis. You can charter fewer days, to get the higher income. 6weeks (42 days) may actually give you the income of 8 weeks, etc. In addition...

In the Caribbean, the slip costs are lower because 2 boats often share a slip because they are out so much. However, insurance costs are higher, maintenance and wear and tear are more significant. Bottom line is that you need to take all of this into consideration and not just look at more weeks at an (apparently) higher rate.

The Caribbean companies often tout that you don't need to pay duty or sales taxes. The reality is that you are only deferring these costs until you return to the U.S. In our BAB program, if you are planning to be in the Caribbean for some significant period of time—you also don't need to pay duty or sales taxes.

Finally, unless you are working with an approved BAB affiliate, the likelihood is that their program will result in your being disqualified if audited! Our program is designed to be supportive so that you retain your tax advantages!

2. In looking at the other regional charter companies, we found that they generally had older boats, and owners and charter clients (who we talked to) constantly complained to us that neither the boats, nor the company met their expectations. (Sometimes, when our boats are totally booked, we have to book another companies boat—so we have first hand experience—in some cases, we've had to send our clean up crew to better clean the boat after the other company turned it over to our client!) They weren't clean, their bottoms and running gear wasn't clean, and there were frequent break downs. As a result, they set their rates lower, charged lower "apparent" management charges, and then nickel and dined the owners until at the end of the day the cost was often close to the 50% cost we charge, but, for what amounted to mediocre to unsatisfactory service. We decided we didn't want to operate this way either!
3. We decided that the fair way, and the prudent way was to get more efficient, and offer superior service at a realistic price. We don't want to nickel and dime our clients. Here's the superior service that we, generally offer and other companies do not.
 - a. We keep the boats clean before and immediately after the charter so *your boat* is ready to go on short notice or ready to show someone who just wants to take a look. This results in more charters.
 - b. Our check-out is thorough. We assign an experienced staff member who goes through the boat in great detail with the Charterer using a comprehensive check sheet. At the end, if the client is new to us, we take him on a *creek cruise* having him demonstrate to our agent that his skills match his resume!
 - c. At the end of the charter, we meet him at the fuel dock, and run the boat back to the dock so that we have an opportunity to check for vibration or unusual handling under power.
 - d. We arrange for a honey wagon (boat) to pump out all the boats Monday morning so that the charters don't, necessarily, have to wait in line on Sunday night for the pump out in order to complete his check out. This too is much appreciated, and results in more charters.



On the harbor, Annapolis

- e. We have a diver go right down the line of boats and inspect the bottoms and running gear after the weekend. We, generally, clean the bottoms and gear once a month during the warm summer months.
- f. We offer a SailScape club for owners and charters so that they get many additional free services—this results in more charters. See it later in this paper.
- g. We post your boats schedule to the web to make it available to you for review and to find free additional time to use your boat. We have an open door policy. With our state of the art computer programs you can see every aspect of your boats management at any time. We never use your boat in any unauthorized way.
- h. We partner with other charter companies, including European companies to increase bookings.
- i. We have full time staff, year round, including 3 professional booking only (sales) people.
- j. We have the best location on the Chesapeake—*on the harbor, Annapolis*. Clients have 5, five star restaurants within walking distance. They can order off the Chart House menu and be served appetizers or even a full course meal in their cockpit-- right off the menu. They're a water taxi ride across the harbor from beautiful Annapolis. We have more walk in clients, and Charterers love our location and keep coming back—this all results in more income for your boat! (And now we have a second and growing base in Solomons Island MD.—one of the fastest growing boating centers on the East Coast!)
- k. We simply have the best, most proven, most experienced program on the Chesapeake.
- l. Remember, the management costs, maintenance costs, and all other associated costs are now tax deductible—and with all of the deductions and benefits coming you will offset 75-100% of your cost.

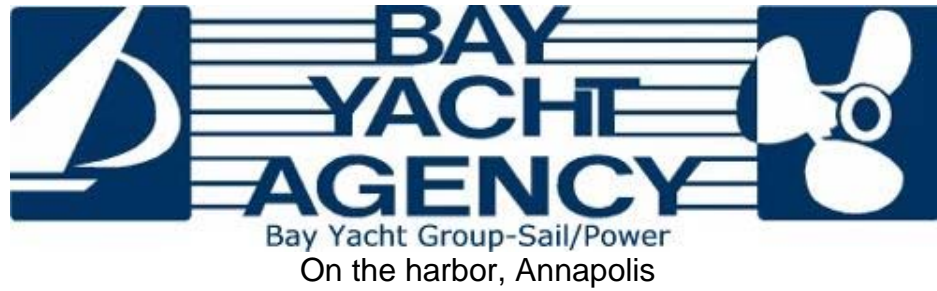
The results of all of this in addition to the normal service that is expected, is that we get more charters for your boat when it is available, at higher rates, by better qualified people.

Isn't the bottom line the money that's in your pocket? I am sure that you are very good at your business and well paid for doing it well. We're very good at ours also. It's taken almost 30 years to gain the experience and knowledge to get where we are today and to be able to offer our owners and charterers the best service in the business. Our single goal is to get you the most possible revenue in your pocket, while keeping your boat in outstanding condition.

We've all played the spread sheet game. Increase prices and reduce volume. There is a point where the line crosses. What tilts the scales is to offer additional *perceived value* (as well as real value) to the clients so that they are happy to pay the slightly higher cost. When you do this, you can offer higher, but fair prices and in most cases increase, not reduce the volume—with referrals and come-backs. That's our approach and we've proven that it works.

An important point concerning tax audits...

In the last 10 years, we have only had 3 clients audited that we know of. All kept 100% of their advantages by following our guidelines. None were audited due to their boat business, but for other reasons, and then the Boat Business was looked at. We provide the specific strategies all the way through to insure that you get, and keep the tax advantages you're entitled to, and that there is no increased chance of audit!



Audits: Recent quote: "Hi, Chris! Ready for Christmas? We met with the IRS attorney yesterday and we won! We didn't have to compromise on a thing! Anyway, thanks for your support! Please impress on your boat-as-a-business clients the importance of keeping an activity log. All the best, Cathy and Bob C." (we provide the log with complete instructions!)

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Concerning your personal use of your boat...

Charter usage issues:

We do not limit how much you may use your boat. You may block out as much time as you like.

On the Chesapeake a good portion of the charters are weekends, or during the week—Weekend rate is 65% of week rate and 4 day during the week rate is 65% so if you put these back to back, that means you get 130% of the weekly rate. In other words, the average per day rate is higher than it appears and/or fewer days can give you the income of more weeks. In general figure to get the income from 10 weeks 120 days, you only need about 85% of 120 days or 102 days.

Total days available April 15-Nov. 15 = 210-102=108 days left for owner—over 50% available for owner. Owner can block out days he wants in advance.

If we get a booking for a scheduled owner day we will call the owner to see if he wants the money or the time. The schedule for you boat is on the web so you can check availability any time, 24 hours a day!

I hope that you will join us.

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Fun Club, Premier Customer advantages...

This is our client loyalty promotion.



Book your sailing vacation now, for 3 or more days, and receive the following:

- **FREE** Membership in our Fun Club premier customer package... A \$300 SAVINGS!
- **Discounts** at participating marinas
- **FREE** or reduced beverages and food at participating restaurants/bars
- **Discounts** on merchandise at participating stores
- **15% OFF** on all new Chesapeake Bay charters
- **20% OFF** after 5 charters in same season (referral may apply)

Bay Yacht Agency: 326 First St. Annapolis, MD 21403 410-263-2311 info@bayacht.com
Let's Go Cruising 222 Severn Ave. Annapolis, MD 21403 410-263-1818 info@lets gocruising.com



Bay Yacht Group-Sail/Power

On the harbor, Annapolis

- *FREE* linens
- *PRIORITY, Rapid Check* checkout and return for repeat, club members
- Quarterly newsletters – be the first to receive notice of new specials, boats being added to the fleet, and a schedule of events in the area
- *PRIORITY* notification of new specials being offered at participating Caribbean Charter bases
- up to **15% OFF** Caribbean charters with participating bases (certain terms and conditions apply)
- Invitations to other vacations events
- Transferable discounts for family and friends
- Charter “Sea Dollars” applied to a purchase of a boat with Bay Yacht Agency Sail or Power Group (Can apply up to 15% of money spent with LGC towards the purchase price of a boat... certain terms and conditions apply)
- and more, as the “Fun Club” Premier Customer Package develops

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Owner Swap program....

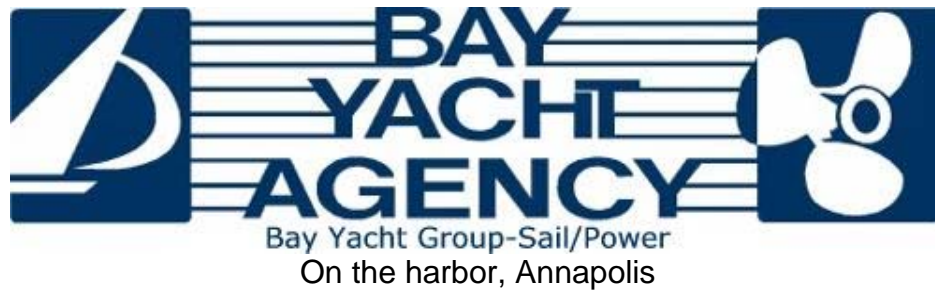
In addition, for owners, we arrange Charter swaps between owners in different fleets and provide all of the above.

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Q&A—Chesapeake Management

In overview: We look at you as a partner and treat you with the respect that a partner deserves. We need to earn your trust every year, because you can fire us any time you're not satisfied. We only make money when you make money so that we have every incentive to book your boat, and keep it operational at the highest level possible. This brings Charterers back and keeps you as our Client. That's our pledge and commitment!

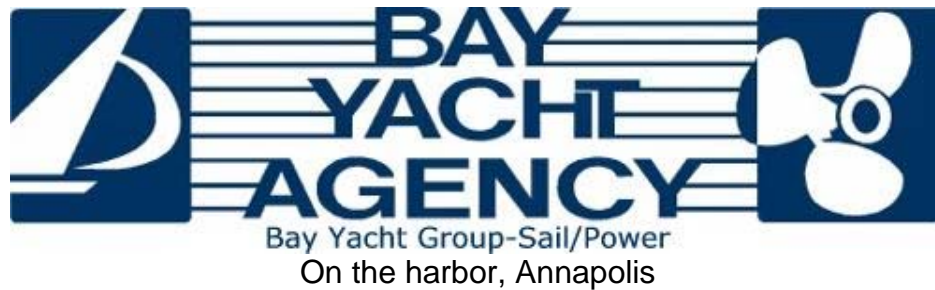
- What are the advantages of just keeping the boat on the Chesapeake, vs the Caribbean?
 - There are always trade offs and no perfect answer.
 - The boat is closer to you and you have more time to use it (assuming you live within about 3 hours or so).
 - There is less wear and tear. The wind is less. The water is brackish not salt. Less sun. There is less charter utilization—so combining all of these, less wear and tear.
 - If you look at it as simply reducing expenses 50-100% depending on what tax advantages apply; and you like the idea of having the boat closer to home with little or no hurricane threat—you're looking at the right plan. You can always add a Caribbean option later—talk to us.
- LGC give me the best estimate of the number of days of charter I might expect on the Chesapeake Bay?
 - We do not limit how much you may use your boat. You may block out as much time as you like. Because of this policy, there is a great variation in the averages between owners that use their boat a lot, vs. owner's who try to optimize income opportunities.



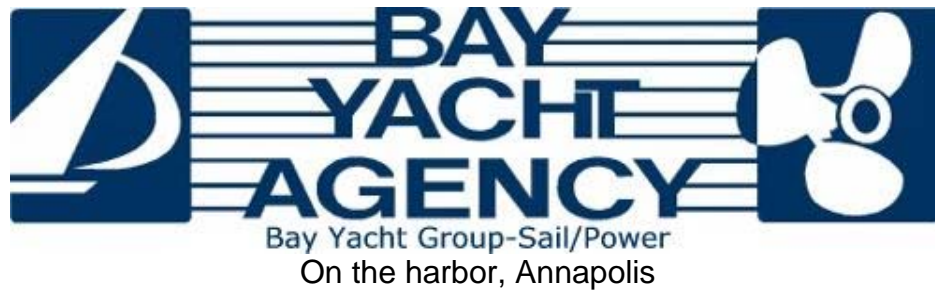
- On the Chesapeake a good portion of the charters are weekends, or during the week—Weekend rate is 65% of week rate and 4 day during the week rate is 65% so if you put these back to back, that means you get 130% of the weekly rate. In other words, the average per day rate is higher than it appears and/or fewer days can give you the income of more weeks. In general figure to get the income from 10 weeks 120 days, you only need about 85% of 120 days or 102 days.
- Total days available April 15-Nov. 15 = 210-102=108 days left for owner—over 50% available for owner. Owner can block out days he wants in advance. If we get a booking for a scheduled owner day we will call the owner to see if he wants the money or the time.
- Bottom line? About the maximum Chesapeake income you can expect would be 13 weeks worth—because of overlapping scheduling dates, maintenance, some usage for yourself, etc.

P.S. In the Caribbean, assuming optimizing income—depending on the boat, we usually estimate between 24-30 weeks with the break even at around 20.

- Which are the months, special dates, and days of the week of maximum charter demand on the bay? The least?
 - Holiday weekends generate most (Memorial/4th/Labor—also Annapolis Boat show in Oct.)
 - Weekends next—Friday-Sun. We offer special rates and sailing courses during the week to fill in—note the 65% of the weekly rate on weekends and 4 day during the week rate raises the average daily rate you receive.
 - July & Aug have traditionally been weaker. However, the addition of an all Air conditioned fleet has changed this somewhat.
- What is the maintenance that I will pay for and the likely amount?
 - You are billed for routine maintenance—it runs about the same as it would if you didn't charter but had the same utilization(oil changes, small repairs and adjustments, bottom cleaning, between charter cleaning, etc.)—actually, it's probably a little less because our rates for owners are less than the typical boat yard. (See the projection for an estimate based on a 5 year average. Obviously, the amount will be far less than the average in the first year (boat's under warranty, bottom already painted, etc.—but by year 5 you might be replacing cockpit cushions, canvas, running rigging, etc.—so this is a conservative average! We only charge for maintenance you agree to and it is generally deducted from your monthly charter payments.)
 - Remember, the charterer pays a damage deposit equal to the deductible. If small things happen (we've only had one insurance claim in 30 years) they're paid for from the damage deposit. For more major issues, the damage deposit gets used up and then the insurance kicks in. (There may be some variation from this based on the insurance company you use, and the deductible you choose—talk to us.)
 - Our technicians have experience on a wide variety of boats. In addition, we use various Annapolis based sub-contractors that have experience on virtually every popular cruising boat. Annapolis is "Americas boating Capital!" Our staff double checks sub-contractors work giving you added peace of mind.
 - We clean the boat before and after charters. Charge charters for excessive work required. We collect a damage deposit equal to your deductible. We generally check the bottom and running gear after every week end (no charge to you). We clean the bottom once a month during the summer (billable to you).
- What are the Likely dock fees, insurance fees and other expenses I will incur?
 - These are shown in the business plan. They vary depending on specific circumstances. Dock fees between \$10-15/mo. Depending on the boat, length/beam/draft and availability.

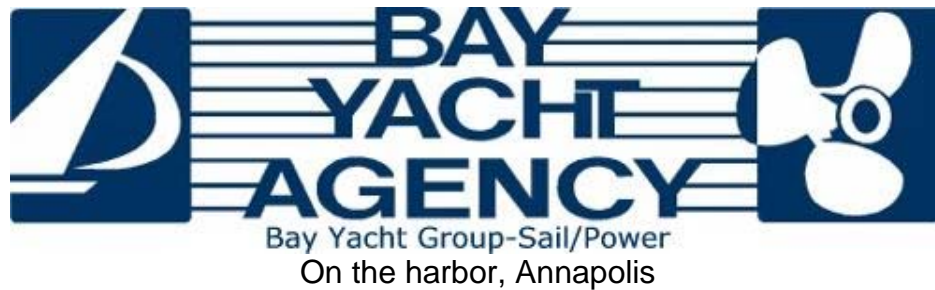


- Is it worth paying the higher Annapolis dock fees? Yes! There are so many people, corporate execs, and other potential charterers wandering around our docks around the Chart House that you will surely get one or two extra charterers which will more than pay any increased cost.
- If you keep the boat remote from our docks, our experience indicates that it is just not feasible to travel back and forth to your boat to service it, check in charterers etc. If we had to charge you for that increased cost it would be much more than the slightly higher Annapolis dock cost.
- Where else might I take my boat if I want to move it for the winter?
 - We work with a number of affiliates in other areas. Typically, we have affiliates in: Florida/Bahamas/Keys; Virgin Islands; Grenadines; Belize; with new locations becoming available from time to time—including FWI, and the Med.
- What is the cost of having a captain deliver my boat to another location?
 - This really varies depending on the boat, time of year and location. However, we do maintain a list of approved captains (approved by the insurance companies we work with.) As an example, a boat delivered to Florida might run in the \$2,500-3,000 range, while to the Virgins, it would be in the \$5,500 range (Plus fuel and running expenses-Say something like \$3/Mi. plus return trip costs.). This is generally more than compensated by the income opportunities derived by moving the boat south.
 - Keep in mind however, that the higher utilization, hot climate, and concentrated salt water (the Chesapeake is only brackish) will increase maintenance costs and the wear and tear on the boat in Florida or the Caribbean.
 - When you look at our business plan, you will see that a boat that goes/stays south, has lower dockage costs but higher maintenance and insurance costs than one staying on the Chesapeake—look at the table for above 13 weeks.
- What equipment is needed on the Chesapeake?
 - While you can equip your boat any way you want, there are certain things that you need to include to make your boat competitive with other charter boats and compatible with the Caribbean fleets if you elect to go south. While we are quite flexible, we will not accept a boat that does not meet our minimum standards—remember, we only make money when you make money. We need you to be successful.
 - On the Chesapeake: All standard CG and safety equipment with 2 anchors and rodes, A substantial Bimini, cockpit cushions, anchor windlass with all chain rode. A/C is a must, and a generator desirable. Normal sailing electronics with a GPS chart plotter recommended. An inverter, adequate batteries, adequate refrigeration, (if the boat is going south, it needs to include holding plates). Electric heads with fresh water supply is desirable. We will review the equipment with you and make recommendations.
 - In the Caribbean, in addition, you will generally need upgraded refrigeration and a dinghy with outboard. The dinghy should be chosen with an eye on what the management company that you are considering requires. It should be hypalon. (AB, Apex and Caribe are typical examples. On a catamaran, there should also be a bridle and locking system. Generally the engine should be a Yamaha—15HP—easily serviced in the Caribbean or the Chesapeake.) See us for further recommendations.
- What point of sale materials are used to promote my boat? What other promotions do you do?
 - We recommend that you choose a name that is easy to say on the radio. You should incorporate a removable LGC bow graphic and/or a boom graphic. You will get a surprising amount of business by simply using this one simple promotion tool.
 - We also supply a packet on board for the charterers, and do regular email and U.S. direct mail promotions, as well as maintain a tremendously successful web site, advertise in a number of



appropriate publications and participate alone, or in conjunction with BYA in various boat shows. Our data base contains over 25,000 prospects and 1,000's of clients. Our activity in the Caribbean and club program attract additional business and encourage repeat business.

- We also have sales associates, charter boat owners, boat owners, brokers and even charterers who actively participate in our referral reward program.
- Do you offer Charter swaps? LGC or your broker at BYA can make appropriate introductions to other owners interested in making charter swaps. Ask for details if you have an interest.
- Can Owners act as a charter Broker?
 - Yes. You may set up your own web site, or otherwise promote your new boat business. Some owners follow up and act as a referring agent, or even a charter broker. You are paid accordingly from 5-10% of the charter booked. RE: setting up a web site. To find a developer, go on line. Companies such as Yahoo, among others offer enterprise sites. We have also heard good things about Toad net.
- What about insurance?
 - Generally, you should arrange to be a part of LGC's fleet policy. This insures that you have adequate protection, allows LGC to take out extended hurricane insurance should the need arise (Once in 15 years), and insure that all parties are covered for the activities intended. This includes having the appropriate deductible (generally 1%) so that the damage deposit will cover this.
 - If you arrange your own insurance—you need to make sure that it meets all of the criteria and that you name LGC as an additionally insured. Talk to us before you do anything.
- Do you have a hurricane plan?
 - Yes. We have a written plan. We have an arrangement with our fleet insurer to implement an “as needed” hurricane insurance addendum which even covers the cost of preparation. During the last Hurricane that brushed Annapolis, we had \$0 damage, and LGC boats were covered for their hurricane preparation for only a \$50.00 fee (The preparation costs were in the \$1,000's).
- What issues are involved concerning sales or use tax payments in MD? Are there any other taxes?
 - You pay either a sales tax when you buy your boat or a “use tax” if your boat is used in MD waters “*a majority of the time*”. There are no other taxes or business licenses involved. Often, but not always, the various states recognize payment in any other.
 - The MD sales tax law is quite convoluted and involves an understanding of it, and other state laws as well if you are planning on moving your boat. We have a complete paper on this subject that we will share with you once you sign up. At the time you are ready to sign up, we will give you our opinion on how to qualify to avoid the sales tax—if that's appropriate.
- Should I form a corporation?
 - Yes! Absolutely! There are liability issues and tax savings issues. We will provide you with all of the details when you sign up.
- What about tax advantages?
 - They are substantial. You can write off up to 50% of your boats value the first year. You can write off up to 75% in the first 5 years. You can front load the advantages or spread them out. The right exit plan can allow you to turn tax advantages into equity. We can even show you how to get the money out of your 401K plan early, with no penalty. All available when you sign up. We don't pussy foot around and send you back to your tax advisor. We show you what others have done with 100's of tax advisors input. We'll share with you their success, and the pitfalls to avoid. All available when you sign up.
- What are the costs when I want to use my boat myself?



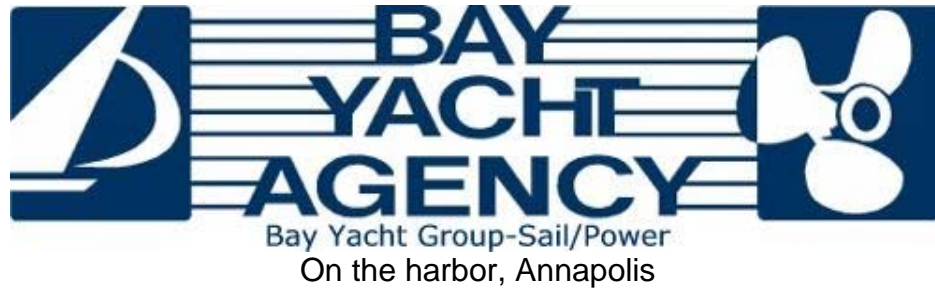
- Normally, we will have the boat ready for you just like for a charter guest. Cleaned, Opened, A/C on, ice in the refrigerator. You get the same treatment and benefits as a charter guest, but with no charge at all.
- There is an exception if you use your boat frequently, say more than 50% of the time. In that case an appropriate turn-around fee will be charged. (In the Caribbean, a turn-around fee is always charged to owners.)
- What should I do during the winter?
 - You have 3 choices
 - i. Leave the boat in the water, in Annapolis. Actually a great plan and least expensive option. We can winterize it and take care of everything. Talk to us.
 - ii. Haul your boat out of the water. We can winterize it and take care of everything.
 - iii. Arrange to take the boat south. Again, we can provide a captain, a management company and arrange everything. Talk to us.
- I've heard of other companies using owners boats without authorization. How can I be sure that I can trust you"
 - Fair question. We've seen this happen. Our agreement includes using your boat for a certain amount of promotional use. What does this mean?
 - First, We call you before we would use your boat for this type of purpose. We have had boats featured in magazine articles. We have had owners boats, with them aboard, be committee boats for events where the Mayor, Governor or other dignitaries were invited guests—along with the press, of course. We've done short, comp cruises with our brokers and other brokers—acquainting charter brokers with your individual boat is a great way to increase bookings. Bottom line, we ask your permission!
 - We are the only Chesapeake company that offers the owners a, confidential, password protected use schedule on the web. You always know what's happening with your boat and if it's available.
 - We provide a monthly statement which reflects all of the uses of your boat, and a statement of income and expenses for the month.
 - We look at you as a partner and treat you with the respect that a partner deserves. We need to earn your trust every year, because you can fire us any time you're not satisfied. That's our pledge and commitment!

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I. What we provide to BYA clients...

A. Pre-Purchase...

1. An exchange of discussions on your goals and preferences and how they relate to the services we can provide.
2. Based on the single, or multiple locations where you will keep your boat, a suggested inventory list.
3. A basic business plan showing cash flow, with a break down of costs and return. (Including tax advantages). Access to a knowledgeable, tax planning expert.
4. Finance approval.



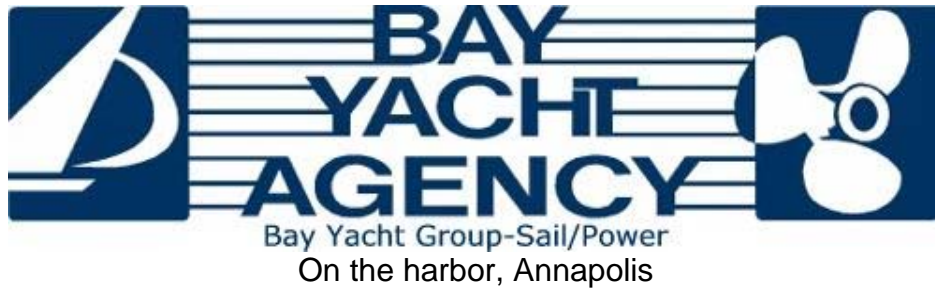
B. With your commitment (Boat purchase)

1. Consultation with you to customize your boat to meet your specific requirements. This includes plans for adding equipment after you stop using it for business.
2. A detailed business plan: All of the above, plus a retirement plan, exit strategy details, what-if scenarios, annual maintenance budgets, amortization schedules and more—what ever is needed.
3. Access to our resource people to discuss tax aspects, alternatives and exit plans,
4. Copies of:
 - a. Management agreement
 - b. Sales Associate agreement—you become an independent contractor with a web page and business card and are authorized to make additional income helping to sell: Charters, Courses, or boats.
 - c. Business plan
 - d. Business Tax analysis paper
 - e. Sales tax paper
 - f. Hurricane plan
 - g. A web page
 - h. Operation manual and check in sheet.
5. We finalize financing, insurance, and dockage
6. We discuss the advantages of setting up a corporation and the best format for your situation—we'll even do it for you!
7. We arrange Charter swaps between owners for different areas.

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Next? 2 Simple steps!

1. Fill out and return the finance application <http://www.bayacht.com/finance.htm> .
2. Go to: <http://www.bayacht.com/resource/password/Ab19333.html> Provide the information there and we will provide a summary, planning business plan and access to our complete information and resources.



Boat-As-A-Business... Join us! It's as easy as 1,2,3.

1. Choose your boat. Monohull or catamaran, power or sail. However you must make your purchase through us! We make money by selling boats! Our services and support are included. We'll offer suggested packages and then customize your boat further to completely meet your requirements.
2. Then, we'll talk over your plans for the future. Where do you want to keep your boat? How will you use it? What is your long range plan?
3. Provide us with a simple financial application and the name of your new business (below).

We'll do the rest. We offer both live seminars in Annapolis, and on-line, periodic or custom Webinars. Go to:

<http://www.bayacht.com/resource/password/Ab19333.html>

Ultimately, we'll: Arrange financing, set up your boat, set up your business.



We'll go at your pace. Call us when you're ready to discuss your particular situation. 410-263-2311 Ask for Eric Smith, or dial X222 or call me on my cell: 410-703-5655. Email: esmith@bayacht.com

If you've gotten this far, and you're not picking up the phone maybe you're just not asking yourself the right questions? Know how the wealthy get wealthy? They ask better questions! As a result they prosper no matter what the economy is, and they pay less taxes in the end, not more. My friend, Tony Robbins talks about just this aspect of success in this short video: Better questions--How the wealthy succeed:

<http://www.youtube.com/watch?v=8h7Sc53ZbHE>

Here's a question. You're already paying for a new boat, why don't you have it? You're paying for it in taxes that could be re-directed to help subsidize boat ownership when combined with the knowledge that you'll gain in talking about our Boat as a business™ Plan—Contact us today. We're a friendly, helpful group of experienced sailors who have the unique experience to help you with setting up this particular type of business.

