

A Guide to Buying
Your Yacht



Performance



Service



Results

Complements of:

Captain Mike O'Connor, CPYB

President/Broker



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www.MarinersYachts.us

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Yacht & Ship Brokerage
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*At Mariner's Yacht and Ship Brokerage, Inc. our motto is:
"Courteous Professionalism"*

Our commitment is to provide you, our client, with unparalleled professionalism in all areas of service...and to exceed your expectations! This is what has made Mariner's the oldest yacht brokerage company in Dana Point under the same management.

We are entirely committed to the concept of service. Our business practices are in accordance with the highest ethical standards. Complete communication is continuously strived for. Once success is at hand involvement will extend beyond the sale to include all aspects of yacht ownership.

The experience, reputation and unique disciplines used by our professionals offer our client's confidence in the complex process of buying and selling yachts.

The Process:

- Understanding the assignment
- Thorough research
- The report with a clear picture of the market
- An inspection of the finalists
- Aggressive negotiations
- Comprehensive survey

A closing free of mistakes and frustration

All of these factors add to the pleasure of yacht purchasing and insure your yacht sale or acquisition success.

The yachts may come and go through the years but the relationships we develop will make the next transaction that much easier and pleasant for the client. When the ultimate goal for any yachtsman is maximum pleasure, our high rate of repeat business is an undeniable endorsement that **Mariner's** is delivering on its commitment

Today we have offices in Dana Point, Newport Beach, San Diego and San Carlos Mexico staffed by Licensed Captains and seasoned professionals with expertise in all areas of the boating industry. Now as a Certified Professional Yacht Broker I welcome you to stop by any one of our locations and see what we can do for you.

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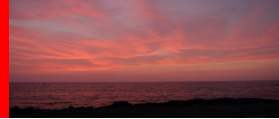
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SUMMARY OF EVENTS LEADING TO THE PURCHASE OF YACHTS

Decide on the type of yacht you wish to purchase, Power or Sail.

Find a sales representative that you feel you can trust to help you through the purchase process.

Discuss moorage requirements with your sales representative. Where you want to keep the boat and slip availability.

Establish the general amount of money you wish to budget for a purchase.

Your representative will research the market and find various yachts that are in the area of what you are looking for.

Start the process of looking at the yachts that are in the area you are.

Establish a relationship with a lender and become pre-qualified for a marine loan, unless you wish to pay cash for the yacht, or have another source of financing.

All buyers must be pre-qualified prior to the trial and evaluation process. (This process should start prior to even looking at boats.)

Discuss delivery options such as "Offshore or Out of State" deliveries for certain state tax advantages. Always consult with a Maritime Attorney or your tax advisor for information. This is primarily for buyers who wish to use the boat outside the State of California for at least one year, or remove the boat from the state permanently. (Out of state buyers are allowed 6 months out of the state.) Also there are Personal Property taxes that will be prorated based on the date of delivery. Proration is based on the assessed year, or what is also called the lien year that is from January 1 to December 31 of the sale year.

Look at as many yachts as you wish that are of the type you are interested in. Have your broker establish a fair market value of the yachts that you are looking at.

Values of yachts are established from various sources. We commonly use the Sold Boat section of Yacht World, along with various inputs from other industry sources. Actual value will be established by the Surveyor. We have found the BUC and NADA values to be very inaccurate.

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ONCE A BOAT IS FOUND, MAKE AN OFFER!

Your broker will assist you with this.

Discuss how you want to hold title of the yacht. Federal documentation or State registration. Also How you want the title to read, RE: Sole Ownership, Husband and Wife with Right of Survivorship, Corporate title with managing owner, or Corporation.

Put a 10% deposit on the yacht and get a offer negotiated that you are satisfied with. This deposit will be refundable at any point until the final acceptance is signed. The standard CYBA contract is used by most of the brokers in the industry. Ask your representative to explain each phase of the agreement.

When filling out the purchase agreement, be sure that the times on page two are realistic to accomplish all evaluation requirements. There is a lot of coordination to achieve the final evaluation of the yacht, so it is best not to rush things if possible.

There may be several counter offers that go back and forth between buyer and seller. This is a normal part of the buying process. The buyer and seller both have the option to stop and hold firm on the price at any time in this process.

Once an acceptance is negotiated between buyer and seller then you and your sales rep. will arrange a time for the demonstration of the yacht. Seller should be present if possible. Broker should accompany you on the demo to help evaluate the operation and systems of the yacht.

Remember that the final evaluation is done by the surveyor who is a neutral part and works for the buyer, and is paid by the buyer.

If the demonstration is satisfactory, then arrange a time for the haul and survey of the yacht. At this time, a surveyor must be picked. It is important to coordinate the surveyor and yard that is chosen for the haul-out. Once the survey is completed, the surveyor will go over the findings with you. It is important that you attend the survey if possible to get a general knowledge of the yacht and it's systems.

The written survey will be completed by the surveyor. Once this is available, then any items found on the survey and be discussed, and ones that are questionable should be further negotiated with the seller by your broker who will negotiate your concerns.

The surveyor will put an opinion of the value of the yacht that will establish the value for financing and insurance. The survey will also be needed for obtaining a slip.

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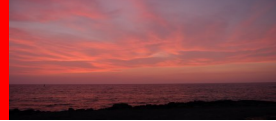
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Insurance must be obtained on the yacht prior to closing sale. It is best to have the seller hold his insurance until actual date of possession is taken. Talk to your Sales rep. regarding the various types of marine insurance and the different agencies unless you have one that you have used in the past.

Once all contingencies are removed from the purchase agreement, and all surveys and evaluations are completed, then the buyer will sign the final acceptance of the yacht. At this time, you have purchased the yacht, even if you have not taken physical custody.

Once that the acceptance is signed, the deposit becomes liquidated damages, and is non-refundable.

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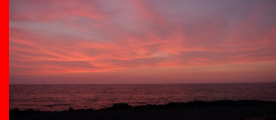
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COSTS INVOLVED IN A YACHT PURCHASE:

- 1.) A deposit of 10 percent of the purchase price is required to go forward with an offer. The check should be made out to Mariner's Yacht & Ship Brokerage Inc. trust account. This deposit will be placed in our trust account when a negotiated offer is accepted between buyer and seller. The deposit is fully refundable if for any reason the deal does not go through.
- 2.) The next step is the demonstration which does not cost anything. We prefer that the seller is aboard the boat which is helpful in understanding the various systems and functions of the yacht. It is all part of the learning experience. If the demonstration is not approved by the buyer, then the purchase can be terminated, or say a problem exists, it can be rescheduled by the parties involved. It is normal that the selling broker, and sometimes the listing broker go on the demo to further help the buyer further understand the vessel. This is a great time to find out if you like the way the boat handles, if the comfort level is what you are looking for, and a time to test the various systems of the yacht.
- 3.) The vessel should be hauled out at a shipyard that is as close as possible to the location of the yacht. The survey costs are normally about \$15 per foot. There is also the cost of the haul out which can be quoted based on the yard charges. Figure between \$8 and \$15 per foot, but your broker can get a quote prior to booking the haul-out prior to hauling if you so desire. Most surveyors will ask that the buyer pay them by check at the end of the survey. Also the buyer and the selling broker should attend the survey so that any items found that are possible issues during the survey can be seen and explained to the buyer. Attending the survey is also a very good learning experience for the buyer. The surveyor will evaluate the yacht and put a market value based on condition and general comparable resale of yachts of similar type. This value is an opinion of the surveyor, but normally it is accurate.
- 4.) The surveyor is your representative, and the survey is your personal property. A list of notes and recommendations will be part of the survey, and if a problem exists that needs to be fixed prior to the yacht being safe to operate, then this will be pointed out in the survey. At this time, we can go to the seller and ask for financial help in such a matter. As a rule of thumb, items that would benefit the Buyer's future use of the yacht would be considered to be paid for by the buyer. concerns that would be deemed safety items, or effect the safe operation of the yacht Would be considered the sellers responsibility. Many times, your broker and you will find items that are in need of repair prior to the survey and can be estimated into the offer you make for the yacht.

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SURVEYOR LIST:

The following surveyors are ones that we have used in the past and found to be knowledgeable and reputable. This list is only a guideline, and the final choice is the buyer's decision. Remember, the surveyor is the buyer's representative.

There are other very good surveyors that are not on this list. You need to discuss your choice of a surveyor with your Sales Rep. In most cases, the surveyor that you pick should be a member of one of the associations that offer certification to marine surveyors such as the National Association of Marine Surveyors, or the Society of Accredited Marine Surveyors, commonly referred to as NAMS and SAMS. Certain surveyors have been accepted by all insurance companies and lenders without being members of the above listed organizations due to their years in the business. This list does not offer any guarantee, and we encourage you to call the surveyor you choose and discuss the event with him prior to making your choice.

*The below list is random and does not represent any individual endorsement by
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John Bowman Marine Survey
(949) 293-1740

Rick Gorman, Pacific Marine Surveyors.
(562) 232-4312

Bunker Hill Marine Surveyor
(949) 646-3038

John Kipper Marine Surveyor
(949) 675-0955

Doug Jones Marine Surveyor
(949) 422-9361

Douglas Emley Marine Surveyor
(619)993-9800

Steve Ward Marine Surveyor
(949) 683-1204

Kells Christianson Marine Surveyor
(800) 944-4789

John Bradshaw Marine Surveyor
(310)547-5400

Gary M. Beck Marine Surveyor
(562) 234-3585

Other Surveys: As a buyer, you are entitled to other surveys such as the engine, rigging, electrical, electronics, and anything that you feel is necessary to assure you that the vessel is both operational and seaworthy. The cost of each individual survey will vary a great deal, so discuss this with your Sales Representative.

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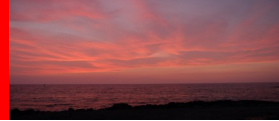
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TAXES, TITLE & INSURANCE

5.) Sales tax is due on any yacht purchased in the State of California. In Orange County it is 8.75 per cent of the selling price of the yacht. (the charge varies from county to county.) In the case of a buyer who wants to remove the vessel from the state of California, an offshore delivery can be done as long as the yacht is removed from the state for a period of one year. This becomes an issue that should be discussed with an attorney who specializes in maritime law. We will be happy to provide you with the names of such an attorney.

There is also a yearly personal property tax charged by the state of California. It is normally the same as has been charged on the yearly tax bill. This amount is assessed from January 1st to December 31 of the year of purchase. If a buyer is taking the yacht out of the State of California, then in most cases, the tax is not prorated, since the buyer will not benefit from such a payment.

6.) Title transfer of a yacht title depends on the type of title desired. The choices are state registering, or federal documentation. For yachts that are to be taken on long voyages, outside of the state of California, then Documentation with the U.S. Coast Guard is the best method to have clear title at ports of entry throughout the world. Documentation costs depend on whether the yacht is financed, or if it is a cash sale. In the case of financing, a Preferred Ships mortgage is required by the lender. A professional Documentation Service is normally required by the lender and always recommended by Mariners. This amount is usually around \$ 500.00 dollars but some lenders have different rates. In all cases there is a \$75 dollar charge for the title search for a DMV registered vessel. If the yacht is already documented a \$100.00 fee for an Abstract of Title by the Coast Guard is required.

7.) There is also the option of putting the yacht into a corporation. This should be discussed with your sales rep., along with an attorney. There are certain tax advantages that could be a benefit, but this should be well planned and legal advice is necessary. In some cases, the resale of the yacht is more attractive if the yacht is the sole asset of a corporation. There are no taxes on the sale of a corporation, so there may be a chance to sell the corporation which the yacht is the asset without tax costs. This should be checked by the buyers Attorney, and there is no guarantee that sales tax can be avoided in the future.

8.) Insurance is another part of the purchase. Insurance underwriters want to see that you have reasonable experience to operate a yacht. A resume of your experience will be asked for. It is important that you list all of your experience over the years. Insurance is also necessary to get slips in all marinas. Private slips may or may not require coverage, but we strongly urge a buyer to cover himself with an all inclusive policy. It is important that oil spill coverage be included, and liability coverage should be proportional to your net worth. There are no fixed costs on insurance which is based on the value of the yacht. Your broker will guide you here and get quotes from various agencies. Costs vary a great deal, so it is hard to quote a price without having information on the yacht. The marine survey will be required by the insurance underwriter to obtain insurance.

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SLIPS AND MARINAS

9.) Locating a slip for your yacht. Currently in Southern California slips are hard to find, but certainly not impossible. A live aboard slip is by far the hardest to find, and most owners need to work their way into a live aboard situation. Some marinas tend to not watch to closely, but it is hard to guarantee that live aboard status is a reality. Moorage costs vary from area to area, so it is best to check with each marina, and also get on the lists. Your sales rep can help you with this process. We are usually able to get you a temporary slip, or a slip that may be in an area that would stay at while you wait to get the slip that you want. One thing to remember is that when you have a yacht it is much easier to find a slip, than just getting on a list.

Some local areas for your consideration are as follows:

Dana Point Marina Company: 34555 Casitas Place, Dana Point, CA 92629
(949)496-6137

Dana West Marina: 24500 Dana Point Harbor Drive, Dana Point, CA 92629
(949) 493-6222

Bayside Marina: 1137 Bayside Drive, Newport Beach, CA 92625
(949)721-0111

Newport Dunes Resort Marina: 101 N. Bayside Drive, Newport Beach, CA 92660
(949) 729-1100

Harbor Marina: 3335 W. Coast Hwy, Newport Beach, CA 92663
(949) 642-4644

Oceanside Harbor: 1540 Harbor Drive N, Oceanside, CA 92054
(760) 439-3058

Shelter Island Marina: 2071 Shelter Island Drive, San Diego, CA 92106
(619) 223-0301

Sunroad Resort Marina: 955 Harbor Island Drive, San Diego, CA 92101
(619) 574-0736

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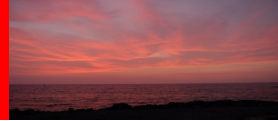
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Alamitos Bay Marina: 205 Marina Dr. Long Beach, CA 90803
(562) 570-3215

Long Beach Shoreline Marina: 430 E. Shoreline Dr. Long Beach, CA 90802
(562) 570-4950

Cabrillo Marina: 224 Whalers Walk, San Pedro, CA 90731
(310) 732-2260

Cabrillo Way Marina: 2800 Miner St. San Pedro, CA 90731
(310) 514-4985

San Pedro Marina: 950 Sampson Way. San Pedro, CA 90731
(310) 519-8177

California Yacht Marina: Berth 202 # 38 Wilmington, CA 90744
(310) 834-7113

Holliday Harbor Wilmington: Berth 201 Wilmington, CA 90744
(310) 835-3952

Yacht Haven Marina: Berth 202 Wilmington, CA 90744
(310) 834-6892

Pacific Yacht Landing: Berth 203 Wilmington, CA 90744
(310) 830-0260

Portofino: 255 Portofino Way, Redondo Beach, CA 90277
(310) 798-5869

King Harbor Marina: 208 Yacht Club Way, Redondo Beach, CA 90277
(310) 276-6926

Port Royal Marina: 555 N. Harbor Dr. Redondo Beach Ca 90277.
(310) 376-0431

Other marinas in various areas can be located on the internet by going to.

<http://www.thelog.com/special/sectionview.asp?s=3729>

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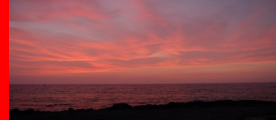
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This presentation does not cover every facet of the buying process, but is intended to help educate the buyers who are not aware of the yacht purchase process.

HERE ARE A FEW THOUGHTS FOR BUYERS

The purchase of a yacht can become very subjective, and also emotions certainly enter into the picture. Values of yachts are usually established between the broker and seller in the same manner that a marine surveyor comes to the final value conclusion. One of the best sources of finding value is the **SOLD BOAT** section of www.yachtworld.com. Currently Yachtworld is the leading source of yacht listings used in our area, and most of the world. Brokers who are members have access to the amount that sold for over the last 5 to 6 years, and in most cases, can pull up the full specifications of each yacht that is similar to the one that you are considering.

One caution to buyers is that the lowest price is not always the best deal. There is usually a reason that the yacht is priced low. Simply put, it needs work. If a project boat is what you want, then this type of purchase can be the right one. A lot of research needs to go into the boat. A rule of thumb is if the boat is well kept and in good cosmetic condition, it has had an owner that cares. Keep this in mind when you look at the purchase price, and let your broker help you with the right decision.

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