

# Yacht Management Outline



## COMPANY OUTLINE

Bay Breeze Yacht Charters and Sailing School has been providing outstanding sailing experiences for over 25 years. Located in Traverse City, Michigan, Bay Breeze is perfectly located to access some of the best cruising grounds the Great Lakes have to offer.

Bay Breeze is comprised of three divisions;

- **Great Lakes Yacht Charters**

*Sailing monohulls and cruising catamarans comprise the fleet and are available for bareboat or captained charters. We are currently looking to add specific powerboats to the charter fleet as well.*

- **ASA (American Sailing Association) Sailing School**

*We offer beginning to advanced sail training courses on monohulls and cruising catamarans. Winter Workshops include classroom instruction for Radar, GPS, Weather and Navigation. Courses are held on the Great Lakes and in the Caribbean.*

- **Caribbean Yacht Charters**

*Members of the Charter Yacht Brokers Association (CYBA) representing over 300 yachts in the Caribbean for captained/crewed charters and most major bareboat charter companies.*



### The staff

While there are 10-12 seasonal staff members at Bay Breeze who help on the docks and in the office, the year-round staff consists of company owners Dave and Kristen Conrad, a husband and wife team with past experience working together in the yacht charter industry. Dave was the General Manager at Bay Breeze for three years before buying the company and has experience managing yacht charter bases in the Caribbean and on the Great Lakes and has extensive experience as a charter captain. Together, Dave and Kristen operated crewed charter yachts up to 90' in length in the Caribbean. They are no strangers to long working days and have a proven background in the charter yacht and tourism industries. For detailed information, refer to the attachment "Dave Conrad Background" and "Instructor Roster"



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## **BAY BREEZE YACHT CHARTERS**

The Yacht Charter division of Bay Breeze is what people are most familiar with. While Yacht Management is a vitally important component of the yacht operation, the Yacht Charter arm of the business is the front-runner generating the revenue and keeping Bay Breeze in the public eye. It's because of this exposure that we feel it's necessary to explain to the yacht owner, how we operate the charter division and why.

The best indicator of how a yacht management company cares for a boat is to look closely at how the company operates their charters. How are potential charterers screened? How thorough are the dockside briefings? What are the maintenance schedules? These are issues that will directly affect the overall condition of the yacht. These issues, along with many others, have been thoroughly addressed by Bay Breeze and we are more than happy to share our processes with yacht owners as it reaffirms that all the yachts are well taken care of.

Policies and Procedures, Briefing and Familiarization sheets, Systems and Cleaning Checklists are available for review. These are used as a guideline for customers and staff and for quality control. There are many other items that can't be listed on checklists or included in our policies, which is why we are fortunate to have an experienced staff to handle those situations.



## **BROKERAGE ASSISTANCE**

Bay Breeze works closely with a few select yacht brokerages that are experienced in enrolling yachts into charter programs. If you're looking at power or sail, monohulls or catamarans, our brokerage partners will not only assist in your purchase of a new or used vessel, they offer a hassle free way to sell your current yacht. This is a great starting point when considering the idea of purchasing a yacht for our management program.

## **SAIL & POWER BOAT TRAINING COURSES**

Another benefit to yacht enrollment comes from our affiliation with the American Sailing Association (ASA). If this is your first yacht ownership, if you're stepping up to a larger yacht or if you'd like to build confidence, hone your skills and really get familiar with your yacht, we offer classes for all skill levels, even specialized training for large, cruising multi-hulls and powerboats. Working with our staff of instructors and maintenance technicians, you'll have an understanding of your yacht that normally takes years to achieve.

## **YACHT MANAGEMENT**

### **The Concept**

Most charter fleets that offer bareboat charters are comprised of privately owned yachts and Bay Breeze is no different. Yacht Management outlines the arrangement between the yacht owner and the charter company to use that yacht to generate revenue. When a yacht owner enrolls a vessel in the charter fleet, the yacht management part of the charter company assumes responsibility to maintain the yacht, to charter the vessel to qualified clients, and then divide the revenues with the yacht owner. There are numerous ways the expenses and revenues can be divided between the yacht management company and the yacht owner. There are also many ways the owners can choose to use their yachts. The following information will describe the options in more detail.

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## Bay Breeze Yacht Management Responsibilities:

- Oversee the maintenance of the vessel throughout the season.
- Oversee fall haul-outs, winterizing, storage, spring launch, spring commissioning.
- Screen charter applicants
- Marketing and promotion of the vessel (boat shows, brochures, magazine ads, special events, etc)
- Provide briefings (dockside familiarizations) and debriefs (post charter interviews and vessel inspection)
- Handle charter contracts and waivers
- Provide a “chase boat” and a network of support for servicing vessels on charter
- Clean the vessel between charters
- Perform a routine systems check on the vessel between charters
- Communicate with the yacht owner in regards to billing, company events, promotions and the condition of the vessel.
- In total, Bay Breeze provides 5-7 hours of labor per charter at no cost to the boat owner.

## Owner Use

Yacht owners may use their boats whenever they choose, with only a few exceptions and suggested guidelines. Since most charter inquiries come in late March or early April, it is best if the yacht owners reserve their preferred charter dates before this time. Aside from that, whenever your yacht is at the dock, it is available for your use. We have owners who reserve prime weeks in the summer for themselves, other owners use their boats in the “shoulder season” (May, early June, September) to maximize the income potential during prime season.

We request that yacht owners allow our staff the time, if needed, to perform any necessary maintenance or repairs to keep the vessel safe and in top operating condition. We also ask that if owners do use their vessel spontaneously between charters, that they inform the office they’ll be using the yacht and return it to us with ample time before the next charter to allow for cleaning and mechanical checks.

## Owner Participation in Maintenance

We have several “hands on” yacht owners. They prefer to handle routine tasks themselves to cut expenses or to play a more active role in maintaining their yacht. Some of these tasks include:

- Painting the bottom
- Removing / installing sails and dodger
- Spring cleaning
- Installing or repairing hardware

We welcome participation from yacht owners to work independently or with our staff in maintaining a yacht. A yacht owner’s skill level usually determines what tasks are performed by the owner; therefore the safety of the vessel is not compromised.



## Expenses

### Yacht Owner

- Vessel Insurance
- Dockage
- Maintenance (beyond routine systems check)
- Commissioning and Decommissioning
- Launch and Haul Out
- Annual Spring Cleaning
- Annual Inspections

### Bay Breeze

- Marketing and Advertising – promoting the charter fleet via boat shows, magazines, website optimization, sponsorships and partnerships. Approximately \$35,000 annual budget.

- Labor for cleaning between charters
- Labor for routine systems checks between charters

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- Briefing and DeBriefings (pre and post charter)
- Business insurance, office labor, office space and upkeep of marina facilities

## Revenues

Revenues splits between the yacht owner and Bay Breeze vary depending on the age, condition and other factors affecting the yacht. Typically, the split is 50/50 for yachts less than 10 years old. We do not mislead owners by promising that they will make money at the end of the charter season. The revenues will offset the expenses of owning a boat, in many cases covering the cost of dockage, insurance and usually haul out and launching. Factors such as how the yacht is financed, how it's stored during the winter and how it's outfitted (electronics, canvas, etc) will ultimately determine the owner's bottom line.

Another factor determining a yacht's revenue potential is the make, model and year of the vessel. It is difficult to predict the popularity of a vessel as we find certain size yachts are extremely popular some years, and are less so other years. We try to avoid having too many similar vessels of the identical size and year if the demand does not warrant it. What may set a yacht apart could be determined by the number of cabins, the electronics package, mainsail containment system, biminis, dodgers, etc.

## Tax Benefits

Fleet ownership may allow owners to avoid or defer sales tax upon purchase of a new or used yacht. Additionally, interest payments may be deductible as a business expense and the yacht/business may be eligible for certain depreciation allowances that can produce tax advantages. Other costs, such as dockage, repairs and parts may also be deductible as business expenses. Owners should check with an accountant to make certain they qualify.

## The Benefits of Fresh Water & Charter Maintenance

There is a plus side to a short charter season in the Great Lakes. The yachts will stay remarkably pristine for years and years. In southern climates, the tropical sun and saltwater have a harsh effect on yachts. In many fleets of the Caribbean and south Florida, yachts need major overhauling after just five years of chartering. That is the main reason why major charter companies in the Caribbean retire yachts after five years. This is not the situation on the Great Lakes. Our fleet enjoys the benefits of fresh water and less intense UV rays. We welcome fleet enrollment prospects to look at any of our charter yachts, even models 10-15 years old, and see the difference.

Our yachts typically see about six to seven weeks of charter in a six month season. This minimal charter use allows you ample time to use your boat while still offsetting the costs of ownership. Another benefit will be the condition your yacht will be in when you come to use it and when it's time to sell. Contrary to what many people think about charter "wear and tear", our fleet is in much better condition than many similar model boats that are not in charter. This isn't a bold statement, it's very true. We cannot allow our fleet to accumulate mold or dirt or a "boat smell" even in the farthest reaches of the bilge. The rig, engine, electrical, interior and every component of our charter yachts are constantly monitored. The upholstery is steam cleaned at least once a season and the boats undergo systems checks many times over. Our cleaning standards are far beyond a typical boat owner's. You wouldn't expect a nice hotel to have a smudge on the bathroom mirror or a stain on the carpet. That's how we maintain our fleet. Simply put, our fleet is in top condition for owners and the charterers. And this is quite an asset when it comes time to sell.

Feel free to inspect any of our fleet yachts at the docks at any time.

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## **ADDITIONAL INFORMATION AVAILABLE**

- Charter fleet owner contact information for references
- Charter Yacht Revenue/Expense Projections
- Yacht Management Contract
- Yacht Charter Contract
- Yacht Inventory
- Dave Conrad background
- Mechanical and Electrical Systems Checklist (used by staff during the season)
- Cleaning checklists (used by staff during the season)
- Yacht Familiarization (used as guideline by staff during pre-charter briefings)
- Briefing Outline (pre-charter familiarization guide used by BBYC staff)
- Performance Sheet (post-charter debrief to generate feedback and troubleshoot problems)
- “Turning Boats” – an overview of the charter prep and breakdown process
- Scratch and Dent Sheet (condition sheet filled out prior to each charter)