

SHIP HARBOR YACHT CHARTERS, INC.

CHARTER MANAGEMENT SUMMARY

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MISSION STATEMENT

In a continuing effort to serve the Pacific Northwest yachting community SHIP HARBOR YACHT CHARTERS has developed a comprehensive yacht lease program bringing professional yacht management services to quality yacht owners for the prime purpose of bareboat and crewed yacht charters.

OBJECTIVES

Provide the charter party with a high level of complete, friendly and courteous services aboard fully outfitted, properly maintained, safe and dependable yachts so they may enjoy a relaxed and satisfying cruise.

Through advertising, promotion and reputation bring the owners' yachts and our services to a broad market of qualified charterers thus enabling the yacht owner an opportunity to meet their financial objective.

ADVERTISING

Through planned professionally prepared national and regional advertising, boat shows, seminars and other promotional programs, we will expose your yacht and our services to the broadest possible market. Our internet web site gives our fleet worldwide exposure through expert web site management. The Ship Harbor Yacht Charters' (SHYC) web site is registered with commonly used internet search engines. See us at www.shipharboryachts.com.

SPECIFICATION SHEETS

When a yacht is placed in our charter service, Ship Harbor Yacht Charters will develop a Specification Sheet which provides potential charter customers with details of the yacht. SHYC and the yacht owner will produce a set of interior and exterior photos, as well as a floor plan, to be used in all aspects of marketing.

Through our internet web site, www.shipharboryachts.com, each yacht in the fleet will be individually listed with information similar to the Specifications Sheets. Potential charterers can download information directly from the SHYC web site. Each vessel listed will include a variety of pictures to help promote the boat.

YACHTS AND EQUIPMENT

Nationally advertised, quality-built yachts in top operating condition with accommodations providing maximum privacy are best suited for chartering. Newer yachts are most desirable. However, well-maintained used boats will also be successful. For long-term maintenance costs, diesel powered yachts are preferable over gasoline powered yachts.

Our fleet selection is based on our knowledge and experience with vessels that are most sought after by charterers. Boats from reputable builders will always be more popular.

The equipment required before entering the charter service is listed at the end of this Service Summary.

YACHT SELECTION BY CHARTERER

All yachts in our fleet will be offered to prospective charterers without prejudice. Yachts will be accurately described as to size, type, accommodations, equipment and condition in our brochures, rate sheets, and displays. We will aid the charterer in their yacht selection based upon their desires as to size and type, accommodations and equipment needed, rate and availability.

CHARTER RATES

The charter rates will be set by mutual agreement between the owner and SHYC taking into consideration known competitive rates for yachts of similar size and type, age and condition, with similar equipment. SHYC will contact the owner in the fall to establish the coming year's charter rate. Typically, the lease rates increase approximately 3% a year.

This is a three-tier rate structure consisting of a full rate in the Summer/High Season, a 12.5% discount in the Early and Late Summer/Shoulder Season and a Spring and Fall Off-Season rate with a 25% discount. In the Shoulder and Off-Seasons, we feature special reduced rate charters and 4-day charters. Four day/three night charters will be offered at 65% of the Summer Season weekly rate. (See fee schedules.)

For extended charters of two-weeks or more, a discount of 10% to 25% may be offered on the gross charter rate. SHYC management and the yacht owners may modify rates when in the best interest of both parties. Rates are adjusted for charterers reserving multiple vessels or for periods beyond four weeks to match competitors' rate structures and special promotions. Discounts are given to repeat customers and for other promotional marketing. 3% is included in all fleet boat charter rates to allow SHYC to discount for cash charter contract payments, while the full charter rate is charged for credit card purchases or other full price contracts. Please see "Specials" on the web site. Rates are reviewed annually.

CHARTER PARTY QUALIFICATION

SHYC will obtain from the charter party a boating experience resume describing their experience and training, including the operation and use of vessels of similar size and type in waters and under conditions normally experienced within the cruising limits of our fleet. The new Washington State Mandatory Boater Safety Education Program is now in effect.

SHYC will determine, before departure, that the charterer has the skills and knowledge required to safely maneuver and navigate the chartered vessel. The charterer must have the knowledge and ability to treat the vessel and its equipment, operating systems and appointments with care and consideration.

Upon arrival, the charterer will be met by a SHYC representative who will familiarize the charterer with the vessel and its use and operation including all systems and equipment, docking and maneuvering, use of charts and tables, and familiarity with the planned cruising area.

During the charter check-out, we occasionally find the charter boat captain is not fully qualified. At this time, SHYC will either send a training skipper until such time the charterer can meet all of SHYC's bareboat qualifications or the training skipper may, if necessary, remain aboard for the entire charter.

SHYC CHARTER PARTY SERVICES

The following services are available to each charter party:

1. Provisioning – staples and preplanned meals. (See “Essentials Kit” on web site under Forms”)
2. Bedding and Linens are provided free of charge to the charterer. This service is charged to the Turn Fee.
3. Maps, Charts and Tide Tables
4. Island Sample Cruise Itineraries
5. Restaurant and Hotel recommendations
6. Rental Equipment such as fishing poles and kayaks.
7. Instruction as required
8. Early Sleep Aboard

Our objective is to provide the charter party with a complete cruising vacation. They may bring as much as they wish or come with only their duffel bag and we will supply the rest.

GROUP INSURANCE PROGRAM

Ship Harbor Yacht Charters has arranged a comprehensive charter insurance program for your yacht and has chosen Anacortes Marine and Specialty Insurance Inc as the administrator of this program. Scott Richards Insurance has specialized in yacht insurance for over 40 years. Scott is your agent in the Anacortes office (360 588 8112). He will provide prompt, knowledgeable and personal service.

The charter yacht insurance program is underwritten by the Maritime Program Group, an “A” rated company that has been specializing in marine insurance for over a century.

Each yacht accepted into the Ship Harbor Yacht Charters fleet is individually insured. You will have your own Agreed Value yacht policy that covers physical damage to your yacht and \$1,000,000 Protection & Indemnity (third party liability). All the paperwork, including premium invoicing, is handled by your agents at Scott Richards Insurance.

P & I AND DAILY INSURANCE FEE

Ship Harbor Yacht Charters will obtain from each charter party a fee based on the declared value of the yacht. This non-refundable fee will go into a fund, which will cover any hull and machinery damage caused by the charterer’s misuse or neglect of the vessel up to the published deductible. SHYC will administer this fund. Claims filed by the owner to their insurance carrier will be reviewed by SHYC to determine if the SHYC Daily Insurance Fund will pay the claim deductible due to charter responsibility. SHYC will repair or replace lost or damaged equipment beyond normal wear and tear attributable to charter misuse.

P&I Insurance is charged to each charter providing Indemnity (Liability) Insurance.

TURNAROUND SERVICE—CHARTER FLEET MANAGER

Each charter party will be instructed in the use and operation of the vessel and become familiarized with the planned cruising area. This will be done on-board the vessel with a SHYC Fleet Manager as part of the checkout process. An on-board chart review and briefing highlights areas of danger and concern. Check-out is typically a 2-4 hour process.

When the vessel is returned, the inventory will be checked and the boat will be inspected for proper operation of all mechanical equipment and for hull and equipment damage. The boat will be inspected underwater, at the expense of the owner, by a qualified independent diver before its first charter and after each charter is completed.

TURNAROUND SERVICE—CHARTER FLEET MANAGER, cont.

Our Fleet Managers are experienced boatmen who are familiar with our cruising waters. They are assigned to a limited number of yachts, trained to our standards, and familiar with their assigned vessels.

The “Turn Fee” expense is shared by the Yacht Owner and SHYC with a 70/30 split each time a charter is completed. The fees charged for turnaround services are also listed in the attached fee schedule. These services for each charter include: Fleet manager check-out and check-in, interior and exterior cleaning, free linen service to all charter guests, dinghy outboard oil and fuel, and cleaning.

Check-Out includes: Yacht preparation (touch-up cleaning, and filling water tanks), Hull Condition report, Inventory review, systems briefing and Sea Trial. 2-4 hours.....30%

Check-In includes: Hull Condition report, Inventory review, Charter debriefing, Ships’ systems inspection and basic maintenance: 1 to 2 hours.....15%

Cleaning includes: Yacht exterior, interior, dinghy, rugs/carpets and fueling dinghy and propane tanks35%

Other Expenses includes: Replacement and laundering of all linens and bedding, toilet paper, propane, dinghy fuel and cleaning supplies.....20%

Note: A Turn Fee Surcharge will be charged on all charters greater than 14 days. This surcharge will cover additional cleaning, linens and other expenses.

POST SEASON CLEANING

Post Season boat cleaning varies from boat to boat making it necessary to categorize this service different from the Turnaround Cleaning Service. The Post Season deep cleaning is more thorough and includes additional services, such as carpet shampooing. This is a complimentary service provided by SHYC.

YACHT AVAILABILITY/OWNERS’ USE

For maximum income and overall best results, owners should make their yachts available for chartering between May and October. We recognize that owners wish to access or use their yachts for pleasure and maintenance. However, during the Summer Season the owner should attempt to minimize personal use.

SHYC acts as the Lessee, and subsequently subleases each boat on behalf of the Boat Owner. Sales tax is collected and paid directly to the State of Washington by SHYC, again on behalf of the owner. SHYC will also provide each Boat Owner with the necessary information required to file their Business & Occupation Tax. However, with the Small Business Tax Credit, it may have any tax obligation associated with the revenue derived from leasing their yacht to SHYC.

If, during the time the yacht is in Anacortes, the owner wishes to remove it from its usual moorage for any reason, even for one day, the owner is required to notify SHYC in advance. A dive inspection will be scheduled upon the owner’s return and prior to the next charter. We advise our boat owners to perform the same yacht review and checkout procedures our charterers complete prior to departure. This assures our boat owners the complete yacht inventory is aboard and all systems are in proper working order.

VESSEL CONDITION PRESEASON

The owner will deliver the yacht to Anacortes insured for charter, properly licensed with the State of Washington and US Coast Guard documented. U.S. Customs Service decals will be purchased by SHYC and charged to the owner. The vessel will be fully prepared with all systems in good working order, clean and equipped in accordance with the SHYC Equipment List. SHYC is available for yacht preparation services.

Our basic objective is to assure that all yachts are maintained in operating condition, available for use during the charter season, and ready on schedule for the next charter party.

SHYC CRUISING GUARANTEE

Ship Harbor Yacht Charters guarantees that if a charterer experiences a breakdown during charter, repairs will be completed within four hours of notification, or charterer will be compensated for any lost time.

REPAIRS

Prior to the start of the season, SHYC will select qualified boat repair yards in our usual cruising area and arrange for them to perform repairs as needed on a priority basis at their regular rates.

When a boat is on active charter or at our charter base in Anacortes, SHYC will spend up to a maximum of \$350.00 without prior notification to the owner. These expenditures will be for necessary repairs or maintenance to prepare the boat for its next charter or so that the boat can be brought to a safe harbor or continue to the conclusion of its present charter.

SHYC will make every reasonable attempt to contact the owner before authorizing expenditures against the owner's account. If contact with the owner cannot be made, the Fleet Operations Manager may use his best judgment to go ahead with repairs and then notify the owner at the first opportunity.

All other repairs and maintenance will be authorized or initiated by the owner before the work is done. The owner has three options for service; to have the work performed by SHYC and/or have SHYC act as his agent, select a boat yard for repair service of his choice, or do the work himself.

MOORAGE

SHYC makes every effort to procure suitable Skyline Marina moorage leases for vessels joining the fleet. Generally new fleet members will obtain a subleased slip until an annual lease can be arranged. One month's written notice is necessary prior to vacating your slip. It is highly desirable to have the vessel moored in Anacortes on a year-round basis for maximum exposure to the prospective clients and to streamline charter logistics.

INSPECTION SERVICES

Each vessel will undergo a Pre-Season inspection, system check, and underwater dive inspection. The charges for these services are shown on the owner's fee schedule. The normal time required varies from boat to boat. Any questions will be reviewed with the owner with a request for any changes before the vessel goes out on its first charter.

At the conclusion of each charter and before the yacht leaves on its next charter, your SHYC charter representative will inspect the vessel above the waterline. Deficiencies will be reported and corrected. At the same time, an independent diver will do an underwater inspection providing an underwater condition report.

Minor damages which are the responsibility of the charterer and which need not be repaired immediately will be estimated. The estimated cost will be withheld from the Daily Insurance Fee account. If necessary, an insurance claim will be filed with Mariners General Insurance Group. Repairs will be scheduled at the earliest time.

CLEANING SERVICES

SHYC maintains cleaning and maintenance crews whose services are available to charterers and owners. See the Owner's Fee Schedule for rates. The Owner should plan to deliver the vessel to the fleet at the beginning of each season in a thoroughly clean condition. SHYC does not require the charter party to thoroughly clean the yacht for the next charter; rather the turn-around cleaning fee covers this cleaning service. However, most of our charter guests leave the boat in clean and tidy condition.

MANAGEMENT FEES

SHYC's base fee is 30% of the net charter rate, which is the charter rate earned less the turnaround service fees. Other fees, such as inspection and service fees are shown on the "Owners Fee Schedule."

“Early Sleep Aboard” for the charters, is available for those clients wanting to arrive the afternoon prior to the beginning of their charter for yacht checkout and spending the night aboard. SHYC charges the client 5% of the weekly charter rate for this service. This income is split 33.3% to the yacht owner and 66.6% to SHYC.

If an owner obtains a charter for his boat the SHYC fee will be 20% provided the owner notifies SHYC in writing at the time of the booking.

CANCELLED CHARTERS

If a charterer must cancel, the following terms will apply:

of Days Prior to Departure Date:

120 days or more..... All collected funds are refunded less \$250 service fee

60-119 days.....30% of charter fees are retained

0-59 daysAll charter fees are retained

All fees, less the \$250 processing fee, will be returned if SHYC successfully rebooks the originally reserved yacht. A pro-rated refund is given if a partial rebooking occurs.

The service fees are retained by SHYC. Any forfeited reservation deposits are split between SHYC and the owner on a 30/70 basis and credited on the boat owner’s statement.

VESSEL INVENTORY

The SHYC standardized Inventory Form consists of a printed list of items found on most boats. An additional area provided is to allow the owner space to add other items of significant value unique to the vessel. Effective for the 2011 Charter Season, SHYC will be switching to this Standardized Inventory List for all boats. Equipment and personal items that are not required should be removed from the boat or stored in a locked on-board owner’s locker. Please limit items placed on the boat. Our customers repeatedly comment that there are too many unnecessary items, not leaving space for their essentials.

A completed Standard Inventory Form itemizing required equipment as well as valuable gear specific to the vessel must be returned to SHYC as early as possible. This information is provided to prospective charterers as well as being used by SHYC staff to check quantity and condition of the ship’s gear during the Check-In process.

BOAT MANUAL

Each owner is asked to prepare a Boat Operating Manual for his vessel. A sample format will be provided. The complete manual will be left on board and a copy will be retained in SHYC files. The owner should also retain a copy. We request digital or CD photos of exterior and interior views of your yacht. These will be used for advertising purposes. A picture of the boat underway is essential.

EXCLUSIVE LISTING

All yachts in our Charter Management Service are accepted only on the basis of an exclusive listing.

ACCOUNTING AND FINANCIAL TRANSACTIONS

Included in the owner program, we provide complete accounting including the receipt, deposit and disbursement of funds, collection and payment of Washington State Sales taxes, charter reservations, Daily Insurance Fees, repairs, and other fees. A monthly statement showing all activity on the account will be mailed on the 10th day of the following month. Accompanying the statement will be our check for the net balance due to the owner or our invoice for the net balance due

SHYC for services provided which are not covered by charter fees. Bills are due and payable 30 days from statement date. 1.8% per month may be charged to past due accounts.

REQUIRED EQUIPMENT LIST

Engine Equipment

Audible engine alarm systems for high water temperature and low oil pressure
Sea Strainer(s) – for engine(s) sea water cooling system
Primary engine(s) fuel filters are to be Racor or equal with replacement elements
Manual or electric engine lubricating oil pump-out system for quick oil changes
Engine spares – all V-belts, water pump impellers and associated gaskets, etc.
Hour meters for engine(s) and generator set(s)

Safety Equipment

Life jackets – 2 more than sleeping capacity plus 2 children
Flare Kit as required by current USCG and Canadian regulations
One boat hook
Life ring
Air Horn
First Aid Kit
7 x 50 Binoculars
2 Flashlights & spare batteries
2 Fire extinguishers (3 required on boats 40' and over)
Wood plugs
Emergency tiller (sailboats only)
Manual bilge pump handle

Cleaning Equipment

Dustpan & broom
Glass Cleaner
Deck brush, bucket
Cleanser
Bilge Cleaner
Toilet Brush (1 per head)
Wastebaskets (1 for each head & galley)
Hose & spray nozzle

Vessel Equipment

Anchor with anchor rode and chain – 250' of chain and rode for primary anchor. Bruce, CQR or plow are recommended.

6-8 Fenders

6 or more Dock lines (5/8" or 3/4" laid line, 25'-30' long w/ spliced eye)

Approved marine toilet system(s) with holding tank(s) fitted with electric waste pump or manual gusher pump, necessary wye-valves, and deck pump-out fitting

Stove with oven, propane or electric.

Propane system must comply with American Boating & Yachting

Council specification: System is to include a Marinetic switch and shut off solenoid. Full Propane bottles are to be stored in an approved enclosed and vented locker on Power and Sailboats.

Cabin heat: Diesel heat recommended

Electric bilge pump(s) with automatic float switch

Manual bilge pump(s) with strainer

Shore power cord (30 or 50 amp)

REQUIRED EQUIPMENT LIST, cont

Vessel Equipment, cont

110 Volt pigtail adapters specific to your boat.

Electric fuel or sight gauges on powerboat fuel tanks. Dipsticks or fuel gauges on sailboat fuel tanks.

Permanent labels or tags on all valves, thru-hulls and heads

12-volt outlet(s)

Navigation & Electronics

VHF Radio – each station

Depth Sounder

Compass – each station

GPS or chartplotter

TV/DVD/AM/FM Stereo CD System (ipod-ready recommended)

Dinghy & Outboard Motor

Dinghy with seat & oars – Inflatable for sailboats recommended

Outboard motor for dinghy

Outboard motor fuel tank

Outboard motor mounting bracket

Swim step or deck davits for powerboat dinghies

Dinghy air pump.

Tools & Spare Parts

Basic tools in box

Spare head pump and rebuild kit for each type of head

8 qts spare oil & coolant for each engine

1 spare oil filters & parts for each engine

1 spare fuel filters for each engine
2 qts transmission fluid
1 deck fill key
1 funnel
2 water pump impellers w/gaskets for engines & genset

Miscellaneous

Pillows, sheets and pillowcases for each bed.
Washcloths, bath and hand towels for recommended # of guests
Velux type blankets for each bed
American & Canadian Flags
2 deck chairs (powerboats only)
1 deck table (powerboats only)
Crab ring, line, bait box & float
Clothes hangers (10) each closet
Parallel rulers & dividers
Propane BBQ & regulator
BBQ lighter
Windlass handle
Winch handle (sailboats only)
Windlass controller (electric)

REQUIRED EQUIPMENT LIST, cont

Galley Equipment

* Dinner plates, side plates, cereal bowls (Corelle quality)
* Drinking glasses
* Wine glasses
* Mugs
* Flatware
* Steak knives
3 knives (butcher, paring, fillet)
1 corkscrew
1 can opener
1 bottle opener
1 vegetable peeler

- 1 cheese grater
- 1 Crab crackers
- 1 set salad tongs, 1 spatula
- 2+ serving/mixing utensils
- 1 cutting board
- 1 colander
- 3 mixing/serving bowls
- 1 set of measuring cups & measuring spoons
- 1 qt. Saucepan w/lid (Revereware quality)
- 3 qt. Saucepan w/lid
- 2 frying pans
- 1 steamer kettle – (crab cooker)
- 1 broiler/roaster pan (boats w/oven only)
- 2 baking pans (boats w/ovens only)
- 1 juice container
- 1 percolator or drip coffee pot
- 1 tea kettle
- 1 paper towel rack
- 1 dish drainer

** For the number of guests the boat sleeps*

Books, Charts and Papers

Comprehensive inventory & operations manuals for engine, generator, pumps, stove, head, furnace and other manufacturer’s Operating Manuals

Ship’s papers – Certificate of Documentation, State of Washington registration or personal property decal, FCC Ship Radio License, US Customs decal

Waggoner’s Cruising Guide, Navigation charts (San Juan, Gulf Island, & Desolation Chart Kits), Ports and Passes tide book, Canadian Current Atlas and the current year Atlas Tables, Navigation Rules, and Chapman’s Piloting.

FLEET OWNERS FEE SCHEDULE

- 1. Turnaround Service.... \$6.25/ft Sailboats, \$6.50/ft Powerboats**
- 2. Turn Fee Surcharge (for charters greater than 14 days):**
 - Additional charge per week.....55% of Turn Fee**
- 3. Underwater Inspection Service\$35.00/ea**
- 4. Cleaning**

Pre-season, post season or by owner request\$24.00/hr
Buff & Wax.....Materials + Labor @ \$28/hr
Bright Work.....\$35.00/hr

5. SHYC Mechanic Labor Rate

Shop Labor Rate \$50.00/hr
Off-Season Project Rate.....\$39.00/hr
PartsCost plus 15%
Unskilled Labor Rate.....\$24.00/hr
Mechanics Assistant\$35.00/hr

6. Outside contract repairs, services, and materials arranged through SHYC

U.S. Repairs:.....Cost plus 15% fee
Canadian Repairs:.....Same as above with CND Cost
Exchanged at going rate to U.S. funds.

7. Chase Boat (Includes operator and fuel)\$125.00/hr

8. Pre and Post-Season Inspection and Systems Check:

1st two hours..... No Charge
Additional time.....\$30/hr

9. Winter Watch to Boat Owners in SHYC Fleet:\$50.00/mo

10. Moorage: At marina rate, payable one month in advance.

11. Yacht Owner's Operator's Manual Preparation.....\$35.00/hr

12. Marketing Fee/Internet Web Site Setup FeeNo Charge

13. Photographic Services:.....No Charge

14. Fire Extinguisher Inspection.....\$8.00 each

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