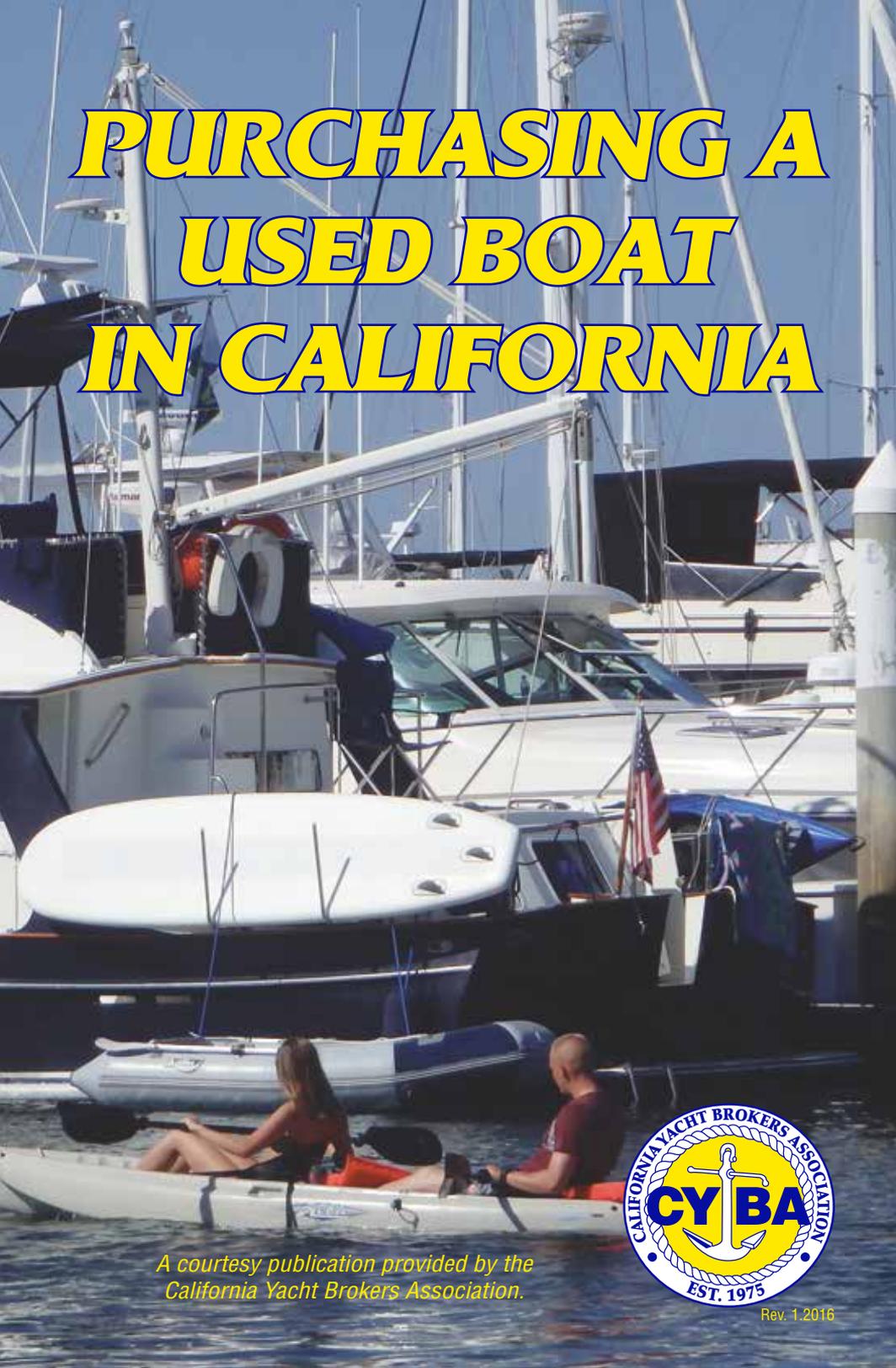


PURCHASING A USED BOAT IN CALIFORNIA



*A courtesy publication provided by the
California Yacht Brokers Association.*



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Helpful advice if you are looking to buy a previously owned boat in California

Californians love water sports and boating is a wonderful recreational activity for the whole family.

This guide has been prepared to advise you on how to search for, purchase and enjoy a previously owned boat in California. It's presented as a service of the California Yacht Brokers Association (CYBA). Please review this information and refer to it as you go through the purchase process.

You can also contact the CYBA through our website <http://www.cyba.info> or call 1-800-875-CYBA for more information.

California yacht brokers (and salespersons) can provide the expertise and experience needed to assist you with all aspects of purchasing a used boat. We are state-licensed professionals who specialize in the boating business and our bonded bank trust accounts secure your deposit funds.



CONTENTS:

1. Finding the right boat.....	Pg 3
2. How can you prepare for boat ownership?	Pg 3
3. What does a boat really cost?	Pg 4
4. Choosing your boat.	Pg 5
5. Private party sale.	Pg 5
6. The California yacht broker advantage.....	Pg 6
7. Your broker can help you prepare for an offer.....	Pg 7
8. Making an offer.	Pg 7
9. Evaluation – trial run, marine survey and other inspections.	Pg 8
10. Acceptance, funding and closing.	Pg 9
11. Boating safely.....	Pg 9
12. More on the CYBA.....	Pg 10
13. Resources – websites.	Pg 11

1. FINDING THE RIGHT BOAT

Begin by asking yourself a few questions:

- Where do you want to do your boating? (Lakes, rivers, bays, ocean?)
- What type of boating appeals to you? (Fishing, cruising, entertaining, sailing, racing)
- What is the best size and type of boat for your intended use? (Runabout, express cruiser, day sailer, trawler, motor yacht, sport fisherman)
- How many people will be boating with you? (Family, couples, friends, solo)
- How often will you use your boat? (Weekends, seasonally, year round, or live-aboard)
- Where will you keep it? (Marina, rack storage, on a trailer)
- What is your budget? (Include the initial cost of the boat, plus additional expenses for maintenance, storage, insurance, etc.)

Once you know where you'll boat and the type of boating you're going to do, the selection process begins. The internet, boating magazines and local boat shows are all great resources to narrow your search. This is also a great time to contact a local California yacht broker and take advantage of the experience and expertise they offer.

Determining the type of boat you want to buy is fun and the more time you spend researching, the happier you'll be with your final decision. Whether you are ready to buy this weekend or planning a boat purchase years away, this guide helps you understand the process.

2. HOW CAN YOU PREPARE FOR BOAT OWNERSHIP?

Boating provides freedom, independence and a sense of adventure that few other activities can match. To prepare yourself for boat ownership consider taking classes in boating safety, basic navigation, boat handling & safety, first aid, CPR and weather. Check with your local community colleges, the U.S. Power Squadron and the U.S. Coast Guard Auxiliary to



find boating safety classes and learning materials, all of which are typically very inexpensive. You may also want to inquire about boating and sailing classes, private lessons, hiring a licensed captain or chartering a boat to try it before you buy it – anything to improve your boating skills and knowledge.

What kinds of boating safety classes are available?

- Skills and seamanship for power boaters
- Sailing and seamanship for sailors
- Coastal navigation
- Piloting and boat handling
- Rules of the road

3. WHAT DOES A BOAT REALLY COST?

The total cost of boat ownership begins with the price you pay for your boat and the sales (or use) tax. There are costs involved in your discovery phase (like hiring a surveyor and hauling the boat out for inspection). After you buy your boat you will likely have expenses to “make it yours.” You may have to make improvements and/or fix up items found during the survey. There are a number of recurring costs; boat washing and waxing, hull cleaning and bottom paint, insurance premiums, marina slip rent, normal maintenance and repairs. These costs can be reviewed and estimated with the help of your California yacht broker.

BOAT LOANS

Boat buyers either pay cash or secure a loan. Marine lenders specialize in boat financing. They can review your credit history to help determine an affordable monthly payment. Getting pre-approved for a loan will help determine how much you can comfortably afford. Loan approval also gives the seller more confidence that you can afford the purchase price.

- Your broker can refer you to marine lenders who specialize in boat loans for the best rates and terms.
- Typically the required down payment is 20% of the purchase price. Loan terms usually range from 10 to 20 years.
- Interest rates can be fixed or variable.



BOAT INSURANCE

Marinas, lenders and ship yards require proof of insurance. Your California yacht broker and marine insurance agent can help determine the coverage you need. Insurance costs depend upon several factors including:

- Value of boat
- Age of the boat
- Type of boat
- Your boating qualifications and experience
- Where and how you plan to use your boat
- Surveyor recommendations



STORAGE

Where will you keep your boat? California marinas are plentiful and widely situated, the marina of your choice may have a waiting list. Smaller boats can usually be kept on a trailer and parked in a boat storage lot or in your driveway depending upon local codes. Certain locales offer “rack storage”, which consists of tiered storage cubicles, wherein your boat is taken out, used, and then returned to its storage space by the facility operator. Usage of such a facility could in some cases negate the need for a trailer.



Smaller trailerable boats also require an appropriate sized tow vehicle, with the necessary lights and mirrors tow



package to be safe on the highway. You also need a good trailer that is properly registered to safely and securely transport your boat. You can learn more about towing boats and vehicles from the Boating Basics Online website.

4. CHOOSING YOUR BOAT

Once you have chosen a style of boat; price, quality, condition, age, options, equipment, and location all need to be evaluated before making an offer. Some boats need attention; they have not been maintained by their owner and are in need of repairs. Deferred maintenance on a “project boat” can add substantially to your overall cost. Older boats may require updating to modern safety, mechanical and comfort standards. Most people prefer to pay a bit more up front and find a “turnkey” boat, one that is well maintained, ready for immediate use and shows pride of ownership.

The internet is an incredible resource available 24/7. You can learn all kinds of details about various boats by checking out boat manufacturers and yacht broker websites. Blogs, forums and owner user groups can provide extremely helpful insights for you to learn more about actual owner experiences on specific models. Print media publications including magazines and books are also an important component to assist your search. For obvious reasons you should try to avoid any “sight unseen” purchase by “ordering” online. Seeing boats in person is the best way to confirm you are on the right track.

Boat shows are an especially effective means for seeing a wide variety of boats in one location. In addition, boats are often available to go aboard, dealers and brokers are in

attendance to answer questions and the asking prices enable you to start determining relative values. The CYBA is a strong supporter of, and partner with, the National Marine Manufacturers Association (NMMA) for major boat shows in San Francisco, Los Angeles and San Diego. There are also other boat shows throughout the state at different times during the year and going to them allows you to answer the following questions:

- | | |
|---|--|
| <i>How does the boat feel?</i> | <i>What is the condition?</i> |
| <i>Does it fit you and your guests?</i> | <i>What is the quality level?</i> |
| <i>Does it have the layout you require?</i> | <i>Is there enough capacity?</i> |
| <i>How is the visibility?</i> | <i>Is it the right style of boat for your needs?</i> |

Attending boat shows, visiting a dealer showroom or dock and working with your yacht broker allows you to get aboard and answer these important questions and more.

5. PRIVATE PARTY SALE

Some used boats are offered for sale directly by their owners. For sale by owner or private party offerings may be found online, in classified advertisements or as an announcement on a public bulletin board. You need to be especially cautious when you go it alone. Think “buyer beware” as you face additional risks when entering into a private transaction.



Private party sale concerns to consider:

- Who writes up a contract outlining the transaction details?
- Will a deposit be held in a legitimate escrow account?
- What sort of evaluation process ensures you are buying a safe and sound boat?
- How will taxes be assessed?
- Is there a clear title?
- Who conducts a legitimate transfer of ownership?
- How can you ensure a secure final payment?
- What happens if there is a dispute and who resolves it?
- Who will look over your shoulder to catch whatever you might have overlooked?
- Who will be there to spot obvious and not-so obvious red-flags?

When you enter into a private party sale you have to be sure the person selling the boat is the legitimate owner and that they have a title document in their name to convey the boat (and trailer).

6. THE CALIFORNIA YACHT BROKER ADVANTAGE

Transactions that are conducted utilizing a California yacht broker have multiple safeguards in place to address the concerns raised above. Unless there is a strong, compelling reason to purchase through a private party, you are better protected working with a licensed California yacht broker. California yacht brokers must pass a state licensing examination and have the credentials to guide you through the negotiation phase and due diligence process.

Selecting your broker is just as important as finding the right boat to purchase. Brokers are experienced, licensed and bonded professionals who specialize in this business. They are accountable to you, the buyer and to the DBW (Division of Boating and Waterways) to fulfill their legal responsibilities. Their fiduciary duty lies with you.

When looking for a broker, ask for references. Don't commit until you find someone you connect with and trust. When you find a broker who can serve as your trusted sales advisor, you will have their full support throughout the entire purchase process.

Brokers know the boating market, have a vast network of marine industry contacts and many additional resources to utilize and help you research availability and determine fair market value.

One thing brokers can't do is guarantee the condition of the boats they're offering. That's an important reason to make the purchase conditional on a trial run and survey(s).

Working with a CYBA yacht broker affords the buyer an additional layer of protection.

- The CYBA works closely with the Division of Boating and Waterways to ensure consumer protection and professional standards.
- CYBA members have access to specialized contracts authored by leading maritime attorneys who protect all parties in the transaction.
- CYBA members must abide by a nationally recognized, strict Code of Ethics designed to provide a high level of



consumer protection.

- Many CYBA members have the designation of being a Certified Professional Yacht Broker (CPYB) that further signifies a commitment to conducting business in a professional manner. CPYB member brokers qualify by passing an additional, stringent written examination, and must maintain continuing education requirements.

7. YOUR BROKER CAN HELP YOU PREPARE FOR AN OFFER

The “Due Diligence” process of evaluating the boat you want to purchase is typically a short window of time from the date the offer is accepted to closing. It is important to ensure that the boat you are going to buy will be free and clear of any encumbrances or obligations, that it is sound, operational and has the value to justify the price you are paying.

Once an offer is accepted, your broker should coordinate the time and date for the trial run and survey(s) with you and the seller. Your broker should be able put you in touch with good contacts to provide you the necessary services to complete your transaction.

8. MAKING AN OFFER

Your offer must be presented as a signed Purchase Agreement that includes; offer price, deposit amount, trial run and survey deadlines and contingencies that must be satisfied for the transaction to be completed. It is very important to get everything in writing.

What your Purchase Agreement should include:

- Buyer and Seller identification.
- Legal description of the boat.
- Legal description of other auxiliary boats such as tenders.
- The amount offered, deposit and how the deposit will be held in the broker’s trust account. The deposit should be fully refundable if your contingencies are not met satisfactorily less any buyer authorized expenses.
- Specific dates that spell out the length of the contract and when the transaction will close.
- The purchase price, including any deposits you have paid and how you will pay the balance.
- Buyer’s final acceptance signature agreeing all contingencies are satisfied.
- A statement confirming the boat will be free of liens and encumbrances.



- Details about the closing date and location for delivery.
- Remedies for default by either party.
- Dispute resolution provision.

The CYBA offers time tested contract forms containing items mentioned above and other important provisions. CYBA forms save time and money in completing your transaction.

Many small boats have DMV (Department of Motor Vehicles) registration for the boat with CF numbers and DMV registration with license plates for the trailer. The title needs to be signed over to you by the seller. In order for the title to transfer the ownership change must be recorded by the DMV.

Larger boats (typically over 24') are often federally documented through the US Coast Guard and not state registered. Many large boat sales include a tender or auxiliary craft that are included with the sale. The smaller boat(s) are often state registered and that title paperwork also needs to be properly signed to transfer ownership.

9. EVALUATION – TRIAL RUN, MARINE SURVEY AND OTHER INSPECTIONS

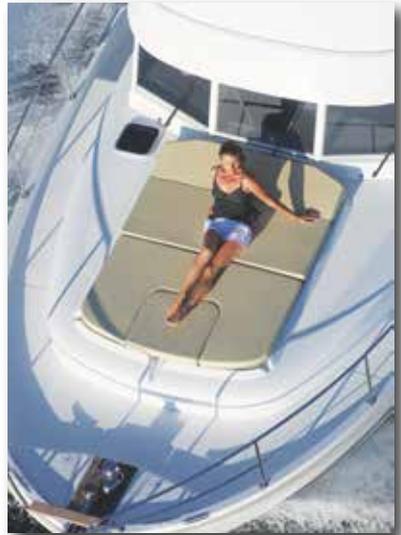
Your offer has been accepted, your financing is in place and now it is time for the trial run. This allows you to see how the boat performs on the water. It also provides the opportunity to test the vessel's systems underway to see how they work.

As the buyer, you are responsible for all the costs to evaluate the boat, whether you purchase the vessel or not. Brokers are paid out of the selling price; you don't pay for their representation separately. Your due diligence typically includes the cost of the surveyor(s) hired and the shipyard expenses.

The next step is to proceed with the marine survey. Your surveyor should inspect the boat both in and out of the water and will provide you with a written report detailing the condition of the vessel and an appraisal of the value. We strongly recommend that you have a mechanical inspection for engine(s) and, if purchasing a sailboat, a rig survey.

Hire an independent surveyor who you personally select. Make sure the surveyor you select is approved by your lender and insurer. Many brokers will refrain from suggesting a surveyor, in order to eliminate any conflict of interest. However, your broker can direct you to lenders, insurers, and boat yards to assist you in the selection of an independent surveyor or provide a list of surveyors in the area. The written survey report identifies issues the surveyor discovers and should also include a current market valuation. You can find marine surveyors by contacting the Society of Accredited Marine Surveyors (SAMS) and/or the National Association of Marine Surveyors (NAMS). One word of caution: California has no occupational licensing standards for marine surveyors.

You and your broker should be present during the trial run and survey. Don't be afraid to ask the surveyor questions about their findings. The surveyor's main focus is to validate the boat's



structural integrity and deem the boat safe, insurable and able to be used for its intended purpose. Keep in mind that surveys are no guarantee against hidden or undetected defects. It's also a good time to realize you have chosen a used, previously owned and operated boat, and there may be wear, maintenance issues, and obsolete systems and accessories. These items, as reported in your survey findings, are the trade-off you assume when opting not to spend the often considerable increase in cost of a new boat. It is key to have realistic expectations when it comes to your choice of a brokerage boat. Your surveyor(s) and your broker are there to help you assess your findings to determine if you are getting the vessel and the value that you sought out.

10. ACCEPTANCE, FUNDING AND CLOSING

There are usually many documents to sign to complete a boat sale correctly. Your broker can guide you through the following processes:

- Buyer initials that contingencies are satisfied and signs Final Acceptance on the Purchase Agreement.
- Bill of Sale or Certificate of Title is signed off by Seller.
- Funds are distributed.
- Your insurance is in place.
- Proper registration and documentation are transferred.
- Formal delivery of vessel, you are handed the keys and the boat is now yours.
- You will receive a Final Statement itemizing all charges and credits.

11. BOATING SAFELY

Congratulations, you own a boat! Now you and your family can create a wonderful new set of memories. Enhance everyone's experience and become boat smart. Take the time to explain safe boating practices to all aboard before you leave the dock.

Before you sail off on great adventures, take some time and get to know your boat. Learn all of the systems, how to dock, anchor and boat handling skills. Many new owners will arrange for lessons with a qualified skipper.

There is an old saying, "Safe Boating is NO Accident". The CYBA encourages you to explore the safety classes offered by the U.S. Coast Guard Auxiliary and the U.S. Power Squadron. Classes are available to boaters throughout the state, with nominal fees for books and materials. You may even be able to reduce your insurance premiums by completing one of these classes. To find out about classes near you, contact your yacht broker or do an online search.

The DBW has created two very helpful booklets, "The ABC's of Boating (a guide to boating law and safety)" and "California Boating (a course for safe boating)". These excellent publications are available on their website and discuss safe boating operations, navigational rules of the waterways, boating laws, emergency and accident procedures, green practices, boat ownership, docking, fueling, anchoring and much more. Both of these resources can be read online or downloaded as PDF's at: <http://www.dbw.ca.gov/pubs/ABC/ABCFull.pdf> or <http://dbw.ca.gov/PDF/DBWBoatCourse.pdf>.



A new requirement was passed into law in 2015 to require all boaters to have a card regardless of age by 2025. Implementation will begin in 2018. You can learn more about the effective dates and requirements of the California Vessel Operators Card by going to the link: <http://www.dbw.ca.gov/boaterinfo/sb941faq.aspx>.

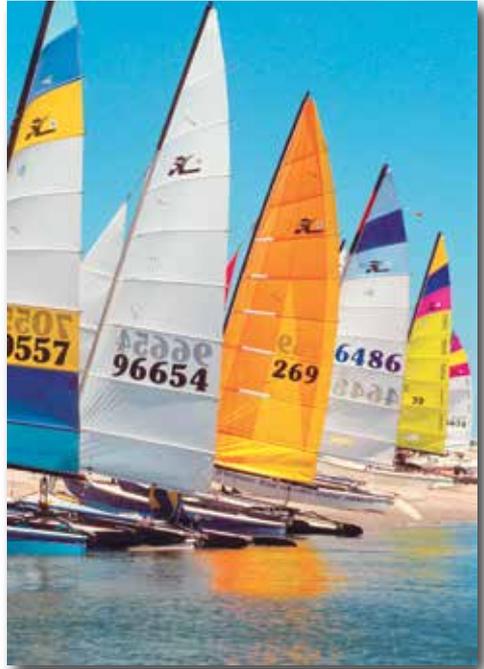
The US Coast Guard created “A Boaters Guide to the Federal Requirements for Recreational Boats”. This pamphlet can be read online or downloaded as a PDF: <http://www.uscgboating.org/images/420.PDF>.

12. MORE ON THE CYBA

California Yacht Brokers Association

Founded in 1975, the California Yacht Brokers Association is a non-profit group of yacht brokers, salespeople and marine-related affiliates dedicated to conducting business with integrity, dignity and the highest standards of professionalism. The CYBA became the first yacht broker association in the United States and continues to lead the marine industry. The CYBA retains a lobbyist in Sacramento to fight for boater’s rights.

The CYBA has always maintained a close relationship with the DBW to promote boating consumers’ interests and has a respected grievance and arbitration process to address complaints and disagreements. Contact the CYBA for more information.



Call CYBA at 1-800-875-CYBA



13. RESOURCE GUIDE – WEBSITES

Resources are for information purposes only and does not necessarily constitute an endorsement by the CYBA.

www.aaa.com

AAA - The Automobile Club of America

www.abyc.com

American Boating and Yacht Council

www.boatus.com

BoatU.S.

www.boatingbasicsonline.com

Boating Basics Online

www.boe.ca.gov

California State Board of Equalization

www.cgaux.org

U.S. Coast Guard Auxiliary

www.cpyb.com

Certified Professional Yacht Brokers

www.cyba.info

California Yacht Brokers Association.

www.dbw.ca.gov

Division of Boating and Waterways

www.dmv.ca.gov

California Department of Motor Vehicles

– small boats and trailer regulations

www.marina.org

Marina Recreation Association

www.marinesurvey.org

SAMS - Society of Marine surveyors

www.namsglobal.org

NAMS - National Association of Marine Surveyors

www.nmma.org

NMMA National Marine Manufacturers Association

www.safeboatingcouncil.org

National Safe Boating Council

www.uscg.mil

United States Coast Guard

www.usps.org

U.S. Power Squadron

www.ussailing.org

United States Sailing Association

www.yachtworld.com

Yachtworld

www.yatco.com

Yatco

Complete URL website links for publications referenced:

DBW – ABC's of Boating <http://www.dba.ca.gov/pubs/ABC/>

DBW – California Boating <http://dbw.ca.gov/PDF/DBWBoatCourse.pdf>

DBW – California Vessel Operator's Card www.dbw.ca.gov/boaterinfo/sb941faq.aspx

USCG – Boater's Guide <http://www.uscgboating.org/images/420.PDF>



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