

curvelle

SUPERYACHT CATAMARANS

Syndication Program Outline



For the first time, a shared ownership syndicate is set up to meet the needs of individual super-yacht owners. For the first time, a super-yacht has multi-owner suitability designed into its basic concepts. Together, they make up Curvelle syndicate ownership of a Curvelle quaranta.

1 Introducing Syndication v. Fractional Ownership

Taking it at face value, most people will say that the Curvelle Syndication program is just another Fractional Yacht program. Assuming this is so, there are two major components to a fractional yacht program – the yacht and the program elements!

The yacht. Most companies (manufacturers) try to use fractional sales as a way to increase the sales of their existing vessels, which weren't designed in either layout or materials and systems with high use, multiple owners in mind. The Curvelle quaranta was designed from initial concept to cater to multiple types of users, who may have different criteria, from sleeping/stateroom requirements to cruising speeds and range, to the types of activities they enjoy on and around their vessel.

The Curvelle quaranta was intelligently designed so that it could handle higher use and still look good, from the special woven vinyl carpeting, imported from Sweden, to the individually numbered wood veneer furniture "tiles" that can be easily replaced in case of damage without having to replace a whole piece of furniture or wall panel. Furthermore the vessel is built to the highest safety standards – MCA Unlimited, with redundant systems and equipment not usually found on a vessel of this size e.g. oily bilge water separator. This doesn't mean to say that the quaranta wouldn't make a great single owner yacht, indeed Curvelle have several different models that appeal to a very broad selection of potential owners, from strictly private to heavy charter use, as well as Syndication.

The "program". At Curvelle, we use the word "Syndication" to help differentiate our program from fractional programs, because we believe that our system is superior, as it is strictly geared towards the flexibility and financial prudence that owners would want for themselves. Most fractional programs are set up by manufacturers/companies as an additional profit centre, charging extra fees and management costs or inflating the overall price of the new yacht when selling in it fractions.

This is not the case at Curvelle, where we utilize an independent dedicated yacht management company to oversee the day to day operation of the yachts and the Members. We feel that it adds to the enjoyment and well being of the owners and yacht if the Syndicate is free to pick and choose the management company that they use (or none at all if they so wish!) Furthermore, the price of the vessel remains extremely competitively priced, whether buying in whole or a 1/7th Syndicate Share.

In short, at Curvelle we have used the help of a small army of industry experts to lay out a comprehensive Syndication plan, which covers all aspects of multiple owner vessel use:

Corporate set-up, buying and selling of shares, optimal owner use and booking, charter, management, crew hiring & rotation, scheduling and vessel deployment, Syndicate member voting and dispute resolution protocols, vessel sale, etc. But it is the Owners of the Syndicate who have ultimate control of all of these factors, without the interference of any outside third party. We believe it is a flexible, fair and fiscally prudent way to own a Super-Yacht, and that is the Curvelle difference!

2 The origin of Curvelle’s “syndicate ownership” programme

Curvelle's ideas about shared ownership of superyachts are different to other organisations, on several fronts. Curvelle wants to make super-yachts accessible to a wider market through a shared ownership arrangement, but recognises that the one-size-fits-all approach used by most "fractional ownership" businesses doesn't work because the yachts are often ill suited for the task at hand, and because yacht owners take pride in being individuals who think for themselves. When advocating shared ownership of a Curvelle yacht, we don't regard owners as just part-time users of the yacht. They are a group of individuals collaborating to share a yacht we've built for them - members of a very small and exclusive club. We turned conventional thinking around and said "what would make it acceptable to ME to share MY yacht?" So our syndicate programme is based on setting up small private groups of owners, who use our initial guidelines to customize the program and agree their own rules, and jointly have complete control over their yacht.

3 Syndicate Advantages.

Syndicate ownership may be new in the superyacht industry but is well established in many other businesses. A syndicate is “an association of people or firms authorized to undertake a duty or transact specific business” or “an association of people or firms formed to engage in an enterprise or promote a common interest.” Here, the “enterprise or common interest” is to benefit from ownership of a Curvelle super-yacht.

The benefits obviously include cost sharing, but there are other practical advantages as well: Membership removes the need to be involved in hiring, supervising and if necessary firing crew; scheduling maintenance and negotiating with shipyards; organizing and agreeing charter arrangements; and a multitude of other issues normally associated with owning a “super-yacht”. These tasks are performed by a management company (at the discretion of the Syndicate), whose costs are divided among the members of the syndicate. A syndicate can often negotiate better deals for work and materials than an individual owner could. For many individual owners, the need to spend precious time on such matters seriously degrades their enjoyment of ownership, especially after the initial euphoria of acquiring a new yacht has worn off.

4 Syndicate, timeshare, fractional – is there really a difference?

Most people's reaction to any shared ownership system for something like a yacht is that "it must be some form of timeshare". Timeshare doesn't allow you much choice of anything, other than whether you actually use it or not and is usually poor value for money. The big differences between a Curvelle syndicate and any other form of shared ownership are:

- In most commercial shared ownership systems (timeshare or fractional ownership), an outside organisation owns the asset and wants to sell usage of it in small pieces to as many people as it can, to maximize its own profits. Timeshare is really a capital payment for future occupation rights, with no or little element of equity. But whether sold as a whole, in sevenths or any other fractional share, the gross purchase price of a Curvelle yacht remains constant – and a great value!
- Commercial "fractional ownership" schemes provide equity and legal ownership of a share in the yacht, and sometimes take the legal form of a syndicate, but give less control over it than a Curvelle syndicate. The yacht remains within the fractional company "system" even after the owners have paid for it.
- The fractional company usually has a significant interest in providing management and additional "concierge" services on non-negotiable terms - we leave those choices up to the members of the individual Syndicate.
- Private owners' syndicates usually start out with a few people who are already acquainted getting together to buy something, often on a fairly informal basis.

Curvelle syndicates do the opposite of what most timeshare and other fractional organisations do. We provide a professional service to create small private groups, and act as their agent to do what the group's members actually want. Usually, groups started by private individuals can easily agree the basics of what they want to do, but find that dealing with the vital "nitty-gritty" details is extremely time-consuming, expensive and of itself can lead to disagreement. These details can seem endless and include everything from determining a suitable flag of registry, company set-up and infrastructure, operating agreements, calendar sharing protocols, fair use and allocation of costs and expenses, buying and selling shares protocols, to setting up a fully functional website for communication and record keeping.

5 Setting up a syndicate.

With a super-yacht, sophisticated financial and legal planning is especially critical because of the taxation, registry and crew contracts issues that are involved, and professional advice about this is expensive and hard to find. Curvelle thinks it would be hard for any independent group of private individuals to create a better or more comprehensive system than that for the **quaranta** syndicate. When putting together our syndicate programme, we:

- Talked to experienced owners and to people who have put together private syndicates for themselves.
- Thought through the design and operational implications of having more than one person using a yacht as its owner
- Consulted specialists to examine the legal, financial and logistical ramifications of large yacht multi-ownership.

And because we are primarily interested in making it possible for more people to buy a Curvelle yacht, the syndicate arrangements themselves are not a primary profit source for us. So if the members of a syndicate do not like some aspect of its rules, they can change them. They act just as the members of a highly selective club do.

Because Curvelle has done all the heavy preparatory work of researching the legal and practical issues, the time between a potential owner realising that sharing a yacht might be beneficial and his being able to step aboard and enjoy a first season's cruising, is cut to the bare minimum.

A syndicate should have the right number of people who share similar objectives, and a detailed agreement between them as to how they want to achieve those objectives. The Syndicate Members Agreement between the members is unique to each group. It ensures that every member of the group can see that his or her rights are fully protected, and that the mutual obligations of the members are fully understood, before a significant amount of money changes hands. It is an example of what is now being referred to as "buyer-directed commerce".

Curvelle eliminates the problems found in some other multiple ownership arrangements by establishing each syndicate as a separate legal entity. This entity is entirely owned and controlled by the members of the group: its objectives are those which the members set out and its assets are the yacht. Curvelle does not hold any equity in the group: it merely provides an initial service to set it up.

While a syndicate has total autonomy to determine its own future, there are benefits to be obtained from collaboration with other syndicates, from bulk purchase arrangements to use of each other's yachts when they happen to be in different cruising areas. Curvelle will be able to help optimise such arrangements to suit each syndicate's detail needs.

In a syndicate you have nearly as much freedom of choice and control as you would have had from buying the yacht outright, but you only pay a fraction of the price, and have none of an individual yacht owner's responsibilities. Curvelle is an impartial "facilitator" whose only objective is to enable you to achieve what you want to do, taking the tedious tasks of actually organising it off your hands.

6 Syndicate organisation.

The **quaranta** owners syndicate set up by Curvelle Yachts parent company Yacht Marketing Limited (YML) enables potential buyers to become part owners of a Curvelle yacht via the most advantageous

method possible. Curvelle and YML retain no part of the title to, or any control over, the yacht once it has been wholly acquired by the syndicate. YML provides initial management services on a standard contract, renewable at the syndicate's discretion.

The syndicate's structure is that its seven members are shareholders in a company formed solely to own the yacht. They sign an agreement between them that sets out their rights and obligations. There may be further possible advantages to individual members to set up their shareholding to capture benefits in income and other taxes that affect them personally. The shareholders may charter the yacht and have specific benefits and incentives as shareholders. These charters may underwrite some of the cost of the yacht's operation.

The Syndicate **Members Agreement** sets out the basic objectives as:

- Enjoyment of cruising on the yacht
- Financial security and prudence.
- Charter income to offset running costs.
- Freedom and flexibility of choice for members
- Fairness of treatment in time and cost allocations.

It stipulates how the company will be managed and controlled, including aspects such as share transfers and sales, budget handling, and majorities required for decisions on specific matters affecting the syndicate. It also includes protections for members against default by another member.

7 Using a syndicate-owned yacht.

The whole purpose of owning a yacht is to be able to enjoy using it as and when you want! If you share a yacht, a way must be found to meet this basic requirement of every yacht owner, and this is set out in the members' agreement.

There is a detailed analysis and explanation of the system outlined in the Membership Information Package, which is provided to qualified parties. However the following is a basic overview of what to expect.

The initial Membership brief calls for 2 booking periods a year: 24 "summer" weeks in the Mediterranean, and 16 "winter" ones for Caribbean cruising. These cruising grounds and seasons can be changed later if the members so wish. The balance of the year is used for trans-Atlantic shipping/repositioning and maintenance.

Each member can book 3 weeks summer and 2 weeks winter cruising. The system is set up on a rotational, tiered use basis, to ensure an "equal opportunity" approach to all involved. Thus, before each season, the manager asks the members in rotational turn when they'd like to have their personal use of the vessel. Once everyone has chosen their personal trip dates, the manager asks if they'd like to make

the yacht available to anyone else – friends or relatives for example – but there’s no obligation to choose. If you don’t desire or aren’t able to go in a particular season, not choosing anything just makes it easier for other members to get the exact dates they want. It then releases the yacht for commercial charters, and income from these will be credited to your account in reverse proportion to your amount of use. This system results in fairness and equal opportunities, so that

- No-one tells you when to take your vacations.
- You have the same opportunity as every other owner to use the yacht when you want to.
- Your own usage of the yacht is more important than that of friends or acquaintances of other syndicate members.
- You always have some opportunity to use the yacht during the periods of highest demand, as other members can’t monopolise it.
- If you don’t use any high demand time, you don’t pay as much as those who do.
- You may also be able to use the yacht at short notice.
- If you haven’t used much time and the yacht was chartered, you get some money back.

This choice-based system has many advantages for members over “rotating periods” or other fixed method of allocating usage often used by fractional companies. Members of a group are all different and have different preferences. Their preferences and needs may change from year to year. And in general people are more content when they make decisions for themselves, rather than having them imposed.

In a syndicate, usage is based on your own choices, not on “the system” telling you when your dates are, so there is no long term rota or calendar telling you when “your weeks” are for years ahead. This leads to some specific requirements in the agreement.

- The order in which members are asked to choose their dates changes every season, so that no-one gets locked into an apparently unfavourable position for successive seasons. Every member has on average exactly the same opportunity to achieve their ideal choice of time each year as every other member.
- Your personal usage is prioritised over usage by friends of other members.
- Everyone has the right to some time in the most popular periods, so some high demand time is held back until everyone has had a chance to choose.
- Seasons are sub-divided as “high”, “shoulder” and “low” season, allocating different “operating costs” to each. As it is in everyone’s interests to spread usage over as much of the season as possible, this provides an incentive to those who choose to cruise outside “high season” by reducing their annual costs.

Curvelle's management team has significant experience in multi-owner usage of leisure assets. Based on this and a detailed computer analysis using realistic member choice patterns for the **quaranta**, we estimate that members will have better than 80% probability of achieving the usage dates they want. In some seasons it will be much higher, and in any event members will be aware of their chances of achieving precise dates well in advance, due to the proprietary forward looking calendar rotation system that will be utilized by the Syndicate members, so long term planning can be made accordingly.

The time remaining after owners have made their main booking for a season is still available to owners to use, but will otherwise be used for external charters if possible. Income from these will be shared proportionally to amount of time used/not used.

8 Purchase, running costs and charter income.

Initial purchase and subsequent running costs are based on fairly sharing the equivalent amount that an individual owner would have paid for the same use of the yacht.

Capital cost. The initial cost of share purchase is €1,575,000 and is based on the open market price of a **quaranta** with the same specification of options and customisation plus the costs of getting the yacht ready for actual service that an individual owner typically pays. The syndicate yacht is therefore completely "ready to go", equipped with all furnishing items, from crew uniforms to tableware.

Annual operating costs. Your share of the running costs in a Curvelle Syndicate is derived from fairly sharing the equivalent amount that an individual owner would have paid for the same services and enjoyment of the yacht.

- As the yacht is available when you want it, in either the Caribbean or Mediterranean, some costs (e.g. maintenance, biannual repositioning, and crew) are equally divided among members.
- Some costs result from how much and when you actually use the yacht, so are apportioned individually.
- Some costs are entirely personal, such as fuel used during your cruise, mooring fees for the particular harbours you visit, and your own food and drink.

Some costs are subject to seasonal variations and it's in everybody's interests to have usage spread as evenly as possible throughout the season. Cruising in periods when there's maximum demand for moorings and similar facilities accrues a higher proportion of those costs as well. As mentioned earlier this form of "pricing" mechanism that gives owners an economic incentive to spread their usage out over an entire season without inhibiting their ability to cruise during the most high demand periods. Every owner is guaranteed to be able to cruise **at least** one week in the July-August period if they wish.

Charter income may be used to offset running costs, and the syndicate's manager looks for the best possible charter revenues for your yacht. Income is returned to members in proportion to the time that has been made available for charter, so members who make least use in a particular season will gain more of the charter income.

Syndicate ownership does not follow the more common fractional or timeshare practice of telling owners "you can charter your unused weeks". This requires every owner to identify specific periods to either "use, or offer for charter" and sets up possible conflicts of use between owners versus charter users. This type of system is simple for the fractional company but is of less benefit to owners: it results in them having less flexibility to choose time for their own cruising, reduces the overall likelihood of actually obtaining charter income for the whole syndicate, and risks creating a competitive conflict between members.

The bottom line on your annual ownership costs. Because the syndicate is set up this way, it's not possible to say precisely how much your running personal cost share will be each year. It will vary a lot depending on how much you use the yacht, when you use it, what the other members do, and what success there is in chartering it – exactly as it will for an individual yacht owner. If one year you use a lot then the cost will be higher than the following year when you aren't able to use so much, and the cost will drop.

However, what you **do** know is that the **total** that you and the other members are paying is the actual cost of the yacht, and nothing else. If everyone makes the same usage of their full 5 weeks availability, they will each pay the same amount. If there is **no** charter income, then based on current estimates that will be about €213,000 per member per year, as the total budget for the syndicate is approximately €1,575,000. In that case each week will have cost about €63,000. If you had only 6 people aboard on average (50% of the maximum) for each trip, that would work out at just €1,500 per person per day. You can compare this with the cost of chartering a yacht in the next section. If you decide to look further into syndicate membership we will explain exactly how this is reached and how it can vary, before you make any commitment.

9 Syndicate member or charter client – which is better?

Financially, is it more sensible to have a share in your own yacht, or just charter one when you want to cruise? Aside from the pleasure and pride of actual ownership, how do the cold economics balance out?

Super-yachts rarely if ever make an overall lifetime profit for their owner, so outright purchase is not likely to be a money-making operation. Chartering on the other hand can often have its own problems of availability and consistency, and is very expensive for extended periods. Curvelle has investigated this issue from the perspective of a person who wants to cruise regularly, but without making the commitment to owning a superyacht of his or her own. Syndicate membership provides a fresh option. Does it make sense to buy a syndicate share rather than charter?

We took someone who knows they will want cruising holidays for a number of years to come, and has sufficient funds available to purchase a **quaranta** share. We compared syndicate membership, and the associated ongoing costs, to placing the money in a savings account and drawing on it to charter an equivalent yacht. We also assumed that the savings fund would be “topped up” at the same rate as the syndicate member makes payments for maintenance etc. When they no longer wish to cruise, the syndicate share is sold or the fund closed. Whichever produces the greater sum at the end is “economically” the better deal.

Many variables affect the end result, primarily of course the amount of cruising time per year. Others are the overall number of years, inflation, depreciation in the yacht’s value, and net rate of return on the savings fund. The syndicate’s success in achieving charters will also affect the outcome. As it’s impossible to predict exactly what usage will be made and what charters will actually be achieved, the value calculation model is based on the assumption that all owners will make similar amounts of usage and so incur an equal share of running costs.

For all reasonable values of these variables, the “break-even” point where it becomes economically better to own a syndicate share than to charter is around 13 days a year. In other words, **anyone who regularly expects to charter a yacht in the quaranta class for a couple of weeks a year will probably be better off as a syndicate member.** In reality, a syndicate member will probably cruise significantly MORE than a charter client for the same financial outlay, i.e. get much more enjoyment for the same money, because the marginal cost of each additional week is relatively low.

10 Resales of shares

A syndicate member is at liberty to sell their share at any time, and share transfers are covered in some detail in the Members’ Agreement. A sale by one member has a knock-on effect on the value of other members’ shares, so there are some special provisions that protect both would-be sellers and non-sellers, including right of first refusal etc.

The syndicate is also free to sell the yacht itself whenever the members want, on the open market. To ensure that all members have the full range of options available, the Membership Agreement stipulates a sale after 5 years of full use, unless the members agree to extend the program or buy out other Members who wish to sell.

11 Flexibility - is quaranta really suitable for shared ownership?

A significant concern for many would-be yacht owners is whether a super-yacht is a suitable vessel for shared ownership. A single-owner super-yacht is highly customised to its owner’s personal tastes, for everything from furniture styling and water toys to guest room layout. For some yachts this involves an extremely spectacular owner’s suite, at the expense of area for other guest cabins; other individual owners may want a family – oriented layout with space distributed differently. Consequently most

super-yachts are not really suitable for sharing, certainly not between more than maybe three owners. The more owners are involved, the more variety of layout is typically needed.

But the quaranta is particularly suited for syndicate ownership, because its uniquely flexible layout works well for almost any owner requirement. It is capable of providing a spectacular owner's suite with twin shower-rooms plus a full bath, or many combinations of suites, single and double cabins and sitting rooms, that cater for a groups of as many as a dozen adults, all at a similar degree of comfort. This makes it not only very luxurious but also very family-friendly.

But it's not just layout that matters. To meet the very high service standards needed for super-yacht cruising, special thought needs to be given to a number of other factors. The yacht will get more use than a single owner yacht – even one with a good charter record. So there are many “behind-the-scenes” aspects that will determine whether the yacht is suitable. Key factors are that the yacht must be particularly robust and easily maintained. It must have above average levels of storage for “household” goods for everything from marine “toys” to bed linen, china and glassware. Because Curvelle's design team has always had high intensity usage in mind, these technical and behind-the scenes issues have been extremely well researched and the necessary solutions incorporated from the outset.

Finally, a syndicate-owned yacht must have an extensive and well thought out shore support system, to enable all owners to receive the high standard of seamless service they expect. Curvelle's team has created just such a support system, with many features that are well proven in other maritime applications, but not widely used, until now, in super-yachts.

The last word.

Curvelle Syndicate Ownership is the first shared ownership programme set up to meet the needs of individual super-yacht owners. With Quaranta, a super-yacht has for the first time had multi-owner suitability designed into its basic concepts. Together, they make up Curvelle syndicate ownership of a Curvelle quaranta – THE way forward for intelligent superyacht ownership.