

## Steps in the Process:

1. **Make An Offer**
    - a. **Sales Agreement**- signed by both parties
    - b. **Exhibit A** – shows options and gear included, signed by both parties. Not always applicable.
    - c. **Deposit** – held in Broker’s account. The Broker and the Buyer will sign a statement showing that the deposit was received and the balance due at closing.
  2. **Inspection** – usually 14 days within executing the agreement
  3. **Addendum** – document addressing any items found during the inspection
  4. **Financing** – buyer finalize financing (if applicable)
  5. **Closing** – Buyer makes the balance payment, Seller signs over title/documentation
  6. **Sea Trial** – if the vessel is in the water, a sea trial will be done before closing. If the vessel is dry stored, the closing will take place before the sea trial and the Broker will hold funds as security to address any issue found during the final inspection or sea trial.
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## Details of Each Step:

### 1. The Offer

- a. Buyer:
  - i. Signs a purchase agreement with the terms and contingencies of the offer.
  - ii. Pays a deposit (wire or check) to accompany the offer. Deposit is held in Brokers account until the contingencies are met. Deposits are 5-10% of the price offered (depending on the price).
  - iii. Buyer signs Exhibit A (if applicable).
- b. Seller:
  - i. Accepts the offer (or presents a counter-offer)
- c. Broker:
  - i. Sends signed offer to both parties.
  - ii. Holds the deposit in Broker’s account until contingencies are met.

### 2. Inspection Period

- a. The Buyer does this within 14 working days of executed agreement. Inspection can be done by a certified Marine Surveyor or by the buyer. Inspection expenses are Buyer’s responsibility.

### 3. Addendum

- a. An addendum regarding the inspection will be created to address concerns found during the inspection. It is a mutually agreed upon document between the Buyer and Seller to finalize any issues. If an agreement is not met, the sale will be void with the deposit being returned to the Buyer.

### 4. Financing

- a. Buyers should work on a pre-approval with a lender early in the boat shopping process. Ideally this is done before the first showing because the process could take a while. If an offer is contingent on financing the Broker can address the financing timeframe with an

addendum based on a conversation with the lender. If the financing process hasn't been started at the time the offer is made to the seller, the offer might be rejected so if you're in the market for a boat, it's best to start the financing process early.

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***When inspections are done, financing (if needed) is secure and other contingencies are met, we can move forward towards a closing. It is not unusual for a Buyer to need additional time for an inspection or to finalize financing. This can be addressed with an addendum. In most cases, issues found during the inspection will not delay the closing as they can be added to the addendum as an item to be addressed before the sea trial. This is why the Buyer sets aside funds until after the sea trial. It keeps things moving along.***

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### 5. The Closing

- a. For boat sales, a closing isn't normally a gathering around a table like it is in real estate transactions. It's a loose term for the day the Buyer wires the balance owed to the Broker's account. This starts the final paperwork exchange where the Seller signs the title and sends the title to the Broker. It could take a week for the paperwork to be completed if there is a bank lien. The Broker will hold the funds (does not give the Seller the funds) until the Seller provides a clear title. If the boat is USCG documented, the Broker will run an Abstract of Title ahead of time to see any liens that might be on the boat.
- b. A closing statement will be sent to the Buyer prior to the closing showing the amount due. A closing statement will be sent to the Seller prior to the closing showing the amount that will be received less bank loan payoff and broker commission. After the closing, a revised closing statement will be sent to the Buyer and Seller showing funds are paid/received. This statement must be signed and returned to the Broker this is needed to transfer ownership.
- c. **Closing without a Bank Lien:**
  - i. Broker sends the Buyer a closing statement showing the balance owed (and any funds that may be held by Broker for pending sea trial if the sale takes place with the boat in dry storage).
  - ii. Broker sends the Seller a closing statement showing the balance to be received less the broker commission and the remaining amount due to seller.
  - iii. Buyer sends the balance owed to Broker (certified check or wire transfer)
  - iv. Seller signs title and sends title to Broker
  - v. Broker wires or sends a check to the Seller for the balance amount less the Broker commission.
  - vi. Buyer will fill out and sign "Michigan Application for Watercraft Title" and send to Broker so that Broker can register/title the boat for the Buyer (Broker will supply this form). If the Buyer is registering the Vessel outside of the State of Michigan then the Broker can't provide this service.

- vii. Buyer will receive a Michigan Title and Registration within 4-6 weeks. See below for Vessels that are USCG Documented.

**d. Closing with a Bank Lien:**

- i. Buyer sends the balance owed to Broker (certified check or wire transfer)
- ii. Broker wires the loan payoff amount directly to the bank.
- iii. For vessels that have a Michigan Title, the Seller brings the title to the bank and the bank simply signs off on the title or gives a “release of lien” letter to accompany the title.
- iv. For vessels that are USCG Documented, the seller will need to sign the back of the current USCG Certificate of Documentation (COI) and have it notarized and then fill out a USCG Bill of Sale and have it notarized (supplied by Broker). The bank will need to sign a letter per USCG 46 CFR Part 67 (this form letter can be sent to the bank by the Broker) to release the lien. The Broker or Bank will file this letter with the USCG Documentation Center.
- v. Broker wires or sends a check to the Seller for the amount remaining after paying off the bank lien and paying the Broker commission.

### 6. Sea Trial

The purpose of the sea trial is to ensure that major systems are functional and the boat performs as it is designed. It should only take a few hours and is very specific. The sea trial focuses on the engine and functionality of the sails and rigging. Light fixtures that might not be functional, electronics out of calibration, water pump not cycling on, or cosmetic issues discovered during the sea trial are not considered major malfunctions and are not reasons to back out of the deal. They can be handled with the funds that are held by the Broker. The sea trial is not the time that the Buyer decides if they like the boat or not.

**By the time the sea trial takes place, the Buyer is 99% committed to buying and the sea trial is verifying the major mechanical items function as designed. Aside from a major mechanical malfunction that exceeds the amount withheld by the Broker, there is rarely a reason not to close after a sea trial. Most issues can be worked through with the funds that are held back.**

- a. For vessels in the water, the closing will take place after the sea trial. The Buyer should be 99% committed to buying the vessel by the time the sea trial takes place. Major issues would have been addressed in the marine survey. Any issues found during the sea trial can be addressed with an addendum much like after the initial inspection. The closing should happen within a week of completing the sea trial. If issues need to be addressed it's common to credit the Buyer for these and proceed to close as it could take a while for a boatyard or repair technician to get to the job.
- b. For vessels stored on land, the closing will take place before the sea trial with 5-10% of the Vessel selling price to be held in the Brokers account to address issues discovered during the sea trial. From the Seller's perspective, it is very costly to launch, rig and commission a vessel which is why a Seller may be reluctant launch the boat without the vessel being “sold”. Also, for boats sold in the middle of winter, the launch and sea trial might be months away and the Seller wouldn't want to take the boat off the market unless it's a sold

## Boat Sales Process with a Broker



boat. A full survey can't be done in the winter but a good marine surveyor can at least say if the boat is sound enough to proceed towards closing. This is why the Broker holds 5-10% of the Seller's proceeds in the Broker's account until the sea trial can be performed.

### Regarding the Sea Trial for Vessels on Land:

**From the Buyer's perspective**, if the closing occurs with the boat on land, it can be concerning that the major mechanical items can't be inspected during the survey so they might be reluctant to close. But the Buyer also wants to secure the vessel for purchase. This is why an appropriate amount of funds are held by the Broker (typically 5-10% of the selling price) at the closing to protect against any major mechanical failure during the sea trial. Rarely (and by that I mean never in my experience) has a sea trial resulted with a mechanical failure that couldn't be addressed using the funds that were held by the Broker for such an event. If the Vessel is on land during the selling process, the title will be transferred to the Buyer and the Buyer will have ownership of the Vessel at the time of sea trial. This is why the Buyer pays for the launch and systems commissioning of the Vessel for the sea trial. But keep in mind that there is a substantial amount of "hold-back" funds in the Broker account to ensure that any issues can be resolved.

**From the Seller's perspective**, the Seller doesn't want to take the boat off the market until it can be sea trialed. And they don't want the Buyer to change their mind during the long time it may take until the boat can be sea trialed. This is why the closing will happen as scheduled and funds are held by the Broker to protect both parties.

As a Broker, our job is to act as the transaction coordinator and to be unbiased in holding funds to facilitate the transaction as fairly as possible. A Broker can guide both parties along and recommend actions based on what's typical in the industry. If something "sticky" comes up regarding the mechanicals or the integrity of the boat, a third party (a marine surveyor or boat yard service technician) may be brought in.

We hope this helps to clarify the boat buying process. Call or email with any questions!

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[See below for Buyer and Seller Checklists](#)



## Buyer Checklist

- Inspection Deadline \_\_\_\_\_
  - Closing Date \_\_\_\_\_
  - Financing Deadline \_\_\_\_\_
  - Sign Sales Agreement (offer)
  - Sign Exhibit A (if applicable)
  - Send Deposit to Broker: Check Number \_\_\_\_\_ Wire Confirmation \_\_\_\_\_
  - Receipt of Deposit – sign and return to Broker
  - Schedule Inspection – ask Broker for list of surveyors or schedule time for own inspection
  - Secure financing (if applicable)
  - Review survey / inspection results
  - Addendum to address survey items (if applicable) – sign and send to Broker
  - Determine closing date (if different than Agreement deadline)
  - Arrange for wire transfer or certified check (Broker will send wire transfer info)
  - Michigan Title
    - Fill out, sign and return the “Michigan Application for Watercraft Title” to Broker
  - USCG Documentation – this process is usually done by hiring a documentation service
  - Closing Statement (after balance is paid) – sign and return to Broker
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## Seller's Checklist

- Inspection Deadline \_\_\_\_\_
- Closing Date \_\_\_\_\_
- Sign Sales Agreement (accepted offer)
- Sign Exhibit A (if applicable)
- Discuss survey / inspection results with Broker
- Addendum to address survey items (if applicable)
- Send copy of State Title or USCG Documentation (front and back) to Broker
- Determine closing date (if other than Agreement deadline)
- Loan Payoff – give Broker your bank contact information for direct loan payoff.
- Prepare State Title for transfer:
  - Fill out and sign seller area on title and send original to Broker
- Prepare USCG Documentation for transfer:

## Boat Sales Process with a Broker



- Fill out USCG Bill of Sale, sign, notarize and return to Broker (ask Broker for more details on transferring USCG documentation).
- Final Closing Statement (after funds are received) – sign and return to Broker