

**Santa Barbara Water Taxi, LLC**

125 Harbor Way #22  
Santa Barbara, CA 93109  
805-896-6900

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WATERFRONT  
DEPARTMENT

10:09 am

May 4, 2011

City of Santa Barbara  
Waterfront Department/Attention Scott Riedman  
132-A Harbor Way  
Santa Barbara, CA 93109

Dear Mr. Riedman

**Proposal for "Stearns Wharf Coastal Cruise Concession"**

**Business Concept**

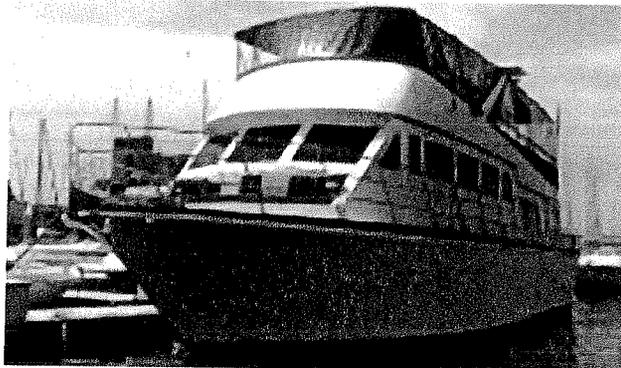
Santa Barbara Water Taxi, LLC (SBWT) is seeking the opportunity to combine the already successful Water Taxi business with a larger, 64ft, U.S.C.G. certified 49-passenger vessel. The larger vessel will take passengers from Stearns Wharf on a variety of cruise selections. The large vessel will be renamed, Celebration upon arrival in Santa Barbara and will occupy the Marina 4 large berth #3.

**SBWT** will be promoted on the Internet; local and regional print venues and face-to-face promotion with hotel and event planners. We are planning to offer the following selection of cruises:

- Coastal and Sunset Cruises
- Dinner Cruises
- Private Charter
- Memorials At Sea
- Business Meetings

**The Vessels:**

We have selected a 64' length x 18' 6" beam x 6' draft, Hills Marine motor yacht built in 1990, currently named, **Corporate Image**. The vessel is made of fiberglass and is powered by twin 550 hp diesel engines. It is maintained at the highest level and has been U.S. Coast Guard certified to carry 49 passengers since 1990. The vessels engines are CARB tier one and will need to be replaced by December 2014. They will be rebuilt to tier two standards or replaced with tier two new engines prior to 2014.



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*The current engines are approved by CARB for up to 1500 hours of run time while working as a commercial vessel. (does not include engine running time when not carrying passengers) per year until 2014. We can run the Celebration, under CARB rules for 1500 hours per year, or 28 hours per week for 52 weeks. Our business plan reflects a total of 528 hours. This gives us a large growth potential without going over the maximum 1500 hours mandated by CARB.*

*The Lil' Toot has a **Harbor Watercraft Plan** filed with CARB as required but is exempt from CARB rules as it only has 36 horsepower. Lil' Toot is current with all U.S. Coast Guard inspections with no deficiencies.*

***Captains:** Capt. Frederick Hershman, Jr. holds a U.S. Coast Guard Merchant Mariners 100 ton near coastal license with sailing and towing endorsements. All captains that will be employed will have the same or greater credentials.*

***Corporate Image** passed the U. S. Coast Guard in-water inspection in March of this year with no deficiencies and the required out-of-the water inspection was completed earlier this year*

***Corporate Image** is currently operating out of San Diego, CA and has an active charter schedule. Upon approval by the City of Santa Barbara we would complete the purchase and rename the boat **Celebration**. Ownership would transfer within 30 days. The vessel is currently providing the same service as we propose in Santa Barbara and no additional retrofitting is necessary.*

*The current schedule of existing charters on the **Corporate Image** as of the date of sale will either be canceled or transferred to other San Diego based charter boats. All **Corporate Image** customers will be notified of anticipated sale and change of ownership.*

Contact information:

Phone: 619-220-4974  
Address: Corporate Image Yacht Charters, Inc  
120 Rosecrans St., Suite 273  
San Diego, CA 92106

*Santa Barbara Water Taxi, **Lil' Toot** will continue to provide daily service between the harbor and Stearns Wharf and will enjoy an immediate increase in ticket sales being the sole operator on the wharf. We will use the permanent ticket kiosk at 219-G for the business and land and load from the PLR.*

**Business Plan** (See attached Business Plan for 5 Year projections)

- **Sunset Cruises**
  - **Celebration:** \$45.00 per person - 1.50 hours long  
(25 passenger average, cruise total = \$1125)
  - **Lil Toot:** \$25.00 per person - 1.5 hours long

(12 passenger average, cruise total = \$300)

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- **Dinner Cruises**
  - **Celebration:** \$75.00 to \$95.00 per person depending on menu selection and date and time of event – 2 hours long  
(25 passenger average, cruise total = \$1875 - \$2375)
  
- **Public Cruises:**
  - Celebration:** (only) \$25 - \$75 per person depending on length and type (25 passenger average, cruise total = \$625 - \$1875.
  
- **Private Charters**

The following pricing includes vessel with captain and crew only. Food, Beverage, Entertainment, Special Decorations and other requested amenities are extra.

Birthday Parties, Weddings, Anniversaries, Business Meetings, Memorial Services,  
etc.

  - **Celebration:** \$695 per hour, plus food and beverage
  - **Lil Toot:** \$195 per hour, plus food and beverage
  
- **Water Taxi Ride**
  - **Lil' Toot:** (only) Adults \$4 and Children \$1 each way

**Corporate Structure:**

Santa Barbara Water Taxi, LLC is a Limited Liability Corporation in good standing in the State of California. Frederick E. Hershman, Jr. is Managing Member and Kathleen L. Hershman is a 50% member.

**Experience:**

Fred grew-up on the ocean and spent six years in the U.S. Coast Guard, and is a decorated Vietnam veteran. He retired as vice-president of Artis Inc. after 29 years and started Santa Barbara Custom Canvas. He then managed daily operations at Sunset Kidd Yacht Charters for four years as well as captaining the "Sunset Kidd II" during the season. Fred and his wife Kathy started Santa Barbara Water Taxi, LLC in 2003. Kathy comes from the corporate world with positions in retail, call center management, purchasing and currently is a vice-president at Santa Barbara Bank & Trust. Fred and Kathy have lived aboard their boat in Santa Barbara Harbor for ten years.

**Hours of Operations:**

The Stearns Wharf ticket kiosk will be staffed from Noon to Sunset daily from April 1st to November 1st and on weekends and holidays from November to March depending weather and sea conditions.

The business model highlights Sunset and Dinner Cruises, Wine Pairing and Private Charters, as these will produce the highest revenue.

**Revenue Projections**

Projections and expenses are detail in attached business plan

**Personal Guaranty**

We acknowledge that we must provide our personal guaranty and a \$1,000,000 insurance policy naming the City of Santa Barbara as additional insured for each vessel.

**Proposed Minimum Rent**

We would utilize the - 2520 square foot berth at Marina 4-B-ET3. The water service is provided and the electrical service will be metered and paid on a monthly basis. The proposed minimum rent would be \$2200.00 or lower as proposed.

We request a five year lease with 2 five year options and the percentage rent would be 15% of gross sales less sales tax collected.

**Marketing Plan** (See attached business plan for details)

We will be utilizing print and other media as well as direct interaction with local and regional hotels, wine clubs, AAA, wedding planners and the Neptune Society. We will create a new web site for the coastal cruise entity that will be a companion to the water taxi and linked to other local sites.

Word of mouth is the best source of business for repeat charters and cruises. We will encourage reviews on Facebook, Twitter, and other social networking sites.

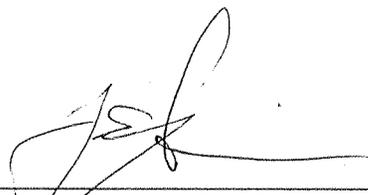
**Sustainability**

Off-season incentives for private charters such as memorials, business meetings, holiday parties and private charters provide revenue year round. Sufficient operating capital is available to sustain the business during slower months.

**Financials** (Financial and Profit and Loss Statements are attached)

**Legal Issues**

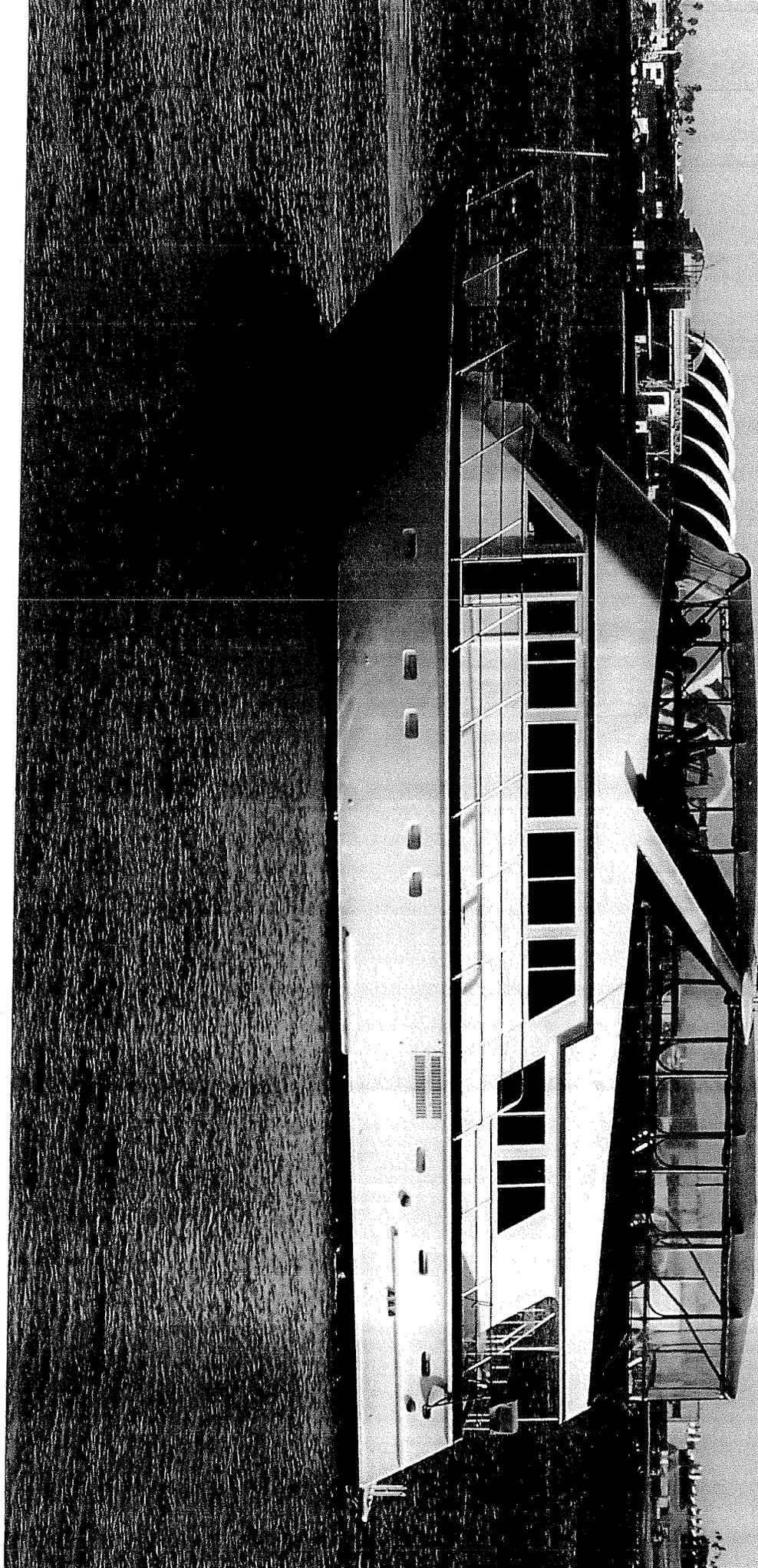
Santa Barbara Water Taxi, LLC has no pending lawsuits or judgments. Our carrier, Charles Lambert Insurance in 2010, settled a passenger injury from 2008.

Signed  Date 5-4-11

**Capt. Frederick Hershman, Jr.**  
**Managing Member Santa Barbara Water Taxi, LLC**

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ATTACHMENT #3

