



CLASS B PREFERRED UNITS OF MEMBERSHIP INTEREST



Maximum Offering \$30,000,000

10,714,280 Class B Preferred Units at \$2.80 per Unit

Minimum Purchase: Twenty-Five Thousand Dollars (\$25,000)

WebSite: www.bluepearlyachts.com

BLUE PEARL YACHTS, LLC, an Ohio limited liability company (“BPY” or the “Company”), is offering up to \$30,000,000 of Class B Preferred Units of membership interests of the Company (the “Class B Preferred Units”) to accredited investors pursuant to this Confidential Private Placement Memorandum (as it may be amended or supplemented, this “Memorandum”). If all Class B Preferred Units were sold, purchasers would own twenty-five percent (25%) of the issued and outstanding membership interests of the Company. The term “Class B Offering” as used herein refers to the offer and sale of a maximum of \$30,000,000 of Class B Preferred Units pursuant to this Memorandum. See “Glossary” for definitions of certain capitalized terms and key words used in this Memorandum

| | Price to Investors ⁽¹⁾ |
|---------------------------------|-----------------------------------|
| Per Class B Unit ⁽²⁾ | \$2.80 |
| Maximum Offering Amount | \$30,000,000 |

- (1) Offers and sales of Class B Preferred Units will be made on a “best efforts” basis by the Company, and the Company will not pay any commissions.
- (2) The minimum purchase is Twenty-Five Thousand Dollars (\$25,000) of Class B Preferred Units. The Company has the right, in its sole discretion, to waive the minimum purchase requirement.

THE DATE OF THIS MEMORANDUM IS SEPTEMBER 16, 2022

AN INVESTMENT IN CLASS B PREFERRED UNITS IS HIGHLY SPECULATIVE AND INVOLVES SUBSTANTIAL RISK. EACH PROSPECTIVE INVESTOR MUST RELY ON HIS OWN EXAMINATION OF THE COMPANY AND MUST READ AND CAREFULLY CONSIDER THE RISKS DESCRIBED IN THIS MEMORANDUM, INCLUDING THOSE IN THE SECTION TITLED “RISK FACTORS”. THE CLASS B PREFERRED UNITS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE CLASS B PREFERRED UNITS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAW.

THE INFORMATION CONTAINED IN THIS MEMORANDUM IS PROPRIETARY TO US AND IS BEING SUBMITTED TO PROSPECTIVE INVESTORS SOLELY FOR SUCH INVESTORS’ USE WITH THE EXPRESS UNDERSTANDING THAT, WITHOUT OUR PRIOR EXPRESS WRITTEN PERMISSION, SUCH PERSONS WILL NOT RELEASE THIS DOCUMENT OR DISCUSS THE INFORMATION CONTAINED HEREIN OR MAKE REPRODUCTIONS OF OR USE THIS MEMORANDUM FOR ANY PURPOSE OTHER THAN EVALUATING A POTENTIAL INVESTMENT IN THE SECURITIES. ANY OFFEREE ACCEPTING DELIVERY OF THIS MEMORANDUM AGREES TO KEEP STRICTLY CONFIDENTIAL THE CONTENTS OF THIS MEMORANDUM AND SUCH OTHER MATERIAL AND TO RETURN THIS MEMORANDUM AND ALL RELATED DOCUMENTS TO US IF THE OFFEREE DOES NOT SUBSCRIBE TO PURCHASE ANY OF THE SECURITIES OFFERED, THE OFFEREE’S SUBSCRIPTION IS NOT ACCEPTED, OR THIS OFFERING IS TERMINATED OR WITHDRAWN.

The subscribers for the Class B Preferred Units offered hereby will become Members of the Company. The rights and obligations of the holders of Class B Preferred Units will be governed by the Operating Agreement of the Company dated November 10, 2020 which is attached as an Exhibit to this Memorandum (the “**Operating Agreement**”). Any prospective investor in Class B Preferred Units should review the entire Operating Agreement before subscribing. By executing the Subscription Agreement for Class B Preferred Units attached hereto as **Exhibit D** (the “**Subscription Agreement**”), upon the Company’s acceptance of the subscription thereunder, a subscriber for the Class B Preferred Units offered hereby adopts the Operating Agreement as a Member and holder of Class B Preferred Units of the Company and agrees to be bound by the terms of the Operating Agreement and be deemed a signatory thereto.

No offering literature or advertising in any form whatsoever shall be employed in the offering of the interests except for this Memorandum. No person has been authorized to make any representations or provide any information with respect to the interests except such information as is contained in this Memorandum. Neither the delivery of this Memorandum nor any sales made hereunder shall under any circumstances create an implication that there has been no change in the matters discussed herein since the date hereof.

The offer and sale of Class B Preferred Units pursuant to this Memorandum is limited to accredited investors who satisfy the requirements described in the “Investor Suitability Requirements” section of this Memorandum.

The Company will offer the Class B Preferred Units until the earlier of (i) the date when \$30,000,000 of Class B Preferred Units have been sold or (ii) December 31, 2021, which date may be extended by the Company in its sole discretion (the “**Offering Termination Date**”). All subscription payments received for Class B Preferred Units will, upon acceptance of the associated subscription, be deposited into the Company’s bank account and thereafter be immediately available for use by the Company.

Each prospective investor should consult his own independent legal counsel, accountant and/or business advisor as to legal, tax and related matters concerning this investment. Also, prospective investors should carefully read the discussion of tax issues set forth below in the section titled “Federal Income Tax Considerations.” An investment in Class B Preferred Units is suitable only for persons of substantial means who satisfy certain suitability requirements and have no need for liquidity in their investment. See “Investor Suitability Requirements.”

This Memorandum is not an offer to sell or a solicitation of an offer to buy securities in any state or jurisdiction where prohibited by law or to any person or entity to whom it is unlawful to make such an offer. This Memorandum may not be reproduced or redistributed in whole or in part.

No person other than the Company has been authorized to provide any information or make any representation on behalf of the Company or any of the Company’s Affiliates other than as set forth in this Memorandum or contained in any of the documents referenced herein.

For additional information, contact: Blue Pearl Yachts, LLC
19815 North Park Boulevard
Shaker Heights, Ohio 44122
Attn: Dr. Gregory Hummer
Telephone Number: (216) 543-3031
Email: greghummer@bluepearlyachts.com

The Class B Preferred Units are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom. Additionally, the Operating Agreement prohibits transfers except in limited circumstances. Investors in Class B Preferred Units should be aware that they will be required to bear the financial risks of their investments for an indefinite period of time.

EXCEPT AS OTHERWISE INDICATED, THIS MEMORANDUM SPEAKS AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN OUR AFFAIRS AFTER THE

DATE HEREOF. THE SUMMARIES OF THE EXHIBITS TO THIS MEMORANDUM ARE QUALIFIED IN ALL RESPECTS BY A REFERENCE TO THE EXHIBITS THEMSELVES.

Some of the information found in this Memorandum may contain forward-looking statements. Such statements can be identified by the use of forward-looking words such as “may,” “will,” “would,” “intends,” “plans,” “anticipates,” “believes,” “expects,” “estimates,” “continues” or similar words. These types of statements discuss future expectations or contain projections or estimates. When considering such forward-looking statements, the risk factors described herein should be kept in mind. These risk factors, or other events, could cause actual results to differ materially from those contained in any forward-looking statement.

Treasury Department Circular 230 notice: to ensure compliance with Treasury Department Circular 230, prospective investors are hereby notified that: (1) any discussion of tax issues contained or referenced in this Memorandum is not intended or written to be used, and cannot be used, by prospective holders of Class B Preferred Units for the purpose of avoiding penalties that may be imposed on them under the Code; (2) such discussion is written in connection with the promotion or marketing by the Company of the transactions or matters addressed in this Memorandum; and (3) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

To View Examples Of The Intended Interiors Click On The Link Below

Representations of the yacht on the Blue Pearl website are examples only that may change, be updated or not included in the final build of the vessel.

www.bluepearlyachts.com

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EXHIBITS

| | |
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SECTION 1 - INVESTOR SUITABILITY REQUIREMENTS

The offer and sale of the Class B Preferred Units is being made in reliance on an exemption from the registration requirements of the Securities Act. The Company reserves the right, in its sole discretion, to accept or reject a subscription from any prospective investor. Only accredited investors (as defined below) may purchase Class B Preferred Units.

Investment in the Class B Preferred Units involves a high degree of risk and is suitable only for persons of substantial financial means who have no need for liquidity in this investment. Class B Preferred Units will be sold only to persons or entities who (1) purchase a minimum of Twenty-Five Thousand Dollars (\$25,000) of Class B Preferred Units and (2) represent in writing and otherwise establish to the satisfaction of the Company that they satisfy the investor suitability requirements established by the Company and as may be required under federal or state law. The Company retains the right in its sole discretion to waive the minimum purchase requirement

Each prospective investor must represent in writing that he satisfies all of the following requirements:

(a) He or she is a sophisticated and experienced investor and has a pre-existing relationship with the Company or its executive officers.

(b) He or she has received, read and fully understands this Memorandum. The investor is basing its decision to invest only on this Memorandum and its own due diligence. The investor has relied only on such information and has not relied on any representation made by any other person.

(c) He or she understands that an investment in Class B Preferred Units involves substantial risks, and he is fully cognizant of and understands all of the risk factors relating to an investment in Class B Preferred Units, including, without limitation, those risks set forth below in the section titled "Risk Factors."

(d) The investor's overall commitment to investments that are not readily marketable is not disproportionate to his individual net worth, and his investment in Class B Preferred Units will not cause such overall commitment to become excessive.

(d) The investor has adequate means of providing for his or her financial needs, both current and anticipated, and has no need for liquidity in this investment.

(e) The investor can bear and is willing to accept the economic risk of losing the entire investment in Class B Preferred Units.

(f) The investor is acquiring Class B Preferred Units for its own account and for investment purposes only and has no present intention, agreement or arrangement for the distribution, transfer, assignment, resale or subdivision of the Class B Preferred Units.

(g) The investor is an accredited investor (as defined in Rule 501 of Regulation D under the Securities Act and as described below).

For purposes of calculating an investor's net worth herein, "net worth" is defined as the difference between the investor's total assets and total liabilities, excluding the investor's primary residence as an asset among the investor's total assets and excluding indebtedness secured by the investor's primary residence up to the estimated fair market value of the investor's primary residence from the investor's total liabilities (except that, if the amount of such indebtedness outstanding at the time of sale of Class B Preferred Units to the investor hereunder exceeds the amount outstanding sixty (60) days before such time, other than as a result of the acquisition of the investor's primary residence, then the amount of such excess shall be included as a liability among the investor's total liabilities), but including as a liability among the investor's total liabilities indebtedness that is secured by the investor's primary residence in excess of the estimated fair market value of the investor's primary residence at the time of sale of Class B Preferred Units to the investor hereunder. In the case of fiduciary accounts, the net worth and/or income suitability requirements must be satisfied by the beneficiary of the account or by the fiduciary if the fiduciary directly or indirectly provides funds for the purchase of the Class B Preferred Units.

In addition to certain institutional entities, a person or entity that satisfies one of the following tests will qualify as an accredited investor:

- (1) the investor is a natural person who had individual income in excess of \$200,000 in each of the two most recent years, or joint income with that person's spouse or spousal equivalent the investor;
- (2) in excess of \$300,000 in each of those years, and has a reasonable expectation of reaching an equal or greater income level in the current year; or
- (3) the investor holds one of the following licenses in good standing: General Securities Representative license (Series 7), the Private Securities Offerings Representative license (Series 82), or the Investment Adviser Representative license (Series 65); or
- (4) the investor is a natural person whose individual net worth, or joint net worth with that person's spouse, exceeds \$1,000,000 at the time of purchase of the Class B Preferred Units, excluding the value of his or her personal residence (but counting any debt incurred within 90 days prior to the date of the investment); or
- (5) the investor is an entity in which all of the equity owners are accredited investors as defined in subparagraphs (1) and (2) above; or
- (6) the investor is a corporation, business trust or partnership with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Class B Preferred Units; or
- (7) the investor is a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Class B Preferred Units, whose purchase is directed by a "sophisticated person" as defined in Rule 506(b)(2)(ii) of Regulation D under the Securities Act.

Representations with respect to the foregoing and certain other matters will be made by each investor in the Subscription Agreement for Class B Preferred Units attached hereto as **Exhibit D** (the "**Subscription Agreement**").

Verification of Accredited Investor Status

Each investor, in addition to completing the Subscription Agreement must also provide to the Company independent verification that such investor fulfills the requirements to be an accredited investor under Rule 501 of Regulation D promulgated by the SEC. Such independent verification must be by one of the following methods:

- A. Copies of tax returns or W-2s for the two most recently completed years demonstrating that you fulfill the income requirements; or.
- B. Copies of bank statements or brokerage statements demonstrating that you fulfill the net worth requirements; or
- C. A letter of verification from you attorney or accountant (in a form acceptable to the Company) certifying that you are an accredited investor.

If you do not satisfy the requirements described above, do not read further and immediately return this Memorandum to the Company. In the event that you do not satisfy such requirements, this Memorandum will not constitute an offer to sell securities to you.

Class B Preferred Units may not be suitable for a qualified plan, an IRA or other tax-exempt entity. See “Investment by Qualified Plans and Individual Retirement Accounts.”

The investor suitability requirements stated above represent minimum suitability requirements, as established by the Company, for prospective investors in Class B Preferred Units. However, satisfaction of these requirements by any such person or entity will not necessarily mean that Class B Preferred Units are a suitable investment for such person or entity or that the Company will accept such person or entity as an investor. Furthermore, the Company, as appropriate, may modify such requirements in its sole discretion, and such modification may raise the suitability requirements for prospective investors.

The written representations made (and supporting documentation submitted) by prospective investors will be reviewed to determine the suitability of each such person or entity. The Company will have the right, in its sole discretion, to refuse an offer to purchase Class B Preferred Units if the Company believes that such person or entity does not satisfy the applicable investor suitability requirements or that Class B Preferred Units otherwise constitute an unsuitable investment for such person or entity, for any other reason, or for no reason.

HOW TO PURCHASE

The Class B Preferred Units may only be purchased by accredited investors as described above in “Investor Suitability Requirements.” Prospective investors who would like to purchase Class B Preferred Units must read carefully this Memorandum, must complete, sign and deliver the Subscription Agreement for Class B Preferred Units attached hereto as **Exhibit D** (the “**Subscription Agreement**”) (and must submit supporting documentation that may be required thereby) and must tender a check or wire funds in the amount of the purchase price payable for the Class B Preferred Units to the order of “BLUE PEARL YACHTS, LLC”. Upon acceptance by the Company of the prospective investor’s subscription, the Company may circulate various additional documents to the prospective investor to be signed and returned.

Prospective investors whose subscriptions are accepted by the Company must remit the entire purchase price for their Class B Preferred Units by wiring funds to the Company or by delivering a check for the purchase price made payable to the order of the Company not less than five business days before closing the acquisition of such prospective investor’s Class B Preferred Units.

Wire transfers may be sent to the Company at:

Bank: Westfield Bank
ABA: 041272279
Beneficiary: BLUE PEARL YACHTS, LLC
Account No.: 100974577

Unless otherwise directed by the Company, all documents and checks should be delivered to:

BLUE PEARL YACHTS, LLC
19815 North Park Blvd
Shaker Heights, Ohio 44122
Attn: Gregory Hummer, Manager

Upon receipt of the signed Subscription Agreement and purchase funds and verification of the prospective investor’s investment qualification, the Company, in its sole discretion, will decide whether to accept the prospective investor’s subscription. Upon the Company’s acceptance of a subscription, the Company will so notify the prospective investor.

If a prospective investor’s Subscription Agreement is not accepted by the Company, then all funds received from such prospective investor will be returned by the Company to such prospective investor in full without offset and without interest thereon pursuant to the Subscription Agreement.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Memorandum contains forward-looking statements within the meaning of the federal securities laws, which involve risks and uncertainties. These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections about our industry, and our management's beliefs and assumptions. We use words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" and variations of these words and similar expressions to identify forward-looking statements. These statements do not guaranty future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties include those described in "Risk Factors" and elsewhere in this Memorandum. You should not place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this Memorandum. We undertake no obligation to update these statements or to release publicly the result of any revision to the forward-looking statements that we may make to reflect events or circumstances after the date of this Memorandum or to reflect the occurrence of unanticipated events.

RISK FACTORS

An investment in Class B Preferred Units is speculative and involves a high degree of risk. It is impossible to predict accurately the results to an investor from an investment in the Class B Preferred Units. The Company, and thus the holders of Class B Preferred Units, will be exposed to the risks of developing and executing its business plan as generally described in Exhibit A to this Memorandum. These risks are not the only risks that the Company may encounter. In addition to the various risk factors set forth in Exhibit A attached hereto, which each prospective investor must read before subscribing for Class B Preferred Units, each prospective investor should consult with his own legal, tax and financial advisors with respect thereto.

SUMMARY FINANCIAL PROJECTIONS

Set forth below is a summary table of the intended *pro forma* financial projections of the Company for the first eight years after completion of the Class B Offering (assuming all Class B Preferred Units offered hereby are sold). This Summary Financial Information should be read with the Financial Overview and Projections that appear on pages 1, 2, and 9-15 of the next Section and also referred to in **Exhibit C** attached to this Memorandum and the assumptions included therein. These financial statements are forward-looking information subject to the cautionary statement included in the preface to this Memorandum and **Exhibit C**. The table below is an approximation of intended revenue, expenses, net income and Class B distributions. These are approximate numbers and intended payback is spread out over the first six years. The table below shows intended Revenue, Expenses and Distributions over 8 years as it is difficult to ascertain exact timing of yacht deposits and build schedule. The first yacht is owned by the Company for sales demos.

If we choose facilities construction on the East Coast, may include at least one finished assembly building able to accommodate 2 yachts at once; a glass up building and a paint building. The total cost of all three buildings, having common walls, could be \$6 million dollars, which would include land cost. Land cost may be expensive if we cannot negotiate a lower cost from the seller. The deck and hull molds will be made in the US. This is very convenient as the molds can be kept in one piece and shipped on a barge.

The numbers below do not take into account an **initial** capital asset expenditure using the investor equity to construct or rent the facilities. They do however take into account overhead of roughly \$900,000 per yacht built. Our intention is to build 9 yachts and possibly 13 yachts total. The first yacht of the 9 would be the company's sales tool. We hope to sell 8 yachts of the first 9 yachts built. Selling 8 yachts would enable the intended returns shown below. Also, the sales of 8 yachts are intended to provide for \$7.2M in overhead allocated to the facilities cost and additional unforeseen expenditures. The income statement shown below shows that we intend to sell 12 yachts in a period of eight years.

The cost of each yacht also includes \$951,000 for labor, \$3,539,870 for materials (includes estimated amounts for contractor builder) and \$450,000 for our parent company Blue Water Yachts, LLC. Some exact costs may be unknown at this time but we have figured the higher amount into production expenses, an example would be the hull and deck molds, which were estimated to be \$1.2M. Prices and cost may change. The IRR over 8 full years of operation and intended sales is intended to be 22-25.3%. This intended IRR of 25.3% includes selling the company for 10x EBITDA and giving the investors a 35% return of the sales price.

In the first 7 years, we intend to give the investors a preferred rate of return as shown below. After the 7th year, we intend to split net earnings on a prorated basis of ownership.

Fuel Cells having an output of about 10Kw per hour will be purchased from Blue Water Generation LLC (BWG) at a cost to be around \$150,000 dollars for each yacht. BWG will be 60% owned by Blue Pearl Yachts LLC. The remaining 40% of BWG will be sold for \$5 million dollars, having a valuation of \$12 million dollars. BWG will finance \$4 million dollars for the creation of the marine diesel fuel cells by SPS. BWG will also own the exclusive and perpetual worldwide license to distribute and sell the diesel fuel cells and purchase them from Special Power Solutions (SPS) of Ohio. BWG will finance the creation of the marine diesel fuel cell made by SPS. BWG will raise \$5 million through Reg D and Reg CF funding. BWG is hoped to sell 100 fuel cells for \$180,000 each within the first 24 months starting at the time of actual mass production of the fuel cells by SPS. It is hoped that BPY will receive \$10,800,000 minus operating expenses due to its 60% share of BWG. This additional revenue is not counted in the following Blue Pearl Yachts LLC business revenue. The two year return to BPY could be 144%.

PROFORMA – INVESTOR CASH REPAYMENT SCHEDULE

| Blue Pearl Yachts | | | | | | | | | | |
|--|-----------------|---------------|---|---------------|---------------|---------------|---------------|---------------|----------------|--|
| Proforma - Investor Cash Repayment Schedule | | | | | | | | | | |
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | | |
| Pro Forma Income Statement | | | | | | | | | | |
| Revenue | \$ - | \$ 12,000,000 | \$ 12,000,000 | \$ 26,000,000 | \$ 28,000,000 | \$ 28,000,000 | \$ 28,000,000 | \$ 28,000,000 | \$ 28,000,000 | |
| Operating Expenses | \$ 14,580,000 | \$ 1,000,000 | \$ 6,190,000 | \$ 12,380,000 | \$ 12,380,000 | \$ 12,380,000 | \$ 12,380,000 | \$ 12,380,000 | \$ 12,380,000 | |
| EBITDA | \$ (14,580,000) | \$ 11,000,000 | \$ 5,810,000 | \$ 13,620,000 | \$ 15,620,000 | \$ 15,620,000 | \$ 15,620,000 | \$ 15,620,000 | \$ 15,620,000 | |
| VALUATION | | | | | | | | | | |
| 6X EBITDA | | | | | | | | | \$ 93,720,000 | |
| 8X EBITDA | | | | | | | | | \$ 124,960,000 | |
| 10X EBITDA | | | | | | | | | \$ 156,200,000 | |
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | TOTAL | |
| Estimate of Cash Repayment | | | | | | | | | | |
| Outstanding Capital Balance | \$ 30,000,000 | \$ 30,000,000 | \$ 20,000,000 | \$ 15,000,000 | \$ - | \$ - | \$ - | \$ - | \$0 | |
| Priority Return To Preferred B Unit Investors | - | - | - | - | 7,500,000 | 7,500,000 | 5,000,000 | - | \$20,000,000 | |
| Original Investor Capital Return | - | 10,000,000 | 5,000,000 | 15,000,000 | - | - | - | - | \$30,000,000 | |
| On Going Prorated by Units % Cash Investor Return | - | - | - | - | - | - | - | 3,900,000 | \$3,900,000 | |
| Net Outstanding Balance on Initial Cash Investment | \$ 30,000,000 | \$ 20,000,000 | \$ 15,000,000 | \$ - | \$ - | \$ - | \$ - | \$ - | | |
| Net Cash-on-Cash Return - Annual | 0.00% | 33.33% | 16.67% | 50.00% | 25.00% | 25.00% | 16.67% | 13.00% | | |
| | | | 8 year Projected Cash on Cash Return | | | | | | 22.5% | |
| Summary of Cash Investment Repayment | | | | | | | | | | |
| Initial Cash Investment | \$ 30,000,000 | | | | | | | | | |
| Projected Cash Repayments - Years 1 - 10 | | | | | | | | | | |
| Priority Return | | 20,000,000 | | | | | | | | |
| Original Capital Return | \$ 30,000,000 | | | | | | | | | |
| Additional Returns | | 3,900,000 | | | | | | | | |
| Cumulative Cash Repayments | \$ 53,900,000 | | | | | | | | | |
| 8 Year Average Annual Projected Cash on Cash Return | | 22.5% | | | | | | | | |
| IRR Calculation | | | | | | | | | | |
| | 12/31/2020 | 12/31/2021 | 12/31/2022 | 12/31/2023 | 12/31/2024 | 12/31/2025 | 12/31/2026 | 12/31/2027 | 12/31/2028 | |
| \$ (30,000,000) | - | 10,000,000 | 5,000,000 | 15,000,000 | 7,500,000 | 7,500,000 | 5,000,000 | 3,900,000 | 54,670,000 | |
| 8 YEAR IRR - SALE @ 10x EBITDA 35% To Investors | | | | | | | | | | |
| | | | | | | | | | 25.3% | |
| \$ (30,000,000) | \$ - | \$ 10,000,000 | \$ 5,000,000 | \$ 15,000,000 | \$ 7,500,000 | \$ 7,500,000 | \$ 5,000,000 | \$ 3,900,000 | \$ 54,670,000 | |
| 8 YEAR IRR - SALE OF PROJECT AFTER YR 9* | | | | | | | | | | |
| *NET AVAILBLE CASH AFTER DEBT PAYMENT AND 5% CLOSING COSTS | | | | | | | | | | |

**PROJECTED BUILD SCHEDULE & CASH COST FOR TWO YACHTS
REFERRED TO IN EXHIBIT C**

| Blue Pearl Build Schedule and Payment Schedule | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|------------|-----------|-----------|-----------|-----------|-----------|--|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|-----------|------------------|-----------|-----------|---|-----------------------------------|-----------------------------|-----------|---|--|--|
| Assumptions: Basic yacht sells for \$12M | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Investment \$30M | M1 | M2 | M3 | M4 | M5 | M6 | M7 | M8 | M9 | M10 | M11 | M12 | M13 | M14 | M15 | M16 | M17 | M18 | M19 | M20 | M21 | M22 | M23 | M24 | M25 | M26 | M27 | M28 | | | |
| Stage | Monthly \$ | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$336,984 | \$350,000 | \$450,000 | \$7,391,745 | 24 Months | First 6 months of first yacht spent building molds. | | |
| Hull Master Plug | | Hull Plug | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hull Mold | | | | | | Hull Mold | <i>Each month after M6 (for each yacht) has a percent of \$951K of labor and a percent of \$900K of overhead plus a portion of material costs \$3,539,870</i> <i>The \$900K of overhead for each yacht totals \$1.8M, which is the cost of the new assembly building and equipment</i> <i>There is an additional amount of \$450,000 for builders profit and an additional \$350,000 added for sails, to each yacht as additional cost</i> | | | | | | | | | | | | | | | | | | In 28 months we can build 2 yachts for a total of | \$13,583,490 | | | | | |
| Deck Plug | | | | | | Deck Plug | | | | | | | | | | | | | | | | | | | Add \$1M for overages: | \$1,000,000 | | | | | |
| Deck Mold | | | | | | | Deck Mold | | | | | | | | | | | | | | | | | | | Total Cost | \$14,583,490 | | | | |
| Deck Lay up 01 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lay Up Hull 01 | | | | | | | Lay Up Hull 01 | | | | | | | | | | | | | | | | | | | See Sheet 2 for Pay Back & Profit | | | | | |
| Glass Fit Out Hull 01 | | | | | | | | Gls fit out Hull 01 | | | | | | | | | | | | | | | | | | | See Sheet 3 for Build Costs | | | | |
| Open Hull 01 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deck Lay up 01 | | | | | | | | | Dk Lay Up | | | | | | | | | | | | | | | | | | | | | | |
| Deck Fit Out | | | | | | | | | | | | | | | | | | | | Deck Fit Out | | | | | | | | | | | |
| Deck to Hull Mate | | | | | | | | | | | | | | | | | | | | Deck to Hull Mate | | | | | | | | | | | |
| Finish Carpentry | | | | | | | | | | | | | | | | | | | | | | Finish Carpentry | | | | | | | | | |
| MEP | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interior Finish and Fit Out | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hull and Deck Finish | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Masts and Booms | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Launch and Commissioning | | | | | | | | | | | | | | | | | | | | | | | | | | | | | L & C | | |

NOTES FOR THE BUILD SCHEDULE:

1. The first six months of active operations are to construct the hull and deck molds which we intend to have done by contractors for up to \$1.2 million dollars.
2. For this reason, the first yacht will take 24 months, we intend to have all additional yachts take 18 months to build.
3. Note that for the first yacht, month M23 shows a single month cost of \$350K for sails and final fit out and month M24 shows \$450K for Blue Water Yachts LLC building management. You can see the same costs for the second yacht in months M27 and M28. Each yacht built has these two costs along with the materials, labor and overhead costs.

NOTES FOR INVESTOR PAYBACK & PROFIT PROJECTIONS:

Business Valued at a multiple of EBITDA + Depreciated Value of 1 Blue Pearl 114 at \$6M

Blue Water Yachts, LLC builders management fee each yacht built is \$450,000

In this, table above, during the first 28 months, the company builds two yachts and keeps the first yacht built and uses it for sales presentations. The first yacht becomes an asset of the company. The second yacht is sold for \$12 million dollars, which covers about 82% of the direct cost of building the first two yachts. At this point we intend to have roughly \$23.4 million of cash in the bank after the sale. Out of the \$12 M in sales revenue we intend to pay investors up to \$10 million dollars as a return of equity.

Then over the next 2.5 years, we intend then to build two more yachts for sale (intend to be presold) which should be finished by the end of 4-5 years out, which should net roughly \$12 million dollars of which we intend to pay the investors \$20 million as a return of equity.

Then over the next 2.5 years, (ending the 6th year out) we intend to presell and build three more yachts. We intend to net about \$23.4 million for the sale of these three yachts. We intend to raise the price of each yacht by \$2 million dollars. We intend to pay investors up to \$20 million upon the sale; equally \$20M in profit.

Over the next two years, ending the 8th year, we intend to sell two more yachts (the 7th and 8th yachts) netting \$15.6 million of which the company intends to distribute profits according to the prorated share of the A, B and C unit holders. The company therefore intends to have the investors receive \$3.90 million as profit and the remaining \$11.7 million will be prorated among the A and C unit holders by percentage of ownership.

After the 6th yacht is built and sold all payouts will be prorated by A, B and C unit holder percentage. After building 9 yachts the company intends to expand to build 3 yachts a year.

We intend, if possible, to expand and begin to build 3 yachts intended to be built each year starting in year 2024.

SUMMARY OF THE CLASS B OFFERING

The following summary is intended to provide selected limited information regarding the Class B Offering and should be read together with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Memorandum and in its Exhibits. **Before investing in Class B Preferred Units, each prospective investor should read this Memorandum and all of its Exhibits in their entirety.**

The Company:

BLUE PEARL YACHTS, LLC, an Ohio limited liability company (“**BPY**” or the “**Company**”), was formed on November 9, 2020 by Blue Water Yachts, LLC, an Ohio limited liability company (“**BWY**”), a which is controlled by Dr. Gregory Hummer. The Company’s primary business is intended to be to design and build custom sailing yachts. An example of which would be the Blue Pearl 114.

BWY was organized to develop and commercialize the technology and custom design inventions of Dr. Hummer. Dr Hummer has developed the design plans for the Blue Pearl 114 custom sailing yacht in association with designer Robert Perry, a famed international yacht designer.

Class B Offering:

The Company is offering up to a maximum of \$30,000,000 of Class B Preferred Membership Interests of the Company (the “**Class B Preferred Units**”) to accredited investors pursuant to this Confidential Private Placement Memorandum (as it may be amended or supplemented, this “**Memorandum**”). The purchase price per Class B Unit is \$2.80. The minimum purchase is Twenty-Five Thousand Dollars (\$25,000), which would represent 8928 Class B Preferred Units. The Company may, in its sole discretion, waive the minimum purchase requirement.

Units Outstanding: The Company is authorized to issue 62,714,280 Units of membership interest, of which 48,000,000 are designated as Class A Voting Units, 10,714,280 are designated as Class B Preferred Units and 4,000,000 are designated as Class C Nonvoting Units. Immediately prior to the Class B Offering, there are 30,428,556 Class A Units issued and outstanding and there are 1,714,284 Class C Nonvoting Units issued and outstanding. No Class B Preferred Units have been issued prior to the Class B Offering.

The following table sets forth the expected capitalization of the Company assuming completion of the maximum offering amount and the sale of all Class B Preferred Units offered hereby:

| | Class A Voting Units | Class B Preferred Units | Class C Nonvoting Units | Total Units | % of Total |
|----------------------------|---------------------------------|--|--|------------------------|-----------------------|
| Blue Water Yachts, LLC | 30,428,556 | 0 | 0 | 30,428,556 | 71.00% |
| Employees and Consultants | 0 | 0 | 1,714,284 | 1,714,284 | 4.00% |
| Investors in this Offering | 0 | 10,714,280 | | 10,714,280 | 25.00% |
| Total | 30,428,556 | 10,714,280 | 1,714,284 | 42,857,120 | 100.00 % |

Investor Suitability: The Company is offering the Class B Preferred Units only to accredited investors who satisfy the minimum financial requirements described herein. See **“Investor Suitability Requirements.”**

Subscribers Will Become Members of the Company: The subscribers for the Class B Preferred Units offered hereby will become Members of the Company and, as such, will be designated as **“Members”** under the Operating Agreement (as defined below). The rights and obligations of the holders of Class B Preferred Units will be governed by the Operating Agreement of the Company, which is attached as Exhibit B (the **“Operating Agreement”**). Any prospective investor in Class B Preferred Units should review the entire Operating Agreement before subscribing. By executing the Subscription Agreement for Class B Preferred Units attached hereto as **Exhibit D** (the **“Subscription Agreement”**), upon the Company’s acceptance of the subscription thereunder, a subscriber for the Class B Preferred Units offered hereby adopts the Operating Agreement as a Member and holder of Class B Preferred Units of the Company and agrees to be bound by the terms of the Operating Agreement and be deemed a signatory thereto.

Offering Termination Date: The Company will offer the Class B Preferred Units until the earlier of (i) the date when \$30,000,000 of Class B Preferred Units have been sold

or (ii) December 31, 2021, which date may be extended by the Company in its sole discretion.

Subscription Payments:

All subscription payments received for Class B Preferred Units will, upon acceptance of the associated subscription, be deposited into the Company's bank account and thereafter be immediately available for use by the Company.

Use of Proceeds:

The net proceeds of the Class B Offering will be used to (i) provide working capital to the Company, (ii) pay or reimburse organizational expenses of the Company, (iii) pay expenses of the Class B Offering and (iv) provide funding for the design, construction, marketing and sales of luxury yachts in the U.S. as described under "**Use of Proceeds**". The Company has absolute discretion in the use of the net proceeds of the Class B Offering.

Determination of Offering Price:

The offering price of the Class B Preferred Units offered hereby was established arbitrarily and should not be considered as an indication of the actual value of the Company. The offering price bears no necessary relationship to the Company's assets, book value, potential earnings, net worth or any other recognized criterion of value.

Additional Units:

Under the Operating Agreement, the Managers are authorized to issue any number of Units of membership interest, including the creation of new classes of Units including preferred units with rights, preferences and privileges senior to the Class A Units and Class B Preferred Units. Each subsequent issuance of Class A or Class B Preferred Units or preferred units will dilute existing Members.

Terms of Class B Preferred Units in Operating Agreement:

The terms of the Class B Preferred Units are set forth in the Operating Agreement of the Company. Any prospective investor in Class B Preferred Units should review the entire Operating Agreement before subscribing.

Description of Terms of Class B Preferred Units:

"Principal Rights, Preferences and Privileges of Class B Preferred Units"

The Class B Preferred Units will have the following principal rights, preferences and privileges:

Preferred Distributions – The holders of Class B Preferred Units will be entitled to receive preferential distributions (the "**Class B Preferred Distributions**") as follows: The Class B Preferred holders are entitled to receive seventy-five percent (75%) of all cash distributions made by

the Company until they have each received (1) a return of one hundred percent (100%) of the purchase price of the Class B Preferred Units and (2) plus twenty percent (20%) of the original purchase price. The Class A Unitholders and the Class C Nonvoting Unitholders will receive twenty-five percent (25%) of such cash distributions during such period. After the Class B Preferred Distributions have been paid in full, all distributions will be made *pro rata* among all Unitholders. Distributions are made in the sole discretion of the Manager, except mandatory tax distributions. Each year the Company will distribute an amount that is equal to the estimated tax liability of the Members as set forth in the Operating Agreement.

Liquidation Preference. Upon any winding up or dissolution of the Company, the Class B Units entitle the holders to receive, prior to any distribution to the Class A or Class C Units, an amount equal to their original purchase price of the Class B Preferred Units, after provisions for outstanding debts and liabilities of the Company (the “**Class B Liquidation Preference**”). If there is insufficient cash to repay the Class B Unitholders in full, then the Class B Unitholders will receive all of the available cash *pro rata* based upon their percentage ownership of Class B Preferred Units. Once the Class B Liquidation Preference is paid in full, then additional distributions will be made *pro rata* to all Unitholders.

Voting Rights – Except as otherwise provided in the Operating Agreement, and except to the extent otherwise provided by Ohio law, Members holding Class B Preferred Units will have no right to vote on any matter submitted to the Members for a vote, except the following:

- (i) Dissolution of the Company;
- (ii) Any change to Operating Agreement that materially adversely affects the rights, preferences and privileges of the Class B Preferred Units;
- (iii) In the event there are no longer any Class A Units outstanding, (a) the election of a manager, (b) dissolution of the Company, (c) sale of the business or substantially all of the assets of the Company and (d) any other matter; and
- (iv) Amendment of the Operating Agreement in any manner that effects the rights of Class B Members.

The Class B Members will vote together with the Class A Members to the extent they have the right to vote and will not be entitled to vote as a separate class or series of Membership Interests.

Composition of Board of Managers:

The Operating Agreement provides that the Board of Managers of the Company will initially consist of one (1) Manager. Currently, the sole Manager is Dr. Gregory Hummer.

Dissolution and Termination:

The Operating Agreement provides that the Company will dissolve and commence winding up and liquidating upon the first to occur of any of the following events (each, a “**Termination Event**”): (a) the Members vote to dissolve and liquidate the Company; (b) the entry of a decree of judicial dissolution under Ohio law; or (c) the occurrence of any other event that makes it unlawful or impossible to carry on the business of the Company.

Certificate of Cancellation:

The Operating Agreement provides that, when all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made for such items and all of the remaining property and assets have been distributed to the Unitholders, the Chief Executive Officer shall file a Certificate of Cancellation with the Ohio Secretary of State as required by the Act. Upon filing the Certificate of Cancellation with the Ohio Secretary of State, the existence of the Company shall cease, except as otherwise provided in the Act.

ESTIMATED USE OF PROCEEDS

The Company anticipates that it will use the net cash proceeds of the Class B Offering over a period of approximately 24 months to develop, implement and commercialize the products and services based upon the design and engineering drawings to build at least two Blue Pearl 114 sailing yachts.

The Company will have broad discretion in how it will use the proceeds received by it from the sale of Class B Preferred Units offered hereby, and the Company may spend these proceeds in ways that do not improve its operating results. Investors in Class B Preferred Units will not have the opportunity to evaluate the economic, financial or other information on which the Company bases its decisions regarding how to use the proceeds from the Class B Offering.

Set forth below is the Company's current best estimate of the use of proceeds. The use of proceeds is divided into two phases; the first phase for developing infrastructure like the new assembly building with equipment and the second phase to develop the hull and deck molds and then build two yachts. These estimates should be read in conjunction with the Company's product development plans—see “**Description of Business**”.

Estimated Costs of Design and Construction of the first 2 Yachts

The cost for developing phase 1 infrastructure is estimated to be \$6 million with Phase 1 accounting for 20 percent of the total cost and Phase 2 accounting for 53 percent of the total or \$16 million.

Phase 1 Implementation

Phase 1 includes developing the land, assembly building(s), necessary equipment, personnel and infrastructure for the facilities to build the yachts.

Phase 2 Implementation

Phase 2 includes developing final engineering drawings, building hull and deck molds, two movable cradles capable of withstanding 270,000 pounds, then building the hull, mechanical, interior finishes, the deck and all deck fit out and the sails and rigging.

The following table sets forth the estimated costs of construction one Blue Pearl 114 yacht. With the proceeds of the Class B Offering, assuming it is fully subscribed, the Company intends to build one yacht which it will retain for sales and marketing purposes, and thereafter will construct additional yachts for sale to customers.

ESTIMATED COST OF CONSTRUCTION OF A BLUE PEARL YACHT

Blue Pearl Cost Estimate

The following are intended costs and could change.

| <u>Hull Tooling</u> | Labor | Materials | Ttls |
|----------------------------|-------|-----------|-------------|
| Hull Plug Materials | | \$75,000 | |
| Hull Plug Labor | 6,000 | \$240,000 | |
| Hull Mold Labor | 2,500 | \$100,000 | |
| Hull Mold Materials | | \$100,000 | |
| <u>Deck Tooling</u> | | | \$515,000 |
| Deck Plug Materials | | \$50,000 | |
| Deck Plug Labor | 4,500 | \$180,000 | |
| Deck Mold Labor | 2,000 | \$80,000 | |
| Deck Mold Materials | | \$75,000 | |
| | | | \$385,000 |
| Cost Overage | | | \$300,000 |
| TTL Hull and Deck molds | | | \$1,200,000 |

| <u>Hull Shell</u> | <u>Labor</u> | <u>Labor \$</u> | <u>Materials</u> | <u>Total</u> |
|-------------------------------|--------------|-----------------|------------------|--------------|
| Resins/Gelcoats | | | \$40,000 | |
| Fiberglass reinforcements | | | \$45,000 | |
| Coring | | | \$25,000 | |
| Thinners and cleaners | | | \$5,000 | |
| Stringer and timber materials | | | \$7,500 | |
| TTL Lamination labor | 3000 | \$37,500 | \$122,500 | \$160,000 |

| <u>Deck Shell</u> | <u>Labor</u> | <u>Labor \$</u> | <u>Materials</u> | <u>Total</u> |
|-----------------------------|--------------|-----------------|------------------|--------------|
| Resins/Gelcoat | | | \$35,000 | |
| Fiberglass reinforcements | | | \$30,000 | |
| Coring | | | \$18,500 | |
| Thinners and cleaners | | | \$3,000 | |
| Stringers and longitudinals | | | \$5,000 | |
| TTL Lamination labor | 2000 | \$25,000 | \$91,500 | \$116,500 |

| <u>Hull Glass fit out</u> | <u>Labor</u> | <u>Labor \$</u> | <u>Materials</u> | <u>Total</u> |
|---------------------------|--------------|-----------------|------------------|--------------|
| Ballast | | | \$120,000 | |
| Subfloors | | | \$11,250 | |

| | | | | | |
|-----|--------------------------|------|----------|-----------|-----------|
| | Bulkheads | | | \$50,000 | |
| | Engine mount fabrication | | | \$5,000 | |
| | Paint out | | | \$5,000 | |
| | Lamination materials | | | \$5,000 | |
| TTL | Labor | 2500 | \$31,250 | \$196,250 | \$227,500 |

Open Hull Carpentry

| | | | | | |
|-----|---|-------|-----------|-----------|-----------|
| | Custom Owner, Guest cabin saloon, head assembly units | | | \$400,000 | |
| | Granite counters | | | \$20,000 | |
| | Captain and Crew quarters Mtls(Standard 5300 std) | | | \$75,000 | |
| TTL | Open Hull Labor | 17500 | \$218,750 | \$495,000 | \$713,750 |

Deck Fit Out

| | | | | | |
|-----|---|------|----------|-----------|-----------|
| | Teak Decking | | | \$44,500 | |
| | Teak Decking consumables (caulk, thinners, etc) | | | \$5,000 | |
| | Portlights | | | \$15,000 | |
| | Deck Hatches | | | \$10,000 | |
| | Deck lights | | | \$5,000 | |
| | Teak Rubstrake | | | \$7,500 | |
| | Custom Stainless Fabrications | | | \$100,000 | |
| | Hydraulic winches | | | \$150,000 | |
| | Blocks and tracks | | | \$30,000 | |
| | Hinges and misc hardware | | | \$5,000 | |
| | Pilot house doors, Windows | | | \$25,000 | |
| | Cleats and Huse pipes | | | \$5,000 | |
| | Bollards | | | \$3,000 | |
| | Pilothouse windshield wipers | | | \$4,500 | |
| TTL | Deck Fit Out Labor | 4500 | \$56,250 | \$409,500 | \$465,750 |

Deck to Hull Mate

| | | | | | |
|-----|--------------------------------------|------|----------|---------|----------|
| | Consumables (adhesives and sealants) | | | \$5,000 | |
| TTL | Deck to hull mate labor | 1000 | \$12,500 | \$5,000 | \$17,500 |

Finish Carpentry

| | | | | | |
|-----|-----------------------------|------|----------|-----------|-----------|
| | Finish trim | | | \$10,000 | |
| | Interior mirrors | | | \$2,500 | |
| | Finish sole | | | \$35,000 | |
| | Overhead | | | \$10,000 | |
| | Overhead trim | | | \$20,000 | |
| | Bosun's locker | | | \$5,000 | |
| | Engine room watertight door | | | \$2,500 | |
| | Cabinet doors | | | \$20,000 | |
| | Passage doors | | | \$10,000 | |
| | Interior hardware | | | \$5,000 | |
| | Owners stateroom portlights | | | \$6,500 | |
| TTL | Interior finish carpentry | 7200 | \$90,000 | \$126,500 | \$216,500 |

Finish and fit out

| | | | | | |
|-----|-------------------------------|------|----------|----------|-----------|
| | Interior varnishes and paints | | | \$5,000 | |
| | Interior upholstery | | | \$25,000 | |
| | Mattresses | | | \$12,000 | |
| | Exterior upholstery | | | \$10,000 | |
| | On deck varnishes and paints | | | \$5,000 | |
| TTL | Finish and fit out labor | 7500 | \$93,750 | \$57,000 | \$150,750 |

Hull and Deck finish

| | | | | | |
|-----|--------------------------------|------|----------|----------|----------|
| | Hull topside fairing materials | | | \$3,500 | |
| | Hull topside primers | | | \$3,000 | |
| | Hull topside topcoat | | | \$4,000 | |
| | Striping | | | \$1,000 | |
| | Deck fairing | | | \$2,500 | |
| | Deck primers | | | \$2,000 | |
| | Deck topcoat | | | \$2,500 | |
| | Bottom primers | | | \$6,000 | |
| | Bottom paint | | | \$6,000 | |
| TTL | Hull and deck finish labor | 4000 | \$50,000 | \$30,500 | \$80,500 |

Mechanical, Electrical, Plumbing

| | | | | | |
|-----|---|------|----------|-----------|-----------|
| | Engine and Drive | | | | |
| | Engine, Volvo D9 | | | \$50,000 | |
| | Drive and variable pitch prop | | | \$110,000 | |
| | Engine plumbing and piping | | | \$5,000 | |
| | Engine exhaust system | | | \$5,000 | |
| | Fuel system/filters | | | \$5,000 | |
| | Oil changing system | | | \$2,500 | |
| | Fuel tanks | | | \$3,500 | |
| | Engine controls | | | \$3,500 | |
| | Engine room insulation, Sounddown | | | \$10,000 | |
| TTL | Engine and drive installation labor | 2600 | \$32,500 | \$194,500 | \$227,000 |
| | Black water system | | | | |
| | Headhunter waste treatment system | | | \$36,000 | |
| | Headhunter heads Superbowl SBS-3 throughout | | | \$30,000 | |
| | Holding tanks (2) | | | \$3,500 | |
| | Black water plumbing and fittings | | | \$5,000 | |
| TTL | Black water installation labor | 1000 | \$12,500 | \$74,500 | \$87,000 |
| | Gray water system | | | | |
| | Electric bilge pumps with floats and alarms | | | \$3,500 | |
| | Engine driven bilge pump | | | \$3,000 | |
| | Gray water plumbing and fittings | | | \$4,000 | |
| | Deck wash pumps | | | \$2,500 | |
| | Gray water tanks (2) | | | \$3,500 | |

| | | | | | |
|---------------------------|---|------|----------|-----------|-----------|
| | Sinks and drains | | | \$3,500 | |
| TTL | Gray water installation labor | 1500 | \$18,750 | \$20,000 | \$38,750 |
| Freshwater system | | | | | |
| | Pressure water pump and accum tanks (3) | | | \$5,500 | |
| | Freshwater plumbing & 2 hot water tank off engine | | | \$7,000 | |
| | Freshwater filters & individual instant hot water heaters | | | \$11,500 | |
| | Freshwater fixtures | | | \$2,500 | |
| | Shower fixtures | | | \$1,000 | |
| | Deck shower fixtures | | | \$500 | |
| | Sea Recovery water maker | | | \$20,000 | |
| | Freshwater tanks | | | \$5,000 | |
| TTL | Freshwater installation labor | 1750 | \$21,875 | \$53,000 | \$74,875 |
| 24 Volt Ships Power | | | | | |
| | Wiring | | | \$14,000 | |
| | Interior lighting fixtures | | | \$15,000 | |
| | Exterior lighting | | | \$2,000 | |
| | Navigation lights | | | \$2,500 | |
| | Distribution panels | | | \$10,000 | |
| | Battery panels | | | \$2,500 | |
| | Charging system | | | \$5,000 | |
| | Misc connectors, buss junctions etc | | | \$7,500 | |
| | Batteries | | | \$10,000 | |
| TTL | 24 volt ships power installation labor | 1750 | \$21,875 | \$68,500 | \$90,375 |
| 12 Volt Distribution | | | | | |
| | Wiring | | | \$2,500 | |
| | Step down transformer | | | \$1,000 | |
| | Misc connectors, buss junctions etc | | | \$1,000 | |
| | Distribution panels | | | \$2,000 | |
| TTL | 12 volt dist installation labor | 500 | \$6,250 | \$6,500 | \$12,750 |
| Shorepower system | | | | | |
| | Asea Power Systems | | | \$100,000 | |
| | Panels | | | \$10,000 | |
| | 110vac convenience wiring | | | \$1,500 | |
| | 220vac systems wiring | | | \$1,500 | |
| TTL | Shorepower installation labor | 1000 | \$12,500 | \$113,000 | \$125,500 |
| Ground and bonding system | | | | | |
| | Ground plate | | | \$2,500 | |
| | Ground plane | | | \$2,000 | |
| | Bonding system | | | \$2,500 | |
| TTL | Ground and bonding system labor | 750 | \$9,375 | \$7,000 | \$16,375 |
| Generators and Inverters | | | | | |

| | | | | | |
|-------------------------------------|--|------|----------|----------|----------|
| 2 | Northern Lights | | | \$40,000 | |
| | Inverters | | | \$20,000 | |
| | Inverter wiring | | | \$1,500 | |
| | Generator wiring | | | \$500 | |
| | Generator piping | | | \$1,250 | |
| | Generator exhaust system | | | \$2,000 | |
| | Generator fuel system/filters | | | \$1,500 | |
| TTL | Gen/Inverter installation labor | 450 | \$5,625 | \$66,750 | \$72,375 |
| Galley, Laundry and Misc Appliances | | | | | |
| | Built in and purchased refrig/freezer | | | \$20,000 | |
| | Washer | | | \$1,250 | |
| | Dryer | | | \$1,250 | |
| | Icemaker | | | \$2,500 | |
| | Stove/Oven | | | \$3,000 | |
| | Dishwasher | | | \$1,500 | |
| | Trash Compactor | | | \$1,250 | |
| | Wine Cooler | | | \$1,200 | |
| | Microwave (2) | | | \$1,500 | |
| TTL | Installation Labor | 1250 | \$15,625 | \$33,450 | \$49,075 |
| Steering system/rudder | | | | | |
| | Rudder and shaft | | | \$10,000 | |
| | Rudder bearings | | | \$5,000 | |
| | Rudder port | | | \$5,000 | |
| | Steering system & Autopilot | | | \$25,000 | |
| | Steering Wheels | | | \$10,000 | |
| | Emergency steering system | | | \$2,500 | |
| | Binnacle compasses | | | \$5,000 | |
| | Rudder stop | | | \$2,500 | |
| TTL | Steering/rudder labor | 2500 | \$31,250 | \$65,000 | \$96,250 |
| Hydraulic system | | | | | |
| | Pump | | | \$25,000 | |
| | Distribution system | | | \$15,000 | |
| | Piping | | | \$15,000 | |
| | Panels | | | \$5,000 | |
| TTL | Hydraulic system installation | 500 | \$6,250 | \$60,000 | \$66,250 |
| Misc Systems | | | | | |
| | Hydraulic bow thruster | | | \$20,000 | |
| | Windlasses | | | \$40,000 | |
| | Stbd side platform | | | \$15,000 | |
| | 2500 lb davit | | | \$35,000 | |
| | Engine room fire automatic fire supression | | | \$10,000 | |
| | Airconditioning | | | \$80,000 | |
| | Tank monitoring system | | | \$5,000 | |

| | | | | | |
|---|---|-------|-----------|-------------|-----------|
| | Alarm/warning system | | | \$5,000 | |
| | Blowers | | | \$2,500 | |
| | CO and LPG detectors | | | \$2,500 | |
| | Passarelle | | | \$25,000 | |
| | Cable and telephone inlets and wiring | | | \$1,500 | |
| TTL | Misc systems labor | 4400 | \$55,000 | \$241,500 | \$296,500 |
| <u>Anchoring and docking equipment</u> | | | | | |
| | Anchors | | | \$21,500 | |
| | Anchor rodes | | | \$7,500 | |
| | Docking gear | | | \$10,000 | |
| TTL | | | | \$39,000 | \$39,000 |
| <u>Misc</u> | | | | | |
| | 18' Nautica with equipment as specified | | | \$47,000 | |
| | Removeable Deck Chocks for 18' Nautica | | | \$5,000 | |
| | Zincs | | | \$500 | |
| | Fasteners | | | \$32,000 | |
| | Materials Freight In | | | \$95,520 | |
| | Fire Extinguishers | | | \$5,000 | |
| | Shop supplies | | | \$40,000 | |
| TTL | | | | \$225,020 | \$225,020 |
| <u>Spars and Rigging</u> | | | | | |
| | Mainmast | | | \$127,000 | |
| | Mizzen mast | | | \$98,400 | |
| | Pocket Main Boom | | | \$17,500 | |
| | Pocket Mizzen Boom | | | \$7,500 | |
| | Hydraulic Furlers (2) | | | \$100,000 | |
| | Standing rigging | | | \$240,000 | |
| | Running rigging | | | \$40,000 | |
| | Spar and Rigging Labor | 5000 | \$62,500 | \$630,400 | \$692,900 |
| <u>Electronics</u> | | | | | |
| | | | | \$50,000 | |
| <u>Decorating</u> | | | | | |
| | | | | \$20,000 | |
| <u>Launch, Commissioning and Seatrials</u> | | | | | |
| | Cranes | | | \$15,000 | |
| | Trucking/Trailers | | | \$10,000 | |
| | Misc Supplies | | | \$5,000 | |
| | Testing | | | \$2,500 | |
| | Misc expenses during trials | | | \$3,000 | |
| | Fuel | | | \$2,500 | |
| TTL | Commissioning/Seatrial | 2000 | \$25,000 | \$38,000 | \$63,000 |
| | | 76150 | \$951,875 | \$3,539,870 | |

SUMMARY

| | |
|---|--------------------|
| Materials | \$3,539,870 |
| Direct Labor | \$951,875 |
| Overhead Expenses | \$900,000 |
| T&M plus Overhead (Does Not Include Any Mold Cost) | \$5,391,745 |
| Profit | \$450,000 |
| Entertainment, Monitoring, Sails | \$350,000 |
| One Time Charge - Mold Cost | \$1,200,000 |
| Total | \$7,391,745 |

DETERMINATION OF OFFERING PRICE

The offering price of the Class B Preferred Units offered hereby was established arbitrarily and should not be considered as an indication of the actual value of the Company. The offering price bears no necessary relationship to the Company's assets, book value, potential earnings, net worth or any other recognized criterion of value.

DILUTION

If you purchase Class B Preferred Units in this Offering, your interest will be diluted to the extent of the Offering price per Unit exceeds the adjusted net tangible book value per Unit after this Offering. Net tangible book value per Unit represents the amount of our total tangible assets reduced by the amount of our total liabilities, divided by the total number of Units outstanding.

As of November 15, 2020, we had an estimated net tangible book value (unaudited) of approximately \$1,000 or approximately \$0.00 per Unit. After giving effect to the sale of the Maximum Offering at the Offering Price of \$2.80 per Class B Unit, our net tangible book value would increase to approximately \$30,000,000 or \$0.70 per Unit. This represents an immediate increase of \$0.70 per Unit to existing members and immediate dilution of \$2.10 per Class B Unit to the new Investors who purchase Class B Preferred Units in this Offering.

The following table illustrates this per Unit dilution:

| | | |
|--|--------|--------|
| Offering price per Unit | | \$2.80 |
| Current pro forma net tangible book value per Unit | \$0.00 | |
| Increase in pro forma net tangible book value per Unit attributable to new Investors | \$0.70 | |
| Net tangible book value per Unit after the Offering | | \$0.70 |
| Dilution per Unit to new Investors | | \$2.10 |

The following table summarizes, as of the date of this Memorandum, the differences between the existing members and the new Investors with respect to the number of Class B Preferred Units purchased, the total consideration paid and the average price per Unit paid, assuming the Maximum Offering of 10,714,280 Class B Preferred Units is sold:

| | Class A or B Units Purchased | | Total Consideration | | Average Price Per Unit |
|------------------|-------------------------------------|----------------|----------------------------|----------------|-------------------------------|
| | Number | Percent | Amount | Percent | |
| Existing Members | 32,142,840 | 75.00% | \$1,000 | 0.01% | \$0.00 |
| New Investors | <u>10,714,280</u> | <u>25.00%</u> | <u>\$30,000,000</u> | <u>99.99%</u> | <u>\$2.80</u> |
| Total: | <u>42,857,120</u> | <u>100.00%</u> | <u>\$30,000,000</u> | <u>100.00%</u> | |

DESCRIPTION OF BUSINESS

The Company

BLUE PEARL YACHTS, LLC, an Ohio limited liability company (“**BPY**” or the “**Company**”), was formed on November 9, 2020 by Blue Water Yachts, LLC, an Ohio limited liability company (“**BWY**”), which is controlled by Dr. Gregory Hummer. The Company’s primary business is intended to be to design and build custom sailing yachts. An example of which would be the Blue Pearl 114.

BWY was organized to develop and commercialize the technology and custom design inventions of Dr. Hummer. Dr Hummer has developed the design plans for the Blue Pearl 114 custom sailing yacht in association with designer Robert Perry, a famed international yacht designer.

Introduction

- **WHO WE ARE:** A group of advanced yacht designers and builders that have extensive years in sailing, planning, designing and building sailing yachts.
- **TECHNOLOGY:** Epoxy infused resins, which may include carbon fiber to build hulls, that are virtually maintenance free and have extraordinary longevity. A yacht with low maintenance and ease of handling.
- **WHAT WE OFFER:** State of the art design, U.S. engineering, U.S. built sailing yachts that are very price competitive around the world; and that can be chartered in U.S. waters.

Business Thesis

Luxury sailing yachts built in the U.S. are very attractive to foreign buyers, especially Chinese, Russians, and Europeans, because such yachts can be legally chartered in U.S. waters. US boats have the reputation as being well-built and engineered. Additionally, there are currently no taxes or tariffs on such yachts if transferred correctly. We believe that our U.S. built sailing yachts will be substantially less expensive than comparable yachts built in Europe. Exchange rates for the British pound and Euro provide substantial discounts on American built yachts.

There are no production sailing yacht manufacturers in the U.S. that produce a yacht over 65 feet in length. There are only two production sailing manufacturers of yachts that are 55 feet or less in the U.S. The maximum sales price of these smaller yachts is approximately \$1.6 million and such boats do not compete with the luxury sailing yachts produced in Europe and elsewhere.



Incredible lifestyle on the water.

Rendition of the Blue Pearl 114, a classic clipper ketch with romantic overtones made with some of the finest engineering materials. The Blue Pearl 114 will sail safely and well offshore.

Design Advantages:

The yacht has a pedigree designer, Robert Perry. For the length of 114 feet, this yacht has comparable living space to a similar yacht of 130 feet. It is a custom cruising yacht designed to sleep 12 to 13 persons with a crew of 4 or 5. Every inch of the interior is designed for maximum room and comfort. The galley is amidship, which makes serving guests in the Salon and Upper Deck easy. Refrigeration units are standard SubZero appliances that operate on 220V. Making repairs very simple.

The ship is designed as “a captain’s ship” meaning that it is low maintenance and easily repairable. There is designed to have five feet of head room in the mechanical space. The yacht has built in safety features of skeg rudder and a full length integral 49-ton keel, allowing a safe and smooth ride even in the roughest seas. Its epoxy resin hull is virtually maintenance free as compared to an aluminum or steel hull, and will permit great resale value.

This yacht is an ideal cruising and charter yacht and has significant value because it is built in the USA it is legally allowed to be chartered in US waters. The Chinese and Russians gravitate

to US built yachts as they have excellent engineering and can be chartered in US waters. Charter fees net to owners per week will be in the range of \$75K to \$85K.

Construction Materials and Costs:

The yacht will be constructed mostly of infused epoxy resin with a clear gel coat. This will provide a virtually maintenance free hull and that will not weaken in salt water nor be subject to electrolysis as would an aluminum or steel hull. The clear gel coat will allow the hull to easily be inspected upon glass up for small defects which can then easily be repaired as glass up is finishing. The hull will be painted after all imperfections are resolved, providing a superior hull and deck. A buyer will not have to worry about the integrity of the ship's hull and deck.

British buyers will have a substantial discount as the pound at this writing would provide a 29% discount because of the exchange rate. The Euro would provide a 17% discount. The exchange rates could change. This same yacht if built in Europe would cost up to 100% more.

Demand For a Yacht of This Kind:

Sales of all yachts are booming at this time. It may be because of unrest within the world today. Most yachts are less than 65 feet long. There is a niche for a large cruising/charter yacht in the over 100 foot range that is priced right between \$12-\$14 million dollars. This category of yacht if built in Europe would be twice that amount. So comparatively this yacht is a welcome deal not only on price but luxury and low maintenance and less crew to operate the yacht. The market has been saturated with sleek carbon hulled race boats that cost upwards of \$25-\$50 million dollars. They are noisy and uncomfortable to sail especially in any kind of rough seas.

There are no large production sailing yachts built in the USA. There are only two small production sailing yacht manufactures in the US; Tartan Yachts in Fairport Harbor, Ohio and Beneteau Yachts, a French Company. This class of yachts can be hard hit as the owners are mostly in the lower to mid income brackets, while larger yachts over 100 feet appeal to multi-million and billionaires. This yacht would be extremely competitive on the world market. We expect a queue of potential owns waiting for their yacht to be built. We expect at minimum to sell one yacht per year over 8-9 years and at best to sell thirteen over nine years. Returns to investors as shown are based on just selling nine yachts over 8-9 years.

Marketing and Sales Strategy

Steve Doyle, an international yachts sales and charter expert with more than 50 years in the worldwide yacht sales and charter business, says the following:

“Marketing this sailboat will be a wonderful challenge. This style sailboat was very successful back in the 90's due to the stability, charter ability and large, comfortable interior spaces.

The trend moved to performance modern sleek sailboats in the late 90s. That trend is worn out. Classics are beginning a comeback. If you design your interior to be classic but not over the top with heavy woods, it will work well. (The interior will be in a classic mode but more modern wood work. See picture)

The charter market world-wide is strong and getting stronger. Your style sailboat has always been a popular design style for charters.

Once you have molds completed and begin hull #1 we can start an aggressive marketing campaign in print media, social media and through the brokerage industry.

Obviously, the best marketing tool is the boat. A very aggressive boat show presence in Western Europe and the US will be essential. Buyers want to touch it and feel it. It's not like the old days when they purchased construction slots from drawings and pictures. There were many fly by nights that burned clients and tarnished the industry. As your company is keeping hull #1, then we can make it available to buyers who purchase yachts to be built.

We can create a yacht share program where we sell shares in ownership of a yacht if owning one alone is not desirable. We have a manager that now has eight boats in their fleet. He is excited about possibly adding a sailboat.

Once you have molds, we can put together a very targeted, strong campaign along with a budget. After all, your business plan is conservative and calls for selling one yacht per year for a total of 7 yachts over 8 years. I understand that you intend to produce more, should you be successful with the first 7 yachts. This yacht will be very attractive for buyers from Great Britain and Europe as well as the United States.”



Example of the traditional but yet modern interior finish contemplated for this yacht.

Steve Doyle
Apollo Yachts

steve@apolloyachts.com
www.apolloyachts.com

- Brokerage – (Sales/Acquisitions)
- World Class Representation, Concierge Service
- International Yacht Charters
- Comprehensive Yacht Management

Competition

There are no large production sailing yacht builders in the US. One of the only production sailing yachts in the US is the Tartan Yachts company out of Fairport Harbor, Ohio. The largest yacht built by Tartan is 53 feet. The Italians and Dutch along with South Africa and New Zealand are producing most of the new racing type sailing boats. Those boats are more of the sleek racer type of boat that sell in the \$14-20 million Euro range. To our knowledge there is no international or US company building a production sailing yacht of this type.

Employees

The Company currently has no fulltime employees and no part-time employees and has five consultants. We anticipate that, upon completion of this offering and sale of Class B Preferred Units, the Company intends to have approximately 25 full-time employees and 15 contractors.

Description of Property

The Company owns no real property but currently does lease office space in Shaker Heights, Ohio. The Company anticipates that, with the proceeds of this offering, it will acquire /lease land to build facilities to build yachts in Ohio.

Legal Proceedings

The Company is not a party to any material legal proceeding.

Principal Executive Office

The Company's mailing address is 19815 North Park Boulevard, Shaker Heights, Ohio 44122. The Company's telephone number is (216) 543-3031.

MANAGEMENT

Managers and Executive Officers

The business and affairs of the Company are managed by the sole Manager who is Gregory Hummer MD.

Election of Managers and Officers

The Operating Agreement provides that the Board of Managers of the Company will initially consist of one (1) Manager. The number of managers may be increased by the Manager or by a vote of the Class A Units.

Management & Co-Designer



Gregory Hummer MD. Gregory is serial entrepreneur and Level I trauma surgeon, trained at the Cleveland Clinic. He was medical consultant to NASA and founded two successful healthcare technology companies. Gregory received his M.D. from the Ohio State University and a B.S. in Chemistry and Computer Science from the University of Notre Dame. Hummer sailed a Scorpio 72 clipper ketch designed by Robert Perry over 25,000 nautical miles including crossing the Atlantic three times. During the 10 years that Hummer owned Lady Francine, he personally reconditioned every aspect of the yacht. Although Hummer sold the yacht in 2008, for a 35% gain after he refit the vessel; it still sails today. <https://www.youtube.com/watch?v=-1Px3GJdIZs>

President

Paul Hummer. Paul is the owner of a successful construction company that has been in business for over 40 years. in Cleveland, Ohio Paul has managed commercial, residential and industrial construction jobs. Paul is the President and Owner of Hummer Construction and Paving Company. He has personally managed construction of multi-million dollar projects.

Chief Designer

Robert Perry. The team that will create this magnificent vessel is headed by the renowned Robert Perry. Bob has more boats sailing the oceans than probably any other designer in the world. Bob will be onsite a good deal of time. Robert H. Perry is a U.S. yacht designer based in Seattle, Washington. Among his designs are some of the most successful cruising yachts in modern cruising such as the Scorpio 72, Tayana 37 and Valiant 40. Through his career he has designed boats for many well recognized names in the yachting industry, such as Tayana, Cheoy Lee, Valiant, Baba, Ta Shing, Islander, Passport and Saga. Perry has taught yacht design at Evergreen State College.

Awards:

1979, Yacht Racing/Cruising Magazine, Medal of Achievement for Performance Cruising Design

1989, Cruising World Magazine, Cruising Hall of Fame

1995, American Boatbuilders Hall of Fame, Valiant 40 inducted into Hall of Fame

[https://en.wikipedia.org/wiki/Robert_Perry_\(yacht_designer\)](https://en.wikipedia.org/wiki/Robert_Perry_(yacht_designer))

Co-Designer

Ivan Erdevicki. Founder Ivan Erdevicki started his career as a designer and engineer working for some of the world's most respected American custom yacht yards and design offices. His first personal designs attracted attention with their unique styling, reliability and performance. His talent and studies in naval architecture, mechanical engineering and yacht design, hands on experience in yacht construction and rich boating experience on variety of vessels, created a designer with uncommon combination of art and engineering.

In the past 10 years, more than 85 boats were built to Ivan's designs ranging from custom tenders and work boats, racing sailing boats to mega sailing yachts and motor yachts. The goal was always to meet client's expectations and visions through creation of truly artistic, beautiful and elegant sailboat and powerboat designs of the highest quality, supported with uncompromised engineering in every detail.

Nowadays, Erdevicki signature is synonymous with unique, high quality elegant designs.

www.IvanErdevicki.com

Project Design & Implementation Engineer and Systems Manager

Rob Schofield, Naval Architect

Rob is a Naval Architect and Consulting Engineer with over 45 years of active experience in design and engineering of boats, yachts, ships, composite aircraft, and naval craft. Rob has been doing complete designs and providing structural design engineering and hands-on consulting for over 50 well-known boat manufacturing companies, the U.S. Navy, Customs & Border Patrol and the American Bureau of Shipping. He has been a marine litigation expert witness in over 118 court cases to-date. Rob's design & construction commissions have included such varied projects as a good number of 155 ft. high speed yachts and passenger craft, helicopters, composite kit aircraft, hovercraft, patrol boats and fiberglass naval minesweepers. He also managed the initial concept-level structural design of the Navy's latest DDG-51 Class destroyer.

There are over 250-plus marine craft in Rob's design archive files, from 12 foot canoes to 180 foot superyachts and large tonnage naval and commercial steel ships.

For the last 38 years, he has been teaching seminars in design of composites for naval engineers for military, marine, and industrial structures in the U.S., Australia, and Europe.

Rob holds a Bachelor of Science in Engineering in Naval Architecture and Marine Engineering from the University of Michigan.

He was the U.S. representative for developing the new ISO 12215 structural standards for European marine craft, is a member of the American Bureau of Shipping's Small Vessel

Committee and member of the Royal Institution of Naval Architects (U.K.) Small Craft Committee.

Rob is a member of the Society of Naval Architects and Marine Engineers, Royal Institution of Naval Architects, and American Boat & Yacht Council. He was formerly secretary of the Structural Plastics Research Council of the American Society of Civil Engineers, a member of American Society of Naval Engineers, and was twice a South East Section Vice President for the Society of Naval Architects & Marine Engineers. Rob also is currently registered as European Engineer (#08120GB) in the European Union and Chartered Engineer (#352565) in the United Kingdom.

Project Manager

Tracy Roskey. Tracy has 41 years of manufacturing experience in molding (Fiberglass, Plastics and Ceramics), fabrication (Fiberglass, Composites, Plastics, Ceramics, Metal and Wood), assembly and finishing. He brings experience in servicing markets in marine (sail and power), D.O.D., D.O.T., OEM's, air and water treatment, electronic power protection for data centers, door & window and consumer products. He has spent 20+ years working with companies that were having financial stress and/or operational issues and has successfully turned around five companies.

In 2010 Tracy was recruited by the new owner of Tartan Marine as CEO to address the stalled development of the new 4000 sailboat, regulatory compliance issues, quality issues, manufacturing costs, troubled relationships with dealers and suppliers and an ongoing negative cash flow. Tracy remained with the company through 2013 and then continued to work with them in a consulting role through 2014.

Tracy managed all regulatory compliance issues; implemented new equipment and processes to improve first time yield of composite components; reduced composite reworks from 13.5 people per day (with overtime) to ½ a person; modernized resin and gelcoat mixing and application equipment and standardized best practices SOP's; improved processes in spar department to reduce reworks and non-fills in carbon fiber masts and booms by 93.6%; developed and implemented process to temperature control molds and materials to +/- 3 degrees on large moldings (Hulls & Decks); implemented new process to gelcoat two tone decks without damaging mold surfaces by taping (cutting) two tone areas while making processing changes to eliminate color bleeding on parting lines of the two colors; developed process to correct cosmetic problems on older molds to produce class "A" surfaces without having to incur the expense of building new molds for mature product lines; worked with team members to improve the process to achieve a 45 minute or less infusion time of a 53' hull, which in turned improved wet out of glass reinforcements creating an improved strength molding; developed a clear gelcoat process for hulls to enable an objective visual inspection of hull quality; developed and implemented a process to achieve wet out of glass fibers that did not properly wet out during infusion process without destroying glass laminate structure as is traditionally done in the industry; developed daily quality review process of boat assembly (mechanical, electrical, woodwork and finishing) that verified construction and functionality of systems and structures to eliminate surprises at commissioning;

achieved a 25% increase in sales in 2011, 50% increase in sales 2012 and 2013 by changing approach on how boats were packaged and marketed for sale.

Manager Compensation

Neither Dr. Hummer as the sole Manager nor any of the advisory board receives any cash compensation at this time. The Manager may award equity incentives to management or advisory board members, but as of the date hereof no awards have been granted or issued and there are no agreements, plans or arrangements to issue any equity awards to such persons.

Consulting Agreements with Managers and Others

The Company may enter into consulting agreements with the Manager and others and agree to pay them cash compensation. The Company anticipates that it will pay consulting fees of approximately \$72,000 to Dr. Hummer during development.

Employment Agreements

The Company has no employment agreements or arrangements with any of its managers or officers. The Company anticipates that all employees will be “at-will” and may be terminated at any time with or without cause.

Indemnification Agreements

Except for the general indemnification of the Managers and officers of the Company provided by the Operating Agreement, the Company currently is not a party to any indemnification agreement with any Manager or officer of the Company. The Company may enter into agreements to indemnify any or all of the Board of Managers or officers of the Company at some time in the future. The Company believes that these agreements could be necessary to attract and retain qualified persons as executive personnel of the Company.

Conflicts of Interest

The Company is subject to a number of potential conflicts of interest arising from the following facts:

- All of the voting units are owned by Blue Water Yachts, LLC, which is controlled by Dr. Hummer;
- The Company has the rights to use the design and technology pursuant to a License Agreement with Blue Water Yachts. See “**Risk Factors—Conflicts of Interest**” and “**Description of Business—Description of License Agreement**.”

- Dr. Hummer is the sole manager of the Company and controls the business and affairs of the Company; and
- Dr. Hummer is not obligated to devote his full time and energy to the Company business and has other business activities that may require a substantial amount of his time and attention.

SECURITY OWNERSHIP

Immediately prior to this Offering, Blue Water Yachts, LLC owned 30,428,556 Class A Units, which represent all of the issued and outstanding Class A Units. Employees of and consultants to the Company own 1,714,284 Class C Nonvoting Units of the Company. Blue Water Yachts, LLC is an Ohio limited liability company of which Dr. Hummer owns 65% of the Class A Voting Units and Katie Hummer and Marie Hummer, Dr Hummer's daughters each own 7% of Class A Units. Dr Hummer is also the manager of Blue Water Yachts, LLC. Assuming all Class B Preferred Units offered for Blue Pearl Yachts, LLC (10,714,280) hereby are sold, then the purchasers of Class B Preferred Units would collectively own twenty-five percent (25%) of the outstanding Units.

PLAN OF DISTRIBUTION

Sales of Class B Preferred Units

The purchase price of \$2.80 for each Class B Unit will be payable in full in cash upon subscription. All subscription payments received for Class B Preferred Units will, upon acceptance of the associated subscription, be deposited into the Company's bank account and thereafter be immediately available for use by the Company.

There is no assurance as to the number of Class B Preferred Units that will be sold. The Company reserves the right, in its sole discretion, to refuse to sell Class B Preferred Units to any person. In addition, the Company may terminate the Class B Offering at any time.

Marketing of Class B Preferred Units

Offers and sales of Class B Preferred Units will be made on a "best efforts" basis by the Company. The Company does not expect to engage any broker-dealers to sell the Class B Preferred Units.

Acceptance of Subscriptions

The Company has the right, to be exercised in its sole discretion, to accept or reject any subscription in whole or in part for a period of 30 days after receipt of the subscription. Any subscription not accepted within 30 days of receipt will be deemed rejected.

Limitation of Offering

The offer and sale of Class B Preferred Units offered hereby are made in reliance on exemptions from the Securities Act and state securities laws. Accordingly, distribution of this Memorandum has been strictly limited to persons satisfying the investor suitability requirements described herein, and this Memorandum does not constitute an offer to sell or a solicitation of an offer to buy with respect to any person not satisfying those requirements.

RESTRICTIONS ON TRANSFERABILITY

There are substantial restrictions on the transferability of the Class B Preferred Units in the Operating Agreement. There also are substantial restrictions on the transferability of the Class B Preferred Units imposed by federal and state securities laws. Before selling or transferring any Class B Interest, a holder of Class B Preferred Units must comply with all of the provisions of the Operating Agreement applicable to any proposed transfer of Units. Before selling or transferring any Class B Interest, a holder of Class B Preferred Units also must comply with applicable requirements of federal and state securities laws and regulations, including the financial suitability requirements of such laws or regulations. The Company does not expect that any market for Class B Preferred Units will develop, and prospective investors should view the Class B Preferred Units as a long-term investment.

The Class B Preferred Units held by any Member are subject to rights of first refusal by the Company and then by the other Members in the event of any “involuntary transfer,” as defined in the Operating Agreement. Involuntary transfers include such events as bankruptcy, the occurrence of any charging order, attachment or garnishment by a creditor of such Member and similar events.

The Class B Preferred Units offered by this Memorandum have not been registered under the Securities Act or with the securities regulatory authority of any state. The Class B Preferred Units may not be resold unless they are registered under the Securities Act and registered or qualified under applicable state securities laws or unless exemptions from such registration and qualification are available.

The Class B Preferred Units offered hereby will not be certificated securities.

SUMMARY OF CERTAIN MATERIAL PROVISIONS OF THE LLC AGREEMENT

General

The Company is an Ohio limited liability company. As of the date of this Memorandum, the sole Manager of the Company (*i.e.*, the Board of Managers) is Dr. Gregory Hummer.

The subscribers for the Class B Preferred Units offered hereby will become Members of the Company and, as such, will be designated as “**Unitholders**” under the Operating Agreement (as defined below) and holders of Class B Preferred Units of Membership Interest of the Company.

The rights and obligations of the Class B Preferred Units will be governed by the Operating Agreement. Any prospective investor in the Class B Preferred Units offered hereby should review the entire Operating Agreement, which is available from the Company upon request, before subscribing. The following is merely a summary of certain material provisions of the Operating Agreement and is qualified in its entirety by the full text thereof.

Authorized Units

Under the Operating Agreement, the Company has three classes of Units: Class A Voting Units, Class B Preferred Units and Class C Nonvoting Units. There are authorized for issuance 48,000,000 Class A Units and 10,714,280 Class B Preferred Units and 4,000,000 Class C Units. Immediately prior to this Offering there were 30,428,556 Class A Units outstanding, all of which are owned by Blue Water Yachts, LLC, and 1,714,284 Class C Nonvoting Units owned by consultants and employees.

Under the Operating Agreement, only the Class A Units have voting rights. The Class B Preferred Units have no voting rights, except as specifically set forth in the Operating Agreement or pursuant to Ohio law. Members holding Class A Units will be entitled to one (1) vote per Class A Unit on all matters to be voted on by the Members. Members holding Class B Preferred Units will be entitled to one (1) vote per Class B Unit on the following matters:

- (a) The dissolution of the Company;
- (b) Any amendment to this Agreement which materially affects the rights of the Class B Preferred Units; and
- (c) If, and only if, no Class A Units are issued and outstanding, then the Class B Preferred Units may vote on the following matters:
 - (1) The election of Managers; and
 - (2) The sale of all or substantially all of the assets of the Company.

Members holding Class B Preferred Units will have no right to vote as a separate class or series of Units.

Additional Units

The Manager is allowed to authorize and issue additional Units of any class or series and sell such Units at a price he determines to be fair and reasonable. Future sales may be at prices less than the price paid by investors for the Class B Preferred Units in this Offering. The Manager may also create new classes or series of preferred Units having rights, preferences or privileges senior to the Class A Units and the Class B Preferred Units.

Capital Accounts

The Operating Agreement provides that a separate capital account (a “**Capital Account**”) will be established and maintained for each Member. Under the Operating Agreement, the Capital Accounts of the Members will be subject to adjustments in accordance with its terms.

Transfer of Capital Accounts

The Operating Agreement provides that, in the event of a Permitted Transfer of Units, the Capital Account of the transferor will become the Capital Account of the transferee to the extent that it relates to the transferred Units.

Withdrawal of Member

The Operating Agreement provides that, except as otherwise expressly permitted therein, no Member may or will voluntarily resign or otherwise withdraw as a Member.

Allocations

Allocation of Net Profits. The Operating Agreement provides that, after giving effect to the special allocations under the Operating Agreement, Net Profits from operations for any fiscal year will be allocated as follows:

First, to the Unitholders holding Class B Preferred Units in the amounts and proportions necessary to reverse on a cumulative basis without duplication all allocations of Net Losses to such Unitholders in the inverse order in which such allocations were made to such Unitholders;

Second, 75% to the Class B Preferred Unitholders and 25% to the Class A and Class C Unitholders until the Class B Preferred Unitholders have received the amount of the Class B Preferred Distributions, and

Thereafter, to all Unitholders *pro rata* in accordance with their respective Percentage Interests. Unless otherwise directed to investors at the discretion of the manager.

Allocation of Net Losses. The Operating Agreement provides that, after giving effect to the special allocations under the Operating Agreement, Net Losses for any fiscal year will be allocated as follows:

First, to the Unitholders holding Class B Preferred Units in the amounts and proportions necessary to reverse on a cumulative basis without duplication all allocations of Net Profits to such Unitholders pursuant to the Operating Agreement in the inverse order in which such allocations were made to such Unitholders pursuant to the Operating Agreement; and

Thereafter, to all Unitholders *pro rata* in accordance with their respective Percentage Interests.

Distributions

The Operating Agreement defines “**Distribution**” as a distribution made by the Company to a Unitholder, whether in cash, property or securities of the Company and whether by liquidating distribution or otherwise; provided that none of the following is or will be deemed to be a “**Distribution**”: (a) any redemption or repurchase by the Company or any Member of any Units, (b) any recapitalization or exchange of securities of the Company, (c) any subdivision (by Unit split or otherwise) or any combination (by reverse Unit split or otherwise) of any outstanding Units or (d) any fees or remuneration paid to any Unitholder in such Unitholder’s capacity as an employee, officer, consultant or other provider of services to the Company. If all of the proceeds of this Class B Offering are received by the Company, then the Company intends to establish a significant cash reserves for contingencies. If the Manager determines that such reserves are no longer necessary, then it may distribute excess reserves from the proceeds of the offering. Such distributions will not be deemed to be a redemption or repurchase of the Class B Preferred Units.

Mandatory Tax Distributions

The Operating Agreement provides that the Company shall distribute to each Unitholder, to the extent permitted by law and subject to certain restrictions set forth in the Operating Agreement, funds intended to enable each Unitholder to pay federal taxes on Net Profits allocated to such Unitholder pursuant to the Operating Agreement. All such Distributions made will be treated as amounts distributed to the Unitholders pursuant to the Operating Agreement for all purposes of the Operating Agreement.

Term

The term of the Company commenced upon filing of the Articles of Organization with the Ohio Secretary of State. The Operating Agreement provides that the term of the Company will be perpetual unless the Company is earlier dissolved in accordance with the Operating Agreement or Ohio law.

Transfers of Class B Preferred Units

The subscribers for the Class B Preferred Units offered hereby will become Members of the Company and, as such, will be designated as such under the Operating Agreement. Under the Operating Agreement, the Class B Preferred Units that they will hold will have, or will be subject to, Rights of First Refusal and Purchase Option of the Company in the event of an Involuntary Transfer, as summarized below (see “Glossary” for definitions of certain capitalized terms used below):

Rights of First Refusal. In the event that any Unitholder (including any Permitted Transferee) receives from a non-Affiliate a *bona fide* offer to purchase all or any portion of the Units held by such Unitholder (a “**Transaction Offer**”) that such Unitholder desires to accept (other than (a) a Permitted Transfer, (b) a Sale of the Company, or (c) an Involuntary Transfer, such Unitholder (a “**Transferring Unitholder**”) shall Transfer such Units pursuant to and in accordance with the following provisions: the Transferring Unitholder shall deliver a written notice (the “**Offer Notice**”) to the Company and to the other Unitholders who are Members (the “**Other Members**”) specifying in reasonable detail the identity of the prospective transferee(s), the number and type of Units to be transferred (the “**Subject Securities**”) and the price and other terms and conditions of the proposed Transfer. The Transferring Unitholder shall not consummate such proposed Transfer until at least thirty (30) days after the delivery of the Offer Notice, unless the parties to the Transfer have been finally determined pursuant to the Operating Agreement before the expiration of such thirty (30) day period. The Company may elect to purchase all or a portion of the Subject Securities, at the price and on the other terms specified in the Offer Notice, by delivering written notice of such election to the Transferring Unitholder and the Other Members as soon as practicable, but in any event within twenty (20) days after delivery of the Offer Notice. If the Company has not elected within such twenty (20) day period to purchase all of the Subject Securities, then each Other Member may elect to purchase its Member Pro Rata Portion of the Subject Securities, at the price and on the other terms specified in the Offer Notice, by delivering written notice of such election to the Transferring Unitholder as soon as practicable, but in any event within thirty (30) days after delivery of the Offer Notice.

Company and Member Purchase Option in the Event of an Involuntary Transfer. In the event that a Unitholder suffers an Involuntary Transfer of all or any portion of such Unitholder’s Units, such Unitholder shall immediately give written notice to the Company (the “**Involuntary Transfer Notice**”), with copies to the other Unitholders who are Members (“**Non-Involuntary Transferring Members**”), describing the event constituting the Involuntary Transfer, the names and addresses of all parties involved, the number of Units involved and, if applicable, the amount of any judgment or other indebtedness with respect to which the Involuntary Transfer was suffered. The occurrence of the event that constitutes the Involuntary Transfer will be deemed to be an offer to sell to the Company any portion of the Units that are the subject of the event constituting the Involuntary Transfer (“**Involuntary Units**”) at the Fair Market Value of such Units. The Company will have twenty (20) days from the date of receipt of the Involuntary Transfer Notice in which to accept the offer as to some or all of such Units by providing written notice of acceptance to the offering Unitholder. The Company may make payment for the Involuntary Units to be repurchased directly to the party to whom the Units

otherwise would be transferred. The closing of the sale shall occur within thirty (30) days after the Company's acceptance of the offer, subject to extension to the extent reasonably necessary for the purpose of obtaining any required governmental consent or approval (but in no event longer than ninety (90) days). Any Involuntary Units not purchased by the Company pursuant to provisions in the Operating Agreement will then be offered to the Non-Involuntary Transferring Members under the same terms as offered to the Company. Any Units not purchased by the Company and the other Members will continue to be held by the Unitholder suffering the Involuntary Transfer, subject to the terms and conditions of the Operating Agreement.

Voting Rights

Holders of Class B Preferred Units will ***not*** be entitled to vote on any matter except as specifically provided in the Operating Agreement or under Ohio law.

Board of Managers Powers

The Operating Agreement provides that, except as otherwise provided in the Operating Agreement or in provisions of the Act not inconsistent with the Operating Agreement, all powers of the Company will be exercised exclusively by or under the authority of the Board of Managers. The Board of Managers shall have all powers to control and manage the business and affairs of the Company and all the rights and powers that may be possessed by the managers of a limited liability company with managers pursuant to the Act. The Board of Managers also shall have such rights and powers as otherwise are conferred by law or are necessary, advisable or convenient to the discharge of its duties under the Operating Agreement and to the management of the business and affairs of the Company. Decisions of the Board of Managers within its scope of authority will be binding on the Company.

Compensation of Managers

The Operating Agreement provides that no Manager will be entitled to any compensation for serving on the Board of Managers or any committee of the Board of Managers or for attendance at any meeting of the Board of Managers or any committee of the Board of Managers unless approved by Majority Vote of the Members Holding Voting Units; *provided, however*, that any Manager may provide services to the Company in any other capacity and receive compensation for such services as an employee or consultant.

Resignation and Removal of Managers

The Operating Agreement provides that any Manager may resign upon at least thirty (30) days' notice to the Members and the other Managers (unless, in either case, notice is waived by them). A Manager may be removed only for "cause" as defined in the Operating Agreement, and then only if approved by Class A Units. Because Dr. Gregory Hummer controls the voting of more

than 50% of Class A Units, it is impossible to terminate Dr. Hummer as a manager without his consent.

Dissolution and Termination

The Operating Agreement provides that the Company will dissolve and commence winding up and liquidating upon the first to occur of any of the following events (each, a “**Termination Event**”): (a) the Members vote by Majority Vote of the Members Holding Voting Units to dissolve and liquidate the Company; (b) the entry of a decree of judicial dissolution under the Act; or (c) the happening of any other event that makes it unlawful or impossible to carry on the business of the Company. The Operating Agreement also provides that, notwithstanding any provision of the Act, the Company will not dissolve before the occurrence of a Termination Event, including upon the occurrence of an event of dissociation of a Member under the Act, and the remaining Members will have the right to continue the Company following any such event of dissociation. The Operating Agreement also provides that, if it is determined by a court of competent jurisdiction that the Company has dissolved before the occurrence of a Termination Event, then the Members will continue the business of the Company without a winding up or liquidation.

Termination

The Operating Agreement provides that the Chief Executive Officer shall comply with all applicable requirements of applicable law pertaining to the winding up of the affairs of the Company and the distribution of its assets. Upon completion of the winding up, liquidation and distribution of the Company’s assets, the Company will be deemed terminated.

Certificate of Cancellation

The Operating Agreement provides that, when all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made for such items and all of the remaining property and assets have been distributed to the Unitholders, the Chief Executive Officer shall file a Certificate of Cancellation with the Ohio Secretary of State as required by the Act. Upon filing the Certificate of Cancellation with the Ohio Secretary of State, the existence of the Company shall cease, except as otherwise provided in the Act.

FEDERAL INCOME TAX CONSIDERATIONS

This section of this Memorandum contains a summary of the material federal income tax considerations applicable to an investment in Class B Preferred Units by a typical U.S. resident individual investor and is based on laws in effect on the date of this Memorandum. An investor’s actual tax consequences from an investment in Class B Preferred Units will depend on the facts about the Company’s operations and on the investor’s personal circumstances. Such consequences also may be affected by a change in the tax laws or the IRS’s disallowance of one or more tax positions that the Company takes. This summary addresses only principles that are generally applicable to U.S. resident individual investors. Factors that may apply and be of material

significance to a particular investor, including foreign investors, may not be addressed herein. Therefore, this summary is not intended as a substitute for careful tax planning by an investor.

The statements in this Memorandum are not intended to be used and may not be used for the purpose of avoiding penalties that might be imposed on an investor as a taxpayer. The statements were written to support the marketing of the transactions described in this Memorandum. An investor should seek advice regarding its tax consequences from an investment in Class B Preferred Units from an independent tax advisor. Each investor must consult its own tax advisor about such income tax consequences before making an investment in Class B Preferred Units.

Status as Partnership for Tax Purposes. A holder of Class B Preferred Units will derive a substantial economic advantage if the Company is and continues to be classified as a partnership rather than a corporation for federal income tax purposes. According to Treasury Regulations, an entity organized as a limited liability company and having more than one member (or economic interest owner) (and which is not a PTP, as described below) will be classified as a partnership for tax purposes unless it makes an affirmative election to be a corporation. The Company historically has been and plans to continue being taxed as a partnership for tax purposes and thus will not make any election that would result in a different classification.

Even in the absence of an election to be taxed as a corporation, an entity that is a partnership or limited liability company for state law purposes will be taxed as a corporation (involuntarily) if it possesses the traits of a publicly traded partnership (“PTP”). A PTP is an entity whose interests are traded on an established securities market or are readily transferable on a secondary market or the equivalent thereof. The Treasury Regulations provide that a partnership’s interests will not be considered publicly traded unless the partnership itself participates in creating a market for trading or recognizes transfers made on the market. Because the Board of Managers of the Company does not plan to participate in creating a secondary market, recognize transfers that might be made on such a market or have the Company engage in a pattern of redeeming Membership Interests or Class B Preferred Units, the Company should not be considered a PTP. Consequently, the Company should be classified as a partnership for federal income tax purposes.

If the Company were taxed as a corporation rather than a partnership, then the Company’s losses would not be passed through to holders of Class B Preferred Units (or other Members) of the Company, and the Company’s profits would be taxed twice, once when they were earned and a second time when they were distributed to the holders of Class B Preferred Units (and the other Members) of the Company. This would reduce an investor’s yield from an investment in the Company. The remainder of the discussion in this section assumes that the Company and the holders of Class B Preferred Units (and the other Members) of the Company will be classified as a partnership and its partners for federal income tax purposes.

Partnership Taxation Scheme. A partnership must file an income tax return but does not pay federal income tax. Instead, its taxable income or loss is allocated among the partners, and the partners report their separate shares of such income or loss on their own income tax returns and pay any tax attributable thereto. Such tax must be paid regardless of whether the partnership makes

any cash distribution to the partner during the year. Thus, a Class B Unitholder's (and any other Member's) share of the Company's taxable income (and the tax due thereon) may exceed the amount of distributions that the Company may make to the Class B Interest holder (or to any other Member).

Allocation of Taxable Income and Loss Among the holders of Class B Preferred Units (and the Members) of the Company. Generally, the Code permits partners to determine among themselves their respective shares of a partnership's taxable income and loss and items thereof provided that the allocations have "substantial economic effect" or otherwise reflect the partners' interests in the partnership, determined in the light of all facts and circumstances. The allocation of the Company's taxable income, gain and loss among the holders of Class B Preferred Units (and the other Members) of the Company is summarized in the section of this Memorandum titled "Summary of Certain Material Provisions of the Operating Agreement" and is set forth in the Operating Agreement, which is available from the Company upon request.

According to the Treasury Regulations, a tax allocation has economic effect only if (i) the capital account of each partner is credited to reflect the partner's contributions to the partnership and the partner's share of income and gain and decreased to reflect the partnership's distributions to such partner and the partner's share of partnership losses and deductions, (ii) liquidation proceeds of the partnership are to be distributed in accordance with the partners' capital account balances, and (iii) a partner who has a negative capital account after the distribution of liquidation proceeds must contribute cash to the partnership in an amount sufficient to eliminate the deficit, or if a partner has no such obligation, the partnership agreement contains a "qualified income offset" provision. A qualified income offset provision (a) limits the allocation of losses to partners who have no or only a limited deficit restoration obligation to the amount that would not cause their negative capital account balances to exceed the amount of the deficit that such partners are obligated to restore and (b) requires a special allocation of income to partners who unexpectedly receive distributions that cause their capital accounts to be impermissibly negative. The Operating Agreement satisfies all of the above described requirements.

The Treasury Regulations provide that allocations that have economic effect nevertheless may be disregarded if their economic effect is not "substantial." An allocation is substantial if a reasonable possibility exists that the allocation will affect substantially the dollar amount to be received by the partners, independent of tax consequences. It is unlikely that the allocations in the Operating Agreement would be considered to lack economic effect or that such economic effect would be considered insubstantial. Therefore, if challenged and litigated, the allocation of taxable income, gain and loss to the holders of Class B Preferred Units of the Company in the Operating Agreement more likely than not will be respected.

Basis of Class B Preferred Units. Each Class B Interest holder of the Company has a basis in its limited liability company ("LLC") economic interests ("**Class B Preferred Units**") in the Company. As described below, a Class B Unitholder's basis affects the amount of distributions that such Class B Interest holder may receive from the Company without recognizing gain, the amount of such Class B Unitholder's share of the Company's losses that such Class B Interest holder may deduct and the amount of gain or loss that such Class B Interest holder will recognize

from a disposition of such Class B Unitholder's Class B Preferred Units. A Class B Unitholder's basis initially equals the amount of such Class B Unitholder's contribution to the Company's capital. From time to time, that basis is increased by the share of LLC profits of the Company and is decreased by the share of LLC losses of the Company allocated to such Class B Unitholder's capital account. Such basis also is decreased by cash distributions that such Class B Interest holder receives from the Company. A Class B Unitholder's basis also is increased by such Class B Unitholder's share of LLC debt of the Company and is decreased by such Class B Unitholder's share of LLC debt repaid by the Company. Such shares of LLC debt incurred by and repaid by the Company are considered to be contributions and distributions, respectively, of cash by or to the Class B Interest holder. A Class B Interest holder is entitled to include in the basis of its Class B Preferred Units a share of LLC non-recourse debt of the Company, which is debt for which no person who is a Class B Interest holder (or Member) of the Company or related to a Class B Interest holder (or Member) of the Company has any obligation to repay. Under the applicable partnership basis rules, each Class B Interest holder (and Member) of the Company would include in such Class B Unitholder's (and Member's) basis for such Class B Unitholder's Class B Preferred Units (or Membership Interests) the share of the debt of the Company for which such Class B Interest holder (or Member) bears the ultimate economic risk. Accordingly, each Class B Unitholder's share of the Company's debt likely will be limited to the amount that such Class B Interest holder has guaranteed or, if all Class B Interest holders must guarantee the entire debt balance, each Class B Unitholder's proportionate share for which such Class B Interest holder bears ultimate liability considering the right of contribution from each of the other Class B Interest holders.

Distributions. Cash distributions received by a partner from a partnership reduce the partner's tax basis in its partnership interest. Such distributions that do not exceed the partner's basis are not taxable to the partner. After a partner's basis is reduced to zero, such distributions constitute gain to the partner that is subject to tax at capital gain rates. As described above, when a partnership satisfies its debt either by cash payments or by foreclosure, a partner who included such debt in the basis of his or her partnership interest will be considered to have received a cash distribution from the partnership that will reduce the basis of the partner's partnership interest. To the extent that such a constructive distribution causes a partner's basis in his or her partnership interest to be reduced below zero, the partner will recognize taxable gain even though the partner has received no actual cash.

Losses. Under partnership tax law, a partner may deduct from its own income the share of partnership loss allocated to the partner but only to the extent that such share does not exceed the partner's basis in its partnership interest—and subject to certain other limitations as discussed in this section under “Passive Activity Limitation” and “At-Risk Rules”. Loss deductions disallowed by the basis limitation rule may be carried forward and deducted in future years as the partner's basis allows. As described below, the deduction of a partner's share of partnership losses also is subject to disallowance by the at-risk tax rules and the passive loss tax rules.

Disposition of Interest. If a partner sells its partnership interest, then the partner will recognize gain equal to the excess of the amount received over the partner's basis in its partnership interest. Generally, gain from the disposition of a partnership interest is considered capital gain. For a holder of Class B Preferred Units who is an individual (or an estate or a trust), capital gain

may be taxed at reduced rates if the partnership interest has been held for more than one year. However, a partner's share of prior partnership tax depreciation deductions on personal property are subject to taxation at ordinary income rates to the extent that such prior deductions claimed do not exceed the partner's total gain. If the partnership owned a building on which it has claimed depreciation at the time that a partner sold its partnership interest, then that portion of the amount realized from such a sale that is attributable to the partner's share of such building depreciation will give rise to capital gain that under current law is taxed at a higher 25.0% rate than applies to other capital gain income. A holder of Class B Preferred Units desiring to sell its Class B Preferred Units should consult its own tax advisor about the particular tax consequences of doing so.

At-Risk Rules. A holder of Class B Preferred Units may not deduct its share of the Company's losses to the extent that such share exceeds the amount by which such Class B Interest holder of the Company is considered "at-risk". Such disallowed losses may be carried forward and deducted in future years subject to the same limitation. A holder of Class B Preferred Units is "at-risk" to the extent of the amount of cash paid for such Class B Unitholder's Class B Preferred Units. From time to time, the amount at-risk is increased by the share of LLC profits of the Company and is decreased by the share of LLC losses of the Company allocated to such Class B Unitholder's capital account. Such amount also is decreased by cash distributions that such Class B Interest holder receives from the Company. A holder of Class B Preferred Units is considered at-risk with respect to LLC debt of the Company if the debt was incurred with regard to the holding of real property and certain other requirements are satisfied. In general, nonrecourse debt borrowed from a bank or other entity engaged in the business of lending money and that is not guaranteed by a third party (other than by a governmental agency) and incurred to acquire or hold real property satisfies the requirements of the at risk rules.

Passive Activity Limitation. The passive loss tax rules limit the amount of a partner's share of partnership loss that may be deducted. The ownership of Class B Preferred Units will be considered a passive activity for each Class B Interest holder of the Company, and each Class B Unitholder's share of the Company's taxable income and loss will be considered passive income and loss for purposes of the tax rules. Under the passive loss tax rules, a partner may not use its share of partnership losses to shelter wages, income from an activity in which the partner is an active participant or portfolio income. Portfolio income includes dividend and interest income, income from an annuity and certain capital gains. A partner may use passive losses only to offset income realized (in the same or future years) from the same or other passive activities. Unused passive losses from an activity may be deducted in full without regard to their passive nature only if the partnership were to dispose of all of its property in a fully-taxable transaction to an unrelated taxpayer or the partner was to dispose of its entire partnership interest in a fully taxable transaction to an unrelated taxpayer.

Allocation of Purchase Price. The Company will be required to allocate the purchase price that it pays to acquire properties between depreciable personal property (if any), buildings and non-depreciable land based on their relative values. If an asset is depreciable, then the purchase price allocated to such asset is recoverable through deductions over the asset's recovery period as prescribed in the Code, and such deductions reduce and effectively shelter a taxpayer's taxable income but may be subject to recapture upon a sale as described below.

Depreciation and Cost Recovery of Tangible Property. The Company will recover the cost of its tangible properties through depreciation or cost recovery deductions. Such deductions must be claimed as prescribed by the Code. Under the Code, the cost of tangible personal property is recovered over periods ranging from three years to 20 years, depending on the type of property, using a declining balance method. Under current law, the cost paid to acquire residential buildings is recovered over a 27.5-year period on a straight line basis.

Disposition of Company Property. If a partnership recognizes taxable gain from a sale or other disposition of its property, then each partner will be allocated a share of such gain. For purposes of determining the amount of the partnership's gain, the partnership will be considered to have received a payment (in addition to other payments received) equal to the amount of any debt paid from the sale proceeds or assumed by the buyer (or, in the case of a foreclosure, the amount of the debt extinguished by such foreclosure). Thus, it is possible for a partner's share of partnership gain from a sale of property to exceed the cash received. Gain from the sale of the Company's assets may be subject to tax as ordinary income or capital gain depending on the assets disposed of. Gain from the disposition of tangible personal property is ordinary income to the extent of prior depreciation deductions claimed. Gain from the sale of a building on which a partnership has claimed depreciation will give rise to a higher (25%) capital gain rate than applies to other capital gain income. Gain from a disposition of the balance of the Company's assets used in a trade or business (and not constituting inventory) will be considered "Code Section 1231 assets," which are depreciable assets used in the taxpayer's business. A Class B Unitholder's share of such gain or loss must be combined with any other Code Section 1231 gain or loss incurred by the Class B Interest holder in that year. The net Code Section 1231 gain or loss incurred in any year would be taxed as capital gain or ordinary loss, as the case may be. However, Code Section 1231 gains will be recaptured as ordinary income to the extent that the Class B Interest holder has unrecaptured Code Section 1231 losses for any of the preceding five years.

Various Fees and Expenses. The Company expenditures may qualify for a full current tax deduction or may be recoverable only over an extended period (such as depreciation and loan costs) or may be not deductible at all (such as expenses incurred by the Company in offering the Class B Preferred Units). The IRS could challenge the Company's treatment of its expenditures and may claim that some expenditures that the Company intends to deduct currently are actually expenditures that must be amortized or capitalized, the consequence of which would be to increase the Company's taxable income for certain years and/or shift deductions to later years.

Partnership Audits. The Code contains partnership audit procedures that require any proceeding relating to partnership tax items to be conducted at the entity level in a single partnership proceeding rather than in separate proceedings with each partner. Adjustments resulting from any such audit may result in an audit of a partner's own return. A partnership generally is treated as a separate entity for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The Code provides for one partner to be a partnership's "Tax Matters Partner" for these purposes. Robert A. Barbee serves as the Company's Tax Matters Partner.

Penalties and Interest. The Code imposes a penalty equal to 20.0% of any income tax underpaid if the underpayment is attributable to various causes. Such causes include, among others, negligence, a substantial understatement of tax (an understatement equal to the greater of \$5,000 or 10.0% of the amount required to be paid for the year) and a substantial valuation misstatement (a claim on a return that a property's value is 200.0% or more of the correct value). The penalty is imposed at the partner level. The interest rate on a deficiency in the payment of tax generally equals the sum of the short-term federal rate, plus 3.0% *per annum*. Any such interest paid by an individual taxpayer generally may not be deducted in computing the taxpayer's taxable income.

Section 754 Election. The basis of partnership property is not adjusted when a partnership interest is transferred or a partner dies. However, if a partnership makes an election, then the basis of partnership property is adjusted with respect to the transferee partner or deceased partner. The amount of the adjustment is equal to the difference between the transferee's initial basis for his partnership interest and his proportionate share of the adjusted basis of the partnership property. Such an election may result in an increase in the depreciation deductions to a transferee or the estate of a deceased partner when partnership property is worth more than its adjusted basis. Unless revoked, such an election applies to every transfer of a partnership interest during or after the year for which the election is made.

Interest Incurred to Carry Tax-Exempt Securities. Code Section 265(a)(2) disallows any deduction for interest paid by a taxpayer on indebtedness incurred in order to purchase or carry tax-exempt obligations. If a holder of Class B Preferred Units owns tax-exempt obligations, then the IRS might take the position that any interest incurred by such Class B Interest holder of the Company to purchase Class B Preferred Units should be viewed as incurred in part to enable such Class B Interest holder of the Company to continue to carry tax-exempt obligations and that such Class B Interest holder of the Company may not be allowed to deduct the full amount of such interest.

State and Local Taxes. In addition to the federal income tax described above, investors likely will be subject to state and local tax as a result of an investment in Class B Preferred Units. A Class B Unitholder's distributive share of the taxable income or loss of the Company generally will be required to be included in determining the Class B Unitholder's reportable income for state or local income tax purposes. Upon a Class B Unitholder's death, estate or inheritance taxes might be payable based on the Class B Unitholder's Class B Preferred Units. Depending on the applicable state and local laws, tax benefits available to Class B Interest holders of the Company for federal income tax purposes may not be available to Class B Interest holders of the Company for state or local tax purposes. Investors are urged to consult their own tax advisors regarding the effect of state and local taxes on an investment in Class B Preferred Units. A discussion of state and local tax law is beyond the scope of this Memorandum.

Tax-Exempt Investors. Certain organizations that normally are exempt from federal income tax, including qualified plans, Individual Retirement Accounts and organizations described in Section 501(c) of the Code, nevertheless must pay income tax on their UBTI. UBTI is income derived from the conduct of a trade or business that is not related to the organization's exempt

function and is not specifically exempt from UBTI by the Code. An exempt organization that is a partner in a partnership must include its share of partnership income in UBTI if the source of partnership income would be UBTI if the exempt organization earned such income directly. An exempt organization's share of income from an investment in the Company should not be considered UBTI as a result of the Company's activities. However, if an exempt organization fully or partly finances the purchase of Class B Preferred Units with debt, then its share of the Company's income will be considered UBTI in the proportion that the balance of such debt bears to the exempt organization's tax basis in its Class B Interest. Generally, UBTI does not jeopardize an exempt organization's exempt status but will adversely affect its yield from an investment. An exempt organization should consult a tax advisor regarding the effect that UBTI will have on its yield from an investment in Class B Preferred Units.

United States Income Tax Considerations for Foreign Investors. The federal income tax consequences of a nonresident alien individual or a foreign corporation from investing in Class B Preferred Units will vary depending on the investor's circumstances and exceptions provided by an income tax treaty. A foreign investor should consult its own tax advisor regarding such consequences. The federal income tax consequences from the Company's operations mainly depend on whether the Company is deemed to be engaged in a United States trade or business, a determination that is based on the facts and circumstances attending the Company's activities. Likely, the Company will be considered to be engaged in a United States trade or business. If, as expected, the Company is deemed to be engaged in a United States trade or business, then a foreign investor will be considered to be engaged in that same United States trade or business. The investor will be required to file a United States federal income tax return and will be subject to tax at graduated rates on its distributive share of the Company's "effectively connected" net income (that is, income reduced by effectively connected expenses).

The Company must pay a federal withholding tax on its "effectively connected" income that is allocable to a foreign Class B Interest holder of the Company. The withholding tax is imposed at the highest rate of tax applicable to U.S. corporations (for a holder of Class B Preferred Units that is a foreign corporation) and at the highest rate of tax applicable to U.S. individuals (for a holder of Class B Preferred Units that is a nonresident alien individual). The withholding tax must be paid regardless of whether or not the Company makes any distributions. The Company must pay such withholding tax in installments each year. A foreign Class B Unitholder's share of any such withholding tax paid by the Company will be treated as distributed to that Class B Interest holder on the earlier of the day on which the tax is paid by the Company or the last day of the Company's tax year for which the tax is paid and will reduce the foreign Class B Unitholder's adjusted basis in its Class B Interest. Amounts paid by the Company will be treated as loans by the Company to the foreign Class B Interest holder and will be subject to an interest charge equal to the prime rate of interest. The amount of the loan and interest charge will be offset against the foreign Class B Unitholder's share of distributions. The amount withheld attributable to a foreign Class B Interest holder is creditable against the foreign Class B Unitholder's United States income tax liability subject to certain limitations. Withholding is not required with respect to a particular Class B Interest holder if that Class B Interest holder provides a valid Form W-9, "Request for Taxpayer Identification Number and Certification".

If a foreign investor is subject to United States income tax on its share of the Company's effectively connected net income and is required to file United States income tax returns, then such foreign investor's share of the Company's income is not also subject to the 30.0% withholding tax on United States source income, provided that the foreign investor completes and files in duplicate with the Company Form W-8ECI (Certificate of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected with the Conduct of a Trade or Business in the United States). This form must be filed with the Company before the acceptance by the Company of the subscription of such foreign investor and annually thereafter for each year in which the foreign investor is a holder of Class B Preferred Units. If a foreign Class B Interest holder of the Company has filed a Form W-8ECI to claim exemption from the 30.0% U.S. source withholding, then such foreign Class B Interest holder of the Company is deemed to have "effectively connected" income subject to withholding.

For tax treaty purposes, a foreign Class B Interest holder of the Company may be deemed to have a "permanent establishment" in the United States for any year in which the Company is engaged in a United States trade or business. Foreign investors also may be subject to federal and state estate, inheritance or gift taxes, state and local income taxes and to the AMT. Foreign corporate investors also should be aware that, if the Company is deemed to be engaged in a United States trade or business, then the United States branch profit tax may apply to income from the Company to the extent that the Company has income effectively connected with a United States trade or business.

COMPANY REPORTS

The Managers of the Company will keep proper and complete records and books of account for the Company, using the accrual method of accounting. These books and records will be kept at the Company's principal place of business, and, only as required by applicable law, each Class B Interest holder (or a duly authorized representative) will, after providing seven (7) days written notice and during reasonable business hours, have the right to inspect, examine and copy them.

The Managers of the Company also will have prepared and transmitted to the holders of Class B Preferred Units within 75 days after the end of each fiscal year of the Company a copy of that portion of the Company's federal income tax return for such fiscal year or such other information as the holders of Class B Preferred Units may need to prepare their federal income tax returns.

ACCOUNTING MATTERS

Method of Accounting

The Company will maintain its books and records and report its income tax results in accordance with the accrual method of accounting.

ADDITIONAL INFORMATION

The Company will answer inquiries from subscribers concerning the Class B Preferred Units and the Company and other matters relating to the offer and sale of the Class B Preferred Units and the Company, and the Company will afford subscribers the opportunity to obtain any additional information to the extent that the Company possesses such information or can acquire such information without unreasonable effort or expense that is necessary to verify the information in this Memorandum.

GLOSSARY

“Act” means the Ohio Revised Code Sections 1705.01 et seq., as amended from time to time, or its successor statute.

“Affiliate” means (as defined in the Operating Agreement), with respect to any person or entity, any other person or entity directly or indirectly controlling, controlled by or under common control with such person or entity and any partner of such person or entity that is a partnership.

“Agreement” means the Operating Agreement of Blue Pearl Yachts, LLC, an Ohio limited liability company, including the schedules and exhibits thereto, in each case as amended from time to time in accordance therewith.

“Board of Managers” means (as defined in the Operating Agreement) the Board of Managers of the Company, currently consisting of three authorized individuals, by or under the direction of which the business and affairs of the Company will be managed.

“Capital Account” means (as defined in the Operating Agreement) the capital account determined and maintained for each Unitholder pursuant to the Operating Agreement.

“Articles of Organization” means the Articles of Organization filed with the Ohio Secretary of State on November 9, 2020, as the same may be further amended from time to time.

“Class A Units” means the 48,000,000 authorized Class A Voting Units authorized for issuance by the Company. The Class A Common Units are Voting Units.

“Class B Preferred Units” means the 10,714,280 authorized Class B Preferred Units authorized for issuance by the Company. The Class B Common Units are non-voting Units.

“Class B Preferred Distributions” means the right of holders of Class B Preferred Units to receive seventy-five percent (75%) of all cash distributions until they have received an amount equal to their original purchase price plus twenty percent (20%).

“Class B Liquidation Preference” means the right of holders of Class B Preferred Units to receive, prior to any distribution to the Class A Unitholders or the Class C Unitholders, all distributions made upon dissolution and winding up of the Company.

“Class C Nonvoting Units” means the 4,000,000 authorized Class C Nonvoting Units.

“Code” means the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent superseding federal revenue laws.

“Company” means Blue Pearl Yachts, LLC, an Ohio limited liability company.

“Economic Interest” means (as defined in the Operating Agreement) an Economic Interest Owner’s share of Net Profits, Net Losses and other tax items of the Company and distributions of the Company’s assets pursuant to the Operating Agreement and the Act but does not include any right to participate in the management or affairs of the Company, including the right to vote on, consent to or otherwise participate in any decision of the Members.

“Economic Interest Owner” means (as defined in the Operating Agreement) the owner of an Economic Interest who is not a Member.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Family Group” means (as defined in the Operating Agreement) a Member’s spouse and descendants (whether natural or adopted), any trust that at the time of a Transfer and at all times thereafter is and remains solely for the benefit of such Member and/or such Member’s spouse and/or descendants and any family partnership or family limited liability company or similar estate planning entity, the partners, members or similar constituents of which consist solely of such Member, such spouse, such descendants or such trusts, partnerships, limited liability companies or other similar entities.

“GAAP” means generally accepted accounting principles in the United States.

“Involuntary Transfer” means (as defined in the Operating Agreement), with respect to the affected Unitholder, any one of the following events: (a) the filing of a valid petition of voluntary or involuntary bankruptcy, or the insolvency of a Unitholder, unless such petition is dismissed with prejudice, or such insolvency is cured, within thirty (30) days; (b) receipt by a Unitholder of notice of a public, private or judicial sale of all or any part of the Units owned by such Unitholder to satisfy a judgment against or other indebtedness of such Unitholder, unless such judgment is satisfied and such proposed sale is canceled or otherwise prevented by binding legal process before the earlier of (x) five (5) days before the proposed date of such sale or (y) thirty (30) days after the date of such notice; (c) the issuance of any charging order, attachment or garnishment of all or any part of the Units owned by a Unitholder or an assignment of all or any part of the Units owned by a Unitholder for the benefit of any creditor of such Unitholder; (d) the entry of a divorce decree, or the execution by a Unitholder of a property settlement agreement, or any other action in connection with a pending divorce proceeding, the effect of which is to grant rights to all or any part of the Units owned by such Unitholder to any person other than such Unitholder; or (e) the entry of a judgment or final determination in any legal proceeding or process by which the Units of any Unitholder are required to be transferred, unless such judgment or determination is stayed, vacated or reversed before the earlier of (x) five (5) days before the proposed date of such transfer or (y) thirty (30) days after the date of such judgment or determination.

“IRS” means the United States Internal Revenue Service.

“Majority Vote of the Members Holding Voting Units” means (as defined in the Operating Agreement) the affirmative vote of Members holding greater than fifty percent (50%) of the Voting Units entitled to vote with respect to a given matter.

“Manager” means (as defined in the Operating Agreement) a member of the Board of Managers, and **“Managers”** means the Board of Managers, collectively.

“Maximum Offering Amount” means \$30,000,000, which is the aggregate dollar amount of the Class B Preferred Units that the Company may sell in the Class B Offering pursuant to this Memorandum.

“Member” means (as defined in the Operating Agreement) each Person who has executed a counterpart of the Operating Agreement as a Member and each Person who after the effective date of the Operating Agreement is admitted to the Company as a Member. If a Person is a Member immediately before the acquisition by such Person of an Economic Interest, then such Person shall have all of the rights of a Member with respect to such Economic Interest.

“Member Pro Rata Portion” means (as defined in the Operating Agreement), with respect to any Member, the quotient of (x) the sum of all Class A Units and Class B Preferred Units held by such Member divided by (y) the sum of all Units held by all Members (other than the Transferring Member) as a group.

“Membership Interest” means (as defined in the Operating Agreement) all of a Member’s share in the Net Profits, Net Losses and tax items of the Company and distributions of the Company’s assets pursuant to the Operating Agreement and the Act and all of a Member’s rights to participate in the management or affairs of the Company, including the right to vote on, consent to or otherwise participate in any decision of the Members in accordance with the terms of the Operating Agreement and the Act.

“Memorandum” means this Confidential Private Placement Memorandum of the Company (including all exhibits, amendments and supplements hereto) pursuant to which the Company is offering Class B Preferred Units to accredited investors.

“Net Profits” or “Net Losses” of the Company means (as defined in the Operating Agreement), for each fiscal year or other period, an amount equal to the Company’s taxable income or loss for such period, determined in accordance with Code Section 703(a) (and, for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1), including income and gain exempt from federal income tax, will be included in computing Net Profits or Net Losses).

“Offering Termination Date” means the earlier of (i) the date when \$1,500,000 of Class B Preferred Units have been sold or (ii) December 31, 2021, which date may be extended by the Company.

“Operating Agreement” means the Operating Agreement dated November 3, 2020 of the Company, including the Schedules and Exhibits thereto, in each case as amended from time to time in accordance therewith, which is available from the Company upon request.

“Percentage Interest” means (as defined in the Operating Agreement), as to each Unitholder at any point in time, a percentage equal to the aggregate number of Class A Units and Class B Preferred Units (or any other class or series of Units issued hereafter) held by such Unitholder divided by the aggregate number of all Units of all Unitholders. Notwithstanding the foregoing, in each event that pursuant to the Operating Agreement the Percentage Interest of any Class of Units (or combination of Classes of Units) must be determined (whether by express provision or as the context of any provision set forth in the Operating Agreement may require), with respect to such Class of Units (or combination of Classes of Units), **“Percentage Interest”** means (as defined in the Operating Agreement), with respect to each Member owning Units of such Class of Units (or Classes of Units), the percentage derived by dividing the number of outstanding Units of such Class of Units (or Classes of Units) owned by such Member by the total number of issued and outstanding Units of such Class of Units (or Classes of Units) from time to time.

“Permitted Transfer” means (as defined in the Operating Agreement) a Transfer of Units (a) among a Member’s Family Group, provided that, before the death of the Member desiring to make such Transfer (a **“Transferring Member”**), each such transferee of Units shall have entered into proxies and other agreements satisfactory to the Company pursuant to which the Transferring Member will have the sole right to vote such Units for all purposes, (b) from any Member to one or more of its Affiliates.

“Permitted Transferee” means (as defined in the Operating Agreement) a transferee or transferees of Units pursuant to a Permitted Transfer.

“Person” means (as defined in the Operating Agreement) any individual or any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association or any other organization that is not a natural person, and the heirs, executors, administrators, legal representatives, successors and assigns of such Person, where the context so permits.

“Sale of the Company” means (as defined in the Operating Agreement) a merger, consolidation or exchange of Units, a sale, lease, exchange or disposition of all or substantially all of the Company’s assets, sale or other disposition of Units or any other similar business combination pursuant to which ownership of the Company’s Units or assets is sold for cash, securities or other property of an acquiring entity or any of its Affiliates, such that the holders of the Company’s Voting Units immediately before such transaction beneficially own, directly or indirectly, fifty percent (50%) or less of the combined voting power of the capital units or stock of the acquiring or resulting entity.

“Securities Act” means the Securities Act of 1933, as amended.

“Subscription Agreement” means the Subscription Agreement for Class B Preferred Units attached hereto as **Exhibit D**.

“Transfer” means (as defined in the Operating Agreement) any direct or indirect sale, exchange, transfer, assignment, gift, donation, bequest or other disposition of all or any portion of Units or any interest in Units. In the case of a Unitholder that is a corporation, partnership, limited liability company or other entity, the term “Transfer” also includes any direct or indirect sale, exchange, transfer, assignment, gift, donation, bequest or other disposition (including a transfer by way of a foreclosure or execution of similar rights) of control of such entity.

“Treasury Regulations” means those regulations promulgated by the Secretary of the United States Department of the Treasury pursuant to the Code.

“Unitholder” means (as defined in the Operating Agreement) a Person who is either (i) a Member or (ii) an Economic Interest Owner.

“Units” means (as defined in the Operating Agreement) the Units issued to any Unitholder under the Operating Agreement which represent a Member’s entire Membership Interest in the Company and an Economic Interest Owner’s entire Economic Interest in the Company, as the case may be.

“Voting Units” means (as defined in the Operating Agreement) the Class A Units.

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EXHIBIT A

RISK FACTORS

An investment in Class B Preferred Units is speculative and involves a high degree of risk. It is impossible to predict accurately the results to an investor from an investment in the Class B Preferred Units because of general uncertainties associated with the Company's current business plan. See "Description of Business." The Company, and thus the holders of Class B Preferred Units, will be exposed to the risks of consumer lenders and commercial lenders, as generally described in this Memorandum. These risks are not the only risks that the Company may encounter. In addition to the various risk factors set forth in this "Risk Factors" section below and in this Memorandum, which each prospective investor must read before subscribing for Class B Preferred Units, each prospective investor should consult with his own legal, tax and financial advisors with respect thereto.

RISKS RELATING TO BLUE PEARL YACHT'S BUSINESS

The Company's success depends on the viability of the Company's business model, which is unproven and may be unfeasible.

The Company's revenue and income potential are unproven, and the Company's business model is relatively new. The Company's business model is based on a variety of assumptions relating to the Company's ability to develop and commercialize temperature and spoilage sensors for use in the fresh food supply chain. These assumptions may not reflect the business and market conditions that we actually face. As a result, the Company's operating results could differ materially from those projected under the Company's business model, and the Company's business model may prove to be unprofitable.

The Company's lack of operating history creates substantial uncertainty about future results.

We have no operating history or operations on which to base expectations regarding the Company's future results and performance. Further, the Company, as a recently formed enterprise, is subject to financial, funding, managerial and other types of risks associated with recently formed entities. In order to succeed, we must do most, if not all, of the following:

- raise equity or debt financing to have sufficient funds to complete development and commercialization;
- identify and establish relationships with customers;
- attract, integrate, retain and motivate qualified management and sales personnel;
- successfully execute the Company's business strategies;
- respond appropriately and timely to competitive developments; and
- develop, enhance, promote and carefully manage the Company's corporate identity.

The Company's business will suffer if we are unable to accomplish these and other important business objectives.

Failure to implement the Company's business strategy could adversely affect the Company's operations.

The Company's financial position, liquidity and results of operations depend on its management's ability to execute its business strategy. Key factors involved in the execution of the business strategy include:

- completing yacht design and development;
- successfully establishing manufacturing facilities in the U.S.;
- successfully anticipating customer needs and requirements;
- achieving marketing and sales objectives; and
- continued access to significant funding and liquidity sources.

The Company's failure or inability to execute any element of the Company's business strategy could materially adversely affect the Company's financial position, liquidity and results of operations.

The Company depends upon its sole Manager.

The Company will be highly dependent upon the business management skills and strategies of the sole Manager, much of which will be done in consultation with the Company's consultants and advisors. Notwithstanding the foregoing, the Manager will retain legal control over the financial and business affairs of the Company. If the Company lost the services of Dr. Hummer due to death, incapacity or retirement, the business financial condition and results of operations of the Company will be adversely affected and the Company would have a very difficult time replacing his knowledge and experience in the industry.

The Company's yacht designs are under development and are subject to all the risks related thereto.

The ability of the Company to timely develop, manufacture and market its products is essential to its success. Current development and manufacturing schedules may be delayed by such factors as technological or labor difficulties and changes in both the needs and demands of customers and government policy or regulation. The costs of development could exceed our estimates which would require additional capital. Any delay in the development, manufacture or delivery of the Company's products could result in the Company attempting to market its products at a time when cost and performance characteristics are not competitive with adverse consequences to the Company. Accordingly, there can be no assurance that the Company will be able to successfully develop, manufacture and market its products.

The Company may not be able to obtain insurance against some of the potential liabilities it faces.

The Company expects to purchase insurance to cover certain potential liabilities it faces, such as product liability, workers' compensation, general business liability and others. The Company may not be able to obtain such insurance or the policy costs may be unreasonable and the coverage may not be adequate to fully insure the anticipated risks. As a result, BPY's insurance and claims expense could be significant, thus affecting its profitability.

The Company may not be able to manage rapid growth.

BPY's success will depend in part upon the ability of its management to manage its projected growth. To do so, BPY must continue to increase the productivity of its existing infrastructure and to hire, train and manage new employees as needed. To manage the expected growth of BPY's operations and personnel, it will need to continue to improve technological, operational, financial and management controls, its reporting systems and procedures. If BPY fails to successfully scale its operations and increase productivity, BPY may be unable to execute its business plan.

The Company's revenues, if achieved, may fluctuate based upon factors beyond our control.

Important factors that may cause BPY's revenues, operating results and cash flows to fluctuate include:

- the Company's ability to design and construct new yachts;
- general economic conditions, which may adversely affect performance;
- changes in foreign currency or cryptocurrency exchange rates;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of BPY's business;
- expenses related to significant, unusual or discrete events;
- extraordinary expenses such as litigation or other dispute-related settlement payments;
- technical difficulties or interruptions in BPY's services; and
- evolving tax and tariff regulations.
-

Many of these factors are outside of BPY's control, and the occurrence of one or more of them might cause the value of any investment in BPY to be substantially impaired or completely eroded.

The sailing vessel building industry may be subject to rapid changes.

The success of BPY's business will depend on several factors, including the timely completion, introduction, efficacy and market acceptance of its boats. Failure in this regard may significantly impair BPY's competitiveness and financial results. In addition, BPY may need to continuously modify and enhance its designs and materials to keep pace with changes in ship building. BPY may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. The occurrence of any of the foregoing could have a material adverse effect on BPY.

The Company may be unable to successfully compete in the larger sailing vessel industry.

Most of these competitors have substantially greater financial resources and lower costs of funds than we do. Most of these competitors also have long standing relationships with marine vendors. In seeking to establish ourselves as one of the principal US sailing vessel builders we expect to compete predominately on the basis of the Company's "Made in USA" character and lower cost. There can be no assurance that the Company will be able to compete successfully in this market or against these competitors.

The Company's inability to attract, train and retain additional qualified personnel may harm the Company's business and impede the implementation of the Company's business strategy.

The Company needs to attract, integrate, motivate and retain a significant number of additional personnel in 2021 and beyond. Competition for these individuals in the Company's industry and geographic region is intense, and we may be unable to attract, assimilate or retain such highly qualified personnel in the future. The Company's business cannot continue to grow if it is unable to attract such qualified personnel. The Company's failure to attract and retain highly trained personnel that are essential to the Company's business may limit its growth rate, which would harm its business and impede the implementation of the Company's business strategy as contemplated in this Memorandum.

Management may have conflicts of interest in the management of the Company's operations.

Various conflicts may arise out of transactions between the Company's management and the Company related to their compensation and business activities. See "**Description of Business – Conflicts of Interest.**"

RISKS RELATING TO THE INTERNAL OPERATION OF THE COMPANY

Taxable Income May Exceed Cash Distributions; No Guaranteed Cash Distributions.

The holders of Class B Preferred Units may be allocated taxable income in excess of cash distributions, and, consequently, the holders of Class B Preferred Units may not receive sufficient cash to pay taxes associated with such allocated income. There can be no assurance that cash

distributions will, in fact, be made or, if made, that distributions will be made when anticipated. The Operating Agreement requires the Company, and the Board of Managers intends, to distribute sufficient cash from the activities of the Company to enable the holders of Class B Preferred Units to pay the tax imposed on any taxable income generated by the Company; however, there can be no assurance that the Board of Managers will be able to do so.

All decisions are made by our Board of Managers and Executive Officers.

All decisions regarding management of the Company will be made exclusively by the Managers of the Company and the Executive Officers and not by any of the holders of Class B Preferred Units. Accordingly, no person should purchase Class B Preferred Units unless such person is willing to entrust all aspects of management of the Company to the Managers of the Company. Prospective investors must carefully evaluate the personal experience and business performance of the Managers of the Company. As of the date of this Memorandum, the sole Manager of the Company is Dr. Gregory Hummer. See “Management.”

Our Class B Preferred Members have no voting rights.

Members have no voting rights and cannot take part in the management of BPY’s business, which is the sole responsibility of the Manager. There may be limited actions that require Member consent (see the Operating Agreement for details).

Holders of Class B Preferred Units may experience a loss on dissolution and termination.

In the event of a dissolution or termination of the Company, the proceeds realized from the liquidation of the assets of the Company will be distributed among the holders of Class B Preferred Units in accordance with the Operating Agreement, but only after the satisfaction of the claims of third-party creditors of the Company. The ability of a holder of Class B Preferred Units to recover all or any portion of such holder’s investment in Class B Preferred Units under such circumstances will, accordingly, depend on the amount of net proceeds realized from such liquidation and the number of claims to be satisfied therefrom. There can be no assurance that the Company will recognize gains on such liquidation.

Holders of Class B Preferred Units may be liable for improper distributions.

Members and economic interest owners of a limited liability company, such as the holders of Class B Preferred Units, may be liable to return a distribution (even though such distribution was otherwise rightfully made) to the extent that, after such distribution, the remaining assets of the limited liability company are insufficient to pay the then outstanding liabilities of the limited liability company (exclusive of liabilities to members and economic interest owners of the limited liability company on account of their limited liability company interests and liabilities for which the recourse of creditors is limited to specified property of the limited liability company). Otherwise, members and economic interest owners of a limited liability company, such as the holders of Class B Preferred Units, generally are not liable for the debts and obligations of the

limited liability company beyond the amount of the capital contributions they have made or are required to make under the limited liability company's operating agreement.

Limitation of Liability/Indemnification of the Managers.

The Managers of the Company and the Company's employees, agents, attorneys and certain other parties may not be liable to the Company or the Members (including the holders of Class B Preferred Units) of the Company for errors of judgment or other acts or omissions not constituting fraud, gross negligence or willful malfeasance as a result of certain indemnification provisions in the Operating Agreement. A successful claim for such indemnification would deplete the Company's assets by the amount paid.

CERTAIN TAX RISKS RELATING TO AN INVESTMENT IN CLASS B PREFERRED UNITS

An investment in the Class B Preferred Units offered hereby entails substantial federal income tax risks, some of which are described immediately below. A general description of the federal income tax considerations associated with an investment in Class B Preferred Units is described in "Federal Income Tax Considerations."

Tax Classification.

The Company currently is and plans to continue being taxed as a partnership principally in order to avoid "double taxation." If such plan were not realized, the Company would be considered a corporation for income tax purposes. Under such a circumstance, the Company's profit would be taxed once when earned and a second time when such profits were distributed to the Members of the Company. Such a result would reduce the holders of Class B Preferred Units' yield from an investment in the Class B Preferred Units. See "Federal Income Tax Considerations—Status as Partnership for Tax Purposes."

Tax Liability of Holders of Class B Preferred Units (and of other Members).

As a partnership, the Company will not be subject to income tax on its taxable income and gain. Instead, the Company's taxable income and gain will be allocated among the holders of Class B Preferred Units (and the other Members of the Company) who must report their shares of such income and gain on their own tax returns and pay any tax attributable thereto. The tax liability associated with a Class B Unitholder's share of the Company's taxable income in any year could exceed the amount of the distributions that a Class B Interest holder receives from the Company in such year. See "Federal Income Tax Considerations—Partnership Taxation Scheme."

Inability to Use Losses.

Tax losses (if any) that the Company may realize from its operations will not be allocated to the holders of Class B Preferred Units.

Allocation of Taxable Income and Loss Among Partners.

Although a partnership is permitted to determine the manner of allocating its taxable income and loss among its partners, the IRS could challenge the method used on the grounds that it lacks substantial economic effect. If successful, such a challenge would result in amended tax returns, reallocation in a less favorable manner to certain partners, interest and possible penalties. See “Federal Income Tax Considerations—Allocation of Taxable Income to Partners.”

Disallowance of Deductions.

The availability and timing of deductions claimed by the Company in computing its taxable income depend on general legal principles as well as factual matters. The IRS could challenge deductions claimed by the Company. The IRS could claim, for example, that fees that the Company paid to its Affiliates are excessive or otherwise nondeductible, that items of expense deducted currently instead must be capitalized and claimed as deductions over time and that costs allocated to assets with a short life instead must be depreciated over a longer period of time or are not depreciable at all. If such claims were successful, then the holders of Class B Preferred Units’ shares of the Company’s taxable income and the tax attributable thereto would be increased. See “Federal Income Tax Considerations—Various Fees and Expenses.”

Change in the Tax Law.

The description of tax consequences from an investment in Class B Preferred Units that is set forth in this Memorandum is based on tax laws as in effect on the date of this Memorandum and on administrative and judicial interpretations of such laws. Future administrative pronouncements and court decisions as well as new laws enacted by Congress could change the tax laws applicable to the taxation of partnerships. Any such change could apply to the Company and its holders of Class B Preferred Units (and its other Members) and could have an adverse impact on an investment in Class B Preferred Units.

Audit and Penalties.

The IRS could audit the Company’s income tax returns. Such an audit could result in disallowance of deductions and the reallocation of income as described above. Such action would result in interest charges and could cause the imposition of penalties. The Code imposes a penalty of 20.0% on an underpayment of tax that is attributable to negligence, a substantial understatement of income tax or a valuation misstatement. See “Federal Income Tax Considerations—Penalties and Interest.”

Unrelated Business Taxable Income.

An organization that generally is exempt from income taxation nevertheless is subject to income tax on its unrelated business taxable income (“UBTI”). It is expected that an exempt organization will have UBTI from an investment in Class B Preferred Units only if the organization acquires its Class B Preferred Units wholly or partly with debt. An exempt organization should consult its own tax advisor regarding the effect of UBTI on an investment in Class B Preferred Units. See “Federal Income Tax Considerations—Tax Exempt Investors.”

Variation Among the Holders of Class B Preferred Units.

The tax consequences of an investment in Class B Preferred Units could vary widely among the holders of Class B Preferred Units as a result of differences in their particular circumstances. This Memorandum describes only general consequences and does not address the effect of such consequences on particular situations. Therefore, each investor must consult its own tax advisor to determine how the consequences of an investment in Class B Preferred Units will affect its particular situation.

IRS Circular 230 Notice.

The statements in this Memorandum are not intended to be used and may not be used for the purpose of avoiding penalties that might be imposed on an investor as a taxpayer. The statements were written to support the marketing of the transactions described in this Memorandum. An investor should seek advice regarding its tax consequences from an investment in Class B Preferred Units from an independent tax advisor.

RISKS RELATING TO THE CLASS B UNIT OFFERING

There is no minimum offering amount, and the Maximum Offering Amount may not be raised.

The Class B Offering does not have a minimum offering amount. All subscription payments received for Class B Preferred Units will, upon acceptance of the associated subscription, be deposited into the Company’s bank account and thereafter be immediately available for use by the Company. The Company is seeking gross proceeds from the Class B Offering of up to a maximum of \$30,000,000. There can be no assurance that the maximum proceeds from the Class B Offering will be raised. If the Maximum Offering Amount is not raised, then the Company will have very limited capital with which to purchase retail installment Contracts. This would result in a substantial reduction in the Company’s operating results and projections and could result in the loss of all investment in the Class B Preferred Units.

Class B Preferred Units are highly illiquid investments.

There is no public market for the Class B Preferred Units, and it is highly unlikely that one will develop. Class B Preferred Units will not be registered under federal or state securities

laws or the securities laws of any foreign jurisdiction, and they may not be resold unless they are subsequently registered or an exemption from such registration is available.

The purchase price of Class B Preferred Units was not determined on the basis of an arm's-length negotiation.

The purchase price of Class B Preferred Units was established by the Company and was not determined on the basis of any arm's-length negotiation. No independent appraisal of Class B Preferred Units has been obtained. See "Determination of Offering Price."

Future financings are expected to dilute existing investors' interests in the Company.

The Company expects its capital outlays and operating expenditures to increase over the next several years as it works to commercialize its products and services and expand its infrastructure and research and development activities. The Company will likely need to raise additional capital to do so.

If the Company raises additional funds by issuing additional units, dilution to Company's current investors could result. Any securities issued also may provide for rights, preferences or privileges senior to those of holders of the Company's Class B Preferred Units. If the Company raises additional funds by issuing debt securities, these debt securities would have rights, preferences and privileges senior to those of holders of the Company's units, and the terms of the debt securities issued could impose significant restrictions on the Company's operations.

The Company's legal counsel represents the Company and does not represent the Manager, Members, Investors or Affiliates thereof.

Legal counsel for the Company does not represent, and will not be deemed to have represented, or to be representing the Manager, Blue Pearl Yachts, LLC, or any of the Investors or Members of the Company in any respect whatsoever. Investors and Members of the Company are encouraged to seek their own legal counsel.

The Class B Offering is not registered with the Securities and Exchange Commission or any state securities authority.

Class B Preferred Units are being offered in reliance on an exemption from the registration provisions of the Securities Act, state securities laws or "Blue Sky" laws and may not be offered or sold to, or for the account or benefit of, persons except in accordance with an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Class B Preferred Units are being offered and sold only to accredited investors in a private sale exempt from the registration requirements of the Securities Act. Each purchaser of Class B Preferred Units and will be deemed to have made certain acknowledgments, representations and agreements as set forth in this Memorandum. Transfers of the Class B Preferred Units may only be made pursuant to an exemption under the Securities Act and any applicable state securities laws and upon satisfaction of certain other

provisions of the Operating Agreement. The Company has not agreed to provide registration rights to any purchaser of the Class B Preferred Units, and the Company is not obligated to register the Class B Preferred Units under the Securities Act or any state securities laws. A purchaser must be prepared to hold the Class B Preferred Units for an indefinite period of time. See “Restrictions on Transferability.”

The Class B Offering has not been reviewed by any securities regulator.

Since this is a nonpublic offering and, as such, is not registered under federal or state securities laws, prospective investors will not have the benefit of review by the United States Securities and Exchange Commission or any state securities regulatory authority.

Failure to comply with the requirements of the Securities Act and state securities laws could give to investors the right to rescind their purchases.

Class B Preferred Units are being offered and will be sold to investors in reliance on a private offering exemption from registration provided in the Securities Act and state securities laws. If the Company fails to comply with the requirements of such exemption, then the investors may have the right, if they so desired, to rescind their purchase of Class B Preferred Units. It is possible that one or more investors seeking rescission would succeed. This also might occur under the applicable state securities or “Blue Sky” laws and regulations in states where Class B Preferred Units will be offered without registration or qualification pursuant to a private offering or other exemption. If a number of investors were successful in seeking rescission, then the Company would face severe financial demands that would adversely affect the Company as a whole and thus the investment in the Company by the remaining investors.

EXHIBIT B
OPERATING AGREEMENT OF
BLUE PEARL YACHTS, LLC

EXHIBIT C

FINANCIAL OVERVIEW AND PROJECTIONS

The financial projections contained herein should not be construed as predictions of the actual operating results of the Company or the actual results of investing in the Class B Preferred Units. The financial projections are intended merely to illustrate the potential results that the Company might achieve if the accompanying assumptions are achieved. While the Company believes that the assumptions are reasonable, they are necessarily speculative and subject to many uncertainties and risks. It is likely that future events and conditions will be different from those assumed and that actual results will be different from those illustrated, and those differences may be material.

The forward-looking statements contained in this Memorandum, including, without limitation, statements regarding future events, activities, occurrences or performances, are intended merely as estimates, projections, predictions or beliefs regarding these future events, activities, occurrences or performances, unless expressly stated otherwise. For various reasons, including those set forth in the “Risk Factors” section of this Memorandum, there can be no assurance that the actual events will correspond with these forward-looking statements or that factors beyond the control of the Company will not affect the assumptions on which the forward-looking statements are based. Therefore, the illustrative value of these forward-looking statements found in this Memorandum should not, under any circumstances, be considered a guarantee that such future events, activities, occurrences or performances will take place.

The financial projections were compiled by the Company and represent the Company’s best estimate of the expected performance of the Company. The financial projections were not examined or otherwise passed upon by the Company’s legal counsel.

Prospective investors should seek the advice of their own independent legal and tax advisors with respect to an investment in the Company and in the Class B Preferred Units and the prospective risks and rewards therefrom.

Estimated Gross Profit Based on Two-Phased Implementation

Gross profit over a eight-year period is estimated to be \$54,440,000. The profit estimate is based on revenue from selling 7 Blue Pearl 114 sailing yachts.

The gross profit estimate assumes implementation and product offering of building and selling seven yachts associated with Phase 1 and Phase 2. See pages 1 and 2 of Section: **BUILD SCHEDULE & CASH OUT FOR TWO YACHTS** .

Estimating Gross Revenue

The chart set forth in section **INVESTOR PAYBACK & PROFIT PROJECTIONS** assumes that we will construct two yachts during the first 28 months of operation. The first yacht will be used for Company sales and marketing purposes, and thereafter each yacht will be sold to customers. The Company expects and intends thereafter to complete 1 yacht about every

18 months once the first yacht is completed. After the completion of the first yacht, yachts are intended to be constructed two at a time overlapping each other by 4-6 months, so that two yachts are intended to be completed every 22 months. The Company estimates the sales price of each yacht to be approximately \$12,000,000 to \$14,000,000 dollars.

Estimating Cost of Goods Sold

Cost of construction has been estimated by ship builders and shown earlier above under “**Use of Proceeds.**” These costs include land acquisition, building construction, equipment, planning, overhead, labor, materials, builder profit, molds for hull and deck, sails and rigging. Overhead of \$900,000 for each yacht is figured into the monthly cost allocation. This amount of \$900,000 is intended and included to finance the new assembly building(s), estimated to cost \$2.5 to \$3.2 million dollars. An additional amount of \$951,870 for labor is figured into the monthly cost allocation for each yacht built. An estimated amount of \$3,539,870 is also figured into the monthly cost allocation all of which are shown on page 1 and 15 of the section titled, Build Schedule & Cash Out For Two Yachts. Other additional costs are shown on page 15 of this same section. Those additional amounts are a onetime allocation for each yacht.

Cash Flow Projections Build Out

**See the prior sections:
BUILD SCHEDULE & CASH OUT FOR TWO YACHTS and
INVESTOR PAYBACK & PROFIT PROJECTIONS**

EXHIBIT D

**INSTRUCTIONS TO INVESTORS AND
SUBSCRIPTION AGREEMENT FOR CLASS B PREFERRED UNITS**

[Provided separately]