YES Yacht Executive Solutions

"I don't like losses, sport.
Nothing ruins my day more than losses."
Gordon Gekko, *Wall Street*

MEMORANDUM

TO: Carlton Morris / General Discussion With Profit Partners

FROM: Scott Crabtree

DATE: March 23, 2015

SUBJECT: Profit Partner-Ships "*The Wall Street Way*": General Terms To Buy Partners' Existing Yachts

Following upon the previous Memorandum or March 11, "Also, the yields can often be substantially enhanced if the partner has a current yacht they would like to profitably dispose of as well."

Expecting many Profit Partners may also have current yachts they wish to sell before buying another yacht, enclosed for review and discussion are general examples of the current existing opportunities for Partners to quickly and profitably sell to us yachts they currently own.

Buying yachts *The Wall Street Way*, combines strategies originally created for problem banking assets with LBO / private equity and other financial strategies to reasonably generate superior risk adjusted returns - safe, secure, and predictable five (5) year **IRRs ranging between 20% and 40%** should be reasonably assured with new yacht purchases. However, when Partners have existing yachts to sell, much greater IRRs' should be relatively common and generally expected.

Therefore, without going into proprietary and confidential specific details as to how these yields are achieved, **this memo briefly explores three (3) base scenarios where we agree to acquire currently owned existing yacht(s).**

1. A $10,000,000 yacht purchase,
2. A $5,000,000 yacht purchase, and
3. A $1,000,000 yacht purchase.

As with new yacht purchases, each existing yacht purchase is uniquely structured to the specific goals and objectives of each partner – including taxes – which can significantly impact the IRRs and what the Seller actually nets after the sale.

Clearly these profits are far superior to the usual losses and costs of traditional yacht ownership, but they are not for everyone. Neither intended nor designed for the masses, these strategies are only for a select chosen few. Remember, it could just as easily be a jet or a condo as a yacht. Most of these strategies work just as well if not better regardless of the partners' tax burden or the size of the assets- from $1,000,000 to $100,000,000, but generally the larger the asset and tax burden the greater the potential benefits and rewards.

The numbers in these scenarios do not account for any fees, commissions, or potential profit splits between the partners. They simply reflect sums and yields that could be available given proposed structures and strategies. These numbers do not attempt to predict, suggest, or reflect any specific partner's profits but rather just the potential gross totals that could be available to be disbursed between the partners as we agree is fair and equitable.

Under the current conditions, if our collective objective is to achieve maximum profits and still enjoy the other rewards, benefits, and opportunities available from the luxury yachting lifestyle, for any Profit Partner with an existing yacht to sell, I recommend the following as examples of strategies worthy of further review and consideration.

SCENARIO I: $10,000,000 YACHT SALE

This Profit Partner seeks to sell and we agree to buy his yacht for $10,000,000. Combined federal and state tax burdens range from 0% - 45%. Please note combined federal and state tax burdens apply to both US and Canadian taxes and tax payers only. Partner has a discount factor / cost of capital / for valuation purposes of 10%.

If resources are available, any project with a positive NPV should be implemented. When faced with limited resources or multiple projects with positive NPVs, they should be prioritized with higher NPV projects being more valuable.

Example A: 0% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$10,000,000	
Selling Partner's Combined Federal & State Tax Rate	0%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**114%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$12,186,117**

Example B: 20% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$10,000,000	
Selling Partner's Combined Federal & State Tax Rate	20%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**248%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$14,095,208**

Example B: 30% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$10,000,000	
Selling Partner's Combined Federal & State Tax Rate	30%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**441%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$15,049,754**

Example B: 45% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$10,000,000	
Selling Partner's Combined Federal & State Tax Rate	45%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**3536%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$16,481,572**

SCENARIO II: $5,000,000 YACHT SALE

This Profit Partner seeks to sell and we agree to buy his yacht for $5,000,000. Combined federal and state tax burdens range from 0% - 45%. Please note combined federal and state tax burdens apply to both US and Canadian taxes and tax payers only. Partner has a discount factor / cost of capital / for valuation purposes of 10%.

If resources are available, any project with a positive NPV should be implemented. When faced with limited resources or multiple projects with positive NPVs, they should be prioritized with higher NPV projects being more valuable.

Example A: 0% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$5,000,000	
Selling Partner's Combined Federal & State Tax Rate	0%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**114%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$6,093,059**

Example A: 20% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$5,000,000	
Selling Partner's Combined Federal & State Tax Rate	20%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**248%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$7,047,604**

Example A: 30% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$5,000,000	
Selling Partner's Combined Federal & State Tax Rate	30%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**441%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$7,524,877**

Example A: 45% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$5,000,000	
Selling Partner's Combined Federal & State Tax Rate	45%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**3536%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$8,240,786**

SCENARIO III: $1,000,000 YACHT SALE

This Profit Partner seeks to sell and we agree to buy his yacht for $1,000,000. Combined federal and state tax burdens range from 0% - 45%. Please note combined federal and state tax burdens apply to both US and Canadian taxes and tax payers only. Partner has a discount factor / cost of capital / for valuation purposes of 10%.

If resources are available, any project with a positive NPV should be implemented. When faced with limited resources or multiple projects with positive NPVs, they should be prioritized with higher NPV projects being more valuable.

Example A: 0% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$1,000,000	
Selling Partner's Combined Federal & State Tax Rate	0%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**114%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$1,218,612**

Example A: 20% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$1,000,000	
Selling Partner's Combined Federal & State Tax Rate	20%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**248%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$1,409,521**

Example A: 30% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$1,000,000	
Selling Partner's Combined Federal & State Tax Rate	30%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**441%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$1,504,975**

Example A: 45% Tax Rate

Desired Sale Price Of Partner's Asset (Jet, Yacht, Condo, Horse, etc.)	$1,000,000	
Selling Partner's Combined Federal & State Tax Rate	45%	
Selling Partner's Discount Factor / Cost of Capital (Opportunity Cost Of Capital)	10%	
Selling Partner's Five (5) Year Internal Rate of Return (**IRR**)		**3536%**
Profit Partner's Yacht Sale Transaction Net Present Value (**NPV**)		**$1,648,157**