THE BUSINESS OF PLEASURE BOATS

PRESIDENT'S MESSAGE

My key objective during my term as President of the National Marine Bankers Association is to enhance the value of your membership, and I believe this can be done in several ways. Let me share my thoughts with you, then I'll ask you to do the same.

Improve communication between members. I want to engage you in the happenings of the association and motivate you to respond. This has already begun to happen, as I have received excellent ideas from many of you and some will be incorporated into your Annual Members' Conference this fall. A few have answered my call for new material for the NMBA Website, which should be launched by the time you read this. We have received a volunteer or two to help on some of our committees, and we still need more. I will continue to reach out to you – please continue to reach back.

This is your Association and you should be involved in running it. As you respond, we will get you involved. Currently your Board of Directors is seeking new candidates to run for three board positions that will become available this fall. Help us develop an organization that creates a buzz within the industry through expanded services, visibility and involvement in the marine industry.

We need to consider the interests of all members. The commercial lending sector has been all but forgotten over the past several years, yet they are important members too. A committee will be formed to address the importance of this segment of the business to the recreational boating industry. From that committee we intend to include commercial finance in our Annual Members' Conference agenda, expand our Lender's Workshop to cover this area, and enhance the floorplanning section of our Annual Report to be more applicable and user-friendly to interpret and benefit from the data. And that's just for starters, so if you're a commercial lender and you want to be a part of this exciting change, please give me a call.

We can do a better job of promoting the Association and its members to the marine and banking communities. The Communication Committee is sending frequent press releases to promote our members' view and those of the association. We have plans to create a media campaign to bankers, drawing new members as potential new lenders for service companies. The NMBA Website is being enhanced through expanded content and links to/from other industry sites, easier navigational tools, accessibility to more of the site by all associates within a member institution and by non-member supporters of NMBA.

Continued educational opportunities at our conference and workshop. The board will freshen the content, expand the offerings, and meet the needs of our members. Talk to us; tell us how we're doing with these important events. Let us know what you want to hear about and how we can improve.

Maintain the financial growth of our association in order to provide future services. This is important, as there are always legislative issues that could impact the marine industry and your business. Without money to combat or support as necessary our future could be grim. We want to bring the best speakers, trainers, and seminars to our members and this takes money. Our board will continue to be involved in other industry organizations and conferences to maintain the visibility this Association needs. The NMBA picks up the tab for some of these costs.

Continue the trend of managing by committee. In the past few years the board has become much more involved in the day-to-day happenings of the NMBA by creating committees to manage the Association. Not only does this keep the board focused on our objectives, but we also take ownership of the various responsibilities. Today we are a much stronger organization than in the past, allowing us to control our destiny. Please consider working on one of the various committees and call me to volunteer today.

This is an aggressive campaign to create more value for our members and to energize our Association, but it can be done. I have already introduced some new practices that will change the way the organization is viewed by its members. Many of these goals go hand-in-hand – we begin to improve certain areas and others will be positively impacted as well.

Call me (714-481-8870), send me an email (peggy.bodenreider@etrade.com), drop by and see me (600 Anton Boulevard, 20th Floor, Costa Mesa, CA) – I want to know how we're doing. I value your thoughts and ideas.

Peggy Bodenreider

NMBA ANNUAL CONFERENCE NEAR MOUSE HOUSE

"Spirit of Key West" at Gaylord Palms is Minutes from Disney, Great Golf

NMBA's Annual Marine Lending Conference makes a trip south September 21 - 23, 2003 in a location that has attracted the highest level of participants in its history. "The combination of Florida's big boating and lending community tied into Orlando attractions and great golf brings participants in," notes Conference chairman Bill Otto. "We think we'll advance beyond the record number of 175 people attending last year." He adds that planners have also delivered on the premise that the conference is the place to be for anyone involved in the marine finance and related services industries. It brings a balanced agenda of industry speakers, business sessions which address the latest issues affecting the lending market, interactive discussions on current topics, and the opportunity to network with colleagues and friends.

The Grand Atrium at the Gaylord Palms

Celebrating its twenty-fourth year, the Conference will headquarter at the Gaylord Palms Resort & Convention Center. Lodging reflects Florida's grandest styles, including St. Augustine, Key West, the Everglades and Emerald Bay. Features include a marine activity pool, golf at Falcon's Fire Gold Club, a Spa and kid's academy. More details can be found at www.gaylordhotels.com. NMBA has secured highly attractive room rates of $149 per night, plus taxes. Early booking is encouraged as rooms at this rate are limited; based on availability, regular rates could go in effect June 20. These discounted rates can also be applied either side of the conference, based on room availability, so please book early to avoid disappointment. Call 407/586-2000 and reference the NMBA conference when making your reservation.

Business & networking

Morning business sessions will include:

- A U.S. Coast Guard issues panel to advise of changes in documentation, lien recordation efforts and homeland security focus;
- Overview and details of NMBA's and the industry's new Recreational Marine Research efforts (see related article in this issue);
- An industry forecast by a noted economist;
- A motivational speaker;
- And "Ask the Experts" review of floorplan, insurance and marina finance topics.

Participants in NMBA Conferences know that it's business in the mornings and networking in the afternoons and evenings. An opening reception starts things off on Sunday evening; Monday afternoon is free for recreation or side trips followed by the traditional Bar-be-que that evening; Tuesday afternoon is the golf tourney followed by an awards banquet to close the conference.

NMBA's Seventh Golf Tournament takes place Tuesday afternoon. A contingent of friendly (and competitive) duffers will take on Falcon's Fire. An NMBA scout reports this is a beautifully manicured Rees Jones designed course. It is not long, with white tees at 6080 yards and blues measure 6473, but very challenging. Water comes into play on about half the holes and there are over 130 bunkers on the course … bring the sand wedge! Most fairways are narrow and the greens small, so the shortness of the course is deceptive. There are a number of doglegs and lots of hazards lurking on every hole. The signature hole is called Bunker Hill, a drive over water to a 90 degree dogleg and a fairway lined on one side by water and the other side by bunkers, 16 to be exact! Then hit to a postage stamp green. Soft spikes are encouraged but metal spikes or tennis shoes are OK. The carts are equipped with a GPS system that tells you the yardage to the green. Shoes and clubs are available to rent.

Guest rooms overlooking the Grand Atrium

Sponsors & exhibitors sought

Sponsors, exhibitors and advertisers (in the program directory that becomes a useful resource for finding lenders, finance products and services) are an integral part of the conference. The generosity of this group helps insure delivery of useful, successful and memorable conferences. Sincere gratitude is extended to past supporters. Those interested in learning more about sponsorship, advertising or exhibiting opportunities should contact Bernice McArdle at 312/946-6260 or by e-mail at bmcardle@nmma.org.

GAYLORD PALMS™
RESORT & CONVENTION CENTER
Florida

Conference Committee members are in the process of finalizing the overall program. Members and colleagues with additional ideas are encouraged to advance them. NMBA Conference Committee contacts are: Bill Otto, Committee Chairman (616/538-5777, william_b_otto_III@keybank.com), Jackie Forese, Golf Event Director (516/810-3796, forese@msn.com), and Bernice McArdle (see phone and email above). Further details about the conference will be provided in the coming months.

Gaylord Palms Resort and Convention Center

LODGING ADVICE …Records show that about half of participants book lodging less than 30-days before the Conference starts and often lose discounted room rates. Planners encourage everyone to make reservations within the allotted deadline (June 20), especially if you plan to build in extra time either side of the conference, because you can always cancel them. If the room block sells out, expect to pay about an extra $100 (plus tax) per night, and possibly not be able to secure lodging at the on-site hotel.

GAYLORD RESERVATIONS LINE: 407-586-2000

NMBA golf teams get ready for the Sixth Annual Golf Tournament at Indian Lakes, August 2002

Brunswick chairman George Buckley (from l.), keynoter at NMBA's '02 Conference, talks with Jim Coburn, NMBA immediate past president, Conference chair Bill Otto, and KeyBank's John Relyea.

LENDING STATS TO IMPROVE WITH NEW ROUTINE

RMRC RECREATIONAL MARINE RESEARCH CENTER

NMBA members and others that rely on marine lending statistics will be getting them faster and more often with changes being made to the association's collection and distribution routine. Beginning with the 2002 Annual Report, data collection moves to Michigan State University's Recreational Marine Research Center under the guidance of Dr. Ed Mahoney. The new e-based system will provide the same detail of statistics, plus a few more interpretations, and offer much quicker turnaround. It's estimated that the '02 input can be completed in May, with a report issued 30 - 45 days later.

In addition to the NMBA Annual Report, which is the only report available detailing the retail and wholesale boat lending market, NMBA members are being asked to participate in MSU's Marine Business Leaders Outlook (MBLO) reports that are being expanded to include lender input. The quarterly forecasts will also be e-based and have quick result turnarounds of only several weeks.

The current MBLO report shows mild optimism in its Business Confidence Index of 120 for the next three months, 130 for the next six months and 134 in the next 12 months. Projections are based on a scale of zero to 200 with a neutral index rating of 100. The MBLO quarterly survey assessed manufacturer and dealer performance in the last (4th) quarter compared with previous (3rd) quarter, expectations and plans for the next (1st) quarter, and the overall outlook for future performance in the marine industry.

Manufacturer Results … Unit and dollar sales for the majority of marine manufacturers participating in the survey were better in 4Q01 than the same quarter in 2002. Inventories were also higher, due in part to expectations of higher sales in the first quarter of 2003. Forty-six percent of manufacturers surveyed estimated they would increase production an average of 18 percent in the first quarter of 2003, with the same percentage planning to continue 4Q production levels.

Dealer Results … Dealers indicated they anticipate continuing recovery over the next 12 months. Dealership sales of new boats for 4Q02 were better than 4Q01, but sales of pre-owned boats for the quarter were lower than sales during the same period in the previous year. While dealership inventories at the end of 2002 were somewhat higher than 4Q01, the average value of new boat inventories during 4Q02 ($786,000) was much lower than 3Q02 ($1.12 million). Dealers expressed optimism for 1Q03, anticipating higher unit and dollar sales and new boat inventories for the period, while almost half of the dealerships surveyed expected to increase their number of employees during the first quarter.

The MBLO panel currently consists of 350 manufacturers and dealers and is expanding to include boatyards, repair facilities, marinas, retailers, distributors and financial institutions. To participate in the panel and be the first to receive the complete results each quarter, visit www.marineindustrysurvey.com or contact Bernice McArdle at 312/946-6260, bmcardle@nmma.org.

GENMAR PARTNERS WITH E*TRADE/GANIS

Genmar Holdings, Inc. announced in April that it has agreed with Ganis Credit Corporation, a subsidiary of E*Trade Bank, to form a private-label retail marine finance program marketed under the Genmar name. The program will be endorsed by Genmar and marketed to its U.S. dealer base. The creation of the finance program will provide the recreational boat builder an opportunity to increase sales and grow market share in the marine marketplace. Under the agreement, Ganis will become the exclusive authorized provider of factory-endorsed retail marine finance programs for Genmar boats. In addition, E*Trade Financial will be able to offer additional consumer financial services to Genmar dealers and their customers.

"Our alliance and the formation of this financing program will enable Genmar to provide its dealers with innovative lending programs that should result in even greater value to their customers," said Genmar Chairman Irwin Jacobs. "This is a fantastic opportunity for everyone involved and strengthens Genmar's commitment to its dealer network as we continue to provide them with the necessary tools to compete and succeed in the marine industry."

E*Trade Financial entered the marine finance business in December 2002 with the acquisition of Ganis Credit Corp. that has been in retail marine lending for more than 23 years. "We're extremely pleased to enter into this agreement with Genmar," said Ed Arienti, VP, Recreational Product Loans, E*Trade Group, Inc. "The initiative will enable us to extend our line of lending products to Genmar customers, while also giving us the opportunity to offer our full suite of diversified financial products and services to meet their broader financial needs."

LENDERS ASKED TO SUPPORT LONGSHORE REFORM

Legislation introduced in the U.S. House of Representatives in March by Rep. Ric Keller (R-FL), the Recreational Marine Employment Act (RMEA, H.R. Bill Number 1329), would remove recreational boat manufacturers, marinas and others from requirements to purchase expensive longshore and harbor workers' compensation (LHWCA) insurance for employees. Currently, boatyards, marinas, builders and repair technicians have to purchase federal longshore insurance to provide protection to shore-based workers injured while temporarily working on navigable waters. This generally results in drastically higher premiums and duplicates coverage of state workers' compensation coverage.

Labor and admiralty attorneys who deal in Longshore matters suggest the law may even extend to employees beyond those who regularly work on or adjacent to the water. One bank attorney has advised that staff of banks working docks at boat shows may fall under coverage of the Longshore Act. Others say the law covers all boat dealers whose employees sell or service boats over 65' on navigable waters. Keep in mind that navigable waterways of the U.S. include all tributaries, and inland waterways with access to the navigable waters. Navigable waters are not just the coast, but any body of water where interstate commerce can commence (e.g., Lake Tahoe is a Federal Navigable Waterway). If true, the provisions and penalties outlined below would apply. Knowing that, lenders have been asked to join in support of RMEA to remove them from possible provisions.

- Currently, repair technicians, marinas, boat yards, boat builders and boaters are all subject to criminal charges if they do not purchase longshore insurance and encounter a claim.
- Removal of the recreational marine industry from the Act does not affect the premiums or policies of other industries, such as longshoremen.
- Longshore insurance premiums help international competitors because U.S. labor rates are substantially higher, creating job loss and state and local revenue losses.
- Surveys indicate that employers would save an average of $99,000 a year and 95% said they would take the money saved and invest it in their workforce.

According to NMBA Legislative Committee chairman Jim Coburn, in order for the legislation to pass, it must have bi-partisan support in both the House and the Senate. This cannot be done without the full and active support of the recreational marine industry. NMBA encourages lenders and related service providers to join in the effort. An easy way to do so is by visiting the NMMA's Making Waves website (http:capwiz.com/nmma/issues/alert/?alertid=121343) where letters of support can be sent directly to constituent's elected officials.

SEEK NMBA SERVICE AWARD NOMINATIONS

NMBA is seeking nominations for its "William B. Otto III Industry Service Award." Conceived of by Mike Smith and Pam Stanley, principals in Traverse City, MI-based Global Marine Insurance, the tribute is to recognize individuals within the marine industry who have given their time and energy to the NMBA or other groups to help colleagues achieve success in their work or business. It is named for Bill Otto, a founding member of the association and former president. He is credited with organizing the first marine lending conference that brought the financial community together with counterparts in marine manufacturing, retailing and services, including insurance providers, maritime attorneys, surveyors, etc. Many agree this helped unite the fragmented aspects of the service side of boating, spurred financing to dealers and consumers, and resulted in a better overall purchasing experience for boat buyers.

The award takes the form of a glass trophy to the recipient and wooden plaque noting the awardees kept at NMBA headquarters in Chicago. Presentation is made at the NMBA Annual Conference in September.

Qualifications of nominees include:

- A commitment and dedication to the improvement of the marine industry in general.
- A passion for helping the industry and individuals within it grow.
- Efforts that have improved relations between industry sectors and consumers.
- High ethical standards.
- Nominated by a current member of NMBA
- Elected by a two-thirds vote of the NMBA board of directors

Those interested in nominating an individual for the award are asked to send a letter describing his or her achievements, a brief backgrounder identifying industry involvement, and verification of the qualifications noted above. A selection committee consisting of the NMBA Board of Directors, Smith and Stanley will review submissions. Deadline for nomination is August 15, 2003. Nominations should be sent to NMBA, Attention Otto Award, 200 E. Randolph Dr. #5100, Chicago, IL 60601.

WEB FINANCIAL TRANSACTION SYSTEM PROGRESSING

Secured Marine Trust LLC

Secured Marine Trust, LLC (SMT), is making significant progress as it prepares to launch its online management system for expediting, managing and tracking boat sales, finance and related transactions. The SMT team has been busy presenting the system's features and benefits to retail lenders, marine manufacturers, floor plan providers, insurers, yacht brokers and new boat dealers. Response to the SMT financial services tool has been encouraging, particularly from the marine finance community, that has expressed interest in the potential to standardize and streamline the loan process (contracts, sales agreements, documentation routine, etc.), and keep tabs on the parties involved in real-time. SMT is now arranging partnerships for the "beta test" phase of the system's launch, planned for late spring.

Many NMBA members are familiar with the principals of SMT. Admiralty attorney David Bohonnon conceived the business vision and was supported by founder and president of the Pier Group marine insurance agency, Peter Evans, as development began over a year ago. They have since been joined by Jeff Turner serving as CEO. Turner has a diverse management background in consumer and recreational products, most recently serving as chief executive at Swiss Army Brands, Inc. Also, Linda Dunn and her team at Marine Documentation Inc., will be providing documentation services for transactions processed within the SMT system.

The SMT team is experienced in all aspects of the marine industry, providing the various constituents to a boat sale transaction what they believe is a unique and valuable array of services, including Secure FundsSM fully bonded escrow service, standardized electronic document management and generation and Vessel TrackSM, an exclusive searchable USCG database application.

Benefits are provided to each party involved in the boat sale transaction process. Both direct and indirect marine lenders will benefit from the industry standardization and loan processing efficiencies achieved from the SMT system. Proprietary loan documents, managed by the SMT administrative staff and generated online, establish a new standard for efficiency and security in vessel documentation, loan preparation, processing and closing. Ultimately, loans processed through the SMT system can be more easily securitized. In fact, Morgan Stanley has committed to facilitate the aggregation of marine mortgages utilizing the SMT standardized system.

Other parties to the transaction will also benefit:

- Yacht brokers and new boat dealers will gain efficiency in all aspects of the boat purchase and sale process, reducing the cost per transaction and improving broker/dealer margins on each sale.
- Manufacturers will be able to see heretofore unavailable real-time data about their boat owners and the status of their ownership, providing opportunities for aftermarket warranty sales, and warranty expense management. As such, SMT becomes a useful and inexpensive dealer automation tool.
- Delivery of accurate, up-to-the-minute dealer inventory data, which floor plan providers can access online. It provides efficient and cost effective aging of collateral and reduces the frequency of required inventory inspection services.
- Member insurance brokers and agents will automatically receive a pre-populated insurance application form for immediate quote and sales opportunities.

Retail and wholesale lenders, and other service entities related to the boat lending process, can receive more information by contacting Turner at 203/777-7277, jeff.turner@securedmarinetrust.com. Or visit www.securedmarinetrust.com to see a more detailed review of benefits.

Po Martin, Richard Lowe and Liz Childs on the golf course at Indian Lakes.

MARINE THIEVES USING I.D. THEFT NABBED

To steal a boat, give it a new identity, and then sell it to an unsuspecting boater takes great skill. It took even greater skill as well as patience, knowledge and cooperation to catch the Los Angeles thieves responsible for stealing over a half a million dollars in boats, motors and trailers. To honor the investigator behind this story, BoatU.S. Marine Insurance presented Los Angeles Police Department Detective Sgt. Keith Jackson with the International Association of Marine Investigators (IAMI) "Investigator of the Year Award" at a ceremony recently held in Panama City Beach, Florida. As a result of Jackson's efforts, California's Dept. of Motor Vehicles significantly changed its trailer registration process.

The painstaking, 18-month long investigation began when Jackson looked into a report of stolen boats with false ID numbers. The thieves had used special tools and a quantity of authentic manufacturer stickers, as well as the names and drivers license numbers of actual persons, to disguise and re-register the boats. Vacant homes were used as mailing addresses. But a break in the case came when a data plate firm responsible for the expert ID plate reproduction provided information to Jackson which led to a suspect.

In August 2000 the first of two thieves was arrested. Eventually, after 200 hours of surveillance in cars and planes, cooperation from other IAMI investigators and police units, a second arrest was made. Both thieves received felony convictions and were sentenced to state prison. Over $600,000 in property was successfully recovered. For more information Contact: Scott Croft, 703-461-2864, SCroft@BoatUS.com.

MONEY LAUNDERING REGS COULD AFFECT BOAT SELLERS

Pursuant to the USA Patriot Act of 2001, the Federal Crimes Enforcement Network (FinCEN) has collected comments on the extent to which "financial institutions," defined to encompass boat sellers, pose a significant threat of money laundering which may help fund terrorist activities. Industry officials feel boat manufacturers or retailers should not be subject to additional money laundering compliance and customer identification regulations. Boat sales are extensively scrutinized as they typically involve financing by regulated lending institutions, and vessel owners must register their boats. Boat dealers and lending institutions must comply with existing Treasury Department anti-money laundering regulations requiring the reporting of any transaction involving more than $10,000 in cash or other monetary instruments. They also say there is no evidence that boat sales have been used as a method of laundering funds for terrorist organizations and that the profile of boat sales in the U.S. suggests that this is unlikely to change. For more details contact Kelly Bobek at NMMA, 202/861-1181.

Jim Foley, Jim Kelaita and Jim Coburn at the 2002 Golf Tournament.

Ken Landon, Howard Haskin, Larry Reagan and Bob Peterson at the 2002 Golf Tournament

WELCOME NMBA NEW MEMBERS

New members joining NMBA since Fall 2002 include:

Cathy Comstock, President, Customer One Financial, LLC, Old Saybrook, CT
Charlie Guildner, V.P., Specialty Lending, People's Bank, Mt. Vernon, WA
Wayne Penick, V.P., Northern Neck State Bank, White Stone, VA
Larry Reagan, President, Vertisol, Inc., Annapolis, MD
John Redmond, Principal, Beacon Credit Services, Alpharetta, GA
Wendi Sheeham, Manager, American Honda Finance Corp., Torrance, CA
Tom Spirito, President, Gulf Coast Marine Financial Services, St. Petersburg, FL
Gary Thomas, V.P., Commerce Bank, Kansas City, MO
G. Robert Toney, Member Partner, ST Liberty, LLC, Ft. Lauderdale, FL
Kirk Turner, President, Outdoor Capital, Inc., Stuart, FL

MARK YOUR CALENDARS

2003
MARINE LENDING WORKSHOP

DECEMBER 7th - 9th

MARINA MARRIOTT, FORT LAUDERDALE

$99 ROOM RATES

THE BUSINESS OF
Pleasure Boats

A service of the
national marine bankers association

News items which are germane to the marine financing field will be considered for inclusion in the newsletter. Send information to the address below.

Address changes and subscription requests should also be directed to the address below.

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