

THE BUSINESS OF PLEASURE BOATS

25TH ANNIVERSARY NMBA CONFERENCE TAKES SHAPE

A look back, to the future and tools for today on tap in San Diego

Conference Chair, Bill Otto, KeyBank USA, reports that the NMBA's 25th Annual Conference is shaping up to be notable for its celebratory stature and depth of business relevance. A mix of finance and marine industry conference sessions, a look back and to the future, networking opportunities and time to enjoy the best of southern California come together September 26 - 28 in San Diego for marine lenders and those who work with and support them.

Key speakers announced

The individual who likely knows more about promoting and moving high volumes of floating fiberglass (that is, recreational boats), George Sullivan, will be bringing his and Genmar Holding's corporate views to the Conference. He has served as Senior Vice President - Marketing at Genmar since 1996. For the previous year he served as Vice President and General Manager of Genmar's Sam's Club Boat Buying Program and for five years earlier held various senior positions at Wellcraft Marine Corp. Before that Sullivan served as Vice President of Marketing and Communications for Brunswick's U.S. Marine Division, notable for its Bayliner and Maxum boat brands. Conference planners have asked Sullivan to take a wide view of the vitality of the marine business, where it's been and where he thinks it's headed, and how the lending and support community can help boating gain a fair share of recreational spending.



Sullivan

Economist Gina Martin will bring her perspective on what's driving consumer and business activity with a special look at discretionary spending, an interest rate outlook and the mood of the nation in this election year. Martin joined Wachovia Bank in 1998 and is an economist with Wachovia Securities. Her primary responsibilities include providing commentary and research on financial markets and the national economy, most specifically focused on housing, construction, and inventories.



Martin



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She also provides economic perspective on the telecommunications, information technology, retail, consumer products, and business and consumer services industries. Her views have been shared by The Associated Press, *Wall Street Journal*, and CNBC, among others.

Additional Business Sessions bringing topics of current interest to lenders and related service and support firms will be:

- **How are credit scoring and risk modeling evolving?** Representatives from the major credit bureaus will consider this question in a discussion of scoring differentials and consumer lending that will be useful to lenders and others to help determine borrowers' credit standing and likelihood of being approved for loans.



San Diego's Shelter Pointe Hotel and Marina is headquarters for NMBA's 2004 Annual Conference.

- **Dr. Ed Mahoney**, a professor and co-director of the National Marine Research Center at Michigan State University, will return to the Conference to provide more depth into demographic profiles of boat customers, differences of those who finance and those who don't, trends in new vs. used boat sales and more.

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- **Evolving Dangers of Internet Fraud**, how the lending industry and boating community can identify when they are targeted and ways to avoid becoming victims. Robert Douglas, CEO of American Privacy Consultants, Inc., who spoke to the NMBA in 2002 about the threat of identity theft, will update the latest scams and advise how to understand and implement appropriate privacy and information security policies, strategies, and defenses.



Douglas

- **Special Interest Group Meetings**. In response to requests from our marine lending colleagues, we are scheduling a number of Special Interest Group (SIG) meetings on Saturday September 25th from 3:00pm - 4:30pm, as follows:

- Liquidators (chaired by Don Parkhurst)
- Surveyors (chaired by Nikki Tompkins)
- Documentation Services (chaired by Robin Cottmeyer)
- Commercial Lenders (chaired by Jim Coburn)
- Insurance Agents (chaired by Mark Beecher)
- Service Companies (chaired by Mike Bryant)

Each group leader will be in touch with delegates from their respective segment group prior to the meeting, and we will advise you of room details nearer the date. In the meantime, please do plan on attending!

Setting Records on the World's Fastest Sailboat

In recent years there has been an increase in really large vessels attempting to set recognized speed sailing records. They vary from the new generation radical Open 60 monohulls and trimarans, to round-the-world capable 110-125'



The PlayStation super catamaran in action.

multihulls, to the new 140' Mari Cha IV. Their purpose is to set sailing records around the world, and their crews and owners are prepared to sail on yachts with absolutely no creature comforts, no privacy, and to venture to some of the most inhospitable sailing conditions in the world. Steve Fossett, famous aviation and marine record setter, is one of these owners, having built the super catamaran *PlayStation* in Auckland in 1998 with the express purpose of winning *The Race*. Constructed entirely out of aerospace technology carbon fibre, she was originally 105' long, but was stretched to 125' to compete in *The Race* and to set as many ocean speed sailing records as possible. In 2000, our speaker, *Chuck Hawley*, was fortunate to be invited to sail on *PlayStation* when she made her second attempt on the transatlantic record, and later when she made an attempt at the Miami to New York record.

Chuck is Vice President for Product Development at West Marine, and has been with the company for almost 20 years. He is a life-long sailor, and has sailed approximately 40,000 miles on vessels ranging from ultralight "sleds" to single-handed sailboats, to the maxi catamaran *PlayStation*. He is a nationally known speaker on marine safety, and one of five moderators of the US Sailing/Cruising World Safety at Sea Seminars. Chuck will be a featured speaker at our closing Gala Dinner on Tuesday evening, September 28th, and will regale us with stories about his transatlantic crossing on *PlayStation*.

San Diego Sights & Networking

The Shelter Pointe Hotel and Marina will be headquarters for the event, located on San Diego Bay, with easy access to the airport (five minutes away with complimentary shuttle) and many local attractions. It will be an excellent venue and value for lenders and guests (a \$139 rate per night for a standard room has been secured) and convenient to exceptional sightseeing and day-trip opportunities, much of it water-based. Those planning to attend the Conference are encouraged to make lodging reservations now as rooms are limited. Call the hotel at 800/566-2524 (or 619/221-8000) and mention NMBA to secure the noted rate.

Scheduled networking opportunities take place on each day during the Conference. On Tuesday, the eighth annual NMBA Golf Tourney will be held at the notable Torrey Pines Golf Club - last year close to 80 made the rounds for some friendly competition. For the non-golfers, a boat tour of San Diego Bay, including getting close to the Navy fleet, has been scheduled. Sign-up for either event is required at the point of registration.

Conference registration forms are being sent with this newsletter and will also be posted at www.marinebankers.org. Those interested in Conference sponsorship or advertising opportunities should contact Bernice McArdle at 312/946-6260 or by e-mail at bmcardle@nmma.org.

BOAT INDUSTRY STATISTICS IN COMPLETE PACKAGE

NMMA has issued its first Annual Recreational Boating Statistical Abstract, a 68-page report detailing the \$30 billion marine market. Included are market facts and figures and analysis of industry activity by sector, annual units and dollar sales. Among the highlights:

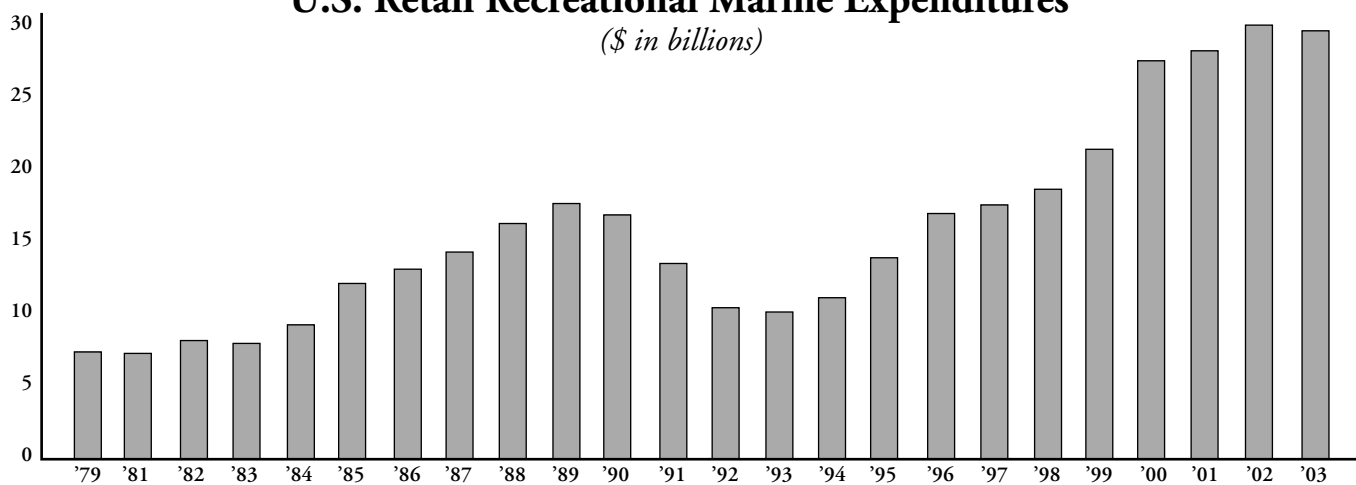
- The average cost for an outboard boat, motor and trailer in 2003 was \$23,155, an increase of 13.6 percent compared to 2002, when the average cost was \$20,385.
- Retail boating sales estimates for 2003 (new products), show category increases in PWC (80,600 in 03 vs. 79,300 in 02), Jet Boats (5,600 vs. 5,100), ski boats (11,100 vs. 10,500) and outboard engines (305,400

vs.302,100); decreases in outboard boats (down to 207,100 vs. 212,000), inboard cruisers (9,300 vs. 10,200), sterndrive boats (69,200 vs. 69,300), and sailboats (16,700 vs. 17,700).

- New boat sales of \$2.12 billion in '03 compared with pre-owned sales of \$6.45 billion.
- Boats in use in '03 included 12.85 million that were registered and an additional 4.64 million not registered.

Reports cost \$350. To order or for more more information contact NMMA Statistics director Jim Petru at 312/946-6202; jpetru@nmma.org.

U.S. Retail Recreational Marine Expenditures (*\$ in billions*)



Source: 2003 Recreational Boating Statistical Abstract, NMMA

RECREATIONAL TRANSPORT SALES TO GAIN 4% THIS YEAR

Sales of recreational transport equipment (bicycles, pleasure boats and motors, recreational vehicles and snowmobiles) are forecast to rise 4% in 2004. Recreational transport equipment sales in 2003 were \$32.8 billion, a 2% increase from the previous year. The recreational transport category has risen dramatically in recent years. Led by strong RV sales, the category has grown from \$13.5 billion in 1992 to the more than the \$34 billion forecast for 2004. The data is reported in "The Sporting Goods Market in 2004," a copyrighted National Sporting Goods Association consumer

study that projects purchases of sporting goods products based on a survey of 100,000 U.S. households. National Family Opinion, Inc. maintains the consumer panel used in the survey. It is balanced to parallel actual American household distribution as reported by the U.S. Bureau of Census, so that the data can be projected nationally.

"The Sporting Goods Market in 2004" is available for \$235. For additional information, contact Thomas B. Doyle, 847/296-6742, info@nsga.org.

MARINE BUSINESS LEADERS OUTLOOK IMPROVES

Optimism among Recreation Marine Industry Leaders remains high according to the latest Marine Business Leaders Outlook (MBLO) Quarterly Survey. Most expected sales of new and pre-owned boats to increase in the second

quarter. Like other manufacturing sectors, 92 percent of boat manufacturers responding to the survey say they will hire more employees to produce boats to meet increased

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ADVANCE PLANNER FOR NMBA LENDING WORKSHOP

Interest in NMBA's annual Marine Lending Workshop has been growing, so much so that the most recent one held in December 2003 was a sell-out. Designed for operations staff at lending firms for a quick education about boat loan basics, others from support firms have also been signing up for the two-day course to gain knowledge and better understand lenders' needs. Because interaction between attendees and instructors is important, organizers limit attendance to 40. Here's a sampling of what last year's participants gained from the Workshop experience:

- As an underwriter new to the Marine Lending field, I found the workshop extremely beneficial. Not only were the workshops informative, the discussion of "real world" experiences by seasoned marine professionals added substantial value to the program.

R. Scott Morton, Provident Bank.

- The Marine Lending Workshop was so informative that it is really hard for me to summarize my experience in two sentences. The part of the workshop that stuck with me the most was the session on analyzing tax returns. It is so important to always continue education, reinforce the knowledge you already have or share your knowledge with someone else. I just wish we could have had more time! I can't wait for next year!

Lauren A. Nowak, Sterling Acceptance

- As usual it was another great event put on by the NMBA. It was great to see many new faces as well as some old ones. This event has truly become a must-attend for anyone looking to brush up on knowledge of the industry. Year after year I always learn something new.

Matthew J. Amata, National Liquidators

- The Workshop is an excellent forum to learn the intricacies of marine lending in every capacity. Our Workshop is for everyone who touches marine lending - collectors, attorneys, credit buyers, sales executives, surveyors, "funders" and customer service representatives. The networking available as a result of the Workshop is invaluable. As an instructor, I learn a new procedure or technique every year from the other modules and presentations.

Jim Coburn, National City Bank

- The NMBA Lenders Workshop is a powerhouse forum for anyone in the marine lending or associated fields. This treasure chest of marine lending knowledge is presented without bias by a slate of NMBA seasoned



Bryan Braley (third from L.) of Lab Marine chartered an 81' Broward motor yacht so last year's Workshop participants could get a feel for the "product" financed. With Braley are (from L.) Scott Funk of Lab and Workshop instructors Mike Smith, Jackie Forese, Robin Cottmeyer, Jim Meere and Jim Coburn,

professionals. Any participant will benefit from the windfall of workbooks, contacts, and companionship.

Bob Parks, American Yacht Sales and Recovery

- Boat lending is a very specialized field. Banks who have a marine portfolio should send their staff to the NMBA workshop. The benefits far outweigh the cost. Northeast Marine has been a proud sponsor of NMBA for over a decade. The education of our members is critical to lending. We will continue to support the workshop.

Brad Ferguson, Northeast Marine Liquidation

The Workshop returns to Ft. Lauderdale this December 2 to 4. The venue provides an education about boating by simply stepping out on the docks. Last year, an evening cruise aboard a motor yacht added hands-on perspective of a customer's view and opportunity to network with colleagues. Eight topics are covered in classroom sessions

- industry overview
- lien perfection
- credit analysis
- marketing
- insurance
- collection
- repossession
- remarketing

- plus more topics, all backed-up in a comprehensive 200-page lending manual provided to each student. The dozen "overflow" people that missed last year's session have already signed up, according to instructors and managers Jim Meere and Robin Cottmeyer. Those interested in attending this year's workshop can guarantee a spot by contacting Meere at jmeere@dcxcapital.com or 813/909-8455 to be added to a pre-registration waiting list.

MARINE LENDING SERVICE FIRMS FORM GROUP

A group of Marine Lending Service Companies recently met to discuss the mutual needs of their unique industry. The meeting resulted in formation of the Professional Association of Marine Lenders (PAML). The founding members in attendance: Maritime Finance, Trident Funding, First New England Financial, Sterling Acceptance Corp, Scott Financial Services, Seacoast Marine Finance, Beacon Credit Services and Newcoast Financial Services. Other companies have voiced interest in joining and

becoming active participants.

The goal of PAML is to provide a unified voice for the service companies engaged in the yacht financing business, maintain industry integrity, initiate adherence to an industry-wide code of ethics and strengthen industry standards. The Association plans to work in partnership with NMBA and picking their board of directors by August 2004. For more information, contact Jeff Johnson of Maritime Finance at 954/764-3010.

25TH ANNIVERSARY REPORT IN WORKS

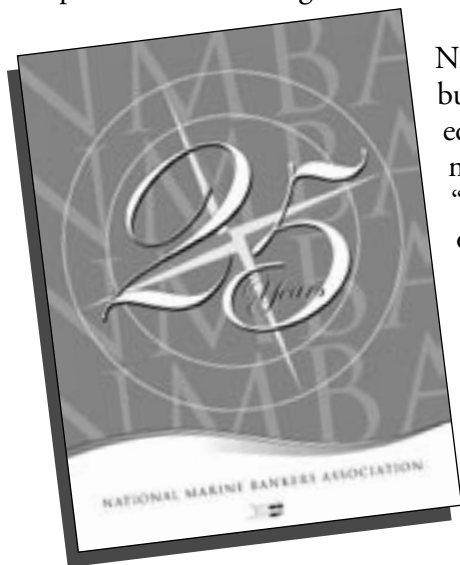
Twenty-five years ago this fall, a small task force of lenders, all who had a portfolio of boat loans, met in Chicago during the marine trade show to determine interest in forming a group to share the details of their lending specialty. They decided there was need and enough banks involved to set up an organization, and at an inaugural meeting the following February launched NMBA. The highlights, advances and challenges of the next quarter-century are being collected in a 25th Anniversary Report to be distributed during the Association's Annual Conference this September in San Diego.



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NMBA presidents have also been asked to crystal ball the future of marine lending.

NMBA members and others who have ideas, comments or appropriate photos to add to the report should contact Greg Proteau who is doing the compilation. Deadline for the project is the end of July. Contact him at gproteau@msn.com or 847/736-4142.



The "big events" of NMBA and the boating business will be included, along with comments from industry "notables," and a generous dose of photos and lists. For many, it will provide a look to back to the past. For those newer to marine lending, it will provide some answers to "why things are done that way." The



Who are these people and why are they smiling? When NMBA launched its expanded and comprehensive Marine Lenders Workshop in 1994, those who worked on the project and served as instructors included (from l.) Jim Stewart, Dwight Brady, Dave Blancett, Robin Cottmeyer and John Schneider. NMBA's 25th Anniversary will be the subject of a special report to be distributed during this year's Annual Conference.

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sales expectations. While they are somewhat less optimistic about the environment for boat sales during the next 12 months, most believe that the recreational marine industry will continue its economic recovery despite higher gasoline prices and a stock market that cannot manage consistent positive gains.

Marine lenders report that the percentage of loans for

pre-owned boats as a percentage of all marine loans was up during the 1st Q compared to the 4th Q. This is the highest percentage that MBLO has reported, but is consistent with dealership reports of increased pre-owned sales. Default rates rose slightly in the 1st Q of '04 compared to the 4th Q of '03.

Lenders are encouraged to join the business leaders panel. To do so visit www.prr.msu.edu/mblo.

NETBANK TO ACQUIRE BEACON CREDIT

NetBank, Inc., parent company of the Internet bank of the same name, announced in early June an agreement to acquire principal operating assets of Beacon Credit Services, LLC, a privately held provider of RV, boat and aircraft financing and NMBA member. "This deal will allow us to further diversify our business by replicating our success with other consumer loan products," said Douglas K. Freeman, chairman and CEO, NetBank, Inc. "It also provides us with natural cross-sell synergies with our banking, insurance and merchant processing businesses. We've already been offering RV and boat loans through Beacon to our banking customers since the end of last year."

"We're excited to join the NetBank, Inc. family of busi-

nesses," said Austin Sedicum, principal of Beacon. "By leveraging NetBank's brand awareness as well as financial and intellectual capital, we have the opportunity to grow our business more quickly and to offer ancillary financial services to our customers. This deal is a win-win for our customers and employees, as well as our investors." Beacon reports it has been profitable in each year of its six-year operating history generating nearly \$400 million in loan production in 2003. Following the acquisition, Sedicum and the rest of the management team will continue to oversee Beacon's operations. The company will maintain its offices in Old Lyme, CT.

WARD REJOINS KEYBANK AS SVP

Former NMBA director Scott Ward has been appointed to the new position of senior vice president of Key Recreation Lending responsible for manufacturer banking services and strategic business development. He will report to Key Recreation Lending CEO and KeyCorp executive vice president Kenneth R. Landon. Ward's appointment is described as an important step in the development of the lender's manufacturer program. He also assumes

responsibilities for building alliances with other industry vendors, managing the consumer and business-to-business e-commerce programs with product manufacturers, dealers, brokers and suppliers. Ward previously served in executive management at The Allied Richard Bertram Marine Group, Inc., one of the largest marine dealers in the U.S. He previously served in key management positions with Key Recreation Lending from 1993-2000.

THREE NMBA DIRECTOR POSITIONS TO TURN OVER

Elections for NMBA Directors will be held in September. Three seats come open this year. Current Directors whose terms are expiring can re-run for the seats as can all members. Those who think they'd like to serve are encouraged to run. Be prepared to attend two or three director meetings a year, usually held in conjunction with a major boating event, participate in as-needed conference calls, and to volunteer for such plum assignments as Committee chair-

person, organizer, instructor, sponsor caller, etc. For more information, contact any director or NMBA President Don Parkhurst at 703/691-4411, don.parkhurst@suntrust.com. Those interested to serve will be asked to forward a brief summary of their experience, qualifications and ideas to help NMBA grow and to share their views at the upcoming Annual Conference.

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