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Day 1

Keynote address — Figurehead Focus

Mickey Gooch SY Antara / GFI Group

Chairman—Martin Redmayne

To my left is a gentleman, Mr Michael Gooch, the owner of a wonderful Perini Navi called Antara. He's loved his time on board and I think he's going to give you a very entertaining, anecdotal personal account of what he gets out of this wonderful world of superyachting, or megayachting, as you might call it over here.

Mickey Gooch

Thank you Martin. I wasn't actually planning on it being entertaining, so I'm going to have to make it entertaining now. I'll do my best. I just want to say thank you to Martin and Tork and particularly Sophie, whose birthday it is today who invited me here to speak to you all about my ownership of Antara and my experience with superyachting. And after that build up of who I have to follow, the very fascinating Tom Perkins, it might be a little bit of a let down since my boat is not 280 foot long, but nevertheless we really do love our sailing yacht Antara and I'm going to tell you a little bit about how I got to end up where we are now, and from your perspective here today, talk about where I think we might be going, my family, other potential yacht owners, what the industry—I can only really give you some of my perspectives and a little bit of what I hear from other yacht owners—give you some idea of what I think might be some of the future of the business.

Just to give you a little bit of background—first of all, I'm English, so I was born in England in Upminster, Essex and moved out to the United States in 1979. My first experience with yachting, if you can call it that, was the Sea Scouts in Leigh on Sea in Essex. I was a member of the Sea Scouts and we used to go out and sail Dragons down in Leigh when the tide was in, and then when I was a teenager I was crewing for a friend of my father who owned, I think it was, a Contest—a Dutch manufactured boat, about a 33 foot sailboat, and I was the crew. It was a lot of fun, the guy had two young daughters, much younger than me, I was a teenager and they were like 7 or 8, but they enjoyed having me on the boat and that was my first real experience.

I remember this guy Graham, he loved to sail on and off his mooring, which was always a nightmare because my job was to be out front with the long stick thing on the pointy end of the boat and to catch the mooring as we went flying by it. So a couple of times I almost ended up in the drink. But I did enjoy it and thought well I'd really like to get a boat one day. And moved to America in 1979 and my first boat was actually a speedboat—I bought a 20 foot speedboat with another guy called Moose, and it was brown, a light brown colour, and we called it the Mickey Moose. I'm Mickey and he was Moose. A kind of cool name. The boat was sort of moose coloured. And then I didn't do much boating for a while other than some friends of mine raced a J boat in the harbour in New York City, that's always fun, racing with the barges coming up and down and I would go along and just sort of help out, I wasn't really terribly knowledgeable about how to race these boats but nevertheless enjoyed doing that. And then my family and I moved to an area in New Jersey called Rumson, and it's on the Navesink River. The Navesink River is about 3 or 4 miles

long and about $\frac{3}{4}$ mile wide, and it's very good sailing, and you can get right out from the Navesink into the Shrewsbury, out behind Sandy Hook, and into the Atlantic. So it's very good for sailing, you can get right up to New York Harbour.

I bought a 17 foot Hunter day sailor. So I had a lot of fun with that on the river and then bought a speedboat, did a lot of water skiing and fun things like that, and eventually decided it would be nice to get some kind of cruising boat, so looked around and ended up selecting a 36 foot Ted Hood WhisperJet. What I really enjoyed about the WhisperJet is first of all, the look of the boat. I liked, along with the Hinckley Picnic Boat, I really liked the classic look of a boat with a blue or green hull, with lots of teak, and enjoying sailing but wanting a motor boat because when you're busy working, and I work on Wall Street, you don't always have a lot of time to go places and so with a motor boat at least you can get somewhere on the weekends. So I can get from my dock at the end of my back yard to Newport in about 6 hours on the Ted Hood WhisperJet. But doing that we enjoyed it, got into it a lot, but eventually we'd been in 3 or 4 foot swells in the Sound and wanted something a little bigger, a little heavier, a little more comfortable, to manage the waves, so I traded up to a 44 foot Ted Hood WhisperJet, which I still have now. And that boat, both the first one and the second one, we named it Jacqueline, because my wife and I have 3 sons, and every time she was pregnant, when we didn't know it if was going to be a boy or a girl, had it been a girl we were going to call her Jacqueline. We never did have a daughter, so I called the boat Jacqueline. I still have that 44 foot WhisperJet. But eventually I was less interested in doing all the driving myself. Having achieved the challenge of learning the charting and dealing with the GPS and successfully getting from New Jersey up to Newport a few times and Block Island, and we even went up to Buzzard's Bay, and things like that, but a couple of times I got caught in the fog and you know it was very stressful, particularly when the wife is on board and you've got little kids in the back and you're stuck in the fog, you've got the radar going and she's screaming *slow down, slow down*—and you're only going about 5 knots anyway. My good friend Dirk Johnson—and if any of you gentlemen here know Dirk, he's been in the boating business for a very long time—and he actually was with me when I was bringing the boat home from Newport one time and he said to me—you're actually safer if you go faster in the fog. You would all agree with that? But he told me a couple of funny things, and we'll come to them. He said that when you're looking at the radar if all the boats are doing 5 or 6 knots it's impossible to tell where the targets are moving in comparison to you. You're all kind of creeping along and turning this way and that, but if you actually go 11 or 12 knots then you can sort of differentiate the direction of the other boats. That was his theory, so I was subscribing to that theory as we were approaching Block Island when this fog rolled in and the next thing was that every little thing that came up on the radar my wife would start screaming. It just became very stressful, so I enjoyed the boat still, and we used it for cruising up and down the Navesink and doing cocktail cruises and things.

But I decided it was time to get a bigger boat and in this instance get a crew, and actually have a captain who would helm the boat and a crew to take care of the boat, because upkeep is a big deal. When you don't use the boat often it sits there, it's amazing how things can deteriorate very rapidly. So I thought it would be very nice to get a bigger boat. And this is where Dirk Johnson came in again. He is a yacht broker, and as I was telling Martin last night, we got into this discussion about boats and crews, and he said well Mickey, if you're getting a crew, it really doesn't matter how big the boat is, since you're not the one handling it. Because I wasn't sure what size boat I could handle. And he said really I think in the yachting business bigger is better. And he actually persuaded me that the bigger boat would be a better investment for a number of reasons. Bigger boats hold their value better, bigger

boats are easier to charter for charter income, and easier to accommodate a full sized crew. So I bought into bigger is better and we went looking for boats, and we were looking at motor boats at one point but decided on going for a sailboat. Now I had seen the Perini Navis—we'd chartered. I should just mention in the scheme of things I think with yacht owners we think a chartering period is first maybe. We chartered some large sailboats and had a really good time down the Caribbean. And we were in the Caribbean one time in St Barts when the St Barts Bucket was on, and we watched the races, and we went into the harbour and there were a few very nice Perini Navis in the harbour and I just sort of looked at them and thought I'd love to have a boat like that. But it seemed that they might be out of my price range. I was originally looking sort of \$8million to \$10million, for a used boat, and something sort of 120 foot long.

And we went to the Fort Lauderdale Boat show and the boat I now own, which is a 1991 Perini Navi, 152 foot long, was for sale, and sitting next to a slightly bigger Perini, Perseus, and I ended up buying this Perini Navi because it was priced a little bit above but nearer the price I was looking to spend, and I was very excited to get a lot of boat for the money. And I think one of the mistakes that some boat owners make is not really appreciating what it might cost to run a big boat, and I know there are some various rules of thumb, I've heard 10% of the value of the boat should be your sort of budget for running the boat each year, but in this case I thought this was a reasonable price for the boat, and it was about half the price of Perseus. Now Perseus was only 6 years old and Antara, which was named Tamsen at the time, was about 14 years old. But the boat looked spectacular. And so I was very happy to acquire it. We spent a year with the boat before going into a major refit. I'll just give you the name, since I told you about the name Jacqueline, for my Ted Hood WhisperJet. Where we came up with the name Antara is that my wife and I are both Scorpio and Antares is the red star at the heart of Scorpio. Originally I was thinking of calling the boat Antares but then there was another boat of similar size already had that name, but actually Antara is the feminine of Antares, so it was a nice name, and I also read somewhere that having three "a's" in a name is nice. So that's where we came up with the name Antara. And we're very happy with that choice.

So we bought the boat and spent about a year cruising around. We did the St Barts Bucket, had a lot of fun, we got first place in the St Barts Bucket—and that was because we were the boat that came closest to finishing! No-one actually finished, so the Bucket was not awarded, the Bucket was given to some gentleman who had passed away in a skiing accident that year, which I thought was a good decision. We had first place but we didn't actually finish. Nobody crossed the finishing line. It was very unfortunate, there was no win. But we had a lot of fun, we got the bug, and I started wanting the boat to go faster. So Dirk convinced me to put these big winches on the back so we could fly a big spinnaker and winch them on the back. And we called them—I don't know if there's anyone from the winching business here—we called them BMFs. And you know what that stands for. So I have 2 BMFs on the back of the boat. And now I'm actually considering putting one on the fore deck as well to actually get the spinnaker up a little quicker. So that's one of the things that we're looking at doing right now, whilst the boat is in La Spezia.

The refit was taken care of by Perini Navi and I thought it was a good decision to go with the manufacturer of the boat to do the refit. And the Perini Navi people were really tremendous and I think they did a fantastic job of work on the boat. What we did was very significant. We really did almost everything you can think of. Including completely redoing the hull—we put new decks on the top, and extended the fly bridge to accommodate the hot tub, and this was interesting—there might be some

boat captains here. But one of the things that I ran into with the boat was my captain, Robert Johnson, but they call him Jonno, really really great guy, fantastic, Australian, wonderful captain but he is sort of a purist sailor and he doesn't like hot tubs, and he doesn't like lights in the hull. But I like lights in the hull and I think it looks really cool when there's a little glow around the boat, and I also think the hot tub is very cool as well. He's a bit of a purist, he was completely against the hot tub. Totally trying to talk me out of putting the hot tub on the boat and he would actually kind of flinch, I think he was acting it up—it was like *hot tub*—flinching like this, with his little eye twitching, and he said Mickey you don't want to do that. They're a pain in the ass, these hot tubs, it takes forever to fill it up, they get all gunged up, it's cleaning them constantly, it's like you just don't want it, it's a nightmare. And then there was this other captain, Hutchinson, they call him Hutch. And he's sort of Jonno's hero, anything Hutch says is godlike, he knows what the weather's going to be, and everything. And we were at the Perini Cup and it was Jonno's birthday and Hutch was there at the bar and I had Jonno and Hutch and I knew Felicita West had a hot tub, so I said hey Hutch, how's that hot tub on Felicita West? He said oh, Mickey, the best thing we ever did. It's great, we love the hot tub, it's fantastic. I said oh is it a pain in the ass to fill up? He said nah, it takes 10 minutes. I said is it a pain to keep clean? Nah, it's nothing. It's easy, no problem at all. So it's great, Jonno was right there and I'm like, sorry pal, we're going to get the hot tub. And in order to accommodate the hot tub we had to extend the fly bridge. I was thinking of trying to show some pictures of the boat if that's possible? Here we go.

You can see the hot tub there, on the top deck. This is as a result of extending the fly bridge—we get a beautiful space out back and a very nice space up top where we can dine. There she is, under sail. There's the famous hot tub. We also did some extensive refit on the inside of the boat. The teak was all perfect already but it's a very classic looking boat, teak interior, teak floors but we freshened everything up—I was on Tom Perkins' boat, Maltese Falcon, and I liked his use of leather although I think his boat looks like a bachelor pad on the water. But I like the use of the leather, particularly some of the insets and around the bar, so we adopted that throughout the boat and it quite useful, because some of the bigger panels of teak had faded a little bit and become a little wrinkled, so actually replacing them with very smooth leather was a good result. So we put leather in, and just redid all the wood throughout the boat. And then everything in the boat was brass—all the hinges, all the doorknobs, all the fittings, everything was brass on the inside of the boat. And I changed everything to chrome or nickel which I think currently—I know there's different markets, and maybe certain markets, possibly Eastern Europe, and maybe the Indian market, are more keener on gold fittings and things, but I think that currently in the European and US market that silver fittings, chrome fittings, are a sleeker newer look now on boats. So that made a big difference. So we did all of that and we also redid all the bathrooms with white marble and added colour coding, like a sort of colour strip, round each bathroom—actually there are some pictures if I can get to them. *[come on now—I run a technology company apparently]*. So this is the interior, you can see the leather insets that we put in. So this is the inside dining room—it's quite remarkable how many things had to be done on the boat. It actually started making the double price for Perseus look quite attractive by comparison. This is something you don't realise in buying a boat—recognising value, especially if you're a new buyer. So this was a lesson for us. I think we probably came out of it a little worse off than the guy who bought Perseus, who is also a friend of mine. It turned out that he was a customer of my company—I had no idea he was in the market looking for a boat at the same time. We both agreed later that we could probably both have saved a bit of money if we'd both known we were simultaneously looking at the same boats. So we added a gymnasium, it's just a small swing-out spin bicycle and some

weights—that was a \$350,000 spin bike, basically, adding that to the boat. And I haven't actually used it yet, so there you go. Very expensive spin bike. This is the master bedroom suite, with his and her bathrooms. I like his and her bathrooms. This is another thing—I've been on a lot of new boats and they've got these big spectacular single bathrooms but with two heads, but all one big open bathroom. I've been married 25 years. I like having his and her bathrooms. So then I came up with this theory—a lot of guys who were buying these really big motor boats are these high net worth individuals and they're probably 50 or 60 years old and they're actually on their second or third marriage, and they're married to some very attractive looking 30 year old and they actually quite enjoy sharing the bathroom with them. That's my theory. So I guess that's a question of personal choice. But when you're designing those bathrooms you should design them so they could be either or. Actually my wife is very beautiful, I just want to add that for the record. And she does use the spin bike. And this was nice. There are 4 cabins on Antara. And you saw the VIP—this is our children's cabin—my youngest is 14 now, so they're hardly children any more—but these have Pullman bunks that come down and there are two bedrooms or cabins with the Pullman bunks, so it's very very comfortable for 2 families to travel with their children, or 4 couples. And these are the marble bathrooms I was telling you about. So we actually ended up putting a little bit of extra weight on the boat and Jonno was like Mickey, why do you want to spend all this money putting these things like the BMF winches on the back, and a big spinnaker, and other such things, and then only to want to put underwater lights on the boat that are then going to drag it and slow it down? So we had all this debate. And what happened was we ended up compromising and we did put the underwater lights in but we put them in very surreptitiously and they kind of shine down and are flush with the hull but unfortunately I have to tell you that I was disappointed with them because they don't light up the water as much as I would like, and the angle is very important when you're putting these lights in. If you don't get the angle right you don't get the glow. So now that the boat is over at La Spezia and it's being hauled, because we've got to do a couple of things including rising the exhaust, because it's spluttering in the water line from the extra weight from the marble—we're racing and we're in the final leg and we're heeled over and it's completely pointless on a 300 ton boat but get everyone out on the rail! So then we were joking someone go downstairs to the master cabin and move all my wife's shoes from one side of the boat to the other. What with the shoe cabinet and the spin bike and everything, the boat sat a little squatter in the water so we have to raise it. So we're now going to add a couple of lights at the back, shining out of the back of the boat. I think it's very nice when you're in the dock, having that little glow around. I enjoy seeing the fish, I think it's a nice added touch. Some of the purists, I think, with sailing boats, think it's too much of a motor boat thing. There's this motor boat/sailing boat fraternity—but I think it's very attractive on a sailboat to have that glow.

The feeling among some of my friends is that this is not a business for the light-hearted. That things do generally tend to cost a lot more than you'd expect. It's very interesting. You put a refrigerator in your house and it costs \$1,800. You put a small refrigerator in your boat and it costs \$9,000. It's very interesting how everything is so much more expensive in boats than it is in the house. And I assume that's because it's specialised and it's not the same refrigerator, it's got to be able to sustain being smashed around in high seas and things.

Now the other thing I was going to address—*[how are we doing on time? OK]* was my personal perspective of where things are with yacht owners and with boating right now. And I will tell you that we do put Antara out for charter, we have this very nice website, SY Antara, and I think mostly motorboats that are very special like Maltese

Falcon might have a website but I'd say generally speaking probably only 30% or 40% of boats have a website and it would be more if they were available for charter. And the way I look at chartering income, I'm not looking at it as a business. I'm looking at the chartering income as a way to offset some of the cost. Just to make you feel a little bit more comfortable about those big items that come along, like the time we ran over a lobster pot in Maine and it cost \$40,000 on the BMF. So I would say that when we're looking to charter out it's nice to have, but we're not desperate. And I think one of the things with the chartering brokers right now is with the economy, there's some assumption that everyone's going to cut their price and give everything away with 40% off, and the truth of the matter is that I'll charter the boat out to someone who comes well recommended, that we know is going to treat the crew well, and appreciates what it costs to run a boat like this. And that when they're chartering they're actually getting very good value. If you had an opportunity to read the FT article—I happen, just by sheer coincidence, to have an article written about me today in the Financial Times, in London. And one of the quotes that I give, at the end when they are asking me about my boat, is that I say it's actually cheaper to charter than it is to own. But the whole point of ownership is pride of ownership. If I were chartering boats—maybe Martin would want a charter customer to come to this function? But it's nice to be an owner of a beautiful boat and to be involved in things like the St Barts Bucket and the Perinin Navi Cup and become part of the family of other boat owners. I've met other boat owners and we've got a sort of camaraderie that I think is more special than just chartering. But without a doubt, chartering is cheaper. I'll give you the math—with my boat I estimate it costs about somewhere between \$130,000 and \$150,000 dollars a month on average to run Antara, with certain maintenance programmes as well. And when we charter we get approximately \$125,000 for the week, so if we do a 10 day charter after paying the brokers' fees we've earned about enough to run the boat for a month. So if we get two 10 day charters in each season that is going to maybe take 33% of the cost of running the boat away. And so frankly for the 6 to 8 weeks that we might use the boat actually the charterer is getting the better deal. But he doesn't get to invite President Bush on board for lunch. And we were very fortunate to have the first President, George H.W. Bush—I'd have the second Bush President on board if he wanted to come for lunch—I'm one of the 29% that actually think he did a pretty decent job under the circumstances—but in any case if you own a boat then you have the pleasure of being able to invite people on the boat.

One thing I forgot to do, and it would have been quite easy, was I forgot to ask George Bush Senior if he'd like to go take a nap downstairs. Because he only came for lunch and a sail. But I thought if he'd gone for a nap downstairs then I could have put a little plaque up saying *President Bush slept here*. But I forgot. We invited the President through the CEO of my company—he's like a 4th generation kind of family so he knew the President, he was always talking about the President this, the President that, and we all suspected he didn't really know him. So I said hey I'm going to have the boat up in Maine, let's invite him for lunch and a sail. And sure enough he accepted. And then about a month before the day his people enquired would it be possible, we don't want to put Mr Gooch out, but could the President bring a couple of his golfing buddies for the sail—it coincides with a little golf outing they're doing, and their wives. I thought that would be fine, it would be nice to have some other people on board because it would be easier to have conversations and so this was last year, I think around August. So he brought his two golfing buddies along—he brought Phil Mickelson and Dave Ackerman. So that was pretty cool. So that's what you get out of owning a boat. That's not the only thing, but it's an example. You don't get that when you're chartering a boat. It's very nice to be a boat

owner in that respect. So I would say that the charter market has really significantly dried up right now.

And I think that if you look at the economic situation, you look at the boating world, it's hard to say whether the big boats have held their value because there are a number of them on the market and there are a number of boat owners talking about mothballing their boats, because of the economic crisis. But I think that's only a tiny percentage. I would say that the majority of big boat owners have a significant amount of financial wherewithal, and I think they can afford to weather the storm, and they're not going to sell their boats unless it's something they've got to do for financial reasons. And so right now I think what you have in the marketplace is buyers that are all expecting a bargain. So they're all looking—it's a bit like the housing market—they're all looking for 40% off and sellers are saying well for 40% off I'd rather just keep the boat myself. So you just don't have any activity. But if you look—as I'm told anecdotally—in the sort of up to \$1million range boats the prices really have dropped considerably because there are a lot of people that have been forced to sell their boats and it's caused prices to drop as much as 40% or 50%. And I think if you look at the charter market the people that are chartering boats for \$125,000 a week or \$150,000 or \$300,000 for some boats—are in many instances well paid individuals that are earning significant 7 figure sums but in this current environment they've either lost their jobs or worried that they're going to be taxed 90% or concerned about the future. So I think it's in that price range where we've seen the biggest pull back. And I would say that, and I'm probably not telling you guys anything, when I say the significant event, certainly from my perspective, was the bankruptcy of Lehman in September 2008. I see that as the catalyst. My company lost \$9million on unsettled trades with Lehman and it made us wonder who was going to fail next. And it caused us to be very concerned about extending credit to anybody at that point. And there was a weekend when we were thoroughly concerned that Morgan Stanley might go bankrupt over the weekend, we weren't sure whether the government was going to step in and rescue Morgan Stanley or not, and if that had happened then there was a very high probability that Goldman Sachs would go. My company happens to specialise, amongst other things, in credit derivatives, which you've probably heard a lot about in the news and has been labelled as one of the reasons that we have the economic crisis. But I would say the economic crisis is just good old fashioned over-leverage, it's good old fashioned lending long and borrowing short and to blame the credit derivatives is really like shooting the messenger. The credit derivatives were not the cause of the banking crisis, they were merely the instruments that the banks used to over-leverage themselves. And to that extent right now in the current financial environment the credit derivative market is functioning very well. And the credit derivative market is providing insurance to lenders, effectively, so that you can insure against a default of the counter party and the credit derivative market is now driving the bond market. So the corporate bond market, where there is new issuance of corporate debt, there is already a willingness for sellers of credit derivatives to provide that debt coverage. And so therefore some corporations are now successfully issuing paper and the abrotagers are effectively buying those bonds and then using the credit derivatives to hedge their risk. And putting on a small basis spread trade in the process. So without the credit derivative market right now, we wouldn't have the nascent recovery in the corporate bond market that we have, and without the nascent recovery in the corporate bond market we wouldn't have the slight recovery that appears to be occurring right now in the economy. I really do believe that from an economic perspective we're not going to see significant recovery until the debt markets are open. And there's a number of issues right now that are still causing the debt markets to be fairly tight, not least of all the uncertainty that's coming out of Washington. I

mean there is legislation hanging out there in some cases to outlaw credit derivatives, in other cases to create constraints around how the big banks trade over the counter derivatives, and there's also things like the retroactive legislation that requires all top banks to pay a 90% tax, or their employees to pay a 90% tax, on any bonus over \$½ million and these things are causing uncertainty in the marketplace. And so until we get some certainty, and I believe that one of the items that's hanging out there now is that the Obama administration is suggesting they would like to tax US corporations on their global income, which is going to make US companies uncompetitive, but this uncertainty is still hanging out there.

So in terms of recovery, and in terms of when a high net worth individual is going to start stepping up in the boat market? I would say it's going to happen, which is the good news, because the money is there, but I would say that we are still a little bit away from that occurring. I think we're going to have to get successfully through this summer and see whether the banking system holds up. We're not afraid any more of systematic global bank failure. I mean quite frankly in September of last year there was the genuine concern that we could have a systematic bank failure. And I think that really caused everything to fall off a cliff. People stopped buying cars, they couldn't get financing to buy houses. I think people stopped buying boats. And just everybody put their hands in their pockets. I certainly did, I was concerned myself—if Goldman Sachs or Morgan Stanley had gone bankrupt I think we would have had a systematic worldwide banking crisis. My own company would have been severely financially stretched, in that circumstance. And in that circumstance, \$150 grand a month to run a boat is suddenly a lot of liquid cash. And what happens, I think, with high net worth individuals is, contrary to popular belief, I don't think high net worth individuals have it all sloshing around in cash. Most money is at work, it's in investments, it's tied up. So it's not always liquid. So when you see high net worth individuals buying expensive things they're quite often financing them. They're quite often borrowing the money against other securities. And then when those securities collapse, you have a little bit of a snowball effect because then you can have margin calls on the securities that have been pledged for the expensive boats and that will cause those owners to be pressured into selling both the securities and the boats. I believe we are now through the hedge de-leveraging. I think the rally in the stock market, I mean there's not one today, by the way, but the rally in the stock market that we've seen in the last 3 months or so is the snap back from the de-leveraging being largely over. So we're not in an environment now where hedge funds and other investors are being forced to liquidate securities at unrealistic prices which has helped drive down the indexes in the stock market, and now that has finished and there's a little bit of a snap back. But that doesn't necessarily mean that we're out of the woods at this point. I know a number of relatively savvy investors who believe there could be a further sell off in the market this summer.

So I think high net worth individuals that are considering purchasing a very expensive motor boat or sailing yacht, I would think that they are still using some caution. And I know myself I would like to eventually trade up to a new boat, I'm interested in building something at some point—now that I've owned this boat for this period of time I don't want to have a boat that's 250 foot long, I think there's a certain point where it's just too big and too inconvenient. But I wouldn't mind the extra space and comfort that would come from owning a 175 foot boat and I think I would like it to be probably made of a lighter material with—I think this is one of the trends—in a sailing world at least, I can talk about—right now it is definitely becoming fashionable to have a boat that's quite light and fast and sleek. And so I'm catching the same bug. I think it's one of the reasons why it's a really excellent idea that they have these superyacht regattas and that the boat manufacturers should sponsor them, because I

can tell you that what happens is that when we boat owners go to these events, like the Perini Navi Cup, and we walk around and look at other people's boats, you get this thing—I'm sure you've all heard of it—it's called big-boat-itis, or new-boat-itis. And I think it's probably a very valuable marketing tool to do that, because when we see other sleeker boats—especially when you're watching them go past you, when you're in the race. I mean that's a very big incentive! We get to go off pretty early because we're 300 ton, and so we normally go off in these big regattas probably 4th or 5th boat out. We usually have to give a couple of our sister boats a bit of a ten minute head start because our captain is so good and we have Sophie's Dad on our boat as strategist. And if you know David Powers, he's a very well known figure in the racing world. So we have a little bit of advantage there. But largely speaking we're going out and if we're going to get 10 or 11 knots out of the boat we're going to be thrilled. But meanwhile there are boats flying past us at 17 and 18 knots and I mean the Maltese Falcon I think does 22 or 23 knots under sail, and they don't get a 3 minute spinnaker penalty because they don't have a spinnaker. Their boat is one big spinnaker. So that's a lot of fun. We came third in the Perini Cup—we were beaten by the Maltese Falcon and Squall, which were the two most recent expensive boats that have been bought from Perini, so it was only right that they got 1st and 2nd place. But it's a lot of fun and I would like to say that I've been very very happy with my experience, with the yachting world. It's actually quite fascinating for me to be here at this event, not really knowing what to expect and seeing that there are some very serious people in this industry that are taking this business very seriously and coming to events like this to network and learn more about the industry and see the new ideas and things. So it's very encouraging, and I've been a very happy boat owner. Are we out of time now?

Martin

We've got time for questions if you want.

Mickey

I'm available for questions if anyone has anything they might like to ask me.

Martin

Mickey, thank you very much indeed. OK we have a few microphones in the room. Any questions from the audience?

[From the floor]

[inaudible]was it lightweight or was it full conventional thickness?

Mickey

Oh no. It's very thin. The marble is only about ¼" thick, and it's mounted on some kind of mesh that sits on the back of it. So it's solid and firm but much much lighter than the marble you would put into a regular shower unit.

Eric Goldring Goldring & Goldring

I really enjoyed listening to you, in part because over the years I've seen yachting go from wanting to do all the planning and sailing that you were talking about to just wanting to be there. And you lose the yachting concept. But I have two questions

about perception. One relating to that. Do you see in the superyacht market that the perception of getting there as being the enjoyment, versus being there itself has a sort of sail versus power break?

Mickey

I quite enjoy the getting there. I would enjoy the getting there on a motor yacht. I did cross the Atlantic on the Queen Mary 2 and I really enjoyed just sitting and watching the world go by. That was very relaxing. And I think I would quite enjoy the getting there—I mean with my own Ted Hood WhisperJets I initially enjoyed the getting there until I got caught in the fog a couple of times and became a little anxious. But I would say the getting there is part of the pleasure. But you need a very stable boat for that. So I think you've got different markets and if you're looking at very big yachts, that are very heavy and stable with these excellent stabiliser systems so that you've got a comfortable ride, I think the getting there can be just as interesting as the being there. And certainly with a sail boat it's definitely more interesting getting the sails up. But if you're doing—like this summer we're going to go to the Palma superyacht race and then we're going to have some friends join us and just mess around Majorca and Ibiza but then we're going to head to Greece via Sicily, and I think it's 350 nautical miles to Sicily and then another 280 nautical miles to Greece and that is not going to be any pleasure at all if the seas are rough. If it looks like the weather is going to be bad, I think we'll probably fly and meet them in Greece, if that's answered your question. I would say that in the yachting world, just from what I've seen, I don't know a lot of motorboat owners, but I think the sailing fraternity is more about getting there than the motorboat fraternity.

Eric

And the other question about perceptions that I had is on the charter market. Do you believe that people do not want to be perceived as spending the money on charters or that they don't have the liquid funds available to do the chartering?

Mickey

I don't think there's the perception thing. Because it's not like the issue with corporate jets right now where it's just politically incorrect to have a corporate jet. I think that people who are taking a vacation on a large yacht can be very discreet about that if they want and there isn't any reason for them to not do that because of perception. I think though that there is a level within the financial world that are not super high net worth individuals but nevertheless extremely well paid 7 figure income individuals that are willing to spend a couple of hundred thousand dollars on a ten day vacation and I just think that right now are saying hey, I don't know if I'm going to have a job next year. I don't know if I'm going to get taxed 90%. I don't know if the government's going to outlaw OTC derivatives. I don't know if we're going to have to sell more common stock and raise more capital for the bank. And so they're just saying I'm just going to be conservative. And one thing I can definitely say is—they're going to give up the \$200,000 charter before they give up private schooling for their children. It's priorities. I think that's happening. But there are definitely charters out there. We just picked up a 10 day charter in August in Greece and the rate is €90,000 which is about \$120,000, so it's a little lower than you might have got at the peak of the market but it's reasonable. We had one charter where the broker came to me and said would you do a €90,000 charter Venice/Croatia—I said yes, I'll do it. It fits perfectly with what we're going to do this summer, I'll do that. And so it was supposed to be done and then they came back to me 3 days later and said this other boat that

happens to be virtually identical to ours in many respects but in my personal opinion is not as beautiful since we had the refit I described to you—but apparently they were willing to do it for €70,000 and they wanted to know would I match it. And I just said no. I said they can have the other boat. Like I said, it's nice to have the charter income but I'm not going to get into a pricing war with other boats. I think there are some boats that are working boats that need to be working, and I think it's important to keep a boat moving and I think the crew enjoys—not all the crew, I mean some of the captains don't necessarily want to be busy chartering—but I think the young crew members, the deckhands and the stewardesses, I think they like to be chartering, they get tips, it keeps them busy, so I think there's a couple of reasons to do chartering that isn't just strictly about the money. But we're certainly not desperate and we're not interested in cutting the price, it's not discount chartering.

Tork Buckley

If you were to build a larger, faster, sleeker yacht, is it acceptable to you that you're going to lose a considerable amount of volume to make it faster and sleeker?

Mickey

Well that's always the trade-off. I've learned that in boating. That comfort, speed and space is a trade-off. That's why I think that at 175 to 180 feet with the right materials you could have most of the comfort and space that we have now on Antara and yet have a sleeker faster boat. What I'm trying to think of is, how we can hide the hot tub. I've got this idea that you kind of don't know it's there. And then it only appears—I've seen people do that where they put the hot tub in the well of where the tender goes. But some ideas like that. But that is a dilemma.

Timothy Kendrick Mercator Group

Your fridge example is an interesting one. \$1,800 domestic fridge versus a \$9,000 marine fridge. As an owner do you buy into that explanation of having to marinise it or is this something that the industry will eventually have to deal with, or is this just the nature of the beast?

Mickey

I suspect—well, first of all I do think there is a physical difference with the equipment. I think equipment that is going to sustain itself through rough seas is going to be different to the equipment you stick in your regular house in your kitchen. So I do buy into some of that. But then I also think there are probably labour issues, labour costs, with finding the individuals that are experienced in installing these things properly so that they are working well regardless of the treatment that they get. But then also the finishing—I think that yacht finishing is still a very skilled process that is an artisan skill. You can see that if you look at—I don't want to offend anybody so I'm trying not to say certain names. But there are certain boats that look a lot like for example the Hinckley picnic boat but they're finished, the interiors are finished in Turkey, and I think the guy who's finishing it in Turkey has never seen a beautiful piece of furniture and doesn't really know what he's finishing. And I think it's still very important to have an artisan who has been doing it for many years and knows exactly what he's finishing. You can kind of see it in little things when you look at some of these boats where the interiors have been finished in low wage environments, that you're definitely getting an inferior product. So I think it's a little bit of both. I can't imagine in

this world of competition that you can charge \$9,000 for the refrigerator and that you're actually making a massive margin on it. I assume that it's competitive.

Tork

On the other hand, if all the fridge manufacturers are doing it, then—

Mickey

It may be hard to get people to deliver these things to boats as well.

Tom DeLotto IGY

You mentioned several times about what I'd call the erosion of ownership of megas. My question is, this is an opinion question on your part being an insider—do you believe that this erosion is going to set a new level of ownership, or do you think the erosion is more than temporary from what you see, and that they'll eventually come back into the business after having sold and wanting to jump back in at some point?

Mickey

I think there's probably at this point in terms of the individuals that are interested in boats, that can afford them, that want to buy them, the ones that were forced to sell are probably shaken out of the market now. But I don't know if you'll be seeing some of the Eastern European interests rushing back that quickly. [No pun intended —"*Russian back*".] I think they might take a little while to come back. As I said, there definitely is stability now creeping back into the marketplace. I would say maybe some of the motorboats were a little bit over produced, it was a little bit like the pre-construction condo business, where people were selling contracts or spaces at yards because somebody with a massive amount of disposable wealth wanted his boat tomorrow. And I'm not sure you're going to see that coming back any time soon. But difficult to really say for certain. I don't know a lot of motorboat owners. But that's my feeling. And just because there's a lot of high net worth individuals it doesn't mean they all want to buy a boat, either. And some friends of mine have chartered boats and they say they don't want to own because they love it so much when they are on the boat, when they charter a boat, that they don't want to get spoiled by having access to a boat all the time. And then I know people who've got a considerable amount of money that just think it's absolutely outrageous to spend a couple of hundred thousand dollars on a 10 day charter. Not everybody with a high net worth is necessarily willing to part with the cash. Which is probably one of the reasons they have the high net worth to start with. I'd say we're 18 months away in my opinion from really seeing—I'm not sure it's ever going to be quite as frothy as it was in the last 7 years because I think we're actually going through a fundamental shift, leaning more towards socialism, particularly in the US, and to that extent this wealth disparity might actually even itself out a little bit. Which I would say is going to probably mean that there would be slightly less interest at the high end of the market. But I have a positive outlook for the boat business. I think that if you'd asked me 6 months ago I'd have been telling you oh I'm seriously wondering whether I should mothball the boat and now I'm actually saying oh I wouldn't mind building a boat. There's been a big swing in opinion in a 6 month period. So I think another 9 months to 18 months and you could have a very solid swing of opinion back towards investment in large boats.

Martin

Any further questions? Yes, thank you, in the front please, Lisa?

[From the floor]

Do you see any chances in this turndown to develop the businesses around superyachts?

Mickey

Now that's an excellent question so I'm going to have Martin answer that! I haven't really thought about it in that respect. You're really asking is there an opportunity in the downturn to develop a business. I'm sure there is, but I'm definitely the consumer in this respect. I haven't thought about the opportunity that might be in the market.

Tork

I think there is.

Martin

Well it's difficult to identify the actual opportunity but then I think there's got to be opportunities we need to look at, but what will happen first and foremost is that we'll have a cleansing process before anything changes massively. Once we get rid of some of the negatives and the dead wood, let's call it, we'll have a much cleaner industry. And then that's when the opportunity will come back stronger. But one of the questions I'm going to ask you, Mickey, is what do we need to do as an industry to make it a better experience, that more people will come into it?

Mickey

Well as I said, I've had a very good experience. And so it's difficult for me to answer in terms of what you could do better. I think maybe one of the things that occurred in the credit bubble, and the private equity bubble, is that a lot of private equity got into this business. I know with Hinckley and Ted Hood, those companies were merged, and I saw a lot of turnover in the staff there. I mean every year there would be a different manager, on my winterisation. And certain things wouldn't get done, and I think that was maybe part of this whole private equity coming in and trying to merge things together and squeeze as much profit out, with a lot of debt behind the company. And so to the extent that's sort of back to basics of business, that could be a positive for the industry, going forward? That some of the highly leveraged—and I'm not saying Hinckley is a bad performer, I think they're absolutely beautiful boats, but I think that looking at this business from a private equity perspective and looking at the numbers, and thinking that it's all about squeezing out margin, is probably not the right approach. I think if you're dealing with owners of superyachts you're dealing with A1plus personalities, it's like people who buy Ferraris, they need to be handled in a different way from the guy who's coming in to buy a Kia. I think you've got to recognise that they're going to be somewhat finicky and that service is probably absolutely paramount. I mean you're spending that kind of money I really do believe that you want your broker, your salesman, your yard manager, whatever it is, you want them to be really really responsive to you.

Tork

Do you think that the private equity investors had (1) unrealistic expectations and (2) didn't understand the business required what you've just been explaining?

Mickey

Yes. I think part of the credit bubble is that there was just so much money chasing, needing, returns, and looking for places to invest—I know they do their due diligence but nevertheless I think you had investors coming into the marketplace with unrealistic expectations and looking for *oh, where can we save money on the margin*. And if saving money on the margin is in customer service, I would say that's a very big mistake.

Eric

Just to change gears a bit. You mentioned that you had gone on the Queen Mary 2 cruise ship. And you were just talking about service. And I have a separate business dealing with that. And I was just wondering—your experience and why you wound up on the Queen Mary 2, and the service you got from your Queen's or your Princess Grill, the service you got there versus expectations on a superyacht ?

Mickey

Well I have to say that I did the Queen Mary 2 before I owned Antara. And when we first launched Antara, our launching that is, and we had the chief stewardess, an Italian young lady, Angela, and Sophie was our second stewardess, and the service was absolutely spectacular. I mean I would say a higher standard even than the Queen Mary. I would almost say to a point where it was better than I would have anticipated. It was certainly better than anything I'd had when I was chartering. And so I would say the level of service in the superyacht marketplace, the expectations of owners, must be very high. Because I was blown over by the level of service.

Tork

That's a very positive statement.

Mickey

They did my laundry every single day. Amazing. You can't even get laundry at the Marriott.

Martin

Mickey, thank you very much indeed for your time.
