

# Finding Smooth Sailing on Choppy Seas

How AFB Helped Launch  
a Caribbean Venture

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AFB CASE STUDIES



American  
Founders  
Bank

# Good Banks Recognize Good Ideas

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**...listening is how  
opportunities  
are found.**

With more miles of freshwater shoreline than Florida has coastline, just about everyone in Kentucky knows someone who owns a boat. But you know what they say about boat ownership... the two best days of owning a boat are the day you buy it and day you sell it. Thankfully we don't believe what "they" say.

Despite the nearest piece of sea being a good ten-hour drive, it's not unusual for Kentucky bank customer to want to talk about funding boat purchases. For the most part they are leisure vessels, racing up and down the Ohio River or chugging about at a more sedate pace in one of our many lakes and reservoirs.

What is unusual is to be approached to talk about buying a 46' catamaran as a business, a sea-going vessel at that. And not one in the Gulf, a catamaran located in St Thomas, US Virgin Islands, primarily operating in the British Virgin Islands, no less. One called "Flip Flop."

For most banks, that's the kind of investment that is far out of their comfort zone. Too far out. But it's what our customer Jim Lacy had in mind so we listened and approached the proposition with an equally open mind.

Mr. Lacy, a Louisville tech executive, had an established relationship with us before he mentioned anything about a catamaran. It wasn't the first business venture he had spoken to us about the possibility of funding, but it was by some distance the most unusual. Not just buying a catamaran – but running it as an all-inclusive charter vacation business.

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## This was 2008, imagine what we can do now.

To begin with, the economics of owning a boat are very different from those involved with owning a car. For starters, insurance costs are significantly higher. You can't put a boat in the garage whenever the weather gets a bit dicey, as it often does in the Caribbean – so boat owners can pay up to 2.5 per cent of the value of the boat per year in insurance. And most boats cost an awful lot of money to operate.

There are many other considerations to take into account when planning a boat purchase, such as maintenance and mooring. It's also important to bear in mind that when boats have accidents, they generally end up at the bottom of the ocean not a body shop. So the annual costs of owning and running even a relatively small boat can be high – as a minimum probably 5 per cent of the value of the boat. For a catamaran in the Virgin Islands, the bill was going to be considerably higher.

But wasn't the costs that concerned us. It was the opportunity that intrigued us.

It was a family vacation that gave Mr. Lacy, or rather his wife, the idea: "We had been on vacation, renting a crewed boat in the Virgin Islands. What we discovered was that there weren't many options for families, neither were there many options that catered for people who weren't billionaires. So my wife and I felt like there was a real opportunity to create a niche vacation business."

Counterintuitively, perhaps, that opportunity became even more apparent after the 2008 recession. The number of charter boats operating out of St Thomas dropped from

## Perseverance trumps complexity every time.

about 120 to about 30, while the usually short-supplied market for second hand boats was suddenly very well supplied. All Mr. Lacy needed was a bank that was prepared to listen.

Mr. Lacy knew that AFB has always been willing to consider opportunities that might require a little more imagination. He also knew that AFB would not be put off simply because the opportunity wasn't something they were used to dealing with.

"We wanted the vacation to be the primary driver of the business, and it just happened to be on a catamaran. This isn't a vastly different proposition to buying a maintained vacation property – something that thousands of Americans do every year. But lots of banks and investors are scared of boats. They're mobile, they are hard to secure, they can still fall prey to piracy and theft, the re-sale value can vary greatly... but when they are bought as a business asset rather than an ego trip they are far less frightening. AFB quickly understood that."

Much of the legal "legwork" was done by Mr. and Mrs. Lacy, both attorneys. "Maritime law, maritime lending, these are areas that were new to all of us. Captain's qualifications, tonnage, mooring laws. The Virgin Islands aren't part of the United States, they are a territory of the United States. All of these things complicate matters. We had a lot to consider, but sharing those risks as openly as possible and giving AFB all of the detail I could muster made them much more comfortable than they might otherwise have been."

As it turns out, Mr. Lacy's methodical approach to business planning was one of the main reasons we looked at this unique investment opportunity. The metrics and dynamics of the business are not really that much more different to any other business, it just happens to take place on a catamaran in the Virgin Islands.

Trish Osborn, AFB's Senior VP and Louisville Market President, says that AFB's approach is the same no matter how orthodox or unorthodox the proposal may be: "Being flexible and being willing to look at opportunities that other banks might not have always been an important part of our philosophy at AFB. That doesn't mean that we give anything and everything the green light, but we're willing to consider well put together plans even if it's

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## Sailing off into the sunset.

not something that we are completely familiar with we are always willing to learn. Mr. Lacy's investment opportunity was unusual, for a Kentucky bank, but was underpinned by the amount of work he put into making sure every detail and eventuality was accounted for. That's the way to go about it."

Mr. Lacy's investment opportunity was unusual, for a Kentucky bank, but was underpinned by the amount of work he put into making sure every detail and eventuality was accounted for. But it's also about more than just the business. As Mr. Lacy says, "AFB's support enabled us to take a risk and find a fun business to operate, and has since touched hundreds of families giving them a Flip Flop vacation."

As it turns out, Mrs. Lacy's intuition about opportunity was right – their approach has resulted in a successful business venture and a successful investment for AFB, one that now has already spawned a handful of imitators. And as we all know, imitation is the sincerest form of flattery.

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