



## A message from our CEO



David Cohen  
President & CEO

We're still here! Given the amount of change the industry has undergone over the last decade, that's no small achievement! The question is WHY? Why have we chosen to stay with the industry through every economic cycle? Why have we grown and increased our commitment to this industry while others haven't? It's pretty straightforward. There are three reasons:

**First, this industry is one of our core businesses; it's very important to us.** It isn't a side business which we accelerate in the good times and drop in the bad times. So we're in it for the long haul, just like you.

**Second, we know the business.** We understand how to structure deals to work for both of us – for the operator and for Firestone. We have created an infrastructure which responds to the risks associated with lending to small businesses – and we enjoy it!

**Third, we want to sustain and grow the personal relationships we have built** with carnival operators during the 15 years that we have been financing carnival equipment.

We have been in the equipment financing business since 1965 with a consistent management team which finances its own deals and holds all the paper. We LOVE this business and will be here for a long time to come. Thank you for your trust.

*David*

### In this issue . . .



## The state of the traveling carnival industry

**Larry Yaffe**, Firestone Financial's Vice President of Sales for the amusement carnival sector, reflects on the changes he's seen in the last couple of years which have impacted carnival operators. He also shares why he is optimistic about the future of the industry.

**Rick Reithoffer**, owner of Reithoffer Shows, is a fourth generation show owner based in Tampa, FL. Rick discusses the factors which, from an operator's standpoint, intensify the competitive environment and cites how the industry has become stronger over the past few years.

# The state of the traveling carnival industry

## The Firestone view by Larry Yaffe

Analyzing the reasons for the industry's cycles is not easy. However, from Firestone's vantage point, the economic downturn in the late nineties coincided with the end of an era in the traveling carnival industry. In the late nineties, money for equipment was readily available to any carnival operator or show owner. Generally, it didn't matter if the business was creditworthy. At the Gibtown show in 1998, there were 12 equipment lenders willing, and competing, to finance all of the equipment purchases. (The joke was that there were more finance companies than manufacturers!)

This availability of money affected the industry in three ways:

**First, many equipment owners became overburdened with debt, which is still affecting shows today.** Fair committees began to expect newer and bigger rides each year, driving increased competition for locations among show owners as well as higher percentages for fair committees. Unfortunately, the larger rides did not increase the total gross receipts of the fair - they only shifted the revenues while increasing the show's payments, ultimately causing more money to come out of the operators' bottom line.



**Second, many finance companies took unwise risks** in response to competition from other financing providers as well as operator demand for bigger and better rides. Ultimately, many lenders have already exited or are in the process of leaving the industry.

Third, after the boom days of easily available financing and a rush to purchase the newest and best equipment, **manufacturer sales have also declined.** As equipment owners and financing companies suffered losses, the market was flooded with used equipment. This in turn has resulted in lower manufacturer sales of new equipment.

*Continued on next page.*

## The show owner's view by Rick Reithoffer

"The competition has become much more fierce. **First, the information age means that, with the Internet, operators are able to compete against each other more effectively.** When an operator in California sneezes, everyone in the country knows it," Rick says.

"**Second, fair attendance has been stagnant over the past 5 – 10 years,**" Rick adds. "This is partly due to the fact that some fair boards don't have the trained personnel to market the product. But even for those who do, the competition is more fierce for the entertainment dollar. There are so many other things to buy... concert tickets, computer games. Now it is nothing for kids to run down to New York City to see a concert. Plus, the weather has a major impact on fair attendance. We had a 100 year record this summer in the Northeast for rainfall. I think a lot of carnivals are going to go under this year, just due to the weather.

"**Third, our expenses continue to go up while grosses stay the same.** As Larry says, the percentages to the fair committees have increased. Fair committees used to get 25%. Now it is 30%, 35%, 40%, and on up. But the most disturbing factor is the rise in insurance costs. They have risen dramatically to the point where insurance companies are not just a silent partner anymore, but almost a visible, viable partner. They can take as much as 33% to 40% of the profits – that is up from 10% some years ago. That isn't just in our industry. Doctors are leaving the state of Florida because the malpractice insurance is too high."

**Despite these difficulties, Rick remains optimistic about the carnival industry.** "I am an optimist by nature. I see every economic indicator pointing towards a swing upwards. That and a little bit of good weather will turn the industry around. There is always hope that if the industry shrinks, the operators who remain will be stronger. **And the equipment is safer than it was a few years ago** because of the demand for better, safer rides. Our show continues to become a bigger, better carnival and I am hopeful that others in the industry will start to see a turnaround soon."

Rick has been a Firestone customer for many years and adds, "Any time you are dealing with Firestone Financial, you know they understand the business. They make it easier than walking down to the local bank and trying to borrow a half-million dollars for a merry-go-round. The bank doesn't know what a merry-go-round is or how you pay for it. Firestone knows me and knows my business. If I need a loan, I know I can call Firestone and I will have a done deal really quickly. That's why I like Firestone."



**Rick Reithoffer is an owner of Reithoffer Shows, a century-old carnival business with a 108-city tour. Reithoffer Shows travels the entire east coast of the US, as far west as Springfield, MO. Rick is a fourth-generation show owner and is currently training the fifth generation of boys and girls!**

## The Firestone view by Larry Yaffe

Continued from previous page.

Although the traveling carnival industry is in the middle of a contraction, we at Firestone Financial had a great year in 2003 and expect an even better year in 2004. Moreover, we believe we are the early indicator of a turnaround in the industry.

**First, we are beginning to see evidence of pent-up demand.** Owners have been buying less equipment over the past few years, but the demands of the industry to stay current will ultimately result in new purchases. Accordingly, in our business, we have seen a 36% increase in new customers and a 45% increase in repeat customers during the past 2 years.

**Second, we are also beginning to see evidence of operators and owners gaining financial strength.** Ninety percent of our customers made their payments within their scheduled season, which is an increase over last year.

**Third, the players who are left after this industry consolidation are the healthiest and the most committed to this industry.** In the long run, this will benefit all segments since these companies will be in a good position to capitalize as the cycle begins shifting up again.

Firestone has been here through thick and thin and will be here in the future. Count on it!

## GIBTOWN 2004 ANNOUNCEMENTS

**Wouldn't it be nice to know you had your equipment financing in place before Gibtown?**

Think of how much easier it will be to negotiate with an equipment vendor, knowing that you already have the financing you need.

Call Firestone and ask to speak with Tony Costanza at 1-800-851-1001 x222  
Call us soon, so we can get the ball rolling!  
If we don't hear from you before the show (February 3 – 8), stop by Booths 1126 and 1127 to have your deals approved.

If you are looking to buy used equipment, be sure to visit [UsedRides.com](http://UsedRides.com)'s sales yard at 7518 Gibsonton Drive.



Winter 2004

## Meet the Firestone Family

### Larry Yaffe

Larry has been working full-time at Firestone since 1994 and during summer vacations dating back to 1987. His father Ed, who retired from Firestone in 2000 after 34 years, was one of Firestone's original employees. Larry is presently Vice President of Sales in charge of the amusement carnival portfolio and new business development. Prior to joining Firestone full-time, he worked as an auditor at Arthur Andersen.



Larry helped start Firestone's initiative in financing game and food concession trailers and rides. He says, "At the beginning, we were very skeptical about seasonal payments and wanted customers to make small \$100 per month payments in the offseason. Instead, customers would pay \$600 at the beginning or the end of the winter. We finally realized that seasonal payments was the only way to go."

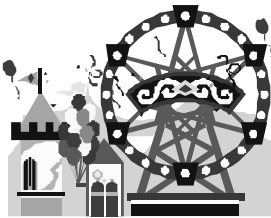
Firestone started by working exclusively through sellers of equipment, but today works with both sellers and buyers. "I was very fortunate to develop great relationships with vendors who introduced us to a ton of customers," adds Larry. "I'm very excited about the position that Firestone has established in the industry. At this point we are one of the leading lenders that are financing equipment. That gives us a tremendous opportunity to serve new customers and further develop our relationships with our existing customer base."

Larry's hobbies include most sports and spending time with his family. His daughter Lauren is 3, and his wife Debbie is expecting their second child in February during the Gibtown show. This is the first show that he will be missing in 10 years!

Despite Larry's absence, Firestone is expecting its most productive Gibtown yet. They will have five people attending the show and manning the booth. **Look for Tony Costanza, Parag Gandbhir, Eric Renaud, Jim Hines and David Cohen at Gibtown – Booths 1126 and 1127.**

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Firestone Financial Corp.  
38 Glen Avenue, P.O. Box 9108  
Newton Centre, MA 02459-9108



**GIBTOWN ISSUE**

Come see us  
at the show!  
We'll be at booths  
1126 and 1127.

## **FIRESTONE FINANCIAL**

*Big enough to serve.  
Small enough to care.*

Firestone Financial Corp.  
38 Glen Avenue, P.O. Box 9108  
Newton Centre, MA 02459-9108

800-851-1001

Fax: 617-332-8032

E-mail: [info@firestonefinancial.com](mailto:info@firestonefinancial.com)

[www.firestonefinancial.com](http://www.firestonefinancial.com)

To learn more, check out our website  
or give any one of us a call.

**David Cohen**

President & CEO  
[dcohen@firestonefinancial.com](mailto:dcohen@firestonefinancial.com) 617-641-9202

**Scott Cooper**

Exec. VP & CFO  
[scooper@firestonefinancial.com](mailto:scooper@firestonefinancial.com) 617-641-9204

**Larry Yaffe**

Vice President  
[lyaffe@firestonefinancial.com](mailto:lyaffe@firestonefinancial.com) 617-641-9213

**Tony Costanza**

Account Representative  
[tcostanza@firestonefinancial.com](mailto:tcostanza@firestonefinancial.com) 617-641-9224

**Bruce Wunsch**

Collections  
[bwunsch@firestonefinancial.com](mailto:bwunsch@firestonefinancial.com) 617-641-9217



## Some Facts About Our Company

*Nearly 40 years old*, founded in 1965.

*Owned by the management team*, Firestone has built a reputation with its customers and employees as a company that is 'big enough to serve, small enough to care' (a motto coined by a customer).

*Dedicated to growing the businesses of route operators*, Firestone is one of the leading providers of secured installment loan and lease financing in the amusement industries.

*Serviced over 16,000 operators and distributors* in the last 38 years.

*Lends money on all types of equipment* – vending, food service machines, amusement and video entertainment games, carnival games and rides, food concession trailers, non-bank ATM machines, video lottery terminals and gaming devices.

*Finances route expansions and acquisitions*, giving operators the financial flexibility to grow.

*70% of customers are "repeat"*, exemplifying our mission of building long-term relationships with our customers and offering quality service.