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RESURRECTING THE
FAMILY BUSINESS

PART 1

WHEELER YACHT COMPANY

A FOURTH-GENERATION MEMBER OF AN INSPIRED
BOATBUILDING FAMILY SEEKS TO REVIVE ITS LEGACY.

BY DANNA VOTH

TO A TRUE YACHT ENTHUSIAST,

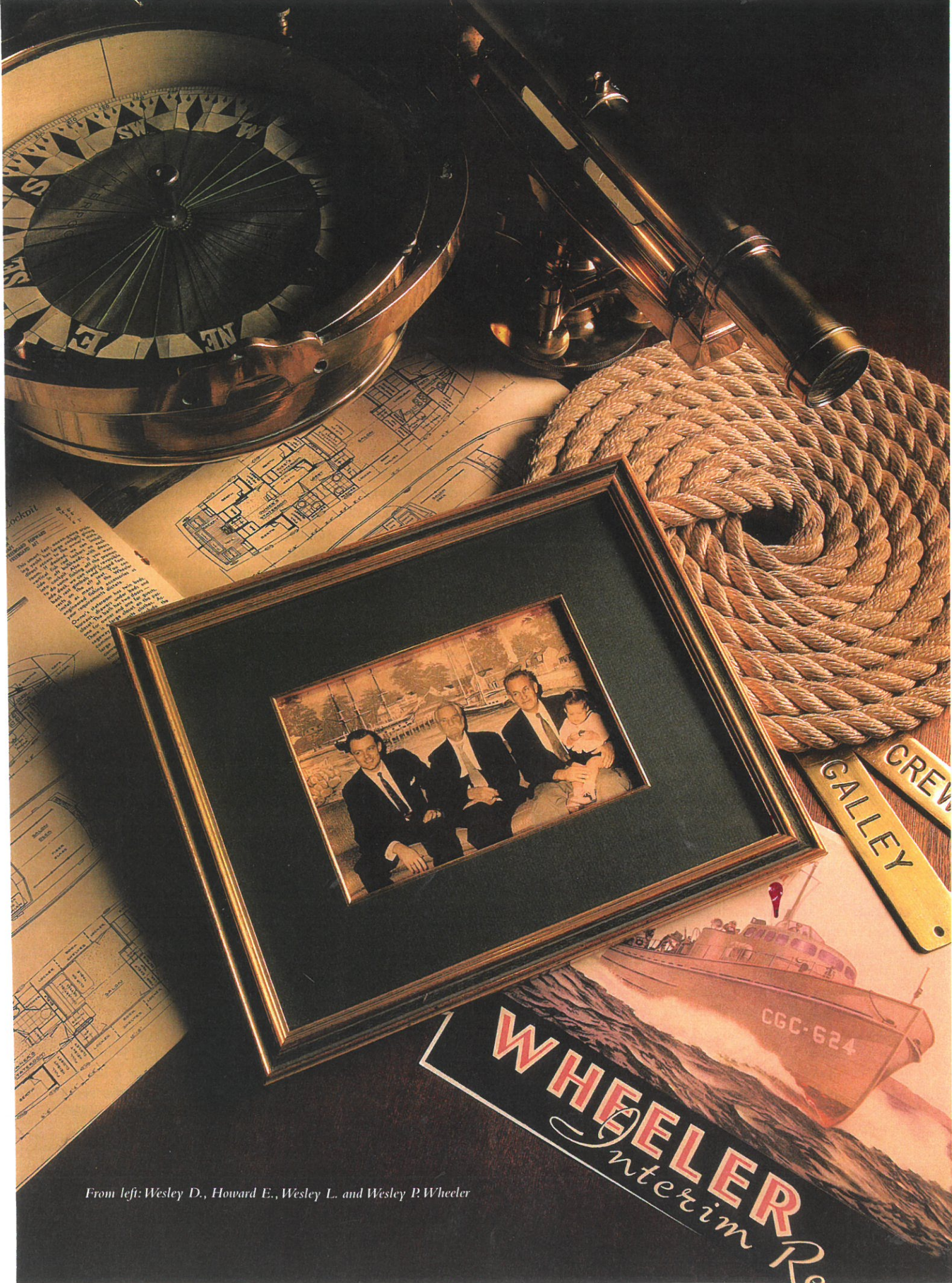
few things are more beautiful than a vessel with sweeping lines, perfect proportions and a balance of style and function. Tom Fexas, whose firm has designed 400 boats since 1966, admired these attributes in Wheeler yachts from the day he first saw one as a teenager.

Wheeler Yacht Co. ran aground in the mid-1960s, a victim of financial difficulties, aging customers and shifting tastes. Its yachts became collectors' items, mahogany icons of classic style. In a column for *Sea* magazine in 2004, Fexas wrote nostalgically about the 1952 48-foot Wheeler sportfisherman, wondering why today's yachts fail to boast such grace. "It was a magnificent boat," Fexas recalls. "We could all learn something from designs like this."

Nearly 40 years after its demise, a new generation of Wheelers seeks to make their family's legacy seaworthy once more. Wesley P. (Wes) Wheeler, 49, whose grandfather helped design the 1952 sportfisherman, plans to revive Wheeler Yacht by adding updated technology and larger engines to its boats. Along with his business partner, Jim Scandura, Wes, a pharmaceutical entrepreneur, plans to debut a new, 55-foot sportfisherman model he calls the Legacy Sedan, inspired by

TOP VIEW > Wheeler yachts were once waterborne playthings for America's elite. But after more than five decades designing and building boats, the family-owned business closed in 1965. In the first of a three-part series on restarting a family business, *Worth* examines the efforts of the Wheeler patriarch's great-grandson, who is relaunching the business with hopes of sidestepping the problems that ultimately capsized his predecessors.

DAVID BRANDT



From left: Wesley D., Howard E., Wesley L. and Wesley P. Wheeler

For 40 years I've heard these stories about how it was just too bad the company went down; it was terrible. It's not nearly as difficult as my father and his siblings and others had led me to believe." —Wes Wheeler

the company's 1952 Wheeler 48-footer, later this year.

Wes says his plan has the support, both moral and financial, of the other members of the Wheeler clan, some of whom he has never met in person. "There's a lot of excitement and happiness that somebody finally did this," he says. "It's bringing our family together." But Wes and his family still face immense challenges, including those that sunk the first incarnation of the business.

BROOKLYN BEGINNINGS

Howard E. Wheeler, Wes's great-grandfather, founded Wheeler Shipyard in the Bensonhurst area of Brooklyn, N.Y., in 1910 as a boat repair business. By the 1920s, it had grown into a true family affair, run by Howard and his three sons: Wesley L., Eugene and Robert, who became equal partners in the privately owned company. The company's first pleasure yacht, the Playmate model, built from 1920 to 1939, was a success. When World War II erupted, the company suspended its production of pleasure boats to assist in the war effort by building military vessels. Wheeler produced Navy YMS minesweepers, Coast Guard cutters, Navy ATR rescue tugs and the FS/FP cargo ships made famous by the film *Mr. Roberts*. For the company's military efforts, Wheeler garnered eight Navy "E" pennants for distinguished service.

As the U.S. economy boomed following the war, the company turned out smartly fashioned yachts for celebrities such as Ernest Hemingway, whose beloved *Pilar* now rests in a museum in Cuba. The distinctive line of the sporty boats—from the popular sportfishermen to the entertainment-friendly enclosed cockpit of the Sunlounge model and the roomy Promenade Deck cruising model—were ahead of their time in design. But while Wheeler Yacht received kudos for craftsmanship, the company's business was springing leaks because of a string of misfortunes.

Fire had consumed the company's Bensonhurst boatyard in the 1920s, forcing Wheeler to move to a new property in Coney Island at the foot of Cropsy Avenue. To produce boats for the war effort, the company opened a second yard in Whitestone, Queens, N.Y. But despite Wheeler's award-

winning production during World War II, the Whitestone facility went bankrupt in 1948 after Brooklyn Trust foreclosed on a \$2 million note. Wes's father, Wesley D., says a number of other setbacks dogged the company, including steelworker strikes in 1946 and 1948, chronic under-capitalization and fire safety regulations that stymied productivity.

In 1957, patriarch Howard finally retired at the age of 88, and in 1964, the company relocated to Tom's River, N.J., to take advantage of cheaper land prices. However, that proved a difficult cultural shift for Howard's three sons. Two of them were in poor health and found traveling to New Jersey troublesome, Wesley D. recalls, and "the people were alien to them; they didn't know the area very well."

The Wheeler company repeatedly faced financial difficulties as it shifted between building production boats and custom boats, and between small vessels and large yachts, to keep pace with changes in demand. Building boats of varying sizes and materials required constant recapitalization, which the company was not always able to secure.

The advent of fiberglass hulls in the 1950s proved an enormous challenge. "Fiberglass was not something that the Wheeler craftsmen were used to," Wes explains. The company invested in fiberglass construction, creating the Wheeler Fiberglass Boat Corp., at Clason Point in the Bronx, which it took public in a \$400,000 stock offering in 1960. A component of fiberglass—polyester resin—is extremely flammable, and following a lethal fire at a Lower Manhattan business that made manikins with polyester resins, New York

City required all manufacturers using the material to install expensive sprinkler systems in their factories.

Ultimately, the company's equity capital injection was insufficient to ramp up new construction, and Wheeler Yacht was unable to service its debt. "They spent a lot of money building fiberglass molds and fire suppression systems," Wes says. "The transition from wood to fiberglass really is what did it to them." Howard died in 1961, and Wheeler Fiberglass Boat Corp. shut down in 1963 after a fire destroyed the plant.

Wes's great uncle, Eugene "Tut" Wheeler Jr., says that





The principals of Wheeler Yacht gathered in a company showroom in April 1946. From left: Robert Wheeler, Wesley L. Wheeler, Howard Wheeler and Eugene Wheeler.

industrywide trends sealed the company's fate. "Back in those days, when there was a change in the industry, about 2 percent of the boat business collapsed," he recalls. Wheeler Yacht became one of them, closing its doors in 1965 after building some 3,500 vessels over more than five decades.

WEAKNESS FOR THE CLASSICS

"For 40 years I've heard these stories about how it was just too bad the company went down; it was terrible," Wes says. "I am a successful businessman; I run a pharmaceutical company and am fairly knowledgeable about running businesses. It's not nearly as difficult as my father and his siblings and others had led me to believe." Wes is president of Valeant Pharmaceuticals International, where he runs the North American operation of Valeant's global marketing and business development activities. His business generates \$240 million in annual revenues, and recently has been growing at 60 percent per year. Wes says that sales have doubled since he signed on with the company in early 2003. Despite this success, his thoughts turned to Wheeler Yacht after he read Fexas' article in *Sea*. "It asked, 'Why don't they build boats in the U.S. anymore? Why don't they build boats that last, that have a classic look? Boats that are designed for seaworthiness and ruggedness, and not for cost?'"

Wes called Fexas, they talked for 45 minutes, and Fexas soon had a contract to design a modern Wheeler boat based on the classic design. Wes reincorporated the company with Jim Scandura, a longtime business associate, in California in 2004. Each man provided half of the new company's \$300,000 in seed money. Scandura, a former Navy submariner, is president of his own firm, Impact Management Services, a consulting company in Cary, N.C., that helps clients manage business transformation programs.

Wes and Scandura are betting that contemporary boaters will be partial to the old style of the Wheeler sporting yachts. Fexas is certainly an interested party. "Boats have evolved

from square, staid designs to floating marshmallows," he maintains. "They've gone so far with this melted candle, amorphous look that classic designs are coming back, which is where Wheeler comes in." Wes and Scandura's strategy is to take advantage of the previous Wheeler design cues and the family's reputation for quality, then create a

new boat with the latest components and construction techniques. "This business is significantly different from most other start-up businesses in that we have an established reputation," Scandura explains. "The brand still has quite a bit of recognition."

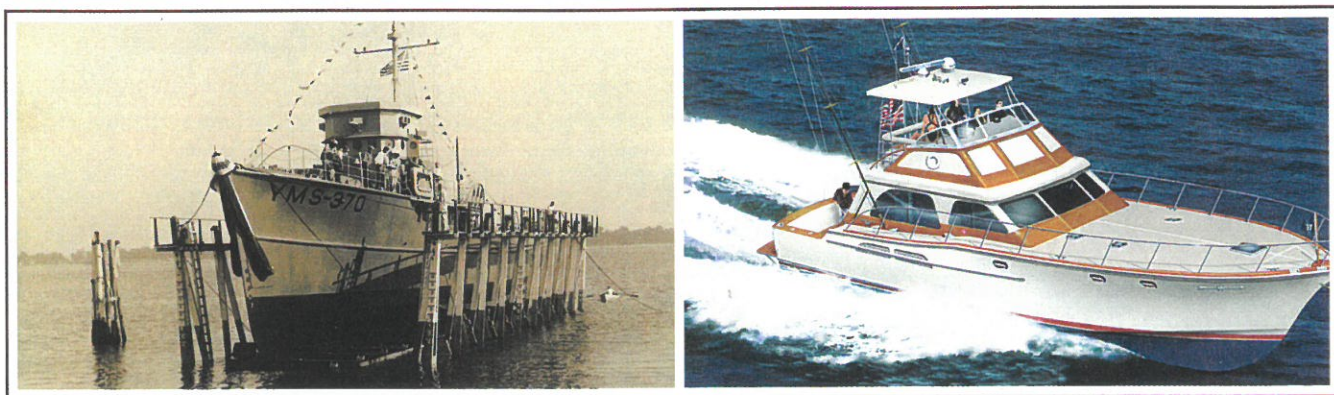
While the new company has yet to actually produce—let alone sell—a boat, it has invested in marketing materials and research, created a website (wheeleriachts.com), completed plans for the new Legacy Sedan, chosen a ship builder, budgeted for construction and completed a tank test of the prototype hull and Caterpillar engine it plans to employ. With their initial \$300,000, Wes and Scandura hired Richard Lockman, a market researcher, to create a competitive set of 12 companies and provide price-point research as well as dealer and shipyard lists that helped Wes and Scandura construct their business plan. Their research set the current annual value of the pleasure yacht market at \$15 billion, growing at 4 percent per year. About 40 percent of the market is in the luxury arena. "However, our real market, based on our competitive set, would be considerably smaller, when considering the boat size range and our focus on building in the U.S.," Wes says.

Fexas helped the partners design a boat that maintained the lines of the legacy vessels, while scaling up in size to contain the much larger Caterpillar engines and larger propellers, which provide greater speed and reliability. In hull tests at the Stevens Institute in New Jersey, Wheeler's design outperformed specifications. "Our hull exceeded the 42 knots we claim in our advertising," Scandura says. "That's how we have the confidence in our hull design."

FAMILY AFFAIR

Other members of the Wheeler family are also rediscovering their entrepreneurial roots. In 2004, Wes sent an email to members of his extended family telling them his intent to resuscitate the family company and asking permission to use

“Boats have evolved from square, staid designs to floating marshmallows. They’ve gone so far with this melted candle, amorphous look that classic designs are coming back, which is where Wheeler comes in.” —Tom Fexas



the family name again. He was gratified at the warm response and encouragement. “A lot of these folks are in their 60s, 70s and 80s, and happy that somebody finally did this,” he says. Wes discovered a cousin in Boston, Gary Wheeler, who runs a bait-and-tackle shop and wants to invest some capital.

Other family members are offering to make introductions to customers of the old company or to brokers who once sold the Wheeler line. Wes’s cousin, Allison Wheeler Wolf, a former public relations executive, has offered to provide her services. His brother, Jonathan, a former Wheeler boat owner, also wants to help with investment and support at local boat shows. Wes’s father sits on the board of directors. If the business is a success, the new company’s charter is set up to allow Wes and Scandura to pass it on to their children—if their children are interested.

The company is tapping into the most popular yacht markets—Ft. Lauderdale, Miami, Newport Beach, Seattle, Annapolis, Washington and Boston. The plans are to contact boat owners discovered in a database called the Register of Wooden Boats, published by Wooden Boats Publications. Wheeler is also building a network of brokers who have contacts with that target demographic. “We’ve done some face-to-face interviews with potential customers, people who sell sportfishermen, those that buy sportfishermen,” Wes explains, “and there is a lot of interest in the boat—they love the design.”

Wes and Scandura expect to launch their first vessel in October. They are considering entering it into competitions to demonstrate the boat’s performance and garner publicity in the yachting world. But to build that first model, they will

require an influx of new capital. To launch its first Legacy Sedan, Scandura estimates the company will require another \$2 million. Beyond the first boat, Wes says they need to raise between \$4 million and \$5 million to move Wheeler Yacht into production. They plan to build five to 10 boats per year, and sell them for \$2.5 million each. “Finding funding is our big challenge right now,” Wes admits.

The partners are considering attracting new investors by offering equity attached to a negotiated percentage return based on the amount of capital raised. “My option right now to raise cash is to find a corporate angel, find a VC or collect money from family and friends to make this thing go,” Wes says.

Just as the new company is modernizing the old Wheeler design, its new owners are updating their strategy to reduce their exposure to the types of problems that plagued the company’s former incarnation. The new Wheeler Yacht operates almost as a virtual company, contracting with designers, boat builders and marketers rather than hiring full-time employees. The Legacy Sedan will be constructed by Bennet Brothers Yachts, based in Wilmington, N.C. “While it lowers the margin a bit, we’re moving the risk around,” Scandura says. “The old model had all the risk in the builder’s pocket.”

The new company’s business model may not be as capital intensive as its predecessor’s, but the new approach faces that hurdle immediately. “That’s where we are right now with this business,” Wes says. “It’s all about the investment. Otherwise we’re very, very confident that we have a great design, a great story, a great future doing this. ▣

Danna Voth is a freelance journalist based in Whittier, Calif.

Left: A minesweeper built by Wheeler in 1944. Right: An artist’s rendition of the new sportfisherman.