

WoodenBoat

THE MAGAZINE FOR WOODEN BOAT OWNERS, BUILDERS, AND DESIGNERS

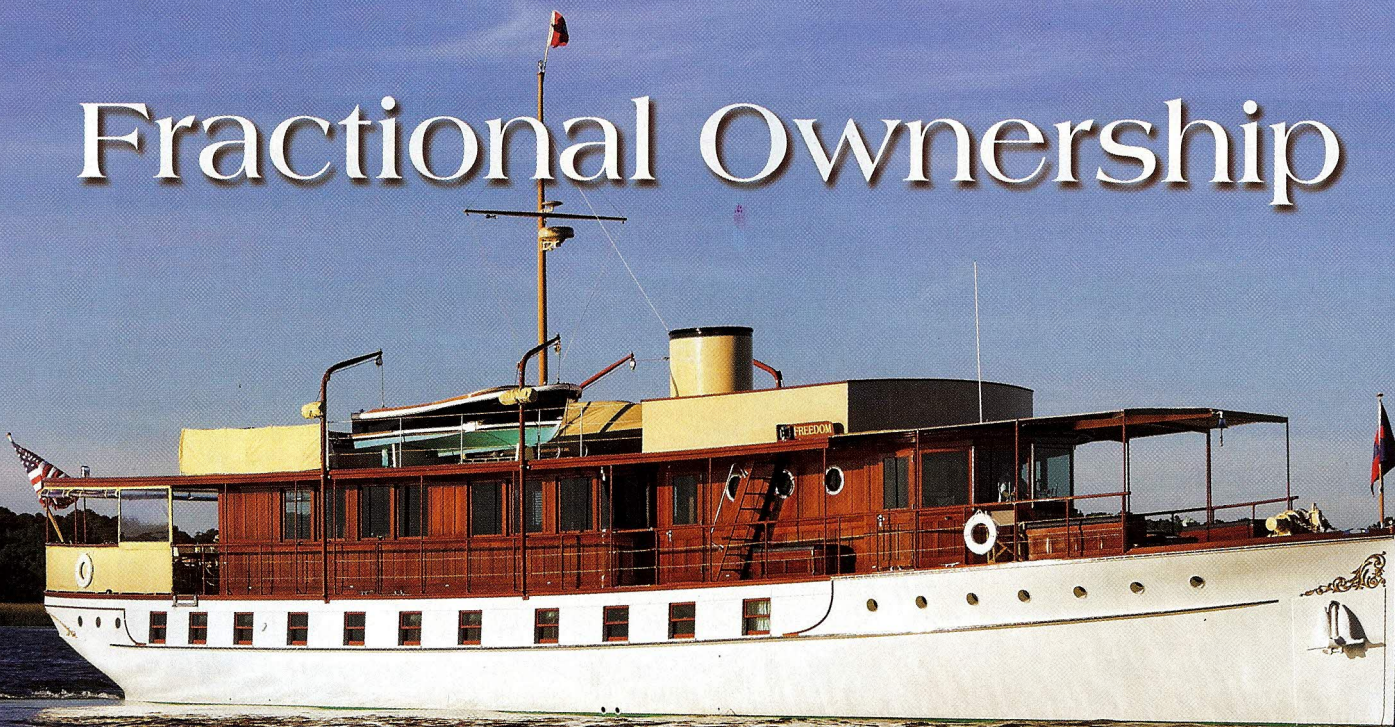


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Fractional Ownership



by Timothy K. Smith

FREEDOM was the unlucky sister: While her near twin SEQUOIA had consorted with presidents, FREEDOM was residing in squalor in Florida. Both boats, 104' Mathis-Trumpys built within a year of each other about three-quarters of a century ago (1926), had always turned heads with their refined sheerlines and elegant sterns. But by the time Earl McMillen III came along in 2002, their differences were stark. SEQUOIA, with a home in Washington, D.C., had been designated a National Historic Landmark. FREEDOM, by contrast, was rotted, hogged, stained, and patched with fiberglass. Back in the 1970s, it was said, she had made a couple of smuggling runs to Cuba, bringing some 300 people to the U.S. each time. By now, however, she wasn't even fit for that duty. The owner of the boatyard where she lay wanted to get rid of her for fear she would sink and become his liability. Even her name seemed to taunt the chainsaw: she had been rechristened SUNSET.

Earl McMillen found her, saved her, and made FREEDOM the latest exhibit in an extraordinary show of business legerdemain he has been putting on for more than 15 years. Setting up a fractional-ownership group, he raised \$6.8 million from a dozen partners, shipped FREEDOM to Rhode Island by barge, stripped her to her keel—actually, he laid a new keel (see WB No. 213)—and rebuilt her so capably that she has been named a finalist for Best Refitted Yacht in the 2010 World Superyacht Awards. She is the seventh

Earl McMillen, his wife, Elizabeth, and their dog, Tollie, enjoy spending some time aboard FREEDOM, one of a fleet of fine yachts that McMillen Yachts Inc. has restored and is using in McMillen's fractional ownership program.



ALISON LANGLEY (BOTH)

large, seemingly doomed, wooden yacht McMillen has rescued.

McMillen, a 45-year-old Atlanta native, has become perhaps this country's preeminent savior of grand old motoryachts using a method that is simple to conceive and terribly complex to execute. "Fractional ownership" became a talked-about business model in the 1990s when NetJets took off, getting a big boost when Warren Buffett bought the company. Since then it has been applied to everything from luxury cars to handbags to dogs. But essentially it is an old idea—syndication by another name. The complexity lies in the scope, or perhaps the audacity, of McMillen's business proposition. Would you pay \$450,000 for a share of a huge boat in dreadful condition, with the promise that when she was eventually refurbished, you would have the right to cruise on her only eight days a year? "There are a lot of syndicated projects like these, but on a smaller scale,"

Earl McMullen's vision for yacht stewardship



ALISON LANGLEY



ALISON LANGLEY



ALISON LANGLEY

FREEDOM was launched in 1926, the 150th anniversary of the Declaration of Independence, and was named in observance of that sesquicentennial. A "cruising houseboat," she was designed by John Trumpy and built by the Mathis Yacht Company of Camden, New Jersey, for Aubert J. Fay of Lowell, Massachusetts. At 104' LOA, with a beam of 19', she drew only 4'8". Her original elegance has been revived after a nearly five-year restoration.

says Terry Nathan, president of the International Yacht Restoration School (IYRS). "Earl is driving interest at the level of some fairly significant financial support, and then he's pulling that support into ambitious projects and restoring iconic boats. These are not just some boats that you see in the harbor. These are icons." The thing is, restoring a grand old yacht from the Golden Age is a bit like restoring a castle. And for that you need an Earl.

"For that filigree up in the bow, which is very ornate, they [the Trumpy family] had the original mold," McMullen says, raising his voice above the whine of a

power planer. "We sent it down to our foundry and had castings made, and we had extras made so we can do it in the future on other boats."

Influences

It is a frigid December day in Portsmouth, Rhode Island, where McMullen Yachts Inc. has a workspace covered in plastic sheeting. McMullen is giving a tour of ENTICER, another Mathis-Trumpy, which is being refitted with, among other things, a Seakeeper gyroscopic stabilizer. McMullen is not a strict fundamentalist when it comes to restorations. The power plane is being used to knock

By the time McMullen found FREEDOM, she was in disrepair and her hull had been fibreglassed—a good thing, he says: "Her frames had rotted, but the 'glass saved her." McMullen and his restoration crew, led by project manager Jeff Jacobsen and shipwright Dan Roten, laid a new keel in 2005 and gave her new frames. McMullen decided to double-plank FREEDOM's new hull. The inner layer was strip-planked; carvel planking was laid over that, and the two layers were epoxied and through-bolted with silicon-bronze fastenings. The yacht was repowered with a pair of John Deere turbo-diesels, and the exhaust was rerouted below the waterline to avoid noise and soot from the stack.



EARL McMULLEN

ENTICER was designed by John Trumpy and built in 1935 by Mathis Yacht for Joseph M. Cudahy. At 85', she has a beam of 18' and draws just 4'. Trumpy put a lot of thought into stern design, and ENTICER's is remarkable in several respects. Above the water, it is an elegant overhanging transom. Such a stern can cause a boat to squat, so just below the waterline, the counter makes a reverse curve to turn into a broad, nearly flat plane. With this boat, Trumpy moved away from square, double-hung windows. ENTICER has crank-operated, sliding windows instead. The boat has three double staterooms and one single stateroom. McMillen Yachts acquired her, fully restored, in 2006, and is currently fitting her with a gyroscopic stabilizer.



ALISON LANGLEY

down splines that have been fitted into the seams of the next hull over in the shed. In one of ENTICER's staterooms, McMillen pulls a flat-screen TV from a recess in the paneling. "You don't know it's there until it's time to watch the game," he says.

Over in a corner, waiting her turn to be restored, is the boat that got this whole enterprise started: a 68' motoryacht, built by the J.M. Densmore Co. in 1927, with a raised pilothouse that gives her a powerfully magnetic profile. Called ALONDRA, she was the McMillen family boat when Earl was a boy. His father, an architect and developer, kept her in the Florida Keys, and Earl fell hard for her. Growing up in Atlanta, McMillen was a long way from the sea for most of the year. But the McMillens had a house on Lake Rabun north of town, and Earl found himself drawn to the boathouse there, where classic wooden runabouts were maintained.

When McMillen was 21, his enthusiasm for wooden boats was galvanized into something much more intense following a tragedy: His younger brother died in a car accident. In their grief, Earl and his father

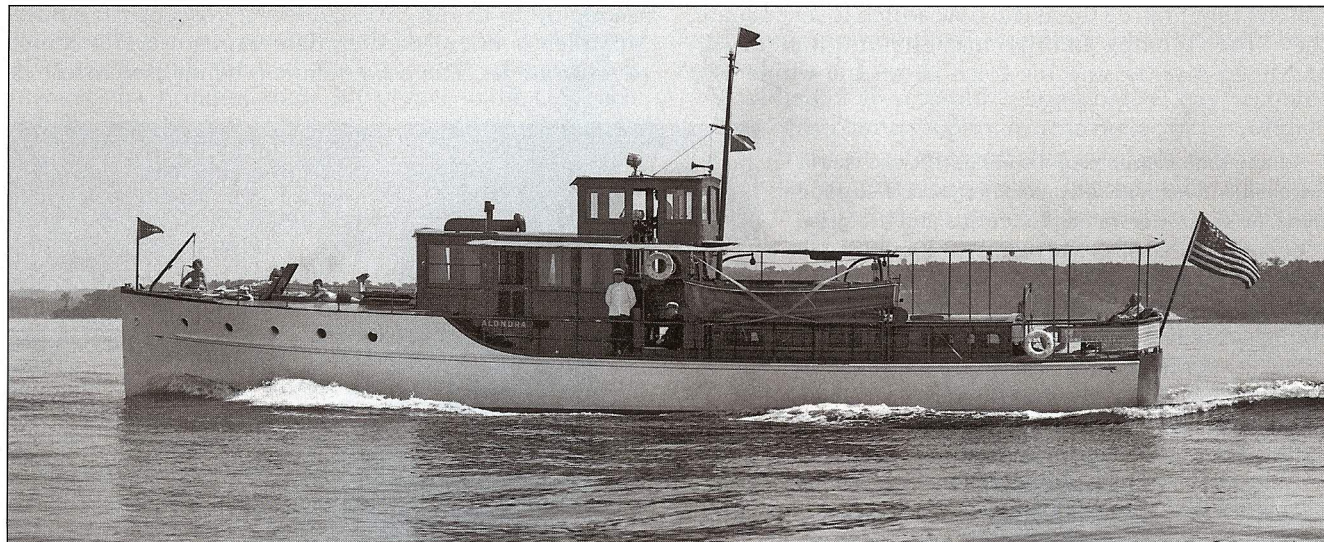
took on a project together, the restoration of a 39', 1939 Elco. Earl learned how to do the work and he was young enough not to be intimidated by the scope of it. He made a decision: Life is short, do what you love.

McMillen took time off from college, working with his father and learning about business. He designed and built houses, and learned to fly a plane. By the time he moved to New York to study history at Columbia University, he was an unusually focused young man. He joined the New York Yacht Club and did a lot of his homework in its library. He explored City Island, searching out the place where the Consolidated Yard had been, and spent hours in Trader John's marine artifacts store.

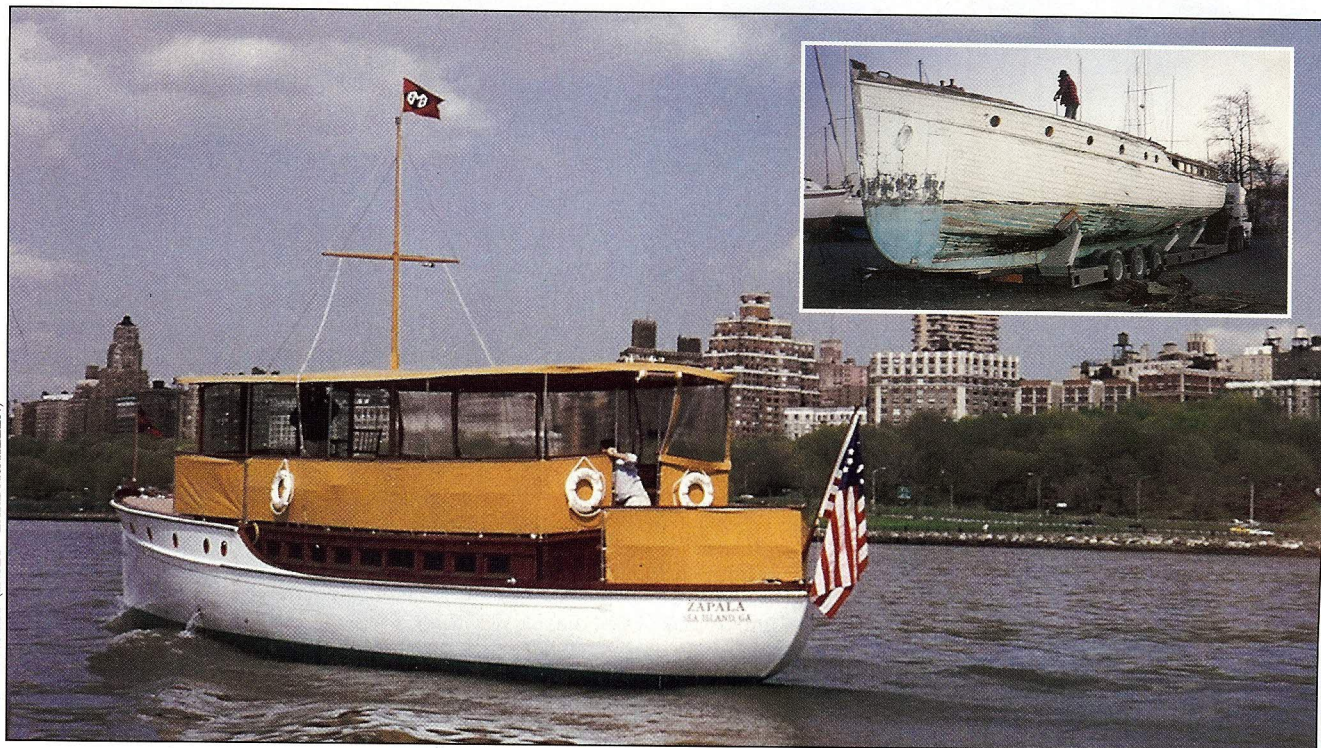
In the summers, he says, "I would find these great old boats and patch them up and take them up to Newport to charter." That experience taught him a lesson about restoration: "I saw that it would take a lot more money than I had, to do it right."

After college, McMillen says, "I was thinking of different ways to skin the cat and restore larger yachts, and I was approached by the Sea Island Co.," a resort

ALONDRA, built in 1927 by the J.M. Densmore Co. for George C. Smith, Jr. of New York City, was the McMillen family yacht for several years when Earl was a boy. It is believed that Tams & King of New York City produced her original plans. She is 68' overall, built of yellow pine planking on steam-bent white oak frames, and was originally powered with a pair of six-cylinder Sterling gasoline engines. McMillen Yachts purchased her in 1998, and she awaits restoration.



ALONDRA, 1928 © MYSTIC SEAPORT, ROSENFELD COLLECTION, MYSTIC, CONN., #29287F



ZAPALA, as she was named after a McMillen partnership restored her, was built in 1913 by the New York Yacht, Launch & Engine Company for Joseph B. Cousins, who called her *SISPUD II*. She has an LOA of 60', with a hull of longleaf pine planking on steam-bent white oak frames. Originally fitted with a four-cylinder, 50-hp Century gasoline marine engine, she was repowered during her restoration with a Caterpillar 3116 350-hp diesel. She was reframed from bow to stern, planking was refurbished, and her deck and deck joinery were replaced. Her hardware and most of her interior remain original. No longer part of McMillen's fleet, she is owned by the Inn at Palmetto Bluff in Bluffton, South Carolina, and is now called **GRACE**, after Grace Vanderbilt, former owner of the property.

on the Georgia coast. "They had seen one of my boats that I had brought south, and they wanted a classic yacht to tie together two of their properties by water." But the resort didn't want to bear the cost of such a boat alone. McMillen had just the ticket: a few years earlier he had bought and put into storage a remarkable derelict, the 60' *SISPUD II*, built in 1913 by the New York Yacht, Launch & Engine Co. In their book, *In the Spirit of Tradition*, Jill Bobrow and Dana Jenkins write: "*SISPUD II* had a long history of colorful owners. One of them was James Adams, owner of the James Adams Floating Theater. Mr. Adams's theater was towed around to coastal towns of the South, bringing entertainment and culture to isolated areas, until it finally sank in Thunderbolt, Georgia, in 1941. *SISPUD II* followed the theater to all of its destinations. Edna Ferber created her novel *Show Boat*, later to become a smash Broadway play, from her experiences living aboard and traveling with Adams on *SISPUD II*."

McMillen rounded up friends from Atlanta who had homes at Sea Island, formed a partnership, restored *SISPUD II* in eight months, and delivered her to the resort, which renamed her **ZAPALA**. The resort carried the operating costs, and the partners got to use the boat for day trips. "We learned that the formula worked," McMillen says. "And before we even finished the restoration of **ZAPALA**, I found a 77' motoryacht down in Florida. I felt it was time to step up and offer

the partners something they could go cruising on, with a professional crew." In 1995, he heard about fractional jet ownership, and a light bulb went on.

Fractional Ownership in Action

Since then McMillen Yachts has used the fractional-ownership model to restore a fleet of wooden classics. Only one is a sailboat, the 12-Meter sloop *ONAWA*, designed by W. Starling Burgess and built in Germany in 1928 by Abeking & Rasmussen. (McMillen took her to Cowes in 2001 for the *AMERICA'S Cup Jubilee*.) The rest are power cruisers, and the bulk of those are Trumpys—grand old boats that lend themselves to this kind of enterprise for a number of reasons: They are paragons of craftsmanship (see WB Nos. 132–134). They confer an experience that you can't get by chartering a modern megayacht. "It feels like you've stepped back in time," says Bob Pittman, the former chief operating officer of AOL Time Warner, who now runs a private investment group and is a partner in *FREEDOM* and *ENTICER*. The boats have shallow draft for their size—they were advertised as "houseboats" before that term came to mean more house than boat—which makes them good for navigating the Intracoastal Waterway. The partners cruise New England ports in the summer, the Georgia and South Carolina coasts in spring and fall, and both coasts of Florida in the winter, just as God and John Trumpy intended.



JENS PAECH

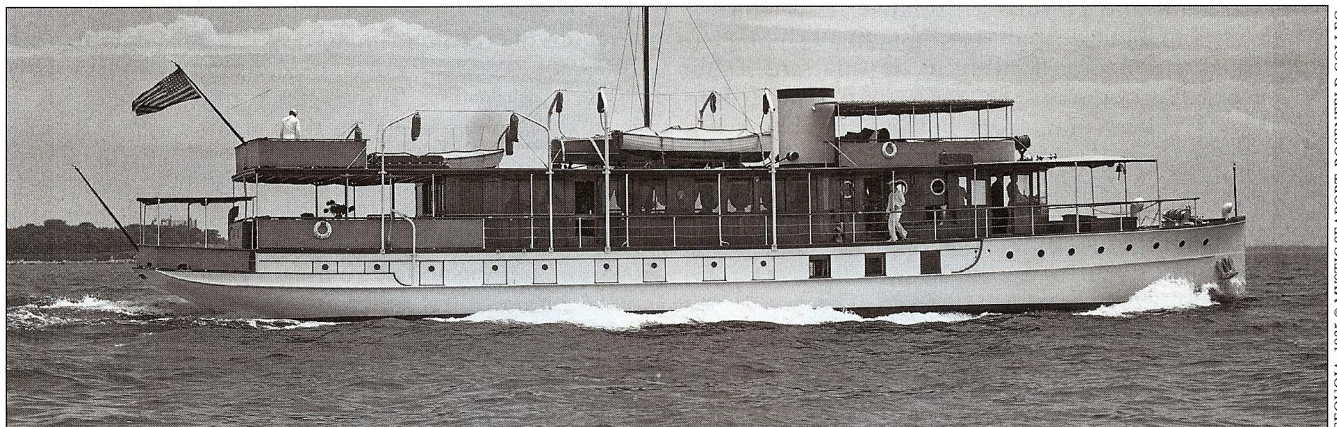
GLORY, a 68-footer designed and built in 1955 by the John Trumpy and Sons Yacht Yard of Annapolis, Maryland, is the smallest boat in the McMillen fleet. Built as a prototype stock cruiser, she was John Trumpy's personal boat. She had all the modern comforts: heat, air-conditioning, and a freezer in the galley. The 19'-long lounge deck was partially enclosed with sliding glass panels (today isinglass curtains do the job). A pair of GM diesels gives her a top speed of 15 knots and a cruising speed of 12. She is built of double-planked mahogany over white oak frames. Trim and deckhouses are teak, and interior paneling is butternut. She has three double staterooms.

Each yacht in the McMillen fleet is set up as a limited liability company. Partners may buy shares in more than one yacht. The contracts vary, but they conform to a basic template. Typically, a yacht's ownership is divided into 100 units. The minimum investment is five units, which would mean \$60,000 for the smallest yacht in the fleet, which is **GLORY**, a 68' Trumpy; and \$450,000 for the largest, **FREEDOM**. For each five units they hold, partners get the right to use the yacht eight days a year, for fees ranging from \$2,500 to \$3,750 a day. Shares are not transferable except in very limited circumstances; if a partner wishes to sell, the other partners (and the management company) have right of first refusal to buy. McMillen Yachts manages each one for an annual fee of 20 percent of its gross operating and maintenance expenses. If the company sells a yacht, the partners share the proceeds. "It's almost like a private club, and we want to keep it that way," McMillen says.

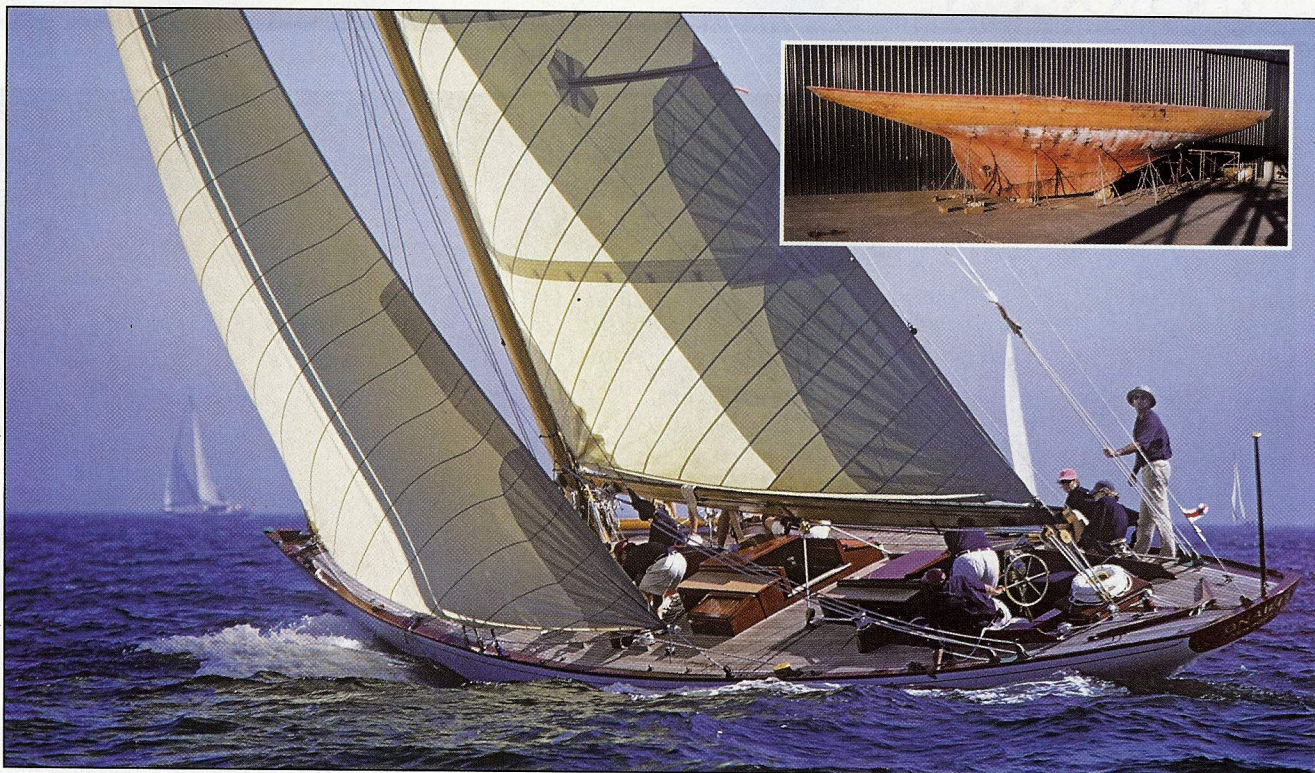
"It started almost as a circle of friends—and friends of friends—of Earl's, as a way to save the yachts as much as a way to use them," says Chuck Parrish, who has been a partner in nearly all the McMillen yachts. "It's a rescue boat program that provides enjoyment for the partners. Everybody takes great pride in seeing these boats and having them brought back to good condition." Even though being a partner isn't a formula for making a lot of money, he says, "I don't believe we've ever sold one for less than it cost to restore it."

Bayne Stevenson, who has been a partner in four McMillen yachts, says, "The neat thing about a partnership is that you don't become a slave to the boat. If you're in a partnership like this, you're either my age and working on a bucket list, or you're an entrepreneur busy doing other things. If you have your own boat and you're not using it, you feel guilty." And the cruising experience is unparalleled, Stevenson says. Aboard **FREEDOM**,

SEQUOIA, the 104' near twin of **FREEDOM**, epitomizes luxury yachting. McMillen has begun design work on a new fiberglass boat in her image.



SEQUOIA, 1985 © MYSTIC SEAPORT, ROSENFELD COLLECTION, MYSTIC, CONN., #71576F




ONAWA is the oldest American 12-Meter still intact. Designed by W. Starling Burgess, she was built in 1928 by Abeking & Rasmussen for W. Cameron Forbes of Boston. The 70-footer's home port was Hadley Harbor in the Elizabeth Islands, the archipelago south of Cape Cod mostly owned by the Forbes family. During World War II her lead keel was sacrificed for the war effort (it was used for submarine ballast), and she was laid up at the Williams & Manchester Boat Yard, near the present location of the International Yacht Restoration School (IYRS) in Newport, Rhode Island. After the war, with a new keel, she passed through the hands of several owners before ending up back in Newport, purchased and put into storage by McMillen's friend Bob Tiedemann. In January 2000, McMillen formed a partnership to restore her in time for the AMERICA's Cup Jubilee; after 14 months of work she was shipped to Cowes and took part in the celebration in August 2001.

"There's a lot of comfort that you don't expect on an old wooden boat. The cabins are roomy, the heads are roomy, you can dine on the upper deck and it's just spectacular. So it fulfills what my family is looking for in a cruising boat. We really don't want a hot tub. We don't want to be on a boat that looks like a sneaker."

The trick to fractional ownership, of course, is scheduling usage so as to keep the partners happy—and this part of the business is firmly in Earl McMillen's hands. "I run a benevolent dictatorship," he says. In the cold months he runs it from his main office in Beaufort, South Carolina. In summer the fleet migrates to New England, and McMillen and his wife, Elizabeth, move the operation to their splendidly restored 1720s house in Newport, where Earl keeps a 1948 Willys Jeepster and at least one pair of red pants. He juggles the schedule, manages relations with the 40 to 50 partners, employs captains and crews, oversees restorations at the yard up the road in Portsmouth, and keeps the boats afloat. He flies his own plane, a Beech Baron with cargo doors, which lets him move quickly if there is a problem (he once had to fly a crankshaft to the Bahamas). "I'm surprised Earl doesn't have white hair," Stevenson says. "He could be running a hedge fund." The business is profitable, McMillen says, and sustainable, even in this economy. Only two of the partners have had to sell their

shares back to the company in the Great Recession. But is fractional ownership a model that can be replicated to save other great old boats? McMillen isn't so sure. "I get e-mails on a pretty regular basis from people saying, 'How do you do it? Can you send me your documents?' But I think others would have a hard time doing it." For now, McMillen Yachts isn't undertaking any new syndicates. "We're happy with half a dozen boats under management," McMillen says. "We've had people beating down the door asking us to take their old boat, but I'm more comfortable with a boat that we've done a complete restoration on."

What McMillen would like to do next is to build boats from scratch. He's thinking of building a new model based on SEQUOIA—in fiberglass. He says, "It's certainly the most well-known Mathis-Trumpy ever built. We're working on drawings now." Even so, he says, "If we wind up just restoring boats and sticking with what we're doing, we're fine with that too." 

Tim Smith, the senior features editor for Fortune magazine, has built five-and-a-half boats.

For more information on Earl McMillen and fractional yacht ownership, go to www.woodenyachts.com. View Alison Langley's (www.langleyphoto.com) multimedia presentation of the history and restoration of FREEDOM at www.woodenboat.com.