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Supply base on edge over Furukawa probe

Wayne County development organizations too chummy?



Whelan, other warehousemen put stock in parts storage

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Council, DEGC agree on outline of rail-building authority, Page 6

This Just In

Dykema Gossett elects new chairman, CEO

Dykema Gossett PLLC has named Litigation Department Director Peter Kellett to become chairman and CEO of the law firm Jan. 1, when Rex Schlaybaugh steps down from that position after 10 years.



Kellett, 54, member at the firm's Detroit headquarters, was approved by a vote of the firm's partners last week.

He was a former managing partner at Bloomfield Hills-based Feeney Kellett Weininger & Bush PC before Dykema absorbed 15 of that firm's 24 attorneys through hires in 2003.

See This Just In, Page 2



NATHAN SKID/CRAIN'S DETROIT BUSINESS

"You have a nonprofit trying to run like a business but forced to account like a nonprofit," said former President and CEO Kevin Prihod of the Detroit Science Center's challenges.

Financial woes simmered before DSC's quick closure

BY SHERRI WELCH
CRAIN'S DETROIT BUSINESS

The Detroit Science Center's two-week closure and the resignation of its president and CEO were sudden — but its problems were not.

As its operations and campus grew to include a 4-D theater, the University Preparatory charter middle school, an exhibit-building subsidiary producing sponsored exhibits for the museum and outside clients and its first-ever traveling exhibit, the Accidental Mummies of Guanajuato, the economy slid into recession.

The ensuing financial problems led the center last year to violate a loan covenant on its \$1 million credit line, which is bundled with a \$4.8 million mortgage tied to a 2001 expansion and held by Flint-based Citizens Republic Bancorp Inc.

The loans went into default. The bank canceled the science center's remaining credit on the line and downgraded the loans before telling the center it needed to find another lender to take over the debt, former President and CEO Kevin Prihod said.

Citizens is currently in discussions with several interested parties to take over the \$5.55 million in debt, said the science center's interim president and CEO, John Miller. The center has been appraised at \$20 million within the past 12-18 months, he said.

Part of the issue in managing the center's finances was the difficulty of presenting straightforward

See Science Center, Page 41

A window of opportunity for homebuilding

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Lots bought in recession are fertile fields

BY DANIEL DUGGAN
CRAIN'S DETROIT BUSINESS

Homebuilders are building again.

Fewer existing homes listed for sale, combined with prices that are starting to increase, have given builders the green light.

The 2,000 homes permitted in the first half of 2011 outpaced 2010 by 18.5 percent, and developers expect a strong third quarter: July had the second-most permits of any month since 2007. August was fourth.

But there's a catch: The deals are only economical for builders when they use land purchased at deep discounts in the recession.

And it's left some wondering whether the building trend can continue.

"Those of us who are left have a nice backlog of inexpensive

See Building, Page 45

CLOSER LOOK

The numbers: Housing permits by county, city, builder, Page 45



GLENN TRIEST

Howard Fingeroot of Farmington Hills-based Pinnacle Homes says Northville is one place where home prices have risen enough to support development.

Twenty years of [icon] under forty

For some, it only got better; for others, well ...

BY TOM HENDERSON
CRAIN'S DETROIT BUSINESS

Twenty years ago, Crain's launched its annual 40 under 40 awards program with some fanfare and suspected it would be popular with readers. But who knew how big the section and its accompanying awards event would become over the years? Not us.

That first section was launched with a musical theme and included an image of a record with a tagline: "Moving Up the Charts."

Twenty years later, records have been

replaced by CDs, which are being replaced by iTunes downloads. And Top 40 AM radio is a distant memory.

But talented young professionals keep cranking out the hits in terms of business achievements — and this year's crop is no exception. A look through the first 20 special sections shows that many of Crain's past 40s honorees continue to crank out the hits, as well. Some are long forgotten, and a few others can be remembered for the wrong reasons.

20 years of highlights and lowlights, Page 44

PROFILES

Then and now: Meet the new 40s and catch up on past winners, Page 11

ALUMNI VIEWS

Survey: How past 40s honorees see metro Detroit, and whom they admire, Page 44



LON HORWEDAL

W.H. Whelan Co. ships more than 20,000 wheels a day from its Canton Township warehouse to Detroit 3 auto plants. "If auto is doing well, we're doing pretty good," said President Bill Whelan.

Putting stock in storage

Whelan's warehouse swells as foreign auto parts trade soars

BY DUSTIN WALSH
CRAIN'S DETROIT BUSINESS

W.F. Whelan Co.'s Canton Township warehouse looks more like a small metropolis. Rows of neatly stacked pallets loaded with Asian-made wheels expand toward the horizon like city blocks. Forklifts weave in and out of aisles like rush-hour traffic.

Whelan upgraded the 1.1 million-square-foot warehouse by investing more than \$5 million to replace part of the roof, add lighting and renovate 30,000 square feet of office space. The company moved into the warehouse last November and into the offices in April and will offer some of the office space to outside tenants.

Whelan's new digs play a vital behind-the-scenes role for South-

east Michigan's automotive industry as more parts are imported, local experts say.

Growing from just 12,000 square feet of warehouse space in 1980, Whelan has capitalized on the increased importing of automotive components.

"There are more and more offshore suppliers," said President Bill Whelan, 64. "They bring material to the U.S. to be shipped into auto assembly plants here, down South, Mexico and Canada."

The logistics company ships more than 20,000 wheels a day — enough for 5,000 vehicles — to 36 Ford Motor Co., Chrysler Group LLC and General Motors Co. assembly plants.

The warehouse holds 650,000 to 800,000 wheels daily, moving about 5 million a year in and out

of its bay doors.

Whelan also holds small volumes of electronics and other auto components for a host of suppliers and automakers and provides package materials storage and recycling to automakers, as well as quality inspection and sequencing.

"As we've gone to more global offshore sourcing for parts in the last 10 years, you need to have a backup, you need to have stock laying around," said John Taylor, director of supply chain programs at Wayne State University.

"The question is, do you want to store it at your assembly plant and have UAW workers moving it around at a cost or let a warehouse specialist take care of it all behind the curtains?"

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Whelan: Warehouse swells as foreign auto parts trade soars

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Whelan projects revenue of \$27.5 million in 2011, rising to \$32.5 million in 2012. It employs 150: 60 full-time and 90 contract workers.

The recovering auto industry also has helped Melvindale-based **Evans Distribution Systems Inc.**, said Vice President Leslie Ajloumy.

"Chrysler is one of our largest customers, and they are getting much, much busier, so we're seeing lots of growth," she said. "The downturn really caught people off-guard, and more and more they are looking for solutions that can flex and scale."

Evans Distribution operates nearly 2 million square feet of warehouse space in the Midwest, with 1.2 million square feet in seven locations in Southeast Michigan. Automotive represents about 50 percent of its business, Ajloumy said.

The company is projected to generate \$34 million in revenue this year, up from \$27 million in 2010.

Diversifying within auto industry

During the downturn of 2008-09, Whelan felt the pain as fewer car-makers needed to warehouse parts because they had excess cars on dealer lots.

Revenue dropped as low as \$18 million in 2008, and Whelan hired Troy-based **Whitehall Group LLC** to streamline operations.

The company had grown from 200,000 square feet of warehouse space to 600,000 square feet in two years, and the industry collapse left it in a bad spot, Whelan said.

"During the downturn, we were maybe not run as lean as we needed to be," Whelan said. "We'd like to say we could diversify into a lot of different things; but we're tied to auto here, and if auto is doing well, we're doing pretty good, and if auto is down, we're not hurt to the extreme that they are, but we

will feel the pain."

During that time, Whelan's customs-brokerage, logistics-consulting and freight-forwarding services kept it solvent.

And while it couldn't diversify out of automotive, it could diversify into other aspects of the industry. In the late 1990s, it began offering light assembly services, assembling car radios and CD players.

When the recession hit, a new contract with Ford and Mazda, installing tire-pressure monitoring systems in wheels, helped.

The assembly is a value-added service and allowed automakers to avoid extra duty charges as Whelan's warehouse is designated a foreign trade zone. Duty payments are delayed on parts and products until they are brought out of the FTZ for sale in the U.S. market.

A higher duty is paid on a completed product. So an importer may pay as much as an 11 percent duty on a finished radio, for example, or the parts could be imported duty-free and assembled at Whelan and shipped to an automotive plant with a duty of 5 percent.

Yet, while the downturn had taken its toll, Whelan decided to capitalize on the ravaged commercial real estate market by leasing the Canton Township warehouse — a former **Kmart** distribution center.

Whelan leased the space from **Sears Holdings Corp.**, which does not own the building but holds an option, said Dennis Webb, Whelan vice president.

Webb and Gary Glotzhofer, partner at the real estate firm that handled the deal, Southfield-based **Colliers International**, declined to identify the owner because of a confidentiality agreement.

However, the owner is listed as White Plains, N.Y.-based **Cansan Co. LLC**, according to data by **CoStar Realty Information Inc.**

Webb said they renovated the warehouse with intentions of purchasing the building when Sears' option on the property expires.

Whelan is meeting with **Wayne County** and the **Michigan Economic Development Corp.** on potential economic development for logistics firms in the **Detroit Region Aerotropolis**.

The firm is also exploring the idea of connecting rail to its warehouse as well as opening a similar warehousing operation close to assembly plants on the I-75 corridor in the southern U.S. and another in Michigan, Bill Whelan said.

Importing drives warehousing

W.F. Whelan entered the warehousing business in 1980 at the request of Ford when FTZs were structured to benefit U.S.-based importers, said Bill Whelan, brother of the late Robert "Buff" Whelan of **Buff Whelan Chevrolet**.

The FTZ designation quickly allowed it to grow with the needs of the Detroit 3, which already were designated as foreign trade zones.

Automotive was one of the first industries to use the system, said Steven Olinek, executive director of the **Greater Detroit Foreign Trade Zone Inc.**, the nonprofit that administers the program here.

In 1997, more than \$35 billion worth of goods passed through foreign trade zones in metro Detroit. It was also the last year automakers used FTZs directly after the **World Trade Organization** reduced tariffs related to importing goods.

Now, the amount of goods passing through the FTZ is down to \$12 billion, Olinek said. But the change in tariffs didn't affect Whelan as its assembly services offered a low-cost work-around on duty charges for automakers.

In 1991, W.F. Whelan opened a metal warehousing subsidiary,

Metro International Trade Services, with **Hobbs + Black Associates Inc.** architect Edward Schulak.

Romulus-based Metro housed aluminum and other metals traded on the **London Metal Exchange** with dozens of warehouses across Southeast Michigan, Turkey, England, Italy, South Korea, the Netherlands, Singapore and Malaysia.

Whelan and Schulak sold 40 percent of Metro to a group of investors before **Goldman Sachs Group Inc.** bought the company last year for a reported \$550 million.

Metro made headlines in June when **Coca-Cola Inc.** alleged Goldman Sachs-led warehousing was creating supply bottlenecks to artificially raise the price of aluminum in the open market.

Coca-Cola alleged that Metro,

which held the world's largest aluminum stockpile, 1.15 million tons, used an incentive system to bring in far more aluminum than it allowed to leave its warehouses, causing long delays in deliveries of the metal, inflating prices.

By July, the LME passed stricter regulations to combat the problem, which take effect in April 2012.

At 64, Whelan has no plans to retire, but instead plans to keep the company a family-run business with room to grow. Webb, a part owner, is Whelan's brother-in-law.

"I'd like to see the company continue to grow whether it be with my family or my employees," Whelan said. "We're Detroiters ... and want to continue providing jobs for people in Southeast Michigan for a long time to come."

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