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Marketing gains lead RE firm to bankruptcy

BY BILL HETHCOCK | STAFF WRITER

BANKRUPTCY: DFW Real Estate Group's problems could be only the start

DFW Real Estate Group Inc. has filed for bankruptcy — an apparent casualty of the housing downturn and a marketing strategy that backfired.

The Dallas firm, known for its guarantee to buy houses it can't sell, was the 15th-largest residential real estate brokerage in the Metroplex, according to *Dallas Business Journal* research.

DFW Real Estate Group had 2006 sales of \$285.9 million, which led to its ranking as one of the region's largest residential brokerage firms in a survey of 79 companies by the *Dallas*

Business Journal last March. At that time, the firm had 25 full-time agents and 60 employees operating out of an office at 17177 Preston Road. The company's agents sold 1,426 houses at a median price of \$198,158 in 2006, the most recent year for which information was available.

Last month, the company filed for Chapter 7 bankruptcy protection, which usually leads to liquidation. It listed assets of about \$2.1 million and liabilities of \$4.1 million in its filing in U.S. Bankruptcy Court in Dallas.

The firm's guaranteed-sale program seems to have backfired, said attorney Stephanie Curtis of the Curtis Law Firm PC in Dallas.

Curtis, whose firm represents debtors, creditors and reorganizing companies in bankruptcy proceedings, does not represent anyone involved in the DFW Real Estate Group bankruptcy. She reviewed the bankruptcy filings at the *Dallas Business Journal's* request.

"This company advertised as 'we will sell your house, and if we don't sell your house we'll buy it ourselves,'" Curtis said. "They were on the sale side and the buy side" at a time when the housing market has been deteriorating.

Sales of pre-owned homes in North Texas fell about 8% last year, according to North Texas Real Estate Information Systems, which tracks homes sold through the Multiple Listing Service. The median price of homes sold in North Texas rose 1% in 2007, NTRREIS figures show.

In its bankruptcy filing, DFW Real Es-

tate Group lists 12 home mortgages totaling about \$1.9 million financed by Coppermark Bank of Dallas, which is listed as a secured creditor. The homes tied to that debt are in Fort Worth, Plano, McKinney, Wylie, The Colony, Murphy, Sachse and Little Elm.

Rusty Workman, president of Coppermark Bank, declined to provide specifics about the mortgages or about the business relationship between DFW Real Estate Group and the bank.

"We're following the steps provided in the bankruptcy proceedings," he said. "We have to continue to follow the process set out for a secured creditor to realize that claim."

"We respect our customers' confidentiality whether they're in a bankruptcy proceeding or not," he added.

Curtis said she has seen Dallas-Fort Worth mortgage companies file bankruptcy because of the slumping housing sector, but this is the first residential real estate brokerage firm she's seen do so. But based on conversations she's had with other bankruptcy attorneys, Curtis predicted it won't be the last.

'Biggest real estate problem'

"We think this is going to be the biggest real estate problem in Dallas since the 1980s," she said. "This is going to hit everyone in the real estate industry in one way or another."

"People are having a harder time qualifying (for loans) and a harder time selling. A lot of people in that business are really hurting."

Rich Thomas, CEO of the MetroTex Association of Realtors, said he doesn't expect the housing slowdown to force real estate brokerages out of business. He said this is the first brokerage in the metro area he's heard of to file for bankruptcy in the current market downturn.

Thomas pointed out that the Metroplex and Texas overall haven't experienced the steep home sales and price declines seen in Florida, California and other parts of the country.

"The market is a little slow, but we're not Florida," he said. "2007 (home sales) was slower than 2006, but it was still one of the top years we've ever had."

DFW Real Estate Group's bankruptcy filing also lists \$2.2 million owed to creditors holding unsecured or nonpriority claims.

The largest unsecured creditors and their claims against the company include Executive Vice President Ramsey Elissa of Murphy, \$866,698; investor Barry Barron Sr. of Flower Mound, \$847,022; and Georgia Bessett of Allen, \$100,958.

In the court filings, DFW Real Estate Group listed gross income of \$5 million in 2007, \$6.2 million in 2006 and \$4.8 million in 2005.

The firm's president, Daniel Frank, was paid \$72,500 in the year preceding the bankruptcy filing, court documents say. Others listed in the filing as "insiders" and the amount they were paid include Elissa, \$33,750; Executive Vice President Christopher Nash, \$33,750; and Secretary/Treasurer David Baxter, \$4,440.

Frank and Baxter each have a 42% stake in the company, Elissa has a 12% stake and Nash has a 5% share, according to court filings.

Attorney Daniel Sherman, who is representing DFW Real Estate Group in the bankruptcy, did not return repeated calls to his office in Dallas. Neither did bankruptcy trustee James Cunningham, the court-appointed lawyer assigned to manage DFW Real Estate Group's property during bankruptcy proceedings.

DFW Real Estate Group has pulled down its Web site and its phones have been disconnected. Tim Antioch, director of corporate marketing, declined comment when reached on his mobile phone. Other company executives could not be reached.

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