

# Local business 'Survivors' use their wits to stay in the game

11:50 AM CST on Sunday, December 28, 2008  
The Dallas Morning News  
Cheryl Hall

2008 was our economic 9/11.

Like the act of terrorism seven years before, this calamity touched virtually every American in some fashion – from home foreclosure, loss of gainful employment, instant reversals of fortune to devastated 401(k)s.

Perhaps the greatest damage was to our national psyche. We await 2009 with a schizophrenic mixture of dread and hope.

For those of us who lived here in the late 1980s and early '90s, '08 had a feeling of déjà vu. Ironically, our experience with wretched excess gone amok 20 years ago kept many of us from falling headlong into it this time.

My column began in 1992, as Texas began to climb from its economic abyss. Since then, I've written about nearly 1,000 entrepreneurs who help give Dallas-Fort Worth its unrivaled business spirit and collective resolve.

At year's end, I revisit some of my "alums."

This year I looked for alums who were thrown a curve in 2008 but are still in the game. I didn't have to hunt very hard.

Here are six from a wide range of industries who refuse to give in to dread. Instead, they enter the new year with hope leading the way.

They are Survivors D-FW – energized and looking forward to the challenging contest ahead. And, like their TV counterparts, they are resolute. But unlike the narcissists on the boob tube, they plan to do so by building on relationships, not taking advantage of them.

May you look back on 2009 with the satisfaction of a year honorably played.

Jim Gardner: From bank buyer to bank seller

**Survivor challenge:** The banking crisis

**Survival strategy:** Shift from a seller's game to a buyer's market

In October 2007, Jim Gardner and his partners, Tex Gross and Dory Wiley, figured their high-dollar deal-making would flourish in 2008. So they bought their investment banking and bank-deal business from another firm to form Commerce Street Capital LLC.

The trio was right. Just not in the way they imagined.

"The year started out with everything fine," Mr. Gardner says. "The sky was blue. The birds were singing. And everybody wanted to start or buy a bank."

But in early summer, his gut warned of looming trouble.

Mr. Gardner, who survived the Texas banking debacle of the late '80s by being alert, shifted directions just in time to prevent the firm from being swamped by the sea change in August.

"We went from selling banks for more than they were worth because times were good," he says, "to selling banks that needed to be sold because, if we didn't find a home for them, they were in really deep trouble."

Today he and his partners are selling two types of banks:

"Banks that are OK, but for one reason or another the ownership is old, sick, tired, scared, whatever, and wants out," says Mr. Gardner. "Or banks that need to be sold because they're in difficulty, but with a good partner they can make it through and survive."

Who's buying?

East Texas and West Texas banks, where the economy hasn't moved so fast – up or down.

"They've got the firepower to come in and take advantage of the weak situations in the growth areas of Dallas, Fort Worth, Houston and Austin," he says. "By the magic of purchase accounting, they can write down the problems to manageable amounts and make a fresh start."

This year, Commerce completed eight transactions – three after the crash. Mr. Gardner expects to close at least a dozen deals in 2009.

But there's another line of business that he'd like to land: "We're gearing up to work with the U.S. government because they will need assistance to handle the problems. That's going to be a big business for somebody."

Did the mighty reversal of the market give us all a reality check?

"That is correct," Mr. Gardner says. "As [J.P. Morgan Chase chief executive] Jamie Dimon is quoted as saying: 'If you aren't scared, you're crazy.'"

Tom Struhs and Elizabeth Falconer: Getting ahead of the game

**Survivor challenge:** Residential real estate goes topsy-turvy

**Survival strategy:** Nail down money, adapt to the winds of change

For the last three years, Tom Struhs and Elizabeth Falconer have watched their vision for Fort Worth rise from the ground. Trinity Bluff at UpTown, a \$450 million residential, restaurant and retail project on 42 acres at the edge of downtown, is about a quarter complete, with new phases still being built by the likes of Lincoln Property Co.

The fact that Struhs Cos. is moving ahead is a testament to the couple's caution when the good times rolled.

In 2006, they sensed that a downturn was overdue and went searching for \$23 million in permanent financing for their project.

"We needed to make certain that whatever happened, we had funding in place," says Mr. Struhs, who gives his wife credit for spotting impending danger.

Potential loans came and went. One lender backed out the day of the closing.

By early 2008, the couple was getting slightly panicky.

"We were 11 years into a seven-year cycle," says Ms. Falconer, who heads marketing. "Something had to give soon. And it did."

But the lending collapse came after they landed their permanent loan from Bank of the Ozarks in March.

They took other steps.

Last year, they formed Struhs Commercial Construction, which primarily provides finish-out for building managers.

"I've built houses that cantilevered over cliffs," says Mr. Struhs, who has been in the luxury home business in Tarrant County for 26 years. "If you can do that, you ought to be able to do Sheetrock, tape-bed, texture and paint."

The couple sold a building and moved into smaller offices. "We're getting lean and mean," says Ms. Falconer. "Like everyone else, we're hunkering down."

But not too hunkered.

The Struhses are well under way on their crown jewel, Villa de Leon, a six-story, 23-unit luxury condominium tower on the cliff overlooking the Trinity.

They got a \$16.7 million interim loan for it a year ago – both fortuitous and critical. They *had* to build the residential tower to meet conditions of tax abatements given to the UpTown project.

Villa de Leon sales are slower than hoped, with 17 priced from \$785,000 to \$1.6 million left. But they're thankful it's in Fort Worth, where the downturn so far has been mild. The most expensive \$2.2 million condo is sold. So is the \$500,000 cheapest. Patience will be their virtue.

Oddly enough, the couple enjoyed 2008.

"Coasting is boring," says Mr. Struhs. "When things get tough, you have to reanalyze everything. It becomes fun. We know not everybody is going to survive. But by God, we're going to be among the ones who do."

Ray Greer: Trying an unusual ploy

**Survivor challenge:** More than a half-billion in private equity debt

**Survival strategy:** Filing an unusual form of bankruptcy

Nobody I know had a more difficult road to navigate in 2008 than Ray Greer.

The chief executive of Dallas-based Greatwide Logistics Services entered the year steering a billion-dollar transport company that was severely debt-laden and already feeling the pressures of recession as housing- and auto-related hauling slowed.

Greatwide, which doesn't own vehicles, contracts with nearly 5,000 independent truckers nationwide who transport goods for such mega-customers as Wal-Mart, Kroger, Nordstrom and Tyson.

It had been bought in December 2006 by a private equity firm, which saddled it with nearly \$600 million in debt. Such leverage might have made sense in the easy-money days, but by early 2008, it was financial quicksand.

"We didn't know where the bottom was or when it would turn around again," Mr. Greer says in his North Dallas office. "By about May, we saw that things were not getting better – they were getting worse."

Ostensibly, the price of diesel isn't critical to Greatwide because it passes the cost on to shippers. But as gasoline prices rose, consumers stopped spending. That meant that manufacturers, suppliers and retailers weren't shipping as many goods.

Then Lehman Brothers filed for bankruptcy, and the financial markets froze.

"I felt like I was in *Top Gun* with all these damn jets flying around me in a firefight," Mr. Greer recalls. "I was scrambling to find a way to preserve this franchise in the midst of an absolute financial chaos."

When lenders and equity holders hit an impasse over new terms, Mr. Greer chose a road less traveled to save the company and its nearly 2,800 employees. He filed for bankruptcy under Section 363 of the federal code, which allowed for Greatwide to be sold to its primary lenders.

If made final, the plan, filed with the court Oct. 21, would reduce debt to less than \$100 million but wipe out the equity holders and nonsecured lenders.

There is a 100-day waiting period in which another entity can give the judge a higher bid.

Given today's horrendous financial climate, Mr. Greer can't imagine that happening.

So New Year's Day for Greatwide is Jan. 9, when that auction period ends.

"Our job now is to preserve the value of the franchise and guide the business through this economic storm," he says. "We have to make sure that the overleveraging mistakes of the past don't get repeated. I can tell you as long as Ray Greer is here, that won't happen."

Glen Agritelley: Showing customers 'love,' widening his base

**Survivor challenge:** Consumers cutting discretionary spending

**Survival strategy:** Be less hoity-toity, improve service

All things considered, Glen Agritelley will look back at 2008 as one of his more successful years.

His tennis club had record revenue, his wine bar did better than in 2007, and his men's and ladies' wear store was down slightly from last year but is still ever-so-slightly in the black.

Given the brakes that consumers are applying, he'll take that.

He credits his staying power to going slightly lower-brow and listening to the customer.

When Mr. Agritelley bought T Bar M Racquet Club in 1997, he turned it into more of a family affair. Since then, membership has grown steadily – including this year – as families stay closer to home.

And when gasoline prices started pinching his clientele at Mercy Wine Bar in Addison this summer, he consciously moved away from expensive vino to value-priced offerings.

Each customer these days is spending less, but Mr. Agritelley has more of them showing up.

"People are still going out," he says. "And while they may not be buying a \$15 glass of wine, they're ordering an \$8 one."

Mr. Agritelley, who also owns the Sebastian's Closet clothing store, intends to maintain market share by hanging on to the customers he has.

"The only thing I know to do is show more love to our best customers," says Mr. Agritelley, who made his fortune as an early executive of Microsoft Corp. "I've geared up training at all three companies so that when people are considering cutting back, they're not considering us."

At T Bar M, he set up a mini-university with monthly training sessions. Staff has to attend eight of those each year.

At his wine bar, he implemented bimonthly sessions on service, skills and wine knowledge.

"We've had secret shoppers in place at Mercy for five years. With the increased training that we've done in this year, we've seen a marked improvement in our secret shopper reports."

Mr. Agritelley remains cautious about 2009, but he doesn't want to bury his head.

"We've tightened the belt, watching expenses, working on quality," he says. "But at the same time, my radar is up, looking for opportunities. Everybody has to eat. Everybody loves to be entertained."

Then he adds, almost as an aside, "I probably won't do another clothing store."

Mike Hernandez: Regaining profit in fishtailing sectors

**Survivor challenge:** Tight credit market

**Survival strategy:** Improve profit margins on fewer deals

Remarkably, all three of Mike Hernandez's businesses are not just still standing; they're profitable – again.

He entered 2008 grappling with the mortgage meltdown.

His brokerage company, Mortgages USA, wasn't involved in subprime lending but got clobbered like everyone else in the housing debacle.

He consolidated two offices into one and fired about a third of the staff.

To get better rates from lenders, he offered exclusive deals with two of them. His profit margins improved even though he was making fewer mortgages.

Just as the mortgage situation stabilized, D&M Leasing hit the skids. Gasoline prices soared, and the value of SUVs and trucks – his leasing business mainstays – went to hell in a handbasket.

Most lenders pulled out of auto leasing because they were losing money when customers turned in their vehicles.

Then the banking crisis hit, and tight lending became a death grip.

Mr. Hernandez loosened the stranglehold by working out deals that were more acceptable to the few lenders still left: less lending up front; less money returned at the end of the lease.

He's working on other funding sources should these few remaining lenders pull out completely. "That's about the hardest thing in the world to do these days," he says.

Thanks to nurturing existing customers, Mr. Hernandez has an ace to play.

"Every month, we have customers whose leases expire, and they have to do something," says Mr. Hernandez, who's been in this business for 24 years and remains the nation's largest auto leaser. "They've either got to buy that car or turn it in and get a new one. That's why we've invested so much in building our customer portfolio."

Instead of advertising for new customers, he's focusing on the ones he has.

His businesses used to be three separate entities. Now he's cross-selling – packaging deals on mortgages, auto leasing and insurance from his Mustang Insurance Group to reduce customers' monthly bills.

"Like everybody else, I've been stressed out about the future," Mr. Hernandez says.

"I finally reached the point where I said, 'Bring it on.' There's always an answer.

"If we're close to the bottom, we're fine. If it goes down much further from here, I don't know. But I do know the companies that are creative and make the hard decisions are going to be the ones that make it. I intend to be one of them."

Hattie Hill: Working contacts, getting closer to clients

**Survivor challenge:** Major clients downsizing

**Survival strategy:** Amputate overhead and get down to basics

At the outset of 2008, Hattie Hill's biggest problem was jet lag.

Her corporate training consultancy, Hattie Hill Enterprises, was going full bore with an impressive slate of global clients.

But four months ago, a whopping 80 percent of them started talking about trouble brewing. And that meant trouble for her.

"The first line of defense for corporations is downsizing their people," Ms. Hill says. "We train their people. When there are no people, there is no business. It's real simple."

Her company number cruncher told her to reduce overhead in a hurry. She did.

In the past two months, she severed ties with 22 consultant contractors around the country, closed her swanky offices near the Galleria and set up a virtual company. She and her two remaining consultants operate from their homes.

"We get together by computer every morning at 8 o'clock," she says. "For me, it's not about getting angry, it's about getting busy."

Ms. Hill has changed the company's toast-and-jam corporate business to a bread-and-butter staple. "We now focus on mostly medium-sized businesses, which are doing better than the large corporations."

She's been a globetrotter for 27 years, with far more clients outside Dallas than here.

Now she's saying there's no place like home. She's working local relationships to drum up business here.

More than anything, she's listening to the advice she's been handing out.

"First thing is to play to your strength," she says. "I'm back to the basics: more client contact, client engagement, resolving issues – but keeping it intimate and personal as opposed to having a big global machine."

She contends that leadership training is more important than ever because a lot of experience has gone out the door.

"Millennials don't have the expertise. When they mess it up, the company has to call somebody in to fix it. That's where we're finding most of our work," she says.

Ms. Hill also expects to be doing more of a different sort of training. Productivity is likely to slip because the remaining troops are depressed – call it post-traumatic layoff syndrome.

As for herself, Ms. Hill isn't about to hold a pity party. "We have to still believe in our country, our city and ourselves. Those three things get me up and going in the mornings. If worse comes to worst, you can make a dollar happen somehow. I just believe that."