

Wall Homes' founder regroup

New venture buys assets of failed firm

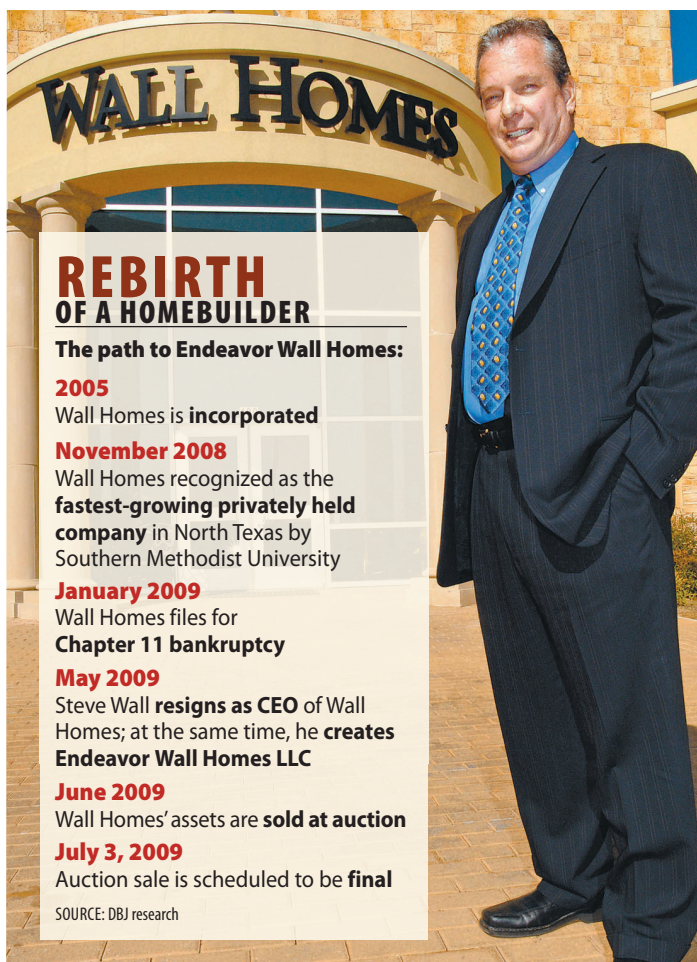
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Steve Wall, the former CEO of bankrupt Wall Homes Inc., has created his second homebuilding company in less than five years and is scheduled to purchase more than \$7 million in lots and homes from his former company as he gets started, according to bankruptcy court documents.

Arlington-based Wall Homes filed for Chapter 11 bankruptcy protection in January, at the time asking the U.S. Bankruptcy Court for the Northern District of Texas to allow the company to move forward with its building and marketing operations and finish construction on homes already in process.

Since then, that company, which had \$115.6 million in assets and \$111.4 million in liabilities that were owed to more than 35 creditors, opted to liquidate, according to court documents.

Wall Homes incorporated in 2005 and built in Austin, Dallas, Fort Worth, Houston and San Antonio under its subsidiary Wall Homes Texas LLC. It was listed as the fastest-growing privately held company in North Texas for 2008, according to the Dallas 100, a business-growth competition put together by Southern Methodist University and sponsored, in part, by the Dallas Business



REBIRTH OF A HOMEBUILDER

The path to Endeavor Wall Homes:

2005

Wall Homes is incorporated

November 2008

Wall Homes recognized as the fastest-growing privately held company in North Texas by Southern Methodist University

January 2009

Wall Homes files for Chapter 11 bankruptcy

May 2009

Steve Wall resigns as CEO of Wall Homes; at the same time, he creates Endeavor Wall Homes LLC

June 2009

Wall Homes' assets are sold at auction

July 3, 2009

Auction sale is scheduled to be final

SOURCE: DBJ research

Journal. Separate DBJ research indicates the company had 299 housing starts in North Texas in 2007 and 311 completions that same year, making it one of the largest homebuilders in this market. It reported 105 local employees at that time.

Wall and fellow Choice Homes executive Darris McClure formed Wall Homes with the goal of building homes ranging from \$80,000 to \$200,000.

On May 14, Wall resigned from his position as CEO of Wall Homes Inc. and became

an equity holder and CEO of the new company, Endeavor Wall Homes LLC. McClure could not be reached for comment, and Wall would not confirm whether his one-time partner was going to be part of the new company.

"We're ready to start building houses probably beginning as soon as Monday," Wall said about Endeavor Wall. He declined to give details about plans for the new company until results of a recent auction are finalized. In the auction, he

and other investors placed winning bids for some of the assets of his failed company. He did say plans include building in six communities in North Texas and four in San Antonio.

"We're going to have a scaled-down version of what we had before," he said. "We're going to have a lean and efficient organization."

A total of 970 lots and 200 homes across the state valued at more than \$14 million were sold at the June 5 auction, according to Mark Andrews, a shareholder with Cox Smith Andrews Inc., the San Antonio law firm representing Wall Homes. About 10 homebuilders endured 40 rounds of bidding trying to lay claim to what was left of Wall Homes, Andrews said. The auction was held in the Dallas offices of Cox Smith Matthews and conducted by BDO Consulting Corporate Advisors LLC. Only participants that submitted a qualifying bid and an earnest money deposit were allowed at the table.

The big winners at the auction were Endeavor Wall and D.R. Horton Inc., which divided up the bulk of the lots and homes, according to court documents. Officials with D.R. Horton could not be reached for comment.

Investors in Endeavor Wall include members of the extended Horton family, Andrews said. The lots were owned by four major lenders — Chase Bank, Frost Bank, Guaranty Bank and RBC Bank.

WALL: Homebuilder starts new venture by buying assets of bankrupt 1st attempt

According to court documents, here's who got what:

■ D.R. Horton bought lots in San Antonio and Austin from Chase Bank for \$714,000.

■ D.R. Horton bought Guaranty lots for \$4 million.

■ Endeavor Wall Homes bought Frost lots for \$4 million.

■ Endeavor Wall Homes bought 18 Frost homes for \$3.2 million.

■ Endeavor Wall Homes bought material assets of Wall homes for \$95,000.

Additionally, Wall Homes abandoned about \$2 million worth of lots in Dallas-Fort Worth and Houston owned by Chase Bank, and an additional \$1.5 million worth of lots owned by RBC Bank. That means the banks will maintain and sell those lots themselves, Andrews said.

The sale is expected to close by Monday, Andrews said.

Once the auction closes, Endeavor Wall will be open for business, Wall said. He said he hasn't hired any employees and

wouldn't say where his new offices will be.

He did say that he learned a lesson at Wall Homes, which received funding from a private equity firm. His new company will be funded by internal cash flow and profits, he said.

"We're going to grow, and we're going to grow smart," Wall said. "I'm thrilled to be in a position where we can grow the company at our own pace."

Jody Reese, a principal with real estate analysts Residential Strategies Inc., said he wasn't surprised that Wall Homes switched from restructuring to liquidation.

"Most builders that go into a restructuring attempt, it hasn't worked out," Reese said. "It hasn't yet."

Andrews said the Wall Homes bankruptcy is the largest in the industry that he's seen locally since the late 1980s and early 1990s. But others may very well top it going forward.

"There's going to be quite a bit of shake out here for the next few years,"

Andrews said.

Dwayne Toler, an expert in distressed real estate for Dallas-based NewSource Partners, said it's becoming more common to see homebuilders such as Wall break off from a foundering company and start a new venture. Reorganization is impossible, he said.

"The capital market for the homebuilding industry is almost nonexistent," Toler said. "You can't get exit financing, and there's no plan of reorganization that will work without added capital."

Toler said the Wall Homes situation highlighted one important fact: The downturn in the housing market has definitely hit North Texas.

"A lot of people thought that Dallas would be somewhat immune," he said. "We're in a credit death spiral. Banks won't lend, and assets will continue to lose value. It's as bad as I've ever seen it, and I'm afraid it's going to get worse."

Staff Writer Phoebe Wu contributed to this report.