

COVERING THE
DALLAS-FORT WORTH
METROPLEX

Dallas Business Journal

A home run

A local private-equity firm run by **Brandon Freeman** is daiming a 350% return on the sale of one of its companies, a figure that translates to a \$245 million profit.

P4



TOP NEWS

In Metroplex business

Ready to begin

Construction is set to begin on a \$150 million mixed-use project just off the Dallas North Tollway in Plano. Plans call for four office buildings and eight retail sites. P4

Back on track

Dallas-based Savin Rosen Funds has re-started the fundraising process for what will become its 10th fund. But it is doing so without the help of the four general partners in its Silicon Valley office, who will be leaving the company. P6

Merger effect

Bank of America's proposed merger with Countrywide Financial Corp. would give it 18,000 Dallas-area employees. But industry observers are already projecting job cuts in North Texas if the merger goes through as planned. P7

Staying put

Pioneer Natural Resources has expanded its Las Colinas headquarters by more than 50,000 square feet. The independent oil and gas company will stay in its current location at least through the year 2020. P8

Contingency plans

Brothers Marc and Roger Andres know what they'd like to do with a certain piece of Dallas real estate, but their plans rest with the city of Dallas, which must approve a rezoning request first. P9

New approach

A federal law is mandating that the Dallas Housing Authority start managing its rental properties as though they were private businesses. The agency is hiring to meet that challenge. P10

Making a splash

Dallas-based Dunhill Partners has made its first foray into Houston by purchasing a retail center in the suburb of Stafford for \$102 million. Dunhill already has plans to expand the center. P11

Differing approaches

Atlanta politicians are using an in-your-face strategy to woo the College Football Hall of Fame from South Bend, Ind., while officials with the city of Arlington are keeping silent on their strategy. P11

Check dallasbusinessjournal.com — Get updates on breaking business news all day long

JANUARY 18-24, 2008 | \$4.00

HQ and 800 jobs up for grabs

UNUSUAL DECOR: This shoe sculpture sits in front of Brown Shoe's current headquarters building in Clayton, Mo.



Dallas in the running for footwear company move

BY BILL HETHCOCK | STAFF WRITER

Dallas is one of three finalists for a corporate headquarters relocation being considered by Brown Shoe Co. Inc., the footwear wholesaler and retailer located in Clayton, Mo.

The company is looking for more than 500,000 square feet

and initially would move more than 800 employees, according to commercial real estate brokers, architects and economic development officials familiar with the search.

St. Louis and Madison, Wis., are also finalists. Chicago and Atlanta were considered early on, but have been ruled out

sources said.

"It's a real deal," said Johnny Johnson, principal of Copstar Commercial Real Estate Services, which represents property owners across North Texas. "It is a major corporate relocation (candidate), and it's indicative

BROWN SHOE, P15

Marketing gains lead RE firm to bankruptcy

BY BILL HETHCOCK | STAFF WRITER

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*

BANKRUPTCY, P16

'The killer app'

Stream Energy on track to hit \$1 billion in sales this year

BY MARGARET ALLEN | STAFF WRITER

If you live in Dallas or Houston, chances are a friend or relative has tried to sign you up as a customer for the retail electricity provider Stream Energy.

The Dallas-based company's success is a multilevel-marketing story at its most spectacular — and most unconventional. Stream Energy is on track to hit \$1 billion in sales in 2008, just three short years after it was founded, and it's now preparing to expand its groundbreaking model beyond the Lone Star state and into Georgia.

SPARKING CHANGE: Rob Snyder's Stream Energy wants to roll out its unconventional approach to signing up customers to Georgia, if it gets state approval to enter that market.

STREAM, P15

In the public eye

Supermodel Petra Nemcova spoke recently in Dallas. She is shown here with Tory Burch manager Scott Barr.

P45



To subscribe to the
Dallas Business Journal,
call (214) 696-5959





'The killer app'

Stream Energy on track to hit \$1 billion in sales this year

BY MARGARET ALLEN | STAFF WRITER

If you live in Dallas or Houston, chances are a friend or relative has tried to sign you up as a customer for the retail electricity provider Stream Energy.

The Dallas-based company's success is a multilevel-marketing story at its most spectacular — and most unconventional. Stream Energy is on track to hit \$1 billion in sales in 2008, just three short years after it was founded, and it's now preparing to expand its groundbreaking model beyond the Lone Star state and into Georgia.

SPARKING CHANGE: Rob Snyder's Stream Energy wants to roll out its unconventional approach to signing up customers to Georgia, if it gets state approval to enter that market.

STREAM: 3-year-old company makes application to enter Georgia gas market

FROM PAGE 1

Founder and chairman Rob Snyder says he doesn't spend time thinking about the company's "unreal" growth.

"A guy drinking from a water hose doesn't sit around and think, 'Thank goodness we have all this water,'" Snyder says.

Stream is among the largest of the electric providers to come on the scene since the state's retail electric market was deregulated in 2002. Texas is among two dozen states to take that step over the years.

There are more than 70 retail electricity providers in the state, and the number continues to grow, according to the Texas Public Utility Commission. More than one-third of residential customers in areas with competition are served by providers other than the old-school players — such as TXU and Reliant — from the days of the regulated market.

In the last three years, Stream alone has amassed 300,000 customers, with expectations to reach 400,000 in Texas in 2008, according to Stream executives. The company's revenue is growing so fast — \$400 million in 2006, say Stream executives, and nearly double that in 2007 for a projected \$750 million — that observers are watching to see if it hits \$1 billion in 2008. If it does, Stream likely could claim the title of being one of the fastest-growing companies in U.S. history.

All because Stream recognized the potential for people to save money if they switch electric providers, and they borrowed an unconventional marketing strategy to create an added incentive.

The way it works, Stream's only "sales force" is a group of nonemployees consisting entirely of friends, neighbors and family who have in common the desire to earn extra cash. Called "associates," each one pays Stream a \$329 startup fee, and can then start asking acquaintances to help them out by switching electric providers and choosing Stream.

Each associate earns a monthly payment based on the number of customers gathered, with a company goal of 10 to 20 customers per associate. Depending on a number of factors, one customer represents a payout to the associate who signed up the customer of anywhere from 25 cents to \$4.50, says spokesman Paul Thies.

Total monthly payout checks range from \$200 to several thousand dollars for each of Stream's 90,000 associates.

Stream logged its first millionaire for a 12-month-span during the first 18 months it was in business, Thies said. "A couple others" are now close to \$1 million, he said. The company's executives and employees do not earn payouts for signing up customers.

A huge market

Stream's success so far has been nothing short of amazing.

Snyder's prior experience was in the leveraged buyout world of mature companies with hard assets, where 10% to 15% top-line growth year-over-year is considered a "phenomenon." Stream's growth dwarfs that.

"We've had months here (at Stream) that have been 10% to 15% growth," he says.

Snyder says an acquaintance pitched the idea to him in 2004 to enter the retail electric market. Snyder researched the idea and was shocked to find that so few Texans — himself included — even knew about deregulation, much less were taking advantage of lowering their rates by switching providers. He jumped in, bringing with him an experienced hand at multilevel marketing.

Regulatory barriers are low, but success depends on access to capital, marketing savvy, pricing capability and risk-management expertise, says the state's Public Utility Commission.

Very quickly Stream's skyrocketing growth created a large need for cash to fill the gap between electricity usage, customer billing and payment, which was eased by a \$10 million infusion from Snyder's initially skeptical father, successful Dallas industrialist and equity investor Richard Snyder.

Stream, through its marketing subsidiary Ignite, can easily grow larger, says Thies.

"We have 5% of the deregulated market in Texas," Thies said, "so we've just scratched the surface."

Stream's success depends on continued growth, and the company's now taking its strategy nationwide. It will work in states where basic utilities have been deregulated, with Georgia a nice fit, Snyder said.

The company has its application as a retail natural gas marketer pending now before the Georgia Public Service Commission. Stream

earlier this month leased 8,500 square feet of office space in Atlanta and expects to hire six people soon to support the company's primary office functions there, said Steve Flores, Stream's director of associate support.

The application by Stream-Georgia Gas SPE LLC was filed in March 2007. Once the application is ruled complete, the commission has 90 days to rule on it, said Bill Edge, spokesman for the agency. An applicant must show it's financially and technically competent to provide gas, Edge said.

"At this time we're working very closely to make Georgia a reality with an eye to other states," Flores said.

Stream hopes to add 15,000 to 40,000 customers in Georgia in 2008, Snyder said.

The state's deregulation is similar to that in Texas, Flores said, making it simple for associates to grasp and to communicate to customers. Associates from Texas, or anywhere else, he said, can travel to Georgia and sell into that market.

'The killer app'

Stream is owned 40% by Snyder's family, 15% by equity investor Natural Gas Partners and the rest by management. The company has been profitable since last spring, Snyder says, without disclosing income.

It has 300 employees, with plans to hire 150 more in 2008, primarily in the company's "customer care" and "associate care" call centers, all located within the company's 55,000-square-foot office at the Dallas InfoMart on Stemmons Freeway. Last year, Stream Energy signed a lease to expand into a total of 150,000 square feet — now being remodeled — at the InfoMart. The company is adding a ground-floor storefront that will open soon, where customers can pay bills and compare rates.

Even Snyder admits he had to overcome bias against multilevel-marketing, the many varieties of which over the decades have been challenged for their legality in many states by law enforcement authorities.

"I'm not a promoter. I'm a deal guy. I view the Ignite organization as a mass-education effort," Snyder said. "My traditional view of MLM is that it's an arena inhabited by too many rogues pushing somewhat fungible inventories down the throats of their MLM associates. It occurred to me that electricity is perhaps the perfect MLM — our associates

FRIENDS AND FAMILY

COMPANY: Stream Energy
BUSINESS: Retail energy provider
HEADQUARTERS: 1950 Stemmons Fwy, Ste. 6053
OWNERSHIP: Private
TOP EXECUTIVE: Rob Snyder, chairman
EMPLOYEES: 300
ANNUAL REVENUE: Estimated \$750 million in 2007
PHONE: 214-800-4400
WEB: www.streamenergy.net

don't carry inventory; they're just telling their friends and family about what typically is a better deal. Everyone wants the product. This is the one thing in your residence, outside of food and water, that you definitely want, and we can save you money, and you can help a friend in the process."

Others in the crowded market for retail customers, such as Richardson-based Cirro Energy, take a different tack.

"Choosing an electricity provider is a very well-planned and researched decision to ensure finding the right fit, exceptional rates, great customer service, billing and payment options and longevity in the marketplace," e-mailed Cirro Executive Vice President Tim Bell, when asked what it's like to compete against Stream, whose customers potentially morph into sales "associates."

"Customers should not have to take on a new sales job in order to save money," Bell said. "A Cirro Energy customer is educated and more influenced by their own personal knowledge or that of a trusted friend who has experienced Cirro Energy's smart and exceptional service first hand. Often the way you gain a customer is what lets you keep a customer."

Stream has demonstrated, Snyder said, that person-to-person marketing is "the killer app" for customer acquisition, even though Stream actually loses money on that.

"If we lose a couple million dollars on the network marketing effort, the margins on maintaining the customers make up for it," Snyder said. "It is the fastest and most efficient way to acquire customers."