



RAY TALKS WITH DENNIS MURPHREE



Dennis Murphree
Founder & Managing
General Partner

RN: Dennis, you come from a prominent commercial construction family and you served on the Board of your father's company at a young age. How did this educate you as a young man and get you started in developing real estate?

DM: I am a Houston native. I went to work during the summer at age 12 doing construction labor for my dad's company and it taught me the value of hard work and how buildings actually come together. Ten summers in the hot sun taught me about manual labor and trying to use my brain, rather than my back, to earn money in the future. I got into commercial real estate at age 24 and went on Dad's company board two years later. That was a real learning experience. All the other directors were at least 30 years older than I was, so all I had to do was shut up, listen and learn.

RN: What year and where did you graduate from college and what did you study?

DM: I graduated from SMU in 1969 with a degree in Economics. I got accepted into The Wharton School MBA program because of recommendations from my professors. I did six months active duty in the Air Force and went off to Philadelphia and Wharton without having had a day of accounting, finance, marketing, nothing. But I did well there and was the only person in a class of 650 who became an entrepreneur right out of school. Everyone there thought I was crazy for taking a job that paid no salary but my favorite professor kept encouraging me to give it a try. I came back to Houston May 1971 and went to work for eighteen months at Shindler-Cummins and started my own firm in December 1972. It was just me and a secretary for the next four years.

RN: Who were your early partners and what projects did you develop before the Oil Depression of the mid-'80s hit? What were the consequences to you of the crash?

DM: I did my first office building in 1974 with Jack Trotter as my financial partner. He had backed Gerry Hines for many years until Gerry got too big. Jack Trotter and I were partners for 25 years in all kinds of deals and I considered him a real mentor as well as a partner. We started growing and by 1985 The Murphree Company was the eleventh largest U.S. commercial

development company, according to the industry magazine that kept those statistics. We had offices in thirteen cities. It was an amazing time and five of the eleven largest U.S. firms were from Texas. The building we did in those days that many would still recognize is The Huntingdon high rise on Kirby at San Felipe. We were doing 20 – 40 story buildings all over the southern U.S. as well as retail centers, medical buildings, industrial, condos, etc. The only person in the company older was Stanley Marcus. When he retired as chairman of Neiman Marcus in 1983 at age 70, he joined our firm as a partner and we really had a great time traveling all over doing real estate deals. I learned a lot from Stanley. The crash hit us in February 1986 when oil dropped from \$31 to \$9 in less than a week. I was personally liable on almost half a billion dollars in debt so I spent the next six years paying off every dollar. No one lost money on me but it took everything I had...everything in a monetary sense. I sold the property management company in December 1986 to one of my partners, Dennis Nelson, and shut down the development company the same month. I personally let go all the employees in every office. Since my name was on the door, I felt I owed them that respect. It was one of the toughest, most emotional things I've ever had to do. But I've remained friends with virtually everyone over the years and still see many of them fairly often today.

RN: How long did it take you to pick up the pieces after the 80's crash and what was your next business direction? Can you tell us how that came about, your doing something very different from developing real estate?

DM: In 1975 I started doing what we now call "venture capital" and my initial deals were bank start-ups in Texas and Colorado. Walt Mischer Jr was my next door neighbor in those days and he and I re-started the failed Astros Bank in October 1975 and initially served as co-chairmen. We named it The Commonwealth Bank and moved it to the corner of Loop 610 & Bellaire Blvd. It's a Frost Bank now. Right after that, I started the Vail National Bank and the Avon National Bank in Colorado and was chairman of both for about a decade before I sold them. I ended up doing about eight banks and then started doing restaurant deals with my childhood friend and high school rock band mate, Lonnie Schiller. We first did Café Annie and put it in my then new

shopping center on Westheimer at Fountainview. A couple of years later we did Café Express. Today Lonnie and Candy Schiller do the restaurants in our hotel projects, so we've come full circle. I did my first high tech start up, Analytical Engines, in 1983. So, when the bottom dropped out in 1986, I decided to do VC deals full time since I wouldn't need to sign for any debt. With the perfectly clear vision of hindsight, I wish I'd toughed it out and stayed in real estate but we ended up financing 109 young entrepreneurs and their companies with our two VC firms, Murphree Venture Partners and The Southern Funds Group. Prudential was our largest investors along with many wealthy families and several pension funds. The skill set for a developer or a VC is the same. You are a symphony conductor trying to keep everyone playing the music correctly. So it was an easy transition from one industry to the other.



RN: Tell us about your ongoing mini-career as a professor and what this has meant/means to you?

DM: I was asked in 1972 to give a guest lecture on real estate to seniors at the University of St Thomas. About two weeks later, the professor asked me to give another lecture on a different topic. There was a man sitting on the back row the second time and when I finished, he introduced himself as the Dean. He asked me if I would consider teaching a course on "Investment Management" and, after thinking about it, I decided it might be a great way to learn how to think on my feet. When a student doesn't understand something I've just said, I have to figure out what is causing this lack of comprehension and then answer in a simple

MURPHREE VENTURE PARTNERS

way that can easily be digested. How I might answer an experienced business person would be completely different than someone hearing all this for the first time. I found that I loved teaching. I liked helping and interacting with young people and I taught for six years until 1979 when real estate and the banks started commanding most of my time. In 1989 I was asked to give a lecture to the MBA student body at Rice University regarding my career and ended up teaching a second year MBA course entitled "Creative Entrepreneurship" in the Fall of 1991 and began teaching a course entitled "Venture Capital" in 1997. I have been at Rice ever since so this is my 27th year. Due to time constraints I now only teach the Venture Capital class and I'll keep teaching it until I drop. Not a day in my life goes by that I don't hear from an ex-student. I love it and it keeps me young, I hope! I think each of us has a purpose in life. Clearly mine has been to teach (33 years; coach (19 years, soccer and baseball); finance (109 companies); mentor and help young people. Everyone knows my saying at the office: "I have time for everyone." So I don't mind helping whenever possible. I'll never say: "I'm too busy to talk to you."



1885 St. James Place

"...No matter how you think your life is going to turn out, it isn't."

RN: You are now back in the business of developing real estate with a handsome office building on the site of the former Elan night club in St. James Place and there are reports of some large luxury hotel developments coming soon out of your shop. Can you tell us about them and how you decided to return to your original calling?

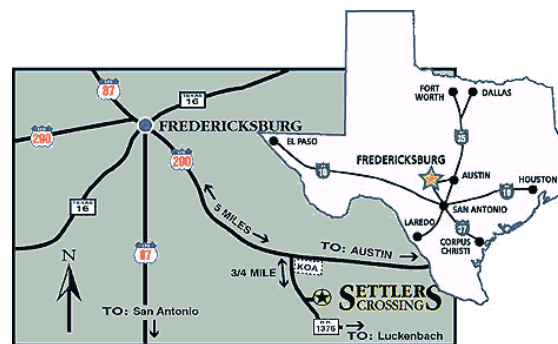
DM: I always thought real estate was a fun industry and had wanted to do it again for several years. I decided to wind down our VC activities and get back into real estate four years ago and did so with one of my former partners, Dennis Nelson, whom I mentioned earlier. We did a joint venture of 1885 St. James Place, now completed and leasing very well. That first building I did with Jack Trotter was 1775 St. James Place so I have literally come full circle on that as well. The two buildings are practically next door to each other. I recently won the project in Fredericksburg, Texas to build a new convention center, a large full-service hotel and a retail village. We assembled 20 acres right on Main

Street & it's the biggest project in county history. I am also working with a MBE developer, Paul Alexander Company, and helping them with two major hotel-oriented projects: one in Houston; the second in the Caribbean. Both are well over \$100 million developments. So I'm having fun. Honestly, it's like riding a bike...I felt at home immediately back in this industry again.

RN: In Texas we revere the rodeo cowboy who, when bucked off a horse or bull, dusts himself off and climbs back on for another go. Your business career personifies this tradition. Can you give any advice to young men and women who are just now entering commercial real estate with regard to unexpected pitfalls which may await them down the road?

DM: Amazingly enough, our company logo is a cowboy on a bucking bronco. To me, being an entrepreneur is like riding that bucking bronco and exactly why I chose the logo. I did a TED talk about "The Importance of Persistence" and it's all about taking life as it comes to you, doing your best to cope with any given situation and live to fight another day. I also quote Winston Churchill's famous eight word commencement address: "Never give up. Never, never, never give up." I tell young people that it means to not give up on yourself.

No matter how bad or good things are for you at any given moment, they are likely to change and you have to take the good and the bad with equanimity and keep putting one foot in front of the other. I tell all young people: "No matter how you think your



life is going to turn out, it isn't. Some things will be better than you ever dreamed possible and some things will be far worse than you ever imagined. Just take it as it comes and don't give up on yourself." That's how I've tried to live. ■