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Future's so bright ...

Tad McIntosh, here with son Will, sees busy times ahead for his human-resources outsourcing firm.

P61

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Little Midland pokes at Big D

Internet site aims to attract 'lost' Metroplex denizens back to West Texas

BY DAVE MOORE | STAFF WRITER

A West Texas town best known for its oil, sandstorms and high school football is tossing some light-hearted jabs at Dallas' traffic

jams, cost of living and corporate image in hopes of luring its children back home.

Midland Mayor Mike Canon is promoting www.comehometomidland.com — a Web site that

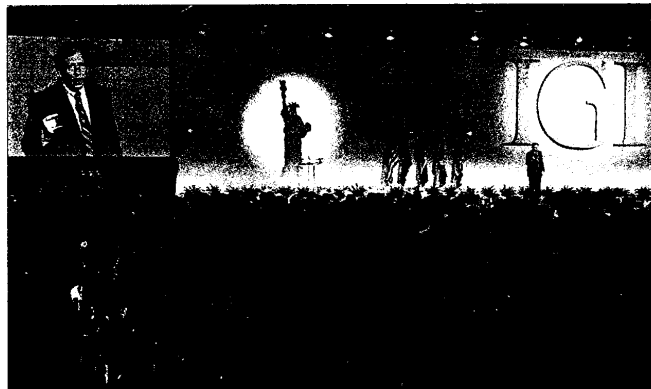
profiles fictional "lost" Midland residents, especially one named Robert Martin, who left for the Dallas area to work at a high-tech firm after graduating from high school.

The Web site was approved by the Midland City Council and the Midland Development Corp. and was funded by the corporation and

MIDLAND, P21

Portrait of a bankruptcy

Addison's **International Galleries** once was vibrant and successful, grossing millions of dollars a month selling art reproductions. Then **questions were raised** about how the company operated, and IGI's **handsome image** began to fade.



MAKING HIS POINT: International Galleries' Chief Executive Officer Paul Myer addresses current and prospective members at a September 2005 company meeting.

BY JEFF BOUNDS AND SANDRA ZARAGOZA | STAFF WRITERS

Executives at International Galleries Inc. liked to paint a pretty picture of their direct art-sales business.

In less than three years, they say, the Addison-based multilevel marketing company built up a "membership" base of more than 100,000 people and began doing business internationally. Revenue rose from \$10.3 million in 2004, its first full year in business, to \$112.7 million in 2005, according to court records.

IGI provided a way for unknown artists to cash in on their work and for enterprising salespeople to make a tidy sum, both through buying and selling art reproductions

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TOP NEWS

in Metroplex business

Changing direction

Once intent on turning its Uptown office building into for-sale office-condominiums, Seneca Investments has scrapped that plan now that the leasing market has heated up. P4

Eyeing reuses

Businessman Bob Yari, who produced the Oscar-winning "Crash" flick, is trying to keep his failed Forum 303 Mall property in Arlington from crashing by offering it for industrial uses. P4

Help!

The city of Dallas is privatizing assistance for its Windows-based computers, which means the city's 29-person help desk is shutting down. P5

Brains study brawn

Researchers at The University of Texas at Dallas have figured out a way to make something called an "artificial muscle." P7

Capital idea

More and more small and mid-sized American companies seeking an initial public offering are turning to an unusual place: the London Stock Exchange's Alternative Investment Market. P8

Market moves

With its Cowtown market alone moving three times in three years, it's clear the North Central Texas Farmers Market Association has had a hard time holding onto space. P9

Coming soon

A restaurant, lounge and art gallery called Dallas Roof Gardens is set to open in May on Main Street in downtown Dallas. P11

Hospital plans

North Central Expressway will be the site of a new health care facility including a \$15 million long-term care hospital. P19

Help in crises

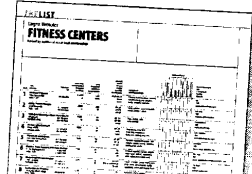
Companies use special planning, training and equipment to handle workplace health crises. P37



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The list
Who's got the **biggest fitness operations in D-FW?**
Find out here.

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IN THE SPOTLIGHT: IGI CEO Paul Myer holds a \$100 bill while speaking at a September 2005 company event.

IGI: Company says word about article spread quickly, squeezing sales

FROM PAGE 1

and recruiting new members. IGI built a large following among Latinos and was a supporter of philanthropic causes.



But in the time it takes to say "Painted Fraud," the privately held company imploded, partly because of a 2005 article that ran under that headline in a bilingual Chicago newspaper called *La Raza*, according to the company's bankruptcy filing.

The article "suggested that we went to China and bought our prints for \$1, counterfeited names of artists and came back and sold them to the Hispanic public," says Paul Myer. IGI's president and CEO. In addition, he said, the article falsely claimed that "we were a Ponzi scheme and we were illegal."

Myer believes the *La Raza* article spread quickly among its salespeople and customers from Chicago to California, squeezing IGI's overall sales. From January through July of last year, monthly sales averaged nearly \$13 million, peaking at \$16.3 million in March, according to data from bankruptcy records. But from August, when the article ran, through February of this year, sales averaged \$3.2 million, records show. In January of

this year IGI pulled in just \$128,205 in sales compared to \$8.4 million in January 2005, records say.

Last November, the company's credit-card processors became concerned about IGI's fiscal health and withheld some \$2.8 million in credit-card charges that were due to the business, according to Myer and bankruptcy documents. Today IGI is preparing to sell itself after filing for Chapter 11 bankruptcy protection on Jan. 31.

Some 15 IGI employees, now working under a Myer-controlled holding company called MyerCo Inc., have not seen a paycheck since January, according to Myer. A number of suppliers have also not been paid, he said. And as many as 28,000 salespeople have not received commissions since November, he says, adding that about 50 artists have not seen royalties since last summer.

Dallas artist JD Evans received a letter from IGI in January saying that 650 limited-edition prints of one of his works, called "Buffalo Soldiers," had sold out on Dec. 10. "They haven't paid me since August," he says, adding that in the time he did business with IGI, "they sold \$600,000 to \$700,000 worth of (my) work."

Despite its troubles, Myer says the company is still viable, but lacks operating capital because of the credit-card processing company. The "only logical thing to do" was to try to sell the business, he says.

According to interviews, court and bankruptcy records and other documents, the once-high-flying company could have as many as 30,000 creditors.

'A legal plan'

Though many people made money through IGI and still believe in the concept, a number of others do not. Some invested thousands of dollars with no return.

While Myer says the company had a revolutionary business model, others — including former IGI employees, members and outside critics — have raised questions about it, saying the model is more akin to a pyramid scheme. Such schemes, state and federal regulators say, can be illegal, depending on their structure. Illegal schemes typically promise unrealistically high returns on investments, with early investors being paid primarily with later investors' cash, rather than through the sale of products or services.

"Several key practices and policies of this company raise immediate questions regarding the operation of a disguised pyramid scheme," wrote Robert FitzPatrick, president of Charlotte, N.C.-based Pyramid Scheme Alert, in a friend-of-the-court brief submitted in separate cases on behalf of *La Raza* and Cleveland, Ohio-based Douglas Photography Inc.

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GETTING PAID

For every \$100 of art purchased, IGI salespeople received an 'Xpress Reward Card,' below, that worked like a frequent-buyer card at a movie rental shop. The cards were redeemable for cash that would then be deposited on an 'e-wallet' account provided by IGI.





EYES ON THE PRIZE: A participant in an IGI contest called 'Swipe and Win' at a company meeting.



TESTIMONIALS: Top producers in the IGI program discuss their experiences before prospective and current members at a September 2005 meeting.

IGI: International Galleries' primary customers were its salespeople

FROM PAGE 13

IGI sued the former for defamation in August 2005. It sued the latter a month later, saying Douglas Photography and its owner, Douglas Konkol, were competitors who spread false and negative statements about IGI by posting the



La Raza article on Konkol's Web site.

LaRaza's answer to the IGI complaint denied that its article contained false statements. Douglas Photography's answer, meantime, denied making false or disparaging statements about IGI, and added that its Web posting "contains constitutionally protected commentary and opinions."

FitzPatrick's brief stopped short of alleging that IGI's business model was illegal. "It's up to the courts to decide" whether a business is a legitimate multilevel marketing program or an illegal pyramid scheme, says FitzPatrick, whose nonprofit is dedicated "to exposing, studying and preventing pyramid schemes."

Myer says IGI is legitimate, and that its business model was reviewed and approved by top-flight lawyers. "It's a legal plan. It's just that simple," Myer said. IGI's critics, he said, "are all people who are either competitors or people who have an agenda."

For the moment, questions about how IGI conducted business have taken a back seat to the bankruptcy proceedings.

On March 1, bankruptcy Judge Barbara Houser agreed to allow the U.S. Trustee's office to appoint a trustee to handle the sale of IGI. On Feb. 28, the company said in bankruptcy filings it had about \$5 million in assets and nearly \$12.8 million in debts, although attorneys noted in court that its listings weren't complete because IGI's chief financial officer, Robert

Fridd, had been out for jury duty. Updated financial information is scheduled to be filed at an unspecified date.

In a March 3 interview, Myer maintained the business has closer to \$25 million in assets and \$10 million to \$11 million in debts. No date for the auction has been set. In a March 2 interview, Myer said there are "multiple" interested buyers, and that his MyerCo may put up a bid. The following day, however, he denied that he would acquire

the business through MyerCo. But he did say he might come aboard to work for whomever purchased IGI.

Latino salesforce

IGI operated as a multilevel marketing company that in some weeks produced thousands of art reproductions called giclée (pronounced zhee-clay or jee-clay) at its 300,000-square-foot facility in Addison.

IGI's primary customers were

its salespeople, which the company called "members." Some of these members recruited others and built mini "sales organizations," earning income with little or no experience with art or selling, Myer said.

"We are direct salesmen. So we sell art to independent members who resell it and collect it for its intrinsic value," Myer said. "It's that simple. We are not any different from Avon or Mary Kay."

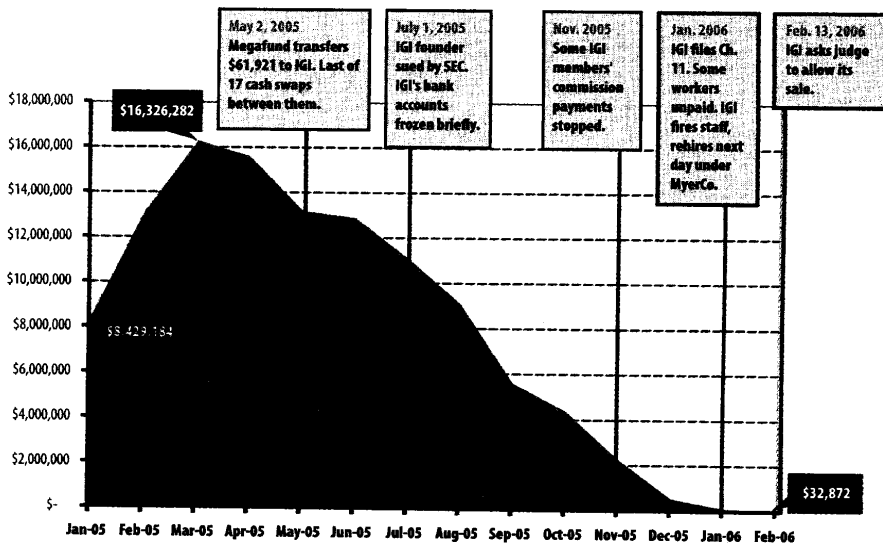
Some 72% of IGI's salespeople

were Latino, according to Myer. Salespeople purchased the art through IGI's Internet gallery, which was also the platform for a commission-based sales model. The "limited edition" art works, which sold for roughly \$200 to \$4,000 apiece, were delivered in mailing tubes along with letters of authenticity. The art was primarily work by 50 or so mostly unknown artists, who sold IGI the

IGI 17

DOWNWARD TREND

Monthly sales at International Galleries in Addison began dropping after March 2005.



SOURCES: IGI bankruptcy records, Paul Myer, Michael Quilling, court records

IGI artwork 'ran the gamut'

BY SANDRA ZARAGOZA | STAFF WRITER

Art was at the core of IGI's direct-selling business — art that was as diverse as what you would see at any retail store or gallery.



"It ran the gamut. They had some rather naive works to some extremely fine works," said Bob Banks, an accredited appraiser with Banks Fine Art in Dallas, whose clients include the Internal Revenue Service.

IGI briefly contracted Banks to appraise some of its original works.

IGI's art giclées, representing the work of mostly unknown artists, ranged in price from \$200 to \$4,000. The prints were delivered with a limited edition number and the artist's signature.

Giclées have become a popular and accepted type of art reproduction, according to Jerry Joyner, owner of Quality Art House, which sells giclées primarily to corporate clients.

Giclée, which is French for spray or squirt, is a method of reproducing art that uses sophisticated inkjet printers to spray paint on canvas or paper. Giclées are sold on the mass-produced end by retailers like Bed Bath and Beyond and Z Gallerie, as well as by upscale art galleries in limited editions.

Joyner is familiar with some of IGI's art inventory. "Some of the

IGI's art giclées, representing the work of mostly unknown artists, ranged in price from \$200 to \$4,000.

(IGI) artwork, in my opinion, is sellable, and some of it is not," Joyner said. "It looked as if they arbitrarily chose prices... In some cases, I didn't see the justification."

In high-art circles, a giclée's value is based on "the reputation of the artist, gallery, condition of a piece, quality of the piece and rarity of the piece," said Tal Milan, owner of the Milan Gallery in Fort Worth. He sells giclées by established artists in the \$650-and-above range.

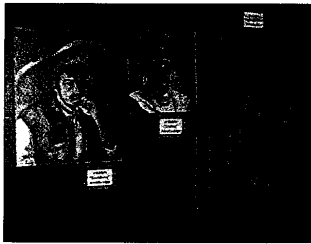
Banks agreed: "To invest in art with any certainty of appreciation, you've got to get original art by what I call a blue-chip established artist."

Such well-regarded artists have a secondary market "that's been building for many, many years," he said.

While giclées can increase in value, reputable art galleries are careful not to use that as a selling point, Milan said.

The value of IGI's unsold art may soon be determined in bankruptcy court. The art — currently valued at \$9 million — is IGI's most valuable asset, according to the company's Jan. 31 bankruptcy filing.

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ARTISTIC QUARTERS: IGI maintained an art gallery in Addison that featured numerous art prints.

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