



# LIONS OF THE TEXAS BAR

## Billie Ellis – A Pioneer in Private Equity & Corporate Real Estate Dealmaking

*By Mark Curriden*

(Nov. 1) – Billie Ellis was a baby lawyer just out of law school in 1978 when his bosses at Vinson & Elkins asked him to represent a long-time firm client in buying a \$2 million mansion in River Oaks.

The transaction seemed simple enough, except Ellis' client almost killed the deal when he learned the sellers were not including the \$150 washing machine as part of the purchase.

"Tell you what," Ellis told the millionaire client, "if you close this deal, I will buy you the washing machine for \$150." The buyer agreed, and the deal closed.

A few days later, Ellis put in a reimbursement request for the \$150 Maytag, which the firm readily paid.

"It taught me that people can be irrational on personal issues and that lawyers need to find solutions to their problems," says Ellis, who points out that he ended up representing the client in several other, much more significant business transactions.

With four decades of practicing law under his belt, Ellis is widely recognized as one of the best



commercial real estate transactional lawyers in Texas history. He's represented some of the most powerful and wealthy individuals in the state, including the Bass brothers, Richard Rainwater and David Bonderman.

"At the core of Billie is honesty," says former TPG Capital General Counsel Clive Bode, who has worked with Ellis on various projects over nearly 40 years.

"Billie says what has to be said, even if you don't want to hear it," Bode says. "He follows all the rabbit trails in every transaction. He turns sharp corners. And he understands the economics of business deals."

Even litigators appreciate the experience that Ellis brings to law firms.

"Billie is a Texas-sized character," says Dallas trial lawyer Tom Melsheimer, a fellow partner with Ellis at Winston & Strawn. "Billie has been involved in and on the ground floor of some of the biggest and most influential private equity funds in the country – when most people had no idea what a private equity fund was."

Born in Galveston, Ellis moved to a milk farm in East Texas with his family when he was six. They had about 60 head of Holstein cattle. >

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"My father worked seven days a week – no weekends or holidays off," he says. "He got up every morning at 4:30 to milk the cows, even when he had a broken shoulder and pneumonia. He did it because he had to and because he had a passion for it."

The oldest of three children, Ellis learned to drive the tractor when he was just a boy, and his father paid him \$1.50 an hour.

"My father said I worked like a man and I should be paid for it," he says. "My father never complained if the weather destroyed a crop that he nurtured for months. His grit, street smarts or – in our case – farm smarts, optimism and example prepared me for the much simpler life of Big Law."

"I hated farming, and I wasn't very good at it. I knew there was life outside of Texas and I jumped at the first chance that came along," he says.

When Ellis was 16, he had the opportunity to attend a boarding school in Kansas. He was so eager to leave the farm that he lied to his parents that school started on Aug. 20 – two weeks before it actually did.

Ellis attended the University of Texas, where he studied American history. He paid for his schooling by selling dictionaries door-to-door in California. He made about \$25,000 for 10 weeks of work.

"If you can sell a dictionary to a housewife in Riverside, California, with two screaming kids pulling at her, you can easily convince a general

counsel or private equity client to use the services of your internationally-known law firm," he says.



In college, Ellis had visions of being a history professor, smoking a pipe, wearing wire-rimmed glasses and avoiding the real world. The idea of law school also intrigued him.

"I realized that making partner at a big law firm seemed easier than making tenure at a university," he says.

After getting his MBA from Southern Methodist University and his J.D. from the University of Houston, Ellis went to work in Houston at V&E, which put him to work at an hourly rate of \$40.

"V&E put me right to work and let me close deals," he says. "The training was incredible. V&E was extremely entrepreneurial."

After only three years at V&E, a small start-up law firm in Fort Worth called Kelly, Hart & Hallman called seeking a real estate lawyer.

"My wife was 7 months pregnant. I had just bought a house I could not afford, but something told me that this firm of eight lawyers who >

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needed a real estate lawyer to represent a family called the Bass Brothers was a good bet," he says. "Several of my fellow associates called me crazy. A few partners questioned my ability to reason and suggested I pay for reality therapy.

"Fort Worth was known as a cow town. It was both terrifying and exhilarating at the same time," he says. "It turned out to be one of the best professional and personal decisions of my life."

Ellis joined Kelly Hart in 1982.

His first client at his new firm was Fort Worth entrepreneur Jim Phillips, who needed legal work done on covenants, conditions and restrictions involving a small townhouse development.

"I explained to Billie that I had a very limited budget, did not want anything complicated and needed only a simple two- or three-page set of covenants and restrictions," says Phillips, who is now the chair of Fort Worth investment firm FundCorp. "A week later, Billie delivered 400 pages of state-of-the-art CCR documents. A few weeks later my monthly billing statement arrived with a balance due three or four times the budget I had given Billie."

Phillips called Ellis to say he appreciated the "state-of-the-art documents," but that it cost too much. Within an hour, Ellis was at Phillips' house.

"He said he was delivering what I needed instead of what I wanted [and] the discussion concluded with him simply stating that he would charge me nothing for the work, wanted to keep me as a client and therefore would represent me from now on at no charge," Phillips says. "I foolishly said that was ridiculous and agreed to pay his full bill."

Ellis spent much of the next 17 years representing the Bass Brothers (Sid, Ed, Robert and Lee) in some of the most high-profile and complex corporate real estate transactions in the U.S.

"The Bass Brothers were some of the most important investors to come out of Texas," he says. "They were Yale-educated, urbane and hired only the best professionals to lead their investments. In later years, they each went their separate ways and had their own business interests."

One of Ellis' earliest projects for Ed Bass came in 1984, when he posed as a Texas rancher to purchase 2,500 acres in Arizona.

"It was a very unique scientific and human experiment called Biosphere II," he says. "The goal was to buy the land from the University of Arizona without tipping off the real owner or letting them know what the land was to be used for."

Biosphere II was a decade-long experiment that included eight people living inside this self-contained settlement, or so-called "recreated Earth," as a way to possibly settle Mars.

"The project included working on cutting edge construction contracts for perhaps the world's largest geodesic dome to intellectual property and employment contracts for the scientist and layman that were scheduled to live in the dome for two years," Ellis says.

Ellis mostly worked for Bob Bass. One of the highest profile deals they did was the purchase – and then quick resale – of the famous Plaza Hotel in New York.

Ellis was actually at the hospital with his wife, who was giving birth to the couple's third child >

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just before Christmas in 1987 when the phone rang. David Bonderman, who was the chief investment officer for Bob Bass, was calling about an urgent deal that needed to be done.

Just months earlier, Ellis had been playing golf at Fort Worth's elite River Crest Country Club with Bass Brothers executive Don McNamara when his ball veered far off course toward this huge house that was being renovated by architect David Schwartz, who later designed Bass Hall and the Ballpark at Arlington.

"We were curious and decided to go inside the house to retrieve the ball and see what was going on," Ellis says. "After a quick look at the empty house and getting our ball, we noticed that our golf shoes had left very slight marks on the newly installed hardwood floors."

The house belonged to Bonderman, who he met a week later over a pastrami sandwich. (Ellis actually bought the house from Bonderman 15 years later.)

On the Christmas Eve call, Bonderman informed Ellis that they had learned that the Plaza Hotel was for sale and that a young, aggressive real estate developer named Donald Trump was interested. Bob Bass wanted to buy it first with the idea of selling later to Trump at a profit.

Three days after his daughter was born, Ellis and a team of 15 lawyers and paralegals set up camp at The Plaza. He spent 99 of the first 128 days of 1988 at the hotel facing Central Park. He billed 320 hours that January alone.

"Whether you are fighting a war or closing a deal, feeding the troops is very important," he says. "I remember calling the kitchen at The Plaza one

night and ordering 20 hamburgers, four fried chickens, onion rings, French fries, two apple pies and a gallon of ice cream."

Once Bass finished the hotel's acquisition from Westin in January 1988 for \$250 million, Ellis immediately entered into negotiations with Trump and his advisers. He met Trump in his office, which Ellis says had its walls covered with magazines featuring Trump on their covers.

"I did not know Donald Trump from Adam," Ellis says. "He asked me if I liked boxing and told me that he was advising Mike Tyson. He was much more low-key than he is now."

In March 1988, Bass sold The Plaza to Trump for a reported \$410 million – pocketing more than \$150 million in profit in less than six months.

"Billie is detail-oriented to the point of being maniacal," Bonderman says. "Billie comes across as a country boy, but he gets the best of those New Yorker lawyers."

By September 1988, Bass, Bonderman and Ellis were hip-deep in an even larger deal – the acquisition of California-based American Savings and Loan Association, which was the largest thrift in the nation to fail.

The transaction involved the transfer of more than \$30 billion in assets.

"We manually had to go through 34,000 loans," he says. "There were thousands and thousands of pages of deeds and assignments and conveyances of mortgages and all the regulatory documents that went with it."

Each asset had to be reviewed so that the Bass Brothers could understand the risks and costs. It was a yearlong task that had to be finished in four months. >

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Ellis and his team created an eight-volume document, which immediately was named "The Memo from Hell." The memo essentially created a 100-page checklist for all the lawyers and staff to use as a guideline for examining assets.

"Billie had more briefing books and due diligence books in the American S&L deal than Quakers had oats," says Bode.

Bonderman says it was typical Ellis.

"Billie is famous for his lists," Bonderman says. "He has lists of lists."

The \$2.1 billion deal closed by the end of the year and was widely recognized by multiple legal publications, including the National Law Journal, as the "Deal of the Year" in 1988.

The 1990s produced even more deals for Ellis to handle, especially when Bonderman split from the Bass brothers to start the private equity fund Texas Pacific Group, now called TPG Capital. Bonderman turned to Ellis to handle parts of TPG's \$450 million acquisition of then-bankrupt Continental Airlines.

In 1999, Ellis left Kelly Hart to co-found with Bonderman a private equity fund called The Halifax Group, which has \$220 million in investments in small-to-midsize healthcare companies and auto supply services.

Ellis sold his interest in The Halifax Group in 2004.

"I played golf for one month, but my golf game did not get any better, so I started talking to law firms about practicing again," he says.

The leaders at Locke Lord asked him for his business development plan.

"I don't have a business plan," he told them. "But I have a lot of rich friends."

Locke Lord was sold. During his dozen years at the Dallas-based corporate firm, Ellis represented TPG in several major transactions, including its \$39 billion acquisition of Harrah's Casinos.

"We had 141 linear feet of paperwork that we had to submit in the Harrah's deal," Bode says. "We had so much paper that we could not send the shit out by FedEx. We had to use multiple trucks to ship the documents to Las Vegas, Illinois, Louisiana and other places. It was a painful task, but Billie's due diligence and leadership was significant in getting it done."

Ellis says it was a deal with a lot of unusual requirements.

"We had 10 associates using planes, trains and automobiles to file documents with state regulatory agencies wherever Harrah's had operations," he says.

In February 2017, Ellis joined two-dozen other lawyers in opening the Dallas office of Winston & Strawn. He's still representing TPG in several matters, including its Evergreen portfolio fund.

"I have been lucky to have worked very early on with some of the most important and well-known real estate and private equity investors in the 20th and 21st centuries," he says. "This work not only included working on their premier transactions, but I also worked daily on taking care of their important and highly sensitive personal and family matters."

Ellis agrees that the practice of law has changed during his 40 years in the business.

"When I started at Vinson & Elkins in 1978, a hard-working lawyer who had better-than- >

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average legal and client development skills had a good chance of success," he says. "Legal fees were important, but profits per partner and leverage were not the Holy Grail. Bills were sent out and paid without much debate.

"Today, a lawyer must possess superior legal and client development skills, be a student of the legal markets, be on the leading front of innovation and have a nuanced understanding of her clients," he says.

"My dad is 87 and he still goes to work every day and loves it," Ellis says. "So, I want to continue as long as I can contribute."

Bonderman doubts Ellis will call it quits anytime soon.

"I don't think Billie will ever retire," he says. "He loves it too much."

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