

TRIANGLE BUSINESS JOURNAL

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INSIDE



NO RAIL, BUT A DEAL:

Local owners of land targeted for development in conjunction with ill-fated light rail plan decide to sell the property. **P 3**



SMALL BUSINESS:

Husband-wife team put hard work and lessons learned to use in building their company, Farragut Systems. **P 11**

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IBM cloud center already being expanded

By Amanda Jones Hoyle

RESEARCH TRIANGLE PARK – IBM will more than double the size of its cloud computing data center in Research Triangle Park that serves as the virtual home for organizations including the United States Golf Association, Hilton Worldwide and even IBM.com.

IBM opened the first phase of the RTP data center in February 2010, a 60,000-square-foot facility that was built to LEED Gold certification standards for green energy use and design. The company signaled that it would eventually expand the facility

to 100,000 square feet at a total investment in excess of \$360 million.

Durham County building permit records show that construction has started on a 79,424-square-foot addition to the existing data center, and the building's construction would cost an estimated \$30 million. Whiting-Turner Contracting Co. of Baltimore, Md., is the contractor for the project that started in mid-July.

Dana Brown, permit supervisor with the Durham



PHOTO C/O IBM

Data centers are big but not labor-intensive.

SEE IBM PAGE 24

Millions Going to UNC Med School

UNC's hospital system will transfer \$87.9M to state-supported school this year

By Jason deBruyn

CHAPEL HILL – UNC Health Care has kept operating margins below 2007 levels – a year when a roar erupted over CEO Bill Roper's drive for higher profits – in part by transferring millions of dollars each year to the UNC School of Medicine.

Since 2006, UNC Health Care has increased its transfer by nearly eight fold, from \$9.8 million that year to \$87.9 million in 2011. Karen McCall, UNC Health Care vice president of public affairs for both entities, explains the increases as evidence of a growing integration between the two hospital system and the medical school.

Indeed, the two entities are joined at the hip. In 1998, the University of North Carolina System Board of Governors established UNC Health Care separate from the university but directed that the dean of the school of medicine also serve as the health care system's chief executive. Roper currently holds both titles.

SEE UNC PAGE 22

Bill Roper heads up UNC Health Care and the UNC School of Medicine.



STEVE WILSON

Sterling is gold on investor list

By Lee Weisbecker

RALEIGH – Where's the money in North Carolina?

Some \$64 billion of it is in the coffers of 10 investment firms, which made the list of the world's top 771 money managers for 2011. That's a tidy sum, given that the gross state product, or GSP, of North Carolina was \$407 billion in 2010, according to the U.S. Bureau of Economic Analysis.

Each year, Chicago-based *Pensions & Investments* magazine ranks the nation's top investment firms. The 10 in North Carolina on this year's list are based either in the Triangle or in Charlotte. But both places, it turns out, now have a claim to the state's first place finisher, Sterling Capital Management, an independently operated subsidiary of BB&T Corp.

Headquartered in Charlotte, Sterling in

SEE PENSION PAGE 22

ROLLING IN THE GREEN

The top North Carolina money managers, according to *Pensions & Investments* magazine, have more than \$50 billion under management.

Sterling Capital Management, Charlotte/Raleigh, assets under management.....	\$32.7B
Wedge Capital, Charlotte.....	\$9.08B
Smith Breeden, Durham.....	\$6.43B
First Citizens Capital Management Group, Raleigh.....	\$5.07B
Piedmont Investment Advisors, Durham.....	\$3.44B

SOURCE: PENSIONS & INVESTMENTS MAGAZINE

Canes' Karmanos forms LLC, offering investors no-risk deal

By Jason deBruyn

RALEIGH – Carolina Hurricanes owner Peter Karmanos has formed a holding company as the structure for taking on minority investors and, as a lure, is offering essentially a money-back guarantee.

Investors who put their money into an entity called Hurricanes Holdings LLC could get all their money back – with interest – after five years if they are not happy with the direction of the National Hockey

League franchise, says Karmanos.

Such a deal is out of the ordinary but enticing to potential investors, says Chad McEvoy, an associate professor of sport management at Illinois State University. "That would provide some nice peace of mind or a good exit strategy," he says, adding that he is not aware of any other sports franchise deal with such a guarantee.

"This was an enticement to make the investment as risk free as possible," says Karmanos. "It's important to me to get local



PHOTO C/O CAROLINA HURRICANES

Hurricanes' owner Peter Karmanos wants local investors.

SEE HURRICANES PAGE 24

HURRICANES: Subsequent to death of investor partner, with purchase Karmanos now is sole owner

FROM PAGE 1

investors," something he says is "difficult enough."

Because the new capital would be used to help pay down debt, Karmanos says the guarantee is carries relatively low risk for him as well. Whatever interest he would have to pay investors is money he will have saved by not paying interest to a bank.

Karmanos is looking for 10 to 12 investors to pony up \$1 million to \$5 million each and collectively own 20 percent to 25 percent of the team he says.

Why sell only 25 percent?

"Because I like owning it," he says.

No investors have been confirmed, but the likes of Jim Goodmon, CEO of Capitol Broadcasting Co., Matthew Szulik, former Red Hat CEO, Bob Ingram, former vice chairman of GlaxoSmithKline, and a hedge fund manager from Rocky Mount are believed to have been involved in discussions about the deal. Karmanos did not confirm or deny that any of these were the investors, and none could be reached for comment.

Karmanos bought the team, then the Hartford Whalers, with his Compuware Corp. co-founder Thomas Thewes in 1994 for \$48 million. Thewes owned 49 percent of the Hurricanes, which Karmanos bought from his estate after he died in

2008. Karmanos would not say how much he paid for Thewes' half, but he said it was a good deal for both sides.

"I was probably overly generous," he says.

Forbes magazine values NHL franchises and has pegged the Hurricanes in the \$160 million to \$170 million range. Karmanos has valued the team closer to \$225 million, and McEvoy says the truth probably lies somewhere in the middle.

"The *Forbes* estimates do seem to be a bit on the low side," he says, but added that it is in Karmanos' interest to overvalue the team publicly when looking for investors.

Since Karmanos will remain majority owner, McEvoy says he might have to give

a "minority discount" to investors. Minority owners typically don't buy in dollar for dollar relative to the percentage ownership because they don't have the same kind of authority over team or business decisions.

If new investors are from the Triangle, something Karmanos has wanted, it would mean good things for the franchise, says Harvey Schmitt, president of the Raleigh Chamber of Commerce.

"Local investors translates into broader community commitment to the franchise," he says. "Broadened local support I think does increase the value of the franchise."

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IBM: Facebook, Apple, Google all have, or will have, data centers for cloud computing in North Carolina

FROM PAGE 1

City/County Inspections Department, confirmed that the building permit application for the IBM data center construction project had been approved in July. IDC Architects of Portland, Ore., is the designer of the project.

Durham County committed in 2008 to giving IBM \$750,000 in incentives over seven years for the center. Armonk, N.Y.-based IBM is one of the largest private employers in the Triangle with about 10,000 employees and contractors. The data center, however, employs fewer than a dozen people.

IBM spokeswoman LaToya Evans confirmed that the expansion is related to the second phase of the data center building, but she had few other details. "The expansion will help us prepare for additional strategic outsourcing clients we will get over the next several years," she says.

Cloud computing infrastructure and services is becoming a big business generator that Big Blue executives forecast will generate \$7 billion in revenue for the company by 2015. IBM CFO Mark Loughridge told analysts on July 19, following a strong second quarter earnings report on July 18, that IBM is on track to double its cloud revenue in 2011 com-

pared to the year before.

In addition to its data center in RTP, IBM has cloud computing data centers in Boulder, Colo., Toronto, Singapore and Ehnningen, Germany.

Both private companies and government agencies have been increasingly outsourcing their cloud computing operations to companies like IBM, Microsoft and Google.

The White House, for example, announced on July 20 that it would shut down 373 of the federal government's computer data centers by the end of 2012 with a goal of shutting down 800 data centers, or 40 percent of the federal government's

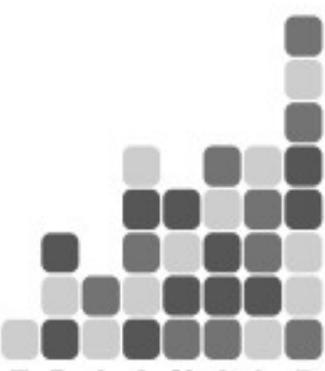
capacity, by 2015.

Government agencies instead will shift to cloud computing in which users use on-line applications such as email remotely over the Internet. Google already provides cloud email for the General Services Administration, and the Agriculture Department uses a Microsoft cloud service.

North Carolina is an early player in the data center sector. Facebook announced in November that it would build a \$450 million data center in Forest City, a town about 60 miles west of Charlotte. Apple and Google have opened data centers in western North Carolina.

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