

# TRIANGLE BUSINESS JOURNAL

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## INSIDE



### COLLEGE APPS UP:

Admissions directors at local private colleges feared downfalls in enrollment. But they've been pleasantly surprised. **P 5**



### AROUND TOWN:

Whether the organization is a private company, public company or nonprofit, choosing the board of directors is not to be done without care. **P 8**



### HEAVY HITTERS:

It's been a tough year, but big deals still have been done in the Triangle, and here's a look at the people behind them. **P 13**

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# State's \$2B hog industry belted as farms fail

By Lee Weisbecker



PHOTO C/O NORTH CAROLINA PORK COUNCIL

Only in Iowa are more hogs raised than in North Carolina.

**RALEIGH** – Hard times in North Carolina's \$2 billion hog industry have pushed some mid-range swine producers into bankruptcy and some out of the business.

Two culprits – overly large herds and rising costs due to higher grain prices – have been shrinking the bottom lines at many hog operations in North Carolina, the nation's second largest hog-producing state, behind only Iowa.

To those factors can be added the recent swine flu, or H1N1 flu, scare, the effects of which the industry is only starting to tally up.

"A lot of people have just not realized what's

been going on in the industry," says Deborah Johnson, CEO of the North Carolina Pork Council, an industry trade group. Already, she says, "We are beginning to see some (hog farmers) leave the industry due to financial hardship."

At three eastern North Carolina operations, relief from the pressure will come from Chapter 11 or Chapter 12 reorganization. Chapter 12 is a provision written into the federal bankruptcy code in 1986 dealing exclusively with family farms. Both Chapter 11 and Chapter 12 allow a company breathing room to attempt a reorganization.

In their reorganization filings, Bunting Swine

SEE **PIG FARMS** PAGE 37

# Going for the wind, India plant to open

By Chris Baysden

**RESEARCH TRIANGLE PARK** – Hoping to tap into an emerging market for alternative energy, Reichhold Inc. is building a \$15 million plant in India that's expected to open in the third quarter of this year.

Reichhold, a chemicals company, plans to use the plant to supply composite resins to a major customer that manufactures windmill blades. Composite resins are used to hold things together – such as the glass fibers in windmill blades.

The plant will be relatively small, employing 27 people in manufacturing and about 15 in sales, tech support and other areas. But the facility offers the chance to mitigate some of the employee losses that Reichhold has endured over the past few years.

And the plant, located on 10 acres of land in Ranjangaon in the Maharashtra province, also gives the company the chance to continue expanding its windmill-related resins business. While still a small part of the company's overall revenue streams, the business line has been showing impressive growth in recent years, says CEO John Gaither. He declines to reveal the identity of his primary customer on the subcontinent, but he says Reichhold does work for that same firm in the United States as well.

There's been a lot of buzz about renewables in the U.S. recently, but it's still unclear what the future holds for the wind energy industry here. About 5,000 windmill turbines – using 15,000

SEE **REICHOLD** PAGE 34



STEVE WILSON

Dale Leach, center, is a north Raleigh resident and real estate broker who keeps a close eye on home prices by ZIP code and price range. With her are daughters Jenny, left, and Maridaire.

# For whom the ZIP tolls

*Home prices gyrate, up, down and sideways*

By Sougata Mukherjee

**RALEIGH** – Dale Leach did not want to go outside the north Raleigh area when she was looking for a home.

She eventually pulled the trigger and

bought a 2,900-square-foot house in the 27614 ZIP code for \$427,000 two years ago in the Falls Pointe subdivision not too far from Interstate 540 and Falls of Neuse Road in Raleigh.

"This is one of the best places in Raleigh to live," Leach says. "We have a great house and are near the schools, shopping and restaurants."

SEE **ZIP CODES** PAGE 34

## FALLING HOME PRICES

Orange County homes are undergoing some of the biggest drops in median home values in the past two years.



ZIP	Post Office Name	RANKED BY CHANGE FROM 2007 TO 2009				
		'07 Median Home Value	'08 Median Home Value	'09 Median Home Value	Change from '07 to '09	Change from '08 to '09
27510	Carrboro	\$215,264	\$208,712	\$163,297	-24.1%	-21.8%
27278	Hillsborough	\$165,909	\$156,850	\$125,927	-24.1%	-19.7%
27514	Chapel Hill	\$338,764	\$329,292	\$258,333	-23.7%	-21.5%
27516	Chapel Hill	\$238,012	\$235,774	\$189,193	-20.5%	-19.8%
27243	Efland	\$142,459	\$139,677	\$113,441	-20.4%	-18.8%
27562	New Hill	\$184,961	\$183,882	\$151,429	-18.1%	-17.6%
27231	Cedar Grove	\$145,888	\$143,333	\$119,778	-17.9%	-16.4%
27705	Durham	\$189,329	\$186,763	\$166,992	-11.8%	-10.6%
27614	Raleigh	\$311,538	\$293,603	\$276,057	-11.4%	-6.0%
27704	Durham	\$134,263	\$136,157	\$120,722	-10.1%	-11.3%

SOURCE: ESRI

Note: ZIP Codes with fewer than 20 households and a population of less than 100 were eliminated from the list. These changes reflect revisions of ZIP Codes by the U.S. Postal Service in addition to any changes in the techniques used by Tele Atlas to define ZIP Code boundaries.



STEVE WILSON

Reichhold's John Gaither says India plant is one-third booked.



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## REICHHOLD: Despite company's growth plans, its revenue has been snared in the economic melt

FROM PAGE 1

blades – were installed in the U.S. last year, says American Wind Energy Association spokeswoman Kathy Belyeu. That growth is expected to decline to 3,300 this year, due in part to the economic downturn.

Wind currently provides 1.5 percent of the country's electricity, and Belyeu says that policies emanating from Washington – such as tax credits – will determine demand over the next few years.

The Ranjangaon plant is Reichhold's first in India; previously the company has supplied customers there from a facility in Dubai.

Reichhold already has penciled in customers for about one-third of the Indian facility's initial capacity. The plant, which is

a little behind schedule, will start out with enough capacity to generate \$20 million in product sales. But there will be room for expansion to five times that amount.

Constructing a plant in Asia – from the planning to the opening – takes Reichhold about three years. Gaither says the firm has started planning a similar facility in China, but it has been postponed due to the struggling global economy.

"I think what they're doing is looking at their product portfolio and reassessing where the growth will be," says Henry Fukuchi, a credit analyst who covers Reichhold for Standard & Poor's.

Privately held Reichhold, which was founded in 1927, generated more than \$1 billion in revenue last year – about 40 percent of which was in North American sales.

In addition to composites, the firm makes products used in paints and coatings. It supplies products to the automotive and construction industries, both of which are wobbling.

Fukuchi says Reichhold's revenue declined by a third, from \$324 million in the first quarter of 2008 to \$213 million in the first quarter of 2009. Reichhold's net income for the first quarter of 2009 was \$2.3 million, compared to \$9.3 million for the same period a year ago, according to S&P.

At the end of April, concerns over the firm's vulnerability to weak demand and other factors caused S&P to downgrade Reichhold to a "B-" corporate credit rating from the "B" rating it previously held. The outlook is negative.

Gaither, a longtime firm executive who

was a protégé of company founder Henry Reichhold, says his firm has been gaining market share at a tough time for chemical companies.

"We're doing fine," he says. "We're going to come out of this OK."

In 2005, Gaither led a nearly \$200 million management buyout of the firm from Japan-based Dainippon Ink and Chemicals, which had been reducing the company's headcount.

Retooling the business has meant more cuts. Since the buyout, the firm has sliced its employee count from 1,500 – including 210 in the Triangle – to 1,400. About 140 employees now work in the Triangle. Once the Indian facility opens, the firm will have 19 active plants – up from 17 in 2006.

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## ZIP CODES: Home values in all six Orange County ZIP codes declined between 2007 and 2009

FROM PAGE 1

But it's a home in a ZIP code where houses are not appreciating in value. In fact, home values in ZIP 27614 have fallen by 11.4 percent over the past two years.

Leach understands why home values are not going up in neighborhoods with higher price tags. "Anything under \$250,000 is selling much faster than homes over \$400,000," she says. "That's the range it is getting really difficult to move homes."

Leach should know. She's a real estate broker.

What is interesting is that a redrawing of home valuation is occurring in the face of economic forces across the Triangle.

An analysis of data supplied by research firm ESRI Inc. shows that median home values in all 46 Triangle ZIP codes are going through some wild gyrations as the robust foreclosure market and inventory of vacant new homes continue to move the needle in all directions. In the numbers lie some interesting tidbits:

■ Orange County is home to the five ZIP Codes that produced the biggest plunges in median home value between 2007 and 2009 – and six of the top seven.

■ The median value of homes in at least 11 ZIP codes in Wake County increased between 2007 and 2009.

■ Residents living in ZIP code 27617 have seen median home values in their neighborhoods rise from about \$308,000 in 2007 to \$346,000 in 2009.

■ ZIP code 27608 in Raleigh has the highest median value (\$382,000) in the Triangle.

### DEALS ON THE TABLE

With 35 of the 46 Triangle ZIP codes registering lower median home values – down anywhere from 1 percent to 24 percent over the past two years – real estate brokers say there are deals to be had in particular areas.

Ed Willer, a veteran agent with Prudential York Simpson Underwood in Raleigh, says that five homes with \$1 million-plus tags sold in the past week, with three of them inside the Raleigh Beltline in ZIP code 27608.

"We continue to see sellers' expectations still way high, and many are not willing to drop their price to get a sale," Willer says. "That is dragging the number of sales down."

And that's bad news for some 8,773 home owners who have their houses in Wake County listed for sale.

As the nation becomes a little more



Jim Beck says most pain is from construction firms.

confident that the economy may not go off the cliff after all, home sellers start thinking that they do not have to lower their prices to complete a deal. But home buyers remain cautious and are unwilling to pay the price listed or even go for a 5 percent reduction.

Listen to Adam York, an economist with Wachovia, and one may start to believe that home buyers may hold the cards.

York says home prices have not dropped enough. "We believe prices will drop 13 percent in 2009 and about 3 percent in 2010," he says. "But you will have pockets of neighborhoods that will continue to buck that trend."

### A BROAD DOWNTURN

From the ZIP code analysis, another pattern is emerging: Areas that were considered immune to value drops may not be so anymore.

"You could see a redrawing of the market because the scale and the scope of this market downturn is so broad," York adds.

And what may keep the home prices from escalating rapidly is the rising fear that the nation's home appraisal system is broken.

Citing a need for stricter regulation, lenders already want appraisers to be cautious when valuing homes. And just like the pendulum shifts from one side to another, expect appraisers to take a conservative approach when coming to slapping a value on homes.

"The appraisal industry shares the blame for the mortgage meltdown," says Stacey Anfindsen, who runs Birch Appraisal Group in Cary. "The industry already has to adhere to new rules that are being forced on us. There will be no more direct contact between the appraiser and the originator/processor that

### HOW IS YOUR HOME FARING?

Several Raleigh-area ZIP codes have gained in median-home values in the past two years.

ZIP	Post Office Name	'07 Median Home Value	'08 Median Home Value	'09 Median Home Value	Change from '07 to '09	Change from '08 to '09
27597	Zebulon	\$129,821	\$139,190	\$117,927	-9.2%	-15.3%
27713	Durham	\$204,701	\$204,721	\$186,075	-9.1%	-9.1%
27701	Durham	\$129,001	\$133,084	\$117,535	-8.9%	-11.7%
27591	Wendell	\$136,304	\$145,109	\$124,204	-8.9%	-14.4%
27712	Durham	\$209,536	\$214,565	\$195,704	-6.6%	-8.8%
27707	Durham	\$199,519	\$206,702	\$188,314	-5.6%	-8.9%
27601	Raleigh	\$127,160	\$139,219	\$120,278	-5.4%	-13.6%
27571	Rolesville	\$187,500	\$197,321	\$177,532	-5.3%	-10.0%
27560	Morrisville	\$361,380	\$354,490	\$342,391	-5.3%	-3.4%
27603	Raleigh	\$164,487	\$174,943	\$155,881	-5.2%	-10.9%
27587	Wake Forest	\$206,175	\$219,289	\$196,610	-4.6%	-10.3%
27503	Bahama	\$239,500	\$243,013	\$228,791	-4.5%	-5.9%
27616	Raleigh	\$178,243	\$189,297	\$170,668	-4.2%	-9.8%
27502	Apex	\$235,580	\$246,332	\$227,370	-3.5%	-7.7%
27610	Raleigh	\$138,742	\$149,221	\$134,911	-2.8%	-9.6%
27703	Durham	\$149,797	\$158,567	\$145,887	-2.6%	-8.0%
27539	Apex	\$237,851	\$251,983	\$231,673	-2.6%	-8.1%
27613	Raleigh	\$255,950	\$271,823	\$249,986	-2.3%	-8.0%
27519	Cary	\$316,246	\$331,323	\$309,512	-2.1%	-6.6%
27604	Raleigh	\$178,400	\$189,853	\$175,592	-1.6%	-7.5%
27513	Cary	\$246,139	\$262,060	\$242,804	-1.4%	-7.3%
27606	Raleigh	\$210,261	\$228,574	\$207,430	-1.3%	-9.3%
27592	Willow Spring	\$146,995	\$161,235	\$145,936	-0.7%	-9.5%
27605	Raleigh	\$244,884	\$261,667	\$242,722	-0.5%	-6.9%
27529	Garner	\$157,548	\$171,731	\$158,053	-0.3%	-8.0%
27612	Raleigh	\$264,129	\$280,542	\$265,135	0.4%	-5.5%
27607	Raleigh	\$273,259	\$289,393	\$274,442	0.4%	-5.2%
27545	Knightdale	\$153,793	\$165,752	\$154,763	0.6%	-6.6%
27609	Raleigh	\$217,544	\$232,060	\$219,404	0.9%	-5.5%
27540	Holly Springs	\$205,889	\$219,685	\$208,611	1.3%	-5.0%
27511	Cary	\$214,935	\$229,726	\$217,832	1.3%	-5.2%
27615	Raleigh	\$274,826	\$292,716	\$279,520	1.7%	-4.5%
27518	Cary	\$353,832	\$387,815	\$369,398	4.4%	-4.7%
27608	Raleigh	\$359,457	\$389,226	\$382,708	6.5%	-1.7%
27617	Raleigh	\$307,955	\$360,348	\$346,120	12.4%	-3.9%

SOURCE: ESRI

Note: ZIP Codes with fewer than 20 households and a population of less than 100 were eliminated from the list. These changes reflect revisions of ZIP Codes by the U.S. Postal Service in addition to any changes in the techniques used by Tele Atlas to define ZIP Code boundaries.



ordered the appraisal. We now have to deal with some appraisal management company who now (has) to be paid."

But there are signs of hope that could get Triangle home sales and home prices going north.

Bank estimates suggest that the number of homes held under foreclosure by banks is dwindling. During the first quarter, banks held off on foreclosing due to pressure from the government. That mode has changed in the past couple of months, as banks are beginning to clear their books by foreclosing on properties and getting rid of them privately or through the open market.

Community banks generally are holders of an equity line, not the original loan,

says Jim Beck, president of Raleigh's TrustAtlantic Bank. "But I must say most of the exposure for the community banks has been with builders. And there may be more to come."

On May 26, the Federal Housing Finance Agency came out with a report that may further calm the fears of area homeowners.

According to the FHFA data, the Raleigh-Cary market is the 51st strongest in the nation, based on the annual change in home prices. FHFA calculated the price change after analyzing purchase and refinance data. In FHFA's same list, the Durham-Chapel Hill metro ranked 45th among 294 metro areas.

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