



Thomas F. Darden, chief executive of Cherokee Investment Partners, has long combined investing with his interest in environmental cleanup. The company is preparing to close on its third venture fund later this month.

STAFF PHOTO BY JIM BOUNDS

Capitalists clean up

Cherokee Investment Partners serves investors, saves polluted properties

CHEROKEE INVESTMENT PARTNERS
FOUNDED: 1997

CHIEF EXECUTIVE OFFICER:
Thomas F. Darden

EMPLOYEES: 28

HEADQUARTERS: Raleigh

BUSINESS: Buying polluted land, or brownfields, overseeing its cleanup and selling for a profit to developers.

PROJECTS: The company owns 65 sites worldwide, including a defunct textile mill in Mooresville; a tract of Meadowlands property in New Jersey; and a former paint plant on San Francisco Bay.

NEWEST FUND: Cherokee's third fund, which will start the closing process this month, is expected to be \$500 million, double the size of its second fund.

BY CHRISTINA DYRNESS
STAFF WRITER

RALEIGH — One of the largest venture-capital firms in the state keeps a low profile.

But Thomas F. Darden, chief executive of Raleigh-based Cherokee Investment Partners, enjoys a white-hat reputation that eludes other so-called "vulture capitalists."

Later this month, Darden will close Cherokee's third venture fund, which is expected to receive about \$500 million from investors, more than double the size of the firm's second fund. That will make it one of the biggest venture funds in North Carolina.

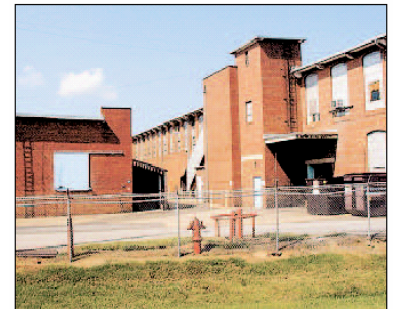
The money, raised from institutional investors such as state pension funds and corporate trusts, will be used to buy polluted properties, also called brownfields, clean them up and sell them to developers with healthy annual returns in excess of 20 percent. Cherokee, one of the few companies in the world that specializes in this type of investment, repeats the formula from industrial sites near London to a former paint manufacturing site on San Francisco Bay to a defunct textile mill in Mooresville.

"It's about the only thing I know of that pleases everyone," said Chrystal Bartlett, public information officer for the N.C. Department of Environment and Natural Resources' waste management division, which tracks the state's brownfield remediation. "City fathers, activists and politicians — getting all three of them to grin at once is ... difficult."

And it's something Darden loves doing. "There's a lot of pollution out there. We're doing more cleaning than any private-sector entity," Darden said. "I feel really good about that."

Make no mistake: Cherokee's bottom-line commitment is to delivering returns to its investors. So it doesn't spend much time tooting its environmental horn; instead, the company watches for the right deal.

Darden says his goal is to give his investors an annual return of more than 20 percent — actual returns to date have been significantly higher. The way Cherokee is structured, the investors get all their invested cash back plus all the profit up to a



Cherokee is restoring this former textile mill in Mooresville, possibly to turn it into a NASCAR industrial park.

PHOTO COURTESY OF CHEROKEE INVESTMENT PARTNERS

10 percent return. Any profit above that and Cherokee gets to keep 20 percent of it, with the rest further lining investors' pockets.

"This is not a business where you can have venture capital-like returns," Darden said. Traditional VCs, which earn the derisive nickname "vulture capitalist" when they demand too much control at companies they finance, invest their money in companies for a long period of time. If they win big, VC investors can get back two, four or 10 times their original investment. Cherokee's returns are relatively smaller because it holds the properties for an average of only three years while the sites are cleaned up.

In June, Cherokee bought an abandoned textile mill in Mooresville and plans to spend about \$6 million to remove toxins from the ground and renovate the buildings. Once cleaned and restored, the company plans to market the historic site as a facility for vendors in the stock car business, possibly turning it into a NASCAR industrial park.

"We couldn't be more pleased that someone

MOORESVILLE LOCATION



The News & Observer

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THOMAS F. DARDEN

CHIEF EXECUTIVE OFFICER, CHEROKEE INVESTMENT PARTNERS

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has taken on this project," said Rick McLean, Mooresville's town manager. "We've been concerned because the facility was standing vacant and we're excited that [Cherokee] is doing something with it."

A market report published last month on the Web site of trade publication Brownfield News (**brownfieldcentral.com**) identifies Cherokee as one of the few dedicated investors riding what the report calls the "roller coaster" of brownfield investments — real estate deals made more risky by the pollution factor. "As the market matures, it is becoming more difficult to find brownfield investments that will generate yields north of 30 percent," the report reads.

Darden is the first to admit that the type of investing Cherokee does is anything but risk-free. The same perils of average real-estate deals apply — Will it sell at a profit? Is it ripe for development? — with the added headache of dealing with environmental regulators, local governments and the chance that the cleanup efforts will drag on longer and cost more than anticipated.

Cherokee, which has its headquarters in Raleigh near Cameron Village, employs 28 people including two in London, six in Denver and one in New York. There are plans to hire a handful of new employees as the new fund gets under way and the firm expands its presence in Europe to look for potential investments there.

There are few Cherokee investments in the Triangle, but the company did put money into Raleigh's North Hills Mall, where there are problems with an old gasoline leak in the parking lot — a property that Kane Realty of Raleigh is planning to renovate with the help of Cherokee funds.

Darden, 47, got his start in environmental remediation through his involvement in the brick business. In 1984, Darden bought four regional brick companies that became Cherokee Sanford Brick.

Darden, who had studied at the University of North Carolina at Chapel Hill's regional planning school before attending law school at Yale, had an interest in environmental issues. He started a subsidiary called Cherokee Environmental Group after cleaning up an oil-contaminated site at a brick plant west of Sanford.

Darden remained involved with Cherokee Brick and was its chairman when it was sold in 2000 to an Austrian company.

The investment arm of Cherokee began in November 1993 with a first, informal brownfields deal: \$670,000 spent on three contaminated sites in California. By 1997, Cherokee was making investments out of an official venture-capital fund, which invested about \$35 million in polluted property.

The second fund, which closed in August 1999, came in at \$250 million. The newest fund, which Darden expects to be about \$500 million, includes mostly repeat investors such as the state of Washington's pension system, which committed \$250 million.

One of Cherokee's more interesting sites in the works — the company currently owns 65 worldwide — is 1,200 acres south of Giants Stadium in New Jersey's Meadowlands.

Cherokee, which will spend about \$90 million cleaning up the site, has created a subsidiary company to help with development. A short drive from Manhattan, nestled between the New Jersey Turnpike and two rail lines, the chunk of prime real estate is slated to become an upscale golf-course community along with a mix of residential, retail and office space.

Although other specialized companies do the occasional deal, Cherokee is alone in its role as a sizable venture fund concentrating on brownfield investment. But Tony Duque, brownfield project manager at the N.C. Division of Waste Management, wonders whether that's soon to change.

"I think Cherokee is representative of what will be a growing trend," Duque said. A gradual loosening of state and federal regulations concerning brownfields will serve to make the sites more attractive to developers, Duque predicts. "It's all about education. I think we will see more of it."

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