

F E A T U R E

RAPID-FIRE GROWTH

*Locked and loaded, Epic Games blasts its way
up this year's ranking of private companies.*

By Erin Dunn

*CFO Joe Babcock suits up to show
off the motion-capture technology
that helps create the lifelike effects
his company's games are known for.*

PHOTOGRAPHY BY STEVE EXUM

The deathwatch started in May. Providence, R.I.-based 38 Studios LLC, a video-game maker started by former Boston Red Sox pitching ace Curt Schilling, was suffocating under an overly ambitious concept for a game and unbridled spending. It was about to default on a \$75 million loan from the state of Rhode Island, and though the governor said he was fighting to keep the company alive, its nearly 400 employees, many of whom hadn't been paid in weeks, would be out of a job within a month. Facing an uncertain future, workers at its subsidiary in Baltimore, Big Huge Games Inc., hatched a plan to create a new, independent studio. They approached Epic Games Inc. about using one of its games to build a demo on, but the Cary-based company had another idea.

Epic Games has always thrived on new technology. Its mobile-based hit Infinity Blade is the latest example.

"In one of life's coincidences, Epic's directors had spent the morning discussing how we'd love to build even more successful projects with our growing team," President Michael Capps wrote on the company's blog, "but that we'd need a dramatic infusion of top talent to do so. Which, we all knew, was impossible." A few days later on June 7, 38 Studios filed for Chapter 7 bankruptcy. Two months after that, Epic opened Impossible Studios in Hunt Valley, Md., hiring 36 of Big Huge's roughly 100 former employees.

That's one way for a company to grow, but the main reason Epic leaped from No. 91 to 30 on Grant Thornton's North Carolina 100, an annual ranking of the state's closely held companies based on the previous year's

revenue, was its release of *Gears of War 3* in September 2011. Originally retailing around \$60, 6 million copies have been sold. Epic, which declines to release its revenue but was ranked among companies with between \$250 million and \$499 million, was the biggest gainer on this year's list. From a business CEO Tim Sweeney started 21 years ago in his parents' basement in Potomac, Md., Epic is now a company with global reach that employs roughly 300 people.

Though it's anything but your typical Tar Heel private company, Epic is growing the same way that others on the North Carolina 100 are: by investing in people, products and partnerships. "Successful companies started stockpiling cash and sitting on the sidelines

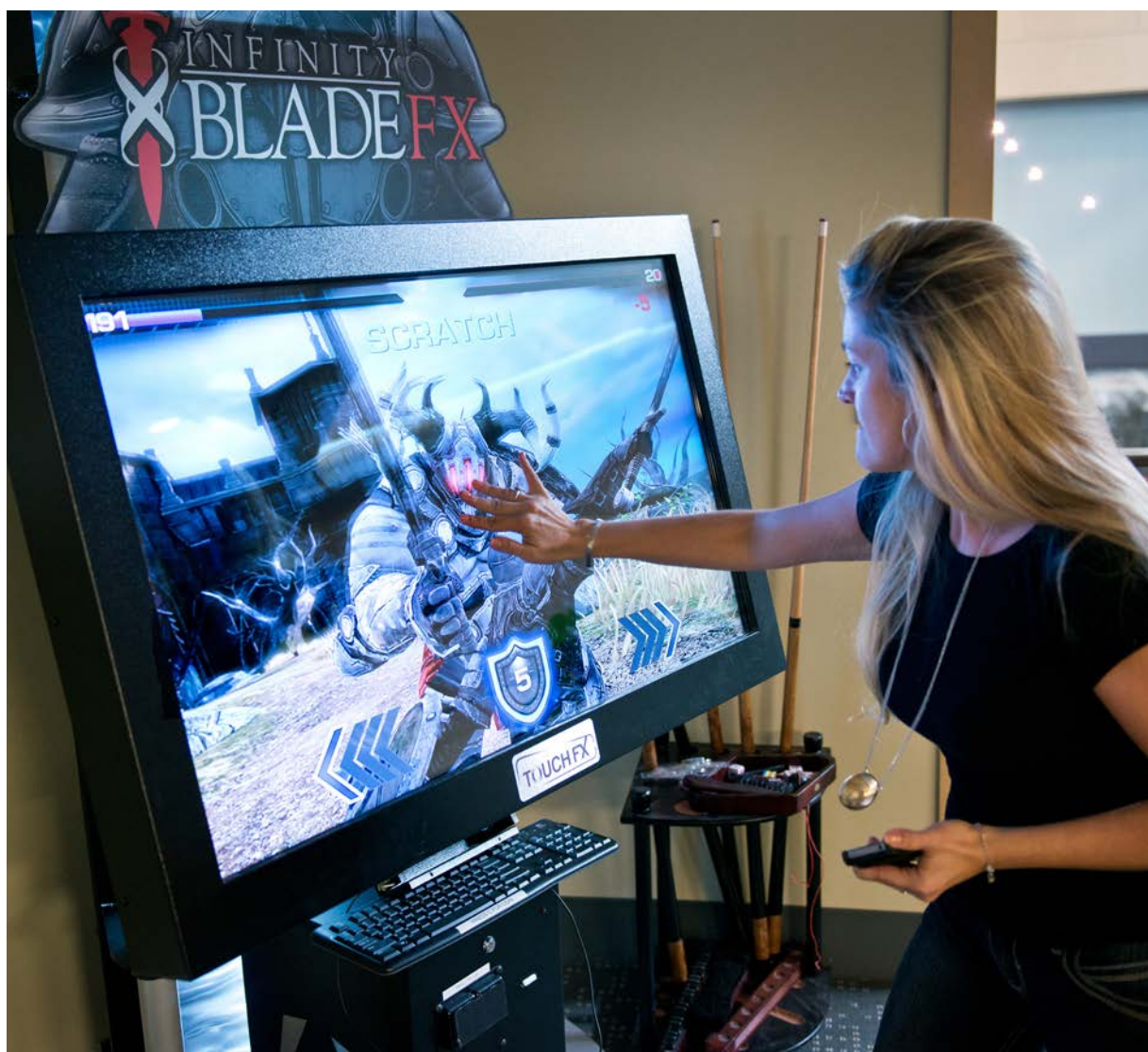
during the economic downturn," says Mike Ryan, Grant Thornton LLP's audit practice leader in the Carolinas. "Today those companies are looking for ways to deploy capital and grow their business. Not only are they making capital investments that were deferred during the recessionary period,

"Companies are looking for ways to deploy capital and grow their business."

they're considering acquisitions to achieve their growth objectives."

Recruiting talent is especially important in the ultracompetitive gaming industry, but it's tough for applicants to win their way onto Epic's payroll. "It's harder to get a job here than the CIA," Chief Financial Officer Joe Babcock says, half-joking. Median experience is 10 years, but the 165 employees at Cary headquarters who have made the cut get extras such as in-house fitness classes, a stocked kitchen and pantry and surroundings that exude cool — a giant slide connecting the first and second floors, a rock-climbing wall and a stairway tagged with graffiti depicting many of Epic's gaming characters. There's a motion-capture studio where actors are filmed, their movements used to make animation more lifelike. This summer, it reportedly hosted crews filming *Iron Man 3*, a claim neither denied nor confirmed by the company. But the security code required to enter the building signals that serious research and development is under way.

Nestled between a sprawling suburban strip mall and luxury apartments, Epic's 115,000-square-foot headquarters is identified by no more than a stone marker inscribed with its street number. After moving from Maryland in the late 1990s, its staff grew to the point the 30,000-square-foot building had to be expanded 2½ years ago. The company has always thrived on new technology. A downstairs corridor showcases the covers of the more than 40 games it has released, starting with *ZZT*, which was distributed on 3½-inch



HOW TOP PRIVATE COMPANIES ARE GROWING

Acquisitions/expansions

Peak 10 Inc. This Charlotte company has kept adding data centers, which it operates for small- and medium-size companies in midmarket cities. Peak will soon open its 24th and is in talks to build a 25th at an undisclosed location, CEO Dave Jones says. Companies outsourcing informa-

tion technology have fueled its double-digit annual growth in revenue and net income.

VPS Convenience Store

Group LLC In January, the Wilmington-based owner of the Scotchman and Village Pantry chains bought seven convenience stores in central Illinois, its third acquisition in about a year, which

helped it move from sixth to fourth in the ranking. It now operates more than 420 stores in the South, Midwest and Mid-Atlantic.

Reinvesting/rebranding

Belk Inc. The Charlotte-based retailer and largest company on the list, with revenue of \$3.7 billion its last fiscal year, is in the midst of a

\$600 million effort to rebrand and remodel its department stores.

Concord Hospitality

Enterprises Co. The Raleigh-based operator of more than 80 hotels invested \$18.5 million renovating more than a quarter of them last year and more than \$6 million converting a 32,000-square-foot building into its new headquarters.

Concord, which made its debut on the list this year at No. 19, spent \$7 million in the first quarter of 2012 on renovations.

New products

Bandwidth.com Inc. The fast-growing Cary communications-technology company is moving this fall to N.C. State University's

Centennial Campus to take over Raleigh-based software maker Red Hat Inc.'s former headquarters. One of its most-anticipated products is a phone that lets users make calls over a Wi-Fi network. It's in the testing phase.

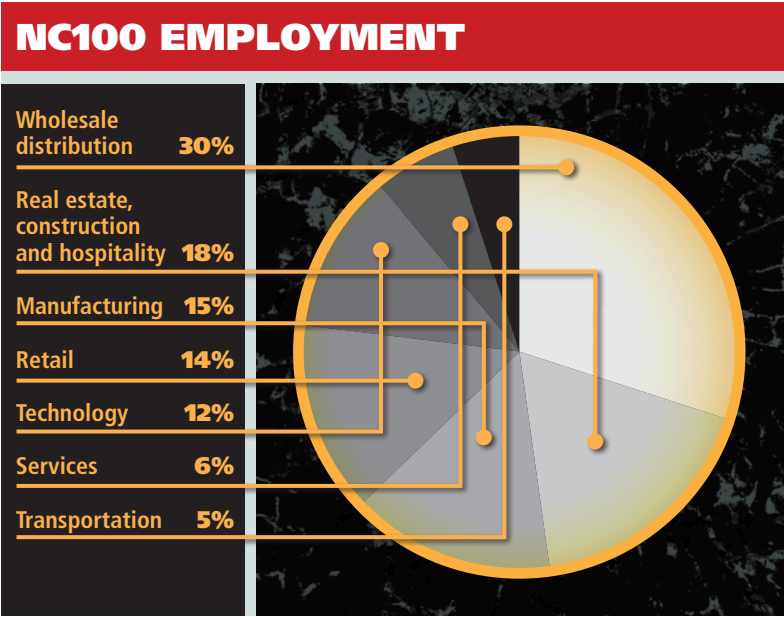
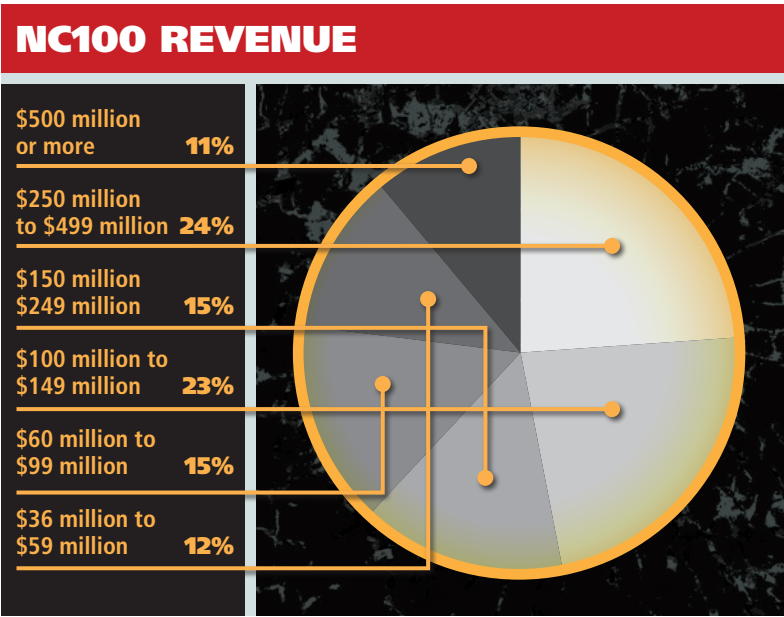
S&D Coffee Inc. The Concord coffee roaster and distributor is adding more lines of tea to its

product mix and is searching for a site for a new production and distribution operation.

New partners

AmWINS Group Inc. The Charlotte-based wholesale insurance distributor teamed up this year with New York-based private-equity group New Mountain Capital

for a \$1.3 billion recapitalization so AmWINS can grow organically and through acquisitions. In September, the company announced it would purchase Stevens Point, Wis.-based Special Markets Insurance Consultants Inc., which underwrites insurance for schools, youth groups and sports associations.



diskettes, to its latest hit, the *Infinity Blade* series for mobile devices. It's a reminder that every Epic product must surpass not only competitors but also its previous games. "It's very hard to succeed as an independent game developer," Babcock says. "It's a high-risk business. Most game developers have a hard time making it. If their game isn't as successful as they hoped, they wind up having to close their doors."

That's how Epic wound up with the Big Huge Games employees, who are helping it expand in mobile gaming. Epic is betting its complex, graphics-rich games will set it apart from other popular offerings. "*Angry Birds* is doing very well, but *Angry Birds* is a casual game," Babcock says. "We're trying to bring that AAA experience, that high-quality game play and stunning visual graphics, to the mobile device." The *Infinity Blade* mobile game and its follow-up have raked in more than \$30 million. The role-playing game will get a second sequel later this year with *Infinity Blade: Dungeons*, which is being partly developed by Impossible Studios. "They have a very cohesive team for game development, and we're looking to leverage that," Babcock says.

In August, days after opening Impossible Studios, Epic announced that it had bought People Can Fly, the Polish studio behind the popular *Painkiller* personal-computer game. It has held a majority stake since 2007. The studio is helping develop *Gears of War: Judgment*, a prequel to the billion-dollar trilogy that will be released in March. Epic's latest

venture is a new studio in Seattle, a U.S. gaming hub. It will hire at least seven developers there, tapping talent to work on its newest software, Unreal Engine 4. Unreal Engine is an important part of Epic's success story. It's not a game but a platform the company developed that allows designers to make their own games and create effects such as reflections and shadowing as well as establish how characters interact with surroundings. Epic began licensing its technology in the mid-1990s, but business really took off in 2006 with the introduction of Unreal Engine 3. It has spawned more than 300 games. In addition to Epic's own *Gears of War* series, they include Quincy, Mass.-based Irrational Games LLC's *BioShock* and a series of Batman games by United Kingdom-based Rocksteady Studios.

Epic unveiled Unreal Engine 4 in March at the Game Developers Conference in San Francisco. Contemporary consoles — Seattle-based Microsoft Corp.'s Xbox 360 and Tokyo-based Sony Corp.'s PlayStation 3 are more than 5 years old — will soon be obsolete. Unreal Engine 4 is partly an attempt to dictate the power necessary in the next generation. "It's always a race between the software and the hardware, and this is true in the computer industry in general but very true in gaming because it's so leading-edge," says R. Michael Young, a computer-science professor and executive director of N.C. State University's Digital Games Research Initiative. "It's not uncommon for the toolmakers, the software makers like Epic, to create tools that are so



It's not easy to get a job at Epic, but those who make the cut are treated to perks such as a climbing wall at its headquarters.





More games mean more revenue and chances to reinvest. Epic wants to move into new markets and onto new platforms.

demanding that no commercially available hardware can run the games you can produce with them. And then the hardware makers just race for the next six months to eight months to put out the capabilities. It's like leapfrog with the back and forth.”

To illustrate Unreal Engine 4's power, Epic created a demonstration featuring a monstrous knight awakening in the ruins of a

Wired called Epic's software “nothing less than the foundation for the next decade of gaming.”

mountain fortress, flames shooting from his eyes. Lava spills out across the craggy stone floor as he dislodges a massive sledgehammer that was seemingly frozen in place. Once he emerges from the collapsing edifice, snow swirling around frozen peaks and a smoldering volcano become visible in the background. The sparks that fly around the magma and other effects are examples of Epic's advanced technology, but the software's most important feature might be the time it promises to shave off development. “You can string together different objects and game-playing components basically without

writing a lot of code, which has not been done,” Babcock says. That efficiency means time and money saved for both the company and its customers. *Wired* magazine called it “nothing less than the foundation for the next decade of gaming.” It's still in development, but its first release will be the personal computer-based *Fortnite*, a survival game expected out next year.

More games, ultimately, mean more revenue and more chances to reinvest. The company isn't looking to go public anytime soon, but does want to continue growth into new platforms and markets. It already has several offices in Asia as well as London but is eyeing more global expansion. It took on a minority investor, China-based Tencent Holdings Ltd., in June for an undisclosed stake. “A lot of the value there comes from the partnership and their ability to allow us the access into those markets. The Chinese market in particular is very hard to break into,” Babcock says. Tencent, an Internet and mobile company, also has strong ties to Latin America, which has devoured the *Gears* franchise. “I would say our acquisition strategy is that we're looking for something that happens by a serendipitous relationship,” Babcock says. “They're just a group of guys and talent that we cannot walk away from.”

HOW THE LIST WAS DONE

Since 1984, the Grant Thornton North Carolina 100 has ranked the state's largest private companies. Inclusion in the NC100 is voluntary, and rankings are based on revenue in the most recent fiscal year. To be considered, companies must be headquartered in North Carolina, may not be a subsidiary of another company or have publicly traded stock. Companies owned by private equity are allowed. Nonprofit, financial-services and health-care companies are excluded from the ranking. Companies interested in participating in the program should contact Allison Barry at gt-carolinas@us.gt.com. For more on the awards, visit www.gt.com/nc100.

NORTH CAROLINA'S TOP 100 PRIVATE COMPANIES

COMPILED BY GRANT THORNTON LLP

'12 rank	'11 rank	Company	Headquarters	CEO	Employees	Business
\$500 MILLION OR MORE IN REVENUE (latest fiscal year)						
1	1	Belk Inc.	Charlotte	Tim Belk	23,000	Owner and operator of Belk department stores
2	2	General Parts International Inc.	Raleigh	O. Temple Sloan III	12,000	Distributor of automotive replacement parts
3	3	SAS Institute Inc.	Cary	Jim Goodnight	12,562	Software developer
4	6	VPS Convenience Store Group LLC	Wilmington	Jeff Turpin	3,490	Convenience-store operator
5	7	New NGC Inc. ¹	Charlotte	Thomas C. Nelson	2,050	Manufacturer of wallboard products
6	8	Lord Corp.	Cary	Richard McNeel	2,804	Manufacturer of adhesives, coating and motion controls
7	9	J.T. Davenport & Sons Inc.	Sanford	J.T. Davenport Jr.	310	Convenience-store supplier
8	10	New Breed Logistics Inc.	High Point	Louis DeJoy	7,500	Distribution, logistics and supply-chain consultant
9	11	Sampson-Bladen Oil Co.	Clinton	Rogers H. Clark	615	Wholesaler, retailer and transporter of petroleum products
10	12	Renfro Corp.	Mount Airy	Bud Kilby	5,000	Sock maker
11	15	S&D Coffee Inc.	Concord	Ron Hinson	911	Manufacturer of coffee and tea
\$250 MILLION TO \$499 MILLION						
12	14	Barnhill Contracting Co.	Tarboro	Robert E. Barnhill Jr.	1,000	General contractor
13	13	Industrial Distribution Group Inc.	Belmont	Charles A. Lingenfelter	1,110	Distributor of industrial supplies and supply-chain consultant
14	18	Pharr Yarns LLC	McAdenville	J.M. Carstarphen	1,650	Yarn maker
15	17	Golden Corral Corp.	Raleigh	Ted Fowler	6,500	Restaurant operator
16	22	AmWINS Group Inc.	Charlotte	M. Steven DeCarlo	2,397	Wholesale insurance distributor
17	24	Warren Oil Co.	Dunn	W.I. Warren	405	Manufacturer of petroleum products
18	23	Southco Distributing Co.	Goldsboro	Sherwin Herring	185	Convenience-store supplier
19	—	Concord Hospitality Enterprises Co.	Raleigh	Mark Laport	3,600	Hotel manager and developer
20	—	Global Knowledge Training LLC	Cary	Brian K. Branson	1,288	Information technology and business-skills trainer
21	25	Kimley-Horn and Associates Inc.	Cary	Mark Wilson	1,535	Provider of engineering and land-planning services
22	—	Harvey Enterprises Inc.	Kinston	John McNairy	842	Distributor of farm equipment and petroleum products
23	30	Transportation Insight LLC	Hickory	D. Paul Thompson	127	Logistics consultant
24	27	Atlantic Corporation of Wilmington Inc.	Wilmington	Russell M. Carter	643	Distributor of industrial-packaging material; paper converter
25	20	Rodgers Builders Inc.	Charlotte	Patricia A. Rodgers	265	Construction manager
26	28	Market America Inc.	Greensboro	James Ridinger	675	Product brokerage and Internet marketer
27	33	SteelFab Inc.	Charlotte	Ronald G. Sherrill	650	Steel fabricator
28	29	Gregory Poole Equipment Co.	Raleigh	J. Gregory Poole III	850	Dealer of construction and other equipment
29	26	Pate-Dawson Co.	Goldsboro	Malcolm R. Sullivan Jr.	412	Restaurant supplier
30	91	Epic Games Inc.	Cary	Tim Sweeney	150	Video-game developer

¹ does business as National Gypsum Co.

NORTH CAROLINA'S TOP 100 PRIVATE COMPANIES

'11 rank	'10 rank	Company	Headquarters	CEO	Employees	Business
\$250 MILLION TO \$499 MILLION						
31	31	BHI Exchange Inc.	Charlotte	Randy Kibler	6,000	Operator and franchiser of fast-food restaurants
32	34	Snider Tire Inc.	Greensboro	John Snider	850	Tire manufacturer and service provider
33	35	Carolina Tractor & Equipment Co.	Charlotte	Ed Weisiger Jr.	588	Distributor of construction and industrial equipment
34	21	Clancy & Theys Construction Co.	Raleigh	Tim Clancy	300	General contractor and construction manager
35	32	M.R. Williams Inc.	Henderson	Lawson Williams	201	Convenience-store supplier
\$150 MILLION TO \$249 MILLION						
36	—	James R. Vannoy Construction Co.	Jefferson	William E. Vannoy	170	General contractor
37	36	BJT Inc. ²	Raleigh	William T. Kennedy	650	Wine and beer distributor
38	41	Crowder Construction Co.	Charlotte	Otis A. Crowder	800	General contractor
39	40	Captive-Aire Systems Inc.	Raleigh	Robert L. Luddy	650	Manufacturer of kitchen-ventilation equipment
40	39	Epes Carriers Inc.	Greensboro	Al Bodford	1,548	Freight hauler
41	38	Carolina Wholesale Group Inc.	Charlotte	Larry Huneycutt	200	Distributor of office supplies
42	44	Cummins Atlantic LLC	Charlotte	Michael F. Grace	409	Distributor of engines and generators
43	74	Samet Corp.	Greensboro	Arthur L. Samet	117	General contractor and developer
44	48	Colony Tire Corp.	Edenton	Charles A. Creighton	600	Tire retailer, servicer and distributor
45	50	Campbell Oil Co.	Elizabethtown	D.M. Campbell Jr.	176	Distributor of petroleum products; operator of convenience stores
46	42	T. A. Loving Co.	Goldsboro	Sam Hunter	285	General contractor
47	52	New Apple Inc. ³	Raleigh	Michael D. Olander	5,025	Restaurant franchisee
48	46	Tencarva Machinery Co.	Greensboro	Rod Lee	305	Distributor of liquid- and air-handling equipment
49	43	Sports Endeavors Inc.	Hillsborough	Mike Moylan	310	Catalog and Internet retailer of sporting goods
50	59	Eden Oil Co.	Reidsville	Reid Teague	16	Distributor of petroleum products
\$100 MILLION TO \$149 MILLION						
51	47	Coastal Wholesale Inc.	Kinston	Merle Edwards	127	Convenience-store supplier
52	49	Salem Holding Co.	Winston-Salem	Thomas L. Teague	862	Provider of transportation and truck-leasing services
53	45	ECMD Inc.	North Wilkesboro	J. Allen Dyer	505	Maker of building products
54	66	Oliver Oil Co.	Lumberton	Christopher L. Oliver	96	Distributor of petroleum products; operator of convenience stores
55	51	Acme-McCrary Corp.	Asheboro	Neal A. Anderson	1,200	Apparel manufacturer
56	61	Blythe Development Co.	Charlotte	L. Jack Blythe	450	General contractor
57	—	CMH Space Flooring Products Inc.	Wadesboro	Hoy Lanning Jr.	270	Wholesale distributor of flooring products
58	63	Carolina Handling LLC	Charlotte	Thomas Hilton	403	Distributor of material-handling equipment
59	72	S&ME Inc.	Raleigh	Randall Neuhaus	975	Engineering consulting firm
60	53	Geneva LLC	Greensboro	Philip D. Fowler III	185	Distributor of engines and generators
61	55	Precision Walls Inc.	Cary	Brian Allen	896	Building contractor
62	—	Tri-Arc Food Systems Inc.	Raleigh	Tommy Haddock	2,411	Restaurant franchisee
63	54	Baker Roofing Co.	Raleigh	John Matthews	667	Roofing contractor
64	57	JF Acquisition LLC ⁴	Raleigh	Sterling R. Baker II	317	Energy infrastructure installer, service provider and distributor

² does business as Mutual Distributing Co. ³ does business as Applebee’s Neighborhood Grill & Bar ⁴ does business as Jones & Frank

'11 rank	'10 rank	Company	Headquarters	CEO	Employees	Business
65	56	Camco Manufacturing Inc.	Greensboro	Donald R. Caine	281	Manufacturer of automotive accessories and hardware
66	58	Radiator Specialty Co.	Indian Trail	John Huber	189	Manufacturer of automotive chemicals and parts
67	62	Electrical Equipment Co.	Raleigh	T. Jackson Lawson	246	Distributor of electrical equipment
68	67	Peak 10 Inc.	Charlotte	Dave Jones	305	Data-center operator
69	60	Tar Heel Capital Corp. No. 2	Boone	Jim Furman Sr.	2,500	Wendy’s franchisee
70	75	DuBose Steel Inc. of North Carolina	Roseboro	Tom Harrington	165	Steel distributor
71	79	Bandwidth.com Inc.	Cary	David Morken	170	Provider of Internet, phone and data services
72	68	BestSweet Inc.	Mooresville	Richard Zulman	300	Manufacturer of candy, cough drops and dietary supplements
73	69	Best Services Group Inc.	Kernersville	Dave Reich Jr.	420	Trucking services
\$60 MILLION TO \$99 MILLION						
74	64	Security Forces Inc. ⁵	Charlotte	Lawrence J. O’Brien Jr.	3,400	Security contractor
75	—	InVue Security Products Inc.	Charlotte	Jim Sankey	162	Security provider
76	—	RSM Co.	Charlotte	Rob Harris	33	Yarn manufacturer
77	76	Morrisette Paper Co.	Browns Summit	Bill Morrisette Jr.	200	Distributor of paper and other products
78	73	Parata Systems LLC	Durham	Tom Rhoads	365	Pharmacy-equipment manufacturer
79	82	STI Holdings Inc. ⁶	Charlotte	Wayne B. Smith Jr.	230	Distributor of landscaping equipment
80	80	Replacements Ltd.	Greensboro	Bob Page	452	Retailer of dishes and other tableware
81	81	Measurement Inc.	Durham	Henry H. Scherich	386	Education-testing contractor
82	83	Edifice Inc.	Charlotte	N. Eric Laster	57	General contractor
83	88	DuBose Strapping Inc.	Clinton	Charles H. DuBose Jr.	110	Manufacturer and distributor of steel-banding material
84	100	Myers & Chapman Inc.	Charlotte	Bob Webb	43	General contractor
85	89	Carotek Inc.	Matthews	Addison Bell	135	Distributor of industrial equipment
86	90	Broad River Furniture Inc. ⁷	Charlotte	Jonathan Ishee	325	Licensee of Ashley Furniture
87	85	Clarkston-Potomac Group Inc.	Durham	Thomas W. Finegan	265	Management and technology consulting firm
88	98	Alliance of Professionals & Consultants Inc.	Raleigh	Roy Roberts	689	Professional and staffing-services company
\$30 MILLION TO \$59 MILLION						
89	87	Pine Hall Brick Co.	Winston-Salem	W. Fletcher Steele	230	Brick maker
90	93	Epes Logistics Services Inc.	Greensboro	Jason Bodford	56	Logistics consultant
91	92	McGee Brothers Co.	Monroe	Sam McGee	400	Masonry subcontractor
92	95	CPI Security Systems Inc.	Charlotte	Kenneth J. Gill	329	Security-system monitor
93	—	MegaCorp Logistics LLC	Wilmington	Denise Legg	82	Logistics consultant
94	97	Systel Business Equipment Co.	Fayetteville	D. Keith Allison	252	Independent electronics dealer and servicer
95	96	The Systems Depot Inc.	Hickory	Wade Moose	92	Distributor of electronic devices
96	86	Hickory Construction Co.	Hickory	C. Mark Baucom	65	General contractor
97	—	Medallion Transport & Logistics LLC	Mooresville	Gary Weilheimer	18	Transportation and logistics company
98	99	APEX Analytix Inc.	Greensboro	Steve Yurko	247	Software developer
99	—	DuBose National Energy Services Inc.	Clinton	Carl M. Rogers	101	Metals supplier to the nuclear power plant industry
100	—	Allen Industries Inc.	Greensboro	Tom Allen	240	Sign manufacturer

⁵ acquired in October 2011 by Santa Ana, Calif.-based Universal Protection Service ⁶ does business as Smith Turf & Irrigation and STI Turf Care Equipment ⁷ does business as Ashley Furniture HomeStore