

Member groups out of their league in Dallas

If you couldn't make it to Dallas for the Bastille Day festivities, here are a few behind-the-scenes highlights from the Landmark auction:

It's hard to feel true sympathy for the members of PGA West and Palm Beach Polo and Country Club, who may have lost their bids but still have their Jaguars. However, they never stood a fighting chance when the Wall Street behemoths set their minds to acquiring these jewels of the golf resort world.

Jim Gilstrap worked long and hard to organize his fellow PGA West members and raise money — a lot of money. The PGA West member group was prepared to spend about \$105 million, and ended up bidding \$131 million with the help of real-estate partner Alan Paulson ("He was buying the dirt, we were buying the golf," Gilstrap explained).

But it mattered little when the smoke cleared. "We were afraid it might turn into a Wall Street bidding war, and it turned into a Wall Street bidding war," said Gilstrap, whose club was sold to KSL Recreation for \$140 million. "Those firms can justify paying anything for anything, which gave us the mess we had in the 1980s."

Jim Wanless, an attorney who represented the Palm Beach members, said his people were



Hal Phillips,
editor

prepared to spend \$17 million, but the golf and polo resort ended up drawing a winning bid of \$27.1 million from Tri-State Group, Inc.

"We thought we had a chance, but it was simply more than we were prepared to pay," Wanless explained. "It was much higher than I expected. I represent developers all over the country, but these prices really surprised me."

Gilstrap concurred.

"We had four of the top golf appraisers in the country come in and appraise the property," he said, "and the winning bid exceeded their estimates by 100 percent. So either the appraisers don't know the value of these golf courses, or the Wall Street folks don't."

"Who knows? History will tell us who was right."

...

Lamar Kelly, vice chairman of the Resolution Trust Corp., had nothing but praise for the Santa Monica-based auction house, Kennedy Wilson, which presided over the Dallas auction.

"I really have to congratulate Kennedy Wilson," Kelly said during the post-auction press conference. "They squeezed every dime out of these

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AND THIS JUST IN...

Could it be that venerated newsman Paul Harvey has experienced a change of heart? The following report was filed by colleague Peter Blais, who had the radio tuned to Harvey during a recent lunch break:

"After lambasting the golf industry for irresponsible pesticide use in his March 25 comment, Harvey on July 9 urged high school and college students to consider golf course superintendent as a career.

College students are finding they can start at a \$25,000 annual salary in the golf industry, Harvey noted.

And with the number of U.S. farms declining, job prospects for agronomy students are much brighter in golf course maintenance than agriculture, he added."

Coffman treatise socks it to 'new age environmentalism'

Double talk, distorted facts, massive grandstanding and blatant deception. Sounds like the latest fiction from Robert Ludlum. But, in fact, it is fact.

Environmentalism! The Dawn of Aquarius or the Twilight of a New Dark Age? by Dr. Michael S. Coffman is a new book that will stand on your ear. A loaded cannon aimed at the super-active environmentalists of the globe, *Environmentalism!* should get into the hands of every concerned golf course superintendent in the land.

Coffman, a former professor of forest ecology at Michigan Technological University, exposes the alarming agenda of the New Age environmentalists and "Deep Ecology," a small subgroup who are nevertheless the ones "most writers cite in

the media and focus on in the literature."

You don't have to agree with Coffman's tenets about New Age and the destructive effects of its beliefs of pantheism, gnosticism, syncretism and Eastern mysticism and metaphysics...

although I do. You don't have to buy his linkage of mysticism to mainstream environmental groups like the National Wildlife Association, Sierra Club and Audubon Society... but Coffman says he has documents to prove it.

THE DUPING OF AMERICA

Whether putting a looking glass on Findhorn (the small spiritual community in the north of Scotland), or quoting



Mark Leslie,
managing editor

extensively from the high-profile leaders (like Greenpeace co-founder Robert Hunter), Coffman unveils their foibles and fantasies.

And he doesn't rely on opinion. Rather he presents scientific facts concerning a

range of issues that certain environmental groups have distorted, twisted and outright lied about.

"Much that comes from environmental groups today is, at best, groundless opinion based on half-truths, even outright lies," Coffman writes.

He quotes from author Andrew Dobson, who said environmental groups spout groundless opinion to strike terror into the hearts of people and generate social change.

And he presents an extensive casebook of condemnation.

- The spotted owl in the Northwest — Although activists succeeded in closing down 11 million acres (3 million acres of private land) to cutting at the cost of tens of thousands of jobs, Coffman said the spotted owl has been found "to reproduce and thrive in certain kinds of managed forests — even in scrub oak forests!"

- The Alar scare in the apple industry — The National Resources Defense Council in February 1989 orchestrated reports that Alar applied to apples could be poisoning the nation's children. Orchardists have lost millions of dollars because of these reports and the subsequent inability to use Alar on their apples. Yet, how many Americans heard the report

exonerating Alar?

- The alarm over 2,4,5-T — Concerns have been shown to be groundless, when it is manufactured and used properly, Coffman said. He added that herbicides can actually enhance wildlife habitat and biological diversity.

- Acid rain; dioxin at Times Beach, Mo.; toxic chemicals at Love Canal, N.Y.; radiation at Three Mile Island, Pa... The list goes on.

Use acid rain as an indicator, multiply it many times over, and you'll get an inkling of the effects of these activists on our society — and our pocketbooks.

"Most people will find it hard to believe that acid rain is not the disaster the environmentalists have made it out be. But the fact is, nearly \$600 million of research done by the National Acid Precipitation Assessment Program was almost totally ignored in formulating the renewal to the Clean Air Act in 1990. Many analyses have shown that billions of dollars could have been saved if the Act properly considered the results of this massive scientific investigation," Coffman says.

"It is not that science showed acid rain didn't cause damage. It does. Rather, it is the gross distortion of what science showed to be a 'manageable problem.'"

Higher percentages of acid in waterways cited by environmental groups include "lakes that have **always** been acid because of **natural** reasons — not acid rain," Coffman says.

The cost? Legislation passed in an atmosphere "bordering on hysteria" will cost between \$40

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Letters

THE MAN BEHIND...

To the editor:

Great article in the June 1993 issue, entitled "Behind Every Great Golf Course Architect!"

I just want to say I really enjoyed the information concerning the people behind the scenes of big-name golf course architects. I could really relate to most every point in the article.

For the last seven years I have worked as a designer for two different architects. For the last six years I worked for Dye Designs, Inc. in Denver. I was one of the key people behind the scenes in the design of several golf courses, with

the name of Dye on the golf courses. We worked on Pete Dye and Perry Dye projects. I was involved in 88 projects and working on the technical drawings. Rarely do assistant designers such as myself really receive the recognition that is due them. Obviously, the golf course design business is a "name game."

With my background, I contributed heavily to the creation of several Dye courses, promoted mostly by Perry Dye.

Again, thanks for such a revealing article. Most every golf course involves a team, and not just one person's name.

Thanks again.

Blake Stirling
Golf Course Architect

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GOLF COURSE NEWS

Landmark auction

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Mirage, Calif.; Morgan Stanley subsidiary Resorts Ltd. acquired Carmel Valley Ranch in St. Lucia Mountains, Calif. for \$20 million; the Tri-State Group Inc. of Wheeling, W.Va. purchased Palm Beach Polo and Country Club for \$27.1 million; and Virginia Investments Trust paid \$45.1 million for South Carolina's Kiawah Island Resort, which did not include Pete Dye's Ocean Course (see related story page 35).

All told, \$395.4 million was forked over to the federal Resolution Trust Corp. (RTC), the federal government's savings and loan bailout agency which has operated the six properties since Judge Falcon Hawkins rejected Landmark's restructuring proposal in September 1992.

"This has been a superb day for the American taxpayer," said Lamar Kelly Jr., vice chairman of the RTC. "We got 111 percent of the assessed market value. We still have to go back to [federal] bankruptcy court and get their consent, but we don't anticipate any problems at all. The judge should be pleased with the prices, as we were... However, the government took a \$300 million loss on the sale of these properties, which gives you some idea of the excess involved with development of these golf courses during the 1980s."

While the total sale in Dallas exceeded \$395 million, the approximate book value of these six properties was \$708 million.

In January 1991, Gerald Barton — former chairman of Landmark — nearly sold the resort development properties to the Japanese Dai-Ichi Corp. for \$739 million, with Oak Tree Savings Bank — the Landmark-operated saving and loan — providing most of the financing. However, the federal Office of Thrift Supervision nixed the deal. Barton then took Landmark into Chapter 11, never to emerge.

Following the Dallas auction, Kelly was asked about the Dai-Ichi deal in retrospect. He called it "a joke. I can tell you that from day one, that was not a stand-up deal. It was never a stand-up deal. It had less than one percent chance of success."

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Registered bidders in Dallas, July 14

Aerie Hotels and Resorts
Amerippon Inc.
Austin Golf Inc.
Banning-Lewis Ranch Corp.
The Beach Co.
Blixseth Investors Inc.
Club Corporation of America
Delaware North Companies Inc.
International Land Resort Associates
Kiawah Investments Inc.
Kiawah Resort Associates L.P.
Kiawah Resort Associates, L.P./Resorts Limited
Partnership II
KSL Recreation Corp.
Mission Hills Equity Country Club Inc.
Morgan Stanley Real Estate Fund L.P./Resorts Ltd.

Partnership II
Morgan Stanley Real Estate Fund L.P.
Palm Beach Polo & Country Club Acquisition Corp.
Pegasus Holding Corp.
Petrus Securities L.P.
PGA West Acquisition Corp.
Quail Lodge Inc.
Resorts Ltd. Partnership II
SVP Investment Managers L.P.
Transcendental DRD Fund
Tri-State Asphalt Corp.
Virginia Investments Trusts
Whitehall Real Estate L.P. III/Resorts Ltd. Partnership II
Whitehall Street Real Estate L.P. III
Whitehall Street Real Estate LP III/Resorts Limited
Partnership II/Morgan Stanley Real Estate Fund L.P.

The Bastille Day festivities in Dallas provided plenty of drama, as hordes of industry wheels, phones pressed to their ears, scrambled for position in the largest golf course auction in history. Four separate companies walked away with some of America's most prestigious golf courses and destination resorts.

However, the star was clearly KSL, headed by its youthful chairman Michael Shannon. "We're excited to be associated with these fine golfing properties," he told the press. "And we intend to retain current management at both resorts."

Shannon, who since 1985 had been CEO of Vail Associates, a real estate management firm, explained that KSL was formed one year ago with financial backing from KKR. Shannon will oversee the newly formed KSL Landmark, which includes newly-purchased PGA West, La Quinta and the 10 Florida and Mid-Atlantic golf course properties that had been managed by the Fairway Group.

While it was not the most expensive, Kiawah Island proved the most elusive prize in Dallas. Virginia Investment Trusts (VIT) — owners of AMF sporting goods, which includes Hogan Golf — outbid the field during the auction's first round. In the third and final round, KSL bumped the bid to \$45.1 million. Then the deal-making began.

Apparently secure that KSL would sell Kiawah at a fair price, Virginia Investments chose to pass on its final opportunity to bid — thus ending the auction and frustrating

the bid of Morgan Stanley, which has existing real estate interests on the South Carolina island.

Immediately following the auction, KSL agreed to sell Kiawah to Virginia Investments for \$45.1 million. However, because it paid cash, VIT earned a discount and paid only \$39,011,500 for Kiawah Island. Similarly, Morgan Stanley's cash payment for Carmel Valley was a cut-rate \$17.3 million.

Morgan Stanley was the only firm to bid on all six properties during the all-or-nothing second round. This \$395 million bid gave the Wall Street firm the right to bid on all six properties in Round Three. Only Morgan Stanley, plus the winning and backup bidders from Round One, were qualified to bid in the third and final round.

In the end, however, Morgan Stanley secured only Carmel Valley Ranch. The resort will be operated by affiliated Resorts Ltd., which currently operates a pair of prestigious Arizona properties, The Boulders and Ventana Canyon.

The Tri-State Group, the high bidder for Palm Beach Polo, is associated with Tri-State Asphalt Corp. which has interests in mining, manufacturing, construction and real estate.

Meanwhile, Club Corp. walked away with Mission Hills, but the local favorites (CCA is based in Dallas) may be heard from down the road. "We will actively pursue the other successful bidders about the possibility of managing their assets," said Randy Williams, executive vice president of business development at CCA.

Scenes from Dallas

Continued from page 10

bidders."

"They certainly did," answered KSL Chairman Michael Shannon, whose company shelled out \$276.4 million for PGA West and La Quinta.

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The 35-year-old Shannon — who looks not a day over 22 — proved a quick-witted handler of the media horde. One reporter pressed him on the deal-making between KSL and Virginia Investment Trusts (VIT), both of whom were gunning for Kiawah Island.

VIT had displayed a stubborn resolve in going after Kiawah, beating back several parties in the first round with a bid of \$45 million. However, when KSL bumped the bid to \$45.1 million in the third round, both parties feverishly sent envoys to each others tables. After the huddling was finishing, VIT passed — thus awarding the property to KSL.

But a deal had been made: KSL agreed to "assign ownership" of Kiawah to VIT for \$45.1 million.

Shannon was asked if he and VIT had become good friends during the bidding process.

"We became *very* good friends during the bidding process," he quipped.

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In order for the PGA West bid to go through, both the PGA of America and the PGA Tour must approve the sale. Shannon said he was "confident" he would receive both blessings.

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The scene inside the Fairmont Hotel's Regency Ballroom almost defies description. Phones surgically attached to ears, calculators pounded into submission, and grown men in expensive suits running from table to table, cutting deals as they went.

While perhaps 75 people took part in the auction, more than 200 looked on from behind the velours rope strung between chrome stanchions, oohing and aahing as bidders raised the fiscal thresholds. And nothing drew a bigger "ooh" than the vaunted slam dunk bid: When a party, perhaps tired of small incremental one-upsmanship, simply bumps the bid by several million — usually to a round, workable number.

While many faces were familiar, all bidders went incognito until the auction was finished. Rumors flew as to who was bidding on what; who was cutting deals with whom; and when Ross Perot Jr. would get into the fray (he came up empty after pursuing Palm Beach Polo for a while).

The day's proceedings were tense and frenetic but always well organized, for which most lavished praise on the oft-maligned RTC. Everything went smoothly.

"I love stuff like this," said Randy Williams, Club Corp.'s executive vice president of business development. "I love to see millions of dollars returned to the taxpayers. My hat's off to the RTC. They did an excellent job."

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However, Kelly made a point of sidestepping any praise, instead heaping it on ailing RTC Chairman Charles Bates, who suffered a heart attack only a month earlier and couldn't attend the auction. Kelly called Bates the "architect of this auction." In Bates' honor, hundreds signed an oversized get well card placed at the rear of the ballroom.

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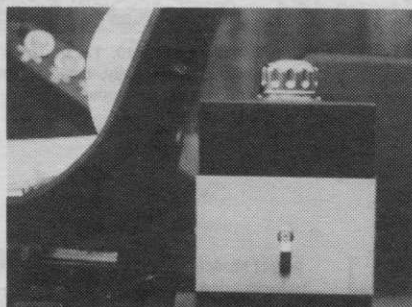


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