GE Capital completes
Heller Financial buy out

BY PETER BLAIS

CHICAGO — Heller Financial, a $20-billion commercial lender that entered the golf financing market this spring, may have made an even bigger player in the golf lending industry. Now that GE Capital has acquired the Phoenix-based firm, the company has made a tender offer to purchase all shares of Heller stock for $53.75 per share. The total price of $5.3 billion is 2 1/2 times Heller’s book value, said Heller Financial’s customers recently released figures. "We think it (GE purchase) could be a boon," said Heller golf division vice president Rick Nekoroski, who oversees Eastern operations for Heller’s Golf Lending Group. "GE is a huge company." Earlier this year, General Electric Co.’s $370-billion financial division, GE Capital, made a tender offer to purchase all shares of Heller stock for $53.75 per share. The completion of the GE deal was announced in late October. It’s uncertain what changes will mean for Heller’s golf division, which has a portfolio of roughly $20 million in golf loans. Pomazal said the name Heller Financial will likely change by year’s end. "GE has made no specific decisions about which Heller product lines will be retained," she said. "But as for the golf division, I would be surprised if it went away." Heller Financial first considered entering the golf lending market when Bank of America announced in mid-October that it would stop writing golf loans. "We viewed that as a strategic purchase," explained Christy Lockridge, director and product manager of Heller’s Golf Lending Group. "Golf is an underserved market which is a major premise of much of Heller’s business, whether it be in real estate, corporate finance or otherwise. We tend to take a counter-cyclical approach. We like to go into under-served markets, understand those markets, focus on middle-market lending and underwrite sound business plans. We felt there’s opportunity in golf course lending, particularly with the loss of Bank of America." Heller has completed five individual deals since Nekoroski and John Seeburger, who oversees the group’s Western operations, left Bank of America to join Heller. Of those deals, four have been acquisitions and one refinancing. They are spread throughout the country, "We’ve been very selective to date," Nekoroski said. "But Heller is very committed to the golf business." HELLER’S GAME PLAN "Since the group started we’ve looked at more than $1 billion in potential transactions," Lockridge said. "The problem is, we’re pursuing a very specific base. We’re targeting low- to mid-level, daily-Continued on page 21

Intrawest Golf posts
strong 2001 growth

SCOTTSDALE, Ariz. — Despite the bear market in the golf course industry in 2001, Intrawest Golf has managed to post strong growth numbers and push forward with its strategy to develop its Raven-branded golf clubs. "We have added five new courses to the portfolio this year," said marketing manager Ben Keilholz. "In addition we el-

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GE Capital’s acquisition could make Heller Financial a bigger player

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fee and semi-private courses. We’re looking for experienced borrowers with financial backing and a sound business plan. We want stable markets where we can loan 50 to 75 percent of value. Many of the deals we’ve reviewed were new construction or a residential developer who was putting in a golf course. Those projects just didn’t fit our box [niche].

Added Nekoroski: “We are staying focused on stable courses run by the industry’s best operators. Like the rest of the lending world, we’re being a bit more conservative these days.

Seeburger said, “Many weren’t golf specific and some, particularly the banks, have sworn off golf. A lot of the refinance business that was going to the banks is filling in behind [our] acquisitions now.

“Acquisitions are still slow because there’s still a gap between sellers and buyers. The market is getting much more realistic. Sellers have moved quite a bit, but haven’t adjusted their expectations to where buyers are just yet.”

THE FUTURE

Seeburger believes the acquisition market will pick up in 2002. “We’ve had an explosive growth in the number of new courses over the past three to five years and that’s really starting to tail off,” he said. “Once that happens, things should stabilize on the operation and revenue side of the business. Everyone will get a good idea of where they stand. Expectations will stabilize and you’ll begin to see more transactions.”

Golf course values have decreased recently, leading to a few more sales, Nekoroski said. “Values have dropped 15 percent [in the past year] but need to drop another 10 percent before significantly more activity takes place.”

Peter Blais is a media relations consultant and freelance writer living in North Yarmouth, Maine.

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