Growth behind KemperSports reorganization

By DEREK RICE

NORTHBROOK, Ill. — The mid-February reorganization of KemperSports Management was based on the company's growth and its desire to keep the golf course ownership/leasing and third-party management sides of the business separate, according to Steve Lesnik, the company's CEO.

KemperSports, which owns and operates 75 courses, organized its ownership side as KKL (Kemper, Kemper, Lesnik) and its management side as Kemper Golf Management. The company has seen quite a bit of growth in just the past two years, Lesnik said, and the company expects to see more in the near future.

"We've been growing rapidly over the last couple of years and you get to a point where you've got to look at your organization and say, 'Are we organized in the way to give the most efficient service to our clients and customers?'" he said. "We decided this would be the best way to organize for the next couple of years. I would imagine that as we continue to grow we will continue to reorganize — tweak our organization, change it in ways that make us responsive to the marketplace."

However, growth for growth's sake is not part of the equation, Lesnik says.

"We've always used the term controlled growth for the organization," he said. "We're looking to take properties that we think we can digest and we think we can do a good job in either an ownership or a management capacity."

As for the state of the golf industry, Lesnik said he is cautiously optimistic it will turn around sooner rather than later, but KemperSports is prepared to weather the downturn, regardless of its duration.■

Gotham, First Union to merge

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since mid-2001. Last September, the two signed a letter of intent, which became the basis for the merger. At press time, the only open items were that the SEC had to approve a registration statement and a proxy.

Under the agreement, First Union shareholders have the opportunity to convert their entire stake in the company to cash, or purchase shares in the public company at $20 per share, up to an aggregate of $41 million. Gotham Partners has agreed to be a standby purchaser of $10 million in common Gotham Golf stock.

Based on First Union's 34.8 million outstanding shares, the total value of the transaction could be close to $90 million if all shareholders choose an all-cash payout.

As in the American Golf Corp./National Golf Properties relationship (see story on page 19), First Union and Gotham Partners share several common investors and board members, and Gotham Partners owns 17 percent of First Union. In this post-Enron world, even the appearance of a conflict of interest can be damaging to a company, so this deal will formalize what had previously been a private partnership.

The merger will allow Gotham Golf will to leverage the cash that First Union has on hand to pursue further acquisition of golf courses. Based on the $41 million equity of the stock offering, and assuming 70 percent leverage, the company would be able to borrow more than $130 million for acquisitions. In what seems to be a buyer's market for golf courses, that money could help the company grow its portfolio substantially.

Gotham Partners owns and operates 25 golf courses, 21 of which are within a 250-mile radius of its Hershey, Pa., headquarters. Once the merger is finalized, Danny Mays will be the CEO, John Caprioletti will be the president and chief operating officer and William Ackman will be the chairman of the board.■