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Photo by Warren Grant

The par-3 eighth hole at the Clyde Johnston-renovated Sea Pines Country Club in Hilton Head, S.C.

INSIDE

Golfer Profiling

- 40-64 years of age
- Incomes over $75,000
- Live in large metropolitan areas
- No longer have small children living at home
- Majority are concentrated in three areas of the country:
  - East North Central (WI, MI, IN, IL & OH)
  - South Atlantic
  - Pacific

Source: Golf 20/20

Golf 20/20's research identified the demographic profile of the majority of its "best" customers (above). For more on the research and other news from Golf 20/20, see page 3.

PERIODICAL

IRS to allow depreciation

By A. OVERBECK

WASHINGTON — After two years of negotiations, the National Golf Course Owners Association and consultant KPMG have emerged victorious in their depreciation battle with the Internal Revenue Service. The IRS, which had been considering the matter under its Industry Issue Resolution pilot program, issued revenue ruling 2001-60 in late November that will allow golf courses to depreciate the costs of modern green construction.

According to KPMG's Bill Ellis, the ruling is an "economic stimulus tax package" that could save individual golf courses hundreds of thousands of

Continued on page 24

Renovation work to surge in 2002

By JOEL JOYNER

LINCOLN, Neb. — The National Golf Foundation has tracked the downward slide in new golf course construction projects this past year, and the industry is bracing for the impact. For many golf course builders and architects, course renovations in 2002 will prove to be a more valuable source of income in keeping businesses afloat and the golf economy in motion.

Andrew Crouch

As new course construction seeks a comfortable balance between supply and demand, restoration and modernization of existing courses will carry a lot more weight, according to builders and architects.

BUILDERS SEE INCREASE

For Landscapes Unlimited, 2001 was a record year for new construction and renovation work, according to Brad Schmidt, vice president of Landscapes Unlimited headquartered here. "We've been gearing up for quite some time for renovation business in 2002, '03 and '04," he said. "For several years now, 30 percent of our business has been renovation work. That percentage could increase as much as 20 percent this year and make it 50/50 with new construction."

Schmidt has not seen an increase in competition on bidding for renovation projects to date, but he certainly expects it. "One of the ways an older course can remain competitive is by upgrading," said Schmidt. "If they don't, they just might die on the vine. There's still a lot of opportunity out there, in new construction as well. It's just that the menu has been reduced drastically."

The renovation market has been strong in the past two to three years during the golf course building boom, according to Andrew Crouch, director of business development for ASL Golf Course Construction in Waitsfield, Vt.

Continued on page 18

Turf researchers debate biotech buffer zones

By JOEL JOYNER

RIVERDALE, Md. — It seems that anything genetically modified these days has the potential to become a controversy. When it comes to golf, the big question is whether or not there is such a thing as a safe buffer zone for open pollinated testing of genetically modified turfgrasses.

After the Supreme Court ruled in 1980 that genetically modified organisms (GMO) could be patented, commercial endeavors took off. By 1992, the U.S. government approved the first GMO product – a Flavr-Savr tomato with a delayed ripening gene.

Today, two seed companies both researching transgenic creeping bentgrass, the Scotts Co. and Turf Seed, have a difference of opinion on what is

Continued on page 11

American Golf working to regain profitability

By PETER BLAIS

SANTA MONICA, Calif. — Despite recent reports that American Golf Corp. (AGC) may not be able to make scheduled rent payments to one of its major landlords, National Golf Properties (NGP), AGC management is confident it has taken steps to cover future expenses and return to profitability in 2002, according to co-CEO David Pillsbury.

David Pillsbury

The past six months have not been kind to the company that is the largest golf course operator in the country. In November, shares of National Golf

Continued on page 27

Ford's TH!NK neighbor enters production

By ANDREW OVERBECK

DETROIT, Mich. — Ford Motor Co. has launched the TH!NK neighbor, the first of its line of low-speed electric vehicles. While the neighbor is primarily aimed at private users in resort and gated communities, it does have a "golf" setting that will allow for it to be used on courses.

"We probably won't market it much on the golf course fleet business at this time," said Chris Klein, national accounts manager with TH!NK Mobility. "Because this is designed for private use, what we are looking to do is go after private golf car owners right now."

Klein, who used to work for E-Z-GO as a territory manager, said the vehicle will be introduced in California first where a percentage of Ford vehicles sold must

Continued on page 27

Ford rolls out TH!NK neighbor

Continued from page 1

use alternative fuels.

The neighbor weighs in at 1,300 pounds, is eight inches wider than an average golf car, and can go up to 25 mph. The vehicle uses a 72-volt power system with six 12-volt batteries and has a range of 30 miles.

It is also available with a sport package that includes: a golf speed setting of 15 mph; ball, tee and scorecard holders; club washer, sand and seed bottles; and a bag rack. The street-legal golf car will sell for approximately $6,495.

Klein also said that the division will be introducing a utility vehicle model this summer.

The neighbor vehicle comes with a "sport" package for golf.

MARKET REACTION

The entry of a Big Three automaker to the golf car market has so far been greeted with indifference from existing manufacturers.

"It is not positioned for general applications on golf courses in terms of weight, turf compaction and turning radius," said Club Car's vice president and business manager Dewey Holland, who used to work for Ford as a marketing manager for its pickup truck line.

Lack of a traditional distribution network will also pose a competitive disadvantage, according to Ron Skenes, marketing communications coordinator for E-Z-GO. "They have name recognition, but distribution is the challenge," he said. "Dealers with showrooms are not how courses purchase golf car fleets."

Ford's entry into the market, however, may lead golf car manufacturers to get into the neighborhood electric vehicle market. Reedsburg, Wis.-based Columbia Par Car will introduce a product into that niche this year and other car makers hinted that they might soon follow.

"They expand people's ability to get around, and the electric vehicle is a new way to do it," said Yamaha's president Bill Szarowicz. "I am glad Ford is doing it because it shows that golf cars are not just for golf anymore." ■

Aquatrols sends up new products, ends supply agreement with Turf Partners

Continued from page 25

penetrate almost immediately reducing runoff and evaporation, thereby reducing water and electricity consumption." While the product only lasts a couple of weeks, Gagne said it costs $4.25 an acre.

The company's other brand new product is an algaecide that is currently nameless because the Environmental Protection Agency did not approve the original name.

"I have been doing this for 30 years," Gagne said, "and I have never had the EPA reject a name."

> *'Going forward, it was an outlet that we didn't want to keep going'*
> **— Ron Gagne**

The new algaecide uses a form of copper that carries a double positive charge allowing it to distribute itself evenly throughout a pond and last longer than conventional copper algaecides that only have a single positive charge.

"The advantage is that it lasts longer and can be distributed evenly from one location," said Gagne. "Other products require multiple points of entry."

Aquatrols purchased the turf market rights for the product from Arkansas-based Earth Sciences Laboratories.

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In other news, Aquatrols has terminated the supply agreement that it had originally signed with Eco Soil Systems to manufacture a line of private label products.

When Simplot purchased Eco Soil's distribution company Turf Partners and formed Simplot Partners, Aquatrols continued to honor the manufacturing agreement for the new company. That will all change for 2002.

"Going forward we didn't feel that it was an outlet that we wanted to keep going," said Gagne. "It had nothing to do with Simplot Partners, and more to do with the fact that we felt it was interfering with our branded products."

The products in question include Brilliance, Rely II, Rely Granular, ReWet, ReWet Granular, and Syringe. Simplot Partners said that it will continue to market and sell the products but declined to disclose whether the company will manufacture the products itself or sign another outsourcing agreement.■

Biotech controversy

Continued from page 11

tested by APHIS, according to Horman. A tentative timeline for release is in the fall 2003.

TURF SEED, INC.

Bill Rose, president of Turf Seed, Inc. in Hubbard, Ore., would argue that there is no such thing, to date, as a safe control zone for testing open pollinated transgenic bentgrass. The company's research corporation, Pure Seed Testing, performed their own evaluation on GM pollen outflow in 2000 in order to establish their position.

The research company's president, Crystal Rose-Fricker, and researcher Joseph Wipff determined in their study, *Gene Flow from Transgenic Creeping Bentgrass in the Willamette Valley*, that introduced genes in bentgrass can release GM pollen to distances up to and greater than 3,000 feet.

"The APHIS regulations are not safe at all," said Rose. "In our study, all species of grasses that we exposed the transgenic pollen to received it, and they were capable of reproducing and sending the introduced gene on further. We met with APHIS and presented our position to them, but they were basically non-committal."

Rose pointed to the Aventis' Starlink fiasco last year when their *Bacillus thuringiensis* (Bt) corn – approved by the Food and Drug Administration for animal consumption only - prompted public fears of allergens as the product found its way into taco shells.

"Anyone familiar with the Starlink case with Aventis know that it just about broke that company," said Rose. "Aventis not only had to reimburse the farms that grew the genetically modified corn, but all the farms adjacent to them paying the premium on the product produced.

"I see the dangers with bentgrass being about 10-fold more. Corn is an annual and, of course, bentgrass is a perennial," explained Rose. "When [GM] pollen is received by an *agrostis* plant, it can just leap frog again on to another plant."

An escape of an introduced gene would be difficult to contain in the Willamette Valley, according to Rose. "Our company alone has 500 acres of Poa in production that will have to move elsewhere if it becomes contaminated," he said. "Our study was undertaken to identify how big the problem could be, and it's huge."

Animals and wind are mentioned as having potentially adverse effects on testing sites. "The wind in the valley can reach up to 50 miles per hour. Any GM seed, depending on which way the wind is blowing, can end up 10 or 15 miles from a testing site," Rose said.

MALE STERILTY

Rose also is president of the biotechnology company HybriGene in Hubbard, Ore that is working to create a desirable bentgrass as a male sterile plant. "We're active in producing transgenic bentgrass," said Rose, "but we've opted to not proceed with open pollinated research until the seed we produce can not reproduce itself.

"Dr. Albert Kausch runs our HybriGene lab in Rhode Island where we're working to create a male sterile bentgrass," Rose continued. "We'll have product that produces desired turf and is sterile by 2004. Companies currently testing with transgenic perennial grasses should cease until there's sterility in the product. Even with greater control zones established, it's still risky." ■

American Golf

Continued from page 1

Properties (NYSE: TEE) fell 23 percent after the course owner, which leases 137 courses to AGC, said AGC might be unable to make its full rent payments in 2001. NGP, which is AGC's largest single landlord, said it might have to renegotiate its leases with the management company.

Three months ago, National Golf said that American Golf had a technical default on its debt. A technical default occurs when a borrower violates a covenant governing the terms of its debt.

NGP cited a weak economy, bad weather and the terrorist attacks of Sept. 11 as having hurt golf-industry revenues. Also, a record growth in the number of courses, with little increase in the number of golfers, has led to more competition. NGP's properties in Las Vegas and Phoenix have been particularly affected by the recent decline in tourism.

"A couple things are important to realize," said Pillsbury, whose company manages roughly 300 courses. "First, our gross revenue is off four to five percent from the previous year, which is far from a disaster. A lot of businesses in America – given the recession and the events of Sept. 11 – would like to change places with those numbers. Second, we have been planning for the past four months for 2002. We have made structural changes with regard to programs, expense structures, etc., to adapt to the economic slowdown, shaky consumer confidence and a golf environment that is overbuilt."

2002 PLAN

Pillsbury said AGC has produced a financial plan for 2002 that calls for full payment of all its rents, a substantial capital investment back into the business and a significant profit. "We have a responsible, conservative business plan and a management staff to implement that plan," he said. "We are confident in our ability to significantly improve our operating results in 2002."

AGC began taking steps to reduce costs six months ago when it anticipated a decline in revenues, Pillsbury said. The company reduced overhead expenses by 25 percent, amounting to a savings of more than $10 million; made efficiency improvements and cut costs; divested itself of a dozen non-strategic, non-profitable courses; and developed responsible budgets and forecasts for 2002.

Pillsbury said some of the cost-cutting moves involved layoffs. "There is nothing more difficult or painful for someone in management to have to do," Pillsbury said. "And it's hard for the people who remain. [Fellow co-CEO] Joe Guerra and I did town meetings across the United States with our management teams, talking straight with our co-workers about the changes we were making and working with them to develop a plan."

AGC is still acquiring new course leases, although not at the same pace as in the past, Pillsbury said. It will likely shed several additional courses in the coming months. Pillsbury expects AGC to have 280 to 290 courses in its portfolio by the end of 2002.

"Our business plan for next year, which will make us very profitable and more than meet all our obligations, does not call for increased revenues," Pillsbury said. "That's the appropriate way to go into a year like 2002, where there is some uncertainty." ■