National Golf merger pending
National Golf Properties has proposed a merger with its largest tenant, American Golf

Development slowdown
New construction will continue to soften in 2002, but opportunities still exist.

Palmer Golf set to diversify portfolio
BY ANDREW OVERBECK
ORLANDO, Fla. — After spending 2001 opening five courses and dealing with the financial realities of Sept. 11, Arnold Palmer Golf Management is moving full speed ahead into 2002 with a strategy to further diversify its portfolio.

The firm signed its first management contract of the year at Stone Ridge Golf Club in Bowling Green, Ohio, and is looking to add four more facilities before the end of the first quarter. In addition to management deals, Palmer Golf will be paying more attention to acquisitions and will be working more closely with Palmer Course Design.

“We want to have a diverse portfolio of owned, leased and managed facilities,” said Palmer Golf president and CEO Tim Tierney.

With the addition of Stone Ridge, Palmer Golf now manages 30 properties across the country. The semi-private club opened in 1998 and features a 6,900-yard, links style layout designed by Arthur Hills.

With financing scarce, builders grapple with equity gamble
BY ANDREW OVERBECK
As golf course development financing has become increasingly scarce, more golf course builders, both large and small, are being asked to take equity positions in projects.

“It seems like seventy percent of the deals we see, the developer is looking for money,” said Robert Steele, president of Scottsdale, Ariz.-based SEMA Golf. “More developers are trying to figure out how they can still have a golf course and not spend their money.”

While larger, established companies such as Lincoln, Neb.-based Landscapes Unlimited and Colorado Springs, Co.-based Niebur Golf have been involved in the equity partnership and ownership game for some time, this trend opens up a whole new set of challenges for medium and small builders which take comparatively larger risks when they trade profits for an equity stake in a project.

Bayer, Syngenta settle patent suit
BY ANDREW OVERBECK
BASEL, Switzerland — Syngenta AG and Bayer AG have reached a settlement over a dispute concerning neonicotinoid chemistry, which was the subject of various legal proceedings in the United States, Europe and Japan.

The dispute arose in 1994 when Syngenta first filed for a patent for the neonicotinoid active ingredient thiamethoxam. Arguing that thiamethoxam was too similar to its neonicotinoid active ingredient imidacloprid (Merit), Bayer challenged the patent.

After enduring years of lawsuits and legal expenses in different venues around the world, both sides agreed in early January to settle the matter and move on.
Equity gamble
Continued from page 1

America, "but there is a lot more to it than meets the eye. The smart companies are doing due diligence because there are so many variables and variables that change with every project."

For that reason, many builders are shying away from equity deals. "We just don't have the wherewithal to put down $500,000 toward a project," said Jeffrey Stein, president of Southport, N.C.-based Shapemasters. "Owners are trying to spread their risk and share the load, but golf courses don't offer a great rate of return in most cases."

Phil Garcia, vice president of Deerfield Beach, Fla.-based Ryangolf and new president of the GCBAA, said that while his company had been offered deals, he preferred to stick with his game plan - building courses for established developers.

"Although we have been approached more in the past 12 to 18 months, we would never mix the contracting expertise with ownership," he said. "We have been lucky to deal with repeating clients that are sizable, national developers that are just interested in the traditional contractor/owner relationship."

While development slows, however, more builders report that they are faced with either taking an equity position or not getting the job. "I think it has cost us jobs," said Stein. "If you have two builders competing for the same job and quoting the same price, but one is willing to put in some sweat equity and the other is not, it is pretty clear. It will cost some people work."

SEMA Golf's Steele said he is looking more closely at equity deals in order to remain competitive. "Owners have to get creative on financing because they need golf to drive real estate," he said. "So we are going to be forced into this. But we will be very selective on what we do."

Steele said SEMA Golf is in the process of working with a management group on two deals and is looking to partner on another project in Mexico.

ENTERING THE GAME

Indeed, some builders are embracing the concept, seeing the advantage of taking direct control of projects.

Two years ago, Sam Sakocius, president of Richmond, Texas-based SAJO Construction, took a 20 percent stake in Magnolia Creek Golf Links in League City, Texas. "We knew that we wanted to stay within 100 miles of Houston because we understand that market," he said. "When the opportunity came along, we took an equity position in the project in lieu of profit on the job."

"It has worked out pretty well," he continued. "We have had to put some cash back into the project because the course is still in the ramp up stage, but it has proven to be a really popular layout."

Frank Hutchinson, president of GolfWorks Inc., is currently building a course in his hometown of Austin that he will own. "Two years ago the original developer got us on board as contractors and asked us to take an equity position," said Hutchinson. "Then the financing fell apart and they asked us if we wanted to own the golf course. So we started our own venture."

Both Sakocius and Hutchinson caution, however, that assuming equity positions or ownership is not for the faint of heart. "I have taken three small equity positions prior to this and two of them were not that good," said Hutchinson. "Had we jumped into the Austin deal two years ago, it probably would have hurt us very badly. I wound up hiring a separate group to handle it so they could evaluate things on a business level."

Sakocius cautioned that any builder getting involved in equity or ownership should only do so if they are in it for the long haul. "If you take an equity position in lieu of profit, it takes away from gross revenues," added Sakocius. "You have to think long term. Magnolia Creek has yet to produce revenues, and is not supposed to until after the third year or so."

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