AGC gets restructuring deal

By DEREK RICE

SANTA MONICA, Calif. — American Golf Corp. (AGC), like its potential merger partner National Golf Properties (NGP), recently received a reprimand in the form of a restructuring agreement with its lenders.

AGC's inability to make lease payments to NGP for several months has jeopardized the financial security of both companies. This was also one of the major factors that led to the proposed merger, which has been decried by industry insiders and shareholders as being too one-sided but David Price, who owns a large portion of both companies, and NGP executives including chairman and CEO David Pillsbury, who is also chairman and CEO of AGC.

Under the restructuring agreement, Bank of America granted AGC a limited waiver, which is subject to delivery of leasehold mortgages on certain golf courses leased by AGC. At press time, the process of preparing those leasehold mortgages was expected to be completed by Aug. 8, although there was no assurance that deadline would be met. Bank of America extended the maturity of AGC's credit facility and private placement notes to the earlier of March 31, 2003, or the consummation of the AGC-NGP merger.

In addition, Bank of America and AGC noteholders have waived existing defaults and all potential future events of default other than specified "major defaults" during this period.

As additional security for AGC's obligations, Price personally pledged approximately 3.6 million shares of common stock and National Golf Operating Partners (NGOP) common units, as well as a second deed of trust. He is required to substitute cash collateral for this collateral by Oct. 15 in the case of the shares and units and Sept. 30 in the case of the deed of trust.

Spokespeople for both NGP and AGC declined to comment on this agreement or previous agreements, saying that all necessary information is contained in the companies' filings with the Securities and Exchange Commission.

There has been speculation that some NGP shareholders may be amassing shares to counterbalance the votes of Price and the companies' boards of directors. An AGC spokesman also declined to discuss the proposed merger or give a firm timeframe for a shareholder vote.

Courses face rising insurance premiums

By ANDREW OVERBECK

Since Sept. 11, insurance premiums have risen across the board, and some companies have abandoned the golf course market altogether. The recent up-and-down nature of the stock market certainly hasn't helped matters.

"Companies that were attracted by high returns [to invest in the stock market] are getting out of the market," said Tom Marks, executive vice president for club programs for Bollinger Insurance.

That, coupled with falling profits, meant that premiums had to increase.

"The last several years have not been terribly profitable," said Bob Goldthorpe, head of St. Paul's Eagle 3 program for golf courses. "In 1999, for every dollar that we brought in, we paid out $1.62. That is why premiums went up."

With premiums increasing and companies discontinuing service, many courses are scrambling to get new insurance carriers and to re-evaluate existing policies.

According to industry experts, as courses go through this process, there are several must-have insurance items to keep in mind that are not always standard on golf policies.ENVIRONMENTAL LIABILITIES

Environmental liability coverage handles items like herbicide and pesticide overspray rider and fuel tank leakage.

"Five years ago, this was not available," said Ken Robinson, of Lumbra Robinson and Associates, a representative for Zurich and other carriers that offer golf insurance. "It is important for courses to continue on page 16

Courses win golf car cases in past year

By JOSEPH J. DEVANNEY and DIANE SUMMERS DEVANNEY

Decisions in golf car-related lawsuits over the past year have been largely favorable to golf course owners. However, that success has not necessarily translated to other types of suits. The following four cases demonstrate how counts across the country have treated the golf industry over the last 12 months.

One case arose in Miami, Fla., where two players, Eliseo Ferrer and Fernando Calvo, were participating in league play at the Fontainebleau Golf Course. Ferrer, who was driving the golf car, got out and Calvo moved into the driver's seat. Unfortunately, Calvo then accidentally struck Ferrer with the car. Ferrer sued the course, claiming that it was liable under a Florida legal theory called the "dangerous instrumentality doctrine." In fact, in 1984 decision, the Florida Supreme Court had ruled that a golf car is...