## Consolidation

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also take over GEI's 23 lease and/or management contracts, Berndsen said.

Berndsen said GEI's decision to sell does not mean the company perceives any weakness in the golf market, but simply reflects the fact that the larger, more successful management firms are growing through individual course acquisitions and/or mergers with other companies. For example:

- With the help of NGP, AGC has far surpassed the 200-course mark.
- ClubCorp, which stands at 175 courses, moved out of its traditional private club niche and into the public golf market back in 1986 with its purchase of CCA/Silband GolfCorp. That subsidiary evolved into GolfCorp, ClubCorp's public course subsidiary.
- Brassie Golf and Club Operations and Property Management merged last year, giving the combined firm over 50 courses.
- KSL — which made a big splash with its purchase of Palm Spring, Calif.'s PGA West and LaQuinta Resort and Club in the 1993 Landmark Land Co. auction — followed that up with the purchase of Fairways Golf, a 12-course public-access management company that has evolved into 22-facility KSL Fairways.

"The big are getting bigger to reap the benefits of clustering courses together and achieving economies of scale," Berndsen said.

KSL Fairways is a major proponent of clustering, said company President and Chief Operating Officer Eric Affeldt. "I wouldn't be surprised if you see additional acquisitions of small management companies by the larger ones," he said. "Buying an existing management company is one way to get big in a hurry. You may spend less time and money researching and buying one course than you do 20. But you don't spend 20 times as much buying the group as you do the single course. There are efficiencies in buying in bulk."

There are a handful of large management companies (handling more than 20 properties) and many smaller ones (less than 10), said Randy Williams, ClubCorp's executive vice president of development.

### Golf Enterprises Inc. course listing

Following is a list of courses controlled by Golf Enterprises Inc., which has tentatively agreed to sell its 43 owned courses and management contracts to National Golf Properties:

Bayou Barriere Golf Club, New Orleans; Bent Tree Golf Club, Columbus, Ohio; Briarwood Golf Club, Baton Rouge, La.; Canoa Hills Golf Course, Green Valley, Ariz.; Corvallis (Ore.) Country Club; Crescent Oaks Country Cub, Clearwater, Fla.; Crystal Lake Golf Course, Lakeville, Minn.; Desert Rose Golf Course, Las Vegas, Nev.; Diamond Oaks Country Club, Haltom City, Texas; Eldorado Country Club, McKinney, Texas; Emerald River Golf Course, Laughlin, Nev.; Forrest Crossing Golf Course, Nashville, Tenn.; Great Southwest Golf Club, Grand Prairie, Texas; Highlands Golf and Supper Club, Hutchinson, Kan.; Indian Creek Golf Course, Carrolton, Texas; Jess Ranch Golf Course, Apple Valley, Calif.; Killearn Country Club and Inn, Tallahassee, Fla.; Las Vegas (Nev.) Golf Club.

Lely Resort and Country Club, Naples, Fla.; Links O'Tryon Golf Course, Campobello, S.C.; Meadowbrook Country Club, Tulsa, Okla.; Mission Hills North Golf Course — The Gary Player Course, Rancho Mirage, Calif.; North Hills Country Club, Little Rock, Ark.; Oakridge Country Club, Garland, Texas; Paradise Knolls Golf Course, Riverside, Calif.; Pawtuckett Golf Club, Charlotte, N.C.; Pinery Country Club, Parker, Colo.; The Plantation Golf Club, Boise, Idaho; San Dimas (Calif.) Canyon Golf Club; Shandin Hills Golf Club, San Bernadino, Calif.; Shenandoah Country Club, Baton Rouge, La.

Simi Hills Golf Club, Simi Valley, Calif.; Stonebridge Country Club, New Orleans, La.; The Links at Stono Ferry, Charleston, S.C.; Summerfield Crossing Golf Club, Tampa, Fla.; Tallgrass Country Club, Wichita, Kan.; The Trails Golf Club, Norman, Okla.; Tustin Ranch Golf Club, Tustin, Calif.; Westin Mission Hills Resort Golf Course, Rancho Mirage, Calif.; Williams Golf Course, Mesa, Ariz.; Willow Fork Country Club, Katy, Texas; Woodhaven Country Club, Fort Worth, Texas.

"We track what the smaller ones are doing because there is potential there for larger companies, like ourselves," he said. "We've helped a lot of them get started because they may come see us some day. Buying a company like that could give us a presence in a market we haven't entered, yet."

Joe Black, president of Western Golf Properties, a 20-course management firm based in Scottsdale, Ariz., said several firms have sought to buy his company. "With the money coming into the business from Wall Street, you're seeing a lot of overtures being made," he said. "We're doing quite well. But many companies have entered the field in the last four to five years. Some aren't doing as well as they'd hoped and consolidation is something they are willing to explore."

The large number of courses in this deal (43) and AGC's sheer size has some industry observers asking whether a conflict of interest could develop in markets where NGP owns some courses and manages others (through AGC), Black said. The question is whether AGC will work as hard promoting courses it manages as it will for those NGP owns in the same market.

"That question always arises," said NGP Associate General Counsel Neil Miller. "[Founder and Chairman] David Price owns half of this company [NGP] and virtually all of AGC. It would be foolish for him do anything that would hurt either one. If anything, AGC's size provides more marketing power for course owners who have AGC manage their facilities."

As for its deal with NGP, GEI will receive approximately $40.8 million in market value of NGP common stock and $17.2 million in cash. GEI stockholders will receive $12 per share in a combination of $6 in cash and $6 in market value of NGP common stock for each share of GEI common stock.

"It's a good acquisition for them [NGP]," said Randy Williams, ClubCorp's executive vice president of development. "It seems like a pretty rich deal, though. It works out to around $4 million per club. The revenues don't seem anywhere near that. But AGC is a lean, mean operating machine. And NGP's stock seems to do well."

Miller responded: "We did our homework and it seems like a good deal to us...It was an opportunity to pick up 20 courses in one transaction. It will improve NGP's funds from operations, help AGC's cash flow and gave us [NGP] an opportunity to issue additional stock equity."

Prior to this deal, NGP owned 81 courses, 80 of which it had turned over to AGC (Cobblestone Golf Group manages the other). NGP plans to continue acquiring courses, Miller said, even though the company has exhausted the $97.8 million raised from its initial stock offering in August 1993 and the $100 million in debt from a late-1994 private placement.

"We have a revolving credit line and we'll do more debt deals down the road," Miller said. "As a publicly traded company we have access to many sources of capital."

GEI first reported in January it was holding discussions with a potential buyer. Berndsen said GEI decided to publicize negotiations when the firm noted a flurry of activity involving its securities. GEI stock climbed from $8 to $11 per share over a few days earlier this year, he noted.

"As a publicly held company, we have an ethical and legal responsibility to provide information to potential investors when something we know about causes our stock to move," the GEI executive said. "It was obvious someone got hold of information that we were talking with a potential buyer, so we made that information public."

The agreement is subject to stockholder approval from both companies. The deal is expected to close May or June.

As for GEI employees, Miller said most people retain their jobs at the course level when AGC takes over a new facility.