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2002 NEWSMAKERS

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First Nat'l sees rise in volume

By DEREK RICE

MARTINSVILLE, N.J. — Despite an economic downturn in 2002, First National of America Inc. has not seen a decrease in the number of golf course loans it has made, according to Jerry Sager, First National's president.

"Either we're dull and boring or incredibly wrong. We do about the same lending volume each year," he said. "We did a little more volume, surprisingly enough, this past year than the year before, and I know everybody else wasn't doing stuff."

Sager attributes this increased volume to First National's commitment to look at loans for projects on Native American land (*GCN*, April 2002), as well as the company's track record as a national lender for golf projects.

"We opened up a new lending market because we're doing Native American stuff now, which we did not do before. So that's

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Drought concerns linger into winter

State water restrictions forbid the irrigation of roughs this summer at Dauphin Highlands Golf Course in Oberlin, Pa.

By ANDREW OVERBECK

WESTFIELD, N.J. — Moderate to extreme drought conditions gripped 45 percent of the country this summer, leading to widespread water restrictions and maintenance headaches for superintendents. While some areas have gotten relief from fall rains, water use is still being regulated in other parts of the country and concerns over long-term water shortages are looming large.

According to the National Oceanic and Atmospheric Administration, 29 states had significantly below average precipitation and this year. This past June through August was the warmest since the 1930s.

"This was the hardest year I have ever had to maintain turf," said Chris Carson, superintendent at Echo Lake Country Club in Westfield, N.J.

Superintendent Bill Wall at Dauphin Highlands Golf Course in Oberlin, Pa., agreed. "The last two years have been the most difficult years I have had, and I have been in central Pennsylvania since 1975," he said.

Parts of Pennsylvania and all of New Jersey were placed under water restrictions early this spring after an unusually dry winter.

"In March we had our water cut back to 50 percent of the

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NGP buyout nearly done

By DEREK RICE

SANTA MONICA, Calif. — When National Golf Properties (NGP) announced in February that it would merge with its sister company and largest tenant American Golf Corp. (AGC), the immediate reaction was not positive. Many industry insiders claimed the deal was merely an attempt to bail out NGP's major shareholders and thought either bankruptcy or breaking up the company would be more appropriate.

After several months of negotiations and rumor-fueled speculation, NGP found a buyer in a group led by Goldman Sachs and Starwood Capital (*GCN*,

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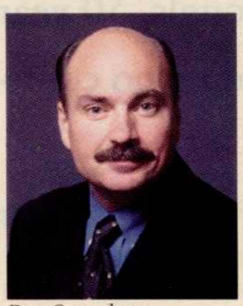
Bayer to sell fipronil product line to BASF

By ANDREW OVERBECK

MONTVALE, N.J. — BASF agreed Oct. 28 to buy certain assets including fipronil insecticides and several fungicides from Bayer AG, clearing the way for full regulatory approval of Bayer's acquisition of Aventis CropScience and the creation of Bayer Environmental Sciences. Officials from both companies would not discuss the specifics of the pending transaction.

The U.S. Federal Trade Commission granted approval to Bayer's acquisition of Aventis CropScience in June, but required the divestiture of acetamiprid and fipronil to be completed by December (*GCN*, July 2002). The deal, worth a reported $1.16 billion, would beat that deadline and includes buyback license agreements that would allow Bayer ES to market certain products and retain trademarks. The FTC and the European Commission must still approve the transaction.



Dan Carrothers

Dan Carrothers, head of the U.S. green industry business for Bayer ES, anticipates the deal to be completed by early December.

"Until that time, we are still operating under the FTC guidelines of 'hold separate,'" said Carrothers. "We cannot fully integrate the sales force until the divestment has occurred."

While acetamiprid is being

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changed a few things for us," Sager said. "I also think, because we've always been there and haven't stepped away from golf, our volume may have changed a little bit. We continue to do a lot of construction lending and a lot of development lending."

In general, Sager said 2002 was a good year for lenders.

"I don't think it's been a bad year for golf course lending at all," he said. "I think it's been a difficult year for people who used to be in the golf course business and decided for whatever reason they didn't want to be in that business anymore."

BUSINESS 101

The reason many lenders may be skittish about golf course financing, Sager said, is that the wrong type of person is looking to own and operate courses.

"The biggest problem we see in the industry is that golf should be run by business people, not by golfers," Sager said. "When you start having golfers involved and they fall in love with properties and overpay, it's no different than if you overpay for a class A office building or you overpay for a franchise restaurant. You can't raise the rent high enough in an office building or charge enough for a pizza or a hamburger to make enough money to cover debt service or cover overhead."

Where some of the companies who have left the business have gone wrong is in not looking at the industry as a business, Sager said.

"Golf is a business, and I think that's where so many people on all sides of this industry have made huge mistakes," he said. "They look at golf as a sport or a hobby, and that's fine if you're the consumer. If you're on the other side, golf's a business and you need to make money and you need to manage your operations well."

Sager said many people who get into the business of owning a golf course are either a single investor or a group of investors who are looking to own a course for the prestige they feel it will bring.

"Those are not the people who understand chinch bugs vs. dollar spot, they don't understand the problems with the irrigation system, they can't do the lease vs. buy analysis on the golf course and all they want to do is have the best golf course in their area," he said. "Unfortunately, that's not how you make money on golf. You make money on golf exactly as you do in a coffee shop. It's how many cups of coffee you can serve when people are going to work. How many guys can you get off the tee in a given number of daylight hours with decent weather and make money?"

> *'If we lend $200 million in the marketplace and Textron does $200 million, between the two of us, we still control less than a 20 percent market share.'*
> *— Jerry Sager*

OPPORTUNITY KNOCKS

While many in the industry may shy away from loans, Sager said there are still plenty of opportunities out there for both lenders and borrowers to succeed.

"If you do the right loans and you're prudent in your due dilligence as a lender, you'll make money and your borrowers will make money and do well," he said. "If a borrower comes to us with a logical, solid transaction in golf, we will do the deal."

As evidence, Sager pointed to the 14,000 or so golf properties in the United States that are not private equity clubs, which he said have an average value of around $5 million.

"That gives you a $7 billion real estate marketplace," he said. "If you assume that only a third of those change hands or finance themselves each year, that gives you a $2.3 billion dollar market every year looking for some kind of financing on their golf course."

Even with that kind of opportunity in the market, Sager said, no one in the industry has ever taken more than a 10 percent stake in that, leaving the vast majority of those loans to be completed locally, below the national scope.

"If we lend $200 million in the marketplace and Textron does $200 million, between the two of us, we still control less than a 20 percent market share," he said. "So all the rest of this lending in the golf world never came up on anyone's radar, they never came to a golf course industry symposium, they never joined the National Golf Course Owners Association. They are the small regional banks scattered around the country where a local guy walked in and did his $3 million loan locally because he presented it as a business with the right opportunity for the bank to be his partner." ■