

JUNE • 1950

## How Insurance Plan of Club Financing Works

By L. C. VINSON

When club officials are told that a club can borrow the money it needs, can take 33 years in which to pay the debt and that it will never have to pay interest on the money borrowed their attitude is naturally one of considerable skepticism.

When they are further told that the members who will be asked to lend the money that the club needs will receive a fixed profit of 50 per cent and that they will have better protection than the bank would under similar circumstances there is an immediate demand to know where the catch is.

There is no catch.

The above benefits and others are possible through the proper use of life insurance.

Clubs usually suppose that there were only two ways by which an organization could be financed either at the time of its inception or at the time an extensive building program is being embarked upon or when it has a burdensome debt that has to be refinanced. However, in recent years, a third plan has been rapidly gaining favor as clubs have become familiar with the advantages that it has.

In order to start the discussion of club financing in an orderly fashion let us analyze the advantages and disadvantages of the various methods.

The first method that usually comes up for consideration is that of an assessment; this plan has many advantages if the club has a wealthy membership. It means that each member is assessed an equal amount with every other member. The money comes in promptly or your member is dropped.

An assessment is a forced gift and the giver is further penalized by the Federal tax of 20 per cent. The other disadvantage is the fact the membership in every organization changes radically every 10 years. This means that under an assessment, a member is paying for a club that

an entirely different group will be enjoying 10 years hence. This hardly seems an equitable way of doing.

The next plan is to borrow the money through the sale of bonds or from some bank or lending institution. This is the easiest way next to assessing. Under this plan the club secures its money in a lump and then is through with the matter. All it has to do now is to add a sufficient amount to its annual budget to enable it to pay back the plus 4 or 5 per cent interest. This plan is the most expensive way to raise money.

At the same time it is the most burdensome. Let us say that club borrows \$100,000 from the bank. As a rule it must amortize the debt over not more than 20 years and let's say pay 5 per cent interest. This means that the first year it must add \$10,000 to its budget to cover interest and principal. If the debt is to be amortized over a shorter period then a larger sum must be added.

If the debt is to be amortized over 20 years, it means that the club will pay out at least 50 per cent of the amount borrowed or \$50,000, if the interest rate is 5 per cent. That is a large sum to pay out for the privilege of borrowing this amount of money when it can be avoided.

One of the important clubs in the country was formed in the early 90's with a very large debt of about \$1,600,000. Since that time it is estimated that the club has paid out more than \$3,000,000 in interest and still owes the debt.

If the money is raised through the sale of bonds, it means that with most members their subscription is looked upon largely as a gift, for their bonds have no market value and most clubs do not set up any kind of sinking fund for them. Of course, this is not the case with all clubs but does apply to most. If the purchase of bonds is made mandatory, then the 20% Federal tax must be added.

The next plan to be considered is the insurance plan that has been coming into favor in recent years. It eliminates the burden of interest; it makes it possible to discount the principal of the debt; it offers the membership a profitable investment.

Under certain conditions, this investment is income tax free, estate, inheritance and gift tax free and it cannot be levied upon by creditors. The drain upon the club's budget is just about half that of a bank loan.

There are few plans that offer so many advantages to both the club and the membership. This plan of a New England insurance company was developed about 25 years ago, and in that time has been used successfully by about every kind of a non-profit institution.

The insurance plan is an adaptation of a plan or principle that is as old as insurance and that is the principle of an insured loan. Under an insured loan, life insurance is used to provide the money whereby the debt is paid in the case of the unexpected death of the borrower.

For the purpose of club financing, insurance is used to accumulate the money so that the club can repay the debt with a profit of 50 per cent at the time of the maturity of the policy or in case of the prior death of the insured. At the same time, the club has the assurance that the money that it pays out in premiums will never amount to more than approximately the amount borrowed, thus eliminating necessity of having to pay interest on the debt.

#### Steps in the Plan

The plan operates as follows: the first step is for the club to appoint from its membership three trustees as is done with any bond issues. These trustees enter into a Trust Agreement that specifies the manner in which the money can be used, that it can be used only for capital purposes and to cover the expense of the campaign.

The next step for the club is to canvass its membership asking that they lend the club the money that it needs and after all, if your membership does not have enough faith in the club and its future to lend it the money that it needs why should they expect a bank to do so.

They can subscribe in amounts as low as \$333 on up as far as they may want to go. They can pay for their subscription either in cash at a small discount or over a 5 year period. This money that the membership subscribes is paid into the hands of the Trustees, who in turn lend it to the club under the terms of the Trust Agreement. In return for this loan, the club gives the Trustees a mortgage on the club property.

The next step on the part of the club is to take out a 35 year Endowment Insurance policy on the life of the subscriber or on the life of any one whom he may designate for 50 per cent more than the amount that the subscriber has loaned. This insurance policy is the club's method of accumulating the money that it needs in order to pay back the full amount that it has borrowed plus a profit of 50 per cent, either at the time of the maturity of the policy or in case of the prior death of the insured.

The club, on its part, agrees to pay all of the premiums on this policy. Under this plan the club is assured that the premiums, over the 33 years that they are payable, will never amount to approximately more than the amount borrowed thus wiping out the item of interest on this debt.

With an average age of the insured being 40, the premiums that the club agrees to pay will average 3 per cent of the amount borrowed though the insurance in force will be 50 per cent greater. This means that club will never pay out in premiums more than approximately the amount borrowed.

Under this plan there is no medical examination required providing the insured is in good health though the company reserves the right to ask for an examination. This happens only in a limited number of cases. The insurance can be placed on persons between the age of 10 and 60. It is the experience that in the case of those over 60 that they place the insurance on some younger member of the family in order to escape estate and inheritance taxes.

When a member invests in the club mortgage under the insurance plan, he has a safer investment than the bank would have if it had loaned the money. If the bank had loaned the club the money and the club had to go into bankruptcy so that the bank had to foreclose then the only money that it would receive would be that realized from the sale of the property.

Under the insurance plan, the member who had loaned the club money would not only get what was realized from the sale of the property, but would also have the cash value that had been built up in his insurance policy.

\* To illustrate the operation of this plan let us say that John Jones had loaned the club \$1,000 and that a year after this he got into an auto accident and was killed. He had made his wife the beneficiary of his insurance policy. Mrs. Jones would then have two things that the club wanted. One would be the ownership of a pro rata share of the club's mortgage and the



### SAILORS' SNUG HARBOR

Sail Ho course, at U.S. Naval Training Center, San Diego, Calif., has seen many pros who were gobs during the war, sailing over its turf. This is the 180 yd. 4th. Mike Vesock has managed the course since its first 3 holes were opened in 1927. The course now is 9 holes, 1681 yds., par 30. Pro is "Tex" Reaser of Mission Valley, San Diego.

other would be an insurance policy for \$1,500.

Upon notification of John's death, the insurance company would send the Trustees a check for \$1,500, the face value of John's insurance policy. The Trustees would hold this check until Mrs. Jones came in and cancelled that part of the mortgage and surrendered the insurance policy. At that time she would get back the \$1,000 that John had loaned the club plus \$500. At the same time a \$1,000 section of the club's mortgage would be retired. As John had only lived a year after making the loan, it only cost the club one year's premium to get rid of thousand dollars of its debts and next year it will have one less premium to pay.

One of the most interesting things about this plan is its extreme flexibility. There is hardly a situation that might come up in the future that is not covered in a most logical manner. For instance many clubs do not want to tie themselves up to as long as 33 years. This is, of course, a reasonable objection. The answer is that it is not necessary. The club has the privilege of taking 33 years in which to pay the debt if it so desires or if circumstances require it. As with any term insurance, it can pay the premiums up in full as soon as it wants to do so. Using a 20 year pay life insurance policy as an illustration, the insured can

take the full 20 years in which to pay the premium or if he can pay them up in full in a shorter period, say 5 years or so, the company will give him a discount.

The same thing applies with this insurance plan. The Piqua (Ohio) CC raised \$31,000 under this plan in order to refinance a burdensome debt. Shortly after this campaign the club prospered and was able to pay up all of the premiums on the insurance at a total cost to the club of only \$27,125.44. Then the club could turn over to its subscribers a fully paid up insurance policy. That act automatically cancelled the debt.

### Chaney Heads Managers 1951 Convention Committee

Royce Chaney, Northwood CC, Dallas, Tex., has been named gen. chmn. for the 1951 convention of the Club Managers' Assn. of America which will be held at Dallas, Feb. 4-7. John Outland, Dallas CC, has been made sec.-treas. of the convention committee.

Plans for the national convention were outlined at a meeting of Texas club managers held at Abilene CC and committee heads appointed.

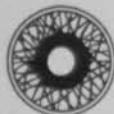
It is planned to make the educational program of the convention the most complete the CMAA ever has presented.

# LOOK WHO'S TALKING

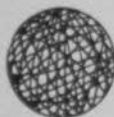
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# Progress in Control of New Pest, the Stinkworm

By J. C. SCHREAD

Connecticut Agricultural Experiment Station

The discovery within recent years that the earthworm *Pheretima hupeiensis*, Michaelson (Oriental earthworm, "Stinkworm") is a nuisance because of the mounds it casts on golf course greens in the eastern and northeastern part of the United States stimulated interest in its habits, abundance and control. There is little published information on the subject.

Fleming and Hadley reported the use of DDT at the high degree level of 100 pounds of actual toxicant per acre with scant success as a control measure. Since then DDT has been used by them at 1000 pounds per acre with no control resulting. In addition they discussed unpublished reports to the effect that at a country club near Rye, N.Y., treatments for several years with excessive amounts of lead arsenate, calomel, mercuric chloride, mow-rah meal and other materials commonly used to control earthworms gave negative results when applied to the Oriental species. Scott and Sons Co. published a brief statement about the use of Parathion, Chlordane and Toxaphene by Schread in 1948 in an effort to suppress the earthworm at Stamford, Connecticut.

Baker made a study of the effect DDT sprayed on foliage had on earthworms (not the Oriental species) when they dragged the fallen foliage into their burrows for food. Observations were made in a dense stand of elm trees at Columbus, Ohio, sprayed in September, 1944, with a 0.25 per cent DDT emulsion. Early in the following spring (1945) it was seen in the sprayed block that virtually no leaves had been dragged into earthworm burrows, whereas in the untreated blocks practically all the fallen leaves had disappeared. A count to a depth of 5 inches showed 27 worms to be present per 2 square feet in the sprayed plots and 95 in the unsprayed. By late May most of the leaves in the sprayed blocks had been removed by the worms.

## Begin Stinkworm Control

The persistence of the pest in golf course turf in the New York metropolitan area and the futile efforts of greenkeepers to eradicate the pest led to the request, in July, 1948, by a committee representing the golf interests of New York, New Jersey and Connecticut that the Connecticut

Agricultural Experiment Station undertake a program of research aimed at the development of efficient control measures. A fund to help support this was contributed by golf clubs and individuals in New York, New Jersey and Connecticut through this Committee. Thanks are due also to Arthur W. Twombly, greenkeeper at Pelham (N.Y.) and Mr. Lloyd Stott, greenkeeper at Woodway CC, Stamford, Conn. for their most valuable assistance since the initiation of the project.

Although we are here concerned with the suppression of this worm on golf courses, it may well be a valuable addition to the fauna of this part of the country, as, generally speaking, earthworms are beneficial and not by any means injurious. From the standpoint of crop production the earthworm is undoubtedly the most desirable and beneficial form of animal life in soils.

The effect on soil fertility involves the physical and chemical nature of earthworm casts and the pattern of burrows in the soil. In regard to the former, Lunt and Jacobson have discussed the chemical composition of earthworm casts and reviewed the literature on the subject. They include an analysis by Puh of soil and worm casts caused by *Pheretima bucculenta*. This indicates a significantly greater amount of nitrogen, phosphorus and potash as compared to the parent soil.

The effect of the application of certain insecticides on the population of this worm is interesting, not only from the viewpoint of suppressing its abundance, but also as a source of information as to what may happen to these worms in areas where the insecticides have been applied for the control of certain pests. It must be remembered, however, that the highest dosage level required to control all surface and subsurface insect pests is considerably less than that necessary to destroy Oriental earthworms.

## Distribution and Method of Spread

*Pheretima* is the largest and most difficult, taxonomically, of all earthworm genera, being reported to contain 180 known species distributed in the Orient from China and Japan southerly through the Malay Peninsula and into India. P.



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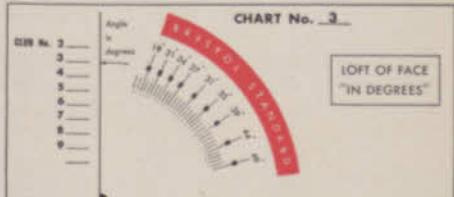
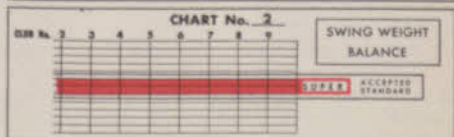
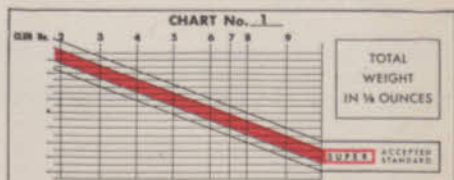
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hupeiensis is believed to have gained entrance into the United States a number of years ago, perhaps via exotic plant material balled and bagged or in the roots of plants from which the soil was removed prior to shipment.

For 15 years there have been reports of the occurrence of the species in golf course greens in the eastern part of the country. During this time it has multiplied and spread until, at the close of the summer of 1949, it was known to occur from Stamford, Conn. (the only place it has been found in the State) south along the Atlantic coast to Miami, Fla. However, it is most abundant in Westchester County, N.Y., where about one-half of the 52 golf courses within a radius of 25 miles of New York City are infested.

The method of spread in this country is not definitely known. It is believed to be transported from place to place in the movement of soil, topdressing, plants and sod. To a limited extent mowing and other golf course equipment and the cleated shoes of golf players may distribute small worms which adhere to them, especially when picked up with wet freshly mowed grass or in mud.

#### Description of Stinkworm

*Pheretima hupeiensis* was described by Michaelson in 1895. Individuals vary in length from 150 to 222 mm. The diameter is usually 5 mm. "Color in life is light green on dorsal side, greenish buff on anterior dorsum, light green on posterior dorsum, purplish green along dorso-median line, lighter around setal zone; greyish pale ventrally. Clitellum milky or light chocolate."

An exhaustive study of the life history and habit of *P. hupeiensis* has not been completed. It appears, however, that there may be more than one generation a year. The rate of increase is high, probably 20 or more individuals per cocoon (egg capsule). The animal occurred in all soils examined and in all areas of golf courses where excavations were made to determine distribution and population. This includes greens, tees, fairways, roughs and grass nursery plots where diggings were made to depths of 41 inches.

The population of worms in a golf course varies from a scattered few or none in sandy and gravelly soils (mostly roughs) of relatively low fertility and

water holding capacity to greater densities in fairways, tees and greens of higher organic matter and moisture content. It is present in greatest abundance in greens where the organic matter, fertility and moisture are highest.

Weather permitting, *P. hupeiensis* may surface, cast, or do both during all four seasons of the year in the New York metropolitan area. Records are available relative to tremendous casting, February 20, 1949, on an Aldrin treated green (December 3, 1949) at the Pelham CC.

Air temperature of 60° F. or better (preferably 70° F. or above) at the time of or subsequent to moderate or heavy rain and high humidity will bring the worm to the surface of the ground with virtually no casting. Usually, abundant castings are not seen until after rain has fallen during the daylight and night hours or night hours only of the previous day. Casting may then continue each day thereafter providing the temperature and humidity remain sufficiently high. Repeated performances are doubly assured during a rainy season when storms occur several times a week, particularly during the spring and autumn. When conditions are ideal, casting takes place repeatedly during the daylight hours, a habit peculiar to the species and not apparent among native earthworms. Continuous production of casts in great abundance (25,000 to 30,000 in 5,000 sq. ft.), requiring repeated attention to remove them from the golf greens, may occur during periods of favorable weather.

Based on the average weight of dry castings of 0.485 grams each (100 castings taken at random from a golf course green) an attempt was made to estimate the weight of soil per green of 5,000 sq. ft. and also per acre that may be cast once or several times in 24 hours by various worm pop. densities (Table 1).

Computing the weight of castings for an average of 15 worms per sq. ft., when three casting populations occur in 24 hours the weight of dry soil cast on 5,000 sq. ft. of green would be 240.30 lbs.; on an acre 2,065.5 lbs. When this occurs once a week during the spring and autumn (18 weeks) the minimum weight of castings per 5,000 sq. ft. green in one year would be 2.16 tons, per acre 18.58 tons. Under such conditions the turf cannot be

TABLE 1. WEIGHT OF WORM CASTINGS

No. Castings per 1 sq. ft.	Per Average Size Green 5,000 sq. ft.	Per Acre
1	5.34 lbs.	45.9 lbs.
5	26.70 lbs.	229.5 lbs.
15	80.10 lbs.	688.5 lbs.
25	133.50 lbs.	1147.5 lbs.

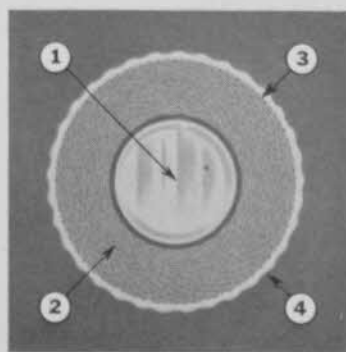


"Boy! what  
a Shot"



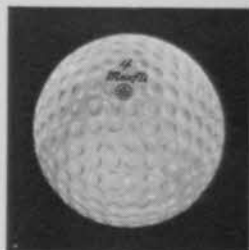
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kept in the consistently good playing condition desired. The surface of the turf assumes a muddy discoloration, obstructions to accurate putting develop, and the game of golf is materially interfered with. This means costly maintenance.

An exception to the usual pattern of casting prevailed during latter part of the spring and first half of the fall of 1949. Despite unseasonable high temperatures and humidity plus periodical watering of greens, extended droughts during these two seasons prevented surfacing or casting by the stinkworm. Although infested greens are watered for a short time each day during periods of lessening precipitation, abundant casting on the surface of the green will not take place unless moderate to heavy rainfall occurs. Light rain of short duration or drizzle appear to have no greater influence on compelling the animal to surface than artificial watering. Excessive watering of an infested turf area during periods of high temperature and humidity will encourage more casting activity than may be expected when moderate watering is done.

Beginning with the sod of initial level diggings varying in depth from 22 to 41 inches examinations were made during the summer in fairways, roughs and greens to provide information relative to the abundance and location of the stinkworm. In soil "bone dry" to a depth of 20 inches, it could not be found. However, at sub-

sequent moisture laden levels it was present. Native earthworms (*Allobophora caliginosa* vars. *pallid* and *dark*, *A. chlorotica*, *A. longa*, *Eisenia rosea*, *Lumbricus terrestris*) were taken from the dry soil at virtually all depths from the sod to the 20 inch level inclusive.

### Control

A number of chemicals were used experimentally to reduce the worm population in greens, mostly at Pelham CC. They were applied as dusts, wettable powders and emulsions. The latter group gave best results. When used as 2.5 and 5 per cent dusts, the materials were mixed with Milorganite as a diluent to facilitate distribution. The wettable powders were applied in 15 to 50 gallons of water per 5,000 sq. ft. of turf and the emulsions in 50 gallons of water per 5,000 sq. ft. A sprayer mounted with two 50 gallon tanks was used to make the treatment. Pressure at the pump was maintained at 400 pounds. Immediately following all treatments the turf was soaked with fresh water. This was also done on the two succeeding days.

**PARATHION:** On May 13, 1948, subsequent to heavy rain on the previous day, a 5,000 sq. ft. putting green infested with stinkworm estimated to be 20 per sq. ft.) at Woodway CC, was treated with 10 pounds of 25 per cent wettable Parathion at the rate of 21.50 pounds of tech-

*(Continued on page 82)*

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## LIGHTNING ON OFFENSE AT NOTRE DAME

Chet Keeley, pro at University of Notre Dame's Burke course at South Bend, Ind., sent us this picture of his eighth green to prove that lightning strikes with the same force as the university's charging football linemen. There was no pole in the cup when lightning struck. The cup was 1 1/4 in. below the surface and sod was blown out at the same depth. Sod was replaced and no signs of the damage now are evident.

